

# **Concordia Volunteer Abroad Program (CVAP)**

## **FINANCE POLICY MANUAL**

**Drawn by;**

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## ACRONYMS

Board	Board of Directors
BPV	Bank Payment Voucher
DN	Delivery Note
ED	Executive Director
EERF	Employee Expense Report Form
EERP	Employee Expense Reimbursement Policy
GRN	Goods Received Note
FAO	Finance and Administration Officer
IAS	International Accounting Standards
IFRSs	International Financial Reporting Standards
LPO	Local Purchase Order
NCA	Non current Assets
NSSF	National Social Security Fund
PAYE	Pay As You Earn
PCV	Petty Cash Voucher
PV	Payment Vouchers
CVAP	Concordia Volunteer Abroad Program
URA	Uganda Revenue Authority
YTD	Year to date

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## **1.0 INTRODUCTION**

This financial manual is prepared as a guideline to administer the financial and accounting activities of CVAP.

In this regard the financial manual is designed to meet the needs of CVAP financial staff and financial statement users.

As indicated above the purpose of this manual is to have uniformity and integrity of accounting records at head office, and the branches of CVAP and to produce appropriate financial report to the required standard to assist users in understanding reports.

The main emphasis of financial policies other than quality assurance is to have strong financial control and accounting mechanisms. The financial statements are very significant for interpretation of the financial ratios analyzed, to clearly understand the position of the organisation in regard to sustainability and efficiency.

## **2.0 CVAP FINANCIAL AND ACCOUNTING POLICIES**

### **2.1 General Accounting Policies**

CVAP will adopt financial and accounting policies and practices that are consistent with current IFRSs (International Financial Reporting Standards) that can be examined by outside auditors without significant exceptions and explanations.

#### **2.1.1 Consistency**

The accounting method shall remain the same from period to period. This will ensure comparison of data from period to period. Any change from the standard accounting method shall be disclosed in the cover letter of the financial statements and shall be copied to the ED (Executive Director).

#### **2.1.2 Accrual Basis:**

CVAP will adopt Accrual basis accounting system in which expenses shall be recorded when incurred and not necessarily when cash is paid. Accrual should be done on a monthly basis. This method will provide timely and more realistic financial information useful for management decision.

#### **2.1.3 Cash Basis:**

CVAP will adopt Cash Basis Accounting System on Revenue. All revenue will be recorded only when it is received except for short term risk-free investments like the return on bonds, treasury bills and on time deposits.

Note: In this contest cash means physical cash/cheque/ cash at bank.

#### **2.1.4 Conservation**

Recording of financial data shall be realistic. All financial data such as assets, liabilities, revenue and expenditures have to have supporting documents for the recorded amounts. Realization of possible contingencies or losses in the financial records may require accounting entries.

#### **2.1.5 Simplicity, Accuracy and Flexibility.**

An accounting system should be easy for readers to understand and follow. The financial data should be correct and have integrity that readers can trust and not be misled. However, the system should be flexible in situations when there are exceptions.

#### **2.1.6 Transparency**

The accounting system shall provide a clear flow of funds from receipts to the expenditures. Journal entries should include supporting documents to explain and justify financial data.

#### **2.1.7 Materiality**

All financial data or transaction that significantly will affect financial statements should be recorded and disclosed.

#### **2.1.8 Disclosure**

All important information about CVAP's financial position and performance has to be disclosed in the financial statements in a full and fair manner.

#### **2.1.9 Communication**

Financial information and activities shall be reported and accounted for on a timely basis to the concerned parties. Any planning of activities which need financial responsibilities shall be submitted to appropriate level of management for approval before implementation of such activities.

#### **2.1.10 Prudence**

There shall be a call for conservation when analysing financial issues. For example anticipate low surplus but provide for all possible deficit. This can also mean that, in case there are two methods of valuing an asset, CVAP shall choose whichever is lower.

## **2.2 CVAP Financing Policy**

### **2.2.1 CVAP Financial Year**

CVAP financial year begins on July 1<sup>st</sup> and ends June 30<sup>th</sup>.

### **2.2.2 Categories of Expenditures.**

CVAP shall have Four (4) groups of expenses:

**Projects:**

This refers to costs related to community outreach programs.

**Administration Expenses:**

This refers to costs related to supervision and administration of CVAP activities at Head office, branch and sub-branch level.

**Financing Expenses:**

This refers to interest expenses.

**Depreciation Expenses:**

Depreciation is calculated to systematically write off monthly, the original cost of all CVAP's NCA (Non Current Assents).

### **2.2.3 Accounting in Local Currency**

The Accounting records of CVAP shall be kept in the Ugandan Shilling currency (UGX). This policy has been established to meet the requirements of local governments as well as to allow local audits of CVAP by local auditors. However CVAP may translate its financial statements into a foreign currency if required by the Donor Agencies concerned.

### **2.2.4 Transactions in foreign currency**

Any income received in foreign currency shall be translated on the transaction day at the spot rate (rate ruling on that day).

For any expenditure, a liability shall be recognized when CVAP is invoiced at the ruling rate on the transaction date.

When payment is eventually made, it will be translated at the date of payment rate.

This means that CVAP may have exchange gains or losses. An account "exchange differences" must be maintained in its ledgers.

### **2.2.5 Budgeting:**

CVAP will conduct its activities based on a detailed budget approved by the Executive Director and the board, before submission to the donors. Major budget revisions and changes to the **total** YTD Budget will be subject to approval by the Board before implementation. The donors must approve the changes as well.

CVAP shall be flexible in reallocating the Budget for any Particular Financial Year along the different line items and with consultations with the Donor Agency concerned. This shall only stand as long as:

- i) Total YTD Budget is not altered
- ii) It has been approved by the Executive Director on the advice of the Finance and Administration Officer.

However, if CVAP has secured Additional Funds in form of revenue generated and Grants then the total YTD budget may be changed. This must be approved by the Executive Director and submitted to the Board.

#### **2.2.5.1 Planning and Budget Process.**

- a) CVAP shall establish goals and objectives for the organisation by preparing a long term (e.g) Business plan specifying the year by year operational plan and Budget.
- b) Budgets reflect plans and should not be changed unless plans change significantly. Expenses should be shown as variances from the Budget.

#### **2.2.5.2 Budget Submission.**

- a) Branch Office budgets should be submitted to the Head office. The head office is responsible for reviewing the Branch office Budgets and ensure that it is consistent with CVAP's priorities and available resources.
- b) Executive Director is responsible for approving Branch office Budgets. The Board should approve the entire CVAP Budget.

#### **2.2.5.3 Budget Calendar**

Budgets from Branch offices for the next financial year should be submitted to head office two (2) Months to yearend. The CVAP Budget is due to the Board 15 days to year end.

#### **2.2.5.4 Spending Compared to Budget**

The Head Office and Branch offices should not be overspent as there are no funds set aside to cover this. CVAP is responsible to find funds to cover any overspending which occurs.

### **2.2.6 Records Retention Policy**

CVAP shall preserve accounting records for a period of 5 (five) years effective the close of the financial year to which those records relate, except for specific projects where the donors require more than the 5 (years).

### **2.3 Advances on Business**

Advances to employees for CVAP business purposes (travel & business advances) must be approved by the FAO or ED or the related line manager as per their respective authorization limits.

Business advances made for local purchases must be accounted for **within a week** following the purchase date.

Travel advances must be cleared within fourteen (14) working days after the completion of trip.

The write off of any un-collectable balance shall be approved by the Board. However this shall only be in very critical circumstances.

### **2.4 Advance & Employee Loans:**

Loans may be extended only in emergency situations as may be deemed by ED, The ED may approve up to one month of the respective employee's gross salary which shall be recoverable within 180 days, in any case not exceeding the end of the financial year.

The Executive Director shall approve in writing all Write-offs of employee loans within his/her authority level. The Board shall approve in writing all Write-Offs of employee loans which are above the ED's authority level.

### **2.5 No Per Diem**

Because of the nature of operations and CVAP's cause; staff shall **not** be entitled to any Per Diem for travel within and outside the country; only actual trip/travel expenses may be reimbursed. Currently CVAP shall apply the EERP below.

### **2.6 Employee Expense Reimbursement Policy (EERP)**

The policy is to establish guidelines and related procedures for travel and other reimbursements for costs incurred in connection with CVAP business.

CVAP's intent is to provide employees traveling on CVAP business with adequate levels of transportation, meals and other services necessary to properly conduct CVAP business. The fact that CVAP receives its funding from donor agencies vitally concerned about the proper expenditure of those funds, must be borne in mind.

CVAP employees must at all times avoid incurring expenses that would cause questioning of management stewardship.

The following guidelines have been established to implement this policy. It is the responsibility of every individual to comply with them. Further, it is the responsibility of each authorizer to be familiar with the need for the expenditure, ensure the appropriateness of all documentation and the observance of all regulations set fourth in this policy.

### **2.6.1 Scope:**

This procedure applies to all travel, entertainment, and other expenditures initiated or incurred by employees in connection with CVAP business.

### **2.6.2 Frequency**

Travel related Employee Report reimbursement forms should be submitted within 14 working days after a trip.

### **2.6.3 Receipts**

Wherever possible, original receipts should be obtained, regardless of the foreign amount involved. This helps to facilitate good record keeping when the employee later requests reimbursement. These receipts are to be attached to the Employee Expense Report when submitted for settlement. Also, include printed evidence of foreign currency exchanges. If no receipt is available, the employee should indicate on the expense report that "no receipt was available" by putting "N/R" in the reference column of the employee expense report. (These can only be minor expenses such as local phone calls, etc).

### **2.6.4 Travel Advances:**

Employees may request a travel advance from CVAP at least **five working** days before the actual date of travel. The travel advance shall be reasonable in relation to the estimated cost of the trip.

To reduce the number of settlement advices, traveling employees should carry sufficient funds to cover anticipated travel expenses. The travel Advance must be cleared when the employee submits the travel report, preferably in the same currency originally received by the employee.

If an employee uses a personal credit card to pay for expenses incurred, he will be reimbursed by CVAP when the EERF (Employee Expense Report Form) is submitted. Any obligation between the employee and the credit card is strictly personal.

### **2.6.5 Air travel**

All air travel by CVAP must be economy (coach) class. Whenever possible, the traveler should take full advantage of excursion fairs, group discounts, advance bookings, or other special rates.

When possible, air travel must be arranged through CVAP authorised agencies.

### **2.6.6 Lodging:**

CVAP staff are to use accommodations which are adequate and reasonably priced for the area in which they are traveling. Whenever possible, the traveler should stay at the hotels where CVAP receives discount.

Staff travelers should seek advice from the CVAP area office in advance regarding the hotel in which they should stay.

Safety and security shall always come above cost.

### **2.6.7 Meals:**

Staff will be reimbursed for the cost of meals while traveling on CVAP work. Meals should be reasonably priced.

Beverage and snacks purchased during travel may be included as the cost of meals if purchased for business purposes.

As a rule no reimbursements for Alcohol & Tobacco shall be made.

### **2.6.8 Meals for Guests:**

Travelers are expected to use judgment at all the times, especially in conducting business with guests. Hosting guests should be good, but not lavishly.

### **2.6.9 Ground Transportation**

Air bus, shuttle service, or public transportation should be used to and from airports and hotels whenever practical and consistent with personal safety. If public transportation is not available, the employee should utilize the next least expensive means of ground transportation. If personal auto is used, file a mileage log showing business miles driven. Approval should be sought on this. Mileage rates will be established in future.

### **2.6.10 Telephone Calls:**

All business phone calls and fax messages should be made using CVAPs office facilities whenever possible. Excessive calls in the view of ED will not be reimbursed.

Whenever possible and practical, calls should be made from the local CVAP office. As a courtesy, the overseas traveler should reimburse the local CVAP office for calls of long duration. In addition, hotel bills should be reviewed very carefully for any improper phone charges.

### **2.6.11 Laundry:**

Dry cleaning and laundry expenses are reimbursed when the employee is traveling on CVAP business for more than two days.

### **2.6.12 Personal Expenses:**

The following items are considered to be personal expenses and are not reimbursed:

- Movies in airplane or hotel and other forms of entertainment.
- Normal personal grooming expenses.
- Personal recreation.
- Magazine books and other reading materials (except: one local newspaper per day will be reimbursable while on trips).
- Subscriptions for magazines and newspapers that are mailed directly to the employer's home.
- Clothing gifts and donations
- Greeting cards, flowers and holiday decorations.
- Alcoholic beverages.
- Traffic tickets and parking violations.
- Gifts and other similar items for retirement, birthdays, anniversaries, secretaries' Day, Bosses Day, or departure of employees.

### **2.6.13 Medicines:**

Medicines and injections given for preventative purposes prescribed by a doctor as a result of CVAP travel shall be reimbursable.

A staff traveling on CVAP business out of the country and happens to fall sick, this expense shall be reimbursed by CVAP.

### **2.6.14 Approval of Expense Report:**

No employee is authorised to approve their own expense report. Every expense report must be approved by the employee's supervisor or other authorised signatures (delegated in writing). The ED's expense report must be approved by an authorised Manager or FAO.

## 2.7 Capital Expenditure

Purchase of vehicles, office equipment including computer and computer programs and office machines shall be approved by ED. For large assets such as land and building, Board approval shall be required.

All capital expenditures shall be treated as noncurrent asset at the time of purchase in consultation with current IFRSs and guidelines in the companies act.

## 2.7 Insurance

Property liability and personal accident insurances have to be purchased. All insurances will be coordinated by the FAO.

## 2.8 Reward to board members

Board members must wholly appreciate CVAP's cause and vision, their time while doing CVAP's work is regarded as "giving to the wide society". Apart from reimbursing incurred expenses, board members shall NOT be paid.

## 3.0 REVENUE

The sources of income for CVAP may include the following;

- a) Donations.
- b) Interest on time deposit account.
- c) Investment in bonds and treasury bills

CVAP will adopt Cash Basis Accounting System on Revenue. All revenue will be recorded only when it is received except for short term risk-free investments like the return on bonds, treasury bills and on time deposits. CVAP shall not recognize revenue on the promise of it or even by mere grant agreements.

All recognized "revenues" must be receipted in triplicate (the original copy to the Donor or otherwise when relevant, a copy in the receipt file and a book copy).

Funds received in the current year (accounting period) for activities relating to subsequent years (accounting periods), shall NOT be recognized as revenue in the current year. They shall remain in the bank account and a corresponding liability be recognized under the **donor funds ledger** until the period in which they are designated.

Any **surplus/deficit** at the end of the accounting period (accounting year) shall be taken to accumulated reserves under the **Capital Fund Account**.

#### 4.0 RECONCILIATIONS AND CASHBOOK

The FAO will be technically responsible for all finance work for the program and should periodically review financial transactions at the Head Office and Branches.

A cashbook for each bank account held by CVAP and a petty cash book shall be maintained by the FAO in the accounting system for the transactions that occur in the bank accounts and petty cash.

The cashbooks maintained for the bank accounts shall detail all the withdrawals from and deposits into the bank account as and when bank transactions are initiated at CVAP.

Bank reconciliations should be prepared monthly by the FAO.

At the end of every month, bank statements shall be received for each of the bank accounts held by CVAP.

The bank statements shall be reviewed for bank charges, direct credits, standing orders and other transactions not reflected in the cashbook. The cashbook will be reviewed for cheques received but not yet banked, un-cleared effects and un-presented cheques.

A draft bank reconciliation detailing all the reconciling items shall then be prepared by the **5th working day** of the subsequent month by the accountant.

Any errors in recording either by the bank or by CVAP shall be recorded as a separate reconciling item and shall be investigated. If an adjustment needs to be made in the cashbook, a journal voucher should be completed, details of the error and the corrective entries to be passed. This journal vouchers should be approved by the ED before being passed in the appropriate accounts.

After all the errors in recording by CVAP are corrected, a final bank reconciliation shall be prepared and signed by the FAO and signed by ED as the reviewer in any case not later than 10th of the subsequent month

### Sample Bank Reconciliation Statement

Balance per bank statement:		xxxxxxx
Add deposits in transit (un-credited lodgments):		xxxxxxxxx
<u>Item</u>	<u>Amount</u>	
X	xxxxxx	
X	xxxxxx	<u>xxxxxxxxx</u>
		Total
Subtract un-presented cheques		
<u>Cheque Number</u>	<u>Payee</u>	<u>Amount</u>
Xxxxx	xxxxx	xxxxxxx
Xxxxx	xxxxx	xxxxxxx
Xxxxx	xxxxx	xxxxxxx
Add bank charges not yet recorded in the cash book		<u>xxxxxxxxx</u>
		Total
Subtract any other payments made directly by bank on behalf of CVAP:		<u>xxxxxxx</u>
Balance in cash book		<u>xxxxxxx</u>

The final total should match the total in the cashbook. Any valid item on the bank statement, e.g. bank charges, commissions, or any other payment on behalf of CVAP, must be entered in the cashbook before the closure of the book for that period. This shall be the opening cashbook balance for the new month.

Any errors found on the bank statements such as over-charging, deposits not reflected or otherwise shall be communicated to the bank in writing. The letter to the bank shall be written in duplicate and signed by the required signatories to the bank account. The second copy shall be maintained in the bank file under a separate section "Communications".

Reviewed reconciliations shall be filed together with the bank statements.

## 5.0 CONTROLS

### 5.1 Accounting Controls

#### 5.1.1 *Institute Proof Measures*

CVAP shall employ measures such as preparing monthly; trial balance, Bank reconciliations statements, reconciling control accounts and underlying subsidiary ledgers, comparing daily receipt summaries with the following days banking. In this way error and fraud is quickly detected.

#### 5.1.2 *Income Statistics*

Consideration is given to the overall accuracy of the report.  
Look at the General completeness,  
Does it include depreciation expenses?

Statement of Financial Position:

- a) Consider if it is balancing i.e. Assets = Liabilities + Capital
- b) Verify the general ledger Balances with those in Statement of Financial Position.

#### 5.1.3 *Reconciling petty cash statements with cash at hand.*

#### 5.1.4 *Check various registers and Books for accuracy and completeness.*

#### 5.1.5 *Number Documents Serially*

CVAP shall have serial numbers (pre-numbered) on source documents where applicable (Receipts, PCV, BPV, GRN etc). The use of serial numbers makes it easy to account for all documents.

#### 5.1.6 *Acknowledge Performance*

All staff engaged in data processing operations especially from the finance departments shall acknowledge their activities and involvement by means of their signatures or initials.

### 5.2 Economic Controls

Actual monthly results are compared to the Budgeted figures and management attention is then promptly directed to any problem area.

Any system of internal control is strengthened by the use of Budgets because errors can be identified promptly and fully investigated

## **5.3 Internal Controls**

### **5.3.1 Specify the Mission statement**

CVAP has documented a mission, vision, and core values of the organisation so that staff have a clear sense of purpose. CVAP has further resolved that each staff be in position to state the vision of the organisation.

### **5.3.2 Specify the organisational structure**

CVAP operations have been divided into appropriate divisions and departments (see organisation structure attached). Management has appointed staff to assume responsibility for each, clear lines of responsibility between each division and department and the Board has been established. Finally, the management must ensure that there is overall coordination of activities so as to achieve what is stated in the Mission statement. Job descriptions for staff exist.

### **5.3.3 Segregation of Duties**

Management has separated duties in such a way that no single person or department handles a transaction from beginning to the end. When duties are divided in this manner, the work of one employee serves to verify that of another and any errors that occur should be corrected promptly. To strengthen this measure, Management could consider rotating employees and encourage employees to take leave.

### **5.3.4 Accounting functions separate from Custody of Assets**

An employee who has custody of an asset is not designed to maintain the accounting record.

### **5.3.5 Install Protection Devices**

CVAP shall invest in safes, burglar proofing on the cashiers office and security system or guards for the premises.

### **5.3.6 Establish an Internal Audit Department**

As CVAP grows, a department to ensure compliance with internal controls will be created. They will continually review the controls and evaluate their effectiveness in an ever changing environment.

### **5.3.7 Document the accounting system and internal control**

It should be CVAP's Management Policy to document the entire Accounting system and relevant flow of procedures. All staff should be aware of the policies and put them into practice.

### **5.3.8 Regular Staff Meetings**

The agenda should include any kind of briefing about any new policies, controls or revisions.

### **5.3.9 Establish a Filing System**

All source documents, copies, management reports and financial statements must be filed to ensure that information is secure and that there can be quick retrieval when required.

### **5.3.10 Safeguard Accounting records**

Password should be installed on all computers that have the Accounting system. Only accounts staff with the knowledge of the accounting system shall have access. Vouchers shall only be accessed by accounting staff. No one will be allowed to move vouchers from the finance department unless authorized by the FAO or ED.

### **5.3.11 Approval for payments**

The authorized managers must approve all payment requests, before the payment is processed.

CVAP must at the commencement of the financial year determine approval limits. These shall be reviewed annually. The process of determining the limits and the subsequent review as a rule must be documented.

### **5.3.12 Supporting documents**

All supporting documents should be original (not photocopies), unless in very clear circumstances where they are certified before approval of the payment is made.

### **5.3.13 Expenditure Authorization**

The authorization signatories should sign on the face of the requisitions, PVs, etc, by the full signature of the authorizer according to the approvals limit.

## **5.4 Signatories to bank accounts**

The signatories to bank accounts shall be appointed through a board resolution. At any one times CVAP should **not** have more than four (4) signatories to the bank accounts.

The mandate for each account shall be “any two to sign” for the bank to honour instructions.

CVAP shall **not** operate a sole signatory account.

## 6.0 SOURCE DOCUMENTS

### 6.1 Introduction to source documents:

The source document is the basis for the initial recording of a transaction and serves as supporting evidence for the transaction. No funds should be disbursed or deposited and no accounting entries should be made without appropriate supporting documents.

All disbursements and deposits of funds and accounting entries must be supported by original documents, unless otherwise stated in this Financial Manual.

### 6.2 Types of source documents:

CVAP will use the following as primary types of source documents: Bank Deposit Slips, Cash Payment Vouchers and Journal Vouchers.

A voucher will be used to record the particulars of a transaction. It shall consist of the voucher form and attached backup documentation (i.e. receipts, invoices etc).

The voucher form in and of itself is not adequate documentary support. It must be accompanied by adequate supporting documentation. The voucher form is used only to record the particulars (account coding cost centre, coding, etc.) of the attached supporting documentation.

### 6.3 Payment Vouchers

The rule here is that each cheque issued should relate only and only to one BPV. Thus the BPVs and cheques must have a "one to one" relationship.

Generally, adequate supporting documentation is that which is sufficient to enable a reviewer understand the nature and purpose of the expenditure and to verify that it is properly involved for business purposes. All documents must be originals. If the original document is not available, the FAO should do the following before making payment:

- a) Mark the document "duplicate" and write thereon the reason.
- b) **The FAO must scan through all the cash and general journal to satisfy himself that this "duplicate" has not been previously paid.**
- c) After the above process has been completed the payment will be effected on the approval of the authorized person.

The person who requested the purchase, the person who received the goods, the person authorized to approve the payment and the person verifying the PV must sign and date the same.

All supporting documents should be checked by FAO for proper pricing, proper extensions and proper footings. There should be annotation on the supporting document to show that the math has been checked and signed off.

Payment vouchers (PVs) are to be recorded in numerical sequence using the Period and Sequence number i.e. for Oct 10/01, 10/02, 10/03, etc. For Nov 11/01, 11/02, 11/03, etc.

After a PV has been completed. It should be submitted to the authorized Bank signatories, with the supporting documentation along with a cheque drawn for the amount of the voucher.

Bank signatories have the responsibility to ensure that the payment is in accordance with CVAP financial policy, that an original invoice is attached to the voucher to support the payment, and that the invoice is properly approved. The signatory should ensure that all the requirements have been fulfilled.

The responsibility of cheque signing should be taken seriously and should not be performed in a casual manner or just because there is a need for “a rush payment.” Signatories have the right to decline signing if in their opinion they have any reason to believe that the payment improper.

After payment has been made, each supporting document must be stamped “**PAID**” to prevent duplication.

The BPV is also used for replenishing the petty Cash Fund.

When the Petty Cash Fund needs replenishing, the petty cash receipts should be attached to the petty cash statement and PCV following the procedures as described above.

The cheque should usually be drawn payable to the petty cash custodian (cashier or an authorized agent for the bank account) for the exact amount of the BPV.

#### **6.4 Journal Vouchers**

The journal voucher (form) is used to substantiate and explain the recording of various transactions, including bank charges, adjustments and correction of a fundamental error, reversing entries, closing entries, stop payments, depreciation and other miscellaneous transactions.

Adequate supporting documentation must be attached to each journal voucher. Supporting documents include bank debit advice. The documents should also be stamped “paid” to avoid possible double recording.

Journal Vouchers must be approved by the FAO before it is posted.

## 6.5 Financial and Accounting Records and Procedures.

### 6.5.1 Accounting of Cash Receipts.

- a) All cash and cheques should only be received against issuance of pre-numbered cash receipt vouchers (receipts) signed by the FAO.
- b) All cash and cheque collections must be deposited ***intact*** on the date of receipt or the following day for monies received after banking hours.
- c) As a principle petty cash may not be drawn directly from cash receipts. (A cheque to replenish the petty cash fund will normally be issued.)
- d) The ED shall approve (in writing) in the special circumstances when there is need to draw petty cash from cash receipts.
- e) The FAO shall ensure verification of equality of total receipts to total of bank deposits. He then passes appropriate transaction in the cash journal.
- f) Direct credits into CVAP's bank account must also be receipted.

### 6.5.2 Internal Control for Cash Receipts.

- a) Allow only the cashier access to cash and make her/him totally responsible for it.
- b) Keep cash in locker safe under the responsibility of the cashier.
- c) Make surprise cash count at certain intervals.
- d) The date, cheque number (reference number), amount in words and in figures shall be captured on each receipt.

## 6.6 Cash Disbursement Policies and Procedures.

### 6.6.1 Accounting for petty cash fund.

For accounting and internal control purposes, all transactions should be made by cheque whenever possible. Unfortunately, this is not always possible and every business will find it convenient and necessary to have a small amount of cash on hand in order to make minor expenditures. A fund, the size of which will depend on the needs and circumstances, can be created.

To create this fund a cheque is written for an amount that will cover any small items of expenditure that must be purchased by cash for a certain period of time. CVAP management determines and documents annually the amount of the float or fund.

The cheque is cashed, and the money is kept on hand in a safe place, such as a safe or a petty cash box in the office. The petty cashbook shall detail all the petty cash transactions and replenishment of petty cash.

An accounting entry must be made in the cashbook for the creation of this fund. The petty cash account is debited, and cash in bank is credited.

The paying cashier fills out a petty cash voucher for each item of expenditure, filling in the amount, the purpose of the expenditure, the date, and the signature of the person receiving the money. Supporting vouchers (where applicable) should also be attached.

A petty cash voucher must be prepared for every payment made. The petty cash box should, therefore, always contain cash and/or vouchers totaling the exact amount of the petty cash fund.

Petty cash payments will be recorded and analyzed separately in the petty cash book and then incorporated within the cashbook and within the BPV system like any other payment when the fund is replenished.

The petty cash fund, once established, requires periodic reimbursement. The entry on reimbursement debits the various accounts according to summarized paid petty cash vouchers. The amount of reimbursement (credit to cash) is always the total of summarized petty cash expenditures for the period between reimbursement dates.

The accounting entry in the cashbook for the replenishment of the petty cash fund is as follows:

	<u>Debit</u>	<u>Credit</u>
Fuel for service vehicles	35,000	
Office expenses – sugar	5,000	
Public transport for staff	50,000	
Telephone airtime	37,000	
Casual labour	85,000	
Staff Advances	120,000	
Petty cash fund		<u>332,000</u>
Totals	<u>332,000</u>	<u>332,000</u>

To replenish the petty cash fund as described above, a cheque should be prepared payable to 'Cash' for the exact amount of the expenditure in the preceding period. This is so like in the example above, a cheque of amount UGX332,000 would be drawn to replenish the cash up to its maximum level as originally drawn.

Management must ensure that the petty cash fund remains free from embezzlement and fraud.

- a) Reimbursements from employee expense report (EER's) can be paid from the petty cash fund if the total amount of the payment returned to the employee is within the petty cash limit. Otherwise, the expense should be recorded separately BPV.
- b) If the employee returns funds, the returned cash should normally be handed over to the FAO who then issues a receipt.
- c) This money should not be mixed in petty cash but should be banked. Otherwise this will cause an overshoot in the Petty cash limits.

#### **6.6.2 Internal Control for Petty Cash Fund.**

- a) The fund must be kept in safe under the custody of the cashier.
- b) Pre-numbered petty cash payment vouchers may be used.
- c) Payments from petty cash fund and replenishments must be approved by authorized officials.
- d) The petty cash fund should not be mixed with other funds
- e) All advances made from the fund must be settled quickly.
- f) All paid vouchers/receipts must be stamped "paid" and initialed by the petty cashier.
- g) Surprise cash counts must be conducted from time to time by the Accountant or FAO to check whether available cash plus amounts paid on PCVs equal total Petty cash Fund.

#### **6.6.3 Internal Control for Cheque Disbursements.**

- a) Cheque books shall be kept under lock.
- b) Cheque signing authority limits-should be defined and observed.
- c) Cheques shall be kept with non-signatories.
- d) No blank cheques shall be signed by authorized signatories.
- e) Person receiving cheque book from the Bank should check to see that no single leaf is missing. Cashier/FAO shall also verify this before the cheque book can be used.
- f) Cheque stubs should be completed with date, payee, amount and voucher number.

#### **6.6.4 Cancelled cheque**

The moment a cheque has been raised, it's considered as a payment. The affected BPV should be filled as usual. The original canceled cheque should have two lines crossing through it diagonally and the word "CANCELLED" written on it in "Big" capital letters.

A journal Voucher is then raised to reverse the entries. The support documentation on the Journal Voucher is a photocopy of the cancelled cheque. Also a photocopy of the cancelled cheque should be attached on the BPV (of the crossed cheque).

If a new cheque is to be raised for the same transaction, a BPV is first prepared and the support documents this time are not those on the previous BPV that was reversed, but the ORIGINAL of the cancelled cheque.

NB: If the transaction has already been cancelled and no new cheque will be raised against it, then the original cancelled cheque may be attached on the cancelled BPV.

## **7.0 PAYROLL PROCEDURES**

### **7.1 Engagement records.**

Engagement record should be maintained for every employee to serve as history of all that takes place during the course of the employment. It should include the name and address of the employee, the rate of remuneration, a description of the employee's position and all information on promotion transfer and eventually the discharge.

### **7.2 Attendance Register:**

Employee must sign on attendance list to verify the exact time spent on the job and thus the payroll is prepared accordingly. All those involved in the preparation, checking and approval must put their initials on the payroll sheet.

### **7.3 Payment of Salaries**

All staff should be paid by cheque or direct bank credits. Only casual workers may receive their wages by cash if they so wish. Only in exceptional circumstances will some staff receive their salaries by cash if and only if there is written approval by the ED.

#### **7.3.1 Internal Control for Salaries.**

- a) Hiring of employee should be properly authorized. Records should be kept for each employee containing particulars of engagement, promotions, transfers and salaries.
- b) Adequate attendance records must be kept and approved by the person authorized.
- c) The payroll should be checked as regards names, gross pay, calculation and deductions, etc. the checking should be done by individuals other than those who originally prepared the payroll.
- d) The person responsible for the preparation, checking and approval should sign payrolls.
- e) There should be a procedure for periodically checking or testing from the personnel records in respect of name, pay, deduction and other standard information used in the preparation of the payroll.
- f) Salary payments shall be centralized i.e paid at Head Office for better follow up and supervision.

## **7.4 Statutory Requirements**

### **7.4.1 Pay As You Earn**

P.A.Y.E. computations on the payroll should comply with the local legal and tax regulations. P.A.Y.E returns must be submitted promptly by the 15<sup>th</sup> day of the following month in order to avoid penalties from U.R.A. This is done by the organization on behalf of the employee.

### **7.4.2 National Social Security Fund:**

CVAP contributes NSSF (National Social Security Fund). This is a defined contribution scheme registered under the National Social Security Fund Act. CVAP's obligations under the scheme are legislated from time to time. Currently CVAP has the following duties: -

- a) To deduct 5% of the employee's gross monthly salary.
- b) To contribute an amount equivalent to 10% of each employee's gross monthly salary
- c) To submit the entire 15% to the employees' NSSF accounts by the 15th day of the following month. This will be an expense in the year in which it relates.

It should be noted that other statutory deductions may be effected when government issues new instruments or laws.

## 8.0 PURCHASING POLICIES AND PROCEDURES

At the start of the year, management shall determine and document the following processes;

- a) Pre-qualification of suppliers and service providers.
- b) A review of the suppliers and service providers (on quarterly basis).
- c) The reorder levels of certain regular items (on quarterly).
- d) The amount below which no LPO is issued (also mid year).
- e) The amount below which no quotation/pro-forma is required (also mid year).

### ***Step1 (Purchase Requisition)***

The user/ user department(s) shall raise a purchase requisition when stocks of a regular item reach the reorder level or when there is need for a certain item. The purchase requisition shall be written and directed to the office responsible for purchases (FAO and ED), the purchase requisition shall clearly stipulate quantities, model (make) and all the relevant specifications.

For services, the user department will document a needs discussion and generate terms of reference then submit to the FAO.

### ***Step 2 (Quotations & Purchase Order.)***

The FAO shall source at least three (3) quotations from different suppliers for the non regular ("One-Off") items for comparison of price, quality and delivery time etc. The comparison will always be done in conjunction with the user department and the finance department. Then a Purchase order can be sent to the supplier. (Duly authorized by ED)

For regular items, the office of FAO at its discretion, shall raise and send the Purchase Order to any one of the already predetermined suppliers or apportion the order. The purchase order will be in triplicate (one for the supplier, one copy to finance department and the other retained in the purchase book.)

For services, the procurement office shall seek at least three (3) proposals/presentations, issue revised Terms of reference (ToR) or contract the provider.

### ***Step 3 (Invoice & Delivery note)***

The items shall then be delivered to the stores with two (2) documents from the supplier (the Delivery Note and the Invoice); the receiver (**neither ED nor FAO**) will then cross check the items on receiving against a copy of LPO for quantity and specification.

#### ***Step 4 (Good Received Note)***

The receiver in consultations with the FAO, ED and the user(s) will examine conformity. If the items conform to the specifications of order, (s)he will issue a Goods Received Note (GRN) to the supplier quoting the delivery note reference and the invoice reference.

A copy of the GRN will be sent to the FAO.

The FAO will then compare the Purchase Order, the Invoice details, and the GRN. All this will be a basis for payment.

For services, a committee of at least 3 senior personnel shall convene to review work done and issue a certificate to the provider to be considered for payment.

#### ***Step 5 (Supplier Receipt)***

On receiving the GRN, DN and an invoice from the supplier, the FAO shall immediately recognize the liability (account payable) pending payment.

On payment, a BPV or a PCV will be filled-out by the FAO. The Payment voucher together with all supporting documents shall be forwarded to the ED for authorization.

After approval the FAO or cash office will then issue payment in form of cash, draft or cheque. The supplier shall acknowledge receipt of the cheque/cash by signing the PV and issuing a "headed" receipt.

Notes:

- a) A cheque shall only be written after the PV has been approved for payment by the ED
- b) The supplier or his representatives shall pick the cheque with a valid identification card (ID)
- c) The receipt (headed receipt) shall be attached to the PV together with other supporting documents
- d) The payment shall be recoded same day.

Both the BPVs and PCVs shall be serialized and dated.

## **9.0 INVENTORY AND PROPERTY CONTROL POLICIES AND PROCEDURES**

Materials and supplies that are purchased for CVAP use must be maintained and managed properly for effective utilization.

### **9.1 Storing and issuing**

The person who receives materials and supplies is a responsible person for the custody of goods. The functions involved are:

- a) To receive and check all material received.
- b) To store all goods in a proper place clearly identified through the use of a suitable code.
- c) To issue material and supplies for use upon presentation of authorized requisitions.
- d) To record quantities received and issued on bin and stock card.

### **9.2 Internal Control for Storing and Issuing**

- a) The nature and quantity of goods received should be recorded on the goods received note.
- b) Goods should be verified to ensure that they conform to specifications.
- c) The goods received notes should be sequentially numbered and all the numbers should be accounted for.
- d) Ensure movements of materials and supplies that both received and issued have been recorded in the stock cards.
- e) Conduct periodic physical count and compare with respective bin cards and stock card balances.

## 10.0 NON CURRENT ASSETS (NCA) AND DEPRECIATION

NCAs are relatively permanent nature used in the regular operation to the undertaking characterized by physical existence. After its predetermined useful life the asset may be sold off as scrap or if still useful may be revalued.

### 10.1 Depreciation of NCAs

NCAs have a limited useful life, i.e.; they will be of use to CVAP over a definite number of future accounting periods. The accounting periods in which the asset is used must be charged with the cost of assets. The asset is gradually converted into expenses. This process is called depreciation, the reduction in value of fixed asset as a consequence of its use in operating business.

#### 10.1.1 Method and rates

- a) Depreciation expense for an accounting period is determined on the bases of original cost, estimated service life, scrap or residual value. CVAP has opted to use a straight line Method of depreciation.
- b) CVAP's policy is to recognize full annual depreciation in the year of acquisition and none at all in the year of disposal.

The following are the depreciation rates that CVAP shall adopt.

Types of Asset	Depreciation rate per annum	Number of Years
Building	4.0%	25
Land	Re: Lease term	Lease term
Computer Equipment, Photocopier,	25%	4
Furniture & Office Equipment	10.0%	10
Motor Vehicle & Motor cycle	25.0%	4

Assets must be tagged with serial numbers for identification and should be inventoried at least once a year and their physical existence must be checked at periodic intervals and reconciled with the registers by inventory committee to be organized for the purpose.

There must be adequate authorization and reporting requirements for rotation, replacement and disposal of NCAs.

## 10.2 Computer Equipment plus Soft Ware System

CVAP has authority to purchase computers (Laps tops & desktops) and office management softwares as needed in the operations. The computers must be budgeted for. The ED must approve the purchase of advanced computer hardware or software system.

CVAP shall be required to sign a contract with a reputable firm to carry out regular maintenance as the agreement may stipulate. All other Assets must also be regularly maintained.

## 10.3 Non Current Asset Register and Engraving of NCA:

All Non Current Assets must be engraved with a unique serial number.

CVAP must maintain a complete NCAs register for all capital Assets purchased. Branch office register should be maintained separately from that of the Head Office.

An assets register shall be maintained by the Accountant for NCAs assets whose responsibility it is to update it on the purchase, depreciation or disposal. A comprehensive asset register shall be maintained with the following information;

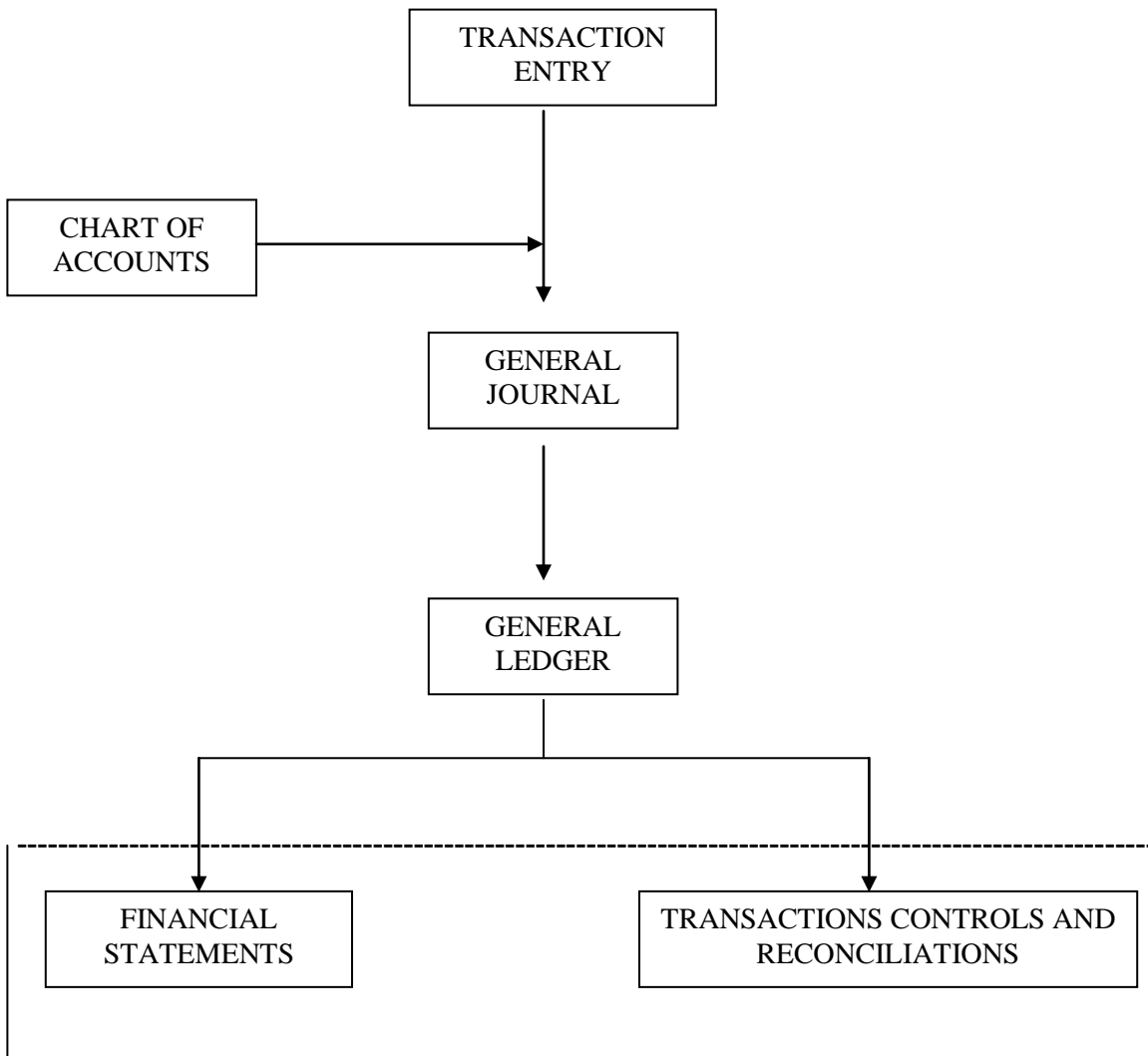
- a) Asset category
- b) Asset name
- c) Asset number
- d) Description
- e) Date of purchase
- f) Supplier name
- g) Location of the asset
- h) Cost
- i) Useful life
- j) Residual Value
- k) Revaluation date
- l) Revalued Amount
- m) Reference document
- n) Disposal date
- o) Disposal amount
- p) Custodian/Keeper/section
- q) Depreciation per month
- r) Depreciation for the current year
- s) Accumulated depreciation
- t) Net book value

## 11.0 ACCOUNTING SYSTEM

Accounting is a system of standardized policies and rules to provide or govern a systematic and controlled set of reliable information, especially financial information. It is the foundation upon which other information system and indicators built.

### 11.1 Understanding the Accounting system of CVAP

The following section describes a basic double entry system that relies on a general ledger.



A suitable accounting system for CVAP is generally characterized by:

- a) Double entry, general ledger accounting system that Generally Accepted Accounting Practice is applied.
- b) Chart of accounts that allow for possible cost center Accounting and fund accounting.
- c) Proper controls and documentation on transactions.

Accountants and Bookkeepers should be familiar with the requirements of a well-known system of a double entry general ledger accounting system.

## **11.2 Head Office Accounting**

Accounting activities of head office will be processed in a computerized system. The transactions are recorded by cost center and source of funds based on the structure of a chart of account. It is important to segregate and pass accounting transaction of receiving and transferring of funds from donors and to branches respectively by cost center and sources of funds, which is to be reconciled regularly with branches.

CVAP head office finance prepares reports of its own separately on monthly basis. The administration expenses of head office will be sent to branches monthly to help them incorporate the cost incurred with their respective overhead expenses while preparing their income statements.

Head office should receive the following monthly report from branches.

- a) Statement of Financial Position.
- b) Statement of Comprehensive Incomes.
- c) Statement of Cashflows.
- d) Statistical Report.
- e) Time Sheet.

The FAO is charged with the duty of consolidating the above statements in due time.

## **11.3 Branch level accounting system**

The same as head office, accounting activities at branch level will be processed in a computerised system.

Head Office shall transfer funds to the respective branches as per the cash need requirements at the request of branch managers approved by the ED, which is to be settled, based on the proper documentation after the amount disbursed and expended.

Overhead expenses shall be apportioned to branches and head office on a fair basis (number of employees at each location).

## 11.4 Period-End Adjustments

Certain transactions take place in an organization without immediate exchange of cash. These are not normally included in the books of account during the accounting period.

Also, at the end of an accounting period, adjustments of some account balances in the ledger must be made before the financial statements can be prepared.

In order to make the financial records complete, it is necessary to include all such transactions and adjustments and to make appropriate adjustments to the ledger balances. This accounting procedure is called *period-end adjustment*.

The sequence of Period – end procedures in general are as follows:

- a) Review of accounts so that all transactions are journalized and posted.
- b) Compile the data required for adjusting entries in respect of depreciation, accruals and prepayments.
- c) Journalize the adjusting entries and post to ledgers
- d) Determine that each subsidiary ledger is in agreement with the related controlling account in the general ledger
- e) Prepare a trial balance
- f) Prepare financial statements from the data on the trial balance.

## **12.0 FINANCIAL STATEMENTS**

The financial statements, which the accounting records yield, are:

### **12.1 The Statement of Financial Position (Balance Sheet)**

The Statement of Financial Position (balance sheet) is a statement showing a classification summary of the balance in a set of books of account at any given date, after all the normal accounts (i.e. income and expense) have been closed by transfer to income and expense summary account according to the principles of accounting. The balance sheet must be constructed to show a clear accurate and concise statement of the financial position or an up-to-date statement of the actual assets, liabilities and capital of CVAP on a given date.

The basis format is  $\text{Assets} = \text{Liabilities} + \text{Equity}$ .

### **12.2 Statement of Comprehensive Income**

This is an accounting report that summarizes the revenue, the expenses and difference between them (the profit or loss) of a business over a period of time. It is used in reporting the results of the business operation.

### **12.3 Statement of Cash Flows**

Cash flow statement is one of the essential skills of managers. Without sufficient cash, employees cannot be paid, and debts cannot be settled. The liquidity of the institution is the degree to which cash will be able to cover projected cash disbursements in the coming month.

Information about the cash flows of an enterprise is useful in providing users of financial statements with a basis to assess the ability of the organization to generate cash. A cash flow statement when used in conjunction with the rest of the financial statements, provides information that enables users evaluate the changes in net assets of an enterprise, its financial structure (including its liquidity and solvency) and its ability to affect the amount and timing of cash flows in order to adapt to changing circumstances and opportunities.

### **12.4 Consolidated Statements**

It is the combination of the financial statements of the head office and branches of CVAP to present the financial position and operating result of the group as a single unit. Reporting the consolidated, financial statements of the institution is very important to indicate its aggregate result as a legal entity and for the users of the report. Consolidation is nothing more than an administrative technique of adding together two or more financial statements.

## 12.5 Interim and Annual Reports

Management accounts shall be prepared and presented to the board for review and approval on quarterly basis by the 15<sup>th</sup> day of the subsequent quarter. These accounts shall include the following information;

	Schedule	Prepared and Presented by;
a)	The Statement of Comprehensive Income. (Income Statement) for the quarter ended (YTD Figures).	FAO
b)	The Statement of Financial Position (Balance Sheet) as at the end of the quarter. (Include YTD figures).	FAO
c)	The Statement of Cash flow for the quarter ended (Include YTD).	FAO
d)	A budget to actual analysis of the income and expenditure, and notes for any budget overrun and under expenditures (implications of planned activities not accomplished) of the budget.	FAO
e)	Bank reconciliations for the three months, including copies of the bank statement for the quarter and the cashbook	FAO
f)	A list of Donors, donations received YTD and funds expected before year end.	ED
k)	The NCAs register updated as at the end of the quarter.	FAO
l)	A list of obsolete assets which may need to be disposed	FAO
m)	A report of the highlights and low lights for the quarter	ED
n)	A list of the new employees, the leavers, and their positions	FAO

Period reports or financial statement for CVAP must be produced according to the following procedure.

Branch offices may do their respective accounts independently and thus each branch has to prepare monthly financial report which is to be submitted to Head Office within five days after closing date of each month. Since funds are from donors, the head office and branches financial reports must indicate the source of funds to satisfy donor's request to know how their money has been utilized.

Monthly, quarterly and annual reports must be prepared by the branches, which are to be submitted to head office. The FAO should consolidate and avail them to the relevant users.





### Concordia Volunteer Abroad Program (CVAP)

**PAYMENT REQUISITION FORM**

Pay (beneficiary):.....

From:.....Dept/Branch.....Date.....

Recommended by.....Authorised by.....  
(Supervisor) (Head of Department)

Approved by:.....  
(FINANCE AND ADMINISTRATION OFFICER)

For the supply of the following:

Item No	Description	Quantity	Cost Per unit	Amount
	Total			

Amount in words  
.....  
.....

**Concordia Volunteer Abroad Program (CVAP)**

**GOODS RECEIVED NOTE**

Received From:.....Date.....

.....

.....

Item No	Description	Unit	Quantity

Received by:.....

Approved by:.....

Remarks.....

.....

### Concordia Volunteer Abroad Program (CVAP)

**ASSET MOVEMENT FORM**

Asset Description (Name of Asset) :  
.....

Asset No (engraved)..... Serial No.....

Asset accessories

a).....

b).....

c).....

d).....

e).....

Moving from:..... Moving to:.....

Reasons for Asset movement

.....  
.....  
.....

Prepared by:..... Authorised by:.....

Date:..... Date:.....

Received by:..... Date :.....



### Concordia Volunteer Abroad Program (CVAP)

**STORES CARD**

ITEM:..... L.P.O Number..... GRN No.....

SUPPLIER:..... Delivery Note No.....

Date	Issued by	Received by	Dept	Signature	Qty in	Qty out	Balance	Serial No	Checked by
Stock C/F									