

EYE OF THE CHILD

ACCOUNTING PROCEDURES

MANUAL

ACCOUNTING PROCEDURES MANUAL FOR EYE OF THE CHILD

TABLE OF CONTENT

Introduction

Purpose and structure of the manual
Scope and objectives
Nature and activities
Change and improvements
Compliance with procedures.

1. Accounting Procedures

Key controls time table and responsibilities

- 1.1 Bank and cash
- 1.2 Fixed assets
- 1.3 Purchases and creditors
- 1.4 Salaries and wages
- 1.5 Stocks
- 1.6 Staff debtors
- 1.7 Program funds and donations
- 1.8 Data entry in the computer and posting.
- 1.9 Internal Audits

2. Bank and cash

- 2.1 Scope and objectives
- 2.2 Bank accounts
- 2.3 Receipts
- 2.4 Payments
- 2.5 Bank reconciliation
- 2.6 Petty cash
- 2.7 Fixed deposits/investments

3. Fixed assets

- 3.1 Scope and objectives
- 3.2 Additions
- 3.3 Disposals
- 3.4 Donated assets
- 3.5 financed fixed assets
- 3.6 Asset register.

4 *Purchases and creditors*

- 4.1 Scope and objectives
- 4.2 Purchasing of goods, supplies and services
- 4.3 Payments and invoices
- 4.4 Creditors statements reconciliation
- 4.5 Creditors control reconciliations
- 4.6 Other creditors reconciliations
- 4.7 Reconciliation of project accounts
- 4.8 Accruals

5 *Salaries and wages*

- 5.1 Scope and objectives
- 5.2 Personal records
- 5.3 Preparation of payroll
- 5.4 Payment of salaries and wages
- 5.5 Reconciliation of payroll and P.A.Y.E

6 *Stocks*

- 6.1 Scope and objectives
- 6.2 Receipts of stock
- 6.3 Issues of stocks
- 6.4 Physical stock count
- 6.5 Reconciliation of stock
- 6.6 Provision of obsolete stocks.

7 *Credit Scheme*

- 7.1 Scope and objective
- 7.2 Records and recovery

8. *Internal Audit*

- 8.1 Scope and Objective
- 8.2 Time

9. *FINANCIAL REPORT*

- 9.1 Scope and objectives
- 9.2 Donor reports
- 9.3 Management accounts
- 9.4 Schedules to be completed
- 9.5 General ledger
- 9.6 Year End Procedures
 - 9.6.1 Bank and Cash
 - 9.6.2 Purchases and Payments
 - 9.6.3 Salaries
 - 9.6.4 Fixed Assets
 - 9.6.5 Computer General Ledger
 - 9.6.6 Financial Reports
 - 9.6.7 Trial Balance

INTRODUCTION

The main purpose of the Accounting Procedures Manual is to describe the accounting procedures and policies adopted by Eye of the Child (EYC). The procedures described in the manual are intended to-

- Maintain consistency in the treatment of each type of transaction
- Identify key accounting controls and responsibilities
- Provide a time table for completion of key accounting tasks in order for complete and accurate production of management information
- Assist in ensuring that checks and controls within the system are complied with.
- Promote overall objectives of accounting systems and specific objectives of donor funded project systems within the accounting framework.

The manual also provide means of reference to:

- Train new staff in application of EYC accounting procedures
- Assist accounting staff in understanding the various aspects of systems with which they may not be familiar
- Describe the accounting systems and management information report to non-financial staff.

The accounting procedure manual is divided into eight sections, describing specific accounting functions. Although each section is complete by itself, reference to other sections may be required to understand fully the system.

The eight sections include:

1. Key controls and responsibilities
2. Bank and cash
3. Fixed assets
4. Purchases and creditors
5. Salaries and wages
6. Stocks
7. Debtors and Advances
8. Financial Reports and Year End Procedures

OBJECTIVE EYC'S ACCOUNTING SYSTEM

- To record and recognize all transactions with financial implications and ensure that the assets and liabilities of EYC are correctly valued and recorded
- To ensure that all transactions entered into by EYC are properly and timely recorded.
- To provide management with relevant, timely and reliable financial information
- To ensure specifically that projects/donor funds are separately and accurately

recorded and accounted for at all times.

- To ensure that accounting practices are in line with EYC's general policies.

NATURE AND ACTIVITIES

EYC is a charitable not for profit organisation. The fiscal year runs from January to 31 December.

The main sources of income for EYC are:

- a) Donations from Donors, Foundations and individuals
- b) Donations from UN organizations or agencies

EYC comprises of:

- a) The EYC Board
- b) The EYC Board in Malawi
- c) Operations in Malawi with administrative office in Blantyre

EYC accounting codes are flexible. The chart of Accounts is on Appendix I

Posting to general ledger is from the following sources

- a) Receipts and payment cash book
- b) Petty cash book
- c) Purchase journal
- d) General Journals

CHANGES AND IMPROVEMENTS

The manual must be updated when necessary to reflect changes in accounting procedures to identify areas which become inadequate. It is the responsibility of EYC management to have a continuing process of reviewing the manual, to identify areas which become inadequate. Any changes and improvements to the manual should be conveyed in writing to and authorized by the Executive Director through Finance Officer. Amendments to the manual must be distributed to all holders of the manual.

COMPLIANCE WITH PROCEDURES

Compliance with procedures set in the manual is mandatory except where written permission of the Executive Director has been obtained. The Operations supervisor and The Finance Officer are responsible for compliance with the stated procedures.

ACCOUNTING PROCEDURES

KEY CONTROLS, TIMETABLE AND RESPONSIBILITIES

1.1 BANK AND CASH

Controls	Time table	Responsibility
Ensure that receipts are issued for all cash and cheques received and are banked in time and intact	Weekly	Finance Officer, Bookkeeper
Ensure that all payment vouchers are authorized	Daily	Finance Officer , Executive Director, Operations Supervisor
Ensure that all supporting documents are attached to payment vouchers	Daily	Finance Officer
Ensure bank reconciliations are prepared monthly and checked	By 14th of the following month or as soon as the last bank statement is received	Finance Officer , Bookkeeper
Ensure that all petty cash vouchers are authorized and have supporting documents	During reimbursement	Finance Officer , Bookkeeper
Ensure petty cash is checked regularly	Weekly	Finance Officer, Operations Supervisor
Ensure that petty cash levels are reasonable	During reimbursement	Finance Officer , Executive Director, Operations Supervisor

1.2 FIXED ASSETS

Controls	Time table	Responsibility
Ensure that fixed assets purchases are approved by the EYC Board or Management	During budgets and when required	EYC Board/Management
Ensure that fixed assets disposals are approved	As and when required	EYC Board
To ensure proper valuation of donated fixed assets	As and when required	Executive Director, Operations Supervisor, Finance Officer
Register and labeling of fixed assets	As and when required	Finance Officer, Admin.Assistant

1.3 PURCHASES AND CREDITORS

Controls	Time table	Responsibility
Ensure that purchase requisition is authorised by responsible officers	As and when required	Finance Officer
Ensure that at least three quotations are sought for all purchases and compared with quality	Before purchases	Finance Officer
Ensure invoices are endorsed by Program Coordinator, Operations Supervisor before payment is affected	When checking payment vouchers	Finance Officer
* Ensure that invoices are matched to Local Purchase Orders (LPOs) , quotations and Delivery notes from supplier/ EYC Goods Received Note(GRN)	When checking payment vouchers	Finance Officer , Bookkeeper
* Ensure that supply vouchers are endorsed by Finance Office and authorised by the Executive Director	Before purchases are made	Finance Officer , Bookkeeper
Ensure that GRN's are prepared for all goods bought / received	On receipt of good	Finance Officer , Bookkeeper
Ensure reconciliations are prepared between creditors listing and general ledger control	By 14 of the following month	Finance Officer , Bookkeeper
Ensure other creditors and accruals are accurately stated in the general ledger	By 20 of the following month	Finance Officer , Bookkeeper
Ensure that reconciliations of creditor statements are prepared every month and reconciliations item are followed up	20 of the following month	Finance Officer , Bookkeeper

All purchase requests should go through the office of the Finance and Administrative Manager

PURCHASING LEVELS

1. EYC shall centralize the purchase and all sub offices shall collect supplies from the head office
2. All purchases below K50,000.00 can be authorized by the Executive Director and Finance Officer
3. Purchases above K50,000.00 needs the purchasing committee for authorization. This committee comprise of Advisory Board Member(Finance Committee), the Executive Director, Finance Officer, Programs Coordinator and the department making the request.
4. Purchases over K500,000.00 will need tendering process with approval from the Advisory Board member.

1.4 SALARIES AND WAGES

Controls	Time table	Responsibility
Ensure payroll is properly prepared and cheques properly drawn	By 20 th of the month or first week prior to issue	Finance Officer , Bookkeeper
Ensure salaries reconciliations and statistics prepared properly and salaries Journals authorized	By 10 th of the following month	Finance Officer , Bookkeeper
Ensure P.A.Y.E and any tax deducted from employees and remitted to the Govt	By end of the month latest 5 th of the following month	Finance Officer , Bookkeeper
Ensure tax returns are submitted and Pay As You Earn (P.A.Y.E.) reconciled	By 20 th of July each year	Finance Officer , Bookkeeper

1.5 STOCKS

Controls	Time table	Responsibility
Ensure that stock movements are properly recorded, using EYC Dispatch notes	By 10 th of the following month and when stocks move	Finance Officer , Bookkeeper

Ensure that stock is properly safe- guarded	By 14 th of the following month	Finance Officer , Bookkeeper, Project Staff
Ensure that stock is properly valued	By 14 th of the following month	Finance Officer , Bookkeeper

1.6 STAFF LOANS AND ADVANCES

Controls	Time table	Responsibility
Ensure that all staff debtors are authorized and properly recorded and valued.	By 14 th of the following month	Finance Officer , Executive Director ,Operations Supervisor
Ensure that recovery for staff debtors is systematically made every month	By 14 th of the following month	Finance Officer , Bookkeeper
Ensure debtors reconciliations are made with general ledger	By 14 th of the following month	Finance Officer , Bookkeeper

1.7 PROGRAM FUNDS AND DONATIONS

Controls	Time table	Responsibility
Ensure that program funds are separately, properly and completely recorded	By 14 th of the following month	Finance Officer ,Bookkeeper, Operations Supervisor
Ensure that donor funds are used for intended purpose and not diverted to other activities	As and when used	Finance Officer , Bookkeeper, Operations Supervisor, Executive Director
Ensure programmed funds are properly accounted for and recorded to the related bank account	By 14 th of the following month	Finance Officer , Bookkeeper, Operations Supervisor

1.8 DATA ENTRY IN THE COMPUTER AND POSTING

Controls	Time table	Responsibility
Ensure Data entry and posting financial documentation is authorized	Daily	Finance Officer , Bookkeeper, Operations Supervisor
Ensure all documentation being recorded (entered into accounting records) have been checked and authorized	Daily	Finance Officer , Bookkeeper, Operations Supervisor
Ensure transactions entered have been checked before posting to the accounting records	Daily	Finance Officer , Bookkeeper, Operations Supervisor

1.9 INTERNAL AUDITS

Controls	Time table	Responsibility
Ensure that financial transactions at EYC sites are in accordance with general accounting standards and procedures set out in this manual and following general accepted accounting standards	Quarterly, and without notice(surprise audits)	Finance Officer

2.0 BANK AND CASH SYSTEM

2.1 Scope and objectives

- a) To ensure that payments are properly authorized and supported by appropriate documentation.
- b) To ensure that all payments and receipts are properly accounted for.

- c) To ensure that receipts are banked intact and in a timely manner.
- d) To assist in cash management

2.2 Bank Accounts

There will be a current bank account for each main program EYC is running and a separate one for Administration.

-All donations received will be deposited in the United States Dollar account with Eco Bank, head Office. These funds will be transferred to the respective program /administration current accounts upon need for use.

-Each month, reconciliation will be made for the foreign designated account (dollar account) as to how much belongs to each program.

-The bank balances on each program should be reconciled on a monthly basis with book balances as shown in the financial statements with the balance of projects unused funds.

2.3 Receipts

Pre-numbered receipts are to be issued for all cash and cheques received and they are to be deposited intact. All used receipt books are to be controlled by the Finance Dept.

Request for new receipt book by either Program Coordinator or Operations Supervisor should be made through the Finance Officer.

Cash received must not be used to supplement petty cash funds.

Cash and cheques are to be deposited within a maximum of two days after received or on the following Monday if received on Friday. The receipt book is to be initiated by the Finance Officer against banking slips and receipts cash book. All receipts of cash or cheques to be recorded by the office of the Executive Director before being handed over to the Bookkeeper.

2.4. Payments

-Cheques for payment to creditors are to be drawn on the 10th of each month and steps set up in section 2.1.3 purchases and creditors should be followed

-To avoid payment to un-authorized persons, cheques drawn should be restrictively crossed "Account Payee only" or not negotiable. Cheque books should be held under the control of the Finance Officer.

-Cheques paid to creditors and persons other than EYC staff should be crossed, unless a written request has been made to the Executive Director.

-Payment vouchers must be authorised, coded and approved before cheques are drawn.

Once cheques are prepared, Finance Officer must ensure that cheques are properly drawn.

The payment voucher and all supporting documents are to be forwarded to authorised signatories. The cheque signatories should ensure that the cheque number recorded on the payment voucher corresponds with that on the cheque. All payment vouchers together with supporting documents must be stamped paid with date before cheques are signed.

EYC cheques/withdrawal/transfer of funds letters signatories will be as follows

- a) EYC United States Dollar account at ECO Bank, Head Office.
Appointed Board Member and the Executive Director.
In the absence of the Executive director the Finance Officer will sign.
- b) All Current Accounts, Fixed Deposit accounts and Savings Account the thresholds are as follows:
 - i) The Executive director and Finance Officer shall sign cheques up to MK200,000.00
 - ii) Above MK200,000.00 Board Chair and Executive Director shall sign

Cheques for salaries are to be drawn by the 25th of every month and should be supported by payroll as reviewed and initiated by the Finance Officer.

-Cheques drawn to reimburse petty cash funds should be supported by vouchers making up expenditure since previous reimbursement.

-All cheques issued (including cancelled ones) should be recorded in the cash book in sequential order detailing cheque number, date, payee and amount.

-Cheques to be signed by authorised signatory other than the Executive Director should be accompanied by a letter from the Executive Director.

- All supporting documents (invoices, proforma, receipts) should be stamped '**PAID**' after payment has been effected.

2.5 **Bank reconciliation**

-Bank reconciliation is to be prepared monthly immediately upon receipt of statements at least by 5th of the following month. Each bank reconciliation is to be checked and initialed by the Finance Officer and then by then by Operations Supervisor

-All reconciling items should be followed up and cleared as soon as possible.

Reconciliation of foreign bank account held in Africa to projects accounts to be done by 14th of the following month.

2.6 **Petty Cash**

- The petty cash float should be maintained on an imprest system and should only be used for small payments up to MK5, 000.00

- Cash should be held in a secure place.
- All petty cash payments should be supported by payment vouchers authorised by the Finance Officer or any other senior official. An officer is an authorised signatory should not authorise his/her own claim
- Each payment voucher should be supported by external evidence (e.g. supplier's cash sale, invoice or cash receipt).
- Petty cash should be counted every month and agreed with petty cash book balance by the Bookkeeper.

2.7 Fixed Deposits/Investments

- Effort should be made to ensure that the best interest rate is obtained for each investment, which is risk free.
- By 14th of each month a reconciliation of book figure with fixed deposit per bank correspondence should be made.
- Upon maturity of a fixed deposits. Interest credited by the bank should be checked using the interest rate indicated on the fixed deposit bank receipt.
- Transfer to and from fixed deposit should be authorised by at least two of the authorised EYC signatories one of which should be that of the Executive Director.

3 FIXED ASSETS SYSTEM

Fixed assets are all those assets which are of capital nature and for use on a continuing basis for EYC activities .The fixed assets categories and units in value will be determined by EYC Management approved by the Executive board.

3.1 Scope and objectives

The objectives of the fixed asset system are:

- a) To ensure that EYC fixed assets are properly safe-guarded.
- b) To ensure those fixed assets purchases are authorised.
- c) To ensure that fixed assets disposals are authorised and approved by EYC Board and follows EYC Policy on disposal of assets.
- d) To ensure that donated fixed assets are properly valued and recorded in the fixed assets.
- e) To ensure that fixed assets are physically verified regularly.
- f) To ensure that fixed assets are all properly valued and recorded in the books of accounts.

3.2 Additions

- All purchase of fixed assets is to be approved by the EYC Board through approved budget. All purchases orders for fixed assets are to be authorised by the Executive Director upon satisfaction that they were on the approved budgets.
- All fixed asset purchases should be expensed in the year of purchase and capitalized by debiting fixed assets and crediting capital reserve, at the end of the financial year.
- Donated assets should be treated the same using their value determined at the time of donation.ie debiting fixed assets and crediting capital reserve with the determined value at the end of the financial year.
- The fixed asset register should be updated for each purchase of fixed asset

3.3 Disposals

- All disposals are to be recommended to the EYC Board. Motor vehicles are to be replaced not sooner than 5 years while motorcycles not sooner than 3 years, office equipment and furniture not sooner 10 years, and computers not sooner than 3 years.
- Before disposal of motor vehicles, dealer's valuation should be obtained and effort should be made to dispose motor vehicle through tender.
- If an asset that was previously capitalized is subsequently sold, the cost is eliminated from the accounts by debiting capital reserve and credit fixed assets with the net value of the asset.

All sales proceed to be treated as profit on sale of fixed asset and credited to Sundry Income.

Finance Officer should ensure that all proceeds on sale of fixed assets are completely accounted for. The fixed asset register is to be updated for each disposal of fixed asset.

3.4 Donated Assets

All assets donated are to be valued through independent valuation. Values should be obtained from donors if possible or any valid dealers of the assets locally. Accounting for these is as detailed above.

3.5 CLASSIFICATION AND DEPRECIATION POLICY OF FIXED ASSETS

The depreciation of fixed assets is determined by considering the expected useful life of each fixed asset category, the degree of potential obsolescence due to change of technology, as well as the use and condition of each category of assets.

The following is the estimated useful life span and depreciation rates of EYC:

Rate (p.a)	Asset Category	Life Span	Depreciation
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Motor Vehicles	4	25%
Office Equipment	4.5	20%
Office Furniture	10	10%
Computer Equipment	4	25%
Motor Cycles	3	33 1/3%

The double entry for depreciation will be to debit capital reserve, and credit provision for depreciation. The capital reserve account will then represent the total of the net fixed assets.

3.6 Fixed Asset Register

An asset register is to be maintained at all times for both assets acquired out of EYC own resources or donated. This should be updated each time a fixed asset is purchased or disposed of

The fixed asset register should show the following:

- a) Date of purchase
- b) Asset description
- c) Cost of the asset
- d) Location of the asset
- e) Depreciation rate(2.3.5)
- f) Depreciation charge for the year
- g) Accumulated depreciation
- h) Net book value

3.7 PHYSICAL VERIFICATION OF FIXED ASSETS

Fixed assets should be verified continually during the year, but a physical count has to be conducted at the year end. Annual physical verification statement must be reconciled with the Fixed Asset Register.

4 PURCHASES AND CREDITORS SYSTEM

4.1 Scope and objectives

The objectives of the purchases and creditors are:

- a) To assist in the prompt reconciliation and payment of creditors accounts.
- b) To ensure that all expenditure is properly authorised, processed and recorded.
- c) To identify items which are in dispute
- d) To provide management with information relating to expenditure and liabilities which will assist in cash flow planning and decision making

4.2 Purchasing of goods, supplies and services

A purchase requisition should be prepared by a Section (department) and authorised by the Section /Department Head

Upon receipt of a request for supplies the Administrative Assistant will obtain at least three quotations to ensure that the best price is obtained. Alternatively the Operations Supervisor will establish by telephone or personal knowledge the prices of various suppliers. Prices of regular orders should be checked with the price of the last order and periodically compared with the price of other supplies to ensure there are no significant changes.

The Administrative Assistant should prepare the supply voucher. The voucher should be coded for costing purpose. The voucher should be signed by the Finance Officer to indicate availability of funds to affect such a purchase. The supply voucher should be authorized by the Executive Director prior to preparation of Local Purchasing Order (LPO).

Sequentially pre-numbered LPOs should be raised in triplicate. The LPO should be signed by the Executive Director or another senior official in his absence.

The three copies of LPO's will be distributed as follows:

- Top copy - to supplier for his retention
- Second copy - to Operations Supervisors office to connect with supply voucher then eventually to finance to match with GRN and invoice
- Third copy retained in the book held by the Executive Director or authorised person

All deliveries of goods whether to the project site must be checked by the responsible official. After checking that the goods are the correct standard, the correct quantities, description, a Goods Received Note (GRN) should be prepared

On receipt of supplier's invoice finance will check that details of the invoice, LPO, GRN and supply voucher agree in every detail. All prices and extensions must be checked. It must be ensured that the invoice charged is for goods actually ordered (LPO) and actually received (GRN), of the correct quality (GRN) and correct price (quotation).

The invoice should then be entered in the purchase ledger. Invoices for motor vehicle/cycle services/repairs and maintenance should be endorsed by the Operations Supervisor to show that all the spares charged on the invoice were actually fitted to the vehicle/cycle and that the best service was received.

4.3 Payment and invoices

Once a month payment vouchers are to be prepared on the 10th to which will be attached the following:-

- a) The purchase invoice
- b) LPO
- c) Delivery note and GRN
- d) Requisition and supply voucher

The Bookkeeper to check that the documents are in order. All the attached documents should be stamped paid, dated and a cheque number endorsed on the payment voucher before they are sent to cheque signatories.

4.4 Creditors statements reconciliation

Creditor's statements balances are to be reconciled to the invoices every month by 10th of the following month. Creditors ledger will show outstanding invoices not paid and these must be reconciled to General Ledger.

Creditors control account in the General Ledger must be reconciled to creditors listing every quarter by 10th of the month following end of the quarter. Creditors listing are also to be reviewed for any unusual creditors by Finance Officer.

4.5 Other Creditors reconciliations

Every credit balance in the General Ledger is to be accounted for separately and not included in creditors account. Each of the accounts should be reconciled separately. The reconciliations are to be reviewed by the Finance Officer.

4.6 Reconciliation of project accounts

Individual accounts should be maintained in the ledger for every project that EYC undertakes, and for every code heading in accordance with the budget.

All income for the project should be accumulated in the projects income accounts categorised by all expenditure accumulated in the expenditure accounts coded as per budget item.

4.7 Creditors Control reconciliation

A control account in the balance sheet for each project should show how much of the project funds are used. This figure should be reconciled with funds in the bank for each project.

At end of each month a statement of income and expenditure per project should be produced compared with budgeted figures.

4.8 Accruals

At end of every month there will be goods and services received but invoices not received. It will be necessary to accrue such amounts. The following procedure should be followed:

- a) Local Purchase order (LPO's) not matched to invoices should be reviewed where the order relates to good or services received, it should be listed under accruals.
- b) Delivery notes/GRN's not matched to invoices, are to be reviewed

- and where invoices have not been received, should be listed under accruals.
- c) In case where exact amount of an accrual is not known, an estimate is to be used.

5 SALARIES AND WAGES SYSTEM

5.1 Scope and objectives

The objectives of the salaries and wages system are:

- a) To ensure that salaries and wages are paid to bonafide employees of EYC.
- b) To ensure timely payment of wages and salaries
- c) To ensure recovery of all staff loans and advances
- d) To ensure that salary rate, overtime and other allowances are properly authorized
- e) authorized
- f) To ensure that the salaries and wages are properly accounted for in the general ledger

5.2 Personnel records

The office of the Executive Director is to maintain personnel files for staff containing at least the following information:-

- a) Offer letter of appointment detailing salary and all fringe benefits
- b) Letter of acceptance of the appointment from the employee
- c) Memo from Personnel Section (Administrative Manager) stating the date of reporting for duty of the employee
- d) Basic pay and subsequent revisions, including incremental date
- e) Staff work profile and performance assessments and detailed job descriptions.

The Finance Officer to be notified in writing of salary adjustments, new employees, dismissals and resignations.

5.3 Preparation of payroll

The payroll is to be prepared from the authorised amounts. The Finance Officer is to check salary/wages rates, authorisation of any allowances and benefits, tax calculations and is to sign the payroll before salaries/wages cheques are prepared.

The payroll should include details of basic pay, allowances, benefits, overtime, gross pay, tax deduction, other deductions and net salary payment.

5.4 Payment of salaries and wages

After checking of payroll by Finance Officer, salary vouchers and cheques are to be prepared and checked by the Finance Officer and the Operations Supervisor before being sent to the Executive Director and other cheque signatories. The payroll should accompany salary/wages cheques to signatories.

5.5 Reconciliation of payroll and statistics

A reconciliation of quarter payroll is to be prepared during the first week of the next quarter. This will take into account gross pay during the last quarter; new staff pays, terminated or resigned staff pay.

That is:-

- a) Gross pay during the Last quarter
- b) ADD: New staff pays, other allowance pays for the quarter Less
- c) Terminated/resigned pay. Last quarter allowances
- d) Gross pay during the quarter .The gross pay during the quarter should agree with amount posted to the General Ledger for the quarter.
- e) P.A.Y.E deducted is to be reconciled every month by the 10th day and ensure the correct amount has been remitted to Commissioner of taxes. By 15th of July every year, P.A.Y.E certificate for the previous fiscal year should be prepared, checked, reconciled and sent to the Commissioner of taxes, together with all documentation required by the tax authorities.

6 STOCKS SYSTEM

6.1 Scope and objectives

- a) To ensure accurate stock record for goods received and issued
- b) To ensure that issues are authorised expenditure of EYC
- c) To ensure adequate physical control over stocks
- d) To ensure stocks are properly valued in EYC's accounts

6.2 Receipts of stocks

Upon receipts of stocks, Bookkeeper or the Administrative Assistant should compare the items received with the LPO and Supplier delivery note and if there are discrepancies, this should be sorted out with the supplier as soon as possible. Short landed items should be returned, to supplier Stock received should be inspected for quality by the one who made a requisition for them and if satisfied, a goods received note should be prepared or supplier delivery note signed. Stock records should be updated immediately.

6.3 Issues of stocks

When stocks are being sent to the field offices, a dispatch note should be prepared to accompany the stocks, which should be signed, by office dispatching the goods and at the other end they are receiving goods. Field offices should prepare GRN's for all goods received and send the copy of the GRN to head office. Field officer should prepare dispatch notes for all inputs (seed or fertilizer) dispatched to

beneficiary club, the original should be given to beneficiary club.

6.4 Physical stock count

At the end of each month, the finance section and the stocks Custodian (head office or field) are to count all stocks. Any discrepancies should be resolved after being approved by the Executive Director.

6.5 Reconciliation of stocks

At the end of each month, the stock value per stock sheets should be compared to value in the General ledger. If any differences arise, this must be investigated and adjusted before monthly reports are prepared.

6.6 Provision of obsolete stocks

The finance section is to list items, which are damaged or obsolete. This list is to be submitted to the Executive Director for him to decide how best the damaged stock can be written off from the accounts.

7 SUNDRY DEBTORS, STAFF DEBTORS AND ADVANCES

7.1 Scope and Objective

- a) To ensure the debtors are followed up and properly valued
- b) To ensure that staff loans are properly approved and accounted for.
- c) To ensure that all staff loans/advances are recorded.

7.2 Records and recovery

All staff advances shall be approved by the Executive Director.

All staff loans (except the Executive Director whose loan will be approved by the EYC Board) shall be approved by the Executive Director and a Loan Agreement Contract shall be entered into by EYC and employee asking for loan. This agreement will include the interest rate and repayment terms. The loan agreement form shall be signed by the staff member, the Executive Director and the Finance Officer.

Before a cheque for staff loan disbursement is made, the loan Agreement Contract should be duly signed and finance section should be served with a copy of the Agreement.

At the end of every month the total of all advances and loans granted to staff in that month should be debited to each staff loan account or advance account.

All repayment or salary deductions should be credited to the same account

each month.

At end of each month, debtor's statements should be prepared.

No staff member should have more than one loan outstanding at one time.

8. INTERNAL AUDITS

8.1 Scope and Objective

To ensure general compliance with accounting standards and procedures in all financial transactions (Policies and procedures are adhered to)

8.2 TIME

Internal audits is one of the important roles of the finance department and such shall be carried out as and when required even without notice to all EYC sites.

Quarterly Audits shall be mandated in all EYC sites to ensure compliance with accounts procedures and also ensure that everything is in order for the external audits

9 FINANCIAL REPORTS

9.1 Scope and objectives

The objective is to ensure that the financial statements are prepared in line with statutory requirement of NGO Act and

- a) To provide a source of reference to EYC so that accounting work done is easily identified.
- b) To ensure that information contained in the books of accounts is regularly reconciled and accurately maintained.
- c) To provide management with a check list to which it can refer to ensure that the accounting work has been properly checked.
- d) To provide the board and management with accounting information for decision making.

9.2 Donors reports

Reports to donors will follow individual donors requirements as specified in the project funding agreements so that the stipulated report format and frequency is maintained. These are normally required every six months and relief programs, these are normally quarterly.

9.3 Management accounts

These will follow the format of comparing actual income/expenditure with budgets for each program and Administration. (Budget Reports to be produced monthly and exceptions to be specially highlighted.)

9.4 Schedules to be completed

- a) All accounts in the final trial balance to be fully explained.
- b) Analysis of all accounts should be prepared and agreed to the trial balance figures.
- c) All necessary adjustments to the accounts should be passed through a journal with full description of the adjustment.

9.5 General Ledger

This is the ledger, which will contain postings of monthly totals from the following prime books of entry:

- receipt cash book
- payment cash book
- petty cash book
- salary journals
- receivables ledger
- stocks ledger
- general journals.
- payables ledger

Individual accounts should be maintained in the ledger for every project that EYC undertakes, and for every code heading in accordance with the budget. At the end of each month a trial balance should be extracted from the ledger.

9.6 YEAR END PROCEDURES AND TIMETABLE

FINANCIAL PROCEDURES

At the end of the year the following should be done:

9.6.1 BANK AND CASH	TO BE DONE
Receipts	Deposited by 31 st December
Petty Cash balance	Deposited by 31 st December Reconciliation done by 31 st December
Bank Accounts	Reconciled by 5 th January the following year

Projects Accounts	Reconciled to balances by 31 st December
Cash Book	Review all unrepresented cheques by 5 th January of the following year. Reconcile

9.6.2 PURCHASES AND PAYMENTS	TO BE DONE
Invoices	All paid by 24 th December
Outstanding Creditors	Reconcile to the statements by 31 st December

9.6.3 SALARIES AND WAGES	TO BE DONE
Actual salaries and Wages	All paid out by 31 st December
Payroll	Reconcile by 31 st December
Pay As you Earn (PAYE)	Reconciled and remitted to MRA by 14 th January
Loans and Advances	Recovered by 31 st December

9.6.4 FIXED ASSETS	TO BE DONE
Asset List	Compiled and Completed by 5 th December
Depreciation	Applied to all assets by 31 st December
Disposals	Duly authorized and recorded by 31 st December

9.6.5 GENERAL LEDGER	TO BE DONE
Income	All amounts posted per donor
Expenses- Purchases Salaries and Wages Grants	All data relating to these should be posted and reconciled by 10 th January
Bank and cash	All data posted and reconciled by 10 th January
Journals	For all adjustments done by 10 th January
Trial Balance	Production by the 14 th January

9.6.6 FINANCIAL REPORTS

The following Financial Reports should be produced by the 15th January of the following year:

1. Income and expenditure Statements
2. Balance sheet
3. Cash and Bank Movements/Cash Flow Statements
4. Budget /Variance Report
5. Analysis of Expenditure
6. Donors/Grantors report

9.6.7 TRIAL BALANCE

A trial balance should be produced by 14th of the following month.

Approval:	Date
EYC Executive Board Chairman.....
EYC Executive Director.....

The Financial reports should also be signed and approved by the Executive Director and Chairman of the board.