

FINANCE POLICY AND PROCEDURES MAUAL
Sustainable Rural Growth and Development Initiative
(SRGDI) – Year 2007



Executive Director (SRGDI)

P.O Box 40245, Blantyre

Along Haille Sellassie Road, Imtrust Building, First Floor, Room 5,

Tel: 01 831 479, Cell: 088 8 749 928/ 099 5 232 544

Email: developmw@yahoo.com

FINANCIAL POLICY

Finance Policy and Procedures Manual provides the policy direction and procedures that Sustainable Rural Growth and Development Initiative (SRGDI) have described and will follow in all financial transactions and functions.

Purpose

1. Roles and responsibilities for every person in the organisation who has some role in financial management or procedures
2. Financial planning and reporting that SRGDI should undertake each year
3. Financial policies to be followed by every person in SRGDI

Key Principles

The key principles on which all SRGDI Financial Policy is based are:

Organisation Funds

1. Organisational funds belong to the SRGDI. They should not be used for private purposes, including private grant or loan.
2. Funds should be carefully used in an effective way in the best interests of the organisation.
3. All Board, Staff and members are responsible for the careful and honest use of funds.
4. Funds granted to SRGDI for a specific purpose will be used for that purpose.

Collective Accountability

1. All Board members and staff of SRGDI have a collective (shared) responsibility for the financial health of an organisation.
2. Each person has specific financial responsibilities. Some responsibilities are larger than others, for example the Treasurer and Administration Officer. However everyone on the Board and all staff dealing with finances must share responsibility for the careful and honest use of the organisational funds
3. Everyone on the Board is also responsible for examining and questioning the monthly financial report and for formally approving it.

Transparency

1. All financial documents and reports should be available to all members of the Board and all staff members with financial duties.
2. Annual accounts should be available to all members.
3. Generally there is no reason for the Board to withhold any financial report from a member.

Separation of Duties

1. This principle states that no one person covers all financial tasks. Where ever possible, financial tasks are split between two or more people.
2. Usually one person will DO the task and another person will CHECK the task is done correctly.

Roles and Responsibilities

Chairperson

In relation to SRGDI's Financial Management policies and procedures, the Chairperson will undertake to:

1. Ensure the SRGDI has written financial policies and procedures that have been adopted by the SRGDI Board
2. Ensure that the Board and staff have a copy of these, have read them and understand them
3. Ensure financial management policy is implemented effectively
4. Ensure a yearly Budget is prepared and approved by the Board and that a six monthly review is carried out
5. Ensure the Board meets regularly (monthly if possible) to review and approve financial reports
6. Liaise with Treasurer and Financial Committee to ensure financial reports are prepared
7. Read and question monthly financial reports
8. Act as a cheque signatory
9. Check the Payment Voucher and the individual cheque before signing and authorising the payment

Treasurer

In relation to SRGDI's Financial Management policies and procedures, the Treasurer will undertake to:

1. Ensure financial management policy is implemented effectively
2. Liaise with Chairperson on financial matters and bring any irregularities to her attention urgently
3. Ensure a yearly Budget is prepared and approved by the Board
4. Ensure financial reports are prepared for the Board and check their accuracy
5. Present these reports to the Board and be able to answer questions on these reports
6. Act as a cheque signatory
7. Check the Payment Voucher and the individual cheque before signing and authorising the payment
8. Check the monthly Bank Reconciliation against the Bank Statement
9. Ensure cheque butts are completely correct and are readable; regularly carry out spot checks on procedures and financial documents

Financial Committee

In relation to SRGDI's Financial Management policies and procedures, the Secretary will undertake to:

1. Liaise with the Chairperson on financial matters
2. Meet to review and approve financial reports prior to the Board meeting
3. Check bank reconciliation against the bank statements
4. As appropriate carry out spot checks on procedures and financial documents
5. Check the payment voucher file to ensure all payment vouchers for that month have been completed

Board Members

In relation to SRGDI's Financial Management policies and procedures, all Board Members will undertake to:

1. Attend Board meeting regularly
2. Read and understand SRGDI Financial Policy and Procedures
3. Learn to understand the financial budgets and financial reports
4. Approve the SRGDI Annual Budget
5. Read and question monthly financial reports that are tabled at the Board meetings
6. Approve these monthly financial reports and specifically the monthly payments

Director

In relation to SRGDI's Financial Management policies and procedures, the Director will undertake to:

1. Manage the organisation's financial systems efficiently
2. Prepare the annual budget in consultation with the Chairperson and Treasurer
3. Act as a cheque signatory
4. Check the Payment Voucher and the individual cheque before signing and authorising the payment
5. On a monthly basis check the Payment voucher file to ensure all payment vouchers for that month have been completed fully
6. Check the monthly Bank Reconciliation against the Bank Statement
7. Assist as necessary with the preparation of the month financial report and review it
8. Inform the Treasurer if any budget line is close to budget
9. Ensure all financial records are kept up to date

Accountant

In relation to SRGDI's Financial Management policies and procedures, the Accountant will undertake to:

1. Receipt all income and bank daily

2. Ensure all income is banked by the last day of the month
3. Make all payments on the due date using a payment voucher
4. Ensure all appropriate documents are attached to payment vouchers and file them in cheque order
5. Ensure the voucher is signed by any client after receiving payment
6. Take responsibility for the cash box and petty cash recording
7. Input I&E data into the electronic cashbook on a weekly basis and ensure these are identical to the hard copy
8. Backup all financial electronic files weekly
9. Carry out the monthly bank reconciliation, prepare the monthly Income and Expenditure report and submit this to the Director for presentation at the monthly Board meeting, ensure records are kept up to date

Financial Policy Summary

Financial Planning

1. A full organisation budget will be prepared annually
2. A budget review will be undertaken after six months

Bank Account

1. SRGDI will holds a bank account

2. All SRGDI income and expenditure must go through the SRGDI bank account
3. The signatories to the SRGDI bank account be the Chairperson, Treasurer and the Director.
4. Two signatories are required on each cheque

Income

1. All income is receipted
2. All income is banked into the SRGDI bank account
3. No unbanked income is used for petty cash
4. Ideally income is to be daily but must be banked weekly. All Income, no matter how small, is always banked by the end of the month.

Expenditure

1. All expenditure must have an approved budget allocation
2. No blank cheques are to be signed by any cheque signatory
3. Where possible, services are to be obtained by setting up of an account with payment to be made on the 20th of each month.
5. All payments over MWK20, 000 are to be paid by cheque payment
6. Every cheque payment must have a Payment Voucher completed
7. Each Payment Voucher is to be authorised by the people who sign the cheque it relates to
8. Payment vouchers are to be signed by the person who receives the cheque wherever possible

9. Separate Payroll records are to be kept for all salaries and wages
10. Small payments under MWK20, 000 may be paid using the Office petty cash, at the discretion of the Director

Accounting for Income and Expenditure

1. Income and Expenditure is to be accounted for
2. Electronic records are kept using the linked Excel cashbook
3. Income and expenditure data is entered into the cashbook on a regular basis, at least weekly
4. A bank reconciliation is carried out monthly.
5. The bank reconciliation is to be checked by the Director and the Finance Committee

Reporting

1. A monthly bank reconciliation report is prepared and printed. This reconciliation is reviewed and checked by both the Director and Finance Committee. It is to be attached to the bank statement it relates to and filed in the Bank Statement file.
2. Monthly Income and Expenditure reports for the organisation are to be prepared and printed by the Accountant
3. Monthly financial reports are presented by the Treasurer at the monthly Board meeting

4. After approval by the Board and signed by the Treasurer, the monthly report should be filed in a separate file

Record Keeping

The following records are to be kept and maintained by staff. The files are to be kept in a safe and secure place known to and approved by the Treasurer and Chairperson.

1. Physical records: Receipts books, cheque books, income file, payment voucher file, bank statement file, IRD, NPF and ACC files, Monthly Income and Expenditure file
2. Electronic records: The Excel cashbook is to be backed up on a weekly basis onto a diskette or USB Drive (Data Pen).
3. At the end of the financial year, the financial records for that year are to be archived and stored in a safe place.

Annual Accounts and Audit

1. Annual Accounts are to be prepared
2. Annual Accounts are to be audited
3. Annual Accounts are to be presented to members at the Annual General Meeting

Misuse of Funds

1. Any suspected misuse or misappropriation of funds will be investigated by the Chairperson and Treasurer
2. Once the investigation is to follow fair procedures. Once completed and the facts clearly established, the Chairperson / Treasurer will take appropriate action. For minor issues this may be kept to internal disciplinary action. For serious offences, the matter will be referred to the Police
3. The Chairperson will inform the Board of any serious offences and the action taken

Board Volunteerism

1. The SRGDI Board members agree to work for the organisation in the spirit of volunteerism
2. No Board meeting allowances will be paid
3. All work done for SRGDI by Board members will be unpaid

PROCEDURES

1. Bank Accounts

1.1. Reconciliations

Bank reconciliations should be prepared on a monthly basis, for all bank accounts in the name of the organisation or the projects. It is the responsibility of the accountant to prepare these.

The bank statements for all accounts must be obtained by the accountant and tied back to the cash book.

All reconciling items and any discrepancies should be documented. Any discrepancies, no matter how small, should be fully investigated until the discrepancy is resolved.

Once the accountant has completed the bank reconciliations for all bank accounts these should be reviewed by management and formally signed off by them.

1.2. Accounts

Going forward the organisation is to open a new bank account for each project.

The organisation should have a separate bank account for its own funds, to ensure segregation of cash for projects from its own expenses.

Each bank account must require at least two signatories to be able to access funds in the account.

Before (or immediately after if it is not possible before) a withdrawal is made from an account the accountant must be supplied with an explanation of why the withdrawal is being made. The accountant will then make a record of the withdrawal (not in the cashbook). The accountant cannot be held responsible if this information is withheld from him.

The funds withdrawn from the account should be immediately spent on the expense for which they were withdrawn, or placed in the safe. Every unspent fund should be returned to the Accountant to be placed within the safe.

1.3. Cashbook

Every bank account must have a corresponding cash book. It is the responsibility of the accountant to keep the cash book up to date.

It is the responsibility of those authorised to withdraw funds from the account and to make purchases to inform the accountant before (or immediately after if before is not possible) funds are withdrawn from the account, purchases are made, or any movement of cash from the safe. The accountant cannot be held responsible for keeping an inaccurate cashbook if he has not been informed of all relevant information.

The cash book should be reviewed, at least monthly, at the same time as management review the bank reconciliations.

1.4. Physical cash

Any cash that is not in the bank account must be securely stored in the safe.

Access to the safe must be limited to the accountant and senior management.

A log book must be kept by the accountant that records all deposits and withdrawals of cash from the safe, details required in the log book for any cash movement, include name, date, purpose, and reference to a payment voucher.

The accountant must count the cash on a daily basis, if there is any discrepancy in the amount of cash stored in the safe compared to the amount that should be there according to the log book, the accountant must immediately highlight this issue to management who must instigate an investigation.

A payment voucher must be signed by the accountant and management before cash can be removed from the safe.

2. Ledgers

2.1. Projects

Every project must have its own ledger.

The ledger must detail all funds deposited for the project, which should be reconciled back to the grant documents received from the donor, any additional deposits should be investigated and a full explanation obtained.

All payments made for a project need to have both the cash request and payment forms filled in, the accountant and management must sign off on these forms. Once the form has been signed the accountant should immediately enter this expense into the ledger. It is of extreme importance that the accountant provides a detailed description (a short sentence rather than a single word is most often appropriate) for every expense charged to the project ledger, where

possible a receipt/invoice number should be included. The organisation has to be able to demonstrate to the donors that the money has been spent as they set out.

It is the responsibility of the project officer or management to ensure that all expense recorded on a project ledger are allowable expenses. Stationary etc can only be allocated to the project ledger if the donor has specifically consented to allowing this in the project contract forms.

Going forward each project is to have its own bank account; therefore the bank account balance should tie back to the balance on the projects ledger. On a monthly basis every project ledger should be tied back to its corresponding cash book. All reconciling items should be explained, it is the accountants responsibility to do this. If a reconciling item cannot be explained the he should escalate it to management, who then take responsibility for further investigation. Every month the project ledger should be signed off by management and the project office.

2.2. The organisation

The accountant must also keep a ledger for all expenses due by the organisation itself (e.g. rent, stationary, car fuel and maintenance, which is not allowed to be charged back to a project).

The controls surrounding this ledger should be exactly the same as those for the project ledger, however only management not the project officers need to approve it on a monthly basis.

It should be reconciled to the organisations main bank account which going forward should only contain items relating to the organisation itself, as all new projects are to have a new bank account opened.

3. Record keeping

3.1. Hard copy

All records (including but not exclusively, project contracts, invoices, receipts, bank statements etc.) must be kept for the life of the project and for a minimum of seven years after the project.

They should be stored in a logical filing system so that records can easily be found whenever they are needed.

All documents must be stored in the organisations main office as it is not possible for the accountant to perform his duties if he does not have access to all information.

If documents are required at a location other than the project office then copies should be made and taken, the originals should stay in the office.

3.2. Soft copy

Electronic files must be appropriately named and filed so that files can easily be identified and not confused with each other. Back up of files on an external hard drive should be performed as frequently as possible.

4. Budgets

4.1. Project

A budget must be prepared for each project.

The expenses must be accurate; estimation should be avoided at all costs. For significant large expenditures the program officer should obtain at least 3 quotes and maintain a copy of these quotes in the project file. Smaller costs should be based on recent similar items.

The income and expenditure of each project must be regularly reviewed against budget.

Management must review the budget regularly.

4.2. Organisation

The organisation must prepare an annual budget; it must include all relevant costs in particular, rent, stationary, vehicle expense.

All income sources must be included.

The budget must be prepared by management and reviewed by the board of trustees on at least an annual basis.

Any shortfalls in the budget for the year must prompt immediate investigation into how these can be filled.

The organisation should allocate someone the responsibility of setting up a fund raising plan, for the organisation itself, this is extremely important. Management should have significant involvement in this activity.

5. Financial reporting

5.1. Financial statements

The accountant should prepare the numerical input for financial statements for the year end. These numbers should be extensively reviewed by management.

The financial statements should, have a format that shows separately the restricted and unrestricted funds (i.e. cash movements in relation to projects and cash movements in relation to the organisation itself).

Management have the responsibility of preparing the wording for the accounts.

The financial statements of the organisation are ultimately the responsibility of the Director. He will sign them and he will be responsible for any errors contained within them hence it is extremely important that he thoroughly reviews the accounts prior to signing.

5.2. Audit

The annual financial statements must be audited.

An audit is when a firm of accountants takes the financial statements that are prepared by the organisation, and does a thorough review; this will involve checking that the expenses as shown in the accounts tie back to invoices. The auditor shall be appointed every year by the Board of Trustees. The organisation needs to keep records of contracts with the auditor, including letter of Engagement and a letter of representation.

Ideally an audit will also involve a full review of the controls of the organisation, including checking that procedures have been followed by evidencing sign off of bank reconciliations etc.

6. Appendix

6.1. Chart of cash flow controls

