

gesci
Founded by UN ICT Task Force



FINANCIAL POLICIES AND PROCEDURAL MANUAL (FPPM)

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Technology • Innovation • Education

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1. Introduction and Purpose of Accounting Procedures

1.1 Introduction

- 1.1.1. This Financial Policies and Procedures Manual deals primarily with the administration of GESCI's finances in the office based in Nairobi.
- 1.1.2. The procedures described herein are for the purposes of day-to-day management of GESCI 's finances in the this office
- 1.1.3. The manual sets out the principles involved in the management of GESCI 's finances and gives some indication of how they are to be applied.

1.2. Scope and Purpose of the manual

- 1.2.1. This manual covers all the financial transactions of the organization.
- 1.2.2. The purpose of the manual is ;
 - a) to explain the accounting assumptions and policies adopted by Global e-Schools and Communities Initiative (GESCI)
 - b) to describe the accounting procedures operated by the Global e-Schools and Communities Initiative
 - c) to ensure uniformity in the application of accounting policies and procedures.
 - d) to provide a reference or guide for training new staff.
 - e) to outline procedures to enhance adequate internal controls.
 - f) to document GESCI's work ethics.
 - g) to standardise and codify the application of financial accounting procedures within GESCI
 - h) to ensure that there exists a system that is capable of producing accurate and reliable financial statements and books of accounts which are free of material errors and fraud;
 - i) to act as basis of delegation of authority to various officers within GESCI

1.3. Issue, Revision & maintenance of the Manual

- 1.3.1. This manual is issued with the authority of GESCI Chief executive Officer (CEO).
- 1.3.2. The Finance Manager is delegated the responsibility of controlling the distribution of the manual.

- 1.3.3. Any employee who requires a hard copy of the manual must submit a written request to the Finance Manager.
- 1.3.4. The Finance Manager maintains a list of all persons who have been issued with the manual
- 1.3.5. An electronic version of the manual will also be available on the GESCI's extranet (sharepoint) for reference purposes only.
- 1.3.6. Changes to the manual can be initiated by any member of staff by submitting the proposed changes through the CEO. This is done by writing to the Finance Manager, specifying:-
 - (a) the purpose of the change; and
 - (b) the details of the proposed amendment required.
- 1.3.7. The Finance Manager is responsible for reviewing and periodically updating the manual.
- 1.3.8. If the changes are approved, relevant sections of the manual are revised and all staff advised accordingly. The Finance Manager will maintain a file on all revisions to the manual for future reference.
- 1.3.9. A manual holder is responsible for keeping his/her copy of the manual in good order.
- 1.3.10. When a manual holder leaves GESCI, he/she must surrender their manual to their immediate supervisor. The supervisor must keep the manual in his custody until it is issued to a subsequent employee.

1.4. Departure from the Manual

- 1.4.1. The manual applies to all of the GESCI's operational procedures. However, any individual employee can seek authority to depart from the manual if s/he feels that compliance with the manual impedes his efficiency or the proper functioning of their activities.

1.5. Security and Confidentiality

- 1.5.1. This manual is for confidential use by Global e-Schools and Communities Initiatives.
- 1.5.2. The manual should therefore be handled securely at all times.
- 1.5.3. Any unauthorized reproduction of the whole or part of the manual is prohibited

2 SOURCE DOCUMENTS & ACCOUNTABLE DOCUMENTS

2.1 Policy on the use of source documents and accountable documents

- 2.1.1 The organization will use standardized source documents for all its financial transactions.
- 2.1.2 In order to improve the efficiency of use of source documents, the Finance Manager will control the issue of all source documents.

2.1.3 All source documents will be accountable documents and copies of the same must be surrendered after use.

2.2 Objectives of procedures for use of source documents and accountable documents

2.2.1 Accountable documents authorize the release and acceptance of funds or the ordering and receipt of goods and services.

2.2.2 GESCI's source documents should be easily recognisable and should enhance the corporate image.

2.2.3 The source documents should be designed in a manner that enhances accountability and responsibility for financial transactions.

2.2.4 The design of source documents should facilitate ease of use of the same and minimize the variety of source documents in use. This will be accomplished by designing multipurpose source documents where possible.

2.3 Handling of Accountable documents

2.3.1 Accountable documents should be maintained under strict control at all times.

2.3.2 Authorized officers should maintain accurate records of the receipts and issues of all accountable documents.

2.3.3 Stocks of accountable documents on hand should be kept under lock and key and issued only in accordance with the established needs.

2.3.4 Accountability forms will be prepared for issuing the accountable documents.

2.4 Preservation and destruction of documents

2.4.1 Accountable documents should be preserved for stipulated minimum times.

2.4.2 The stipulated times will not apply in the following circumstances:

- (a) If the documents are the subject of unfinished audit enquiries.
- (b) If the documents are likely to be required for pension purposes (e.g salary records).
- (c) If there is any other legitimate reason that has been communicated in advance.

2.4.3 Subject to the above overriding considerations, the stipulated minimum time for keeping accountable documents is as detailed in the table below:

Books, records	Preservation period
General Ledger	10 years
Cash books	10 years
Journals	7 years

Payment vouchers	7 years
Paid cheque counterfoils	5 years
Duplicate receipt books	3 years
Obsolete unused receipt books	2 years
Redundant documents	3 months

- 2.4.4 The CEO may, subject to the above, give permission for accounting records to be destroyed.
- 2.4.5 Secure destruction of the accounting documents will normally be done by in the most environmentally way available in the presence of three independent senior officers who must sign in duplicate stating that they have witnessed the destruction.
- 2.4.6 The serial numbers and the description of the documents being destroyed must be recorded.
- 2.4.7 Where possible, the documents being destroyed may be preserved electronically, provided that the related costs do not significantly outweigh any perceived benefits.

2.5 Accounting forms and documents

- 2.5.1 The Finance Manger is responsible for designing accounting documents and recommending the same for use.
- 2.5.2 Accounting forms will be used in processing and authorization of transactions. They will also be used for posting into the various accounting ledgers as appropriate. The forms currently in use are:
- 2.5.3 Payment Voucher form -This form is used to process payments by cheque.
- 2.5.4 Receipt Voucher form-.This form is used to receive money from third parties on account of some specified reasons. The form will be used to receive both cash and cheques.
- 2.5.5 Petty Cash receipt form- This form is used to receive petty cash surrendered by an employee.
- 2.5.6 Accounting/Claim form - This form is used to either make account for money given as an advance or to make a claim for reimbursement of expenses incurred on account of the organization.
- 2.5.7 Journal Voucher form - This form is used to make adjustments to accounts.

3 BUDGET & BUDGETARY CONTROL

3.1 Policies

- 3.1.1 GESCI's budget will be based on its strategic and other plans that have already been identified, in concurrence with the CEO and approved by the Board.
- 3.1.2 Any expenditure to be included in the Budget must be justified and the basis for inclusion stated. In case of capital expenditure or investment in any project, the justification should include a brief feasibility report in a format to be prescribed by the CEO.
- 3.1.3 The programme managers should ensure that the requirements for services are planned on such a scale that the budget is not exceeded.
- 3.1.4 Any expenditure not provided for in the budget should not be incurred without prior approval by the CEO.
- 3.1.5 GESCI's budget should not be in deficit unless commitment for financing the deficit has already been secured.
- 3.1.6 Officers (Project and Programme managers) of GESCI who are responsible for project activities should be involved in the Budget preparation process.

3.2 Objectives of Budget & Budgetary Control (B&BC)

- 3.2.1 The B&BC process is the mechanism through which revenue and expenditure will be planned, monitored and controlled.
- 3.2.2 The B&BC reports will form the basis for preparation of various management reports, relating to the GESCI's finances.

3.3 Functions of the Budget

The main functions of the Budget are:

- 3.3.1 To determine the financial and other resources required to carry out the plans and activities of the office.
- 3.3.2 To obtain approval of the proposed programmes and resources required by the office to ensure that GESCI's mandate is achieved.
- 3.3.3 To provide a basis and framework for financial control of the planned activities.

3.4 Procedures & Guidelines for Budget preparation

- 3.4.1 The annual budget sets the framework for financial control in GESCI. Its two primary functions are:
 - 3.4.1.1 To set out and control the overall resources available to the organisation; to ensure that overall expenditure is controlled and limited so that the organisation remains stable with a steady cash-flow.
 - 3.4.1.2 To set out expenditure by programme and the specific activities on which programme resources may be spent.
- 3.4.2 The annual budget is drawn directly from annual programme and project work-plans. The inputs are provided by the programme / project manager and are reviewed and finalised by the senior management team. The budget and the annual work-plans are approved by the Board of Directors.

3.4.3 The annual budget is prepared for the calendar year rather than the financial year – in order to align with the annual planning and work-plan cycle. The calendar year also aligns with donor funding cycle since GESCI donors generally operate by calendar year also.

3.4.4 Budget approval is not spending approval. Purchases are approved in accordance with the purchasing procedures below.

3.5 Procedures for Budgetary Control

3.5.1 After the budget is approved, the approved limits will be taken as the budgetary “ceiling”.

3.5.2 Any revenue realised or expenditure incurred will be offset against the approved budget.

3.5.3 Any commitments that have not been paid should be entered in a commitments register.

3.5.4 Procurement procedures should not be commenced before confirming that funds to meet the procurement are available.

3.6 Monthly Financial Performance Report

3.6.1 The Finance Manager will prepare a financial performance report on a monthly basis.

3.6.2 The report will be circulated to the CEO and senior management for information purposes only.

3.6.3 A brief explanation of all the major variances will also form part of the report.

3.7 Procedures for Budgetary Reallocations and revision of the Budget

3.7.1 The approved expenditure constitutes the absolute maximum expenditure that can be incurred during a given financial year.

3.7.2 Additional expenditure over and above the budgeted expenditure (i.e excess expenditure) can only be incurred if additional services are required which could not have been foreseen and cannot be postponed without detriment to service delivery; or if the economy experiences inflationary prices that could not have been anticipated.

3.7.3 Excess expenditure should be addressed by requesting for supplementary funds. This must be done before the budget is revised.

3.7.4 Savings from one item can be reallocated to another item provided that the affected items do not increase or decrease by more than 10%. Reallocations of more than 10% will require to be approved in accordance with the existing GESCI's guidelines.

3.7.5 Approved expenditure which was not budgeted for should be charged against the budgeted item that matches the description to which it relates. If there is no matching description, then an appropriate description should be created provided that the total expenditure on this item does not materially affect the overall budget.

3.7.6 The revision of the budget will be based on the estimated expenditure to be incurred up-to the end of the financial year.

3.7.7 The revised budget will be prepared alongside the budget for the subsequent year in line with the existing GESCI guidelines.

4 PROCUREMENT PROCEDURES (See GESCI Procurement Policy)

5 PAYMENT PROCEDURES

5.1 Payment Policy

5.1.1 It shall be the policy of the Organization to ensure that the agreed payment terms with suppliers are respected at all times.

5.1.2 In instances where there are no agreed credit terms, all invoices will be settled within thirty days (30 days) after the goods/services are rendered and necessary documents submitted.

5.1.3 In instances where invoices relate to services/goods that are settled upon presentation of a monthly statement, payment will be made within fifteen days of receipt of the statement, invoices and any related documents.

5.2 Objectives of payment Procedures

5.2.1 Payment procedures should ensure that payment of invoices is made within the contracted terms all the times.

5.2.2 Payment procedures should also ensure that the procedures adopted minimise the risk of errors (e.g double payment, payment of goods/services that have not been received, and underpayment).

5.2.3 Payment procedures should minimize the potential of fraud or loss of money because of inherent weaknesses in the procedures adopted.

5.2.4 Payment procedures should be transparent, predictable and assure some form of certainty

5.3 Supporting Documents for Payment Vouchers

5.3.1 Payment vouchers will be supported by the following documents:

- i) Copy of L.P.O
- ii) Suppliers original invoice
- iii) Goods receipt note or confirmation that services have been rendered.

5.3.2 Payment vouchers to suppliers who are contracted to offer goods on a monthly basis must be accompanied by the following additional documents:

- i) Suppliers statement
- ii) A reconciliation of the supplier statements with the creditor's ledger/records

5.3.3 Preparation of Payment Vouchers.

- i. All payment vouchers will be initiated by the Accounting Officer.
- ii. The Accounting Officer should ensure that all the supporting documents are attached to the Voucher.
- iii. The Accounting Officer will also ensure that the totals on the invoices are correct and are in accordance with the LPO or contract.
- iv. The responsibility for ensuring the correctness and arithmetical accuracy of the payment voucher rests with the Accounting Officer.
- v. Accounting Officer will sign the payment voucher as the preparer.

5.3.4 Checking of the payment voucher

- i. The Finance Manager checks the payment voucher to ensure that the payment is in accordance with the laid down procedures.
- ii. The Finance Manager also checks the payment voucher to confirm that all the relevant supporting documents have been attached and that they are (at face value) genuine.
- iii. The Finance Manager checks the payment voucher to confirm that person(s) signing any of the supporting documents are authorised to do so.
- iv. The responsibility for ensuring that supporting documents for any payment are valid and confirming that all laid down procurement procedures have been followed rests with the Finance Manager
- v. The Finance Manager signs the “checked by” section of the payment voucher.

5.4 Approval of payment Vouchers

- i) Approval of payment voucher is delegated to the Finance Manager or the CEO
- ii) The Finance Manager checks the payment voucher to ensure that all employees involved in the procurement and payment process are authorised to do so.
- iii) The Finance Manager confirms that the organization may be charged with the expenses detailed in the payment voucher.
- iv) The Finance Manager passes the voucher for cheque preparation by approving the payment.
- v) In approving the payment, the Finance Manager should ensure that adequate budgetary provision has been made and funds are available to finance the payment.
- vi) The responsibility of approving payment vouchers may also be delegated to any other senior officer of the Organization.

5.5 Advance/ Pre-payment

- i) Advance/ Pre-payments may only be made in accordance with agreed terms.

- ii) All payments in advance must be accompanied by a suitable guarantee, in case the third party fails to meet its obligations.

5.6 Payment of Suppliers

- i) All payments to suppliers made outside the petty cash system must be made by cheque.
- ii) All cheques must be crossed "Account Payee only".

5.7 Reconciliation of Supplier statements

- i) Supplier statements should be reconciled to the creditor's ledger records before payment is made.
- ii) All reconciling items more than 30 days should be investigated by the Finance Manager and the results of the investigation conveyed to the CEO .

5.8 Supervision of the preparation and processing of Payment Vouchers

- i) The Finance Manager will at all times prepare and process payment vouchers.
- ii) The Finance Manager will ensure that all payments are made promptly without undue delay.

5.9 Numbering and Coding of Payment Vouchers

- i. All payment vouchers should be appropriately numbered and the relevant account codes disclosed on the face of the payment voucher.
- ii. The number assigned to each payment voucher will be a unique number that can be used to identify the specific payment voucher.

5.10 Dispatch of Cheques

- i) All cheques must be dispatched within five days after being processed.
- ii) Dispatch may either be by delivery to the supplier's authorised agent or by registered post.
- iii) In instances where dispatch takes the mode of delivery to the supplier's agent the agent must sign for the same in the cheque register.
- iv) The cheque register will be maintained with the Finance Manager.
- v) In instances where the mode of delivery is through registered post, the registration number must be indicated in the cheque register.
- vi) The Organization will endeavour to inform suppliers whenever their cheques are ready. The information may be by telephone, electronic mail or any other mode considered appropriate

6 STATIONERY STORES & CONSUMABLES

6.1 Policy on Stores & Stock

- 6.1.1 GESCI will maintain a list of all the items in the office.
- 6.1.2 GESCI will periodically review and establish re-order levels for all the items that are considered stock items.

6.2 Objectives of Stores Procedures

- 6.2.1 The documentation of the transactions at the office should be aimed at ensuring that all stock items are handled in a manner that ensures that GESCI does not suffer any financial loss as a result of stocking various items.
- 6.2.2 The primary objective of the stores procedures is to ensure that a complete record is maintained of the movement of all stores items in and out of the office.
- 6.2.3 Secondary objective will include ensuring that optimal stock levels are maintained and GESCI is able to easily identify stock.
- 6.2.4 Stores procedures will also eliminate a multiplicity of stores forms; serialized Stores Transaction Forms (STF) will be used to record stores transactions.

6.3 Receipt of Items in the store

- 6.3.1 Items will only be received in the store against a validly approved Goods Received from Supplier (GRFS) or Goods Returned from Users (GRFU).
- 6.3.2 All the relevant sections on the STF must be completed before items are received in the store.

6.4 Monthly Stores Performance Report

- 6.4.1 The stores performance report will be prepared once every quarter.
- 6.4.2 The monthly stores report must contain the following information:

Item Description	Reorder level	Opening balance	Purchases during reporting period	the Quantity issued during reporting period	Balance at the end of the period
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- 6.4.3 The monthly stores report should also contain a brief explanation of any other information that will assist in the management of the stores.

7 FIXED ASSETS ACQUISITIONS & DISPOSALS/RETIREMENT PROCEDURES

7.1 Policy on Fixed Assets Acquisition & Disposal

- 7.1.1 GESCI will put in place a policy for fixed assets acquisition and disposal.
- 7.1.2 The Finance Manager is responsible for reviewing and making recommendations to update the policy as necessary.
- 7.1.3 GESCI's fixed assets will be categorised as follows:
 - a) Computers and Servers

- b) Photocopiers, Scanners and Printers
- c) Computer accessories and devices
- d) Computer Software
- e) Computer network, cables and similar equipment
- f) Telephone, Fax and similar equipment
- g) Other office equipment
- h) Partitions, Furniture and fittings

7.1.4 The following rates of depreciation will apply:

	Type of Fixed Asset	Useful Life (years)	Rate Depreciation	of
4	Computers and Servers	3	33.33% p.a	
5	Photocopiers, Scanners and Printers	3	33.33% p.a	
6	Computer accessories and devices	3	33.33% p.a	
7	Computer software	3	33.33% p.a	
8	Computer network, cables and similar equipment	3	33.33% p.a	
9	Telephone, Fax and similar equipment	8	12.50% p.a	
10	Other office equipments	8	12.50% p.a	
11	Partitions, Furniture and fittings	8	12.50% p.a	

7.2 Objectives of Policy on Fixed Assets

- 7.2.1 GESCI should only maintain assets that are used and useful.
- 7.2.2 Fixed Assets that are surplus to the organizations requirements should be disposed off at the earliest opportunity to avoid the loss of value through depreciation or technical obsolescence.
- 7.2.3 The rate of depreciation should reflect the estimated useful life of the assets as closely as possible.

7.3 Classification of Fixed Assets(major & minor)

- 7.3.1 GESCI's fixed assets may be broadly categorized as major or minor.
- 7.3.2 Major fixed assets are those that will be capitalized and recorded in the fixed assets register.

- 7.3.3 Minor fixed assets are those that will be directly expensed. However, this will be included annually in the administrative inventory of fixed assets.
- 7.3.4 Any expenditure on fixed assets for items with an expected useful life of less than one and a half years may be classified as minor and expensed directly.
- 7.3.5 Any fixed assets that are not insured for breakage e.g cutlery, wall clocks e.t.c will be classified as minor.
- 7.3.6 Any expenditure on loose office tools for example paper punch, stapler will be classified as minor.
- 7.3.7 The Finance office will take into account the classification of similar items when deciding whether an item is major or minor.

7.4 Fixed Assets Retirement Procedures

- 7.4.1 Fixed assets will be retired using a standard form prepared for that purpose.
- 7.4.2 The reasons why the assets are being retired must be clearly indicated.
- 7.4.3 Fixed assets can only be retired with the authority of the CEO on the recommendation of ICT officer

7.5 Fixed Assets Register

- 7.5.1 GESCI will maintain a register of all fixed assets.
- 7.5.2 The register will contain the following minimum details:
- 7.5.3 The Fixed Assets Register will be updated annually or as often as is practicable.

8 CASH & BANK PROCEDURES

8.1 Policy on Handling Cash

- 8.1.1 This section deals with GESCI's policies, systems, procedures, responsibilities and controls for the cash and bank accounting function.
- 8.1.2 The policy of GESCI is to ensure that all funds of the organization are safe, properly accounted for and utilised for legitimate and intended purposes.
- 8.1.3 Only officers authorised to handle GESCI's cash should do so.

8.2 Objectives of Cash and Bank Procedures

- 8.2.1 It is the objective of the cash and bank procedures to ensure that:
 - a) all monies received are properly accounted for and banked within 48 hours.
 - b) payment obligations are accompanied by supporting documents, properly authorised and made by cheque.
 - c) the imprest or cash advanced to employees is properly authorised and accounted for within 48 hours after return from a safari.

- d) the cash position is continuously analysed.
- e) cash and bank reconciliation are undertaken monthly and the month end cash position ascertained.

8.3 Sources of Cash

8.3.1 GESCI receives cash from the following main sources:

- i) Grants from Donors for approved funding proposals.
- ii) Miscellaneous receipts (which include sale of tender documents, disposal of obsolete assets) from third parties.
- iii) Miscellaneous receipts from the employees (which include petty cash surrender and imprest surrender).

8.4 Procedures for Handling Petty Cash

8.4.1 GESCI shall establish a petty cash float of Kshs100, 000.

8.4.2 The petty cash float may be reviewed subject to the recommendation of the Finance Manager.

8.4.3 The Finance Manager or any authorised officer will be the custodian of the petty cash.

8.4.4 Petty cash will be kept in a lockable petty cash box at all times.

8.4.5 Petty cash will be issued against an authorised form.

8.4.6 Any cash surrendered for receipt as petty cash will be done against a receipt.

8.4.7 A petty cash book will be maintained for petty cash transactions.

8.5 Procedures for Opening Bank Accounts

8.5.1 No bank account may be opened without the GESCI CEO's approval.

8.5.2 Whenever it becomes necessary to open a bank account the Finance Manager should make the appropriate recommendations to the CEO.

8.5.3 The CEO when approving the opening of any account will specify the operating instructions for the account, including the signatories.

8.6 Procedures for Banking

8.6.1 The officer authorised to receive cash on behalf of the organization may receive cash, personal cheques, corporate cheques and banker's cheques.

8.6.2 A receipt must be issued in exchange of any money received by the organization.

8.6.3 Any money received should be banked within **forty eight hours** unless specific written approval has been obtained from the CEO.

8.6.4 The organization will maintain a register of all cheques that are received by the organization.

8.6.5 The cheque register will contain the following details in a columnar form:

- i) date of the cheque
- ii) cheque number
- iii) the drawer of the cheque
- iv) the amount of the cheque
- v) the receipt number issued for the cheque
- vi) Signature of the person who disposes the cheque.

8.7 Payments by Cheques

8.7.1 Except for petty cash related procurement, all other payments to third parties will be made by cheque.

8.7.2 All GESCI cheques payable to third parties will not be open and will be payable to the account of the payee only.

8.7.3 Cheque books should be safely kept at all times.

8.7.4 All cheque payments must be signed by at least two signatories.

8.7.5 GESCI will make the necessary arrangements with the bank to ensure that all cheque payments are confirmed by an appropriate officer before the bankers effect the necessary payments.

8.7.6 GESCI will maintain a register for all cheques that are issued to third parties.

8.7.7 The Cheque register will control the dispatch of cheques to payees and will have the following columns:

- i) date of the cheque;
- ii) cheque number;
- iii) name of payee;
- iv) amount;
- v) name and details of the identity of the person collecting the cheque;
- vi) Address of the person collecting the cheque; and
- vii) Signature of the person collecting the cheque.

8.8 Dishonoured Cheques

8.8.1 Whenever any cheque is dishonoured, the Finance Manager should be informed immediately this happens.

8.8.2 The organization will maintain a register of all dishonoured cheques (DCR).

8.8.3 The DCR will be both for GESCI cheques and cheques issued to GESCI by third parties.

8.8.4 The DCR will contain the following details:

- i) date of the cheque;
- ii) cheque number;
- iii) drawer;
- iv) name of payee;
- v) amount;
- vi) reasons why it was dishonoured;
- vii) disposal instructions; and
- viii) name and signature of the person disposing off the cheque.

8.8.5 If the dishonoured cheques were received by GESCI for payment of a good, service or in satisfaction of any debt or obligation, the Finance Manager must write to the drawer of the cheque informing him the reasons why his cheque was dishonoured.

8.9 Cash Loss

8.9.1 Cash losses may be as a result of fraud, negligence or other circumstances that may not have been contemplated.

8.9.2 Cash losses may occur in the office or while being transported.

8.9.3 Whenever a loss occurs, a detailed report on the circumstances under which the loss occurred should be made.

8.9.4 The report should - where applicable - indicate the person who is considered responsible for the loss.

8.9.5 All cash losses arising as a result of fraud must be reported to the CEO.

8.9.6 Petty cash shortages will be dealt with administratively by the Finance Manager.

8.9.7 All cash losses that are recoverable under the terms of any insurance contract that GESCI has should be dealt with in terms of the contract.

8.10 Direct Debits and Credits

8.10.1 Direct debits refer to payments or charges made against GESCI's account without using cheques.

8.10.2 Direct credits refer to deposits or credits to the made to GESCI's accounts without first being received by the organization.

8.10.3 All direct debits and credits should be investigated and the relevant details established before they are incorporated in GESCI's records.

8.11 Bank Reconciliation

- 8.11.1 Monthly Bank Reconciliation must be prepared for all the organization's bank accounts
- 8.11.2 The format, method and details to be contained in the bank reconciliation will be as prescribed by the Finance Manager.
- 8.11.3 All Bank Reconciliations must be approved by the Finance Manager.

9 GENERAL LEDGER & CHART OF ACCOUNTS

9.1 Policy for General Ledger

It is the policy of GESCI:

- 9.1.1 To maintain the General Ledger and all subsidiary ledgers as accurately as possible so as to comply with statutory requirements.
- 9.1.2 To identify each account with a unique account number.
- 9.1.3 To ensure that all transactions are recorded in the General Ledger.
- 9.1.4 To prepare quarterly management accounts and annual statutory accounts.
- 9.1.5 To ensure that annual financial statements are subject to audit by the external auditors in a timely manner.
- 9.1.6 To ensure that GESCI's statement of financial position, financial performance and cash flows provides adequate information that is useful to a wide range of users.

9.2 Objectives of Procedures of General Ledger

It is the objective of the General Ledger procedures to ensure that:

- 9.2.1 the General Ledger and all its subsidiary records are maintained as accurately as possible in accordance with the statutory requirements.
- 9.2.2 all financial transactions are recorded in the relevant subsidiary ledgers and are subsequently posted to the control accounts in the General Ledger.
- 9.2.3 accurate posting to the General Ledger is done.
- 9.2.4 quarterly management accounts and annual statutory accounts with supporting schedules are prepared.

9.3 Posting Procedures

The posting in the General Ledger may be done:

- 9.3.1 Directly using Journal Vouchers
- 9.3.2 Automatically through the interfaced systems, namely the Cash Book, the Accounts Payable Module, Payroll Module and the Fixed Assets Module.

9.4 Input Data source documents

- 10.4.1 The basic source documents to be input in the General Ledger and the Interfaced

Systems are:

- i) Journal Vouchers
- ii) Petty Cash Vouchers(Receipt and Payment)
- iii) Miscellaneous Receipts
- iv) Payment Vouchers
- v) Advance and Accounting claim form

9.5 Raising of Journal Vouchers

- 9.5.1 A Journal Voucher is used for additional posting in the General Ledger and for revising entries in the General Ledger.
- 9.5.2 A journal entry must be raised in duplicate with one copy used to post to the General Ledger and the other remains as a book copy.
- 9.5.3 The Purpose of the Journal Voucher is to fulfil the following:
 - i) To explain the entries in the accounts;
 - ii) To ensure that all the entries in the General Ledger through the Journal Voucher are properly authorised;
 - iii) To control the entries in the General Ledger.
- 9.5.4 The Finance Section is responsible for initiating Journal Vouchers and must ensure that all Journal Vouchers are properly coded and the narration is adequately descriptive to ensure that the reasons why the Journal Voucher is being raised are easily understood.
- 9.5.5 Journal Vouchers should be numbered numerically and must be submitted to the Finance Manager for authorisation.
- 9.5.6 The organization must ensure that all Journal Vouchers are accounted for by maintaining appropriate records of the same.

9.6 Chart of Accounts

- 9.6.1 GESCI will establish standard accounting codes to be referred to as the Chart of Accounts.
- 9.6.2 The Chart of Accounts will contain Assets, Liabilities, Expenses and Revenue Accounts.
- 9.6.3 The General Ledger accounts are structured to facilitate various levels of accounting detail and reporting including breakdown by Budget Centre within GESCI
- 9.6.4 A Budget Centre is defined as an entity within GESCI for which separate records are maintained in respect of revenue and expenses.

9.7 Coding Structure

- 9.7.1 The description of each account should enable facilitation of classification of assets, liabilities, expenses and revenues.

9.8 Amendment of the Chart of Accounts

- 9.8.1 The Finance Manager is responsible for controlling amendments to the chart of accounts.

- 9.8.2 Authorization to amend the Chart of Accounts must be done on standard forms prepared for that purpose.

- 9.8.3 The Finance Manager may also initiate the amendment to the Chart of Accounts.

- 9.8.4 The Guidelines for amending the chart of accounts are as follows:

- i) an existing account code cannot be added to the chart of accounts;
- ii) non-existent account codes cannot be changed or deleted ;
- iii) an account code used in a given financial year cannot be amended in one or more subsequent periods.
- iv) a new account code should comply with the existing coding structure of the organization.

- 9.8.5 Whenever an account code is changed, the Finance Manager must inform by memo all staff concerned with the coding of the accounting transactions as soon as possible. In case to the amendment to the Chart of Accounts is rejected, the Finance Manager must also inform by memo the person who proposed the amendment.

9.8.6 Accounting Entries

- 9.8.7 All accounting entries must be done using the double entry systems of accounting.

- 9.8.8 All accounting entries must be authorised before they are processed in the various subsidiary records or in the General Ledger.

9.8.9 Financial Statements

- 9.8.10 Financial statements are a structured representation of the financial position and financial performance of GESCI.

- i) GESCI shall prepare and submit its financial statements to the Auditor not later than 30th September of every year.

- 9.8.11 The financial statements will be prepared using standard format.

- 9.8.12 A complete set of financial statements will include the following:

- a) Report of the Board Members;
- b) A statement on the responsibilities of the Board Members;
- c) Statement of Financial Position;
- d) Statement of Financial Performance;

- e) Statement of Changes in Equity;
- f) Cash flow statement; and
- g) Notes to the Accounts

9.8.13 The Accounts must be signed on behalf by the at least one Director and the secretary to the Board.

9.9 Supporting Schedules

- 9.9.1 Supporting schedules are a complete analysis of the transactions that have taken place in the General Ledger during a financial year.
- 9.9.2 GESCI must prepare supporting schedules for all the balances in the General Ledger.
- 9.9.3 The supporting schedules will be printed and maintained in an annual accounts file opened for that purpose in each financial year.
- 9.9.4 General Ledger Balances will be of two types; those that relate to the Balance Sheet and those that relate Income and Expenditure Accounts.
- 9.9.5 In case of the Balance Sheet accounts, the supporting schedule should contain in detail the makeup of the account.
- 9.9.6 In case of the Income and Expenditure accounts, the supporting schedules must contain sufficient details on each of the transactions in each account.
- 9.9.7 The organization will be responsible for preparing the entire supporting schedule and ensuring that they are analyzed to explain the details of each account.
- 9.9.8 All the supporting schedules must be authorised by the Finance Manager

9.10 Management Letter

- 9.10.1 This is a letter prepared by the External Auditors to the organization raising queries and/or seeking explanations on observations made during the Audit.
- 9.10.2 The CEO passes the letter to the Finance Manager to coordinate the response to the Management Letter.
- 9.10.3 A copy of the management letter should be circulated to the Board at the earliest opportunity with the management's response to being raised.
- 9.10.4 The financial statements should be approved by the Board.

10 PERSONNEL & PAYROLL PROCEDURES

10.1 Policy for personnel and payroll procedures

- 10.1.1 It shall be the policy of GESCI that all personnel and payroll procedures will be authorised by an appropriate officer before being implemented.

10.1.2 In order to ensure that payroll related information is done in conformity with the relevant income tax laws, GESCI will only use payroll software that has been certified for tax compliance.

10.2 Objectives of Personnel & Payroll Procedures

10.2.1 Personnel and payroll procedures should ensure that the possibility of non-existent employees being on the payroll is eliminated.

10.2.2 Personnel and payroll procedures should ensure that employee related information is as detailed and as accurate as possible.

10.2.3 Personnel and payroll procedures should ensure that employee related information is readily available.

10.2.4 Personnel and payroll procedures should ensure that employee details are captured as soon as the employee is recruited.

10.2.5 Personnel and payroll procedures must ensure that taxable pay is included in the monthly payroll.

10.3 Personnel & Payroll Procedures

10.3.1 The main personnel and payroll procedures affect the following:

- a) Creation of new employees
- b) Amendment of details affecting existing employees
- c) Suspension/Interdiction of existing employees
- d) Retirement/Deactivation of past employees.

10.3.2 In order to ensure that payroll related information is standardized and comprehensive, a template for capturing the information will be prepared.

10.3.3 The above template will as a minimum contain the following information:

- a) Names of the employee
- b) Staff Number
- c) Title of the employee
- d) Date of 1st appointment
- e) Details of birth (birth certificate number, sub-location, location, district, province & country of birth).
- f) Personal Identification Number(P.I.N)
- g) National Hospital Insurance Fund (N.H.I.F) number.
- h) National Social Security Fund (N.S.S.F) number
- i) Programme/Project where the employee is working

j) Passport Details(Passport No., Date of issue, place and country of issue)

k) Driving License details(Driving License Number, date and place of issue)

10.3.4 Some of the details above are of a permanent nature while others will change over time.

10.3.5 Details that change over time should be updated as frequently as necessary.

10.4 Payroll by-products and reports

11.5.1 The monthly payroll and associated report must be produced before the salary for the month is paid.

11.5.2 Some of the payroll reports are statutory and care must be exercised to ensure that they are in conformity with the relevant statute.

11.5.3 The most common payroll reports are:

h) Payroll summary

i) Payslips

j) N.S.S.F report

k) N.H.I.F report

l) Sacco Reports

m) Pension reports

n) Higher Education Loans Board(H.E.L.B) report

11.5.4 Statutory payments will be accompanied by the relevant report.

10.5 Payroll Reconciliation

11.6.1 Monthly payroll reconciliation must be prepared.

11.6.2 The payroll reconciliation must explain the change if any of the gross pay from one month to the next.

11.6.3 The monthly payroll reconciliation must highlight instances of employees who are suffering mandatory deductions beyond those that are allowed under the employment act.

10.6 Payment of staff salaries & allowances

11.7.1 The monthly payroll reconciliation must be approved before the payment of staff salaries monthly allowances.

11.7.2 Payment of the net salaries to staff will be done by means of a transfer to affected employee bank account.

11.7.3 Every employee will be expected to maintain a bank account for receiving of salary.

11.7.4 Instructions to transfer salaries to employee bank accounts must be done on or before the last Friday of the month to which they relate.

11.7.5 Cheque for payment of staff deductions must be prepared on the same day as the cheque for the net pay.

10.7 Confirmation and Payment of Pension

11.8.1 All employees must contribute towards the N.S.S.F pension scheme.

11.8.2 In addition to the N.S.S.F, employees who have been confirmed will join be eligible to join the contributory pension scheme.

11.8.3 Contribution to the pension scheme will be made in accordance with the pension rules and regulations.

10.8 Termination/ Retirement of Employees

11.9.1 Terminated/retired employees will retain their payroll numbers for future reference. New employees should not be issued payroll numbers of employees who have been terminated or retired.

10.9 Staff Advances & Staff Loans

10.9.1 Employees should not ordinarily be issued with more than one salary advance at any given time.

10.9.2 Staff advances and staff loans must be recovered within the specified period.

10.9.3 A record of all staff advances and loans must be maintained and updated on a monthly basis.

11 ACCOUNTING POLICIES

11.1 Policy on adoption of accounting policies

11.1.1 GESCI's accounting policies are the specific principles, bases, conventions, rules and practices to be applied in the preparation and presentation of financial statements.

11.1.2 GESCI will adopt accounting policies that are consistent with international and locally prescribed accounting standards and guidelines.

11.1.3 All significant accounting policies adopted by the GESCI will be disclosed in the financial statements.

11.1.4 Accounting policies once adopted may not be changed unless the anticipated change is as a result of change in an accounting standard or the change will result in the financial statements providing more reliable and relevant information.

11.1.5 Whenever there is a change in accounting policy, comparative information in the financial statements should be restated to take into account this change unless it is impracticable to do so.

11.2 Objectives of accounting policies

- 11.2.1 Accounting policies enhance relevance and reliability of financial statements.
- 11.2.2 Accounting policies enable the comparability of financial statements over time and those of other entities.

11.3 Fundamental accounting assumptions and concepts

Fundamental accounting assumptions are the basic assumptions that underlie the preparation of financial statements. Fundamental accounting need not be disclosed in the financial statements. The main fundamental accounting assumptions are:

- 11.3.1 **Going concern:** This means that at the time the financial statements are prepared, the GESCI's operations are expected to continue at least for the foreseeable future.
- 11.3.2 **Consistency:** This means that the presentation and classification of items from one period to the next will be retained.
- 11.3.3 **Accrual:** Except for cash flow information, items in the financial statements shall be prepared using the accrual basis of accounting. Generally, this means that transactions/events will be recognized as they occur and not necessarily when cash is paid or received as the case may be.

11.4 Guidelines in the selection of appropriate accounting policies

The primary guideline in the selection of accounting policies is that the financial statements prepared by GESCI on the basis of the accounting policies selected should present fairly the financial position, financial performance and cash flows of the organization. Major considerations to achieve this are:

- 11.4.1 **Materiality:** This means that each material class of similar items shall be presented separately in the financial statements.
- 11.4.2 **Substance over form:** This means that transactions/events will be accounted for by considering the substance of the transaction over its legal form.
- 11.4.3 **Prudence:** In view of the uncertainty that surrounds the preparation of financial statements, gains should not be anticipated but should be recognized only when realized though not necessarily in cash. Liabilities and losses should be provided for in full even when the extent cannot be established with certainty.
- 11.4.4 **Offsetting:** This means that assets and liabilities, income and expenses shall not be offset unless it is a requirement or permitted practice under international or local standards for preparing financial statements

11.5 Significant Accounting policies

- 11.5.1 In order to make the financial statements better understood, the significant accounting policies adopted in preparing the financial statements will be disclosed in the notes to the financial statements.
- 11.5.2 The significant accounting policies should be disclosed in one place in the financial statements and not scattered in the notes.
- 11.5.3 Any change in an accounting policy which has a material effect in a current period or which is reasonably expected to have a material effect in later periods should be disclosed.

- 11.5.4 In the case of a change in an accounting policy which has a material effect in the current period, the amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable.
- 11.5.5 Where it is not possible to ascertain the effect of a change, wholly or in part, the fact should be disclosed.

12 TRAVEL ADVANCES

12.1 Objectives

- 12.1.1 To describe the accounting system, procedures, and the documentation to be used in accounting for travel advances.
- 12.1.2 All official travel, both international and domestic, requires prior approval and must be in accordance with the approved work plans
- 12.1.3 To provide clear guidelines on the company's business travel and expenses policies and the requirement for all employees to be cost-conscious while expending the Company's funds.
- 12.1.4 dealt with in detail in the GESCI Travel and Expense Policy

12.2 GESCI Travel Policy

12.2.1 *General*

All business travel plans **must** be pre-approved by CEO and/or senior manager as appropriate before the trip commences.

It is company policy that all business travel is in **economy** class.

- 12.2.2 It is important that all employees have a clear and consistent understanding of policies and procedures when traveling on GESCI's Business GESCI. The employee and their programme/project manager are directly responsible for complying with the travel policy, accurately reporting expenses and ensuring that they are made in the best interests of GESCI.
- 12.2.3 Dealt with in detail in the GESCI Travel and Expense Policy

13 INSURANCE

The GESCI shall take appropriate insurance policies to protect the organization against losses.

All GESCI property (assets) has been insured for normal insurance risks such as against fire, theft, including comprehensive cover for vehicles & public liability etc.

Any purchases/disposals of fixed assets shall be, on a timely basis, added/deleted to/from the fixed assets register and/or schedule of insured property.

The insurance cover under each policy is reviewed annually by the Finance Manager and reported to the CEO