

Finance Policies and Procedures



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1. INTRODUCTION

The Finance Manual forms a blueprint to guide management in its duty to provide for adequate internal controls over The Country Coordinating Mechanism (CCM)'s financial resources and to facilitate its stewardship. This is designed to guide management and members of staff in their pursuit of company objectives, ensuring fairness, transparency, integrity and good accounting practices in their sphere of operation.

This policy is a guideline, and does not replace management's responsibility to make reasonable, prudent and sound business decisions. Any changes to these policies and matters pertaining thereto shall not be effected without the authority of the Governing Board, unless otherwise specified.

This document will be reviewed as and when necessary. A mandatory review shall be carried every Five years from date of commencement. Any proposed interim changes or additions to this policy must be submitted to CCM Executive Committee for consideration and approval.

2. OBJECTIVES OF THIS MANUAL

- i) To ensure that CCM funds are used economically, efficiently, and effectively for the intended purposes
- ii) To provide guidance on internal controls and processing procedures to ensure the integrity of the financial information produced by the Organisation
- iii) To provide accurate financial information that is free of any material misstatements and reports in a timely manner to facilitate efficient and effective decision making
- iv) To explain accounting principles pertinent to our situation
- v) To ensure accounting processes conform to international accounting standards as well as those prescribed by the Swaziland Institute of Accountants from time to time.
- vi) To inform CCM secretariat of the processes that govern the utilization and accounting for funds assigned to the organisation.

3. THE ACCOUNTING STRUCTURE

- i) CCM's accounting structure will be based on the following fundamental accounting concepts and will be in compliance with International accounting standards:
 - a. Accounting year will be from April to March, in line with the Government's accounting year
 - b. Accrual Basis Accounting—Receipts and expenditures will be recognized in the books when money is received or paid. However, a Contract Register (appendix 1) will be maintained for all approved contracts/claims and commitments, and contingent liabilities shall be highlighted in the financial statements by way of notes. The primary objectives of this basis of accounting are to identify the activities and purposes for which the funds have been received and paid during a particular period and to maintain budgetary control over such activities.
 - c. Transactions in foreign currencies will be converted into local currencies at the rates prevailing at the time of each transaction. During transfer of funds from GF, funds will be converted to Lilangeni at the prevailing market rate

4. GUIDING PRINCIPLES

- i) To provide accurate information on a timely basis, management shall ensure timely reporting and the provision of reliable and accurate information in order to facilitate the decision making process.
- ii) Gifts should be declined cautiously, except for minor promotional materials of a negligible value where the supplier is advertising its product e.g. pens, diaries, calendars etc.
- iii) A conflict of interest may arise between an employee's personal and /or business interests and his/her responsibilities to the organization, thus adversely influencing the employee's judgment with respect to his or her job responsibilities. If such conflict of interest exists, the employee shall promptly make full disclosure in writing to supervisor and the Supervisor will decide if the employee should be prohibited from handling the related transaction

5. FINANCE PLANNING

- i) The Finance and Admin Manager (FAM) shall coordinate and ensure that annual budgets for the CCM planned activities are prepared timely and accurately and that the budgets are in line with Government allocations and

- any grant fund requirements.
- ii) They shall further ensure that the time lines in effect from time to time are adhered to for the development, submission and approval of all budgets.
 - iii) Budget for Grant Funded Projects shall be formulated at proposal development stage and shall be prepared according to the Grant requirements.
 - iv) Annual budgets for both Government and Funders must be approved not later than 31st March of each year.
 - v) The FAM shall be responsible for managing all budgets to ensure expenditures are within budget line, also ensuring that budget is in line with the organization's strategic focus. However changes in budgets shall be guided by the specific Funder requirements/guidelines.
 - vi) The CCM Executive Committee shall be responsible for approving all budgets.

6. PURCHASING AND PROCUREMENT

- i) All procurement of goods and or services shall be committed through a purchase order (appendix 2) or contract for services.
- ii) The designated Officer shall maintain a Contract Register (appendix 1) to show all contracts into which the project has entered with consultants, suppliers or contractors. At the end of each month, the Officer shall prepare from this register a Procurement Report, showing outstanding commitments at the end of that month.
- iii) The system for the purchase of goods and services should be made in duplicates; pre-numbered order forms and ensures that no orders can be placed unless an official order form has been approved.
- iv) Before a purchase order is raised, the following procedures should be observed:
 - a. Ensure purchase requisition (appendix 3), has 3 quotations attached, and has been approved by relevant authorities.
 - b. Raise purchase order after satisfying that the chosen supplier offers the best service, quality and price.
 - c. Ensure purchase orders are properly written i.e. quality, description, price supplier details etc.

- d. Obtain authorization of the order from relevant authorities.
 - e. Dispatch original of the purchase order form to the supplier.
 - f. File a copy to be used as a receiving document.
 - g. Ensure custody of all used order books are kept under safe custody and under lock by a responsible official
- v) When goods are received from the supplier, details such as the supplier name and address should be checked against the copy of the order. The person approving the payment and preparing the payment voucher should initial or sign the documents to this effect prior to forwarding the papers to the payment signatory. Supporting document must be cancelled to preclude their being used again.
- vi) Delivery of goods with no purchase orders in the pending purchase orders file should not be accepted.
- vii) The Delivery Note should be signed when goods are received and attached to the original invoice confirming that goods delivered conform to the specifications on the order and that they are in good condition. In case of the short delivery, a note should be made on a copy of the purchase order which should be filed pending full completion of the order.
- viii) Received invoices must be matched with purchase requisition, delivery note and purchase order before being captured into the system for payment. Any discrepancies between invoice and purchase orders are reconciled before being captured into the system
- ix) All invoices for recurring expenses e.g. utilities, rent, security, and maintenance of equipment shall be reviewed before being processed (relevant attachments shall be attached where necessary e.g. latest utility bill or statement). No purchase order will be necessary for such payments
- x) If goods are later discovered to be inconsistent with specification, but the invoice has already been processed in the system, a debit note will be issued to the supplier and invoice reversed. However when payment has already taken place the invoice shall not be reversed. In both respects the supplier will be required to issue a credit note. Reversal of invoices must be properly approved and a log of all reversal must be maintained.
- xi) Goods costing more than E50 000.00 will be procured under contracts awarded on competitive bidding advertised in local dailies and be processed through an Oversight Committee. Guiding principles for this process should include the following:

- a. Economic - quantity and quality of physical, human and financial resources at a cheap cost.
- b. Efficient - optimum output at any given set of resources, if difference in price with the lowest price charged is reasonable, opt for the higher in price if above in quality
- c. Effective - is the activity achieving its goals and meeting objective in a valuable manner
- d. Transparency - dealings should be made above board.

7. PAYMENTS

- i) All payments must be based on authorised documentation, i.e. Purchase requisition, purchase order/contract, goods delivery notes and original invoice. In addition, all payments should be requested using a cheque payment voucher (which will summarise all necessary details for approval)
- ii) Payments for non invoice transaction (e.g. per diems, travel claim, petty cash replenishments, payments made to third party stakeholders, etc) must be supported by duly authorised requisitions.
- iii) All expense documents should be properly coded before authorization of payment (donor/expense type). Coding should be in line with the approved annual budget.
- iv) Payments shall be issued through cheque. All issued payments must be recorded in a dispatch register. All payments must be signed by authorised signatories.
- v) Cancelled cheques must be accurately recorded in the Cheque Dispatch Register to provide for accurate tracking of all cheques. A cheque can only be cancelled and reversed if it is reported as spoilt or stale (i.e. older than 6 months).
- vi) Payments to a different payee from the name of the supplier to whom the purchase order/contract was issued can only be accepted where the supplier of the goods and or services has submitted a sworn affidavit authorising the change in payee or where a letter from courts and or liquidators has been received.
- vii) Foreign currency payments made from local currency accounts must be preceded by buying the foreign currency amount required.
- viii) Signed cheques which have not yet been dispatched as well as cancelled cheques shall be locked in a safe box.

ix) The following procedures must be adhered to when processing payments:

- a. On receipt of purchase invoice, retrieve purchase order from pending purchase order file.
- b. Retrieve goods received voucher from pending goods received voucher file.
- c. Agree invoice details to purchase order details i.e. price, quantity, supplier, etc
- d. Agree invoice details to goods received note details i.e. quantity received, etc. If all three agree, match the supplier's invoice, purchase order and goods received note. Ensure all pre-numbered goods received notes are accounted for as having been matched to suppliers' invoices.
- e. Ensure invoices are initialled as evidence of these checks being performed at each stage
- f. After validating supporting documentation, ensure that paid invoices are cancelled or stamped "PAID" after payment has been processed
- g. Process invoice after obtaining satisfactory credits and or explanations on why there are discrepancies.

8. PAYROLL

- i) Record notification of changes on pre-numbered "payroll change" forms and ensure all numbers are accounted for.
- ii) Ensure each change to payroll standing data is prepared from appropriate "payroll change" forms.
- iii) Ensure that the designated Officer authorizes all "payroll change" forms and all necessary supporting documents are attached accordingly.
- iv) Verify payroll data against employee records for completeness and accuracy of records
- v) Reconcile gross pay from period to period to account for standing data (addition or removal of employees and changes in payroll deductions changes) and changes in the level of base data (time records).
- vi) Each salary, wage and casual labour payment must be accompanied by a pay slip showing details of its makeup. Where salaries are paid by bank transfer, the slip should be given to the employee on the day the transfer is made.
- vii) Verify authorizing initials on base data and standing data.

- viii) Ensure correct allocation to donor funds.
- ix) Ensure that any unclaimed wages are promptly recorded
- x) Reconcile gross pay and net pay to determine deductions.
- xi) In the case of casual labourers, payment vouchers should be based on wages sheets and the payment witnessed by (someone different from the one who prepared the wages sheet). The recipient should be required to sign in acknowledgement of receipt.
- xii) Care must be taken to ensure that labour laws regarding the employment and discharge of labour, minimum wages, collection of tax etc are adhered to and that any changes in such regulations are immediately notified to the appropriate staff.

8. PETTY CASH HANDLING

- i) The CCM will adhere to a standard imprest system running its office float. To this end, maximum cash holdings shall not exceed E1, 000. Replenishment of the imprest shall be made when the cash balance falls to about E400. The replenishment shall be the exact amount of expenditure made and covered by Petty-Cash Vouchers at the time of replenishment.
- ii) Strict control must be exercised over all vouchers and documents submitted in support of claims for cash reimbursements. Ideally documents should have an official serially numbered petty cash voucher attached thereto before settlement. All documentation should be correctly authorized and clearly cancelled on settlement, and thereafter should be filed numerically.
- iii) All petty cash requisitions shall be limited to E500; any other transaction will have to be processed through cheque.
- iv) Each cash disbursement is documented with a voucher signed by both the recipient and the cashier. Receipts and other documentation are stapled to the voucher.
- v) Before cash replenishment, a proper account must be prepared by the by the Finance and Admin Manager and replenishment of float will follow all payment procedures.
- vi) Under no circumstances shall an IOU or personal cheque exchange be allowed. All money belonging to the CCM must be kept in suitable safe, locked at all times.

- vii) Any shortage out of petty cash will be recorded and investigated and appropriate decision taken.
- viii) Petty cash will be verified by an Officer independent to the officer responsible for handling the cash anytime, without prior notification.

9. JOURNAL PROCEDURE

- i) All journals must be recorded in a journal book before they are captured into the accounting system.
- ii) All journals must be supported by the relevant documentation and properly referenced to the original entry and contain sufficient narrative to explain the adjustment required.
- iii) Journals in the journal book must be referenced to the batch in the accounting system.
- iv) The following procedures must be adhered to when journal entries are being processed:
 - a. Record adjustments in a bound journal or on pre-numbered journal forms which are sequentially controlled.
 - b. .
 - c. Check journal entries to ensure that they balance before and after processing against underlying documents

10. FINANCE SYSTEM

- i) The general ledger should be reviewed on a monthly basis to ensure that all entries relevant to that particular period are recorded and allocated to the correct account. All sub ledger reports must be reconciled and agreed to the relevant control accounts in the general ledger. All batches should be posted monthly.
- ii) The Chart of Accounts provides a framework to the General Ledger and assists in categorizing and developing reports for each area that funds are spent.

11. BANK RECONCILIATION

- i) All cash books/financial records will be reconciled monthly with the bank statements and must be independently checked and approved. All differences will be investigated and resolved within the relevant financial period.
- ii) The cashbook balance in the general Ledger should be reconciled to the cash book balance in bank reconciliation statement at least once a month and any differences investigated and reconciling items adjusted immediately.
- iii) All received cheques that are not cleared must be reversed in the Cashbook and registered against the drawer's names. The drawers of such cheques must be contacted without delay and requested to pay cash or bank-certified cheques. The charges on unpaid cheques shall be charged to the respective drawers;
- iv) Unpresented cheques should be followed up. Cheques not cleared within 3 months shall be investigated and adjusted accordingly in the General Ledger. Cheques outstanding for more than 6 months should be cancelled and entered into the cancelled registry.
- v) The accuracy and reasonableness of all bank charges and interest applied should be verified on a monthly basis.
- vi) Money banked by the organization and not yet showing in the banks records must be reflected on the reconciliation.
- vii) Bank reconciliation statements should be printed and filed in monthly order by the 10th calendar day of the following month.
- viii) A letter should be written to the banker seeking clarification and resolution for all unknown transactions appearing in the bank accounts. If issues are not resolved within a month, the matter should be taken up at a senior level.

12. BANKING OPERATIONS

- i) Bank accounts shall be maintained with recognised commercial banks.
- ii) There shall be Five signatories to the bank accounts and financial instruments i.e. ;
 - a) The Executive Secretary
 - b) Chairperson

- c) Any 3 Designated CCM members
- iii) Any two out of the five signatories shall sign each cheque or transfer
- iv) All cheques will be pre-crossed, and unused booklets kept in a safe in the custody of the designated officer.
- v) A Cheques-Issued Register will be maintained to record cheques to suppliers.
- vi) All creditors and suppliers will be paid with cheques marked “Not Negotiable /Account Payee Only”

13. CASH AND CHEQUE RECEIPTS

- i) Official receipts must be issued serially for all cash or cheques collected and recorded serially in the cash book, and all cancelled receipts must have the originals attached to the duplicates.
- ii) All money that is collected must be paid into the bank account intact within 24 hours. Where this is not feasible, money not yet banked shall be kept in the safe. Under no circumstances shall personal money be kept in the safe
- iii) All receipts are recorded at the time funds are received. Signed receipt vouchers are issued in duplicate for each item received. The original is issued to the payer and the duplicate remaining in the files. Records of all such receipts should be made in the ledgers. The receipts are deposited into the bank account daily. The amount of the bank deposit should equal the total of receipts issued
- iv) Cash received by bank transfer is captured from bank statements, pending cash book reconciliation
- v) The Officer tasked with reconciling the bank accounts should ensure that banking is done promptly, the deposit slips are numbered in sequence, and also that the bank stamps the copy of the deposit slip.
- vi) When cheques are received (either by hand or post) they are marked “A/C Payee only” as soon as they are received. All instruments paying CCM are not to be negotiated to 3rd parties.
- vii) For any cash cheques issued for training or travel allowances where change may be returned, a suspense account for the relevant Grant is created. The correct amount is only expensed once the change and all relevant receipts are returned. Otherwise the person responsible for that cash is considered a debtor.

14. RECOGNITION OF FOREIGN CURRENCY

- i) Any gains and losses resulting in foreign exchange transactions shall be recognised and reported in accordance with international reporting and accounting standards.
- ii) Transactions in foreign currencies will be converted into local currencies at the rates prevailing at the time of each transaction. The exchange rate gain or loss will be recognized as appropriate. This therefore translates that all foreign currency receipts shall be recorded in the General Ledger at the rate ruling on the date of receipt.
- iii) Foreign currency denominated expenditures shall be recorded in the General Ledger at the rate negotiated with the bank for that payment. The designated Officer shall first prepare the bank instruction before the rate is negotiated.
- iv) Foreign currency received shall either be kept in a foreign currency denominated account or be converted to the local currency and shall be kept in CCM's bank account. This shall be dependent on the Funder requirements.

14. CASHFLOW PROJECTION

- i) The preparation of annual estimates requires the completion of a projected cash flow statement, on a monthly basis showing receipts and payments. It is imperative that the greatest care is exercised in preparing this document, particularly where seasonal fluctuations materially affect the cash flow.
- ii) Short, medium and long term cash projections must be regularly updated and compared with the original estimates. This information must be available on a quarterly basis.
- iii) Where the cash flow projection shows the need to draw upon funds to be provided by lenders, care should be taken to ensure that notices of draw down are issued within the prescribed time scales and in the form required for overdraft facility

15. STATUTORY PAYMENTS

- i) These include payment for Pay As You Earn, Graded Tax etc. All statutory payments must be made at the latest by the 7th of each month. This is to

avoid attracting penalties from the Commissioner of Taxes which cannot be expensed to any Donor.

- ii) Penalties and fines should be avoided at all costs as they are not acceptable operating expenses.
- iii) In the case of vehicles, each driver using a vehicle should ensure that the vehicle is in good order before use.
- iv) If a driver uses a defective vehicle and is subsequently fined, the Officer who approved the trip should pay for the fine. Under no circumstances will fines be paid using Donor Funds.

16. CHART OF ACCOUNTS

The Chart of Accounts shall reflect the accounting and management information needs of CCM work plan; and the accounting system should follow generally approved accounting practices. The chart must allow computerization of the accounting system. An indicative Chart of Accounts should include, but not limited to, the following accounting categories:

- Category 1: Sources of funds
- Category 2: Uses of funds/expenses
- Category 3: Creditors and payables
- Category 4: Fixed assets
- Category 5: Current assets
- Category 6: Income (sundry)

15. MONTH END AND YEAR END CLOSE PROCEDURES

- i) The Finance and Admin Manager should adhere to the following checks, to verify the integrity of the General Ledger.
 - a. Bank Reconciliation: On the first day of the new month, the designated Officer receives bank statements and does the bank reconciliation.
 - b. Aged payables: The Aged Payables are printed and reconciled against the Creditors Control account in the Trial Balance. Any discrepancies should be resolved.
 - c. Aged receivables: The Aged Receivables account is reconciled with the debtor's control account. Any discrepancy between the two must be investigated and reconciled.

- d. Fixed Assets: Depreciation should be run to the correct accounts. Also, the fixed asset register should be reconciled with the General Ledger accounts balances
 - e. Other reconciliations to be performed include Revenue, expenses and the depreciation reconciliation
- ii) After all of the above procedures are complete, then the General Ledger can be opened for processing for the following month. The designated Officer confirms that all of the above has been completed
 - iii) A Trial Balance with reconciliations should be ready for audit by the 15th of April following each year end. Auditors should start audit not later two months after year end.
 - iv) By the end of the 30 June, audited financial statements should have been signed and annual reports being compiled.
 - v) All final reconciled accounts should be captured in a backup for future use if necessary. The backups should be kept offsite.

16. FIXED ASSETS

- i) Fixed assets are defined as tangible assets with a life of one year or more and a value of more than E1 000. This definition may be reviewed by management from time to time. Items with costs below E1 000 equivalents will be classified as “minor assets” and will be fully expensed. However, a register of such assets will be maintained with appropriate detail. In applying the capitalization policy, the acquisition cost of the fixed-asset items shall include all related (landed) costs and installation costs.
- ii) Acquisition of fixed assets shall be approved by CEO as part of Capital Expenditure of the Annual Budget. Three quotations should be obtained from different suppliers before an item is acquired alternatively through the competitive tender process.
- iii) Fixed assets will be posted to the GL and reconciled with Fixed Asset Register (appendix 4) on a monthly basis.
- iv) Physical verification of assets shall be performed at least once a year and any discrepancies should be reported to relevant authorities.
- v) The asset register should be updated each time an asset is bought or disposed off.

- vi) When an asset is no longer necessary for CCM's purposes, the Finance and Admin Manager shall provide a motivation for asset disposal to the CEO on the need for disposal of an asset for further submission to CCM Executive Board for approval.
- vii) Where substantial expenditure is incurred for repairs and renewals, the amount so incurred shall be capitalized, otherwise such expenditures are classified as deferred operating costs. Capital expenditures on contract works will be accounted for on the basis of valuation certificates including retention.
- viii) The asset to be disposed of shall be valued by a properly qualified person to ascertain the market value and advice on the same. It is only upon receipt of the valuers report that the Finance and Admin Manager can initiate a motivation for asset disposal.
- ix) Property, plant and equipment are stated at historical cost or at valuations. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
- x) Regular valuation of assets is desirable to ensure that a realistic measurement can be made of the return on the capital employed in the business, that adequate funds are retained for the replacement of assets.
- xi) Depreciation is calculated on the straight-line method to write off the cost of each asset (less its residual value) over its estimated useful life. The depreciation rates and useful lives are as follows:

Asset description	Useful life in years	Annual depreciation rate %
Motor vehicles	4	25%
Motor Cycles	4	25%
Computer Equipment	3	33.3%
Leasehold	5	20%
Furniture and Fittings	5	20%
Office Equipment	5	20%
Buildings	50	2%

17. FILES AND RECORDS MANAGEMENT

- i) All files and documents shall be kept for a period of 5 years after the end of the project.

ii) Files should be retained for all financial transactions and the system should enable a complete audit trail from the Accounting Software records to supporting documentation for each transaction and vice versa.

iii) All vouchers shall be filed by month.

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