

FINANCIAL POLICY

1. Introduction

CBED has a policy for financial management in order to ensure proper management of financial resources of the organisation. The following are included:

2. Accounting policy and procedures manual

An accounting policy and procedure manual will be documents the policies and procedures of an organisation that will be used to record and monitor financial transactions. Documentation of accounting policies and procedures is important because it provides clarity regarding internal processes. In addition, it can be helpful to newcomers of the organisation while improving their financial management skills. Its purpose is to help in:

- Recording all financial transactions
- Monitoring and controlling expenditures
- Satisfying statutory reporting requirements e.g. EPF, TDS etc.
- Ensuring timely and accurate financial and management reporting to donors and grant-makers

2.1 Accounting convention

The accounts of the grant recipient will be prepared under the historical cost convention. The day-to-day transactions will be recorded at the monetary value of the goods or services or fair market value of the donated services.

2.2 Income

Income represents grants from donor, members' subscriptions and interest received from bank deposits and on investments. Grants, cash donations and interest received from bank deposits and investments are recognized as income in the period in which they are received.

2.3 Expenditure

Expenditure represents expenses incurred directly for programme activities. These are recognised when payments are made (i.e. when cheque or cash is disbursed or paid).

2.4 Taxation

CBED will be properly registered, and therefore, be exempted from any taxation.

2.5 Currency of account

The accounts of the grant recipient will be created to reflect the budget line items of the approved programme budget. In addition, the accounts will be recorded in:

2.5.1 Purpose and objectives of the accounting system.

The objectives of the grant recipient's accounting system are:

- i) To record and classify all transactions accurately and completely
- ii) To maintain a complete record of all the following:
 - **Revenue** received
 - **Expenditure** incurred
 - **Assets** owned
 - **Liabilities** due.
- iii) To report to donors on all required financial information.

2.5.2 Preparation of accounts.

- **Cash books.** Record transactions on the grant recipient bank accounts and record receipts of petty cash from the bank and petty cash expenditure.
- **Budget and expenditure.** Record budget and actual expenditure by budget code on a monthly and cumulative basis.
- **Fixed assets.** Maintain manual records of all assets.
- **Travel.** Record transactions relating to travel.
- **Procurement.** Record transactions relating to procurement of goods and services.
- **Payroll.** Record transactions relating to compensation of employees (e.g., salaries, gratuities and incentives).
- **Reporting.** Prepare monthly, quarterly and/or annual reports.

2.6 General ledger procedures

This consists of the following monthly activities:

- Record expenditure by project activities
- Record other payments not relating to projects
- Record grants and other income received during the month
- Extract monthly **trial balance**
- Identify and record (pass) **journal entries** for accrued charges and prepayments (if required)
- Prepare end of year **trial balance**
- Reverse year-end accruals after close of financial year. This is required to avoid overstatement of expenses.

2.6.1 Purpose of general ledger procedures

The General Ledger Accounting System is designed to improve the timeliness and quality of information available to grant recipient management. Financial information includes information on assets, liabilities, revenue, funding and expenses.

The Director/Finance Officer is responsible for producing all final general ledger outputs. Among the principal responsibilities are:

- Receipt and coding of all source information into the general ledger

- Verification and input of the information related to expenses, budget, funding, revenue, assets and liabilities
- Production and distribution of general ledger reports to budget holders and other interested parties. The source of data for the general ledger system is the other sub-systems: budgeting, fixed assets, cash and payroll systems. This data will be used in the preparation of management and financial reports. The general ledger will have separate accounts for each budget line for each of the donors. This will make the preparation of donor specific financial statements easy. The monthly postings to the general ledger are cash based. If the organisation is to account on an accruals basis, year-end accruals for creditors, debtors and prepayments will be recorded to convert the accounts to an accruals basis.

2.7 Cash management and disbursements

The purpose of cash procedures is to ensure that:

- All cash received is properly accounted for.
- All cash received is deposited intact in the respective bank accounts. Ideally, a separate bank account will be opened for each donor. If this is not possible, then a
- separate cost code within the general ledger will be maintained
- There is separation of responsibility of handling the cash/cheques and that of recording
- All cash transactions are properly captured by the general ledger system
- All payments are properly verified and approved prior to payment
- All creditor payments are made by cheque
- All vouchers and supporting documentation are properly stamped "paid" before cheques are despatched
- Proper and timely bank reconciliations. The key steps in preparing a bank reconciliation are:
 - i. Compare the bank statement and the cash book balance.
 - ii. Record all bank charges into the cash book.
 - iii. Identify and record in the cash book any other debits on the bank statement which are not in the cash book. Record these debits in the cash book.
 - iv. Identify any credits on the bank statement that have not been recorded on the cash book. Adjust the cash book by recording these items in the cash book.
 - v. All reconciling items will be examined for genuineness and any unusual items investigated.
 - vi. On completion of the above, prepare reconciliation.
 - vii. Prepare bank reconciliations on a monthly basis.

2.8 Budgeting and budgetary control procedures

The purpose of budgeting and budgetary control procedures is to:

- Prepare operational budgets
- To record daily expenditure.
- To record cumulative expenditure to date by budget line items.

- To compare and monitor cumulative expenditure by budget line items to the original (or revised) budget

2.9 Fixed assets and depreciation

Fixed assets are defined as tangible assets, which have been acquired either through purchase or donation with the intention of being used on a continuing basis for a period exceeding one year. All will be included in the fixed asset register. To facilitate proper financial and management control, fixed assets have been grouped into four categories according to **Asset class Asset description**

1. Motor Vehicles (MV)
2. Office Equipment (OE)
3. Furniture and Fittings (OF)
4. Computer Equipment (CE)

Fixed assets will be recorded at cost of purchase price or market value for donated assets.

2.10 Fixed asset tag numbers

The tag numbers for the office equipment, furniture and fittings and computer equipment should be based on the asset class. An easy way of recording in the fixed asset register is to use a three-digit tag number in the format of the following example: BMS/OE/015. BMS designates the donor. The digits OE indicate the asset category (Office Equipment) while the last three digits represent the asset number in chronological order. For motor vehicles, the registration number should be sufficient for identification purposes.

2.11 Travel procedures

The purpose of travel procedures is to ensure that:

- All travel, international or otherwise is adequately planned
- for in advance
- All travel expenses are for properly authorised
- All travel advances are properly and completely accounted for
- All donor requirements are adhered to

Procedures for travel

- Prior approval for any intended travel must be obtained.
- The organisation will pay advance/reimburse employees/ consultants for any pre-authorised expenses incurred.
- The amount paid in advance/reimbursed will be based on the rates advised from time to time by the Director. The rates should be based on cost of travel, accommodation, etc, in the specific location.
- Donor funds used to sponsor international travel shall be undertaken on International Airlines. All international air travel shall be economy class. For donor sponsored travel, any use of first-class or business class travel has to be specifically approved by the donor.

2.12 Procurement of goods and services

The purpose of procurement procedures is to ensure that:

- Procurements are made to the maximum extent possible on a practical, open and freely competitive basis
- The grant recipient obtains the maximum value for money on all its procurements of goods and services
- Procured goods and services are delivered in the correct quantity and quality and in a timely manner

Procedures for goods and services procurement

1. For all goods and services procurement will be done after approval of the Director.
2. The expenditure proposed will be sanctioned after taking the budget into consideration.
3. At least 3 quotations should be obtained for each purchase, before a decision can be made, except in special circumstances where this requirement can be waived by the Director.