

VALUE HEALTH AFRICA

(VAHA)



FINANCIAL AND GRANT MANAGEMENT MANUAL

ACRONYMS

CE	Computer Equipment
VAHA	Value Health Africa
GRN	Goods Receiving Note
HIV	Human Immune Virus
IFA	International Federation of Accountants
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standard
LI	Leasehold Improvements
MOU	Memorandum of Understanding
MV	Motor Vehicles
NGO	Non-Governmental Organization
OE	Office Equipment
OF	Office Furniture
PCPV	Petty Cash Payment Voucher
PR	Principal recipient
SIV	Store Issue Voucher
SR	Sub-Recipient

1 INTRODUCTION

Value Health Africa (VAHA) is an indigenous, non-political, non-religious development organization, established in 2015 to sensitize, and raise awareness on sexual and reproductive health issues and also on non-communicable diseases with the sole aim on improving on early diagnoses while preventing end stage complications resulting from them. VAHA has headquarters in Bamenda, North West Region of Cameroon, and has been carrying out various community health programs on non-communicable diseases, sexual and reproductive health and research in over 18 communities of the North West Region of Cameroon.

The executive committee of VAHA comprises The Executive Director and Department Heads. This Manual is a product of the strategic plan 2020-2025 designed to spur holistic growth and improvement of service delivery in the organization. This strategic plan will serve as the driver for the organization.

VISION

Improved quality of life through health promotion and sustainable community development.

SLOGANS

Your Health, Your Wealth

Mission

The mission of VAHA is Capacity building, health systems strengthening, and advocacy for improved quality of life in communities.

The Strategic Plan identified a list of strategies and activities that guide the VAHA over the next 5 years These strategies are:

- 1. Capacity Building:** We will empower the community with knowledge and skills for sustainable livelihood promotion.
- 2. Health Promotion:** We will establish social platforms for community engagement in the fight against NCDs and the promotion of healthy lifestyle.

- 3. Research and Policy Advocacy:** We will encourage research and the adoption of improved community health promotion strategies.
- 4. Organizational Growth:** We will develop our management systems for improved service delivery and organizational expansion.

Therefore, it becomes extremely important to develop A Finance and Grants management manual based on the five year strategic plan.

The Finance/Grants management manual includes Finance, Grants and procurement aspects of interrelated processes that are crucial to regulate and enhance the efficient use of resources. The manual also assesses International and National policies that assist VAHA to align with the government laws, Donor rules and ensures good governance within the organization. The Finance manual is necessary to realize the stated mission and objectives of VAHA. It is prepared in accordance with the agreement reached between VAHA and Lofty Services Inc.

2. Objectives of the Manual

The Manual documents the policies and procedures that VAHA should use to initiate, record and monitor financial transactions. It spells out the procedures for proper recordkeeping and internal controls. It describes the flow of documents throughout the organization, the responsibilities of each person involved in the process, and instructions for appropriately preparing documents and records.

The objectives of the manual are to help VAHA:

- Record all financial transactions
- Monitor and control expenditures
- Increase Organizational efficiency and productivity
- Satisfy statutory reporting requirements
- Ensure timely and accurate financial and management reporting to donor

3. Methodology

This manual has been prepared based on the objectives and day-to-day activities of VAHA and is consistent with the financial and accounting policy for indigenous NGOs in Cameroon. The previous manual, prepared in 1998, is revised and updated by Gizaw Consulting Firm to reflect the current financial and human resource environment as well as to help implement VAHA's Strategic Plan for 2008-2010.

Organization of the Manual

This manual is divided into sixteen parts. The first part is this introduction part in which background, objectives of the manual, methodology and other related topics are presented. The second part is on the financial and accounting policies adopted by VAHA. The third part deals with the procedures of cash and bank receipts while the fourth part treats payments including bank reconciliation.

Part five is on the accounts receivable while parts six and seven treat inventory management and work-in-progress respectively. Fixed assets, liabilities and fund balance are covered in parts eight, nine and ten respectively. In its eleventh and twelfth parts, the manual discusses revenues and expenditures while budgeting are taken up in part thirteen. Part fourteen of the manual deals with financial reporting while parts fifteen, sixteen and seventeen deal with organization structure, computer information system and chart of accounts of VAHA respectively.

Forms and record books deemed necessary for the proper operation of VAHA are given as annexes to the manual.

Implementation of the Manual

The most important part of implementing this manual is staffing the Operation Department especially the Finance Unit. The unit should have seasoned accountants/bookkeepers, and financial managers to ensure transparent, legal and timely approval, recording and processing of transactions.

Another aspect, which is not less important than staffing, is the accounting system. VAHA will use a fully computerized accounting system composed of the latest software and hardware. Since it is commonly used, versatile and scalable, the up-to-date version of Peachtree Quantum by Sage or Quick QuickBooks is recommended be used for recording and reporting on financial transactions as well as preparing budgets.

Authority

This Financial Management Manual will be implemented only when the board of VAHA sanctions it. Any revision of the manual should also be sanctioned by the board of VAHA.

SECTION-FINANCIAL AND ACCOUNTING POLICIES

1.1 *Financial Policy*

1.1.1 Signatories of Bank Accounts

The names of the following officers will be registered with the bank as the signing officers, with any two of them authorized to sign checks and operate the respective bank accounts:

- a. The Executive Director
- b. The Operations Manager
- c. Program Manager

When there is a change of signing officers, the bank should be immediately informed of the change by the Executive office in writing.

1.1.2 Deposits and Payments

- All contributions, collections or any proceeds in cash or checks will be immediately deposited to the bank account intact.
- All expenses or expenditures exceeding the petty cash level at any one time shall be made from the bank account by checks or any other bank payment forms approved by any two of the authorized signatories.
- Electronic transfer from Donors or any other bodies should be acknowledged with receipt.

Responsibility of the Executive Director

- The Executive Director shall be entrusted by the Board of Directors with the duty of administering financial matters wisely and judiciously in accordance with approved budgets and projects.
- The Executive Director shall manage the financial affairs of VAHA according to the direction of the Board of Director and ensures that all funds entrusted to his/her care are fully and correctly accounted for.
- The Executive Director is obliged to ensure that all authorizations are within the budgets and plans of VAHA. He or she should also comply with all approved rules and regulations before authorization.
- Disbursement for purposes that are not explicitly indicated in the budgets has to be authorized by the Board of Directors.

- The Executive Director will establish a Finance Unit under the Operations Department, and make sure that the unit is staffed with the necessary, qualified and experienced personnel.

1.1.3 Responsibility of the Finance Unit

The most important functions of the Finance Unit include the following:

- Checking all related documents before financial settlements and disbursements are presented for approval.
- Handling and recording all financial transactions of VAHA
- Preparing periodic financial reports to meet the needs of management, donors, government agencies, etc.
- Dealing with other agencies on behalf of the Organization, on matters related to financial affairs of VAHA
- Assisting departments and units in setting up a budget for the consideration of the Board of Directors and donors.

1.1.4 Internal Auditor

The internal Auditor will be reporting to the Board of Directors and will have the following major responsibilities:

- Examine records of financial transactions, procurement acts, human resource placements, and utilizations of resources
- Compares the results of observations and findings against accepted principles, strategic & operational budget and operations policy documents, pertinent national laws, donor requirements and decrees
- Provides professional opinions as to what should be done regarding the observed deviation or positive trends
- Reviews periodic reports and closure of books of accounts
- Inspects and audits accounting manuals and proposes improvements
- Ensures that all financial documents and other administrative instruments of the VAHA are properly checked on time
- Ensures that all properties purchased/owned by VAHA are insured on time
- Ensures that funds are managed efficiently and effectively
- Provides feedback and brings to the attention of management problem areas and gets corrective measures taken

1.2 Accounting Policy

The Finance Unit shall design and make operational a reliable and flexible accounting system within the scope of the approved Financial management manual. Accounting system refers to all the records, formal and informal, together with the procedures related to the assembling, classifying, recording and reporting of information concerning the financial operations and conditions of VAHA.

1.2.1 International Accounting Standards

This manual uses generally accepted accounting principles that are consistent with International Public Sector Accounting Standards (IPSASs) promulgated by The International Federation of Accountants (IFA).

As a result, annual financial statements of VAHA prepared on *December 31st* of each year will be sufficient to meet the financial monitoring needs of international funding agencies with no additional cost.

1.2.2 Double-Entry Bookkeeping

VAHA will use a double-entry accounting system that establishes essential controls to protect against unauthorized or inappropriate transactions and to provide a sound basis for financial reporting. A double-entry accounting system:

- maintains a balance between assets on one hand and liabilities and fund balance on the other to produce a balance sheet;
- maintains a balance between revenues and other resources on one hand and expenditures and fund balance on the other to produce a statement of revenues and expenses; and
- requires maintaining this balance by making a debit entry to an account for every credit entry made to a corresponding account.

1.2.3 Accounting on a Cash Basis

VAHA applies a cash basis of accounting. The cash basis of accounting recognizes revenues are reported in the accounting period in which cash is received and expenses are reported in the accounting period in which cash is paid. It is implemented by using the following procedures:

- The daily transactions are recorded and posted to the general ledger on cash basis.

1.2.4 Historical Cost Convention

The accounts of VAHA should be prepared under the historical cost convention. The day-to-day transactions should be recorded at the acquisition cost of the goods and services. Unless donors assign value to donated goods and services, they are recorded at fair market value.

1.3 *Distinguishing Between Revenue and Expenditure*

Many kinds of economic events may lead to a reduced cost of goods and services used in operating programs. Three of these are listed below along with the different accounting treatment that each should receive.

- Expenditure transactions which include taking a purchase discount or a quantity discount should be booked and reported net of these kinds of applicable credits.
- When a vendor returns an amount that was overpaid, or offers an after-the-fact rebate or refund which is conditional upon first sending in a payment, such amounts should be treated as refunds of expenditures, which reduce previously recorded expenditures.
- Refunds of expenditures pertaining to current-year transactions should be credited to expenditure accounts. Refunds of expenditures to be received in a subsequent year should be accrued as a receivable. Separate accounts should be used for significant refunds related to a prior year.
- Typically, any fees paid by program clients are revenues and should be credited to current-year revenue accounts.

1.4 *Source Documents*

An essential element of an effective financial management system is maintaining adequate source documents and accounting records. Accounting documents and records are the physical objects upon which transactions are entered and summarized.

1.4.1 Requirement

Essential requirements source documents must meet are:

- Accounting records must be supported by such source documentation as approved request of the origination of transaction, cancelled checks, paid bills, payrolls, time and attendance records, contract and subcontract award documents, etc;

- VAHA and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities;
- Accounting records must contain information pertaining to grant or sub-grant awards, authorizations, obligations, unobligated balances, assets, liabilities, expenditures, and income; and
- Documents must be adequate to provide reasonable assurance that all assets are properly controlled and that all transactions and events are properly identified and recorded.

1.4.2 Design

To ensure that the system effectively meets fiduciary responsibilities, fiscal control, and financial reporting needs of VAHA, the accounting records and source documents should be:

- pre-numbered consecutively and accounted for by someone other than the preparer to facilitate control over missing documents and to aid in locating documents when they are needed at a later date;
- prepared at the time of the transaction or as soon afterward as possible in order to reduce the likelihood of error;
- sufficiently simple so that they can be readily understood;
- designed for multiple use whenever possible, which can help minimize the number of different forms and reduce the duplication of effort;
- constructed in a manner that encourages correct preparation and transfer of information through internal checks within the form or record, for example including instructions for proper routing, spaces for authorizations and approvals, footing and crossfooting, and pre-printed data; and
- designed to document compliance with requirements applicable to financial assistance programs.

1.4.3 Maintenance of Documents

All financial and programmatic records should be maintained for the period specified by the contract. If the contract does not specify a retention period, all records should be maintained for the periods specified in the applicable federal and/or state retention schedules.

All used documents shall be maintained under the custody of the finance office until management takes the appropriate action. All documents shall be kept in a safe or cupboard with reliable locks.

1.5 Annual Inventory

VAHA shall take inventory of all assets available at the end of each fiscal period.

1.6 Fixed Assets Management

- Fixed assets acquired by VAHA shall be recorded in the accounts at nominal value.
- All fixed assets having a purchase price of CFA 1000.00 or more shall be recorded in the fixed assets register and the appropriate depreciation as spelled out in Government Regulation No 258/1962 shall be calculated on each.
- Annual inventory of fixed assets shall be taken at the end of each fiscal year.
- Fixed assets shall be disposed off only upon the authorization by the board of VAHA.
- VAHA shall insure all its fixed assets.
- VAHA's motor vehicles shall be used for the organization's business purposes only and each driver shall maintain a logbook.

1.7 Purchase Practices

The following shall be observed regarding the purchase of goods and services:

- **CFA 200,001-500,000:** Purchases must be made under closed tender. The Finance Unit shall maintain updated suppliers' databases (a list containing names of reliable and competent suppliers and the kind of materials and services they offer). All suppliers capable of meeting the tender requirement shall be given the opportunity to submit tender.
- **CFA 1,001-200,000:** A minimum of 3 pro-forma invoices shall be collected. The supplier shall be selected by purchasing committee based on terms and conditions offered and approved by the Executive Director. Where the item to be purchased is of a technical nature the advice of a qualified person shall be sought.
- **CFA 501-1,000:** A minimum of 3 pro-forma invoices shall be collected. The supplier shall be selected by the purchaser and approved by the Executive Director.

- Purchases without the collection of pro-forma invoices may be made if the following conditions prevail:
 1. The supplier is the sole manufacturer or agent of the product to be purchased.
 2. The market prices of the item (s) to be purchased are fixed by proclamations.
 3. Purchase by the collection of pro-forma invoices is expected not to improve quality or purchase price of the items to be purchased.
 4. The purchase amount is less than CFA 50000.00.
 5. All purchases shall be received against Goods Received Note and all issues shall be against Store Issue Voucher.
 6. Purchase Requisitions shall initiate all purchases.

1.8 Advance Clearance

- Salary advances should be restricted to 1/3 of the employee's monthly basic pay.
- Salary advances must be liquidated in fully at the time of the next salary payment.
- Staff loan must be recovered within the time stipulated in the agreement.
- Travel advances must be cleared in full within one week of return from a trip.
- Purchase advances should be cleared within a specified period against the invoice of the supplier and Goods Received Note.
- Project advances shall be cleared as soon as the project is completed.
- In all cases, additional advances must not be given before previous advances are liquidated.

1.9 Pay Day

The pay of VAHA is the 25th day of every Gregorian calendar month unless such date falls on holidays or weekends.

1.10 Severance and Leave Pay

According to the personnel manual of VAHA.

1.11 Bonding and Cash Indemnity

VAHA shall insure its cashier (s) and provide for cash indemnity. The management shall decide the amount of the indemnity.

1.12 Authority Limit

In order to smoothen routine or day-to-day operation, the following authority limits regarding authorization of payment is put in place.

1. The Executive Director of VAHA shall authorize any payment as long as the payment is consistent with properly approved and endorsed Annual Budget and does not exceed its budget limit.
2. In the absence of the Executive Director, the Operations Manager shall authorize any payment of up to CFA 10,000.00.

All checks, regardless of Authority Limits, should be co-signed.

1.13 Fund Accounting

A fund is a separate self-balancing set of accounts recording financial resources, and the related liabilities and equity that are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special agreement, regulation, restrictions or limitations.

VAHA should use restricted and unrestricted funds to account for activities that require separate reporting.

1.13.1 Separate Account

A grant agreement normally requires the grantee to create and maintain a separate account for the grant. This separate account must remain open throughout the effective date of the grant agreement

and during whatever additional time is necessary to close out all charges and payments related to the grant.

Specific requirements for grant accounting records, equipment management and disposition, record retention, and audits are detailed in subsequent sections of this manual. In general, it is VAHA's responsibility to ensure that:

- Records contain grant information that include total grant amount authorized, obligations, expenditures, unobligated balances, and income.
- Grant revenues and expenditures are recorded in special grant accounts.
- Grant expenditures are allowable and in accordance with authorized costs defined in the grant agreement
- Grant expenditures can be clearly identified with authorized budgeted costs and are incurred in accordance with the Donor rules and regulations, VAHA's standard procurement policies and procedures.
- Detailed source documents that reliably account for funds expended are maintained.
- Donations may be used any time on or after the effective date of the grant award.
- Grant-related expenditure made prior to the effective date of the grant agreement may *not* be reimbursed.
- Accrued expenses may not be reported on the final reporting worksheet.

1.13.2 Matching Funds

VAHA may be required to have a cooperating enterprise match some percent of the grant award. Matching funds will be accounted for in the same manner as grant funds, except that they do not have to be deposited in the separate account.

2.13.3 Disbursements for Donor Funded Projects

VAHA should only incur expenses and charge donor grants if the payments are:

- a. *Reasonable*: Costs that would be incurred by a prudent person in the conduct of normal business to carry out the grant.
- b. *Allocable*: Costs that are incurred specifically for the grant and can be charged to a line item within the approved grant budget.
- c. *Allowable*: To be allowable under the general standards, a cost must:
 - Be necessary for the performance of the grant agreement
 - Be net of any applicable credits such as purchase discounts, rebates, etc
 - Conform to any limitations or exclusions in the award
 - Be treated in the same fashion as costs incurred by the grantee with non-donor funds
 - Be determined in accordance with generally accepted accounting principles applicable to the type of grantee
 - Not be included as a charge to other projects/programs in the current or prior period

1.14 Accounting for Sub-grants

A sub-grant is an award of financial assistance or property made by a prime recipient (PR) to an eligible sub-recipient (SR), or by a sub-recipient to a lower-tier subrecipient, to carry out a specific project or program.

VAHA should enter into and execute a contract (sub-grant) agreement with the cooperating organization to implement the grant's approved activities. This agreement should include, but not be limited to, the project parameters by which both parties will operate, a payment schedule and reporting responsibilities.

The grantee must require the cooperating organization, if applicable, to submit all appropriate financial documents, invoices, contracts and annual reports prior to the transfer of any grant funds to the cooperating organization.

VAHA should also have a legal assurance and certification by a sub-grantee that it will comply with the regulations, policies, guidelines, and requirements imposed by the federal sponsoring agency and the granting agency.

1.14.1 Cash Advance Method

Cash advance is a method of funding sub-grants under which the sub-grantee projects its cash needs for a specific period of time and submits a request for these funds prior to the period the funds will be needed.

- The sub-grantee requests payment for the portion of expenses expected to be paid during the period of projected cash needs.
- A request for cash form is required under to initiate the payment process.
- A monthly reporting worksheet is also required to report costs incurred.
- When the sub-recipient presents a monthly worksheet, the worksheet is checked for accuracy, authorization, and consistency with budget by the Finance Officer.
- When the worksheet gets the approval of the Finance Officer, the following journal entry is made:

Dr. Disbursements to Sub-recipient (expense account)	XXX
Cr. Advances to Sub-recipient (receivable account)	XXX

A final payment may be withheld to reconcile the grant account at the end of the grant period or the closeout of the grant.

1.14.2 Cost Reimbursement

Cost reimbursement is a method of funding sub-grants/regional offices under which the sub-grantee receives funds the following month for actual expenses incurred during the previous month. A request for cash form is not required under the cost reimbursement method.

- The sub-grantee is reimbursed for the portion of cash payments reported via the monthly reporting worksheet.
- The worksheet is checked for accuracy, authorization, and consistency with budget by the Finance Officer.
- When the worksheet gets the approval of the Finance Officer, the following journal entries are made to record the reimbursement:

Dr. Advances to Sub-recipient (receivable account)	XXX	
Cr. Cash		XXX
Dr. Disbursements to Sub-recipient (expense account)	XXX	
Cr. Advances to Sub-recipient (receivable account)	XXX	

(Note: The first journal entry is made to make sure all cash transfers to the sub-recipient, advanced as well as cost reimbursements, are shown in a single account.)

1.15 Auditing Standards

The audit of the program/project financial reports should be conducted in accordance with international auditing standards promulgated by either the International Organization of Supreme Audit Institutions (INTOSAI) or the International Auditing Practices Committee of the International Federation of Accountants (ISA). Auditor selection should be competitive and approved by the Board of Directors.

The auditor's agreed scope of work should include sufficient coverage of donor funded programs/projects. In selecting external auditors, VAHA should prepare appropriate terms of reference for auditing program/project financial reports, which includes in the auditor's scope of work all audit requirements specified in funding agreements.

2 CASH AND BANK RECEIPTS

2.1 Cash and Check Receipt

2.1.1 Definition

Cash is the medium of exchange for goods and services. It consists of coins, notes, check on hand as well as cash on deposit with banks. It is the most liquid of all assets and requires the most efficient system of recording and controlling.

2.1.2 Origination

Cash receipts originate from donations, contribution, grants, collections of receivables, sales of scrap materials, etc. It is collected in the form of cash, check and bank transfers.

2.1.3 Documentation

- **Cash Receipt Voucher (*Annex 1*)**

This is the document prepared to acknowledge receipts. It is prepared in a set of three copies of different colors. Cash receipt vouchers are pre numbered, printed and distributed as follows:

1. The original (white) is issued to the payer
2. The 1st copy to accounts
3. The 2nd is undetached and remains in the pad

- **The Bank Register (*Annex 2*)**

This register controls the movement of cash, check deposited in the bank and withdrawals from the bank by means of check. It also controls unilateral actions taken by the bank.

- **Daily Cash Receipts Register & Deposit Report (*Annex 3*)**

The cash receipt register and deposit report is prepared in two parts: the original being detachable. It is a multi – column book with debit and credit columns for cash and credit columns for each common revenue source and one general credit column for miscellaneous receipts.

Cash receipt vouchers are entered in the register in sequential order with carbon copy. The register is maintained by the cashier who delivers the original detachable copy along with the cash receipt vouchers to the designated accountant.

The accountant checks the correctness of the entries on the register and the vouchers attached, and collects the original copy with the supporting receipt vouchers after signing on the copy register.

The register is totaled and ruled each working day to ensure daily cash deposits to bank accounts. Journal voucher is prepared from the daily totals with the attachment of the detached register and copy receipt vouchers.

- **Journal Voucher (*Annex 4*)**

It is a medium by which accounting transactions are summarized and recorded for posting purposes in journals.

2.1.4 Recording Cash and Bank Transactions

- Each cash receipt transaction is recorded in the prime documents of cash receipt vouchers.
- Cash receipt vouchers are registered and summarized in the daily cash receipt register and deposit report.
- The journal entries are posted to the general ledger accounts as designated for cash and bank in totals with reference to the page number and date of the daily cash receipts and deposit report.
- Bank transactions emanating from the bank through bank credit advice, bouncing check of collections shall be investigated and verified for correctness and fairness. After analyzing the credit, journal actions shall be taken immediately.
- Reversal journal actions shall be taken on bounced check if not cashed immediately.
- Bouncing check shall be returned for collection after notification and review by senior staff and signing for receipts.
- Checks deposited in the bank by outsiders shall be recorded in the general journal after identifying the purpose and source of deposit.
- Preparation of Journal Entries:

1) For Bank Credit Advises, the entries are:

Dr. Cash in Bank	XX
Cr. Revenue (or the right account For the appropriate transaction)	XX

2) Journal Entries emanating from the Cash Register and Deposit Report are as follows:

Dr. Cash On Hand	XX
Dr. Cash in Bank for Deposit Portion	XX
Cr. Cash On Hand	XX
Cr. Donations received as appropriate	XX
Cr. Revenue from Income generation	XX
Cr. Miscellaneous income	XX

2.1.5 Reports

- Daily Cash Receipts Register and Deposit Report
- Summary of bank register
- Report of bounced check

2.1.6 Internal Controls

- **On Cash Receipt Vouchers**

- Make sure that receipt vouchers are pre numbered and printed by the order of the proper authority.
- Ensure all cash receipts are recorded in the cash receipt vouchers.
- Ensure writings in cash receipt vouchers are completed only in ink.
- Verify correctness of calculation, additions and extensions of the daily cash receipts register and deposit report.
- Ensure the check receipts have their numbers entered in the cash receipts vouchers.
- Make cash transfers through banks only.
- Ensure the taking of annual leave by the cashier and her/ his replacement by a person of strong moral responsibility that can look for irregularities and mischief. The replacement should be independent of cash collection and account recording responsibilities.

Ensure physical controls over cash such as:

- Bondage of the Cashier
- Ensure provision of money insurance and fidelity guarantees covers.
- Provide protection for cashiers by accompanying guards when carrying cash from and to banks.
- Ensure providing fireproof separate rooms, and dependable lockers.

On Checks

- Never accept post dated checks;
- Ensure receipts of daily cash and bank position report
- Segregate the duties of receivable collector, receivable ledger account keeper and the depositor,

- Bank reconciliation should be done by an accountant independent of cash and of cash and check collectors, cashiers, and the receivable accountant;
- Postdated checks, disputed items, unidentified receipts of checks and the like should be forwarded and investigated by persons independent of preparation of deposits and posting of accounts receivable.

3 PAYMENTS

Payments are disbursements made for receipts of goods and services. They are affected either by cash or by checks.

3.1 *Petty Cash Payment*

3.1.1 Definition

- **General Petty Cash Fund**

A general petty cash fund is a fund established to meet petty and recurring expenses, which would not normally require the writing up of a check. Petty cash operations should follow the imprested system where the cash on hand plus the documents paid out of the fund should equal to the established petty cash fund at any one time.

- **Establishment**

The size of the general petty cash fund is set at CFA 5,000.00. In the future, VAHA's management can change the size of the fund based on past experiences.

- **Operation**

Operation of the petty cash fund should follow the imprest system where the cash on hand plus the documents paid out of the fund should equal to the established petty cash fund at any one time.

- **Payment Limitation**

The maximum amount to be paid out of the petty cash fund at any one time should be fixed by management. In the case of VAHA, it is set at CFA 500.00.

- **Replenishment**

The petty cash fund should be replenished on the usage of three quarters of the fund.

3.1.2 Documentation

- **Petty Cash Payment Voucher (*Annex 6*)**

This voucher is printed and pre-numbered. It is prepared in two parts. The original with supporting documents is passed over to accounts attached to Petty Cash Report and Reimbursement Request and the copy remains in the pad.

- **Petty Cash Report and Reimbursement Request (*Annex 7*)**

This is the book of original entry which registers petty cash payment vouchers, in their sequential order and shows the depletion of the petty cash fund with debits to expenses, assets, and liability accounts. It is prepared in two carbon copies the original being perforated and detachable goes to accounts with the PCPVs attached.

On a delivery of the report to the assigned accountant, the copy register book shall be signed as evidence of receipt of the PCPVs. After verification of extensions and testing for correctness of documents, replenishment shall be recommended. If discrepancies occur, replenishment shall be reduced by the amount disputed.

3.1.3 Recording

- The general ledger A/C designated for petty cash fund accounts is “Petty Cash Fund A/C.

- Approved petty cash documents are routed to the disbursement clerk.
- Disbursement clerk checks for validity of the document and prepares a PCPV and routes it for authorized signatures.
- Signed PCPVs are delivered to the cashier.
- The cashier verifies the signing authorities and amount in figures and in words.
- The cashier ensures the payments are made to the right person by looking at the identification card of the payee.
- Cashier insures the payee signature for receipt is the same as the one on the identification card and then delivers the cash.
- Paid PCPVs are registered in the petty Cash Report and Reimbursement Request after they are stamped **“PAID”** or **“Replenished”**.
- The Petty Cash Report and Reimbursement Request, attached with PCPVs and original payment request, is delivered to the assigned accountant.
- The accountant receives and checks for correctness of all vouchers in all aspects and signs for receipt of the report and its attachments on the undetectable copy of the petty Cash Payment Report and Reimbursement Request.
- Replenishment shall be made only to the amounts of the undisputed vouchers.
- The disputed vouchers shall be returned to the cashier on signing for receipt of the returned vouchers.
- The undisputed reimbursement requests shall be passed for replenishments by check.

On the Check Payments Voucher for establishment and replenishment of petty cash funds, the journal actions are:

1) Creation of the Petty Cash Fund

Dr. Petty Cash Fund A/C	XX	
		Cr. Cash in Bank
		XX

2) On replenishment

Dr. Asset Accounts	XX	
Dr. Expense Accounts (Stationery, etc.)		XX
Dr. Liability Accounts, etc.	XX	
Cr. Cash in Bank		XX

3.1.4 Report

- Petty Cash Report and Reimbursement Request

3.1.5 Internal Controls

On the petty Cash Fund

- Assign only one responsible person to each petty cash fund in writing.
 - Each petty cash fund must be operated on an imprest system; i.e. the fund amount is always equal to cash on hand plus the sum of the vouchers paid from the fund.
 - Segregate petty cash funds from other cash collections and funds.
 - Make surprise cash counts by accountants independent of the petty cash fund operation.
 - Ensure petty cash payments are not exceeded from the preset upper amount.
 - Put a maximum limit on a single payment that can be made from a petty cash fund unless exceptions are approved and signed by senior authorities.
 - Petty cash payment vouchers should be prepared by someone else other than the cashier.
- **On PCP Vouchers**
 - Ensure PCPVs are pre-numbered.
 - Ensure entries in the PCPVs are completed in ink.

- Signatories must be of senior staff position and other than the custodians of the petty cash fund.
- Check for proper budgeting and authorization of expenses.

On Petty Cash Replenishment

- Ensure adequate review of petty cash payment vouchers and the supporting documents attached.
- Make sure that the petty cash replenishment checks are made to the order of the petty cashier.
- Ensure PCPVs and their attachments are stamped either “Paid” or “Replenished” immediately after a replenishment check is signed.
- The cashier collects replenishment checks after signing on the check payment voucher.
- Disallow the cashing of endorsed checks of employees or others.
- Ensure all petty cash funds are moving and reported for.

3.2 Check Payments

3.2.1 Definition

Check payments are ordering a bank to make cash payments to the person or organization named in the check from bank current accounts held by the organization. Bank payment process has the advantage of safekeeping of cash, saving of cash counting time, avoidance of the risk of carrying a large amount of cash, as well as handling big cash payments. Payment document verifications are the same as in petty cash payment recording.

3.2.2 Documentation

- **Payment Advice/Request (*Annex 8*)**

This format is a routing paper to finance originating from all activity centers. It shows the amount requested for the project or budget reference with brief explanation of the reasons for payment. It

could be stenciled. It is prepared in two copies the original goes to finance and the requesting unit retains the unit while the copy.

- **Check Payment Voucher (*Annex 9*)**

This format is printed and pre-numbered in sets of two copies. The original copy with supporting documents is given to accounts for processing. The second copy is retained in the pad.

- **Payment Voucher Register (*Annex 10*)**

This book is used to register in sequential order check payment vouchers and the checks with credit to the bank current account and debits to the control accounts of the general ledger accounts drawn in vertical columns arrangement. The register is totaled every month to produce a total payments summary report by control accounts and monthly or total budgets are entered on the last line to facilitate budget comparison.

- **Check**

Checks are written orders for cash to be withdrawn from bank current accounts. Checks can be purchased from a bank in pads of one hundred pieces (or in any other number as required).

3.2.3 Recording

Check payment vouchers should clearly indicate all accounts (with their corresponding codes) affected by the payment and whether the accounts are to be debited or credited.

Journal Entries for check payment and bank debit advice:

Dr. Assets	XX	
Dr. Liabilities	XX	
Dr. Expenses (as appropriate)	XX	
Cr. Cash in Bank		XX

3.2.4 Reports

- Report of outstanding checks
- Report of rejected checks

3.2.5 Internal Controls

Opening bank accounts, change of signatories and closing of bank accounts should be authorized and communicated immediately by authorized officials of VAHA. Further, the following precautions should be exercised.

On Check Payments

- Ensure employees make check preparations independent of voucher and invoice approvals, purchase and store receipts or cashiers.
- Ensure all payments more than the petty cash limits are made in checks.
- Ensure a clearly defined check approval process.
- Ensure segregation of duties of check payments, receipts, deposits and recordings of checks.
- Assign at least two authenticated signers of checks.

On signing of checks

- Ensure check signatories are authorized by the higher governing bodies of the Board of Directors.
- Ensure authorized signers are independent of check payment voucher preparations, and approval of support documentation.
- Ensure check preparations, collections and disbursement duties are free from signatories of checks.
- Ensure two or more signatories of checks.
- Avoid the signing of blank checks.

On Payment Vouchers

Prior to the preparation of payment vouchers, ensure the validity of the attachments of support documents and are properly compared to purchase orders, vendors' invoices, goods-received-notes, etc

- Ensure payments to be made are properly budgeted.
- Ensure check payment vouchers are prepared on the basis of original suppliers invoices only, not from a supplier statement of account.
- Ensure the entering of check numbers on the relevant check payment vouchers.

- Ensure that payment vouchers and support documents are canceled with a “Paid” stamp to avoid double payment.

On the Checks

- Ensure that checks are pre-numbered and used in sequential order.
- Ensure a blank check stock custodian is identified for accountability and is different from the staff preparing the check.
- Check and account for missing number of checks from check pad and checks must be fully accounted for.
- Ensure that the signature part of the spoiled checks are properly mutilated and that the checks are retained attached to check stubs for future review; and
- Ensure checks are made to specified payees and never to cash or bearer.

3.3 Bank Reconciliation

A bank reconciliation statement is a statement prepared to reconcile the differences between the bank statement ending balance and VAHA’s records.

3.3.1 Documentation

- The documentation of bank reconciliation statements are Bank Statement, Daily Cash Collection Register and Deposit Report, Bank Register, Payment Voucher Register, Ledger and the previous month bank reconciliation statement.
- The bank reconciliation statement (*Annex II*) is prepared in three copies at the beginning of each month. The distribution is: the original to the Managing Director, the 1st copy to the Head of Finance Unit and the 2nd copy for file. The reconciliation statement shall be reviewed, dated and initiated by the responsible officer of VAHA.

3.3.2 Recording Bank Transactions

- Bank advice received from the bank should be journalized and recorded at the time of receipt.
- Debit advances are not issued by the bank for the cost of check books, etc., and they should be journalized from the bank statement so that they cannot be carried forward as reconciling items in the bank reconciliation statement.
- Bank accounts should be reconciled with the records of VAHA as soon as the bank statements are received from the bank and a bank reconciliation statement should be produced in detail and include the date, reference numbers and descriptions of all outstanding items.

3.3.3 Internal Controls

- Ensure that an independent person who is not involved in payments and deposits prepares Bank Reconciliation.
- Check all check payments shown on the register against the bank statement and note the difference.
- Review if voided checks are cashed.
- Ensure that accounting action is taken on unrecorded reconciliation items.
- Check all deposits are included in the bank statement.
- Ensure that bank reconciliation statements are prepared, reviewed, initiated and dated by the reviewing official.
- Ensure bank statements are properly filed for future reference.
- All checks must be fully accounted for.
- Canceled checks should be kept attached to the check stub after mutilating the signature part.

4 ACCOUNTS RECEIVABLE

4.1 Definition

Accounts receivable is money due from third parties to whom advances in the form of cash, Advance etc., are made. Receivables in VAHA include project advances, salary advances, travel advances, purchase advances, deposits and prepayments, fund receivable, sales receivables, sundry debtors, etc.

Accounts receivable should be accrued and recorded on the books to maintain control and to report asset balances. Adequate subsidiary records should be maintained for documentation and for collection efforts. Control totals should be maintained, and an aging schedule of uncollected amounts should be periodically prepared. Write-off should be approved by a person independent of the accounting records such as the Executive Director.

4.1.1 Project Advances to Sub-recipients (Sub-grantees)

When VAHA signs an agreement or contract with another organization to partially fulfill a program, advances paid to the organization should be recorded as receivables. Obligations of sub-grant funds must be liquidated no later than 45 days from the end of the sub-grant period.

4.1.2 Project Advance to Staff

Project advances to staff are money advanced to project officers of VAHA to pay for legitimate project related expenses and will be accounted for at a later date. The maximum amount and other conditions will be as per the grant management manual of VAHA.

4.1.3 Staff Advances

Staff advances are money advanced to staff of VAHA for personal use. This includes salary advances and staff loans.

4.1.4 Travel advances

Travel and per diem advances are monies advanced to VAHA employees for approved business travels.

4.1.5 Purchase Advances

Purchase advances are mainly advances given to employees to purchase goods or services required for VAHA.

4.1.6 Prepayments

Prepayments are monies disbursed that will be reimbursed in the future or expensed in another accounting period. These include unexpired rent and unexpired insurance premium, etc.

4.1.7 Fund Receivables

These are monies disbursed on account of funded project activities, which are due for reimbursement by donors.

Under generally-accepted accounting principles, advances for grants are considered deferred revenue (unearned income) until expenditures are accrued. Revenue (earned income) is accrued as expenditures are made and reported to the funding agency.

Advances received from funding sources in excess of net reimbursable expenditures should be set up as a liability payable to the funding source (deferred revenue or accounts payable) and should not lapse to the general fund or be expended in a future accounting or contract period unless specifically authorized by the donor in writing.

4.1.8 Sundry debtors

These include all debtors which do not fall under any of the sub groups of debtors mentioned in sections 5.1.1-5.1.7.

4.2 *Documentation*

In establishing accounts receivable, the accountant must first determine how the receivable originated. There are two possibilities for VAHA.

4.2.1 Receivable Arising from Prior cash Payment by VAHA

In this case, cash is due to the organization as a result of a previous cash payment made to suppliers, employees or project holders and the documentation are the payment vouchers and their supporting documents.

4.2.2 Receivables Not Arising from a Prior Cash Payment

In this case cash is due to VAHA but not as a result of prior outlay of cash. Cash is owed to the organization for goods sold or services rendered to third parties. Such receivables originate from credit invoices and journal entries.

4.2.3 Document in Use

Travel Advance and Travel Expense Report (*Annex 12*)

This format is prepared in two stencil copies. The original goes to accounts, and the copy is given to the traveling employee.

4.3 Recording

The entry for the transfer of resources is:

Dr. Accounts Receivable	XX	
Cr. Cash/community/ expense		XX

The entry for the liquidation of the advance is: -

Dr. Cash/Sales	XX	
Cr. Accounts Receivable		XX

The entry for write – off of Bad Debts is:

Dr. Bad debt expense	XX	
	Cr. Account Receivable	XX

4.4 Report

- Schedule of Receivables
- Aging of Receivables
- Listing of defaulting Debtors

4.5 Internal Control

On staff Advance

- Requests for salary advances must be approved by the Administration and Finance Department Head.
- If salary advances are unavoidable, they should not be in excess of 1/3 of his/her current month salary.
- Salary advances must be liquidated in full at the time of the next salary payment.
- When an employee requests for an advance, the employee should complete a Request for Salary Advance form in duplicate by filling in the following details: date, name, section, reasons for the advance, amount and signature.
- After obtaining the necessary approval, the copies are distributed as follows:
 - Original to accounts department:
 - To effect salary advance to employee
 - To update the salary advance register
 - Duplicate to be provided to the employee as receipt

On Travel Advance

- All travel, international or otherwise, should be adequately planned for in advance by preparing an itinerary.
- All travel expenses should be for properly authorized travel on official business. The amount advanced/reimbursed should be based on the rates advised from time to time by the Executive Director. The rates should be based on cost of travel, accommodation, etc, in the specific location.
- The VAHA should ensure that for donors with specific travel requirements, these requirements are in the grant agreement. The Administration and Finance Department Head should ensure that these specific requirements are adhered to before any payments for travel are made.
- Donor funds used to sponsor international travel shall be undertaken on International Airlines. All international air travel shall be economy class. For donor sponsored travel, any use of first-class or business class travel has to be specifically approved by the donor.
- Travel advances must be cleared in full within one week of his/her return from the tripe.
- Additional advances must not be given before previous advances are liquidated if the traveler has returned from the previous trip.

On Purchase Advance

- Ensure purchase advances are made in checks in favor of vendors.
- Purchase advances should be cleared within a specified period against the invoice of the supplier and goods-received note.
- Purchase advance made in cash, if any, should be liquidated within the specified day or period.
- Additional purchase advances should not be given before the previous advances should not be given before the previous advance is cleared.

On project Advance

- Project advances should be in writing and authorized.
- Ensure that advances to third parties are made on the basis of written agreements.
- Ensure and follow up the utilization of the advance is for the intended project.
- Ensure clearance of project advances.

On Prepayments

- Ensure that the unexposed portion of prepaid expenses are recognized and adjusted to receivable account as at the end of the fiscal period.
- Ensure the receipts for utility deposits are kept in safe for future claim.

On Fund Receivable

- Ensure prior approval and commitments by donor before incurring over expenditures.
- Ensure moneys of restricted funds should be used for stated purposes.

4.5. Inventory Management

Inventory management and accounting is the process of acquiring, storing and distributing materials for production and distribution of goods and services to achieve defined objectives. Proper inventory management and accounting ensures the minimization of costs of acquisition, storage, and distributions with the proper packing.

The cost of inventory used in the current fiscal year should be recorded as an operating expense.

The operation and the accounting of inventory management are divided in two major functions:

1. Procurements
2. Inventories

4.6 Procurements

- All purchases above CFA 10,000 shall be made through the purchasing committee on a competitive basis.
- All purchases shall be made to the satisfaction of the requesting department as regards specification of quantity, quality, size, and packing and delivery date.
- Purchases shall be made in the most appropriate legal terms and business ethics.
- Purchases are affected and planned according to the annual budgets provided.
- The cost of goods purchased shall include the net invoice price, cost of shipping, and other costs necessary to make the goods usable for the purpose for which it was acquired.
- If the goods do not arrive at the receiving store at the fiscal year closing date, assets in the designation of “Goods in Transit” are recognized if letter of credits or margins on letter of credits are paid.
- Purchases can be made on cash basis or on credit.

4.6.1 Documentation

The following prime vouchers are needed to execute procurement and donation of materials.

Purchase Requisition (*Annex 13*)

This format is prepared in two copies by the store unit based on store requisition from user units. The original goes to the Procurement & Logistic Unit. Purchase process shall be affected by budgeted and approved items only.

Offer Evaluation Sheet (*Annex 14*)

The format is a multi – column, stenciled spreadsheet with the items to be purchased listed in rows and the prospective suppliers in columns. They are provisions of discount, delivery date, taxes, delivery conditions and other conditions relevant to purchase decisions. Offer evaluation sheets are made only to responses of more than three quotations. Offer evaluation sheet should be prepared in three copies for the use of the purchase committee, purchaser and the purchases file and the results of the evaluation have to be recorded.

Purchase Order (*Annex 15*)

This format is prepared in three copies. The original goes to the supplier, the 1st copy to accounts and the 2nd copy remain in pad.

4.6.2 Recording

Recording of purchases and donations received:

Dr. Inventories /Fixed assets	XX
Cr. Cash/ Bank (as appropriate)	XX
or	
Cr. Donation	XX

4.6.3 Reports

- Monthly purchase activities report
- Monthly outstanding purchase status report

4.6.4 Internal Controls

- Check that all purchase-requisitioning activities comply with purchasing policies and procedures.
- Check that all requisitions are properly supported and authorized in accordance with the organization authority.
- Ensure that purchase requisitions are properly signed by line personnel and have proper accounting distribution and budget reference.

- Check that purchase related records are kept in a secure place.
- Check that all purchase orders are properly executed as to price, quantity, quality and supplier.
- Ensure purchase receipts of goods and services are in good order and in accordance with purchase order terms and conditions
- Check that material receipts are prepared reflecting the goods and services received at time of receipt and that incorrect goods delivered are reported to the purchaser and that such items are not receipt.
- Check that materials receipt information is inputted to the inventory system on a timely basis.
- Check that all outstanding and undeceived items are cleared with a reasonable period of time.
- Ensures all invoices processed for purchase payment represent goods and services received and are accurate as to terms, quantities, nature of charges, prices and extensions, account distributions and agree with established account classifications.
- Occasionally check purchase operation records against prevailing market conditions outside of the VAHA.
- Ensure that purchase operations, purchase receipts and purchase payments are carried out by independent individuals.
- Ensure that the purchaser cannot be the direct user of the items he/she purchases.

4.7 Inventories

4.7.1 Definition and General Description

- Inventories are stocks of tangible good help in stores.
- The inventory system is an integral part of the cost and financial system and closely relates to accounting for store purchases. Year-end inventory should be included in the balance sheet.

- The stores function involves both keeping of stores materials and stores records.
- Only items required to carry out operations or required to satisfy need should be included in inventory items.
- User units will predict inventory usage demand at least annually. The predictions should be annually by user units. The predictions should be based on the work programs to be carried out by the work unit as planned and timed for a known requirement.
- Inventory storage facilities and systems will be in place for central stores for efficiently and effectively identifying, classifying, grouping and locating store items.
- Surplus materials and obsolete materials shall be identified, declared and disposed of after the proper authorization.

Documentation

Stores Requisition (*Annex 16*)

It is prepared in two copies by the requesting user unit. Both copies are detached from the pad and delivered to the store's unit. The second copy shall be returned back after getting the signature of the person in charge of stores as evidence of receipt of the original requisition. The copy of the requisition is filed in the project/program file. Stores Requisitions shall bear budget references and shall be processed only when funding sources and budget line items are cross-referenced.

Goods Receiving Note (GRN, *Annex 17*)

- The GRN is a pre-numbered and printed voucher, which is prepared in four copies to acknowledge receipts of goods in stores.
- The store- keeper prepares the GRN after the inspection of the physical conditions of the materials for specification, quantities, qualities, and physical damage; after comparing the delivery note with the purchase order, and the purchase requisitions. The distribution of the GRN copies is as follows:
 - Original goes to the purchaser who after receipt of the invoice and other relevant documents for clearance of the purchase advances.
 - The 1st copy goes to accounts directly for material account records and stock control.

- The 2nd copy goes to the store keeper and the 3rd copy is retained in the pad.

Store Issue Voucher (SIV, Annex 18)

The delivery of goods to users or requesting units is affected by the use of the store issue voucher. The SIV is pre-numbered and printed in four copies. The distribution of copies of SIV is:

- The original goes to accounts for material expense summary journal action.
- The second copy goes to users along with the materials for cost follow up of projects or other schemes.
- Third copy goes directly to material accounting for stock control records and stock pricing.
- Fourth copy is retained in the pad for bin card up – dating.

Bin Card (Annex 19)

Bin cards are inventory movement control records. The storekeeper for each stock line item keeps the bin cards. It is designed to record quantities received, issued and the daily balance.

Stock Card (Annex 20)

This is another stock control record kept for each stock line item by the finance unit segregated from the store's function. It shows the receipt and issues of each stock item both in quantity and values.

4.7.2 Recording

The cost of goods should include invoice value plus related costs of freight, insurance, duty, etc. If the item donated has no established value, the value of the goods should be assessed and recorded.

- A perpetual inventory system of recording should be adopted.
- Receipts and issues of each stock item shall be recorded on a stock control card on a daily basis.

- should be recognized by finance when released from stores for end use.

4.7.3 Report

- Monthly inventory movement reports.

4.7.4 Internal controls

- Follow up bank correspondences and react quickly.
- Make schedules of arrivals and enquire on delays.
- Ensure receipts of goods at the destination store as per specification in the purchase order.
- Receiving store shall report on discrepancies and safe arrivals.
- Purchaser makes insurance claims on the short landed items, damages, and pilferage of goods.

WORK-IN-PROGRESS

4.8 Definition

Work-in-progress represents expenditures on construction of buildings, major improvements to existing facilities, installation of plant and machinery, etc. The work-in-progress account is used to accumulate the cost of constructions until completion.

4.9 Documentation

Documentation for all expenditures on work-in-progress is the same as that shown under disbursements.

4.10 Recording

In Ethiopia, all NGO properties whether for the NGO's use or to be handed over to communities are the property of the Government of Ethiopia and/or communities. Thus, NGOs do not have

ownership of properties except the right of usage. They are trustees of the Government or the community. They are custodians of the properties until such time that the properties are handed over to the government at the time of phase out, or until delivery to communities.

The accounting transactions will be recorded as follows:

1) For constructions items to be used by VAHA

Dr. Work-in-progress XX

Cr. Cash/Bank/Inventory/Liability XX

(To record cost of materials, labor, and overhead related to the construction work.)

Dr. Fixed Asset/Construction XX

Cr. Work-in-Progress XX

(To close the work-in-progress to the fixed asset account on completion.)

2) For construction items to be handed over the communities/government agencies right away:

Dr. Work-in-progress XX

Cr. Cash/Bank/Inventory/Liability XX

(To record cost of materials, labor, and overhead related to the construction work.)

Dr. Contracted Assets for

Communities/Government XX

Cr. Work-in-progress XX

(To close the work-in-progress to the fixed asset account on completion.)

4.11 Reporting

Reporting for each work-in-progress has to be compiled and submitted to the government and donors as per requirements and periodic intervals.

4.12 Internal Controls

- Ensure performance measurement of works under construction.
- Ensure a duly-authorized certificate of payment is obtained before payment.
- Ensure that reports are certified by the supervising consultant/engineer
- Ensure that actual expenditure is compared with budgets.
- Ensure that contingencies and variance are approved before presentation for payments.

5 FIXED ASSETS

5.1 Definition

Fixed Assets are properties having a useful life of more than one year and costing in excess of CFA 100 per unit acquired for VAHA use. VAHA's may hold fixed assets in the form of vehicles, furniture, equipment, etc.

5.2 Acquisition of Fixed Assets

Whenever fixed assets are bought for cash or on credit, the following procedures should be observed:

1. Requests for purchasing the assets must be approved by those in charge of the budget center for whom the asset is to be purchased subject to the limit of authority.
2. The requisition should mention the funding sources, budget heading, and the amount budgeted.
3. Purchasing of fixed assets should follow the general procurement procedures.

Sometimes VAHA acquires fixed assets by donation. Usually donors state the cost of the asset. If the donors do not indicate the cost of the asset, the asset received should be recorded at fair market value.

5.3 *Disposal of Fixed Assets*

The procedures for disposal of fixed assets should be as follows:

- Top management of VAHA should be responsible for the disposal of any fixed assets.
- The person in charge of the asset should prepare a written proposal for the disposal of the asset, which is no longer in use stating the condition of the asset and the approximate value.
- The proposal is then approved by the top management of VAHA including the donor in the case of restricted funds and the sponsoring government agency.
- Invitation for tender is then requested through newspapers or notices stating the surety money for tender deposit.
- Quotations received are summarized in a comparative statement and selection of the bidder who has given the highest offer is made and stating the reason for his selection.
- Top management approves the selection and the successful candidate is notified as to the method of delivery of the asset.
- Sales contract is prepared in duplicate; the original going to the buyer and other copy to the finance unit.
- The item sold is delivered, on collection of proceeds.
- The sale of the fixed assets including the proceeds obtained has to be reported to the donor and the supervising government agency. In addition an approval has to be obtained from the donor to use the proceeds.

5.4 *Valuation and Depreciation of Fixed Assets*

5.4.1 Definition

- a. The book value of fixed assets is the original cost or valuations less accumulated depreciation. The original cost of fixed assets includes the value of the vendor invoice and all expenditures incurred in bringing the assets to their present working conditions and locations.

- b. Depreciation of fixed assets in VAHA is the value of the asset used during a period in attaining the goal or objectives of the VAHA.

5.4.2 Depreciation Method and Rate of Depreciation

Under generally accepted accounting principles, depreciation is an allocation of the cost of an asset over the estimated useful value of the asset in a systematic and rational manner. Depreciation for the year is the portion of the total charge that is allocated to a particular year.

Depreciation may be charged to grant programs provided that it meets the conditions of allowable cost requirements for depreciation and is allowable under the grant award. Under no circumstances should depreciation be charged to a grant for equipment that had been expensed to the grant at the time of purchase

Depreciation expense must be:

- identifiable and recorded in the agency's accounting records
- based on the historical cost of the asset or fair market value at the time of donation

5.5 Documentation

- In the case of assets acquired in cash/bank or credit the documentation required are purchase order, budget, pro forma invoices, goods receiving notes, payment vouchers, etc.
- In the case of donated assets, the documentation required is the agreement, gift certificates, the handover document, and the goods receiving notes.
- Documentation required for disposal of fixed assets are mentioned in section 8.2.1 above.

Fixed Asset Register (*Annex 21*)

- A register of all fixed assets should be maintained for assets under control. Fixed assets with value of more than CFA 100.00 and a useful life of more than one year should be recorded in the register.
- The register should contain all assets physically existing. All fixed assets should be accounted for whether their value is reflected in the balance sheet or not.

- The register should contain the cost, depreciation rate, current depreciation, accumulated depreciation, tag number, location, employee responsible for the assets, date of acquisition etc.
- The cost, depreciation and accumulated depreciation on the register should agree with the respective ledger card balances.

5.5.1 Fixed Asset Tag Numbers

- To facilitate proper financial and management control, fixed assets are grouped into five categories:

Asset class	Asset description
1	Motor Vehicles (MV)
2	Office Equipment (OE)
3	Office Furniture (OF)
4	Computer Equipment (CE)
5	Leasehold Improvements (LI)

Each fixed asset should be given tag numbers for based on the asset class. An easy way of recording in the fixed asset register is to use a three-digit tag number in the format of the following example: BMS/OE/015. BMS designates the donor. The digits OE indicate the asset category (Office Equipment) while the last three digits represent the asset number in chronological order. For motor vehicles, the registration number should be sufficient for identification purposes. Finally the donor title should be included to identify the property title

5.6 *Recording of Fixed Assets*

The balance sheet of VAHA should contain the nominal value of fixed assets to reflect their financial position.

a. The entry for purchased or donated fixed assets is:

- Dr. Fixed Assets XX
- Cr. Cash/Bank/Donation as appropriate XX

b. Where there is a condition in the donors' or government arrangements that an asset must be either returned to the donor or given to the beneficiaries of the project on completion, the value of the assets might not be reflected in the balance sheet. The entry in such case is:

- Dr. Project Expenditure XX
- Cr. Cash/Donation as appropriate XX

5.7 *Reporting*

- The summary of fixed assets showing the beginning balance, additions and disposals should be reported at the end of a reporting period.
- The summary should include both cost and depreciation.
- The accumulated depreciation is deducted from the total cost to determine the net book value of the assets.

- The total cost, current period depreciation and accumulated depreciation on the register should agree with those shown in the summary.
- At least once in a year physical counts of fixed assets should be made and compared with the register. Any discrepancy should be reported to top management.

Internal Controls

- Only required assets, which must be used efficiently and effectively for fulfilling the overall objectives of the NGO, should be purchased.
- Fixed assets must be kept in a secure place that ensures their working conditions
- Fixed assets must be insured against fire, burglary, motor, etc.
- Physical inventory of fixed assets should be taken at least once in a year to verify the existence and condition of the assets.
- The physical count should be compared with the register
- Motor vehicles should be used only for the NGO's official business and not for personal use.
- A log book should be maintained by each driver for the journeys undertaken by his/her vehicles, showing the number of kms, destination and budget centers to which fuel should be charged.
- Disposal of fixed assets shall be authorized by higher authorities and the scrap sales shall be executed by public auctioning.
- Ensure that the register contains all existing assets.

LIABILITIES

5.8 Definition and Descriptions

Liabilities are money due to third party entities or individuals. The acceptance of the transfer of money, materials, commodities, services, etc., carries with them responsibilities that involve financial obligation. It includes accrued expenses, provident fund payable, income tax payable, severance reserve, retention payable and trust fund payable.

In the balance sheet, liabilities are classified as current liabilities, long-term liabilities and deferred charges.

5.9 *Current Liabilities*

Current liabilities are money due within one year. They include:

- **Accrued expenses:** These are expenses incurred but not paid at the end of a reporting period.
- **Provident fund payable:** This is normally the unpaid portion of salary contribution towards the provident fund.
- **Income tax payable:** it is tax withheld from the salaries of local employees.
- **Severance reserve:** it is a reserve for future severance payment.
- **Retention payable:** This is the amount retained from the payment due to contractors in accordance with agreements to make good future defects in construction.
- **Trust funds payable:** this is money due to a donor of a restricted fund.

5.10 *Documentation*

The conditions defining the acceptance of resources and the terms of discharging responsibilities on the accepted resources should be described in legally binding agreements and contracts between the parties involved. There are no separate formats for liabilities. They share the documents of purchase in the case of purchase on account.

5.11 *Recording*

The entry for the acceptance of resources on account is:

Dr. Expenses/Assets (as appropriate)	XX
Cr. Liability Account	XX

When the account is settled, the entry is:

- Dr. Accounts payable XX
- Cr. Cash/Asset (as appropriate) XX

5.12 Reports

- Schedule of repayments
- age analysis report of outstanding liabilities

5.13 Internal Controls

- Ensure and control repayments to be within safe levels of cash.
- Ensure avoidance of penalties on defaulting payments of liabilities.
- Ensure that repayments of principal and interest are planned.
- Ensure that repayments are made on invoices, and not on the basis of statement of accounts.
- Ensure that accrued expenses such as water, electricity, telephone service fees are estimated at the end of the fiscal period.
- Ensure that the reversal of accrued liabilities is made at the beginning of the next fiscal year.
- Ensure that the updating of provident funds is made to the provident holder is supported by detailed listing.
- Ensure that payment of provident funds is made to the provident holder or the legal heirs.
- Ensure payment of provident funds and severance payment are debited to the liabilities account.

- Ensure that income tax is paid to the Inland Revenue authority within one month from the date of collection.
- Ensure payment of retention money is made as per the agreement.

FUND BALANCE

5.14 Definition

Fund balance is the net asset of the NGO, i.e., total assets minus total liabilities. It is the accumulated balance of the differences between the revenues received and expenditures incurred throughout the life of the NGO.

As described in the next chapter of this manual, all revenues received are classified as follow:

- In the case of restricted funds, the difference between the revenue received and the expenditure made is closed to a Funds Payable account when the revenue is greater than the expenditure; and in the case where the revenue is less than the expenditures (provided that the expenditures are within the overall budget approved and committed) it will be closed to a Funds Receivable account.
- In the case of unrestricted funds, the difference between the revenue received and expenditure is included in the Fund balance.
- In the case of contracts, the surplus or deficit shall be closed to the Fund balance.
- In the case of surplus/deficit from income generating activities, the difference shall be closed to the fund balance.

5.15 Documentation

There are no separate documents for the Fund Balance. However, the following books of entry and project documents are used for initiating any accounting action.

- Ledger Cards
- Project Agreement
- Project Budgets

5.16 Recording

All expenditures should be closed to the respective revenue centers. The balance on each revenue center shall be closed to the Fund Balance account or if restricted, to the Fund Payable or Fund Receivable as appropriate.

5.17 Report: Breakdown report of fund balances by sources

5.18 Internal Controls

- Ensure that deficits on restricted funds are recorded in the Funds Receivable account and excesses are recorded in the Funds Payable account at the end of each fiscal period.

- Ensure that restricted funds are not spent in excess without prior approval of donors.
- Ensure that sources of funds are reported properly to the controlling government agency.
- Ensure that the spending of prior years fund balances is approved for expenditures of current year.

REVENUE

- VAHA obtains funds from various sources through fund raising activities which include writing proposals, operation of income generating activities and organizing public events. The sources of revenues are:
 - Donor funds
 - Contributions and counterpart funds
 - Self - generated incomes
 - Proceeds from sales of scrap (Sundry Income)
 - Contribution in kind (Properties, commodities, facilities, materials, etc.)
 - Contribution in free services (labor)

5.19 Donor Funds

These funds could be local or foreign. The donor funds could be classified into three major categories, as follow:

Grant: Awards from organizations or individuals are known as grants. Restricted Grants are often associated with one or more of the following conditions:

- Segregated fund accounting;
- Funds are to be spent within specific time frames;
- Unspent balances are returned to donors;
- Periodic line items financial reporting.

Contract: A contract is a legally binding agreement, where an organization agrees to provide the contracting organization agrees to provide the contracting organization with specified goods or services required in return for payment.

Contributions and Counterpart Funds in Cash: A contribution is a donation from an organization or individual that meets all of the following criteria.

- No segregated fund accounting.
- No requirement of a specific time frame for the expenditure of the funds.
- No requirement to return unspent balance to donor
- No requirement for periodic line item financial reporting.

Contributions may be designated or undesignated. If they are designated, they may be earmarked for ascertain area or for specific property within VAHA. Contributions are also classified as unrestricted funds.

5.20 Self-generated Income

These incomes arise from the sale of goods and services produced by VAHA.

5.21 Sales of Scrap Items

Such income comes from proceeds from sales of materials not needed for current operation of projects. This is a sale of old or damaged items. Bought with restricted funds, VAHA has to obtain prior approval to the sale as well as to the uses of the treatment of such income.

5.22 Contributions in Free Services

Such donations are free voluntary services of human labor.

5.23 Documentation

Donor Funds

- In most cases VAHA has to write a proposal including budget breakdowns for donors. A file has to be opened containing:

- All correspondence and analysis
- Project proposal, revisions and agreement
- Reports, etc.
- A separate individual has to be assigned to follow-up on the implementation, recording of donation.

Self – generated Income

The documents involved are cash sales invoices and cash sales tickets and contractual credit supplies dealt in the receipt and receivables sections of this manual.

Sale of Scrap Items

The documentation involved is minutes of the disposing committee, approval from donor, if any cash receipts, etc.

5.24 Recording

- a. Income in cash or in kind is recognized on receipt. The accounting entries are:

- | | |
|------------------|----|
| • Dr. Cash/Bank/ | XX |
| • Cr. Revenue | |
| | XX |

- b. For donations in kind, i.e., material and voluntary services, the journal entries are:

- | | |
|---------------------------|----|
| i. For donated materials: | |
| • Dr. Expense | XX |
| • Cr. Revenue | |
| | XX |

(To record value of receipts of materials)

- ii. For donated free services:
- Dr. Salary Expense XX
- Cr. Revenue XX

(To record the salary of a volunteer service)

- iii. For donated facilities (it could be building, equipment, etc.)
- Dr. Rent Expense XX
- Cr. Revenue XX

(To record the rent of the donated facility)

- c. The recording for income generated is:
- Dr. Cash/Bank/ XX
- Cr. Revenue center XX

d) For donated property, the journal entry is:

- Dr. Fixed Asset XX
- Cr. Revenue XX

(To record value of property received)

e) The journal entry for recording disposal of fixed assets:

- Dr. Cash/Bank/Accounts Receivable XX
- Dr. Accumulated Depreciation XX
- Dr. Loss on sale of fixed asset XX
- Cr. Fixed asset XX
- Cr. Gain on sale of fixed asset XX

(To record sale of depreciated fixed asset as appropriate)

5.25 Reports

- Periodic Status Report of Revenue Received
- Status of Pledges Commitments

- **Internal Controls**
- Ensure that records are maintained for all donations including the donor's name, amount, date and the compliances requirement.
- Ensure that a designated individual is responsible to follow-up the implementation of the donations in accordance with donors' requirements.
- Ensure that subsidiary ledgers are opened for each donor.
- Ensure that subsidiary ledgers are opened for each income-generating center.
- Ensure that donated materials are physically inspected.
- Ensure that donated materials and facilities are recorded at fair market value (when the cost is not known)
- Ensure that free voluntary services are valued at fair market value and recorded.

6 EXPENSES

6.1 Definitions

Expenses are defined as the use of resources in the form of materials, labor, money and services to achieve intended goals. The goals could be either revenue generation or humanitarian activities where returns are not expected.

Expenditures are regrouped and reclassified to facilitate meaningful interpretation of economic analysis and financial information for decision-making. As inputs to any economic activity, expenses are classified as materials, labor and overhead expenses.

6.2 *Project Expenditures*

Some schemes requiring concentrated efforts are isolated from other operations as projects and the expenditures made towards that end are known as project expenditures.

6.3 *Related Expenses*

Expenditures that are directly related and identified with specific projects are known as:

- Direct MATERIALS
- Direct Labor
- Direct Depreciation (machinery and facilities)
- Indirect expenses and
- Allocated overhead expenses

6.4 *Management and Administrative Expenses*

These are expenses incurred in no way related to any particular project, operation or revenue generating activity. These expenditures are accumulated in general overhead accounts until year-end and distributed to activity cost centers on a selected and meaningful ratio.

6.5 *Documentation*

The only prim document is the expenses accumulation card known as the General Ledger Expense Card (Annex 5). At the end of each expense ledger card, a space is provided for budget entries (monthly or annually) that facilitates comparisons to actual totals.

6.6 *Recording*

The recording of expense transactions and the precautionary measures are dealt with in the payment sections of this manual.

6.7 *Reports*

- Quarterly Revenue and Expenditures Report

- Quarterly Statements of Expenditures by Funding sources
- Quarterly, semi-annually and Annual Expenditures Report as compared to approved budget and the respective variance reporting
- Comparative Expenditures Reports a Quarterly, sum amount 3rd quarterly and annual report.

6.8 Internal Control

- Ensure all expenses are properly accumulated, classified and summarized in the expense/ledger account.
- Ensure that capital or asset expenditures are not included in the operating expenses.
- Compare expense of previous year with current year expense reports and evaluate differences.
- Ensure that expenditure coding is properly revised prior to recording.
- Ensure expenditures are made from the related budgets and project funds
- Ensure all expenditures are included in the year-end reports

6.9 Payroll Management and Labor Expenses

The purpose of payroll procedures is to ensure that:

- Employees are paid in accordance with letters of appointment.
- Payments to employees are properly accounted for.
- Statutory and voluntary deductions are properly accounted for and remitted to the appropriate authorities.
- Salary advances are properly accounted for and recovered from salaries.

6.9.1 Payroll Accounting

The process of preparation, payment and recording of payroll is called Payroll Accounting. The Payroll Register (*Annex 23*) is prepared once every month with standing and one time payroll

transactions. VAHA should keep an accurate times sheet (*Annex 22*) showing the time each employee has worked during the pay period.

In preparing the monthly payroll, the following procedures should be applied for each employee:

- Basic pay should be entered.
- Entry should be made for any allowances.
- Salary-related employee deductions (such as provident fund) should be calculated from published tables and other records, and the employee's contribution entered in the relevant column on the payroll.
- Any repayment of advances should be entered.
- The total of all deductions should be calculated and entered and this amount deducted from the gross pay to give the net amount payable to the employee.

The payroll data should be regularly checked and compared against personal employment records maintained by the Human Resource Office. The personal employment record is prepared for each employee based on the following sources:

- Engagement letters
- Discharges
- Promotion notifications
- Notification of changes in basic pay
- Leave entitlement
- Disciplinary actions

The first requirement of an adequate payroll record system is an accurate record of the time each employee has worked. There are several methods of keeping time records. Some of the most frequently used are time cards and time sheets. VAHA follows the Time Sheet (*Annex 22*)

6.9.2 Recording

- **To record salary expense, taxes and deductions**
- Dr Gross Salary
- Cr. Income tax

XX
XX

- Cr. Other deductions XX
- Cr. Net salary payable XX

When cash is withdrawn from bank on account of salary

- Dr. Payroll Fund XX
- Cr. Bank XX

When cash is paid to the employees

- Dr. Net salary payable XX
- Cr. Payroll fund XX

When salary is paid direct in check

- Dr. Gross Salary XX
- Cr. Income tax XX
- Cr. Other deductions XX
- Cr. Bank XX
- XX

6.9.3 Terminated employees

Terminated employees shall not wait for the payroll. They shall be stricken off the payroll from effective date of termination and their final payments are effected within seven working days from the date of presentation of fully signed clearance paper.

6.9.4 Part-time employees

- The Executive Director should be responsible for hiring part-time employees. Hiring part-time employees should depend on the program for the year and there should be a budget for the service

- The Finance Officer should maintain a register of all the part-time employees together with the number of hours worked each period.
- Claim forms should be completed by the part-time employees and submitted to the Program Officer who checks and approves them.

6.9.5 Reports

- Payroll Reconciliation
- Updated master list

6.9.6 Internal Controls

- Ensure that the payroll preparation, time keeping and payment functions are segregated.
- Ensure the submission by each unit to accounts all relevant payroll data before preparation of the payroll every month.
- Ensure that information like pay rate, allowance and service charge, if any, are made available to the accounting unit at the time of employment.
- Ensure that all deductions from the salaries of an employee are statutory or the employee is consulted in writing before any deduction.
- Ensure that payroll is checked and approved by the Administration and Finance Officer or by their duly authorized representatives.
- Ensure that payment of salaries and wages are made to employees or to the legal representatives.
- Ensure that unclaimed pays not paid out within one week from the effective payday must be deposited with the Bank is not used as petty cash.
- Ensure payroll reconciliation with the previous month is inquired on irregularities.
- Ensure that payroll information is kept secret.

7 BUDGETING

7.1 *Definition*

Budget is the plan of an organization expressed in monetary form for a fixed period of time. It is the process of allocating limited resources to unlimited demands. In other words, budget is the detailed quantified plan of an organization to attain its goals. By serving as a basis for comparing actual and expected results, budgets help to measure performance towards achieving organizational goals.

The budget year of VAHA is from January to December. However, for certain Projects, VAHA may adopt other fiscal dates in line with the interest of the donors who sponsor these projects.

7.2 *Preparation of Budgets*

- Project officers and other functional heads are responsible for preparing the annual program of work, and the financial officer is responsible for preparing the budgeted revenue and expenditure statement.
- The income budget is prepared using the most up-to-date information including contribution, grants and donation, internally generated income, sales of assets, etc.
- All costs should ultimately be charged to projects/programs. Those budget centers which are not project specific should be allocated or apportioned to project centers before finalizing the budget.
- When current costs of expenditures are used in preparing budgets, attention should be given to inflation and currency fluctuations.
- Proposal for new program/project, major fluctuation in price, and changes to existing projects may necessitate a budget revision.

7.3 *Budget Time Table*

Sound financial planning requires that preparations of the budget be started before the beginning of the period to which it applies. To ensure adequate time, a budget timetable listing each step in the budgetary procedure and the time allowed for its completion is present.

7.4 *Budgetary Discipline*

- The approved budget shall constitute the authorization to incur expenditure up to the monetary limit of the budget.

- The approved budget should be circulated to the heads of programs and/or cost centers that are responsible for the preparation and implementation of the budget.
- No cost should be incurred unless approved in the budget.
- Interim review of budget executions should be made to prevent over-and-under expenditures for prior management action.

7.5 Donor Requirement

The budgetary control procedures should satisfy the requirements of the donors and/or founding members. VAHA should report deviations from budget and program plans, and request prior approvals for budget and program plan revisions. Approvals are usually required by donors for each of the following reasons:

- Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval).
- Change in key management personnel specified in the application or grant agreement.
- The approved Project Director increases or reduces his or her time devoted to the project by more than 25% or is absent from the day-to-day operations of the project for more than three months in one year.
- The need for additional donor funds.
- The transfer of amounts budgeted for indirect costs to absorb increases in direct costs or vice versa.
- The inclusion of costs prohibited by the grant agreement. Such costs may include, but are not limited to advertising, bad debts, contingencies, entertainment, fines, penalties, interest, fund-raising, investment management costs, lobbying, losses on other awards and first-class airfare.
- If funds are transferred between budget lines and the cumulative transfers are expected to exceed 10% of the total budget.
- When fund-raising from multiple donors, VAHA should notify specific donors in writing when the amount of donor funds is expected to exceed VAHA's needs by more than pre-agreed amount or 5% of the grant, whichever is higher. This process ensures that funds from more than one donor are not applied for the same project or expense.
- VAHA should not spend the funds until guidance is given by the donor on how to utilize the excess funds.

8 FINANCIAL REPORTING

8.1 Definition and Description

Financial statements include balance sheet, revenue & expenditure statement, and cash flow statement, and are prepared according to IPSASs to meet the overall objective of external users needs. Most importantly, VAHA is required to submit **Fiscal Year Progress Report** to donors with consolidated programmatic and financial information at the end of their fiscal year. The Specific objectives of financial statements are as follows:

- Serve as information source to management and other authorities for planning and economic decisions.
- Provide donors/users with information for predicting, comparing and evaluating operational performance.
- Provide information for evaluating management's ability to utilize resources effectively in achieving primary goals.

8.2 Types of Reports

Balance Sheet

Balance sheet is a statement showing the financial position of an organization as at a specific date. Only major accounts are to be shown on the balance sheet. Sub-groups for major accounts should be supported with details in the notes to financial statements.

Statement of Revenue and Expenditures

The statement of revenue and expenditures shows the results of operation of the organization. The statement should show the different program expenditures separately with sub-total, to which is added the administrative expenses as separate line items. The details of revenues, each project expenditure and administrative expenses should be shown in the notes to the accounts.

Statement of Cash Flows

The statement of cash flows shows the changes in cash over a specified range of time. The cash flow is the same as income from operations plus depreciation, depletion, and any other expenses that had no effect on working capital during the accounting period.

Notes to the Financial Statements

The Notes to the Financial Statement should contain explanatory information relating to the financial statement. They should specify the basis of accounting used (cash or accrual) in the financial report, together with disclosure of any deviations from accounting standards agreed for use in preparing the program/project accounts.

The notes should include sufficient information about the international funding agreement(s) supporting the program/project. This should include the total assistance agreed to be provided under the agreement, any restrictions on the components or aspects of the project that may be funded from the agreement, the terms of the financing (grant or loan with interest and the rate, amortization period, etc.) and may indicate whether all loan covenants have been complied with.

Contingent liabilities as a result of contracts entered into and which are still being implemented should be disclosed.

Unaudited Interim Financial Reports

Reporting for projects usually involves frequent and detailed reporting, including the use of unaudited interim financial reports. Unaudited interim financial reports should consist of Balance Sheet, Statement of Revenue and Expenditure, and Cash Flow Statement, together with its accompanying Notes to the Financial Statement prepared for an agreed reporting period. The interim reporting period should be based on the information and decision-making needs of the users of the financial report. In normal cases, the reporting should be made on a quarterly basis. The submission date for unaudited financial reports should normally be 45 days after the closure of the reporting period.

8.3 *Comparability*

The financial statement should be on a comparative basis: for example, the current reporting period compared with the current reporting period budget (if applicable). Normally the report shall also cover the current year compared with the current year budget; and cumulative from inception of the project compared with the total project budget (except where the report is prepared for the life of the project).

The financial reports should be prepared in a structure and detail that is consistent across time to allow comparability.

8.4 Schedule of Reports

Date of Producing Draft Report

Draft reports which should include the Balance Sheet, Revenue and Expenditure Statement, Cash Flow Statement, Notes to Financial Statements and other necessary schedules should be produced within one month of the closing date and immediately delivered to management for review.

Delivery of Financial Reports to External Auditors

Final version the financial statements mentioned above should be delivered to external auditors within fifteen days after delivery to the management.

Expected Date for Receiving External Audit Report

The audit report should be expected within 3 months after the end of the accounting period.

8.5 Donor Requirements

- The Finance Officer should always refer to the grant agreements to ensure that the reporting and auditing requirements of each specific donor are complied with.
- If VAHA is required to prepare performance report by donors, it should contain, for each award:
 - A comparison of actual accomplishments with the goals and objectives established for the period.
 - Reasons why established goals were not met.
 - Other pertinent information including when, appropriate, analysis and explanation of cost overruns or high unit costs.
 - Lessons learnt during the reporting period.
- Financial reporting for a program/project should be prepared on a consolidated basis reporting all sources of funding in one financial report, with sufficient segregation of data to permit identification of individual sources of funds and disbursements on major project activities or types of expenditure, as defined in program/project documents, as well as any balance(s) of funds on hand. A common financial report should cover the needs of all funding agencies.
- Where imprest/special bank accounts have been opened specifically for the project to facilitate disbursement of external assistance, the opening and closing balances of such bank account(s) should be disclosed. Any foreign exchange gains or losses actually incurred as a result of maintaining the bank account(s) in a foreign currency should be disclosed.
- The VAHA should immediately notify donors of developments that have a significant impact on the award-supported activities. Notification should be given in the case of

problems, delays, or adverse conditions which materially impair the ability to meet the objectives of the award. This notification should include a statement of the action taken or contemplated, to resolve the situation immediately.

8.6 Accounting and Reporting for Sub-recipients (Sub-grantees)

When VAHA transfers all or part of a grant to **sub-recipients (SR)**, it must have its own appropriate systems in place to assess and monitor sub-recipient implementation and use of grant proceeds, including reporting and audit requirements similar to those of the funding agency.

Services provided by sub-recipients must be supported by a properly executed contractual agreement. Disbursements must be supported by itemized invoices and made in accordance with the terms of the agreement. The SR must also maintain records sufficient to detail the significant history of the procurement.

9 ORGANIZATION OF FINANCE UNIT

9.1 *Duties and Responsibilities of the Finance/Grant Unit*

- Develop and establish sound accounting policies and procedures.
- Provide functional directions to all other units of the organization in financial matters and ensure that proper procedures are being followed.
- Maintain records of all accounting transactions and all financial and programmatic records in accordance with the rules of common law.
- Review the financial aspect of VAHA's plans and policies and advise management on all financial matters.
- Establish a system of financial reporting to donors and management; prepare financial statements of the organization.
- Establish a system of budgetary control over expenditures; coordinate all the budget setting and advice management of the significance of variances revealed by budgetary control.
- Control all expenditures so that they are within the authorized budgets and determine the reasons for any variances from the budget.
- Ensure that VAHA maintains an adequate cash flow to meet its financial obligations.
- Develop payment procedures for salaries of all personnel and ensure correct computation and payment.
- Ensure that adequate procedures exist and are adhered to for authorization of purchase and for payment.
- Handle all relevant taxation.
- Review and follow up reports from external auditors.
- Provide consistent training for all personnel within the unit and other refresher courses.
- Evaluate the performance of the staff of the Finance Unit.
- Perform any other duties that will be of use to VAHA.

10 COMPUTER INFORMATION SYSTEM

VAHA will use a fully computerized accounting system composed of the latest software and hardware. Since it is commonly used, versatile and scalable, the up-to-date version of software chosen by management should be used to accumulate, process, and report information accurately and in a cost-effective manner.

Account ID (identification number) segmentation is a powerful tool that allows segmenting charts of accounts, with segment selection features in reporting to filter reports based on selection of particular segments of the account ID. Using this feature, you can quickly and easily produce and print reports and financial statements by project, donor, branch and so on. The software to be purchased has to have this feature.

The following general principles are needed to implement effective computer information system:

- The software should be configured to report by cost code or budget line in order to make the reports comparable to approved budgets.
- The software should be designed to generate meaningful reports such as reports to donors, annual financial statements and any other report relevant for the organization's operations, with minimum human intervention.
- The organization should have adequate disaster recovery plans for its computerized information.
- Backups of information should be carried out on a daily basis. Weekly backup copies should be stored off site/on cloud to ensure their safety in the event that files at the processing location are destroyed.
- Anti-virus software should be loaded and updated frequently.
- All systems should be password protected to restrict unauthorized access and to ensure the integrity of information processed and passwords should be changed on a periodic basis.
- Personnel should be given the required training to properly use the systems and derive maximum benefits from it

11 Chart of Accounts

The chart of accounts provides the framework for gathering the information necessary for management to make effective decisions and for the preparation of the financial statements in accordance with generally accepted accounting principles.

A properly designed chart of accounts can also facilitate the preparation of financial reports sent to grantor agencies for claiming reimbursement of expenses, reporting program results, etc. A chart of accounts which accurately and comprehensively describes the types of transactions which should be in particular accounts can help prevent misclassification of transactions.

The chart of accounts for a particular organization is affected by organizational structure, budgeting practices, the accounting system, and types of reports to be generated. The level of detail in the chart of accounts will depend on the characteristics of the agency and the type of financial assistance programs administered by the agency.

Generally, the chart of accounts should classify revenues by fund and source and classify expenditures by fund, function (or program), organizational unit, and activity (specific type of expenditure). Taking the reporting requirements of VAHA and the features of potential software, the chart of accounts will the following account numbering (coding) scheme:

Value Health Africa/VAHA
CHART OF ACCOUNTS

Description	Account ID	Project ID	Donor ID	Sub-Recipient ID
<i>Balance Sheet Accounts</i>				
Assets	1000	0000	00	00
Liabilities	2000	0000	00	00
Fund Balance	3000	0000	00	00
<i>Income Statement Accounts</i>				
Revenue	4000	0000	00	00
Program Expenditures	5000	0000	00	00
Support Service Expenses	6000	0000	00	00

Key for Donor and Project Identity Numbers

Donor ID	Donor Name	Project ID	Project Name
00	Non-Donor Accounts	00	xxx
01	Donor 1	01	xxxxxxx
02	Donor 2	02	xxxxxxxx
03	Donor 3	03	xxxxxxxx
04	Donor 4	04	xxxxxxxxxxx

12 Annexes

Annex 1

Value Health Africa
(VAHA)
CASH/CHEQUE RECEIPT VOUCHER

No: _____

Date: _____

Received From _____

The sum of CFA (in words) _____

in figure

Purpose _____

Cash/Check No. _____

Received by

Name

signature

For Accounts Use only

Entry coding		
	Account	Amount

Account Code	Name	Debit		Credit	

Distribution Original - Payer
 2nd copy - Pad

1st copy - Accounts

Value Health Africa/VAHA/

BANK REGISTER

PAGE No. _____

				DEPOSITS				CHEQUE PAYMENTS	BANK BALANCE	REMARKS
DATE	PARTICULARS	REF.	CHEQUE No	CASH AMOUNT		CHEQUE AMOUNT				

Value Health Africa/VAHA/

DAILY CASH COLLECTION REGISTER AND DEPOSIT REPORT

No. _____

Date _____

Cashier _____

Account Code No. _____

					Debit		Credit					
Voucher No.	Check No.	Payer	A/C No.	Post Ref.	Amount		Cash		Trade Debtors	Staff debtors	A/C Code for Other	Others Amount

BANK DEPOSITS

1. Cash C/FD from _____ = _____

2. Add today collection _____ = _____

3. Less Bank Deposit slip (Cash) _____ = _____

 " " " " (Check) _____ = _____

4. Cash on Hand _____ = _____

Value Health Africa/VAHA/

JOURNAL VOUCHER

No: _____

Date: _____

Account Code	Account Name	Debit		Credit	
Total					

Signature

Name

Prepared by: _____

Checked by: _____

Approved by: _____

The Value Health Africa/VAHA/

LEDGER ACCOUNT CARD

Period _____

Account Name _____

Account No

Date		Explanation	P/R	Debit		Credit		
								De

The Value Health Africa (VAHA)
PETTY CASH PAYMENT VOUCHER

No. _____

Date _____

Pay to _____

Amount in word _____

--	--

_____ In figure

Purpose _____

Documents attached _____

Received by:	Name	signature
_____	_____	_____

Signature	Name
------------------	-------------

Prepared by: _____

Checked by: _____

Approved by: _____

Value Health Africa/VAHA/

PETTY CASH REPORT AND REIMBURSEMENT REQUEST

Date _____

Date	Particulars	No. of Doc	P.C.P.V No	Amount
	BBF			

Name

Signature

Reported by (Cashier)

Document received Checked by (Accountant)

Approved by

Reimbursement recommended for CFA _____

(Explain difference if any) _____

Value Health Africa/VAHA/

PAYMENT ADVICE/REQUEST

Date _____

Pay to: _____

Address _____

Amount (in words) _____

--	--

_____ In figure

Source of Fund: _____

Reasons for Payment: _____

No	Descriptions as in the Project Agreement	Quantity	Unit Cost	Total Cost

Name

Signature

Requested by: _____

Verified by: _____

Authorized by: _____

Value Health Africa
(VAHA)
CHECK PAYMENT VOUCHER

No . _____
 Date _____

Pay to: _____

Reason for Payment _____

I, the undersigned have received check No. _____ For the amount of
 CFA _____ / _____ today.

Date	Receivers Name	Signature
Prepared by _____		
Name		Signature
Checked by _____		
Name		Signature
Approved by _____		
Name		Signature

For Accounts Use Only

Account Distribution			
Account Code	Account Name	Amount	
		Debit	Credit

**Value Health Africa/VAHA
PAYMENT VOUCHER REGISTER**

PAGE NO _____

DATE	PAID TO Particulars	CPV NO	CHEQ UE NO	CASH 1100		A/C 1300		A/C 1400		A/C 1700		A/C 1800		A/C 2000		A/C 3000		A/C 4000		A/C 5000		
				D R	CR																	

Recorded by: _____

Value Health Africa/VAHA
BANK RECONCILIATION STATEMENT

A/C No _____

Month _____/Date ____/Year _____

Bank _____ Branch _____

Balance per bank statement as of -----

Add: Deposit in transit

Date	Amount
------	--------

Less: Outstanding checks

Date	Amount
------	--------

Reconciled Balance

Balance as per ledger as of -----

Add: Deposits not recorded in ledger

Date	Amount
------	--------

Less: Deductions by Bank

Date	Amount
------	--------

Reconciled Balance

Prepared by _____`

Checked by _____

Value Health Africa/VAHA

TRAVEL ADVANCE AND TRAVEL EXPENSE REPORT

Name _____ Division _____

Position Title _____ Means of Travel _____

Monthly Salary CFA _____ Expected Expenditures Advance CFA _____

Travel To _____ Personal Travel
Advance CFA _____

Date Travel Began _____ Total Advance CFA _____

Purpose of Travel _____ Date Travel Ended _____

Date	Place of Travel		Departure		Arrival		Time Spent		Daily allowance	Amount in CFA
	From	To	Date	Hour	Date	Hour	Date	Hour		

Total Per Person _____

Transportation _____

Other Expenses _____

Total

Amount due to Organization/Employee _____

Signature of Traveling Person _____

Travailing Person's Supervisor _____

**Value Health Africa/VAHA
PURCHASE REQUISITION**

No. _____

Date _____

To Procurement & logistic officer _____

From _____

Budget Ref. _____ Account Code _____

Sr. No	Stock No.	Part No	Description	Unit of Measure	Quantity	Action taken

Full Name

Signature

Date

Requested by _____

Authorized by _____

Purchasing officer _____

Distribution: original to procurement & logistic officer Second copy to accounts Third
copy pad

**Value Health Africa/VAHA
OFFER EVALUATION SHEET**

P.R.NO	Item	Quantity	Description	M/S Supplier No. 1		M/S Supplier No. 2	
				Unite Price	Total Price	Unite Price	Total Price
Purchase Committee Decision			Total				
Selection %			Discount				
1. _____							
Taxes _____%							
2. _____			T				
2 %							
3. _____			Net Total				
Signed by Committee Members			Delivery				
Date							
1. _____							
Delivery place							
2. _____							
Terms of Payment							
3. _____							
Tender Expire date							

Value Health Africa/VAHA

PURCHASE/JOB ORDER

P. O. No. _____

Date _____

To _____ P. O.
 Box _____ Tele. _____

Terms of Payment _____

Please supply/Perform the following purchase items/Jobs as per your Performa invoice no. _____

S.No	Unit of Measure	Quantity	Description	Unit Price	Total Price

Sub Total		
Delivery To Store At: _____		
Discount ____%		
Sub Total _____		
Delivery Shall be Effective by _____ / _____ / _____		
T.O.T _____ %		
Purchaser _____	_____	To
Name	Signature	
Procurement/logistic Officer _____	_____	
Name	Signature	

Authorized by _____
 _____ Signature _____

Distribution: original to supplier/client
 pad

Second copy to accounts

Third copy

Value Health Africa/VAHA

REQUISITION FORM

S.R. No _____

Date _____

Requested by: _____
 _____ Org. Unit _____

For Use in _____ Date of delivery _____

Budget Ref. _____ Accounting Code _____

Stock Code	Materials Description	Unit of Measure	Quantity	

Full Name & I.D No.

Signature _____ Date _____

Requested by _____

Verified by _____

Authorized _____

Distribution: Original to store clerk
pad

Second copy to accounts

Third copy to

**Value Health Africa/VAHA
GOOD RECEIVING NOTE**

GRN No. _____

Received at Store _____ from Name _____

Purchase Order No. _____ Date ____ / ____ / ____ Store Code _____ Ref No _____

Stock No.	Description	Unit of Measure	Quantity Received	Cost	Total

Remarks (State defect if any) _____

Signature _____ Date _____ Name _____
 Receiving store keeper _____

Distribution: Original to accounts for payment Second copy to store keeper Third copy retained in the pad /logistic officer

**Value Health Africa/VAHA
STORE ISSUE VOUCHER**

SIV. No. _____

Date _____

Issuing Store Name _____ Code _____

Delivered to _____

Against Requisition No. _____ Dated _____

For _____

Budget Ref. _____ Account Code _____ Job No _____

Stock No	Material Description	Unit of Measure	Quantity Requested	Quantities Issued

Full Name

Signature

Date

Material received by _____

Distribution: Original to accounts for invoicing
& logistic officer

Second copy store clerk

Third pad procurement

Page No. _____

Card No. _____

**Value Health Africa/VAHA
BIN CARD**

Store No. _____ Item

 Usage _____ Part or
 Size _____
 Location _____ Min.
 stock level _____
 Position No _____ Max. stock level _____

Date	GRN No	SIV & ISDV No.	Unit of Measure	Unit Price	Stock Quantity			Initials
					In	Out	Balance	

**Value Health Africa/VAHA
STOCK CARD**

Store No. _____ Item _____

Usage _____ Part or _____
Size _____

Location _____ Min. _____
stock level _____

Position No _____ Max. stock level _____

Date	GRN No	SIV & ISDV No.	Unit of Measure	Unit Price	Stock Quantity			Stock Value	Initials
					In	Out	Balance	Balance	

**Value Health Africa/VAHA
FIXED ASSET REGISTER**

Property Description _____ Group _____ Acquisition Ref.

Tag No. _____ Service life _____ User
 Custodian _____

Location/Place and Dept. _____ Cost or Valuation _____ Address
 _____ or Tel . _____

Plate No. _____ Depreciation Rate _____ Supplier's
 _____ Tel. _____

Engine No _____

	Description					Book va

Remarks _____

Value Health Africa/VAHA

TIME SHEET

No.	Name	Monday		Tuesday		Wednesday	
		1	2	1	2	1	2

Checked by _____

- Note :
1. Morning (8:30 – 12:00)
 2. Afternoon (1:30 – 5:00)

Value Health Africa/VAHA

PAYROLL REGISTER

Month of _____

Employee Name	Basic Salary	Additions	Gross Salary	Income Tax	Deductions	provident fund	Transport allowance	Net pay
Grand Total								

Prepared & checked By: Admin. & Finance head coordinator

Approved by:

Name _____
Name _____

Signature _____
signature _____