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## **1.1 General Background**

The purpose of these policies is to help YiSHDA manage its financial resources. YiSHDA will also need to ensure the best and most efficient use of her financial resources in other to safeguard its assets, secure the accuracy and reliability of its accounting data and promote operational efficiency.

Financial management is more than keeping accounting records. It is an essential part of organisational management and cannot be seen as a separate task to be left to finance staff. Financial management involves planning, organising, controlling and monitoring financial resources in order to achieve organisational objectives and involves a range of financial tactics.

## **1.2 Objectives of the Manual**

- To standardize the way Finance and accounting activities are carried out in order to ensure consistency.
- To provide a guidance to all staff of Accounts and Finance for smooth execution of their duties.
- To have in place an adequate system of internal controls that promotes a high level of compliance with the Utility's policies and procedures.
- This manual brings together those policies and procedures that relate to improving internal control structure and the accounting activities.

## **1.3 Good financial management will help YiSHDA to:**

- Make effective and efficient use of resources
- Achieve objectives and fulfil commitments to stakeholders
- Become more accountable to donors, funders and other stakeholders
- Gain the respect and confidence of funding agencies, partners and beneficiaries
- Gain advantage in competition for increasingly scarce resources
- Prepare for long-term financial sustainability.
- Diversify income and manage risk

## **1.4 YiSHDA financial management policy has three important components:**

1. A clear financial strategy
2. A robust financial management system
3. A suitable internal environment.

## **2. Controls on Expenditures**

YiSHDA will manage expenditures through staff members, therefore it is important for YiSHDA to adopt a process to ensure that all expenses are valid and strict accounting procedures are adopted to check them. Such a process helps in maintaining a control on the expenditures and also ensuring the quality of accounts management system.

## 2.1 Essentials of a Voucher

- Project Name – in order to identify that the voucher belongs to a particular project, the project name needs to be stamped / marked on the voucher.
- Voucher Number – the voucher should be numbered and these voucher numbers should be pre-printed. The voucher book should be officially issued to the person responsible for preparation of vouchers. Any vouchers wrongly written should be marked 'CANCELLED' across the face of the voucher and left in the book itself. Hence, either the vouchers would have been used and taken into the cash book or be left as cancelled or accounted for as balance remaining.
- Date and the serial number of the voucher used.
- Classification – The cost centres and line items are clearly specified in the proposal. On the basis of the nature of expenses, it is verified that the expense is correctly classified into the various line items as appearing in the proposal.
- Narration – there should be a detailed narration in support of the classification showing the description of the transactions.
- Amount – it is verified that the amount on the voucher is equal to the amount reflected by the supporting documents, or matches any adjustments effected (e.g.: advance payments adjusted)
- Supporting documents – these are in the form of original bills, which are the real proof of transactions based on which payment is affected. The classification of the expense is based on the nature of expense reflected by these documents and the amount on the voucher should be the amount reflected by these documents.
- Signature of the person preparing the voucher
- Signature of the person authorizing payment (To verify with the delegation of powers of each member authorized within the organization to approve payments)
- Signature of the person receiving payment

## 3. Objectives and Procedures for Purchases

Below is an outline of control objectives and general procedures for making purchases by YiSHDA

### 3.1 Control Objectives

The control objectives here will be to ensure that:

- All purchases are duly authorized and approved before the goods and services are ordered.
- All goods received or services rendered are according to specification and in quantities requested for.
- Liability for all purchases is accurately reflected in the books of account and that suppliers are paid only in accordance with the agreed term.
- Goods ordered are actually received into stores as may be appropriate and relevant accounting records updated accordingly.

### 3.2 General Procedures

- The existing purchase policy of YiSHDA must be followed.
- For all purchases of goods purchased in bulk like stationary and other supplies, three quotations should be obtained. Then the final supplier is decided upon. However justification should be given in case the lowest of quote is not selected.

### 3.3 Purchasing Capital Assets

- Any non consumable item of equipment, needed to start program operations and major capital expenditures as outline in the plans and budgets are called fixed assets.
- In the case of capital asset purchases and consumables in bulk, it is always healthy to issue purchase orders clearly spelling out the terms and conditions of purchase.
- As mentioned above, all non consumable items of expenditure should be purchased with three quotations. It is important to understand that attractive asserts like camera, tape recorder etc also form part of fixed assets, even through their value might not be very high. Office equipment and IT equipment will also from part of the fixed assets.
- All incidental charges which are incurred to get the asset to the place where it is situated and to get the asset into operating condition will be added to the cost of the asset.
- An inventory of the capital assets will be maintained by YiSHDA and updated from time to time.
- Fixed assets register will be approved and signed by the President/CEO after it is updated every six months or annually.
- All assets will be given a unique identification number and such number must be painted on the asset. This number should also be mentioned in the fixed assets register.
- Physical verification of assets should be undertaken (preferably by an office bearer or someone of adequate authority) at least once a year.

### 4. Cash Payments

- Cash payments will be made only after preparing the Payment voucher.
- All vouchers should be pre-printed with machine made serial numbers.
- The Voucher has to be approved by the competent authority before payment.(as per the requirement of individual projects )
- The Payee must sign the voucher for having received the payment.
- In case the competent person is not present, the voucher must be verified/approved by any other person standing-in for the person per before release of the payment.

#### 4.1 Cash Verification

- The President/CEO will physically verify the cash balance occasionally and compulsorily at the end of the month.
- The Cash Account record should be signed by the person handling the cash and the person in charge of finance as and when the physical verification of cash is carried out.
- Any discrepancy noticed during the physical verification should be recorded and reported in writing to the person concerned immediately.

#### 4.2 Supporting document for vouchers

- All bills should be in original.
- All supporting documents should be authorized by the person initiating the payment.
- It is the responsibility of each person who is responsible for buying goods/ services YiSHDA office to check each bill for its validity. Check that the description of items, number of items, cost per unit and total cost, date of the bill and name of payee (i.e. name of project) are accurate. Payments should be made only after checking these details.

- Any mistake/ discrepancy should be pointed out to supplier /shop keeper before payment and if an alteration is necessary, the supplier /shop keeper should make the change right then and put his/her initials and date. If this results in a change in any of the amounts on the bill it is particularly important that supplier /shop keeper clearly writes himself on the bill the payment received in words. The management reserves the right to accept such altered bills or not. A better option would be to obtain a fresh bill if possible.
- No other alteration in the bill by project staff is normally permissible. If at all an alternate is unavoidable e.g., a mistake in the date by supplier which was not corrected such a bill should be brought to the attention of Head of the project who should change it and initial it and a note should be put on the bill why alteration was necessary. The management reserves the right to accept such bills or not.
- Invoices should only be in the name of the organization.
- Where bills are in local language, please indicate briefly in English the purpose /item on the bill.

## **5. Bank Transaction**

### **5.1 Bank Receipts**

- All receipts are to be acknowledged by issuing an official receipt. The date of receipt, its accounting and the date of deposit of the check/draft to the bank account should be the same.
- The bank deposit slip should be attached with the Receipt Voucher.

### **5.2 Bank Payments**

- Payment Voucher has to be prepared before preparing any check.
- Cheque will not be prepared, for whatever reason, if sufficient balance is not available with bank.
- All Vouchers have to be verified and approved before payment is released.
- Payment has to be made only against original bills and claims. Any type of copy of bill or claim should not be entertained.
- All supporting documents should be attached with the Payment Voucher and filed according to serial number.
- Cheque should be written legibly and doubly ensure that the amount in words and figures are the same.

## **6. Types of Books and Documents to be maintained by YiSHDA**

The following are listed types of books and documents to be maintained by YiSHDA for proper and systematic accounting.

### **Account Books and Documents to be maintained**

- a) Cash Payment/Receipt Vouchers
- b) Bank Payment/Receipt Vouchers
- c) Fixed Assets Register
- d) Attendance Register
- e) Budget copies of various grants
- f) Copies of Consultancy agreements
- g) File of original bills of assets purchased

- h) Copies of all Contracts and agreements.
- j) Quotation files for all purchases

## **7. Bank mandates and cheque signatories**

Two signatories are required for all cheques and one signatory for electronic fund transfers. The Finance/Administrative Staff is responsible for ensuring that documentation accompanying a cheque is correct, and will seek approval from the President/CEO.

## **8. Budget Preparation and Control**

The President/CEO and the Finance/Administration Manager coordinates and prepares the overall budget for YiSHDA for the calendar year. YiSHDA's financial year operates from **January to December**.

Once prepared, the President/CEO presents the budget to the Board of Trustees (BOT) for final approval. Financial reports are then prepared in relation to the Budget. Financial reports to the Board are required during Board Meetings and comprise a Balance Sheet, Income Statement, Statement of Cash Flows and Budget Comparison.

Budgeting for specific projects is undertaken separately. In most cases, the designated project manager will prepare a budget in consultation with the Finance/Administration Manager. The President/CEO must approve the project budgets before it is included in a submission.

YiSHDA will charge for management service fee to projects in order to cover its costs in managing and supporting a project. The management service fee is charged according to a standard formula which takes into account:

- Operational costs (e.g. utilities, stationery, insurance)
- Labour costs (project management, supervision, publications & administrative support)

## **9. Controls on Human Resources (Staff Salaries)**

Staff salaries are paid on or before **25<sup>th</sup> of every month**. Staff can be paid by Electronic Funds Transfer or Bank Deposit. If an employee is taking annual leave, a leave request form must accompany the timesheet and must be approved by President/CEO or Senior Manager. The financial administrative staff is responsible for entering details onto the payroll system. Payroll is approved by the Finance/Administration Manager. Funds are then transferred electronically and/or cheques drawn up.

Payment of annual leave in advance is to be by mutual agreement. Only the President/CEO has authority to approve annual leave payments in advance. Changes to payroll or staff promotions or pay increases must be approved by President/CEO.

## **9.1 Personnel Files**

A personnel file is held for each staff member and volunteer. Information held on file includes contact details, a copy of the employee's contract, and contact details in case of an emergency. The file shall also include all correspondence relating to job description changes, salary changes, leave entitlements such as long service leave, yearly performance appraisals, continuous service leave, unpaid and parental leave. Personnel files are held on the network or file folders. This folder is confidential and is kept in a locked cabinet in the office of the Finance/Administration Manager. Access to the 'HR Confidential' folder on the network is also restricted to the Finance/Administration Manager, the President/CEO and designated Senior Manager where applicable.