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***FINANCE, MANAGEMENT AND PROCEDURES MANUAL***

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## 1.0 Introduction & Background

This manual outlines financial management guidelines of Elimu Yetu Coalition in regards to the operations of the EYC Executive Committee and Secretariat. Member organizations shall not be bound by this manual but can borrow from it.

This manual supersedes any other policy on financial guidelines, but is subordinate to financial guidelines and taxation measures as may be prescribed by Kenya Revenue Authority or the Government of Kenya through the Finance Act. The guidelines, as may be reviewed from time to time, shall automatically be adopted as the approved financial management guidelines for all grants signed by EYC donor partners. To this extend, any new donor partner may conduct a due diligence exercise, including an assessment of the sufficiency of these guidelines.

### *1.1 Institution Profile*

Elimu Yetu Coalition (EYC) is registered as a trust deed and it is Kenya's National Education Coalition, established in 1999 as a national platform for civil society organizations, professional groupings, education/research institutions and other non-state actors in Kenya's education sector to lobby for the implementation of Education For All (EFA) goals as articulated in the Jomtien Declaration in 1990 and Dakar Framework of Action in 2000. The EFA goals were also echoed during the Millennium Development Goals (MDGs) summit in 2000 and in subsequent meetings held in Monterrey, Doha, Rome, Paris, and Accra as well as in several G8 declarations. Thus, establishment of EYC was part of the local efforts to support achievement of the EFA goals in the country.

Currently, EYC has about 130 Civil Society Organizations (CSOs) actively involved in and committed to efforts to domesticate the EFA Goals and other related global conventions for the attainment of quality basic education for all in Kenya. Utilizing a rights-based approach (RBA) in its campaign initiatives, EYC focuses on mobilizing and harnessing the collective efforts of all education stakeholders and local communities in Kenya by providing leadership in the ongoing efforts to ensure basic education becomes a reality in Kenya. EYC is also working on increasing social accountability and transparency in education through various interventions.

The overall goal of EYC is to champion for provision of quality basic education and training for all through policy intervention, campaigns/advocacy, enhancement of social accountability and enabling member CSOs to effectively implement their programmes.

#### VISION

'A literate, democratic, cohesive and functional society for sustainable development.'

#### MISSION

'To promote the realization of the right to quality basic education and training for all in Kenya'

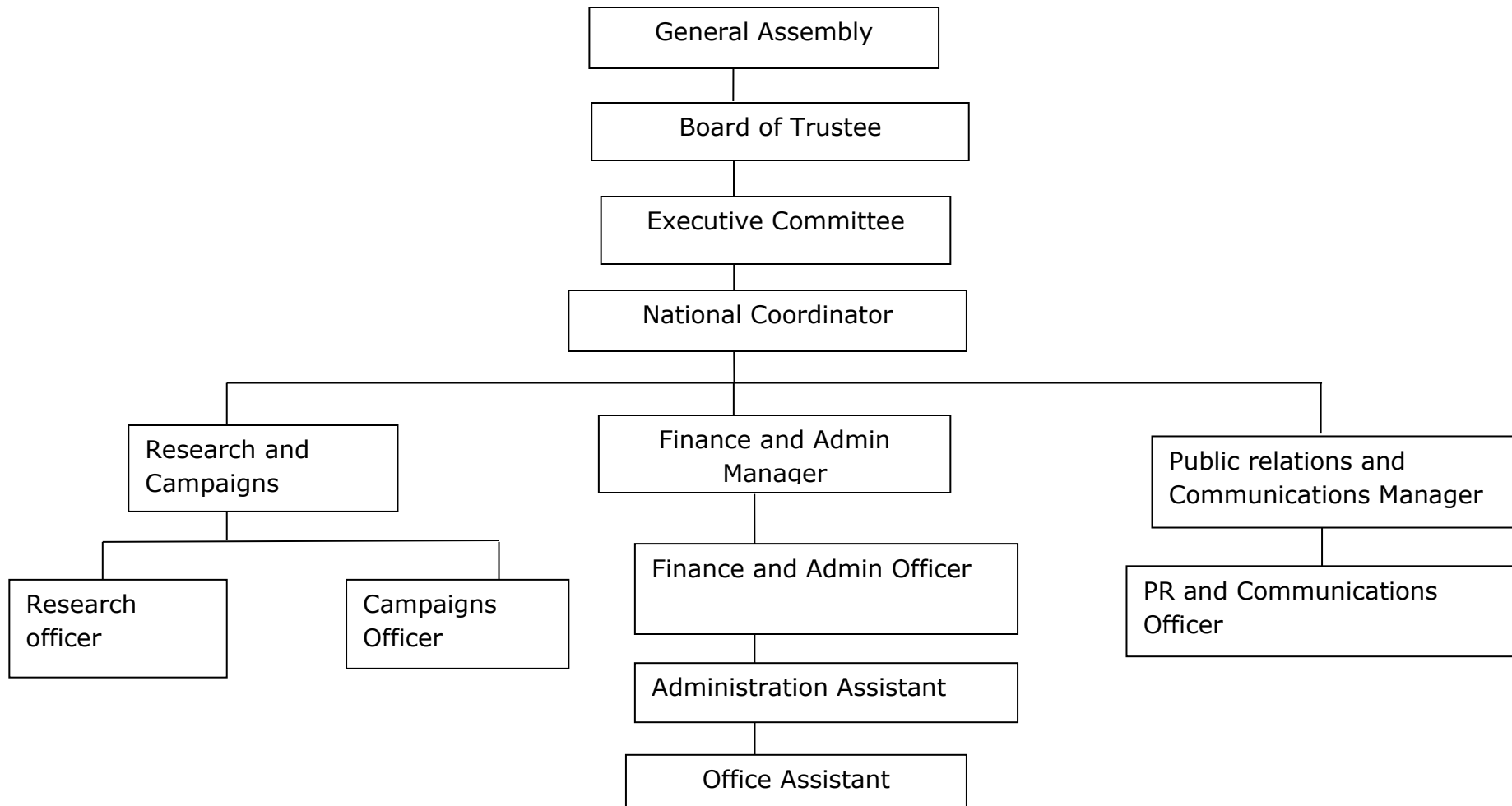
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#### 1.1.1 Executive Committee

EYC's EXCOM shall be responsible for determining major policies and strategic directions pertaining to the organization. However, the operational management and administration of the organization shall be vested in National Coordinator, who is appointed by the EXCOM.

### 1.1.2 EYC Organogram



## **2.0 Parameters of the Manual**

### *2.1 Objectives of the manual*

EYC is responsible for establishing and maintaining a system of internal control over its accounting procedures to discharge its accountability function to the Donors. Management should ensure adherence to management policies, orderly and efficient conduct of business, and proper recording and safeguarding of assets and resources.

This financial procedures manual has been compiled with the sole purpose of providing a comprehensive practical guide, incorporating effective internal controls necessary for EYC.

The purpose of this manual is to provide a comprehensive documentation of the EYC's accounting and reporting procedures. It will be used as follows:

- as reference material by existing staff in performance of financial management tasks
  - as a training guide for new staff or those redeployed to EYC
  - by management of EYC in ensuring compliance with EYC financial management policies and procedures
  - By auditors, consultants and development partners who want to understand and/or evaluate EYC's financial management systems.
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### *2.2 Manual Maintenance*

To ensure relevance and responsiveness to dynamics within the financial sector, a periodic review shall be done every three years. Other amendments may be recommended and adapted as when they occur. It shall be the responsibility of the Head of Finance & Administration to keep abreast with the current trends and make timely recommendations for the necessary amendments.

#### **2.2.1 Occurrence of changes**

A change to the procedures manual could be prompted by:

- i) A change to existing procedures
- ii) A deletion of existing procedure
- iii) Addition of new or previously omitted procedure
- iv) The manual will be updated in accordance with the approval, after which, the Head of Finance will distribute copies to relevant staff/offices.

#### **2. 2.2 Process of Amendments**

The process of making any of these amendments shall be as follows:

- i) Recommendation by the finance team through the Head of finance & Administration
- ii) Discussion at Senior Management meeting

- iii) Finance manager to effect change if it is not policy related
- iv) If the proposed change has policy implications, then the finance subcommittee shall be informed for further deliberations. The finance committee shall advise the EXCOM on the final changes to be done.
- v) The finance manager shall finally effect the change after the board's final deliberations by ensuring amendments to the manual are properly authorised and controlled as sufficient copies are available to all users.

## **2.3 Policy Administration**

- 2.3.1 The Head of Finance & Administration is responsible for the general administration of the Manual. Operating mechanisms and programs will be developed in consultation with the Management Team and staff members to ensure sufficient understanding and uniform application of policies.
- 2.3.2 The Manual sets out policy guidelines on the major operating issues and concerns of EYC, Should the need for clarification or interpretation arise on matters not specifically provided for in the Manual, the Head of Finance & Administration will exercise the administrative responsibility of providing for such interpretation.
- 2.3.3 Specific control, procedures or policy requirements by donors shall be implemented as per the requirements of the agreement with the donor.
- 2.3.4 Any policy, rule, regulation, procedure or provisions that conflict or shall conflict with (upon changes or the birth of) the Laws of Kenya, International Accounting Standards (IAS) or Generally Accepted Accounting Standards (GAAP), shall be superseded by the latter.

## **3.0 Accounting Policies, Procedures & System**

### **3.1 Basis of Accounting**

EYCs financial accounts shall be prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The cash basis of accounting is used as the basis of book keeping.

### **3.2 Property and Equipment and Depreciation**

Fixed assets purchased or donated to the organization shall be expensed through the depreciation policy. All assets should be stated at purchase price or market price value in case of donated assets. All assets donated to EYC shall be incorporated in the accounts at their market value at the time of donation.



### **3.3 Revenue Recognitions**

Income comprise of grants, donations and project-generated income (i.e. Consultancy, interest received from bank deposits, etc) and income from other sources. All income shall be accounted for when funds are received or if confirmed to have been in transit at the balance sheet date.

### **3.4 Allocation of Expenses**

Expenditure is recognized when payment is made. However, accruals shall be made for expenses incurred and not paid for at the year end. Project shared expenses shall be allocated to individual projects on the basis of benefits received by those projects, and in compliance with individual donor agreements. Grants to Community Based Organizations shall be expensed upon issue.

### **3.5 Foreign Currency Transactions and translation**

3.5.1 The accounts of EYC will be maintained in Kenya Shillings. Transactions denominated in foreign currency will be converted into Kenya Shillings as follows:

- i) Transactions, including grants and donations received, which are expressed or denominated in a foreign currency will be converted into Kenya Shillings at the market exchange rate prevailing at the date of each transaction.
- ii) Transactions during the year are converted into Kenya Shillings at rates of exchange ruling on the dates of the transaction Income and expenditure transactions shall be translated using average rates while Balance sheet closing rate for the year, both rates will be extracted from the CBK mean rates.

3.5.2 Financial statements may be translated into foreign currencies for donors who require such reports. In this case:

- i) transactions and balances which are denominated or expressed in foreign currency shall be shown in such currency as at the actual amount received or paid, and
- ii) All other income and expenditure in Kenya Shillings shall be translated into foreign currency using the average exchange rate obtained from the exchange of such currency during the period.

## **4.0 Budgeting**

### **4.1 Objectives**

EYC team will prepare an annual operational work plan indicating the activities to be accomplished and their financial requirements (costing).The process should incorporate the following steps:

- 4.1.1 Establishing annual programme activities on the basis of strategic plan including performance criteria and programme priorities;

- 4.1.2 Ensure adequate funding for the planned activities;
- 4.1.3 If funding is inadequate, revisit the planned activities to fit the funding available

The objectives of the programme's work plan and budget are to:

- i) Provide targets and standards against which the EYC management can measure its performance;
- ii) Provide a framework within which heads of programme can formalise and evaluate financially the programme plans
- iii) Ensure that EYC engages and strives to achieve the activities planned for in a given year and monitoring the funds flow;
- iv) Enable heads of programme to review past performance and set new targets on a regular basis;
- v) Involve management at all levels in the preparation of their own detailed plans within the framework of the EYC's overall objectives so as to foster proper accountability;
- vi) Assist the donor partners and other stakeholders in evaluating the performance of management by reference to budgetary standards.
- vii) Record cumulative expenditure to date by budget code
- viii) Compare and monitor cumulative expenditure by budget code to the original (or revised) budget allocations from donors

## **4.2 Budget Guidelines**

- 4.2.1 Budgets are prepared annually. The budget process starts in **October** of every year and the consolidated budget should be approved by **31<sup>st</sup> December**
- 4.2.2 For consistency, revenue and expenses should be classified/categorized in accordance with the specific categories of revenues and expenses as identified in the budgeting/reporting format as defined under the approved charts of accounts.

## **4.3 Budgeting Cycle**

### **4.3.1 Budget Planning**

Budget planning should start in **October** with meetings involving Heads of Departments. These plans should be in line with the current EYC strategic plan.

The plan will be made up of two facets: (i) The technical annual work Plan; and (ii) The operational budget estimates

The Technical annual work plan is derived from the programme's plans and includes, the:

- i) Objectives of the programme;
- ii) Strategies to be undertaken to achieve those objectives;

- iii) Activities for the year to meet those objectives;
- iv) Implementers of the activities
- v) Performance indicators which will measure the level of achievement of the objectives; and
- vi) Likely source of funding of the activities and the overall cost.

### **Operational Budget.**

Budget for EYC must confirm to the following key feature of the budget process

- i) Budget estimates to be approved in the EYC EXCOM.
- ii) Consultations have to be held with the donors to agree on the grants
- iii) Budget estimates should incorporate EYC's own revenue
- iv) The timetable and the budget cycle must be communicated to all Executive Committee members and heads of programme that are involved in budget preparation

### **4.3.2 Budget Preparation**

- i) Budget preparation meetings should be conducted in **October and November**.
- ii) Budget shall be prepared for each project based on previous years' performance, new activities and percentage of completions for ongoing activities.
- iii) The budget template should have clear demarcation of the project budgets and administration budgets. The project budgets will be based on already donor approved budgets that have signed agreements or are ongoing.
- iv) Department heads and their staff will prepare a work plan of activities by end of **October** for the year which should be reviewed and costed at staff meeting by end of **November**.
- v) Feedback and review from the staff meeting will be passed on to the finance for consolidation by the **15<sup>th</sup> December**.
- vi) All budget calculations should clearly show the sources of financing of the expenditure and tie to the signed donor agreements or proposals submitted. Otherwise the budget should also propose sources of funding where no proposal has been submitted and a justification offered.
- vii) All budget assumptions should be clearly stated on the budget calculation sheets so that the budget figures can be substantiated.
- viii) Budget prices should take into account reasonable rate of inflation. This rate should be communicated by the finance department
- ix) The budget lines used in the budget should reflect the chart of account codes structures as much as possible. However, amendments are encouraged where it will lead to clarity.
- x) Capital cost should be included in the budget sector to which they relate
- xi) Block budget may be used where it is not possible to predict the exact activities or the exact mix will take place within the budget period

### **4.3.3 Budget Approval**

- i) A budget approval meeting attended by the management team to review the consolidated budget and propose any amendments by end of October.
- ii) Budget outcome from the meeting are presented to the EXCOM Finance subcommittee by mid December.
- iii) The amended budget is submitted to the EXCOM in the December meeting (4<sup>th</sup> meeting in the year) or January (the 1<sup>st</sup> meeting of the subsequent year) for approval
- iv) The approved budget shall form the basis of monthly forecast and funding decisions from the budgeted income sources.
- v) Finance team shall input the approved budget into the accounting system for monitoring of expenditure and reporting.

#### **4.3.4 Budget Amendments**

- i) No expenditure may be incurred without prior inclusion in the budget except with the approval of National Coordinator
- ii) EYC management can make budget revisions of up to 10% of total budget. This revision and movement within budget lines will be discussed in management meetings.
- iii) Revisions in excess of 10 % of total budget will require prior approval from the Board/Funders/donors. These revisions will constitute the supplementary budgets. The 10% revision could relate to movement of funds within budget lines rather than an increase in the total expenditure.
- iv) If it is considered necessary during the course of the year to revise the budget, for example, to cover unforeseen costs, over expenditure or redirect funds from one budget to another, inclusion of costs prohibited by the grant agreements etc, the following procedures must be followed:
  - Head of Finance and administration should write through the National Coordinator to the development partners formally requesting a budget revision;
  - Requests for revisions should provide details of the accounts for which revisions are requested, reasons for the revisions, the original budgeted amount and proposed revised amounts;
  - Ratification of the revised budget must be obtained by the Management Committee; and
  - Once the revisions are approved, the National Coordinator will inform head of programme concerned of the alterations that have been made to the budget to incorporate the approved revision. These revisions will be input onto the QuickBooks.

#### **4.3.5 Budget Monitoring**

For monitoring purposes, the annual financial and work plans can be presented in quarters. Work plans are essential, as they will be used as guidance to the cash flow (inflow and outflow) that will be expected in each department. The Head of Finance will be responsible for preparing the quarterly performance report showing actual performance against planned (budgetary) performance. The head of programme will be responsible for preparing the narrative reports

on physical implementation of activities. The financial performance reports and narrative reports will be harmonized before being submitted to the donors/EXCOM.

- i) Budget monitoring shall be the responsibility of project managers or the approved budget holders. The Head of Finance shall do the overall monitoring and reporting.
- ii) Monthly budget forecasts shall be prepared by each budget holder based on activities for the coming month and presented to the management team.
- iii) All expenditures can only be incurred after the budget has been approved.
- iv) Budget holders shall assess the status and performance of the budget against actual expenditure monthly to control cost and ensure compliance with organizational or grant/contract requirements and the need for any amendments.
- v) The Project Actual Expenses analysis shall be done monthly. The Accountant shall prepare a spreadsheet showing the actual amount spent in each project at the end of every month. This shall be disbursed to the management team by 7<sup>th</sup> of each month. The Project Managers shall:
  - a. Check the variances between the actual and the budget
  - b. Explain any variances
  - c. Seek clarifications from the Finance department immediately
  - d. Make decisions on the way forward – if the project has overspent, cut down possible expenses, or submit an amended budget with explanations through the amendment process. If the Project has not spent all the funds, check which activities are lagging behind to make sure their implementation is still within plan.
- vi) The budget should be incorporated in the financial statements and reports, to compare actual spending or revenue against what was planned.
- vii) Maintain correct relationship between revenues and expenses, i.e. in face of revenue shortfalls, budget variance explanations should be done by budget holders and expense budgets adjusted accordingly and approved as per procedure stated under budget approval.
- viii) The transactions against the budget should be properly recorded in the accounting system ledger to ensure accurate reporting and assessment of budget performance.

#### **4.3.6 Financial Reports**

The financial reports for the whole programme will show:

- Period actual
- Period budget
- Period variance
- Cumulative actual
- Cumulative budget

#### **4.3.7 Analysis of variance**

- i) Each head of programme shall examine the details on the respective performance report to ensure that her/his department has been charged correctly. If there are any disagreements, these should be sorted out with the head of Finance immediately.
- ii) When the head of programme is satisfied that the charges have been raised correctly, s/he must examine the reasons behind the variations from the budget, assesses their long-term effect on the project and decide on the necessary remedial action. S/he should then write his/her report on the cause and effect of each variation and the recommended action. S/he must then send the original to the head of finance. Oversee the implementation of the recommendations.
- iii) The head of finance should then submit the periodic reports together with the narratives as required under the reporting guidelines.

## **5 REPORTING POLICIES & PROCEDURES**

### **5.1 Financial Statements**

- 5.1.1 Standard reports such as the trial balance, Balance Sheet, Cash flow accounts shall be produced on a quarterly basis. These would be in both summary and detailed format. Such reports shall be extracted from the system and shall be approved by the National Coordinator.
- 5.1.2 Financial reporting shall be done as per approved formats. The objective of the reporting formats is to ensure a uniform accounting practice within and across EYC.
- 5.1.3 For tracking purposes, the financial reporting formats are to be consistent with the budgeting formats.
- 5.1.4 Monthly financial reporting should be on an operating basis, consistent with the budget.
- 5.1.5 EYC Finance department submits to the Head program department financial reports on a monthly basis. All months are closed on the last day of the month.

### **5.2 Published Accounts**

- 5.2.1 EYC shall as per requirements of Societies Act and in conformity to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) publish a statement of financial position, and a statement of cash flows and a statement of income and expenditure at the end of every accounting period.
- 5.2.2 This will report amounts for the organization's total assets, liabilities, and net assets in a statement of financial position; report the change in its cash and cash equivalents in a statement of cash flows and report changes in the amounts of all resources of the organization i.e. capital, income and expenditures in a statement of income and expenditure

### **5.3 Chart of Accounts**

- 5.3.1** A chart of accounts is the listing and description of books of accounts maintained by the organization.
- 5.3.2** A chart of accounts shall be maintained An approved financial management system will be used to create these accounts. A reasonable and realistic accounts coding system shall be adapted for purposes of the GL; clearly distinguishing the Balance sheet items from the income and expenditure accounts and a printed hard copy (updated) filed.
- 5.3.3** It shall include account codes, name of account, type of account and its default currency denomination.
- 5.3.4** Creation, allocation and modification of account codes shall only be carried out by the Finance Manager with pre approval from Head of Finance.
- 5.3.5** Accounts classes will also be created and listed to conform to the various accounting and reporting requirements.
- 5.3.6** The chart of accounts shall be created in such a way that individual donor reports are easy to extract.

#### **5.4 Statement of Financial Position (Balance Sheet)**

The primary purpose of the statement of financial position is to provide relevant information about the organization's assets, liabilities, and net assets and about their relationships to each other at a moment in time.

#### **5.5 Statement of Cash Flows**

The primary purpose of the statement of cash flows is to provide relevant information about the cash receipts and cash payments of the organization during a period.

#### **5.6 Statement of Income and Expenditure**

Its primary purpose is to provide relevant information of changes in the income, expenditure and capital resources of the organization during a period. All donors to EYC are listed in this report.

#### **5.7 Other Statements & Supporting Schedules**

- i) Schedule of program Expenses - This schedule represents expenses and costs incurred by EYC, classified by project.
- ii) Monthly Cash Report/Bank reconciliation
- iii) Analysis of Investments
- iv) Schedule of Grants and incomes
- v) Schedule of Advances to Officers & Employees
- vi) Schedule of Accounts Receivable
- vii) Schedule of Property and Equipment/asset register
- viii) Schedule of Deposits, prepaid Expenses and Other Assets
- ix) Schedule of Accounts Payable and Accrued Expenses
- x) Schedule of gifts and donations

### **5.8 Management Reporting**

- 5.8.1 Management accounts are intended primarily to act as a tool for management decision making shall be prepared by the Finance department not later than 10<sup>th</sup> of the subsequent month.
- 5.8.2 Management accounts are designed to report actual expenditure against budget. See budget monitoring section above.
- 5.8.3 On a monthly basis a variance report shall be prepared in a spreadsheet for review with the management team and each departmental head will be expected to explain variances to management team at the end of each month.
- 5.8.4 Budget variance explanations should be provided for all items above or below 10% of the budget. Narrative reports detailing the activities of the project as implemented shall accompany such reports for review and synchronization by finance.
- 5.8.5 A quarterly report shall be submitted to the EXCOM Finance Committee before they recommend it to the for noting.
- 5.8.6 Other reporting will be as per other users and donors.

### **5.9 Donor Reporting**

- 5.9.1 For a donor to enter into a relationship with EYC, there will be a signed Contract, proposal, approved budget, budget Narrative and financial guidelines. Copies of the above shall be made to the management team.
- 5.9.2 Donor reports shall be formatted and submitted to the donor as per their respective requirements.
- 5.9.3 The Head of Finance will discuss the Donor report with the Project Manager and the National Coordinator after which the report will be ready to be submitted to the donor by the National Coordinator. A copy of the report will be made to the Head of Finance for future contacts with the donor.

The financial reporting requirements at EYC are outlined below:

<b>No.</b>	<b>Type of Report</b>	<b>Frequency of preparation/Review</b>	<b>Report Generated through</b>	<b>Report generated by</b>	<b>Report submitted to</b>
<b>1</b>	Cash position	<b>Weekly</b>	General Ledger / QuickBooks/Excel	Finance Officer	Finance Manager
<b>2</b>	Bank Reconciliation	<b>Monthly</b>	<b>Quickbooks</b>	<b>Finance Officer</b>	<b>Finance Manager</b>
<b>3</b>	Management income statement	<b>Monthly</b>	<b>Quickbooks</b>	<b>Finance Manager</b>	<b>National Coordinator</b>
<b>4</b>	Cash flow projections	<b>Monthly</b>	<b>Excel</b>	<b>Finance Manager</b>	<b>National Coordinator</b>



<b>No.</b>	<b>Type of Report</b>	<b>Frequency of preparation/Review</b>	<b>Report Generated through</b>	<b>Report generated by</b>	<b>Report submitted to</b>
<b>5</b>	Schedules of Grants	<b>Monthly</b>	<b>Quickbooks</b>	<b>Finance Manager</b>	<b>National Coordinator</b>
<b>6</b>	Fund Flow (Project & consolidated)	<b>Quarterly/Annual</b>	<b>Quickbooks</b>	<b>Finance Manager</b>	<b>National Coordinator/Ex Com</b>
<b>7</b>	Cash flow statement (consolidated)	<b>Quarterly/Annual</b>	<b>Quickbooks</b>	<b>Finance Manager</b>	<b>National Coordinator/Ex Com</b>
<b>8</b>	Balance sheet (Organization & consolidated)	<b>Quarterly/Annual</b>	<b>Quickbooks</b>	<b>Finance Manager</b>	<b>National Coordinator/Ex Com</b>
<b>9(a)</b>	Notes to the accounts (Fixed asset movement schedule)	<b>Quarterly/Annual</b>	<b>Excel</b>	<b>Finance Manager</b>	<b>National Coordinator/Ex Com</b>
<b>9(b)</b>	Notes to the accounts (Grants management schedule)	<b>Quarterly/Annual</b>	<b>Quickbooks</b>	<b>Finance Manager</b>	<b>National Coordinator/Ex Com</b>
<b>10</b>	Full Financial Statements	<b>Annual</b>	<b>Quickbooks</b>	<b>Finance Manager</b>	<b>National Coordinator/Ex Com</b>

## **5.10 End of Month Procedures**

- 5.10.1 Upon completion of the monthly bank reconciliations, the FM and FO will formulate the monthly journal entries. There are two types of monthly journal entries, those that remain consistent from month to month (recurring) and those that are specific to that month. The recurring journal entries include depreciation.
- 5.10.2 The FM and FO will maintain a file for each month, which includes work papers, which document the balance of each general ledger account. The general ledger accounts will be reconciled monthly to help ensure that accurate statements are provided to management and the Board.
- 5.10.3 A report of budget to actual expenses is prepared and delivered to the NC Per project.

### **5.11 End of year procedures**

In addition to the procedures outlined above;

- i) Upon completion of the annual financial statements, the report is reviewed by the NC before commencement of the annual audit.
- ii) A file is maintained for each financial year's financial report and working papers.

### **5.12 Financial audit**

5.12.1 There shall be a financial audit undertaken every EYC financial year. This shall be done by an external auditor who meets the prescribed threshold by the Executive Committee and the EYC constitution.

5.12.2 An audit committee meeting will be held prior to the audit to discuss the audit plan and engagement letter

5.12.3 The FM will be responsible for the annual audits and will ensure that all information required is availed to the auditors.

5.12.4 The FM and FO will be available at all times throughout the audit to facilitate the work of the auditors.

5.12.5 At the end of the audit the FM, FO and the NC and auditors will meet to discuss any issues raised, review the audit process and plan improvements for the following year.

## **6.0 General Accounting Operations**

This section gives guidelines relating to general accounting operations. It outlines the guidelines on cash management, cash and cheque disbursements

### **6.1 Cash Management**

#### **6.1.1 Cash and Cheque Receipts**

Cash receipts are monies paid to EYC in form of cash, cheque and direct debits for services, goods or property disposed of by EYC. It also constitutes monies paid back as balances from advances to staff for various expenses.

Income includes any form of payments made to EYC by donors by funding activities and services of EYC.

#### **6.1.2 Objective**

To ensure that all incomes and cash receipts are properly recorded when received and to establish a chain of accountability from the time of receipt until the collections are deposited in the bank or the petty cash box.

#### **6.1.3 Internal Control and Procedures – Cash and Cheque Receipts**

- i) All income received in the name of EYC including transfers from donors shall be recorded on an official receipt as acknowledgement of payment received.
- ii) All collections (cash, cheques and direct debits) shall be covered by pre-numbered official Receipts in duplicate.
- iii) All cash receipts should be properly counted and verified by the Finance Manager. This should be deposited intact to petty cash box on the same day and banked latest the following banking day to a EYC account.
- iv) Physical handling of cash shall be the responsibility of the Accountant or an authorized officer and must be separated from recording and accounting functions.
- v) The control and custody of all unused Official Receipts Booklets shall be under the control of the FAM. H/she shall maintain a control record of receipts and issuance of this form in order to have a detailed record of the movement of all Official Receipts Booklets.
- vi) All Cheques received should be in the name of EYC deposited only to the specified account of EYC. A receipt shall be raised for any cheques received for EYC by the FAM.
- vii) Received cheques shall be banked the on the same day or latest the next banking day and deposit slips prepared in duplicate and attached to the receipts.
- viii) The validated duplicate copy of the deposit slip and the duplicate copy of the Official Receipt shall be the basis for the recording of the cash receipt transaction.

#### **6.1.4 Official Receipt Preparation**

- i) An Official receipt is prepared to acknowledge receipt of cash and/or cheques for the following transactions:
  - Grants and contributions received (Individuals, Foundations, Corporations, Government and other donors)
  - Fees for training, workshops, seminars and technical assistance
  - Payment from use of EYC facilities
  - Return/refund of cash advances
  - Sale of assets
  - Other miscellaneous receipts
- ii) Official Receipts to be issued as follows:
  - Original copy - to payer, donor, funding agency
  - Duplicate copy - file copy (to be attached to the banking slip and filed in bank deposit file.)
  - Triplicate copy – Book copy
- iii) The Finance Assistant records official receipts in the Books and posts in the cash receipts book and to the subsidiary ledgers. These should be reconciled to the physical documents periodically.
- iv) The official receipt should be completed with the following information:
  - Date
  - Received from (Payer)

- Amount in words and figures
- Description
- Account codes and class
- Subsidiary reference
- Cashier's signature

## **6.2 Cash and Cheque Disbursements**

### **6.2.1 Objective**

To ensure that only properly authorized payments are made, accurate records are maintained and to establish a chain of accountability from the time of voucher preparation until the collection of the cheque.

However payment is made, it needs to be properly authorized. There must be proper documentation and controls to ensure that money is properly spent. The method of payment does not affect the level of documentation required except that more careful control must be exercised when dealing with cash. We aim to have:

- A requisition before money is spent
- Proper documentation and authorization before money is released
- Where necessary, additional documentation after money is released in this case one should sign for the cheque and a cheque remittance advice prepared and the payment voucher signed.

### **6.2.2 Internal Control and Procedures – Cash and Cheque Disbursements**

- i) The system will strictly follow the voucher method. This is characterized by the following basic activities:
  - Verification of documents that support the propriety of the transactions, amount of liability and terms and conditions of payment, account classification and preparation of the voucher.
  - Cheque preparation after the voucher has been properly approved.
  - Using the accounting system in the preparation of the vouchers and recording the transaction to the cash disbursements book.
- ii) All disbursements of over Kshs 10,000 and the equivalent foreign currency should be made by cheque.

### **6.2.3 Payment Requisition Voucher**

- i) The buying department/programme should prepare a payment requisition voucher with attached supporting documents (see payment voucher preparation below). Verify that the payment is within budget limits for the department and budget line.
- ii) The Head of Department/programme approves the requisition hence the payment of the expense.

- iii) Forward the requisitions to the Finance Department for verification and approval of the Head of Finance.
- iv) Finance will review and verify requisition, budgets and supporting documents. Check that the payment is in order, meets all procurement requirements (see procurement for procedures) and funds are available.
- v) File all requisitions with the supporting documents in pending file.

#### 6.2.4 *Payment Voucher Preparation*

- i) A payment voucher and a cheque is prepared when a duly approved and supported **Payment Requisition Voucher** prepared by the requesting department or staff has been received. The requisition should be supported by ANY of the following documents:
  - An original invoice from the supplier attached to a properly approved requisition form/LPO and copies of the quotations (Where necessary) and evidence of receipt for the item purchased or satisfactory performance of services, the prices and invoice calculations are correct and that the cost are a genuine obligation of EYC. Where only a duplicate, photocopied or faxed invoices is available, explanation should be given as to the circumstances.
  - An original invoice for travel attached to a properly approved Travel Authorization
  - An original invoice from a travel agent attached to properly travel authorization. The board's chair shall approve the ED's travel while for other members of staff as over the above level of authorization.
  - A properly approved expense report from staff with supporting receipts attached. These should be handed over to the Accountant within a week of return from the trip.
  - A properly approved request for petty cash reimbursement
  - A properly approved travels authorization for travel advance as per the above guidelines. The amount required should be justified by a summary budget on or attached to the form, detailing the proposed expenditure.
  - For Grants – a signed grant letter by the partner, the requisition for funds summary for the quarter and the EXCOM minutes where the grants were approved in the case of 1<sup>st</sup> installment.
  - A properly approved requisition form citing the required service on any equipment.
- ii) All payment vouchers cheques shall be prepared by the Accountant reviewed by the Finance Manager and approved by the Program manager.
- iii) The Accountant should check the amount needed against the line items. If it is not within the approved budget, then consult with the Program officer or his/her duly authorized representative.

- iv) After review and approval of the voucher , the Accountant shall raise the cheque and attach it together with the payment voucher for the signing process to commence.
  - All signatories to the cheques must also approve by signing the payment voucher after reviewing the supporting documents to the cheques. **The bank signatories** of EYC bank accounts are: Chief Executive Officer, Program Manager, Treasurer, Board Member and Finance & Admin Manager. The Chief Executive Director or Program manager shall be the mandatory signatory. The Program Manager and the one other signatory will only sign cheques when the ED is absent.
  - All the cheques will be entered into the accounting system once approved by the Accountant. The entries must be reviewed by the Finance Manager before being finalized and reconciled in the system.
  - The payment voucher should be complete with the following information:
    - Voucher/Cheque number
    - Date
    - Payee
    - Amount
    - Description
    - Account Codes
    - Subsidiary Reference
    - Authorized signatures for preparation-preparer, review-Finance Manager and approval process-cheque signatories.
- v) All payment vouchers supported with payment documents (original invoices, purchase order, GRN, job card/work order, tender documents, purchase request forms, contract and all relevant supporting documents) should be filed sequentially.
- vi) Person releasing cheque should record details of the cheque and voucher and the person the cheque is released to and his/her personal details. This record should be kept or filed. In the absence of this record, the voucher signed by recipient shall suffice.
- vii) At least two (2) cheque signatories shall be required for all cheques raised.
- viii) Cheques should be signed only after the official signatory has examined the cheque requisition vouchers and other supporting documents and is satisfied of the completeness of the payment.
- ix) Pre-signing of cheques should not be allowed
- x) Cheques drawn to “bearer” or “cash” should not be allowed.
- xi) The chequebook, cheque registers and/or cashbook and all cheques should be safeguarded at all times.
- xii) All supporting documents to a payment request should be duly perforated or stamped “Paid” and dated to prevent re-use.

- xiii) All payment vouchers should be pre-numbered and sequentially follow the cheque number used.
- xiv) A cheque register detailing the cheque number, payee, date of collection, ID number of person collecting and his/her name and signed by him/her should be maintained.

#### *6.2.5 Direct Bank Payments*

- i) All direct bank payments (telex transfers – TT, Bankers Cheques) shall be subjected to the above procedures of payment voucher preparation.
- ii) A letter of transfer to the bank authorizing the transfer shall only be raised and signed after the necessary supporting payment voucher and documents have been approved.

#### *6.2.6 Cancelled/Void/Stale Cheques*

- i) Spoiled or voided cheques should be properly marked CANCELLED, if signed, signature be mutilated, retained and filed in the cheque payments filed with the voucher clearly stating the reason for canceling or voiding.
- ii) All stale cheques with suppliers must be recalled and letter written to the bank to '**stop payment**' on such cheques.
- iii) Cancelled cheques should be posted to the accounting system to reflect their status to avoid future reuse of such cheques.

#### *6.2.7 Bank Charges*

- i) Bank charges are direct debits to the bank accounts by our bankers. All bank charges posted to the EYC account must be reviewed against the transactions they relate to by the Finance Manager to ascertain their eligibility as EYC costs.
- ii) A general journal posting the approved bank charges is raised by the Accountant, approved by the Head of Finance, posted to the accounting system and filed in the journals file.

### **6.3 Donor Requirements**

#### **Mixing Donor Funds (Commingling)**

Commingling is the mixing or pooling together of different donor funds into one fund / account where all payments are drawn from.

- 6.3.1 All payments made from donor funds shall be made as per the requirements / agreements with the donor. The finance staff in charge should obtain donor agreements and reference documents to understand and implement the procedures as required.
- 6.3.2 Certain donors do not permit Commingling of funds e.g AUSAID. Where this is the case a separate bank account for the donor must be opened.

- 6.3.3 For other payments where cost sharing is allowed e.g. rental payments and salaries, transfers of the computed shared cost must be made from the **No Commingling Account** by cheque to the General account from which the payment has been or is being made.
- 6.3.4 An approved **Commingle Transfer Order** shall be used to raise a funds transfer from both the restricted and unrestricted donor funds to the account of general payment. This transfer order will follow the normal payment cycle as described above but will be supported by the calculations and supporting documentation, including copy invoices if necessary for the amount of the transfer.
- 6.3.5 Borrowed funds shall be reimbursed immediately the funds for the paying project are available.
- 6.3.6 A Commingle Account shall be opened in the accounting system as a control account. The account shall be reconciled on a monthly basis.
- 6.3.7 Payments from a donor's account shall follow the normal payment cycle as described above.
- 6.3.8 Separate document files shall be maintained for the banks and all voucher documents marked with the donor codes to allow for unique referencing and posting to the accounting system.

## 6.4 Petty Cash

### 6.4.1 Objective

- To facilitate payment of small and minor expenses and reimbursements of duly authorized disbursements not paid or covered by cheques.
- Provide controls and guidelines on the use of office cash and the accountability of cash by authorized custodians.

### 6.4.2 Internal Control and Procedures – Petty Cash

- i) The Petty Cash/Revolving Fund shall be maintained under the **Imprest System**. Under this system, the total of un-replenished expenses and the balance of cash in the fund must be equal to the authorized maximum amount of Kshs 25,000 at all times.
- ii) The custody of and responsibility for the cash box shall be limited to a duly designated custodian.
- iii) The petty cash fund shall be physically segregated from the Custodian's personal funds, kept in a cash box and locked in a safe at all times as a security measure.
- iv) All disbursements from the Fund should be supported and covered by duly approved petty cash vouchers. Petty Cash vouchers should be pre-numbered and sequentially filed.
- v) Individual disbursements (single item purchases) from the Petty Cash/Revolving Fund shall be limited to the approved or established maximum limit of Kshs 5,000



or equivalent foreign currency respectively. Amounts above the maximum limits shall be paid by cheque.

- vi) A single purchase of various items shall be limited to a maximum of Kshs 10,000 or the equivalent foreign currency. Purchase of items above this limit shall be subject to normal procurement procedures.
- vii) Only cash receipts shall be reimbursed through Petty cash. All invoiced bills shall be paid through the chequeing system.
- viii) The fund/s shall not be used to accommodate personal cash advances and/or encashment of personal cheques.
- ix) All Petty Cash vouchers and supporting documents should be duly perforated or stamped "PAID" to prevent re-use.
- x) Daily cash box count and reconciliation should be done and documented by the box custodian. Cash counted and the pending unreimbursed receipts should reconcile to the maximum cash balance of kshs 25,000. The reconciliation, signed by the custodian, Finance Manager and supported by receipts, should form the basis of posting to the cash ledger on a daily basis.
- xi) The cash count form should be signed by both the custodian and the Finance Manager.
- xii) Reconciliation of petty cash box to the accounting system cash ledger should be carried out every Monday of the week. The reconciliation shall be done by the Finance assistant and approved by the Head of Finance.
- xiii) The Head of Finance or his/her designate shall conduct surprise cash counts on a regular basis. Fund shortages should be for the account of the Custodian.

#### *6.4.3 Petty Cash Voucher Preparation*

- i) Upon receipt of a payment request with attached supporting documents, the custodian shall prepare a petty cash voucher.
- ii) Petty Cash vouchers should be written in ink to prevent alterations and should include the following information:
  - Date
  - Payee
  - Amount (both in words and figures)
  - Description of expense
  - Account Codes and donor code
  - Ledger or pre-numbered reference
  - Signatures of preparer, approver and recipient.
- iii) In completing the petty cash vouchers, all unused lines must be crossed and any alterations or cancellations countersigned by preparer.
- iv) Custodian forwards petty cash vouchers with supporting documents for approval to the Finance Manager or a duly authorized EYC officer.
- v) Custodian pays upon receipt of approved petty cash voucher and the receiver acknowledges receipt by signature.

#### *6.4.4 Replenishment of Petty Cash / Revolving Funds*

- i) The Petty Cash/Revolving Fund shall be replenished when funds run low or once it reaches the agreed minimum re-order level amount of kshs 5,000.
- ii) The Petty cashier will prepare a transaction report and Summary in QuickBooks, conduct a cash count and reconcile the balance in the transaction report and the cash count.
- iii) A Petty cash reconciliation report that shows the amount of cash request shall be prepared. The report shall be presented with paid petty cash vouchers and supporting documents to the Finance Manager to prepare the cheque for cash withdrawal from the bank account. The report, once approved will be the basis for the preparation of the cheque voucher.
- iv) The cheque will be drawn on the name of the authorizing bank agent.
- v) The Cheque Voucher prepared shall go through the normal cheque approval procedures.
- vi) An overall Petty Cash reconciliation should be done every last day of the month after all transaction for the month are posted in the system and cash counts agreed to the system figures.
- vii) All cash received from unspent cash advances shall banked directly to and not mixed with petty cash.

#### *6.4.5 Surprise cash counts:*

This shall be done at least once a month. Cash count shall be done and documented by the Finance Manager or designated employee (s). The result of cash count shall be reported to the Finance Manager immediately.

#### *6.4.6 Cash reconciliation procedures*

This will be prepared on a daily basis by the Accountant and supervised by the FAM who will ensure that daily cash balances, petty cash vouchers expenditures agrees to the Quick Book balances.

### **6.5 Safe Custody**

- 6.5.1 All confidential documents of EYC and petty cash box shall be kept safely and securely
- 6.5.2 The operations of all EYC safes shall be guided by rules of operation of safes as approved by the Management as outlined below: -
  - i) A safe should be operated by at least two persons. One holders of the key to the safe should be the person responsible for the contents of the safe. The second holds duplicate keys which must be kept in a secure

location not easily accessible by any person other than the key holder and any other authorized officer of EYC.

- ii) The person holding the key to the safe shall be responsible for the safety of the contents of the safe and shall compile a report on the status of the safe if and when required.
- iii) All access shall require independent and private execution by the staff involved.
- iv) The safe shall securely be locked at all times including the safe room door.
- v) Petty cash box must be locked in the safe every end of work or when not in use.

## **6.6 Bank Reconciliation**

### **6.6.1 Objective**

- To ensure that all cash and bank transactions during the period are recorded and cash and bank balances are accurately reflected in the books of accounts on a timely basis.

### **6.6.2 Internal Control and Procedures – Bank Reconciliation**

- i) The Accountant will be responsible for all the bank reconciliations of EYC Bank Accounts.
- ii) Each bank account will be reconciled by the 5<sup>th</sup> to its bank statement and accounting system ledger each month.
- iii) The reconciliations will be handed in to the Head of Finance for Approval by the 5<sup>th</sup> of the following month.
- iv) The process of bank reconciliation shall require the following;
  - Secure monthly bank statements for each bank account by the 3<sup>rd</sup> of the following month.
  - Compare transactions in the bank statements against transactions recorded in the books of accounts/cash book.
  - Compare deposits as indicated in the bank statement with the cash book. Un-cleared deposits and credits will be shown as deposits in transit (DIT).
  - Compare the paid cheques with entries in the cash book. Un-cleared cheques and payments will be reflected as outstanding cheques (OC).
  - Observe or note for other reconciling items such as bank charges, interest, withholding taxes, bank debit and credit memos and bank/book errors. Obtain from bank copies of debit/credit memos or similar documents that are not enclosed in the bank statements.
  - For computerized bank reconciliation, please refer to the system accounting manual if activated.

- Prepare journal entries for other reconciling items.
- v) Bank reconciliation should be done monthly. Staff other than those who physically handle the cash or keep any records involving cash, accounts receivable or accounts payable, should do reconciliation.
- vi) Closing balance cut-off should clearly be stated in the reconciliation if the actual end month date is not used as the cut off.
- vii) The bank statements should be filed with bank reconciliation schedules and retained for future use.

### **6.6.3 Bank Signatories**

- i) The signatories to the bank account shall be;
  - EYC EXCOM Treasurer
  - EYC EXCOM Member
  - National Coordinator
  - Program Manager
  - Finance & administration Manager
- ii) Two signatories are required to sign as follow;
  - For amounts up to kshs. 200,000 any two staff member with the National Coordinator as the mandatory signatory for all approved expenditures.
  - For amounts over Kshs. 200,000 one EXCOMmember and National Coordinator or the Program manager when the National Coordinator is absent.

## **6.7 General Journals**

### **6.7.1 Objective**

To ensure that accurate records are maintained for all items of original entry not otherwise recorded in the Cash Receipts or Cash Disbursements books.

### **6.7.2 Internal Control and Procedures**

- i) Journal Vouchers shall be raised by the Accountant on an authorized format. All Journal Vouchers raised should be numbered consecutively.
- ii) The Journal Voucher shall be properly signed by the preparer, reviewed by the respective head of department and authorized by the Head of Finance or his duly authorized representative.
- iii) Supporting documents should be attached to the voucher and stamped as POSTED (for nonpayment entries) or PAID (for payment adjustments).

### **6.7.2 Journal Voucher Preparation**

- i) The Journal Voucher shall be used to record the following transactions among others:

- Liquidation of cash advances
  - Depreciation of fixed assets if any
  - Payroll and fringe benefits distributions
  - Bank reconciling items such as bank debit and credit memos
  - Investment transactions
  - Expensing prepayments
  - Accrual of revenues and expenses if any
  - Foreign currency transactions such as foreign exchange gain or (loss)
  - Expense and/or overhead allocations
  - Adjusting and correcting entries
- ii) The Journal Voucher should be completed with the following information:
- Date
  - Account codes
  - General ledger reference
  - Description or explanation
  - Amounts
  - Signature of preparer and approving authority
  - Stamped supporting documents
- iii) The properly approved journal voucher shall be posted into the accounting system by the Accountant. A system printout of the journal shall be attached to the approved journal voucher and filed.
- iv) The Journal Vouchers generated should be filed sequentially together with supporting documents.

## **6.8 Subsidiary Ledgers**

These auxiliary books contain the details of the accounts, the total of which is reflected in their respective controlling accounts in the General Ledger. Subsidiary Ledgers should be maintained for the following accounts:

- Accounts Receivable (Balance sheet item)
- Advances to Officers and Employees (Balance sheet item)
- Property and Equipment (Balance sheet item)
- Accounts Payable (Balance sheet item)
- Deposits and Prepayments

### **6.8.1 Accounts Receivable**

This ledger is used to record receivables arising from sale of EYC's property, disbursements to travel, purchase advances and any other advances accountable to staff (may also include personal receivables from staff like telephone charges, health insurance, taxi charges and other charges).

### **Internal Control and Procedures – Accounts Receivables**

- i) The subsidiary ledgers should be updated on a daily basis and reconciled with the controlling account in the General Ledger.
- ii) An imprest account shall be created for each staff in the debtor's subsidiary and all floats and advances to staff for activities of EYC shall be entered into each staffs account.
- iii) Liquidations of floats and advances shall be made from these accounts on submissions of documents by staff and Statements for each account shall be prepared every month and disbursed to the Staff by the 15<sup>th</sup> of each month. Any disputes with the statements amount shall be resolved immediately with the respective Finance Manager.
- iv) The Finance Administrator shall review these statements in discussion with the Accountant during the month before they are released to the debtor.
- v) Each statement shall be returned to the Accountant signed by the debtor as agreement that the statement reflects the correct position of amount owing. Staff members are encouraged to keep private records of their A/R transaction for comparison to such statements before approving them.
- vi) This Statement and enclosures will be considered correct unless advice to the contrary is received within 1 month from the receipt of the statement.
- vii) Ageing of Receivables (i.e. days within which advances should be accounted for) should be done on a monthly basis to check on accountability requirements.
- viii) Account should be followed-up either by phone calls, short notes and/or detailed statement of the outstanding account as soon as they fall outside the standard repayment terms.

### **6.8.2 Advance to Officers and Employees**

EYC does not give cash advances to staff. Staff are therefore encouraged to join Action Aid Sacco, (to which EYC is a member) for personal financial needs.

#### **(a) Imprest and Floats to Staff**

- i) Imprest, Float and Advances refers to advances to officers and employees of EYC for various activities and its subsequent liquidations.
- ii) All forms of advances shall be subject to these procedures including fixed travel advances and contingencies.
- iii) EYC will pay for travel and living expenses for employees on official business in accordance with the per diem guidelines. The per diem rates will be determined by the management from time to time and circulated to staff for implementations.( See current per diem rates).
- iv) Officers traveling on duty but not spending a night away from their duty station will be eligible for lunch as per the per diem rates.

- v) Out of pocket will be given where the EYC has paid full board directly to the hotel. This will cover personal expenses. Other direct expenditure shall be treated on a case by case basis and receipt for the same will be required.

**(b) Application for travels and activities imprest**

- i) Request for Travel Advance & Approving for Travel Advances shall be by use of a fully filled and approved **Travel Authorization Form and a Cash Requisition Form**
- ii) The fully completed form approved by the supervisor shall be submitted to the finance department **7 days before departure date**. This is to allow finance office ample time to prepare and review the request for adherence EYC's policy and for the allocation of funds.
- iii) Emergency requirements for travel shall be subject to staff availing properly approved **Travel Authorization Form and Cash Requisition Form**. Payments for this can be made out of petty cash but should be reimbursed to the cash box by the raising of a cheque payment as procedures requires.
- iv) Before approving travel advance request, the supervisor should check that the projected expenses are;
- Well supported in the budget
  - Project related
  - Due to EYC
  - Relate to activity plan for that project in that period.
- v) The Accountant shall process the request by confirming the details, status of previous imprest and budgets to arrange for the requested amounts the day before travel.
- vi) No imprest shall be approved to staff before the liquidation of previous pending float has been received and approved. A further imprest can only be approved if staff has pending imprest and the activities are ongoing.
- vii) All payments for float shall be by cheque (the cheque payment procedures apply). The Accountant shall receive all float requests and make a projection of the total cash required and prepare a cheque in the name of an approved agent to the bank based on the projection.
- viii) Imprest cash withdrawn shall not be mixed with normal petty cash box funds. Imprest cash should be disbursed within the day of withdrawal. Any undisbursed imprest should be rebanked the following day and the respective float request form cancelled.
- ix) Where it is necessary that imprest cash withdrawn is paid over a period of more than a day, the staff in charge of the activity shall be responsible for the cash held. The unpaid cash should be deposited in the safe for safe keeping and a signed certificate of the amount held kept.
- x) The petty cash box shall be operated independently and separated from imprest/float cash.

- xi) The withdrawn cash shall be paid to the requesting staff no more than a day before travel and receipt acknowledged on both the payment voucher and the Float Request Form.
- xii) In the accounting system, the Finance Manager shall establish an Imprest Control account under Accounts Receivable with the names of the staff requesting for imprest.
- xiii) All floats shall be posted to the respective staff imprest account in the accounting system by the Accountant.
- xiv) If the trip or planned activity fails to take place;
  - Return the funds to the Cashier/Accountant for safe keeping and rebanking.
  - If funds had not been advanced, advise the Finance Manager to hold the request.
  - The held request shall only be for maximum 7 days after which the funds shall be banked and a fresh request submitted when activity is rescheduled.

**(c)Accounting for Imprest**

- i) Accounting for the travel and purchase advance shall by use of the **Liquidation for Advances Form**, fully completed detailing the various expenses, attached with all the receipts to support all the expenses included on the form and approved by the supervisor. Staff should sign and submit it to the Accountant for normalization into the ledger and final approval by the Head of Finance.
- ii) Liquidations shall be expensed from the imprest account of the liquidating staff by a journal posted by the Accountant.
- iii) All cash advances shall be properly liquidated with official receipts/supporting documents within four (7) days from the date the expenses are incurred or upon return from the field.
- iv) Any unspent balances of the money advanced should be returned to the Petty cashier who will issue an official receipt that will be attached to the liquidation form as proof of returned cash and banked latest the next banking day.
- v) All staff will be required to make adequate request for advances as the use of personal funds for EYC activities and request for re-imburement of such expenses is not advised.
- vi) Re-imburement for expenses in excess of the advanced amounts shall only be processed after the liquidation accounting has been approved. The Accountant will post to the accounting system give a copy of the journal and explanation why the staff spent more than the advance to the Head of Finance for payment approval.



- vii) The subsidiary ledgers should be updated by the Accountant by a journal entry to cancel your advance in the staffs' imprest account and reconciled with the controlling account in the General Ledger.
- viii) Ageing of Advances (i.e. days within which advances should be accounted for/repaid) should be done on a monthly basis.
- ix) Overdue or unliquidated amounts should be deducted against salary as per the approved request and in accordance with EYC's policy.
- x) Supporting documents (receipts for expenses), whenever appropriate, should be in the name of EYC.
- xi) Any unexpended balance of cash advances must be returned in full upon liquidation of the advance. No request for salary deduction for the unexpended balance will be approved.

#### **6.8.4 Stocks and Stores Controls**

Stocks of EYC include stationery and other materials purchased and used in implementing EYC activities. Optimal stock levels of procured items should be maintained for all items to minimize stocking and warehouse costs. This is the responsibility of procurement officer / department.

##### **(a) Receipts of goods into stores**

- i) The storekeeper (or officer concerned) should inspect the condition and specification of goods received into stores with details on the supplier's invoice, LPO and delivery note.
- ii) A stock card/book shall be maintained for all items detailing;
  - Quantity in stock
  - Usage
  - Quantity available for issue
  - Item price
- iii) The delivery note shall be used to update items on the stock card/book.
- iv) Regular counting of stock shall be conducted to ensure that optimal stocks of items are held at any time. The stock count should be documented on a stock count sheet and used to manage procurement orders.
- v) The staff in charge of the store and an assigned finance staff shall be required to conduct a stock count every last day of the month and file a signed return with the Finance Manager.

##### **(c) Dispatch of goods from stores**

- i) All stock movement outwards must be accompanied by a duly authorized stock transfer form supported by a dispatch note or stores requisition.
- ii) A record of all stock movements should be kept at the store and daily movements should be agreed to dispatch notes.

##### **(d) Guidance on other controls and procedures**

- i) Damaged, obsolete, slow moving stocks should be segregated so that these can be properly accounted for and recorded.

- ii) Cut off procedures should be observed so that documentation concerned with the flow of goods can be reconciled with the memorandum stock records. (Cut off for this purpose means that the last numbers of goods receiving notes, dispatch note/ stores issue vouchers and stores requisition at the month/year end).
- iii) Differences between physical quantity and record balances, if any, should be noted and reconciled or explanation noted.
- iv) Dispatch Note/Stores issue vouchers should only be prepared against properly approved requisitions by user department.
- v) Integrity of the numerical sequence of dispatch notes/stores issue vouchers and stores requisitions should be properly controlled.
- vi) Stores should be protected by adequate physical safeguard to prevent theft or unauthorized removal of goods.
- vii) Access to stores should only be allowed to authorized persons.

#### **6.8.5 Accounts Payable**

As detailed above EYC recognizes expenses when payments are made but makes accruals for unpaid expenses at year end. Thus an accounts payable ledger shall be kept as a control ledger to record in detail the transactions with each creditor for the liabilities incurred, payment made and the balances for each given period.

##### **(a) Controls and Procedures – Accounts Payable**

- i) Creditors control ledger reconciliations to statements should be done on a monthly basis. Invoices should be matched to their respective payment checks and credit notes.
- ii) An aging analysis for these ledgers be done and printed daily to check on update of payments and invoices receipts and facilitate monthly / annual accruals for unpaid invoices from supplies.
- iii) A list of all suppliers and their terms should be maintained, printed and filed with any updates on changes.
- iv) All creditors should be required to send monthly statements of their accounts to facilitate reconciliation and settlement of accounts.

#### **6.8.6 Purchases**

##### **a. Objectives**

- To ensure that materials and services purchased are in accordance with the operational requirements of EYC.

To ensure that purchases are made to the best benefit of EYC as a whole

##### **b. Levels of Authority**

- i) A purchase requisition form should be completed, describing specifications of the item to be purchased, budget available the department or section requisition and the need for the good or service. Levels of authority are as outlined below:

- For purchases below KSh.20,000/= the Procurement Officer can simply proceed to make the purchase after at least two quotations have been analysed and the quotation given the quality of product/service has been agreed.
  - For purchases between KSh.21,000/= and KSh.50,000/=: three competitive quotations must be obtained. Selection of successful quotation must be on the basis of a number of set criteria (detailed below) and the decision is made by the PM;
  - For purchases between KSh 51,000/= and KSh 500,000/=: three competitive quotes must be obtained and the decision made by the Tendering Committee.
  - Purchases above KSh.500,000/= should be procured through closed, sealed tender.
- ii) All fixed assets procurement shall be done through the tendering procedures.
- iii) To qualify for a procurement contract a person or entity shall satisfy the following criteria :-
- The person or entity has necessary qualification, capability experience, resources, equipment and facilities to provide what is being procured.
  - Have a legal capacity to enter into a procurement contract.
  - Personal entity is not insolvent, in receivership bankrupt or in the process of being wound up and is not subject to legal proceedings related to the foregoing.
  - The person/entity provides evidence or information to establish that the criteria above are satisfied.
  - The criteria above shall be set out in the tender documents or request for proposals and or quotations.
- iv) EYC shall not enter into a procurement contract with :-
- (a) An employee of EYC and its EXCOM member.
  - (b) Any person, agent or entity related to EYC.
  - (c) Any person or entity related to a person described in paragraph (a) or (b) except as expressly allowed under EYC regulations and rules and approved by the Director.
- v) After the deadline for submission of tenders, proposals or quotations :-
- No person who submitted a tender shall make un-solicited communication to EYC or any other person involved in tender proceedings that might be reasonably construed as an attempt to influence evaluation and comparison of tenders, proposals or quotations, and
  - No person who is not officially involved in the evaluation and comparison of tenders, proposals or quotations shall attempt, in any way to influence that evaluation and comparison.
- vi) An employee or agent of EYC or member of tender committee who has conflict of interest with respect to a procurement :-

- Shall not take part in procurement proceedings, and
  - Shall not, after a procurement contract has been entered into, take part in any decision relating to the procurement contract.
- vii) Conflict of interest shall arise if a person or relative of the person :-
- Seeks, or has direct or indirect pecuniary interest in another person who seeks a contract for the procurement.
  - Owns or has a right in any property or has a direct or indirect pecuniary interest that results in the private interest of the person conflicting with his duties with respect to the procurement.

#### *6.8.7 Ordering Consumables and Non Assets*

- i) All goods and services of less than Kshs. 50,000/= (Fifty Thousand Only) shall be purchased via a supplies request procedures by filing a purchase request form.
- ii) The key document for ordering supplies is the Purchase Request (Form PRF). No goods or services can be issued, ordered or purchased unless accompanied by an authorised Purchase Request Form.
- iii) A staff member identifying a purchase need and requesting an order must complete the Purchase Request. The person ordering supplies must ensure that:
  - The form is completed fully and accurately;
  - The supplies are really needed for the project or office use.
  - The quantities requested will be sufficient to complete the project or be sufficient for the relevant time period;
  - The same item is not requested twice or is not outstanding from a previous request;
  - The Purchase Request is authorized by the relevant budget holder i.e. Project Manager, Line Manager or Finance Manager.

### **7.0 Property and Equipment**

The objective is to control the use, receipt and disposal of each type of property and equipment and its balances in the books of account.

It is the policy of EYC to capitalize fixed asset with a minimum value of Kshs. 10,000 individually or collectively and has a life of one year or more.

Assets and property shall include Computers, motor vehicles, furniture and fixtures and others that fit the definition of an asset or property.

## **7.1 Internal Control and Procedures – Property and Equipment**

- 7.1.1 All property and equipment, unless less than Ksh 10,000 but including all electric and electronic items, shall be identified at the time of payment or receipt. An inventory number shall be assigned and affixed to the property and equipment. Painted numbers, adhesive labels or any comparable identification tags shall be used for this purpose. The number will indicate EYC reference no.
- 7.1.2 The FM shall be responsible for the receipt, issuance, maintenance, movement, transfer and disposal of all property and equipment.
- 7.1.3 The Accountant shall be assigned the maintenance and updating of records of all property and equipment to include the following information: the inventory (special ID) number, item description, acquisition cost, donor, location, date of purchase/donation, voucher number, accountable person/office, asset status, disposal date and disposal value.
- 7.1.4 The Accountant shall maintain an inventory listing/register of all property and equipment by numerical order, by location and/or by category.
- 7.1.5 An accountability form shall be prepared on the issuance/assignment of the property or equipment to any user.
- 7.1.6 Transfers and movements of the property and equipment should be the responsibility of the Finance Manager.
- 7.1.7 No transfers or movements of property and equipment shall be allowed without prior approval by the authorized staff.
- 7.1.8 Periodic physical inventory of property and equipments should be conducted every February of the year and reconciled with the asset register/inventory listing.

## **7.2 Acquisition of Fixed Assets and Property**

### **7.2.1 Objective**

To establish controls and guidelines for the purchase of property, plant and equipment for the operational requirement of EYC.

### **7.2.2 Internal Controls and Procedures**

- i) Property and equipment are tangible assets, including buildings, land improvements, furniture & fixtures, computers, equipment and vehicles with an estimated useful life of more than one year.
- ii) Capital Expenditure (CAPEX) covers all purchases of property, plant and equipment with a value in excess of Kshs 10,000 or the equivalent foreign currency. This also includes lower value items but with a useful life of more than one year, quantity purchases (e.g. car engine overhaul spares) of replacement items and/or improvements with a combined value in excess of Kshs 10,000.
- iii) A Request for Approval of Capital Expenditure is done by the staff needy department/programme using a **Purchase Requisition form**, which must be completed in triplicate for each proposal together with appropriate supporting justification details

and approved by the department/programme head, Head of Finance and the Chief Executive Officer.

- iv) All requests for CAPEX must certify that the requisition meets all the requirements and procedures of procurement. (see procurement manual for purchase procedures)
- v) The approved requisition is used to raise a Local Purchase Order (LPO) which is distributed to the relevant person
- vi) All CAPEX purchases are subject to procurement rules and procedures. **(Please refer to the Internal Controls and Procedures of procurement as set out in the procurement manual).**
- vii) Payment for the acquired asset shall be made by cheque and can only be processed when the following are met and presented to finance;
  - o Minimum of 3 quotations supported by all correspondences requesting for quotations.
  - o Quotation analysis cover letter detailing at least 3 reasons in favour of the successful bid.
  - o LPO to the supplier
  - o Delivery note – duly stamped received by authorized officer of EYC.
  - o Invoice from supplier stamped for asset capture in the asset register.
  - o Approval by the purchasing department/programme.

### 7.3 Disposal of Property and Equipment

7.3.1 Assets can be disposed in any of the following forms;

- i) Sale for cash in which case staff and EXCOM member would be given first priority.
- ii) Donations

7.3.2 As a minimum, the following estimated useful life shall be used in determining the disposal period:

Name	Estimated Useful life
Motor Vehicle	4 years
Computer	3 years
Office Equipment	8 years
Office Furniture & fittings	8 years

7.3.3 Disposal of assets will only be effected on recommendation of the management team approved by the Chief Executive Officer.

7.3.4 A pre-numbered disposal form shall be completed by the responsible staff and approved as above. The form shall include the following information:

- i. Donated assets shall be disposed off by donating them to EYC beneficiaries or partners Asset description
- ii. Date and cost of acquisition

- iii. Bids received if any
- iv. Reason for disposal
- 7.3.5 Sale of assets should be on a competitive bid basis where possible.
- 7.3.6 Sale or disposal of property and equipment shall be documented by a letter to the buyer and a deed of sale or similar documents signed by National Coordinator or Head of Finance.
- 7.3.7 Unserviceable or junked items of property and equipment maybe sold or disposed of in bulk on a “where is, as-is” basis upon approval by the National Coordinator or Head of Finance.
- 7.3.8 A copy of the disposal form shall be forwarded to finance/accounting department and attached to the applicable cash receipts.
- 7.3.9 A numerical file of all disposal form supported by an official receipt for sale proceeds shall be maintained by the Officer in charge.
- 7.3.10 The property and equipment register shall be marked DISPOSED, SOLD or DONATED upon disposal with clear reference to the sale documents.

#### **7.4 Controls of Physical Existence.**

##### *7.4.1 General Guidelines*

- i) Fixed assets should be accorded adequate physical control.
- ii) Fixed assets shall be insured by a reputable firm as soon as they are acquired. Insurance cover shall include fire, Burglary & theft
- iii) Fixed asset register details should be physically verified by taking physical inventory of fixed assets at either at regular intervals (January of each year).
- iv) Management should make adequate follow-up in respect of assets reported as missing or damaged.
- v) Documents of title should be kept in safe custody by the Accountant and controlled by register.
- vi) Unique identification marks should be affixed on assets to track and control movement

##### *7.4.2 Fixed Assets Register – Content and Establishment procedure*

In order to establish fixed assets register the office should carry out the tasks set out below.

- i) Details required in fixed asset register

The fixed assets register to be established should provide the following information on each item.

- Location/staff assigned
- Type of fixed asset
- Identification/serial number or plate number
- Date of acquisition
- Acquisition cost
- Asset condition status
- Date and cost of disposal

ii) Construction of code numbers (unique ID)

An alphanumeric fixed assets code number is recommended for EYC. Each item in the code number signifies the following: -

- The organization
- Department where the fixed asset exists
- Specific location of the fixed assets in the department
- The type of fixed assets
- Assets identified number

For example to assign a code number to the first item of furniture located at the Finance department, station 1 do the following: -

Organization	Department	Station	Type	Serial No.
EYC	FIN	1	F&F	12

The code number for the item should therefore be: EYC/FIN/1/F&F/12

iii) Tagging code numbers on fixed asset items

- Once a code numbers are assigned to all fixed asset in the manner described above they will be entered in the appropriate space in the fixed assets register and;
- The code number will be written or tagged on the fixed asset.

## **8 Tendering Procedures**

### **8.1 Definition**

A tender is a public offer or quotation, in response either to a specific request or to a published advertisement, for the supply of specified goods or the performance of specified work at prices and under conditions set out in the tender request. The decision to tender shall be made by purchasing officer in line with organization policy. He/she should have considered the budgetary consequences of the purchase against the needs of the project / programme.

The tender becomes a legally binding agreement only when it is contractually agreed and accepted by both parties. Up to that time the tender may be withdrawn.

### **8.2 Tender Invitation**

When requesting tenders for goods or services the following details should be included:

- Concise specifications of what is required;
- Number or quantity of items required;



- The intended use of the item, and location if relevant;
- When the item is required, or a timeframe for delivery;
- Exactly what price is to cover (e.g. insurance, freight etc.);
- How the quotation is to be presented (e.g. by fax, e-mail, sealed bid) and by when.

### **8.3 Tender Quotation**

#### **8.3.1 Tender information**

The proposed seller of goods and services should provide the following information:

- i) Specifications of the goods or services offered
- ii) Details of prices, discounts and terms of payment;
- iii) Statement or clear indication of what prices cover;
- iv) An undertaking as to date of delivery;
- v) The period for which the quotation is valid.

#### **8.3.2 Quotation Selection Criteria**

Assessment of tender quotation is done on relevant technical and administrative expertise demonstrated. Submitted quotations should be reviewed and compared on completeness and correctness, as well on competitiveness. Issues to consider should include, but are not limited to, the following:

- i) Item description: is the description complete? Does it include make, model, technical specifications, etc.? Do the specifications meet requested requirements?
- ii) Is a warranty period indicated?
- iii) Does the supplier provide adequate service back up in case of breakdowns, provision of spare parts, and regular maintenance?
- iv) Is the supplier known to EYC, either negatively or positively?
- v) Is the date or period of delivery indicated and is it acceptable to EYC?
- vi) Is the period of validity of the quotation indicated?

### **8.4 Steps in the Tender Process**

- 8.4.1 After a department identifies need for the purchase, it completes a Purchase Requisition Form. The Finance & Administration Manager determines the specification of the tender with assistance from the Finance Officer;
- 8.4.2 According to the expected price, the Finance & Administration Manager determines the need for a tender and which type. An open tender of at least three quotations is applicable for purchases between KSh 51,000/= and 500,000/=. Purchases above KSh.500,000 should be procured through closed tender;

- 8.4.3 The Tender Committee prepares the invitation to tender, allocating a tender number, based on the specifications provided by the FAM. The Invitation to Tender Form is used to generate the tender invitation. As much technical information as possible is given regarding the item(s) sought;
- 8.4.4 A meeting of the Tender Committee (see below) is planned to assess received tender quotations after the closing of the tender process. Adequate notice must be given to allow the tenderer to process the notification;
- 8.4.5 All documentation on the tender is filed in the tender file under the tender number;
- 8.4.6 The Tender Committee with the Purchasing Officer selects the companies to contact with the invitation to tender or decides to advertise in the press;
- 8.4.7 The driver delivers the detailed tender documents and the proof of receipt of delivery is copied for the tender file;
- 8.4.8 All tenders are put into the locked tender box, the key of which is kept in the office safe;
- 8.4.9 On the closing day of the tender, the Tender Committee follows the procedures outlined below;
- 8.4.10 A contract is prepared for the successful supplier using the Tender Contract;
- 8.4.11 Unsuccessful tenders are informed in writing.

## **8.5 Types of Tenders**

### **8.5.1 Open Tender**

- i) Open tenders are solicited through advertisement in local newspapers or through a general approach to reliable suppliers taken from the Suppliers Database;
- ii) Tenders may be faxed, emailed or hand-delivered;
- iii) Each open tender should be given a tender number, with a prefix of the project or department.

### **8.5.2 Closed Tender**

- i) Closed tenders are more restricted and solicited by direct invitation to a selected group of known suppliers
- ii) They must be submitted by sealed bid and stored, unopened until the closing date
- iii) Suppliers approached to submit a closed tender should be provided only with the postal and physical address.

### **8.5.3 Tender Committee**

- i) The tender committee is composed of:
  - The Director (Chair)
  - Representative from Project Managers
  - Representative from Purchasing
  - Representative from Finance/ Administration

- Any relevant technical person. This could be a specialist from within EYC or any other appropriate organization.
- ii) A quorum is four committee members, to include the Director, representatives of projects, two representatives from Services.
- iii) There should be clear minutes of the procedures and decisions made by the tender committee.
- iv) Procedures of the Tender Committee
  - Prepare a lockable box for the receipt of tenders only;
  - Ensure the key to the tender box stays in the finance safe;
  - Place the locked tender box centrally within the office;
  - Immediately the closing date for receipt of tenders is reached, the chair assumes custody of the tender box;
  - Companies tendering are allowed to be present at the Tender Committee meeting;
  - The tender file is brought to the meeting, with the invitation to tender;
  - All offers of tender are numbered and opened before the committee by one member;
  - A second member reads the tender loudly comparing with the details of the invitation to tender. Any inconsistencies are noted. Serious departures from the invitation to tender will render the tender null and void.
  - Secretary to the committee takes notes of the proceedings. He/she records the number and names of companies invited to tender, and the number responding;
  - Each tender is signed by all members of the committee;
  - A decision is reached taking into account quotation selection criteria (Section 8.3.1). The winning tender and the second in line are selected;
  - All rejected suppliers are noted by the secretary and endorsed by the committee;
  - Unsuccessful tenderers will be informed by Tender Rejection Letter which should courteously state the reasons for non-acceptance;
  - A Letter of Offer to the winning tenderer is drafted by the Chair. This letter should include the specifications of the tender. Letter of offer is shown to and approved by the committee and sent to the tenderer;
  - The supplier responds with a letter of acceptance or by signing the Letter of Offer;
  - If the first choice rejects the letter of offer, the second choice is selected and advised. If the second choice rejects the tender, the tender is declared null and void and re-tendering takes place;
  - A tender is declared closed once the offer is agreed. A Tender Contract is prepared and signed by the HOM and the supplier;
- v) Once a contract has been awarded EYC will publish award notice on its website/notice boards.

vi) The tender procedures file is kept in the procurement (original) and finance offices (copies).

vii) Other Procedures

- All tender contracts must be signed “approved” by the Managing Director.
- The approved purchase requisitions forms, quotations from suppliers and tender contract with all supporting documents should be the basis for the issuance of the Purchase Orders (P.O.).
- The Purchase Order should be pre-numbered and should be approved by the Director, the Finance Officer and Purchasing Officer.
- Upon delivery, the receiving officer or storekeeper should ensure goods are in accordance with the purchase order as to specifications and quantity.
- A supply receiving report or Goods Received Note (GRN) should be prepared to acknowledge receipt or issuance of goods to the requisitioning unit.
- Original copy of the supplier’s invoice, purchase order, tender contract, approved purchase requisition and supply receiving report should be forwarded to finance/accounting for processing of payment.
- Payments should be properly approved and the check made payable to the supplier.
- Purchasing functions should be properly segregated from accounting, inventory recording and receiving.

viii) Forms to be used

- Purchase Requisition Form
- Purchase Order
- Tender Contract

## 6.6 Payroll

### 6.6.1 Objective

- i) To ensure that additions or alterations of personnel and corresponding salary rates are properly authorized.
- ii) To ensure that correct amounts are paid, statutory and other deductions are properly withheld as maybe required of the staff.

### 6.6.2 Internal Control and Procedures

- i) EYC will adopt a payroll system or program that would meet local statutory requirements.
- ii) By the 15<sup>th</sup> of every month, the Accountant must have received all adjustments to the payroll.
- iii) Payroll register should at least include the following information:
  - Name of employee

- Salary
  - Other remunerations
  - Statutory deductions (PAYE, NHIF, NSSF)
  - Other authorized deductions
  - Net pay
- iv) Payroll Register shall be prepared by the Accountant by 20<sup>th</sup> of the month approved by the Head of Finance and authorized by the Chief Executive Officer. The payroll shall be supported by all staff pay slips before approval.
  - v) Duly approved Payroll Register and pay slips are then returned to the Finance Manager for processing of the salary transfer letter.
  - vi) The approved salary transfer advice slip together with the diskette containing transfer details will be transmitted to the Bank for the direct payment to staff bank accounts by the 23<sup>rd</sup> of every month.
  - vii) Other payroll deductions shall be paid through the chequeing system by the Accountant and submitted not later than 9<sup>th</sup> of the subsequent month (please refer to cheque disbursement procedures).
  - viii) The Accountant must issue all staff with pay slips detailing their remuneration details for the month by the 20<sup>th</sup> of the month.
  - ix) All staff shall sign off their pay slip and return a copy for filing by the Accountant.
  - x) Allocation of staff costs among program and support services in the ledger shall be done by journal voucher prepared by the Finance Manager and posted by the Accountant. Payroll deductions paid by cheque shall be posted through the cheque systems.
  - xi) Salaries are normally paid once each month, either through the bank
  - xii)** No person shall be included to monthly payroll without authorization of the Chief Executive Officer.
  - xiii) The National Coordinator shall authorize all salary rates and benefits.
  - xiv) Appointment of new staff shall be confirmed in writing and a copy of their appointment letter forwarded to the finance manager – outlining remunerations, employment period and special conditions.
  - xv) For the sake of payroll processing, the Accountant shall receive a payroll change advice from the Finance Manager.
  - xvi) Maintenance of the payroll file shall be the Finance manager's responsibility. Information shall include; Full name, position, department, bank details, statutory registration numbers ( PIN, NSSF, NHIF, ID etc)
  - xvii) The Finance Manager will ensure strict compliance with the law in regard to taxes and other statutory deductions. She will ensure that EYC obtains all the pertinent information regarding statutory deductions and complies with them. Such information can be obtained from Kenya Revenue Authority, NSSF, NHIF, the print media (e.g. Kenya Gazette) etc. Penalties due to non-compliance resulting from the negligence of an officer shall be recovered from that officer.

### 6.6.3 Volunteers

Volunteers shall be paid a monthly stipend of Ksh. 10,000 to cater for transport and lunch. This allowance shall be transferred directly into the volunteer bank account

## 6.7 Insurance

### 6.7.1 Objective

- To ensure adequate protection of EYC's assets from losses and/or damages.

### 6.7.2 General procedures

- i) EYC's portfolio of insurance to comprise the following covers;
  - Fire
  - Burglary
  - All risks
  - Group personal accident
  - Public liability
  - Motor vehicles insurance
  - Staff medical insurance
- ii) The Head of Finance shall be in charge of all insurance matters of Word Concern.
- iii) Before 1<sup>st</sup> December of each year the insurance company through a broker contracted by EYC shall provide **cover notes and confirmations** for all policies held, which shall be filed and properly referenced by Head of finance. All debit notes shall be properly filed after payments for the policies are made.
- iv) The Procurement/HR officer shall ensure that all the necessary policies are in place at all times and any new adjustments within the years of insurance due to acquisition, disposal or change in risk factors and amounts are effected with the insurance firm immediately to avoid any insurance losses.
- v) The Finance Manager shall lodge any claims due to insured losses immediately such a loss is incurred and adequate compensation done by the insurance firm.
- vi) The Finance Manager shall ensure that all premiums are paid on time and only after receipt of **Debit Notes** from the insurance firm. To facilitate such payment, the Head of Finance shall ensure that all debit notes, copies of cover notes and any other necessary correspondences with insurance agents are available every year.

### 6.7.3 Internal Control and Procedures

- i) An adequate annual insurance program should be maintained. Decision of insurance should be based on the degree of exposure to risk, value of the assets and the cost of insurance.

- ii) Every year (or at any time new assets are acquired) the Head of Finance together with the Finance Manager should analyze EYC assets and operations to determine the values at risk and the nature and degree of exposure.
- iii) Then he/she will list property and equipment as to the nature of construction, location and exposure to hazards (i.e. fire, flood, earthquake and other natural calamities and own damage). The schedule should include the net book value and the estimated replacement cost. This may be done through the assistance of an insurance appraiser.
- iv) List all liquid assets including cash and publications and the degree of exposure to risks (i.e. theft, burglary, fraud and fidelity).
- v) List other risks or liabilities arising out of the use or maintenance of EYC properties. This includes legal claims from damages to property or bodily injuries as a result of the operations of EYC. Also includes injuries to employees sustained in the course of their employment.
- vi) Avail the services of an insurance broker to identify appropriate insurance carrier, based on financial stability, service and record of settlement of claims.

## 7 External Audit

- 7.1 An external audit will be performed once a year by an external audit firm appointed by the EYC Board
- 7.2 A draft accounts produced by the Finance department will be presented to the Finance EXCOMCommittee for discussion before submitting it to the appointed external auditors
- 7.3 At the end of each audit exercise, the auditor will submit the report to the ED before a quarterly scheduled meeting of the Finance Committee outlining the key findings and any recommendations.
- 7.4 A written audit report with management response agreed and incorporated will be then be submitted to the committee for recommendation to the Board, where the ED and the EXCOMChair will sign the accounts.
- 7.5 The Finance Department shall implement agreed audit recommendations after the committee has discussed the report.

## 8 Statutory Requirements

### 8.1 Pay As You Earn (PAYE)

The law requires EYC to pay-in the income tax deducted from its employees' pay on or before **the 9<sup>th</sup> of the month following the payroll month**. Late remittance attracts penalties as stated under the Income Tax Act, Cap 470 of the Laws of Kenya.

### *Annual Returns*

Forms P.9s – Tax Deduction, Form P.10As – Employer Certificate and P.11s should be completed and submitted to the relevant Income Tax Office on or before **28<sup>th</sup> February**.

## **8.2 Withholding Tax Management**

- It is a tax that is recoverable at source upon paying persons who are liable to the tax including consultants.
- Withheld tax should be remitted to the relevant government department by 20<sup>th</sup> of the following month upon deduction and relevant official receipt filed.
- Withholding Tax Certificate will be issued to the payee to retain as evidence of payment of tax and a copy filed by EYC.
- End Year Returns should be submitted on or before 28<sup>th</sup> February.

## **8.3 National Social Security Fund (NSSF)**

- All permanent employees of any employer not covered by a pension scheme exempted by the Minister of Labour and daily paid workers are eligible for this deduction.
- EYC shall effect deduction of NSSF and remit the contribution to the Fund including her portion. When remitting, the amount of each contributor should be clearly analyzed using the contributions Return form which shows:-
  - Particulars of the employer
  - Employers name, the employers No, Period of Contribution
  - Employees particulars
  - Fund membership no, ID No, Amount
- The Finance Manager should ensure that the Fund receives Contributions on or before the **9<sup>th</sup> of the month following the payroll month**.

## **8.4 National Hospital Insurance Fund (NHIF)**

- Any employee who has attained the age of 18 years and above should register with NHIF for Membership.
- EYC shall deduct from all employees amounts as per NHIF schedule every month and remit it to NHIF.
- Remittance of NHIF should be done on or before 9<sup>th</sup> of every month.



