



## **Advocacy Initiative for Development (AID-SL)**

*Motto: Transforming Lives & Communities!*

# **FINANCE & ADMIN. MANUAL**

**2014**

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**LIST OF ACRONYMS**

AID-SL	-	Advocacy Initiative for Development Sierra Leone
CR	-	Credit
DR	-	Debit
FM	-	Finance Manager
LPO	-	Local Purchase Order
MODEP	-	Ministry of Development and Economic planning
NRA	-	National Revenue Authority
NGO	-	Non Governmental Organisation
P&L	-	Profit and Loss
SLANGO	-	Sierra Leone Association of Non-Governmental organisation
SRF	-	Supply Requisition Form
WHT	-	Withholding tax
PC	-	Petty Cash
JV	-	Journal Voucher
BRS	-	Bank Reconciliation Statement

# 1.0 BACKGROUND

Advoca(AID-SL) was established as a result of humane passion in addressing cross-cutting issues evolving around the welfare of youth and children from the trepidation of society in Sierra Leone. The Organization is legally functional as a Non-governmental and Non-profit making Organization in the annals of the Sierra Leone Association of Non-governmental Organization (SLANGO), the Ministry of Finance and Economic Development (MoFED), the Ministry of Social Welfare, Gender and Children Affairs (MSWGCA), the Ministry of Youth Affairs (MoYA), the Ministry of Education Science and Technology (MEST) the National Youth Commission (NAYCOM) etc

## 1.1 Introduction

- 1) The custodian and the body mandated to ensure institutional adherence of this manual is the Finance Department. The Finance Department must carefully manage cash, expenditures, contractual obligations, advances and miscellaneous advances to maintain accountability, good fiscal management, and, importantly, to uphold AID's reputation and integrity in the country and the non-governmental sector in particular.
- 2) While it is hoped this manual covers AID financial and admin matters rather comprehensively, any questions of clarity or instruction should be forwarded to the Finance Manager, or the Executive Director. Suggestions to improve the content or presentation of this manual in future are welcome.

## 1.2 Mission and Vision

**Vision:** We envisage a society where its citizens can freely exercise their human rights without fear or discrimination as enshrined in the Universal Declaration of Human Rights and also are able to live a dignified life free from poverty and disease.

**Mission:** The organization seeks to promote human rights education and enhance the capabilities of women, children and youth across Sierra Leone to effect positive social change that would bring about sustainable development in their lives and communities.

### 1.2.1 Accounting and Finance Manual Scope

The Accounting and Finance Manual outlines the accounting policies and procedures of AID. It sets out to define the general and specific policies, establish a source of reference and to communicate changes in systems, procedures and controls.

### **1.3 Objective of the Manual**

- To define the Accounting policies of AID both in a general and specific nature.
- To provide a reference for staff in their day-to-day work and ensure that accounting policies are well defined and formally documented.
- To ensure quality and consistency of accounting records in AID-SL operations, both in the head office and branch offices
- To be a training manual especially for new staff recruited in the accounting and admin function of AID-SL

#### **1.3.1 Maintenance of the Manual**

- AID Finance Manager is charged with the responsibility of distribution of the manual, periodically reviewing all policies and procedures, upgrading, amending, adding or deleting as required, and recommending these changes to the Executive Director who will present it to the board for prior to the changes/update and distribution.
- New procedures will be approved by the Board (Once constituted), currently the senior AID Management but may be initiated by any officer within AID. All suggestions should be addressed to the Finance Manager.

#### **1.3.2 List of Manual Holders**

The Finance Manager shall ensure all the following officers are inducted fully on the Finance and Admin manual. These include:

- Executive Director
- Director of Finance, Admin & Operations
- Director of Programs & Projects
- Operations Managers
- Project Manager
- Finance & Admin Manager
- Capacity Building/Training Manager
- Public Relations Manager
- Research/M&E Manager
- Human Resources Officer
- Finance Officer
- Admin Officer

### **1.4 Compliance with Sierra Leonean Law**

#### **1.4.1 Objective**

To comply with the provisions of all legal policies related to and that affect non- governmental organisation in Sierra Leone.

### **1.4.2 Background and Rationale**

AID as a local non-governmental organisation shall respect the laws governing Sierra Leone. AID shall also ensure compliance with the National humanitarian Policy, among others.

### **1.4.3 Policy Statement**

The AID -SL Board of Directors will ensure that the institution abides by the legal provisions that affect its business and image in Sierra Leone. The Finance manager will ensure that he/she is up-to-date with current policy changes that affect AID -SL as a non- governmental organisation.

## **1.5 Systems Design In Accordance With GAAP & IAS**

### **1.5.1 Objective**

To define AID -SL accounting framework within a professional and widely recognized set of standards to provide uniformity and consistency to accounting results. Accounting policies and practices can vary widely from institution to institution, and from country to country. Depending on accounting methods used, results of operations can vary widely, whether from period to period or comparing one company's results to another's results. AID, to present its results with integrity and professionalism, needs to establish and adhere to accounting practices that will yield consistent comparative results.

### **1.5.2 Policy Statement**

AID -SL will design its accounting system in conformance with Generally Accepted Accounting Practices (GAAP), and to adhere to the International Accounting Standards. Accounting practices will be disclosed as required in published financial results of operation. Management will be responsible for ensuring that disclosed practices are in fact applied as disclosed.

### **1.5.3 Systems Design To Meet Management Needs**

In order to assess AID's performance in meeting its goals and objectives, AID must define its functional requirements and product components that need to be measured. For example, needs to be defined, budgeted, and measured. A management system must be capable of measuring and reporting volume and productivity, as much relevant, timely, accurate, and factual data as possible. Due to the changing nature of products and business activities, the system must also be flexible enough to accommodate such changes.

### **1.5.4 Policy Statement**

Aid -SL will adopt appropriate accounting systems that provide the required capability and flexibility to manage AID -SL activities in accordance with its goals and objectives. AID -SL will install Quick books effective January 2015.

## **2.0 INTERNAL REPORTING**

### **Objective**

To provide management with timely, accurate, reliable, and relevant reports that enable management to evaluate performance results and to effectively project and/ or direct future operations.

### **Rationale**

Timely reports are critical to Aid -SL management's ability to respond to results. To take corrective action, management needs confidence that the reports contain information relevant to the decision-making process and that the information contained with those reports accurately reflects performance results.

As activities and needs change over time, additional data may need to be reported, however is not integrated with existing reports, or reports should be streamlined where possible through automation, and should be reviewed periodically to ensure data reported is still relevant and complete.

### **2.1 Policy Statement**

1. The head Office department, including the Executive Director, will submit a list of internal reports it requires from other units within AID-SL along with a sample of required data and rationale for the return, to The Finance Manager.
2. The Finance Manager will analyse reports for relevancy to AID -SL goals and objectives, assess the degree to which the returns meet stated purposes and are used by the requesting department, compare reports for possible consolidation to eliminate redundant information, explore methodologies for streamlining or improving returns, and make recommendations. This activity will occur no less frequently than annually, prior to year-end, so that changed reporting requirements are implemented to coincide with AID -SL financial reporting period.
3. The Finance Manager will ensure that reports are submitted in a reasonable time in order to meet management's need for timely and accurate reports.

## 2.2 Reports and Reporting Formats

AID –SL will adopt the **Account Reporting form** in which every heads prepares its own Income and Expenditure, Balance Sheet and or any other financial document management might need to make decisions.

Every branch is expected to send in the original source documents to the Head Office which will then use the information received to prepare a consolidated Financial Statement.

## 2.3 Period of accounting

AID -SL financial year runs from the **1<sup>st</sup> January – 31<sup>st</sup> December**

### Reporting at branch level

All reports should be made available to the Finance Manager by 3<sup>rd</sup> of each month. Fortnight summary reports shall also be made to the head office.

## 2.4 Accounting package

Effective January 1<sup>st</sup> 2015, AID-SL proposes to use AccPac or Quick Books accounting software. With this software AID-SL will maintain the system records straight. The system will then write up on to Balance sheet level the branch's position as at the close of business each day that AID -SL does posting.

## 2.5 Types of Reports

The accounts department using the software and other analysed information such as bank statements will make available at every given time the following reports:

1. An Income and Expenditure statement
2. A Balance Sheet
3. A Cash flow statement
4. Funds utilization report (report on our products)
5. General Ledger
6. Bank Reconciliation statement
7. Notes to the I & E Auditor

### **Frequency of reports**

Reports are to be made available as and when requested but by no means for the following dates:

⇒ 15<sup>th</sup> and 2<sup>nd</sup> day of the month

**The following officers should get the reports as and when they are due:****Head Office Level**

1. Executive Director
2. Director of Finance, Admin & Operations
3. Finance & Admin. Manager
4. Director of Programs & Projects

**Responsibility**

It is the sole responsibility of the Finance Manager to provide all Financial Report for AID –SL whether at Field or Head Office level.

**2.6 Chart of Accounts**

The chart of accounts is the cornerstone of a financial Institution’s financial management system, and provides the basic framework for regulatory and management reporting. While the chart of accounts needs to be comprehensive and clear with regard to defining data elements, it should be general and flexible enough to avoid overlapping data sets. And it should be only as detailed as necessary to satisfy current reporting requirements and provide any additional capabilities AID -SL will need in the near future.

AID-SL chart of accounts has been designed to have capacity to expand and accommodate growth in the number and type of accounts.

## **3.0 General Ledger System**

**Objective**

To identify and integrate ledgers within the accounting system, eliminating out-of-system ledgers to the extent possible to promote accuracy and efficiency in accounting entries and subsequent reporting.

**Background and rationale**

A general ledger system may not contain all the information or detail required to complete reports. Other information should be available from AID -SL subsidiary systems, for example, investments, and therefore need not be maintained in the general ledger. However, to the extent possible with technology and automation available, it is desirable to integrate required ledgers within one system. This decreases the number of times data must be posted, decreases the chances of introducing errors in any reporting activity, and data in one location for ease of reporting and retrieval.

### 3.1 Policy statement

1. The Finance Manager will define AID-SL requirements with respect to ledgers, to include, but not limited to, loans, investments, impersonals, and fixed assets, as well as the data required for each ledger.
2. The Finance Manager will incorporate these ledgers to the extent possible in AID-SL main accounting system to reduce redundancy and increase economy and efficiency in ARD's financial management system.
3. The Finance Manager will define balancing and reporting requirements for ledgers not integrated in AID-SL accounting system, to ensure proper controls exist within these subsidiary ledgers to produce required, reliable, accurate, and timely financial data.

## 4.0 TRANSACTION PROCESSING

### Objective

To provide assurance that transactions recorded on AID-SL books of accounts accurately reflect the results of operation, that all transactions are recorded correctly, and in a timely manner, and that all transactions are authorized.

### Background and Rationale

Transactions are events that must be recorded, classified, and reported in AID-SL books of accounts. The recording of transactions is essential to reflecting a business activity and is the cornerstone for reporting results of the operations. Transactions must therefore be reported accurately, in appropriate accounts, for correct amounts, and in a timely manner in order to ensure the integrity and reliability of the information recorded and reported to Management.

### 4.1 Policy Statement

1. All transactions will conform to the internal control objectives.
2. All transaction will be supported by appropriate vouchers and other appropriate supporting documents to provide an audit trail through the accounting system, eliminating redundant writing of documents wherever possible that identify the business reason for the transaction vis-à-vis who originated the transaction, who authorized it, who verified the transaction, who benefited from the transaction and archived in such a manner as they are manageably retrieved.
3. No payment request will be allowed that stands all by itself.
4. Request for payment must be initiated with a written request, stating the purpose for it, which must have been honoured by the Manager or a superior of the personnel making the request.

5. Payment request is a request for the release for cash and not to be treated as a requisition form.
6. Transaction vouchers are to be distinctly referenced for future retrieval.
7. Transaction processing to the extent possible, will be automated, to reduce error and inefficiency, however, responsibility for the correctness and reliability of these transactions remains with the Finance Manager.
8. Transaction authorization limits will be set by the Executive Director in consultation with the senior management. Once the Board of Directors is constituted it will take over the responsibility. The Executive Director will advise in writing. "Limits" refers not only to amounts, but also to the types of transactions individuals may exercise that authority on.
9. No individual (whether he/she has a right to authorize payments of any sought) will sign a transaction that relates to him/her.
10. All transactions will be recorded at the time they occur, or batched for end of day processing. In any event, the day's activities will be posted on the day they occur, and will be checked for authorization and reconciled to authorized amounts.
11. Payment requests will be approved by the following officers or their nominee according to their authorization limits:

#### 4.2 Approval authority limits

##### a. Expenditure limits– not related to disbursements

From	To	1 <sup>st</sup> Approval	2 <sup>nd</sup> Approval
1	500,000	FAM	DED/ED
500,000	1,000,000	FAM & DED	ED
1,000,000	10,000,000	DED	ED
10,000,000	Above	ED	Board Chairman/Treasurer

## 5.0 PROCUREMENT POLICY

Procurement is primarily the responsibility of the Head Office Administration although it can delegate it to other or Department for emergencies and closer proximity. The administration department will be reporting to the FM. (Currently the position reports to the director.)

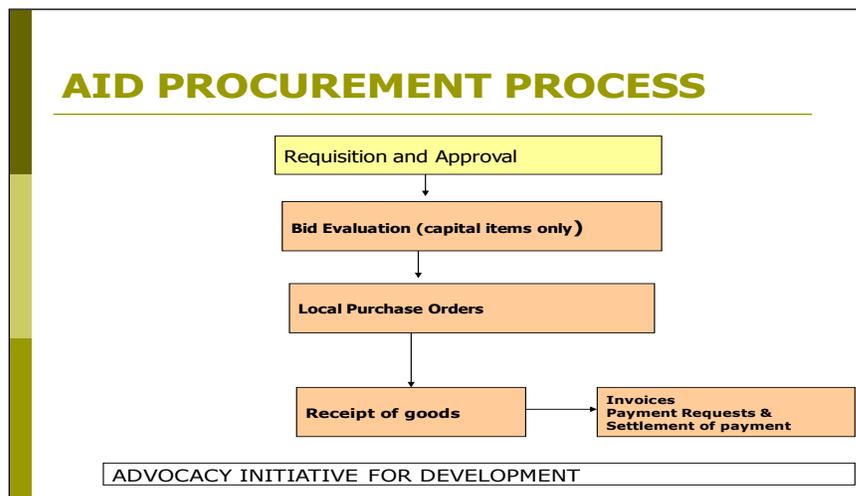
Desk offices in AID will be required to forward their procurement requests early so as to allow the Administration enough time to get competitive prices for quality goods.

The following is a summary of the procurement process:

- Requisition and approval
- Bid Evaluation (capital items only)
- Local Purchase Orders
- Receipt of goods
- Invoices

- Payment Requests
- Settlement of payment

## 5.1 Procurement process



### i. Supply Requisition form and approval

The requisition form is a triplicate pre-numbered form comprising the following fields:

- ✚ Item number
- ✚ Quantity required
- ✚ Description of

- ✚ goods
- ✚ Total estimate of goods

Requisitions are to be signed by the person preparing it and the Manager of the Department. The column for the estimated cost is used at the discretion of the manager.

Goods needed are to be properly described so as to give the Administration department precise and accurate knowledge of what is needed. They may require the technical knowledge of the Department concerned for those items such as Computers and its accessories, and vehicles which require other skills.

Approval of requisitions must be for those amounts within the Managers level of authority (see: Authority level under Transaction Processing above).

Supply Requisition Form (SRF) will be kept on each location, assigned to one staff (preferably the Office Assistant) who will write up the requisition and signs "Prepared By" whilst the Manager or Regional Supervisor approves based on their level of authority.

### ii. Bid Evaluation

A Bid Evaluation is done for all major items such as fixed assets. (See Fixed Asset acquisition Procedures)

### iii. Proforma Invoices

All purchases above Le 100,000 require three quotes. The Administration department may choose the cheapest price provided it carries the required quality. All asset purchases where applicable will be sourced from the Head office, unless where authority is provided.

### iv. Local Purchase Orders

The Administration department will maintain lists of Suppliers for all major frequent supplies such as Stationary, Spares for vehicles Services, Computer and computer accessories and office Equipment. These suppliers would have supplied a list of their prices, and be willing to accept our LPO on demand whilst AID will be processing their payments

AID would have supplied them with a list of our LPO signatories which can be honoured. LPO's will be a triplicate pre-printed document in White (top copy – Suppliers), Blue (second copy – Finance Copy) and Pink (third copy – Book copy)

### v. Payment Request

Payment Requests are to be signed by the approved authority with all the supporting documents:

- ✚ Purchase Requisition
- ✚ LPO
- ✚ Invoices

### vi. Settlement Of Payment

Payment to supplier will be made after 7 days upon receipt of the goods and subsequent processing of the payment request.

## 6.0 FIXED ASSETS

### 6.1 Fixed asset Policy

- i. Fixed Assets include tangible assets, such as premises and improvements, equipment, leasehold improvements, vehicles, motor bikes and furniture and fittings; and intangible assets such as research and development, computer software, and goodwill. Fixed assets are assets that AID-SL intends to use on a continuing basis in its activities; they are not intended for sale in the ordinary course of business.
- ii. Assets valued at 1,000,000 Le or more and have a useful life of more than one year are booked as fixed assets. Assets under that amount are expensed.

- iii. Assets are stated on AID-SL books of accounts at historical cost less accumulated depreciation and amortization (of intangible assets, such as goodwill). The asset balance includes the price of the item plus all costs relating to the acquisition of the assets and costs of bringing it to working condition for its intended use, including freight and installation costs.

## 6.2 Acquisition

- i. The Finance Department purchases fixed assets upon approval as per policy. The Tender Committee, in accordance with the capital budget, reviews bids and purchase requirements, and makes recommendations for acquisition.
- ii. The Executive Director and / or Board of Directors should first approve the purchase of unbudgeted items.
- iii. The Tender Committee in AID-SL shall consists of: Executive Director, Finance Manager (Chairman) and Operations Manager. The tender committee membership shall be reviewed regularly to bring technical expertise where required.
- iv. AID-SL requires three competitive bids on all items valued at Le1, 000,000 or more. The bidding process is by invitation to at least 3 suppliers of good standing, and bids are delivered to the Finance department. In some instances (emergency purchase of specialized items, when prices of items are known or fixed, or a repeat order for same items from same supplier at the same or lower price), items may be purchased on the basis of only one quotation.
- v. The Tender Committee meets as required, and authorizes The Finance Manager to make the indicated purchases. The Accounts department prepares Local Purchase Order (LPO's). Minutes of these meetings include agreed purchase prices and vendor and form the basis of the authority for the Accounts department to book the asset.
- vi. For uniformity and ease of fixed assets management, branches shall not purchase fixed assets. All fixed assets purchases will be centralised at the head office.
- vii. The HR/Admin Officer takes delivery of assets, compares delivery orders to local Purchase orders, sign delivery orders, and takes custody of assets, sends delivery receipt to accounts department, and retains a copy of the delivery note. Accountant matches delivery order to invoice and LPO (Local Purchase order), signs original of delivery note, retains a copy and sends the original delivery note to the Finance Manager.
- viii. All assets, whether expensed or capitalized, are tagged with an identification number. For example, a bench costing 100,000 Le is an expense, but it is at the same time a piece of office furniture and is therefore assigned an identification number for tracking purposes. Accounts department affixes identification number to asset, records number on delivery note, posts to fixed assets or "Other Assets" register.

- a) The asset register shows: date of acquisition, date placed in service, vendor name, description of item, asset identification number, location of item, purchase price, and remarks. The remarks column is used to record the condition of the item at the last inspection.

Asset Register Features	
	• Date of acquisition
	• Date placed in service
	• Vendor name
	• Description of item
	• Asset identification number
	• Location of item
	• Purchase price
	• Other remarks

- b) The purchase price should equal the purchase price column in the depreciation register maintained by the Accounts department. The Accounts department is responsible for balancing this figure monthly.

- b) Registers are maintained by office location to facilitate periodic inventorying of assets.

### 6.3 Administration

- i. The Internal Audit department carries out periodic inventories of fixed and other assets during inspections of AID-SL premises.
- ii. All fixed assets and other assets are inventoried at least annually, with certification to the Finance Manager.

### 6.4 Accounting

The Accounts Department confirms delivery note to invoice, confirms to tender Committee minutes, pays vendor, and posts item to depreciation register.

- a. To book an asset:
- |   |
|---|
| Dr: Fixed Assets                            |
| Cr: Bank. (If settled in full) or           |
| Dr: Fixed Assets                            |
| Cr: Bank (with amount paid)                 |
| Cr: Accounts Payable (with balance payable) |

- b. If "Other Assets". Dr: Office equipment (Expenses)  
Cr: Accounts Payable. Or Bank as case may be.

## 6.5 Depreciation

- i. Depreciation: Any residual (scrap) value of asset is determined at time of acquisition, and is not subject to depreciation. AID-SL will charge depreciation using the straight line method at the following rates:

Item	Rate (%)	Useful Life
1. Buildings	4 %	25 years
2. Computer equipment - New	33.3 %	3years
3. Computer equipment - Used	99.9 %	1 year
4. Furniture & Equipment	12.5 %	8 years
5. Vehicles/Cycles	25%	4years

- ii. A corresponding depreciation provision account is maintained for each general ledger asset category. Depreciation is booked monthly:

Dr: Depreciation Expense  
Cr: Provision for Depreciation

- iii. Items placed in service during the year are depreciated for the entire year.
- iv. The Fixed Assets register is maintained by general ledger category, by asset type and shows, for each individual asset: date of acquisition, description of item, identification number, purchase price, and other add-ons, total assets value, depreciable life of asset, residual value (if any), annual depreciation rate, monthly depreciation (asset value less residual value divided by useful life), accumulated depreciation.
- v. The total book (asset) value less accumulated depreciation is the net book value. Each general ledger total is agreed monthly to general ledger asset and provision balances prior to the charging of monthly depreciation.
- vi. The purchase price column is agreed monthly to the fixed register maintained by the Accounts department.

## 6.6 Capital Expenditures (After acquisition)

- i. Extra ordinary, non-recurring expenditures (i.e. not ordinary repair and maintenance expenditures), which extend the useful life of the asset beyond the current accounting period, are capitalized:

Dr: Fixed Assets  
Cr: Bank/Cash

- ii. The new remaining useful life is calculated, posted to the depreciation register, and a revised annual depreciation and monthly depreciated amounts are calculated: revised net book value less residual (scrap value) divided by the new remaining useful life.
- iii. In the case of renovation costs, or a new branch, for example, are debited to the Deferred Expense account in the Head Office Accounts ledger. Specific accumulated items not capitalised are transferred via inter-branch entry to the branch with a schedule attached informing the branch which relevant expense account to be debited. Remaining capitalised items are passed in the Head Office books of accounts and are amortised to provision account and debited to Depreciation expense to reduce the balance over the remaining term of the tenancy agreement.

## 6.7 Asset Movement

- i. Monthly the Accounts Department prepares an asset movement schedule to show net asset balance at beginning of quarter, plus purchases, less disposals, less depreciation, and carrying amount end of quarter.
- ii. The Accounts Department is responsible for knowing the location of all assets. Assets that are moved from their recorded location are done so on an Asset Movement Voucher (Annex 5). This is a three-part form that serves as a receipt for the relinquishing and receiving locations, with the third copy used to post the asset register in the Accounts Department. In cases where the receiving location is a repair shop or stores, the repairman or the Store Keeper signs for the item. The releasing unit sends the third copy of the form to the Accounts Department.

## 6.8 Asset Disposal

- i. AID can dispose of unwanted assets as and when management sees it fit as long as approval from the Board (When constituted) is sought. If an asset is fully depreciated, in other words, the net book value is zero, and the asset is no longer in service (sold or scrapped), then the asset and accumulated depreciation for that asset are zeroed out.

Dr: Provision for Depreciation  
Cr: Fixed Assets

- ii. An asset, which has a net book value of zero, may still be in service, and must still be physically accounted for during periodic inventory counts. The above entry is only made when ARD no longer has physical possession of the asset.
- iii. If a fully depreciated asset is sold, then the full proceeds of the sale are credited to income:

Dr: Cash/Bank  
Cr: Gain on Disposal of Fixed assets

iv. If an asset is not fully depreciated, depreciation is booked to date of disposal:

Dr: Depreciation Expense  
Cr: Provision for Depreciation

v. The net book value is transferred from the asset account to the asset disposal account:

Dr: Provision for Depreciation  
Dr: Asset Disposal  
Cr: Fixed Asset

vi. The depreciation register is updated to remove the asset from the specified asset general ledger category, and transfers asset to a separate section of the spreadsheet for Asset Disposal.

vii. At the time of sale, the gain or loss is computed based on the value in the Asset Disposal Account. If the proceeds are greater than the Asset Disposal balance for that asset, then a gain is recognised for the difference:

Dr: Cash/Bank  
Cr: Asset Disposal  
Cr: Gain on disposal of Fixed Assets (Income)

viii. If the proceeds are less than the Asset Disposal Balance for that asset, then a loss is recognised for the difference:

Dr: Cash/Bank  
Dr: Loss on disposal of Fixed Assets (Expense)  
Cr: Asset Disposal

ix. The Finance Manager with the approval of the Senior Management team or the board (once constituted in AID-SL) is responsible for managing all asset disposals. No less frequently than annually, at the request of the accounts department, each unit submits a list of unusable assets. All assets no longer used by AID-SL will be sold. Sale is normally to the highest bidder. Unsold items are scrapped after three months from date of public sale. All sales are advertised. Prices are fixed or bids are received by the Accounts Department prior to the sale, and confirmed by the HR & Administration Department. Staff in AID-SL shall be allowed to compete with the public for the purchase of items, with final approval by the Executive Director.

All cash are processed through accounts department at Head Office. Where the asset is sold from a branch location, the branch issues a receipt in duplicate for the goods to the buyer. The buyer presents the receipt to the Administration Officer, who releases the item to buyer, along with a copy of the receipt. Both the Administration Officer and buyer sign both copies of the receipt, acknowledging transfer of the property.

## 7.0 PAYROLL MANAGEMENT IN AID

Preparation of staff monthly salaries and the payment of such monies to staff is the responsibility of the Finance Manager. Payroll management will be a head office function. All salaries will be processed from the head office. The offices shall send the time sheets (Annex ...) and salary advances to the head office by 20<sup>th</sup> of every month.

The Human resource staff manual carries all matters pertaining to AID-SL staff salary. The Finance Department bears the responsibility of collating and reporting the staff cost on a monthly basis.

The Finance department will prepare the staff monthly salary spreadsheet analysis ( **Annex 8** ) on or before the 20<sup>th</sup> of each month for perusal, correction and preparation of the individual cheques and/or preparation of letters forwarding salaries to staff's personal bank accounts. The Executive Director will approve all Salaries in AID-SL. The finance department will ensure that all salaries have been approved by 28<sup>th</sup> day of each month, where applicable staff will be encouraged to have individual bank accounts whereupon AID-SL will on a monthly basis transfer salaries.

AID-SL Finance Manager will ensure that salaries are ready for payment to staff on or before the 30<sup>th</sup> day of each month.

### 7.1 Accounting treatment:

#### 1. After verification of computation (a journal entry)

DR:	Gross Salaries & Wages
CR:	PAYE
	NASSIT (Employees 5% contrn)
	Advances / Loans / etc
	Net Salaries (Due to staff)

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## 8.0 LOANS AND ADVANCES

### Policy

The Lending Policy and Procedures manual defines the AID loan products and the pricing policy. This Manual deals only with related accounting and reporting issues relative to reports required by the Accounts Department, AID SL management and other users.

### 8.1 Advances

Staff Salary Advances and Loans are described in AID-SL Human Resources and Administration Manual.

#### Salary advances

Generally, salary advance to the employees is discouraged. However, management may grant salary advance after 15th (unless there is emergency before the date) equivalent to 50% of one month's net salary for any personal purpose and the amount shall be recovered by end month from salary of the employee. (Unless there is a written exception letter of authority from the Executive Director)

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**Branch Level:** An upcountry /branch employee who wants a salary advance shall apply to the Branch Manager. The Branch Manager may consider and approve the application and depending on the merits of each case. A format for application for salary advance is in Annex 18. All salary advances should be sent to head office by 20th to aid the preparation of that month's salary.

**Head Office Level:** In case of the Head office, requests for salary advances shall be directed to the HR/Admin Officer who will process and submit it to the Executive Director for approval. On the Executive Director's approval, the Finance Department shall be advised to process payment and ensure recovery.

No additional salary advance shall be granted until the outstanding amount from the previous advance is fully recovered.

**Salary Payment and Bank accounts** - Salaries shall be centralized at the head office and shall be paid through the staff individual bank accounts latest by 30<sup>th</sup> of every month. All staff shall provide their account numbers to AID-SL finance department once they are hired or contracted.

#### **Account Treatment**

**Dr: Staff Salary Advance**  
**Cr: Cash**

### 8.3 Other Receivables

All advances provided to AID staff must be requested and authorised by a competent manager as per the policies and procedures of AID-SL. Finance department under the guidance of the Finance manager is responsible for managing the advance accounts. A second advance should not be provided to a staff unless the first advance has been cleared. An exception can be approved upon the written strong justification – and only approved by Executive Director. With respect to all advances, AID-SL needs to follow one set of procedures when an individual spent less than the amount received and another set when the individual spent more or when the individual spent the equivalent of advance received. In the first instance, the employee will return unspent funds and the finance department needs to follow Cash Receipt Procedures. In the second instance, the employee needs to be reimbursed, and the finance department needs to follow Cash Disbursement Procedures. In the third instance, Finance needs to pass an Adjusting Journal Entry to off set advance and expense.

#### Travel Advance:

- a) AID-SL issues advances to employees travelling within the country or abroad. The per diem rates shall be revised yearly to reflect the actual cost of living. The current per diem rates are in the Human resource policy manual.
- b) The employees who receive travel advances must submit Travel Expense surrender (Annex 17) upon returning from their trips within three working days of return. Any unused amount must be returned to the cashier at the time of submission. This amount must also be in the same currency used when receiving the advance.

AID-SL shall use a non-accruals basis for loans. That is all categories of non performing loans based on the classification above are placed on a non accruals basis where interest is due but not collected should not be booked to income but instead shown as interest in suspense.

#### Interest

- AID-SL charges Interest on the loan advances to staff. The interest is charged on a flat rate method, and is collected in advance.

### 8.7 Grants

AID-SL receives grants from several donors for both Financial and non-financial services. It is the responsibility of the Finance & Admin Manager to ensure that these grants are properly accounted for and proper book keeping done. Grants can further be related to assets or to income. Grants related to assets are those whose primary condition is that an enterprise qualifying for them should purchase, construct or otherwise acquire long term asset. Those related to income are any grants other than those related to assets. Grants will be recognised

over the period necessary to match them with the related costs which they are intended to compensate on a systematic basis. They will not be credited directly to owners' interests.

### **Capital Grants:**

These are grants related to purchase of fixed assets or grants received in kind in form of what qualifies to be a fixed asset as defined in this manual. When AID-SL receives a capital grant, the following entries will be made;

#### **(i) Grant Funds for Capital Expenses**

Dr: Bank  
Cr: Capital Grants

When the fixed asset is purchased, the following entry is passed:

Dr: Fixed Asset  
Cr: Bank

The grant is then amortised over its useful life. For such assets, depreciation is charged to the grant and not the expense.

Dr: Capital Grants  
Cr: Fixed Asset

#### **(ii) In-Kind Fixed Asset**

These are grants received in kind in form of what qualifies to be a fixed asset as defined in this manual. When AID-SL receives a capital grant in this form, the following entries will be made for the value of the asset;

Dr: Fixed Assets  
Cr: Capital Grants

The grant is then amortised over its useful life. For such assets, depreciation is charged to the grant and not the expense.

Dr: Capital Grants  
Cr: Fixed Asset

## 9.0 TAX AND TAXATION

### Responsibility

1. The Finance Manager is responsible for notifying all reporting units of the current tax rates for each type of tax, how to calculate the rates, what provisional accounts to use, and when remittances are required.
2. The Finance Manager monitors balances in these Provisional Accounts to confirm: that deductions are in fact made to the Provisional Accounts and that remittances are made as required from these accounts.

### 9.1 Corporation Tax

1. Corporation taxes are computed by the external audit firm and are paid into a Provisional Account pending final settlement of AID-SL accounts as at year-end. Corporation tax entries are passed by the Accounts Department on the Head Office ledger: ( **The NGO status could make AID exempt – Investigations required from the NRA**)

Dr.            Provision for Taxation  
Cr:            Accounts Payable (NRA)

#### **On payment:**

**Dr:            Accounts Payable (NRA)**  
**Cr:            Bank**

2. The effect of taxes is calculated when computing AID-SL profit & loss during the course of the year. Monthly the tax effect of net profit is expensed by

Dr: Corporate Tax  
Cr: Provision for Taxation.

3. The tax returns are kept in the Finance Manager's files, including all supporting work papers used to determine how the tax was calculated.

### 9.2 Withholding Tax

1. Rent paid by AID-SL on premises is subject to 10% withholding tax. This is deducted from the amount due to the land lord and entries are raised as follows:

Dr:    Rent Expenses  
Cr:    Bank (I.F.O Land lord)  
Cr:    Accounts Payable

On remittance to National Revenue Authority:

Dr     Accounts Payable (WHT)  
Cr     Bank-(NRA)

## 10.0     **PETTY CASH FLOAT MANAGEMENT POLICY**

Petty Cash float shall be maintained by the finance assistant for petty cash transaction. The cashier or finance assistance shall have overall control at the over the petty cash level and all approvals for reimbursement shall be sought from both the Finance & Admin Manager and The Executive Director.

Since cash in hand (petty cash) is more likely to be misappropriated than cash held in banks, the amount of petty cash shall be the minimum necessary to promote efficient cash payment in the office . Petty cash shall not be used for convenience in place of a cheque, when the payee will accept a cheque and should be encouraged; an operations cheque will be prepared from AID-SL office.

Maximum floats shall be determined by management and communicated in writing by the Executive Director. **Effective Janury 2015, each AID -SL office , shall have a start up float of Le 500,000 (Five hundred thousand Leone's only ).**

The maximum single payment out of this float will be determined from time to time by the Finance Manager or the Executive Director. All the same, **this policy sets the maximum limit at branch level as Le 100,000 (One hundred thousand Leone's)**. This amount must be approved by the Finance manager and Deputy Executive Director. Amounts over and above Le 250,000 in all locations, the approval of the Executive Director should be sought.

### **Non Petty Cash payments**

The following are examples of expenditures that are excluded from petty cash include:

- Payroll
- Recurring contractual obligations
- Any expenditure greater than Le 100,000 (One hundred thousand Leones)

### **Replenishment of Petty Cash**

The Finance Officer/Assistant reconciles petty cash as and when necessary but in any case not when cash in till is above Le 250,000 (Two hundred & fifty thousand Leone's). No replenishment of the petty cash fund is done until the reconciliation is complete. Any

unsupported voucher or unauthorized transactions must be investigated immediately, and resolved before replenishment is approved by the DMD/ED.

The Finance Officer totals the petty Cash journal since remittance, ensuring the total of the various expense columns reconcile, posts, dates, and signs total, prepares an extract of the vouchers, prepares and signs the reconciliation.

Cash count and analysis of the cash balance will be prepared, confirmed and approved by the Designee, Finance Manager. The cash must agree with the cash balance on Reconciliation Form. A Payment request voucher ( Annex 12) supported by the petty cash analysis sheet ( Annex 11), a cash count form (Annex 10) duly signed, and all the listed vouchers and receipts attached or other support documents are to be forwarded for checking before replenishment is approved.

Periodic unannounced visit and cash count will be conducted on the petty cash system by the internal auditor, Finance Manager or other officer designated by the Executive Director.

**Accounting treatment:**

DR: Petty Cash  
CR: Bank Account

**Cash Shortages**

There will **be no** allowances to Cashiers for shortages of any kind. Shortages will be investigated by the Internal Audit team and/or the Finance Manager. If any fraudulent act is noticed, a report must be made and a decision approved by the Executive Director taken urgently. Misuse of petty cash is a major misconduct as per AID -SL human resources manual and AID-SL will not hesitate to take drastic disciplinary action on the staff

**10.1 Cash Management and Oversight**

The Finance Manager is responsible for managing AID-SL cash position as well as for adherence to AID-SL established policies and procedures. Petty payment request vouchers must be used for all petty cash disbursements. The voucher shall have a "Payment Received" line where the recipient of the cash can sign for confirmation of receipt of the cash. Before disbursing the funds, the petty cash custodian must determine whether the petty cash voucher contains the signature of an employee with sufficient approving authority.

Amount in Le	Approval Levels
1. Maximum of Le 100,000	Finance Manager approval or his appointee when on leave.
2. Le 100,000 – 250,000	1 <sup>st</sup> Approval – Finance Manager 2 <sup>nd</sup> Approval – Deputy Director(s)
3. Over Le 250,000	1 <sup>st</sup> Approval - Deputy Director(s) 2 <sup>ND</sup> Approval - Executive Director

## 10.2 Petty Cash internal controls

An administrative staff, who does not have access to the accounts or accounting books, should (where applicable) be assigned as petty cash custodian. The petty cash custodian must not be delegated any tasks related to the reconciliation of bank accounts or financial documents other than direct petty cash documents. As a measure of internal financial control, this separation of duties is important

### Note well:

- 1) At the time of submission for replenishment of funds, the accounting employee performing the review of the petty cash documents should document the review by signing on the register and/or petty cash review form.
- 2) Only one person, the designated petty cash custodian should have access to petty cash. Petty cash should be secured from improper access by storing it in a lockable cash box in the office safe or in a locked area.
- 3) To better manage the Petty Cashier's time, each AID-SL Office should establish hours that petty cash transactions occur.
- 4) In order to receive reimbursement, a petty cash voucher should be presented to the cashier completely filled out with the relevant information. All expenses submitted for reimbursement must be for a current and usual nature. A clear and concise explanation of expenses is mandatory.

AID-SL reserves the right to deduct from the employee's salary or request the reimbursement after the fact for any expenses or portion of such that are deemed to be improper. Petty cash should be accounted for within 7 days.

## 10.3 Cash and Its Control

- 1) In accounting systems, cash is defined as a liquid asset or a medium of exchange. Therefore, cash requires a system of procedures and policies that

- maintain adequate control. In general, cash is anything that a bank will accept for deposit and will credit to a depositor's account.
- 2) Since cash is a liquid asset and could, if not managed correctly, be subject to errors that result in loss of assets or loss due to fraud, it is essential to have a system of disbursement, receipt accounting and recording procedures. This will ensure the adequate control over cash.
  - 3) The bank signatories are responsible for the financial transactions that they authorize.
  - 4) All bank signatories authorized to sign up to a certain ceiling are determined in this manual. All Bank signatories must be authorized by the board ( once it shall be constituted in AID-SL).
  - 5) **Specific cash controls are as follows:**
    - a) All cash receipts must be supported by a pre-numbered Official AID-SL Receipt.
    - b) The Finance department should maintain a separate bank ledger for each bank account. All banking transactions, such as cash receipts and cash payment, should be recorded in this ledger on a daily basis and balances should be updated immediately. Updating this ledger will help to prevent AID-SL from being overdrawn and writing checks with insufficient funds in the account.
    - c) At the end of each financial month, a bank reconciliation report should be prepared to reconcile ledger balances with balances at the bank.
    - h) Cheque/ transfer books for all bank accounts should be kept in a safe under the custody of one particular individual. In the absence of a safe, this should be kept under lock and key and in the custody of a senior staff member. The custodian of blank cheques should not have access to the accounting records and not have signatory authority. As there can be multiple cheque books for each bank account, it is essential to maintain control of these cheque books.

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## 11.0 BANK ACCOUNTS

### Objective

To establish authority and responsibility within AID for the opening, maintenance, and operating of bank accounts.

### Background and rationale

Bank accounts are needed in order to facilitate banking transactions of AID. Availability of such accounts is directly related to types of financial products and services AID offers. Strict controls over outside banking relationships in the name of AID are needed to protect AID from fraudulent or otherwise erroneous transactions. Since transactions in these accounts represent funds leaving or coming in to AID, it is difficult to retrieve or recover funds not properly executed and may result in financial loss to AID. AID's credibility as a financial institution is on one hand measured by the nature of correspondences with Commercial banks and the manner in which bank accounts are handled and effectively reconciled. Poor financial management of these accounts may impair AID's ability to obtain a line of credit at favourable terms.

### 11.1 Policy statement

- i. The Executive Director recommends to the Board of Directors (once constituted) bank accounts to be opened, based on an analysis of the need, rationale and costs to the institution.
- ii. The Finance Department will review the documents and ensure their completeness and then submit the documents to the bank for the opening of the bank account.
- iii. The Board of Directors with the advice of the Executive Director, approves the operation of all bank accounts, and directs the Executive Director to execute account opening documentation in compliance with AID-SL by-laws and signatory requirements.
- iv. If an authorized signatory is transferred or separated from AID-SL employment, it is mandatory for AID-SL to revoke immediately the cheque signing privileges of the departing employee and promptly notify the bank of a removal or change of a signatory.
- v. The Executive Director shall conduct a review process of all bank accounts to assess cost benefits, and need for the account on an annual basis.
- vi. The Executive Director initiates account closures with approval from the Board of Directors. If AID-SL intends to close a bank account, a letter should be prepared and sent to the bank. Once the bank account is closed, a transfer of any balance amount is made to another appropriate AID-SL bank account.

- vii. Bank signatory list aims to decentralize and delegate authority. The authority delineation/signatory list is also required as one of the basic internal control requirements.
- viii. The delegation of authority results in motivation of staff and boosts confidence. For operational and financial efficiency and effectiveness and internal and external audit purposes, documentation of authority levels is necessary.
- ix. The person paying out cash should refer to this document and ensure that proper authorization, along with attested signatories, is there prior to release of cash.
- x. All bank accounts are reconciled at least monthly. The Finance Manager shall review the AID-SL reconciliations on a monthly basis and pass to the internal auditor for final reconciliation check. The internal auditor shall on monthly basis comment on bank reconciliation in the internal auditor report. The final copy of the monthly bank reconciliation statement should be sent to the Executive Director for review.

## 11.2 Bank Signatories

1. Signatories of AID-SL **Bank Account's** will be composed of the following

- Category A
  - Executive Director
  - The Board Treasurer
- Category B
  - Deputy Director(s)
  - Finance & Admin. Manager
  - Head of Programmes

Signing requirements will be one from each category. A critical accounts oversight by the Finance Manager on a fortnight basis will be initiated to mitigate against risks. The internal auditor shall play an important role in ensuring compliance by the branch office management.

Bank accountant management will be a preserve of the board, with technical insight from the AID-SL management.

## 12.0 INVESTMENTS

### Objective

These are amounts set aside by Management as Fixed Deposits, Treasury Bills or investment in another company or money market for the purpose of generating income as interest either in a long term or short term.

The Board (when constituted) may upon the recommendation of Management approve such investments. AID will put all its funds on lending, unless there is excess cash at some point in time that would warrant investments.

### 12.1 Policy Statement

1. Investments that could be held in AID's investment portfolio include Treasury Bills/Bonds and Fixed Deposits with banks. All investments appear on the Head Office books of accounts with a corresponding entry to recognise the branch that provided the funds.
2. Investments are held for liquidity purposes, rather than trading. As such, redemptions prior to maturity are limited to liquidity emergencies.
3. Subsidiary ledgers for tracking of each investment will be maintained identifying number, price, cost, date acquired, rate, yield, and monthly accrual.

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#### Investment Ledger

#### The investment ledger shall track:

- Price
  - Cost
  - Date acquired
  - Rate
  - Yield and
  - Monthly accrual
- 

4. Income is recognized on an accrual basis, booked monthly, over the life of the investment.

#### Accounting treatment, on date of Investment

**DR: Investments**

**CR: Bank Account**

#### A. Safekeeping of Investment documents

- Certificates are recorded in a safekeeping register and kept under dual control in a safe at Head Office.

- Quarterly, the safekeeping file of certificates is matched to a trial balance listing of securities to ensure that there are certificates for every investment. The Finance Manager is responsible immediately obtaining any missing certificates, ascertaining why they were missing from the file, and placing any matured certificates in closed file.

#### **B. Accruals**

- Investment income is accrued and booked when management reports are prepared. Head Office Accounts Department maintains worksheets for the accrual entries. The worksheet displays each investment at cost; this is balanced to the general ledger prior to passing accrual vouchers, displays acquisition date, redemption value, maturity date.

Accrual worksheet is balanced weekly to general ledger investment totals for purposes of preparing the Weekly earnings reports. The accrued interest year to date is added to weekly treasury Report.

#### **C. Maturities**

1. The Finance Manager is responsible for monitoring maturities to ensure payments are received on maturity dates. Maturities are booked upon receipt of payment, via advice of credit to our account with the bank.
2. Vouchers for maturing investments are used as source documents to remove the certificate from the safe, and recording removal in Safekeeping register.

#### **D. Sales**

- The sale of any investment is made for the purpose of meeting a short-term liquidity need.
- The Finance Manager sells the security in accordance with direction from the Executive Director or Board.
- The principal realized versus the carrying value of the investment is booked as a gain or loss in the P&L.

#### **E. Reporting**

- The Accounts department provides maturity analysis to the Board, showing detail of investments as well as average portfolio yields (by investment class-Fixed deposit, Treasury bills etc) and for the entire portfolio.
- The Accounts Department prepares a report of all purchases, sales (if any), and maturities since last Board meeting.

## F. Segregation of Duties

Different individuals should perform the following activities in connection with AID-SL investment portfolio. The Finance Manager is responsible for insuring a proper segregation of these duties:

1. Formulation of investment plan and transaction authorization: **Board of Directors.**
2. Daily dealing (includes executing the deal, settlement, and bank accounts management): **Finance Manager.**
3. Administration of investment portfolio: **Finance Manager.**
4. Custody of title documents and securities: **Executive Director.**

## 13.0 BUDGET PROCESS

### Objective

To provide a management tool to monitor, control, and plan activities that assist management in achieving financial goals.

### Background and rationale

Budgets are the basic tool used to define AID's goals and objectives for the current year of AID's strategic plan, and against which results are compared to permit changes in strategy to improve performance. Each unit and/or activity can be incorporated in the budget to ensure results of operations of all components of AID's operation can be measured and evaluated. Each unit is responsible for performance goals included in the planning process to ensure their commitment to the goals as well as their understanding of the goals.

### 13.1 Policy statement

1. AID will develop a strategic plan (covering at least 3 years), reviewed annually, to ensure that annual budget strategies are still in line with it.
2. Management will be responsible for providing an environmental analysis and projections for key budget assumptions to all budget holders, as well as defining units and/or activities to be included in the budget process.

3. Each budget holder (e.g Operation Managers Project Manager) will be responsible for preparing their own projections for their Project for the coming year, considering external factors in their own operating environments as well as the key budgetary assumptions provided by management.
4. A consolidated budget for AID is prepared by the Finance Manager and presented to the Board through management for approval.
5. Budget holders are responsible for managing their budget. Monthly budget variance reports by branch as well as for AID are produced for monthly reviews by the management, and the Board as required. Management will establish guidelines for the reporting of budget variances for individual line items as well as net profit.

## **14.0 ARCHIVES AND RECORDS**

### **Objective**

To ensure that AID maintains accounting records in accordance with legal requirements as well as for internal control purposes in providing an adequate audit trail for the accounting system

### **Background and rationale**

Failure to locate source documents for transactions impedes internal investigations as well examinations carried out by internal and external auditors. Since periods of examination may cover several years, records pertaining to those periods must be capable of being retrieved in an organized and efficient manner.

### **14.1 Policy Statement**

Hard copy of source documents and other data as required by supervisory and investigative units will be identified, updated annually, and communicated to all units within AID. Compliance will be subject to review by internal audit.

The finance department is responsible for the methodology of archiving, and destruction of outdated materials. Records will be kept for a minimum of 10 years before they are destroyed.

Finance and Admin department responsible for data storage centrally for completed years, with current year data available at each month and from all reporting units

## **Manual Annexes**

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<b>Annex 1</b>	-	<b>Chart of accounts</b>
<b>Annex 2</b>	-	<b>Requisition Form</b>
<b>Annex 3</b>	-	<b>Local Purchase Order</b>
<b>Annex 4</b>	-	<b>Asset allocation form</b>
<b>Annex 5</b>	-	<b>Asset movement voucher</b>
<b>Annex 6</b>	-	<b>Monthly salary approval summary</b>
<b>Annex 7</b>	-	<b>Petty cash reconciliation</b>
<b>Annex 8</b>	-	<b>Petty cash analysis form</b>
<b>Annex 9</b>	-	<b>Payment request voucher</b>
<b>Annex 10</b>	-	<b>Daily cash receipt form</b>
<b>Annex 11</b>	-	<b>Travel request authorisation form</b>
<b>Annex 12</b>	-	<b>Travel surrender voucher</b>
<b>Annex 13</b>	-	<b>Salary advance form</b>
<b>Annex 14</b>	-	<b>Bank reconciliation Format</b>
<b>Annex 15</b>	-	<b>Bank reconciliation Format</b>