

CENTRE FOR ENVIRONMENT AND MIGRATION ASSISTANCE (CEMA)



Financial and Accounting Policy

March 2024

Introduction	3
Financial Governance and Oversight	3
Financial Planning and Budgeting	5
Revenue Recognition and Management	8
Accounting and Financial Records	12
Internal Controls and Compliance	15
Expenditure Management	18
Financial Reporting and Transparency	21
Payroll and Employee Benefits	24
Financial Risk Management	27
Policy Review and Updates	30

1. Introduction

This Financial and Accounting Policy outlines the principles, standards, and procedures for the financial management of Centre for Environment and Migration Assistance (CEMA), ensuring transparency, accountability, and compliance with local and international regulations. This policy is intended to provide clear guidelines for the management of financial resources, reporting, and auditing for CEMA's operations, specifically focusing on donor funds, government grants, and other financial contributions.

2. Financial Governance and Oversight

Effective financial governance is essential to ensuring the proper stewardship of CEMA's resources. This section outlines the roles and responsibilities of the key stakeholders in overseeing the organization's financial operations, ensuring compliance with financial regulations, and safeguarding the integrity of financial reporting.

Board of Directors

The **Board of Directors** is the highest governing body of CEMA and plays a critical role in overseeing the financial management of the organization. The Board's financial oversight responsibilities include:

- **Setting Financial Strategy and Policies:** The Board is responsible for approving CEMA's overall financial strategy, including high-level budgetary decisions, fundraising strategies, and investment policies. The Board ensures that these strategies align with CEMA's mission and long-term sustainability.
- **Ensuring Financial Transparency and Integrity:** The Board is tasked with ensuring that CEMA's financial reporting is accurate, complete, and in compliance with Ugandan law, donor requirements, and international accounting standards. This involves reviewing financial statements, monitoring compliance, and ensuring transparency in all financial activities.
- **Legal and Regulatory Compliance:** The Board must ensure that CEMA adheres to all relevant laws and regulations, including those related to tax, employment, donor restrictions, and financial disclosures. The Board should be aware of changes in financial regulations and ensure CEMA implements necessary changes to stay compliant.
- **Appointing Audit and Finance Committee:** The Board will appoint an **Audit and Finance Committee** to assist in overseeing the financial operations of CEMA. This committee plays a vital role in reviewing the financial statements, monitoring compliance with financial policies, and recommending improvements to financial processes. The committee ensures that the organization's internal controls are functioning properly and reports its findings to the full Board.
- **Review and Approval of Financial Reports:** The Board will review quarterly and annual financial reports prepared by the Finance Department, ensuring that these reports accurately reflect the financial health of the organization. This includes reviewing the budget, income statements, balance sheets, and cash flow statements. The Board approves these reports before they are submitted to donors or made publicly available.
- **Oversight of Financial Audits:** The Board is responsible for selecting an independent external auditing firm to conduct CEMA's annual audit. The Audit and Finance Committee will collaborate with the auditors and ensure that the audit process is thorough, transparent, and completed on time. After the audit is completed, the Board

will review the audit findings, including any recommendations for improving financial controls or processes.

Executive Director

The **Executive Director** (ED) is the senior executive responsible for implementing CEMA's financial policies and ensuring the day-to-day financial operations are carried out in a transparent, efficient, and compliant manner. The ED's key responsibilities include:

- **Implementing Financial Policies:** The ED is responsible for ensuring that the financial policies outlined by the Board are put into practice across CEMA's operations. This includes establishing financial procedures, defining roles and responsibilities, and ensuring that all staff are trained and aware of the financial policies.
- **Managing Financial Operations:** The ED oversees all aspects of financial operations, including budgeting, financial reporting, cash management, and the preparation of financial statements. The ED ensures that financial transactions are processed in a timely and accurate manner, in accordance with CEMA's policies and procedures.
- **Financial Reporting:** The ED is responsible for preparing and submitting accurate and timely financial reports to the Board. These reports include financial statements, detailed budget analysis, and variance reports. The ED must ensure that these reports are aligned with CEMA's strategic objectives and provide a clear picture of the organization's financial health.
- **Maintaining Financial Controls:** The ED is responsible for ensuring that CEMA's financial systems are equipped with appropriate internal controls to prevent errors, fraud, or mismanagement of funds. This includes ensuring segregation of duties, establishing approval processes, and regularly reviewing financial records and transactions.
- **Managing Cash Flow:** The ED monitors CEMA's cash flow to ensure there are sufficient funds to meet operational and programmatic needs. The ED will ensure that cash flow projections are accurate and that CEMA operates within its financial means, avoiding deficits.
- **Liaison with the Audit and Finance Committee:** The ED works closely with the Audit and Finance Committee, providing necessary information and clarifications on financial matters. The ED will assist in responding to audit recommendations and ensuring that corrective actions are implemented where necessary.
- **Oversight of Finance Team:** The ED oversees the Finance Department's operations and ensures that finance staff are equipped with the necessary resources, training, and support to carry out their responsibilities effectively.

Finance Department

The **Finance Department** is responsible for the day-to-day management of CEMA's financial operations. The department ensures that all financial transactions are recorded accurately and that the organization's financial systems are in compliance with the policies set by the Board and Executive Director. Key responsibilities of the Finance Department include:

- **Bookkeeping and Record Keeping:** The Finance Department is responsible for maintaining accurate and up-to-date records of all financial transactions, including income, expenses, assets, and liabilities. This includes the recording of donations, grants,

program expenses, and operational costs. All records must be properly documented and stored in accordance with the retention policy.

- **Accounts Payable and Receivable:** The Finance Department is responsible for managing accounts payable (money owed by CEMA to suppliers, contractors, etc.) and accounts receivable (money owed to CEMA by donors, clients, etc.). The department ensures timely payment of bills and collection of receivables, monitoring cash flow to avoid disruptions in operations.
- **Financial Reporting and Statements:** The Finance Department prepares regular financial reports, including monthly and quarterly financial statements. These reports provide the Board, the Executive Director, and donors with a clear overview of CEMA's financial status, including budget versus actual comparisons, cash flow analysis, and balance sheet reports.
- **Bank Reconciliation:** The Finance Department ensures that all bank accounts are reconciled regularly. This involves comparing the organization's financial records with bank statements to identify discrepancies and ensure that the organization's cash position is accurately reflected.
- **Budget Preparation and Monitoring:** The Finance Department plays an essential role in preparing CEMA's budget. This includes collaborating with program managers to gather data for project budgets and working with the Executive Director to ensure that the overall budget reflects the strategic priorities of the organization. The department also monitors budget performance throughout the year and reports variances to management for corrective action.
- **Compliance with Financial Policies:** The Finance Department ensures that all financial activities adhere to CEMA's financial policies and procedures. This includes ensuring that expenditures are pre-approved, that all financial transactions are documented, and that payments are made according to approved terms and conditions.
- **Donor Compliance:** The Finance Department ensures that donor funds are used in accordance with the terms and conditions of funding agreements. This includes tracking restricted and unrestricted funds, monitoring project expenses, and ensuring that appropriate financial reports are submitted to donors in a timely manner.
- **Internal Controls:** The Finance Department is responsible for implementing and monitoring internal controls, such as ensuring that financial transactions are properly authorized, invoices are matched with purchase orders, and payments are made only for valid services or goods. Regular internal audits and reconciliations are carried out to safeguard CEMA's financial integrity.
- **Audit Coordination:** The Finance Department coordinates with external auditors to ensure a smooth and thorough audit process. It ensures that all financial records and reports are prepared in compliance with auditing standards and that auditors have access to all necessary documents.

3. Financial Planning and Budgeting

Effective financial planning and budgeting are fundamental to CEMA's ability to achieve its strategic goals and ensure the efficient use of resources. The financial planning and budgeting process provides a clear roadmap for managing the organization's finances, aligning resources with operational and programmatic priorities, and ensuring compliance with donor requirements. This section outlines the key components of the financial planning and budgeting process at CEMA.

Annual Budget

The **Annual Budget** is a comprehensive financial plan for the organization's activities during the fiscal year, designed to align with CEMA's strategic plan, goals, and programmatic objectives. The annual budget serves as a key tool for managing finances and ensuring that resources are allocated efficiently and effectively.

- **Budget Preparation:**
 - The process of preparing the annual budget starts with a review of CEMA's strategic plan and objectives, ensuring that the budget reflects the priorities and goals for the upcoming year. The Finance Department, in collaboration with senior management and program directors, gathers input from all departments and projects to develop a detailed budget.
 - The budget includes projections for all income sources (such as donor funds, grants, earned income, and fundraising), as well as estimated expenses for operations, programs, personnel, and capital expenditures.
 - The Finance Department will consult with the program managers to ensure that their budgets reflect realistic needs based on past performance and projected activities for the year.
- **Alignment with Strategic Plan:** The budget is designed to ensure that financial resources are allocated to support CEMA's strategic objectives. This includes prioritizing activities that are aligned with CEMA's mission, focusing on key areas such as refugee aid, environmental protection, climate resilience, and disaster risk reduction, among others.
- **Approval Process:**
 - The **draft budget** will be reviewed by the Executive Director and the senior management team for alignment with CEMA's strategic priorities.
 - Once reviewed, the budget is submitted to the Board of Directors for final approval. The Board will ensure that the budget is both realistic and reflects the organization's goals, while also providing sufficient funding for core functions, such as staffing, administration, and program implementation.
 - The Board will review key assumptions, revenue projections, and anticipated costs to ensure that the budget is sustainable and that adequate provisions are made for contingencies or unforeseen expenses.
- **Budget Approval Timeline:** The annual budget must be approved by the Board of Directors **prior to the start of the financial year** to ensure that CEMA can operate smoothly from day one of the new fiscal year. Any changes or amendments to the budget during the year must be approved by the Board as well.

Budget Monitoring

Budget Monitoring is an ongoing process that ensures financial activities remain aligned with the approved budget and that expenditures are within planned limits. It allows CEMA to track financial performance and address any discrepancies in a timely manner.

- **Tracking Expenditures and Revenues:**
 - The Finance Department is responsible for regularly tracking actual revenues and expenses against the approved budget. This includes recording all financial transactions, categorizing them correctly, and maintaining up-to-date records.

- The Finance Department prepares **monthly or quarterly budget-to-actual reports**, which compare actual income and expenditure against the projected figures in the budget.
- **Variance Analysis:**
 - Variances occur when actual spending or income deviates from the budgeted amounts. The Finance Department will identify and analyze these variances, highlighting areas where spending is over or under budget.
 - Significant variances, either in terms of amounts or in relation to programmatic objectives, will be escalated to the Executive Director for review and to the Board of Directors if necessary.
- **Regular Review:**
 - **Monthly Financial Reviews:** Monthly or quarterly financial reports will be prepared and shared with the Board of Directors, the Executive Director, and key program managers. These reports will include variance analysis and provide a clear overview of the financial health of the organization.
 - The Board will review these reports regularly to ensure that spending is in line with the approved budget and organizational priorities.
- **Corrective Action:**
 - In cases where budget variances are identified, the Executive Director and the Finance Department will collaborate with the program managers to develop corrective actions. This could involve reallocating funds between budget categories, adjusting spending, or seeking additional funding to cover shortfalls.
 - The Executive Director will ensure that appropriate measures are taken to address significant discrepancies and bring the budget back on track.
- **Forecasting:**
 - Budget forecasts will be updated periodically based on actual performance and changes in circumstances. This ensures that CEMA has a proactive approach to financial management, particularly when it comes to addressing emerging challenges or funding opportunities.
 - The Executive Director, in collaboration with the Finance Department, will use these forecasts to adjust plans, manage cash flow, and ensure financial sustainability throughout the year.

Program Budgets

Each individual program or project within CEMA must submit a detailed **Program Budget** as part of the overall annual budget preparation process. Program budgets ensure that the financial resources allocated to specific activities are properly planned, managed, and controlled.

- **Program-Specific Budget Development:**
 - Program managers are responsible for developing a detailed budget for their respective programs or projects, which should reflect the program's specific goals, activities, and expected outcomes.
 - Program budgets must include all projected costs, such as personnel salaries, supplies, equipment, travel, operational expenses, and other direct and indirect costs associated with program implementation.
 - When developing the program budget, managers must ensure that it aligns with CEMA's **strategic objectives** and donor requirements. Donor

restrictions (e.g., specific allocations for different expenditure categories or activities) must be carefully considered when preparing the budget.

- **Review and Approval of Program Budgets:**
 - Each program budget is submitted to the Executive Director and Finance Department for review. The Finance Department ensures that each budget is realistic and aligns with both operational goals and financial resources.
 - Once reviewed, the program budgets are submitted to the Board of Directors as part of the overall organizational budget for approval.
- **Budgetary Control:**
 - The Finance Department is responsible for ensuring that all program expenditures stay within the approved budget. This includes reviewing expenditures and ensuring that all transactions are within the budgeted limits and are for approved activities.
 - Any proposed budget adjustments or reallocations within programs must be approved by the Finance Department and Executive Director. Major budget adjustments or overspending require Board approval.
- **Monitoring and Reporting for Program Budgets:**
 - Program managers are required to monitor their program's budget throughout the year and report any variances or challenges to the Finance Department. These reports should be submitted on a regular basis (monthly or quarterly) and should include a detailed explanation of any variances and how they will be addressed.
 - The Finance Department will work closely with program managers to ensure that any budgetary issues are resolved promptly and that funds are used efficiently.
- **Donor-Restricted Funds:**
 - Programs that are funded by donor grants must adhere to donor-specific guidelines regarding how funds can be spent. The Finance Department will track donor contributions separately and ensure that all donor-funded programs comply with their specific budgetary restrictions.
 - Any expenditure that does not comply with donor guidelines must be flagged and addressed immediately to prevent potential funding issues.
- **Program Budget Evaluation:**
 - At the end of each financial year, program managers and the Finance Department will conduct a **post-budget evaluation**. This evaluation will assess the effectiveness of the program budget in achieving its objectives, identify areas for improvement, and help refine future budgets.
 - The Finance Department will consolidate these evaluations to inform the next year's budget planning process and ensure continuous improvements in financial management.

4. Revenue Recognition and Management

Revenue recognition and management are crucial aspects of ensuring the financial stability and sustainability of CEMA. This section outlines the policies for recognizing and managing various revenue streams, including donations, grants, fundraising revenue, and earned income. CEMA will ensure that all revenue is properly recorded, monitored, and used in accordance with the organization's mission and financial policies.

Donations and Grants

Donations and grants are a primary source of funding for CEMA and are integral to supporting its programs and operational activities. To ensure transparency and compliance with donor expectations, the following procedures will be implemented:

- **Revenue Recognition:**
 - All donations and grants received by CEMA, whether in cash or in-kind, will be recorded in a designated **revenue account** in CEMA's financial records. The Finance Department will ensure that all contributions are properly documented and classified according to the source of the donation (e.g., individual donors, corporate sponsors, government grants, or international organizations).
 - The **timing of revenue recognition** for grants will depend on the conditions outlined in the grant agreement. For **restricted grants**, the revenue will be recognized as income when the conditions specified in the agreement are met (e.g., when the funds are spent for the designated program or activity). For **unrestricted donations**, revenue is recognized immediately upon receipt.
- **Source Identification:**
 - The **source of each contribution** (donor or grantor) must be clearly identified and recorded. This will help CEMA maintain accurate records of its funding sources and ensure that donor-specific reporting requirements are met.
 - The Finance Department will maintain a detailed **donor database** that includes information on the donor's name, donation amount, restrictions (if any), and any terms and conditions associated with the funding. This will assist in tracking funds and ensuring that donor intentions are respected.
- **Restricted and Unrestricted Funds:**
 - **Restricted funds** are those that are provided by donors for a specific purpose, project, or activity. These funds must be tracked separately to ensure that they are used exclusively for the specified purpose. CEMA will ensure that any restricted funds are spent in compliance with the donor's intentions and reported back to the donor in accordance with the grant agreement.
 - **Unrestricted funds** are donations that may be used for general organizational purposes, including overhead and operational costs. These funds provide CEMA with the flexibility to allocate resources where they are most needed.
- **Donor Reporting:**
 - CEMA will provide regular reports to donors on the use of their funds, as required by the donor agreements. These reports will include information on how the funds have been spent, progress made on the funded projects, and any outcomes achieved. The Finance Department will ensure that all donor reporting complies with both donor expectations and Ugandan regulations.
- **Monitoring and Compliance:**
 - CEMA will implement systems to monitor **donor restrictions** to ensure that funds are not misused or misallocated. The Finance Department will conduct regular checks to verify that funds are being utilized in accordance with the terms of the donor agreements.

- Any mismanagement of donor funds will be investigated promptly, and corrective actions will be taken.

Fundraising Revenue

Fundraising is an important aspect of CEMA's resource mobilization strategy. Revenue from fundraising activities will be managed with the utmost integrity and in compliance with applicable laws and regulations.

- **Revenue Recognition:**
 - **Fundraising revenue**, including donations raised through events, campaigns, and direct appeals, will be recognized in the financial records at the time of receipt. The Finance Department will ensure that all donations are promptly recorded and deposited into CEMA's bank account.
 - Any **pledges** (i.e., promises to donate in the future) will be recognized as revenue when the pledge is made, provided there is a reasonable expectation that the donor will fulfill the pledge. If the pledge is conditional (e.g., subject to a future event), the revenue will be recognized once the condition is met.
- **Documentation and Receipts:**
 - CEMA will issue **official receipts** for all donations and pledges received as part of fundraising activities. The receipts will include the donor's name, the amount donated, the date of the donation, and a statement indicating whether the donation is tax-deductible.
 - All receipts will be in compliance with **Ugandan tax regulations**, ensuring that both donors and CEMA are in compliance with the relevant laws. The Finance Department will maintain records of all receipts issued for fundraising purposes.
- **Fundraising Compliance:**
 - CEMA will comply with all legal and regulatory requirements related to fundraising activities, including obtaining any necessary permits or approvals for events. This includes ensuring that funds raised are used for the intended purposes as outlined in the fundraising materials and communications.
 - The Finance Department will ensure that all funds raised through fundraising activities are properly documented, recorded, and allocated, and that any restrictions imposed by donors or the fundraising activity itself are respected.
- **Donor Recognition:**
 - CEMA will recognize the contributions of donors in line with its **donor recognition policy**, which may include acknowledging donors in reports, newsletters, and on the CEMA website. This helps maintain good relations with supporters and encourages continued engagement with CEMA's mission.

Earned Income

In addition to donations and grants, CEMA may generate **earned income** through the sale of goods, provision of services, or consulting activities. This earned income provides an additional revenue stream that helps diversify funding sources and enhance organizational sustainability.

- **Revenue Recognition:**

- **Earned income** will be recognized when it is **earned**, meaning when the goods or services have been provided and the revenue is realized. For example, income from consulting services will be recognized when the service is rendered, and income from the sale of products will be recognized when the products are delivered or transferred to the buyer.
- The Finance Department will allocate earned income to the appropriate revenue stream in CEMA's financial records to ensure accurate tracking and reporting.
- **Revenue Allocation:**
 - Earned income will be allocated based on the nature of the transaction. If the income is related to specific programs or projects, it will be allocated to the relevant program or project revenue account. If it is general organizational income, it will be recorded under unrestricted income.
 - The Finance Department will ensure that any earned income used to cover programmatic expenses is properly documented and tracked.
- **Compliance with Tax Regulations:**
 - CEMA will ensure that all earned income is in compliance with **Ugandan tax laws** and that any taxes or levies due on such income are paid in a timely manner. This includes ensuring that VAT or other applicable taxes are calculated and paid as required.
- **Invoicing and Documentation:**
 - For earned income transactions, CEMA will issue **invoices** to clients or customers as appropriate, detailing the goods or services provided, the price, and any applicable taxes or charges. The Finance Department will ensure that all invoices are properly tracked and payments are collected promptly.

General Revenue Management Policies

- **Revenue Reporting:**
 - The Finance Department will provide regular reports on all sources of revenue, including donations, grants, fundraising, and earned income. These reports will include details on the amount received, the source of the funds, any restrictions or conditions attached, and how the funds were allocated or spent.
- **Cash Flow Management:**
 - The Finance Department will monitor cash flow regularly to ensure that CEMA has sufficient funds to meet its obligations, including program costs, operational expenses, and payroll. The department will forecast cash flow to ensure that CEMA can continue to operate smoothly and avoid liquidity issues.
- **Internal Controls:**
 - CEMA will implement appropriate internal controls to safeguard its revenue, ensuring that funds are received and used in compliance with organizational policies and donor requirements. The Finance Department will conduct regular reconciliations and audits of revenue sources to detect and address any discrepancies or irregularities.

5. Accounting and Financial Records

The integrity of CEMA's financial management system relies heavily on accurate, transparent, and organized accounting and record-keeping practices. This section outlines the essential components of CEMA's accounting system, which ensures that financial data is captured correctly, properly categorized, and maintained in compliance with legal and regulatory requirements.

Accounting Method

CEMA will use **accrual accounting** to ensure the accurate and timely recognition of all financial transactions. This method allows for a more realistic picture of the organization's financial health by recognizing revenue and expenses when they are incurred, regardless of when cash transactions occur.

- **Revenue Recognition:** Under accrual accounting, **revenue is recognized** when earned, not necessarily when payment is received. For example, if CEMA provides a service or a program, the revenue from that service will be recorded when the service is rendered, even if payment is received at a later date.
- **Expense Recognition:** Similarly, **expenses are recorded** when they are incurred, not when they are paid. This includes all costs related to running CEMA's operations or programs, such as salaries, utilities, program materials, and overhead costs. For instance, if a program incurs expenses in one month but payments are made the following month, the expense will be recognized in the month when the service or product was provided.
- **Benefits of Accrual Accounting:**
 - Provides a more accurate picture of CEMA's financial situation at any given time.
 - Ensures that revenue and expenses are matched to the correct periods, reflecting the true financial performance of the organization.
 - Facilitates better long-term financial planning, as it helps CEMA anticipate future revenues and expenses based on contracts, grants, or commitments.

Chart of Accounts

The **Chart of Accounts** is a structured list of accounts used by CEMA to categorize all financial transactions, ensuring transparency, consistency, and ease of financial reporting. It serves as a framework for organizing financial data and generating accurate financial statements.

- **Detailed Categorization:** The Chart of Accounts will include detailed categories for all major financial elements, including:
 - **Income/Revenue Accounts:** These accounts will track various sources of revenue, such as donations, grants, fundraising income, and earned income. Each revenue stream will have its own designated account to ensure that funds are tracked separately.
 - **Expense Accounts:** These accounts will track all operating and programmatic expenses, including salaries, office supplies, travel, program costs, and other operational expenses. Expenses will be categorized by type to facilitate detailed analysis.

- **Assets:** This category will include all resources owned by CEMA, such as cash, accounts receivable, property, equipment, and investments.
- **Liabilities:** Liabilities will include all debts or obligations CEMA owes, including accounts payable, loans, and other financial obligations.
- **Equity:** This section will reflect the net assets of the organization, including restricted and unrestricted funds, retained earnings, and any accumulated surpluses or deficits.
- **Review and Updates:** The Chart of Accounts will be regularly reviewed and updated to reflect changes in CEMA's operations, programs, and financial reporting requirements. The Finance Department will ensure that the Chart of Accounts is aligned with generally accepted accounting principles (GAAP) and any donor-specific reporting standards.
- **Consistency:** The Finance Department will ensure that the Chart of Accounts is applied consistently across all programs and financial periods. All staff involved in financial transactions will be trained to properly categorize and record transactions in accordance with the Chart of Accounts.

Financial Transactions

CEMA will ensure that all financial transactions are thoroughly documented, authorized, and recorded to maintain accuracy and integrity in its financial reporting.

- **Supporting Documentation:**
 - Each financial transaction must be **properly documented** with appropriate supporting materials, including **invoices, receipts, contracts, purchase orders**, and any other relevant documents that verify the legitimacy of the transaction.
 - **Invoices** must include details such as the name and address of the vendor, description of goods or services provided, the date of the transaction, the amount, and any taxes or discounts applied.
 - **Receipts** must clearly indicate the amount paid, the purpose of the payment, and the date it was issued. Any payments made to vendors or suppliers must be supported by these receipts to validate the transaction.
 - **Contracts** should include terms and conditions that clearly outline the agreed-upon services, deliverables, or goods, as well as the payment structure.
- **Authorization:**
 - All receipts and payments must be **approved by designated personnel** before being processed. This helps ensure that all financial transactions are legitimate and in line with CEMA's budget and financial policies.
 - The **Executive Director, Finance Manager**, or another authorized staff member must sign off on payments, contracts, or significant financial decisions to ensure proper oversight and compliance with organizational policies.
 - For larger transactions, such as grants or significant contracts, approval from the **Board of Directors** or the **Audit and Finance Committee** may be required.
- **Processing of Payments:**

- All payments will be processed by the Finance Department, which will ensure that all supporting documentation is in place before authorizing disbursements.
- Payments will be made via appropriate channels, including bank transfers, checks, or mobile money, and all payments will be recorded in the accounting system as part of CEMA's financial records.

Record Retention

CEMA recognizes the importance of maintaining accurate financial records for transparency, compliance, and future reference. All financial records, including supporting documentation, will be retained in accordance with **Ugandan tax laws**, donor requirements, and best practices in financial management.

- **Retention Period:**

- CEMA will retain all **financial records** for a minimum of **7 years** from the date of the transaction or the end of the relevant fiscal year. This retention period is in compliance with **Ugandan tax regulations**, which require organizations to retain records for this duration for auditing, tax reporting, and other legal purposes.
- Financial records to be retained include, but are not limited to:
 - **Invoices** and receipts for income and expenses.
 - **Bank statements**, which provide a record of all cash transactions.
 - **Contracts** and agreements related to grants, donations, or vendor relationships.
 - **Payroll records**, including pay slips, tax withholding statements, and employee contracts.
 - **Tax filings** and **financial statements**, which will be filed and retained for future reference or in case of an audit.

- **Storage and Security:**

- CEMA will ensure that financial records are securely stored to prevent loss, damage, or unauthorized access. This may include both physical storage (e.g., filing cabinets) and digital storage (e.g., secure cloud-based storage or encrypted servers).
- The Finance Department will implement strict access controls to ensure that only authorized personnel have access to sensitive financial records.
- CEMA will also ensure that digital records are backed up regularly to avoid data loss and to facilitate easy retrieval if needed.

- **Audit and Inspection:**

- CEMA's financial records will be subject to regular internal audits and external audits, as required by the Board or donor agreements. The Finance Department will cooperate fully with auditors and provide all necessary records for review.
- Any discrepancies identified during audits or reviews will be addressed promptly, with corrective measures put in place to prevent recurrence.

- **Compliance with Donor Requirements:**

- For restricted grants or donor-funded programs, CEMA will follow **donor-specific retention policies** if they exceed the minimum requirement of 7 years. Some donors may require records to be kept for a longer period, and

CEMA will comply with such requirements to ensure continued eligibility for funding.

6. Internal Controls and Compliance

Internal controls are essential to safeguard CEMA's financial resources, ensure accurate financial reporting, and prevent fraud and errors. These controls are designed to promote transparency, accountability, and compliance with both legal requirements and organizational policies. This section outlines the internal control measures that CEMA will implement to manage its financial processes effectively.

Segregation of Duties

CEMA recognizes that **segregation of duties** is a fundamental internal control to prevent fraud, errors, and mismanagement of funds. By separating responsibilities among multiple staff members, the organization ensures that no single individual has complete control over any financial transaction.

- **Separation of Responsibilities:**
 - **Authorization:** One staff member will be responsible for authorizing financial transactions, such as payments, purchases, and budget allocations. This person will ensure that the transaction is in compliance with the approved budget and CEMA's financial policies.
 - **Processing:** A separate staff member will be responsible for processing the transactions. This includes tasks such as preparing payment requests, entering data into the accounting system, and managing receipts.
 - **Reconciliation:** Another staff member will be responsible for reconciling accounts and verifying that transactions are recorded correctly. This individual will also ensure that cash balances, bank statements, and receipts match the accounting records.
- **Preventing Fraud and Errors:** The segregation of duties ensures that no single individual can both initiate and approve a financial transaction, thereby reducing the risk of fraud and unintentional errors. If discrepancies arise, the independent review process helps identify and correct them in a timely manner.
- **Cross-Training:** CEMA will cross-train its staff members in different aspects of financial management to ensure there is no disruption in operations due to staff absence or turnover. However, roles and responsibilities will still be clearly defined to maintain proper segregation of duties.

Authorization and Approval

A robust system of **authorization and approval** is essential to ensure that all financial transactions are legitimate, well-documented, and in compliance with CEMA's policies and donor requirements.

- **Dual Authorization:**
 - All financial transactions, including payments, budget allocations, and contracts, must be authorized by at least **two senior staff members** or by the appropriate authority. This dual control system helps ensure that no transactions are processed without oversight from responsible senior staff.

- For example, **payments** over a specified threshold (e.g., UGX 5,000,000) must be authorized by both the **Executive Director** and the **Finance Manager**. For lower-value transactions, one senior staff member and the relevant program manager may be authorized to approve payments.
- **Financial Delegation of Authority:**
 - CEMA will establish a **delegation of authority matrix** that clearly outlines which staff members are authorized to approve different types of transactions and up to what value. This matrix ensures that the appropriate level of authority is applied to different financial decisions.
 - For instance, the **Board of Directors** may be responsible for approving the annual budget, large contracts, or loans, while the **Executive Director** may approve operational expenses, payroll, and program-specific budgets.
- **Documenting Approval:**
 - All approvals must be **documented in writing**, either physically or electronically, and retained as part of the financial records. This documentation ensures that there is a clear audit trail for every transaction, making it easier to review and track decisions.
- **Exception Handling:**
 - In exceptional cases where approval is not obtained in advance, **post-transaction approval** should be sought immediately, and the situation must be documented with a clear explanation. Any exceptions to the approval process will be closely reviewed by the Board of Directors to ensure compliance with the organization's policies.

Bank Accounts

CEMA will maintain a system of well-managed **bank accounts** to facilitate smooth financial operations, ensure transparency, and segregate funds as necessary for specific programs or projects.

- **Main Operating Account:**
 - CEMA will have a **main operating account** used for day-to-day expenses, such as salaries, utilities, office supplies, and other operational costs. All revenue received by CEMA, including donations and earned income, will be deposited into this account unless specified otherwise by the donor or grant agreement.
- **Project Accounts:**
 - For projects that require separate accounting, CEMA will maintain **separate project accounts** to track funds and expenditures for specific donor-funded programs or activities. These accounts will ensure that project funds are used exclusively for their intended purpose and in accordance with donor guidelines.
 - Each project account will be reconciled regularly to ensure that funds are being spent as per the donor's terms and conditions.
- **Bank Account Management:**
 - Bank accounts will be managed by the **Finance Department**, which will be responsible for all transactions, such as deposits, withdrawals, and transfers. The Finance Department will ensure that all transactions are recorded accurately in CEMA's financial records and that the organization complies with banking regulations.

- **Bank Reconciliation:**
 - **Monthly bank reconciliations** will be performed by a designated independent staff member to ensure that the cash balance in CEMA's accounting system matches the balance in the bank accounts.
 - The reconciliations will include checks for discrepancies, such as unrecorded bank fees, deposits in transit, or outstanding checks, and will be reviewed by senior staff for accuracy. This ensures that any issues are identified and addressed promptly.
- **Online Banking Controls:**
 - CEMA will implement strict internal controls for online banking, including **multi-factor authentication** for online transactions, restricted access to online banking systems, and a logging mechanism to track user activity.

Cash Handling

While CEMA aims to minimize the use of cash for operational and programmatic activities, there will be occasions where cash payments and receipts are necessary. This section outlines the internal controls surrounding cash transactions.

- **Minimizing Cash Use:**
 - Cash payments and receipts will be **minimized** wherever possible. CEMA encourages the use of **bank transfers, mobile money, and checks** for payments and receipts, as these methods provide clear documentation and reduce the risk of fraud or mismanagement.
- **Exceptional Circumstances:**
 - Cash transactions should only occur in **exceptional circumstances**, such as for small purchases where other payment methods are not feasible. In these cases, CEMA will ensure that cash transactions are **well-documented** and properly accounted for.
 - Any cash payments or receipts should be clearly recorded with the **date, amount, purpose, and recipient or payer** documented on a **cash voucher**. Receipts must be obtained for all cash payments and retained as part of the financial records.
- **Cash Reconciliations:**
 - CEMA will perform **monthly cash reconciliations** to ensure that cash balances match the amounts recorded in the accounting system. These reconciliations will be performed by a staff member independent of the cash handling process to ensure objectivity and accuracy.
 - Any discrepancies between the actual cash on hand and the recorded amount will be investigated promptly, and corrective actions will be taken.
- **Security of Cash:**
 - All cash should be kept in a **secure location**, such as a locked cash box or safe, to prevent theft or loss. Access to cash should be restricted to authorized personnel only.
 - Cash handling duties will be segregated, with different staff members responsible for receiving cash, depositing it into the bank, and reconciling the cash balances.

Compliance with Legal and Regulatory Requirements

To ensure that CEMA operates within the boundaries of the law, the organization will adhere to all relevant **legal and regulatory requirements**. This includes compliance with:

- **Ugandan Tax Laws:** CEMA will ensure that all financial transactions comply with **Ugandan tax regulations**, including the proper reporting of income, payment of taxes, and maintenance of required records.
- **Donor Regulations:** CEMA will follow all **donor-specific compliance requirements**, ensuring that project funds are spent as per the donor's terms and that all reporting and documentation are provided according to the donor's instructions.
- **Internal Audits and External Audits:** Regular **internal audits** will be conducted to assess the effectiveness of internal controls and identify any areas for improvement. CEMA will also engage an **external auditor** to conduct annual audits of its financial statements, ensuring compliance with international accounting standards and best practices.

7. Expenditure Management

Effective expenditure management is crucial for CEMA to ensure that funds are used efficiently, responsibly, and in line with its strategic objectives. This section outlines the processes and controls in place to manage the organization's expenditures, ensuring they are properly classified, procured, and reimbursed.

Expenditure Categories

To ensure clarity and transparency in financial reporting, CEMA will classify all expenditures into clear and consistent categories. Each expenditure will be reviewed to ensure it aligns with the budget and the specific objectives of the program or project for which it is intended.

- **Personnel Costs:**
 - These include all expenses related to CEMA's staff, such as salaries, wages, employee benefits (e.g., health insurance, pensions), training, and staff-related allowances.
 - Personnel costs must be in line with the **approved budget** and should be directly tied to specific programmatic activities or administrative functions.
- **Program Costs:**
 - These are the expenses directly associated with the implementation of CEMA's programs and projects. Program costs may include materials, supplies, travel expenses, training costs, and consultancy fees, as long as they support the objectives of the program.
 - Program costs should be **consistent with donor agreements**, and any restricted funds allocated for specific activities must only be spent on the intended purpose.
- **Operational Costs:**
 - These are the expenses required for CEMA's day-to-day operations and administration, including office rent, utilities, office supplies, telecommunications, and equipment maintenance.

- Operational costs must be monitored carefully to ensure they are kept within budget and do not disproportionately impact programmatic spending.
- **Capital Expenditures:**
 - Capital expenditures (CapEx) are expenditures related to acquiring, upgrading, or maintaining CEMA's long-term assets, such as buildings, vehicles, equipment, and technology systems.
 - Any capital expenditures must be properly justified, documented, and approved by the Board of Directors, particularly for large purchases. These expenses are typically accounted for as assets in CEMA's financial statements and depreciated over time.
- **Approval of Expenditures:**
 - All expenditures, regardless of category, will only be approved if they are consistent with **CEMA's approved budget** and are necessary for the achievement of CEMA's **strategic and project objectives**.
 - The Finance Department will perform periodic reviews to ensure that expenditures are tracked against the budget and that no unapproved or excessive expenditures occur.

Procurement and Purchasing

To ensure fairness, transparency, and value for money, CEMA will implement a formal procurement process for the acquisition of goods and services. This process will be designed to promote competitive bidding, accountability, and compliance with both internal policies and donor requirements.

- **Procurement Policy:**
 - CEMA will adhere to a **formal procurement policy** that outlines the processes, thresholds, and responsibilities for acquiring goods and services. The policy will include guidelines for soliciting bids, evaluating vendors, and selecting suppliers.
 - The policy will ensure that procurement is conducted in a fair, transparent, and accountable manner, protecting CEMA from potential conflicts of interest or financial mismanagement.
- **Competitive Bidding:**
 - For purchases above a certain threshold (e.g., UGX 10,000,000), CEMA will ensure that competitive bidding is conducted to obtain the best value for money. This will involve inviting bids from at least three reputable suppliers, evaluating the bids based on price, quality, and delivery terms, and selecting the most suitable vendor.
 - The Finance Department will ensure that **procurement procedures** are followed, including proper documentation of the bidding process, evaluation criteria, and the final decision-making process.
- **Purchase Orders and Contracts:**
 - All purchases made by CEMA must be formalized with a **purchase order** or a **contract**, which outlines the terms and conditions of the transaction, including price, quantity, delivery schedule, and payment terms.
 - **Purchase orders** will be approved by the relevant **program manager** or **department head** to ensure the expenditure aligns with the approved budget.

- **Contracts** for larger purchases or services will require approval from the **Executive Director** and may need additional review by the **Board of Directors** for high-value contracts.
- **Donor Requirements:**
 - All procurement activities must comply with any specific donor requirements related to purchasing, such as sourcing from specific countries or suppliers, or adhering to particular bidding processes. CEMA's procurement policy will incorporate these requirements where applicable to ensure full compliance with donor agreements.
- **Supplier Selection:**
 - CEMA will ensure that all selected suppliers are **reputable** and have the capacity to deliver the goods or services in accordance with the terms of the contract. This includes checking references, conducting due diligence, and ensuring suppliers meet CEMA's standards for quality and integrity.

Reimbursement

CEMA will provide reimbursements for legitimate, business-related expenses incurred by staff and board members in the course of their duties. All reimbursement requests must be properly documented, justified, and approved before funds are disbursed.

- **Eligible Expenses:**
 - Reimbursable expenses include travel costs (e.g., transportation, lodging, meals), supplies, and any other expenses directly related to CEMA's work.
 - Expenses that are **not directly related** to CEMA's operations or are deemed unnecessary (e.g., personal expenses or lavish spending) will not be eligible for reimbursement.
- **Expense Reporting:**
 - Staff and board members seeking reimbursement must submit a **detailed expense report**, which includes a breakdown of all expenses incurred. The report should be accompanied by **original receipts** or other supporting documentation (e.g., tickets, invoices) to validate the expenses.
 - The **expense report** should include the following details:
 - **Date** and purpose of the expense.
 - **Itemized list** of expenses, including receipts for each expenditure.
 - **Total amount** being claimed for reimbursement.
- **Approval Process:**
 - All expense reports must be approved by the **Executive Director** or a designated authority. For board members, approval will be required from another senior member of the management team or the **Board Chair**.
 - The Finance Department will review the submitted expense reports to ensure that the expenses are legitimate, within the approved budget, and compliant with CEMA's financial policies.
- **Reimbursement Timeframe:**
 - Reimbursement will typically occur within **30 days** of the submission of the expense report, provided that all documentation is complete and accurate.
 - Payments will be processed through the usual financial channels, such as direct bank transfers or cash (if authorized), and will be recorded in CEMA's financial system for tracking and reporting purposes.
- **Employee and Board Member Compliance:**

- All staff and board members will be trained on the reimbursement policy to ensure that they understand what qualifies for reimbursement and the necessary steps for submitting claims.
- Non-compliance with the reimbursement policy (e.g., submitting fraudulent claims or failing to provide supporting documentation) may result in disciplinary action, including denial of reimbursement or more severe penalties in the case of deliberate misrepresentation.

Monitoring and Reporting Expenditures

To ensure effective control over expenditures, CEMA will monitor its spending regularly and report on the financial status of its programs and operations.

- **Expenditure Tracking:**
 - The Finance Department will track all expenditures against the **approved budget** to ensure that costs remain within the allocated limits. This tracking will be done on a **monthly basis**, and any significant variances will be flagged for review.
- **Variance Analysis:**
 - **Budget variances** (differences between actual and budgeted expenses) will be regularly analyzed, and explanations will be sought for any discrepancies. Variances may arise due to unexpected changes in project scope, exchange rates, or operational conditions. If variances are due to mismanagement or unapproved expenses, corrective actions will be taken.
- **Monthly Financial Reports:**
 - The Finance Department will prepare and submit **monthly financial reports** to the Executive Director and the Board of Directors. These reports will include detailed breakdowns of expenditures by category, variance analysis, and recommendations for corrective actions if necessary.
- **Audit and Oversight:**
 - **Internal audits** will be conducted regularly to ensure that all expenditures are in compliance with CEMA's policies, donor requirements, and regulatory standards. Any discrepancies or irregularities identified in the audit will be reviewed and corrected promptly.

8. Financial Reporting and Transparency

CEMA is committed to maintaining transparency in its financial operations and ensuring that all stakeholders, including the Board of Directors, donors, beneficiaries, and regulatory bodies, have access to accurate and timely financial information. This section outlines the processes and procedures related to financial reporting and the steps CEMA will take to ensure its financial transparency.

Financial Statements

CEMA will prepare comprehensive financial statements to accurately reflect the organization's financial position and performance. These statements will provide essential insights for the Board of Directors, donors, and other relevant stakeholders.

- **Quarterly Financial Statements:**

- CEMA will prepare quarterly financial statements, which include the **balance sheet, income statement, and cash flow statement**. These reports will provide a snapshot of CEMA's financial health at the end of each quarter, showing the organization's assets, liabilities, income, expenses, and cash flow.
- The quarterly statements will be reviewed by the **Finance Department** and then presented to the **Executive Director** for review. After approval, these will be shared with the **Board of Directors** for review and approval. They will also be made available to donors and other relevant stakeholders upon request, ensuring timely access to key financial data.
- **Annual Financial Statements:**
 - At the end of the financial year, CEMA will prepare a full set of **annual financial statements** that comprehensively summarize the year's financial activities. These will include:
 - **Balance Sheet:** Reflecting the organization's assets, liabilities, and equity as of the end of the fiscal year.
 - **Income Statement (Profit and Loss Statement):** Detailing revenues, expenses, and net income for the year.
 - **Cash Flow Statement:** Showing the inflow and outflow of cash during the year, including operations, investments, and financing activities.
 - These annual reports will be prepared in accordance with **International Financial Reporting Standards (IFRS)** or any other applicable financial reporting frameworks.
- **Disclosure of Financial Information:**
 - CEMA will ensure that financial statements are clear, accurate, and presented in a way that is understandable to all stakeholders. The organization will disclose any significant financial risks, contingent liabilities, or uncertainties that may affect its future financial stability.
- **Approval and Distribution:**
 - The final version of the quarterly and annual financial statements will be **approved by the Board of Directors** before they are distributed to stakeholders. These reports will be made publicly available if necessary and shared with relevant stakeholders, such as **donors, partner organizations, and regulatory authorities**.

Audits

To ensure the integrity and accuracy of its financial reporting, CEMA will undergo an **annual independent external audit**. The audit will be conducted by a qualified and registered auditing firm with experience in auditing non-governmental organizations (NGOs).

- **External Audit:**
 - The external audit will assess CEMA's financial statements, internal controls, and compliance with relevant laws and regulations. The auditors will verify that the financial statements fairly represent CEMA's financial position and that financial transactions are properly recorded.
 - The audit will also evaluate whether CEMA adheres to **donor requirements**, ensuring that restricted funds are used appropriately and in line with donor expectations.

- **Audit Process:**
 - The audit process will begin at the end of the fiscal year, with the auditing firm reviewing CEMA's financial records, interviewing staff, and testing internal controls.
 - The auditors will prepare a formal **audit report** that includes their opinion on the accuracy and reliability of the financial statements. The **management letter** will include recommendations for improving financial management practices, internal controls, or compliance with applicable laws and donor guidelines.
- **Audit Report Review and Action:**
 - Upon receiving the audit report, the **Audit and Finance Committee** of the Board will review the findings and discuss any issues raised by the auditors. If necessary, corrective actions will be taken to address any weaknesses in financial practices or internal controls.
 - The **Board of Directors** will be presented with both the audit report and the management letter. Any recommendations made by the auditors will be incorporated into the financial management systems of CEMA to enhance future operations.
- **Public Disclosure of Audit Reports:**
 - As part of CEMA's commitment to transparency, the audit report and the management letter will be made available to **donors, regulatory authorities**, and other stakeholders as required. If possible, CEMA will publish the audit report on its website or through other communication channels to promote transparency.

Donor Reporting

CEMA recognizes the importance of timely, accurate, and complete financial reporting to its donors. Financial reports provided to donors will comply with the terms and conditions outlined in the respective **grant agreements** or funding contracts.

- **Donor-Specific Reporting Requirements:**
 - CEMA will maintain a detailed record of the specific financial reporting requirements for each donor, including the format, frequency, and level of detail required. These requirements will be incorporated into CEMA's financial reporting system to ensure compliance.
 - Reports submitted to donors will include financial information that aligns with CEMA's internal financial statements, such as a breakdown of expenses by program or project, a comparison of actual expenditures to budgeted amounts, and explanations of any significant variances.
- **Timely Submission of Reports:**
 - Financial reports for donors will be prepared and submitted on time, in accordance with the **terms of each grant agreement**. CEMA will set internal deadlines well in advance of donor deadlines to allow time for review, approval, and any necessary revisions before submission.
 - If a report cannot be submitted on time due to unforeseen circumstances, CEMA will communicate with the donor as soon as possible and request an extension, if applicable.
- **Accuracy and Completeness:**

- CEMA's **Finance Department** will ensure that donor reports are **accurate, complete, and well-supported** by appropriate documentation. All expenses and income reported will be backed by invoices, receipts, contracts, or other supporting documentation.
- If a donor requests additional information or clarification, CEMA will respond promptly and provide any necessary documentation or explanations to satisfy the donor's reporting requirements.
- **Accountability to Donors:**
 - CEMA will prioritize accountability to its donors by ensuring that all funds are used in accordance with the agreed-upon terms and objectives. The organization will also maintain an open line of communication with donors regarding any financial challenges or issues that may arise during the course of a grant or project.
- **Transparency in Donor Reporting:**
 - CEMA will maintain transparency in all financial dealings with donors, ensuring that all income and expenses related to donor funds are clearly identified and documented. This transparency will help build trust with donors and demonstrate that CEMA is effectively managing donor resources.

Public Disclosure of Financial Information

In addition to fulfilling donor and regulatory reporting requirements, CEMA is committed to public transparency by making key financial information accessible to the general public. This openness helps build trust with the communities served by CEMA, as well as with donors, partners, and other stakeholders.

- **Annual Reports:**
 - CEMA will produce an **annual report** that includes an overview of the organization's financial performance, as well as a summary of key activities, achievements, and challenges. This report will include the organization's **audited financial statements**, key programmatic outcomes, and other relevant financial information.
 - The **annual report** will be made available on CEMA's website and distributed to key stakeholders, including donors, government partners, and community leaders.
- **Accessible Financial Information:**
 - CEMA will ensure that **key financial data** is accessible to the public in a way that is understandable and meaningful. This may include publishing summaries of financial statements, budget breakdowns, or annual reports on CEMA's website or through other communication channels.

9. Payroll and Employee Benefits

CEMA is committed to ensuring that payroll administration and employee benefits are managed efficiently, in compliance with Ugandan labor laws, and aligned with best practices in financial and human resource management. This section outlines the policies and procedures for payroll processing, employee benefits, and staff training.

Payroll Administration

CEMA will ensure that payroll is processed accurately and in a timely manner, in line with Ugandan labor laws and the organization's internal policies. Payroll administration will be structured to promote fairness, transparency, and compliance with statutory requirements.

- **Payroll Processing:**
 - Payroll will be processed on a **monthly basis** for all employees of CEMA. The payroll system will ensure that all salary payments are made promptly, and that appropriate deductions are applied.
 - The payroll will include **gross salary**, applicable **taxes, social security contributions (NSSF)**, and any other statutory deductions required by Ugandan law.
 - CEMA will maintain a **payroll register**, which will record all payments made to employees and the respective deductions. This register will be updated monthly and will be used for compliance audits and internal reporting purposes.
- **Compliance with Ugandan Labor Laws:**
 - CEMA will ensure that all payroll processes comply with the **Income Tax Act** and other applicable Ugandan labor laws, including the **Employment Act** and **National Social Security Fund (NSSF)** regulations. All statutory deductions, including income tax (PAYE) and NSSF contributions, will be calculated and remitted to the relevant authorities within the prescribed deadlines.
 - Any changes in Ugandan tax law or social security regulations will be promptly incorporated into the payroll system to ensure ongoing compliance.
- **Salary Scale and Payroll Approval:**
 - Salaries and benefits for all employees will be determined according to CEMA's **approved salary scale**, which will reflect market conditions and the organization's financial capacity.
 - The **Executive Director** or a designated senior manager will review and approve the final payroll each month before payments are processed. The payroll approval will include verification of the calculations for tax and social security deductions and ensure that there are no discrepancies.
 - Payroll data will be securely stored in CEMA's financial system, with access limited to authorized personnel only.
- **Payment Method:**
 - Employee salaries will generally be paid through **bank transfers** to employees' designated bank accounts, unless otherwise agreed upon. Payments will be made by the **end of each month**, with all necessary deductions reflected in the payment.
- **Payroll Record Keeping:**
 - Payroll records will be maintained for at least **seven years** in compliance with Ugandan tax laws. These records will include **payroll summaries, tax records, and payment proofs**, all of which will be readily accessible for auditing purposes.

Employee Benefits

CEMA is committed to providing its employees with a range of benefits that promote their well-being and job satisfaction. These benefits will comply with Ugandan labor laws and

CEMA's internal policies, ensuring that employees are treated fairly and receive the support they need.

- **Statutory Benefits:**
 - **Paid Leave:** CEMA will provide employees with **paid leave** in accordance with Ugandan labor laws. This will include **annual leave**, **sick leave**, and **maternity leave**, among other types of leave as required by law. The **leave entitlement** for each employee will be clearly stated in their employment contract.
 - **National Social Security Fund (NSSF):** CEMA will make mandatory **contributions to NSSF** for all eligible employees, as required by Ugandan law. Both CEMA and the employee will contribute a percentage of the employee's salary to the NSSF for retirement benefits.
 - **Health and Medical Insurance:** CEMA will provide employees with access to **medical insurance** or a **healthcare allowance**. The coverage will meet the minimum standards outlined by Ugandan regulations and will be designed to support employees in the event of illness or injury.
 - **Other Statutory Benefits:** CEMA will also provide other statutory benefits such as **workman's compensation** and **unemployment benefits** as required by law.
- **Additional Employee Benefits:**
 - In addition to the statutory benefits, CEMA may offer **additional voluntary benefits** to employees, such as:
 - **Training and Development Support:** Financial support for career advancement programs, professional certifications, or specialized training relevant to the employee's role.
 - **Bonuses and Incentives:** Where applicable, performance-based **bonuses** or **incentives** may be offered to employees. These bonuses will be aligned with organizational performance and individual contributions.
- **Employee Benefit Record Keeping:**
 - All employee benefits will be accurately recorded in the **financial system**, with proper documentation maintained to support each benefit. For example, records of **paid leave** will include leave requests and approvals, while **medical insurance premiums** will be documented in the payroll system and financial records.
- **Compliance with Labor Laws:**
 - CEMA will ensure that all employee benefits provided exceed the minimum legal requirements where possible, and comply with the **Employment Act**, **Income Tax Act**, and **NSSF regulations**.

Staff Training and Development

CEMA recognizes the importance of investing in the professional development of its staff. To ensure effective financial management and compliance with relevant laws, CEMA will provide ongoing **training and development** opportunities to its **finance and administrative staff**.

- **Training Needs Assessment:**

- CEMA will conduct regular **training needs assessments** to identify areas where staff require further training or upskilling. This may include training in financial management, compliance, human resources management, and donor reporting.
- The results of these assessments will inform CEMA's **training programs** and help prioritize training efforts in the most critical areas.
- **Internal and External Training Programs:**
 - **Internal Training:** CEMA will provide **in-house training sessions** on financial management, internal controls, and other key areas of financial operations. These training sessions will be delivered by **senior finance staff** or external consultants with expertise in financial management and compliance.
 - **External Training:** CEMA will also support staff attendance at **external workshops, seminars, and conferences** on relevant topics, such as **financial reporting, NGO compliance, and grant management**. This will help ensure that CEMA's staff stays up to date with the latest developments in financial management and donor regulations.
- **Training for New Employees:**
 - New staff members, particularly in the **finance and administration departments**, will undergo an **induction program** to familiarize them with CEMA's financial policies, procedures, and reporting requirements. This training will include an overview of CEMA's **payroll system, financial records, and internal controls**.
- **Monitoring and Evaluation of Training:**
 - CEMA will monitor and evaluate the effectiveness of its training programs through **feedback surveys**, assessments of knowledge and skills before and after training, and staff performance reviews. The results of these evaluations will be used to refine future training programs and ensure that staff receive the support they need to succeed in their roles.
- **Promotion of Professional Development:**
 - CEMA will encourage staff to pursue **professional qualifications** in financial management, accounting, and related fields. This may include offering **financial assistance** for courses or certifications that will contribute to the employee's career growth and benefit CEMA's overall operations.

10. Financial Risk Management

Effective financial risk management is essential for CEMA to protect its assets, ensure the sustainability of its operations, and mitigate potential risks that may affect its financial health. CEMA is committed to identifying, assessing, and managing financial risks through a combination of insurance coverage, fraud prevention measures, and a comprehensive risk management plan. This section outlines the policies and procedures CEMA will implement to safeguard its financial resources and mitigate potential risks.

Insurance

CEMA will maintain a range of **insurance policies** to protect the organization's assets, employees, and operations from various risks. The organization recognizes the importance of insurance in providing financial protection against unforeseen events that may otherwise jeopardize its operations.

- **Property Insurance:**
 - CEMA will maintain **property insurance** to cover its physical assets, including buildings, equipment, and inventory. This insurance will protect against risks such as fire, theft, natural disasters, and other potential hazards that could result in the loss or damage of property.
 - The policy will be reviewed annually to ensure it adequately covers the full replacement value of CEMA's assets and aligns with the organization's risk exposure.
- **Liability Insurance:**
 - CEMA will maintain **general liability insurance** to protect against claims arising from accidents, injuries, or damage that may occur during the course of its operations, whether at the organization's premises or during fieldwork.
 - The coverage will include **public liability, professional liability, and directors and officers liability** to protect the organization and its board members from legal and financial repercussions due to potential negligence or errors in judgment.
- **Workers' Compensation Insurance:**
 - CEMA will provide **workers' compensation insurance** to cover medical costs, lost wages, and other related expenses for employees who may suffer work-related injuries or illnesses. This insurance is mandatory under Ugandan labor law and ensures that employees are supported in the event of an accident or injury during the course of their duties.
- **Other Specialized Insurance:**
 - Depending on the nature of its activities, CEMA may consider additional **specialized insurance policies** to address specific risks, such as **cybersecurity insurance** (for protection against data breaches), **travel insurance** (for staff on international assignments), or **project insurance** (to cover the execution of high-value or high-risk projects).
- **Annual Review of Insurance Coverage:**
 - CEMA will conduct an **annual review of its insurance coverage** to ensure that the organization's needs are being met and that the coverage remains aligned with any changes in operations, asset values, or risk exposures. The review will be conducted by a qualified insurance advisor in consultation with the **Board of Directors** and the **Executive Director**.

Fraud Prevention

CEMA is committed to preventing and detecting fraudulent activities within the organization. The following measures will be implemented to minimize the risk of fraud and ensure that financial transactions are carried out with integrity and transparency.

- **Internal Audits:**
 - CEMA will conduct **regular internal audits** to assess the effectiveness of internal controls, identify potential vulnerabilities, and ensure compliance with financial policies and procedures. These audits will be performed at least annually and will include a thorough review of financial transactions, supporting documentation, and records.
 - The results of internal audits will be shared with the **Audit and Finance Committee** and the **Board of Directors**, and any identified issues will be addressed immediately.

- **Anti-Fraud Procedures:**
 - CEMA will implement **anti-fraud procedures** that include measures such as:
 - **Segregation of duties** to ensure that no single individual has control over all aspects of a financial transaction (e.g., approval, disbursement, and recording of payments).
 - **Authorization controls** requiring that payments and other financial transactions be approved by at least two senior staff members, in accordance with the organization's financial delegation of authority.
 - **Transaction review** processes to verify the legitimacy and accuracy of all transactions, including periodic reconciliations of bank accounts, cash balances, and accounts payable/receivable.
- **Whistleblower Policies:**
 - CEMA will implement an **anonymous whistleblower policy** that allows staff, stakeholders, or the general public to report suspected fraudulent activities or unethical behavior without fear of retaliation. Reports can be submitted through a secure and confidential channel, ensuring that individuals feel safe to report concerns.
 - The **Whistleblower Committee** will investigate all credible reports of fraud and take appropriate action, including notifying relevant authorities if necessary. The committee will also provide feedback to the whistleblower (if applicable) to ensure that the case is handled transparently and effectively.
- **Fraud Awareness Training:**
 - All employees, especially those in finance and administrative roles, will receive **fraud prevention training** as part of their onboarding process and through periodic refresher courses. Training will cover topics such as detecting and preventing fraud, recognizing suspicious activities, and following the proper procedures for reporting fraud.
- **Disciplinary Action:**
 - Any employee found guilty of fraudulent activities will face **disciplinary action**, which may include termination of employment, legal action, and recovery of any financial losses. CEMA will ensure that its policies on fraud are clearly communicated to all staff and are enforced consistently across the organization.

Risk Mitigation

CEMA's Board of Directors will be responsible for ensuring that comprehensive strategies are developed and implemented to mitigate the financial, operational, and reputational risks faced by the organization. These strategies will be documented in a **Risk Management Plan** that is reviewed and approved annually by the Board.

- **Identification of Risks:**
 - CEMA will regularly assess its internal and external environment to identify potential risks that could impact its financial stability, operations, or reputation. This process will involve input from key staff, management, and the Board, as well as reviewing trends in the NGO sector, changes in laws and regulations, and emerging risks.
 - Key risk categories will include **financial risks, operational risks, reputational risks, regulatory risks, and strategic risks**. Potential risks

will be rated based on their likelihood and potential impact on the organization.

- **Risk Management Plan:**
 - CEMA's **Risk Management Plan** will outline the steps and actions needed to mitigate each identified risk. The plan will include **preventive measures**, such as establishing strong internal controls, implementing staff training, and maintaining appropriate insurance coverage.
 - For high-priority risks, the plan will also include **contingency measures or response protocols** to minimize the impact if the risk materializes. This may involve having backup systems for critical operations, emergency financial plans, or crisis communication strategies to protect the organization's reputation.
- **Board Review and Approval:**
 - The **Board of Directors** will review the Risk Management Plan on an annual basis to ensure that it remains relevant and addresses all significant risks facing CEMA. Any adjustments to the plan will be discussed and approved by the Board to ensure that risk mitigation strategies are updated as necessary.
- **Monitoring and Reporting:**
 - Risk management will be a continuous process, with regular updates provided to the **Board of Directors** on the effectiveness of risk mitigation measures. The **Executive Director** will report on any significant risks encountered by CEMA and provide updates on the progress of risk mitigation efforts.
 - Internal audits and management reviews will also evaluate how effectively CEMA is managing its risks and implementing the strategies outlined in the Risk Management Plan.
- **Business Continuity Planning:**
 - CEMA will maintain a **Business Continuity Plan** to ensure that critical operations can continue in the event of unforeseen disruptions, such as natural disasters, cyberattacks, or other crises. The plan will include procedures for maintaining essential services, securing data, and communicating with stakeholders during times of crisis.

Through comprehensive **insurance coverage**, robust **fraud prevention** measures, and proactive **risk mitigation** strategies, CEMA will effectively manage financial risks and safeguard its operations from potential threats. This approach will enhance the organization's long-term sustainability and ensure the trust of its stakeholders.

11. Policy Review and Updates

Ensuring that CEMA's Financial and Accounting Policy remains current, compliant, and effective is critical to maintaining transparency, accountability, and good governance. As such, regular reviews and updates are essential to ensure that the policy continues to meet legal requirements, reflects best practices, and addresses any changes in the organization's operations or financial environment.

Annual Review

- **Purpose:**
 - The **Annual Review** ensures that the **Financial and Accounting Policy** remains relevant and reflective of CEMA's evolving operational needs, as well

as any changes in the **Ugandan laws and regulations** that may affect the organization's financial practices.

- The review process also serves to incorporate **international best practices** in nonprofit financial management, ensuring that CEMA stays aligned with global standards in financial governance and transparency.
- **Process:**
 - The **Executive Director** and **Finance Department** will initiate the review process, collaborating with relevant staff and the **Board of Directors** to assess the effectiveness of the current policy.
 - The review will involve:
 - **Evaluating changes in Ugandan tax laws**, accounting standards, and regulations that may impact the organization's financial operations.
 - **Assessing any new risks** or challenges faced by CEMA, including financial, operational, and compliance-related issues.
 - **Consulting with external advisors**, such as auditors or legal experts, to gain insights into evolving financial and accounting practices.
 - **Gathering feedback** from staff, donors, and other stakeholders to understand how the policy is being implemented and whether improvements are necessary.
- **Timeline:**
 - The **Annual Review** will be conducted in the first quarter of each financial year, with updated policies to be presented to the **Board of Directors** before the end of the quarter.
 - Any necessary changes or updates will be implemented by the beginning of the new financial year.
- **Outcome:**
 - The outcome of the review process will be a **revised Financial and Accounting Policy** that reflects the most current financial regulations and CEMA's operational needs.
 - If changes are made, the updated policy will be communicated to all relevant staff, board members, and stakeholders to ensure understanding and compliance.

Amendments

- **Authority:**
 - Any amendments to the Financial and Accounting Policy will require approval from the **Board of Directors** before implementation. This ensures that all changes are thoroughly considered, aligned with CEMA's overall strategy, and consistent with donor requirements and legal obligations.
- **Procedure for Amendments:**
 - Proposed amendments may be initiated by any of the following:
 - The **Executive Director** or **Finance Department**, based on observations made during the annual review or due to significant changes in operations.
 - The **Board of Directors**, if they identify any gaps, inconsistencies, or areas for improvement in the current policy.

- **External auditors** or financial consultants, if they recommend changes based on their assessments.
- Staff, donors, or other stakeholders, if they identify concerns or suggest improvements that align with CEMA's mission and operations.
- **Approval Process:**
 - The proposed amendments will be discussed at a **Board meeting**, where the **Board of Directors** will review the changes and their implications.
 - If the Board approves the amendments, the updated policy will be formally adopted, and any changes will be documented and communicated across CEMA.
 - Any amendments that significantly alter the policy will be shared with **donors** and other key stakeholders to ensure alignment with funding requirements or contractual obligations.
- **Documentation of Amendments:**
 - All amendments to the policy will be clearly documented with the **date of the amendment** and a **summary of the changes** made.
 - The amended policy will be updated on CEMA's official records and financial management systems, ensuring that everyone in the organization has access to the most current version of the policy.

Ongoing Monitoring and Feedback

- **Continuous Improvement:**
 - In addition to the annual review and amendments, CEMA will encourage a culture of continuous improvement in financial management practices. This will involve **regular feedback loops** with staff and stakeholders to ensure that the policy is working as intended and that any emerging issues or gaps are addressed promptly.
- **Ad-hoc Reviews:**
 - While the policy will be reviewed annually, **ad-hoc reviews** may also be conducted if there are significant changes to CEMA's operations, funding environment, or regulatory landscape. These reviews may be prompted by:
 - Changes in **donor requirements** or **grant agreements**.
 - Major changes in **financial regulations** or **tax laws** in Uganda.
 - The introduction of **new technologies or financial systems** that require updated procedures.
- **Policy Compliance Monitoring:**
 - CEMA will also implement mechanisms to monitor compliance with the policy, including regular internal audits and performance evaluations of financial operations. This ongoing monitoring will help identify any areas where the policy may need to be adjusted to remain effective.

Prepared by:
Rita Kabagabu, Finance and Administration Manager



Reviewed by:
Abas Ruhweza, Executive Director



Approved by:
Rev. Moses Atuhairu, Board Chairperson

