



FEDERATION OF WOMEN LAWYERS (FIDA) - KENYA

FINANCE POLICIES AND PROCEDURES MANUAL

Revised November 2016

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1. INTRODUCTION

1.1 Organizational set up and legal Status

The Federation of Women Lawyers – Kenya (FIDA Kenya) was established in 1985 after the 3rd UN Conference on Women which was held in Nairobi. Until 1993, FIDA Kenya was affiliated to Federation International De Abogadas (The International Federation of Women Lawyers – FIDA) which was formed in 1944 in Mexico by a group of women lawyers with the aim of promoting women’s rights globally.

FIDA Kenya is a non- profit, non-partisan membership organization committed to the creation of a society that is free from all forms of discrimination against women. This is done through:

1. Provision of legal aid to indigent women,
2. Engagement on legal,
3. Policy and legislative reform,
4. Treaty monitoring and research,
5. Women’s rights monitoring,
6. Advocacy, education and referral among other programmatic interventions.

As the oldest women’s rights organization in Eastern Africa, FIDA Kenya has carved a niche for itself as a fearless defender of women’s human rights at the national, regional and international platform.

Our Strategic Niche

Towards achieving its mandate, FIDA Kenya continually seeks to establish and maintain strategic partnerships with several like-minded partners including the Kenyan Government through its ministries and agencies, civil society partners, development partners, institutions of higher learning, among others.

FIDA Kenya currently enjoys observer and Consultative status with the UN Economic and social Council and the African Commission on People and Human Rights. It regularly presents shadow reports and sends a delegation to the CEDAW committee, Human Rights Committee and CSW on the status of women in Kenya.

This manual has been prepared in accordance with best practice and establishes policies that will be followed by FIDA Kenya and will be reviewed and updated regularly to bring it to date with current developments in the operating environment and International accounting and reporting standards. Compliance with the operational policies is the responsibility of everyone in the organization.

1.2 Purpose and objective of the Manual

The objective of the financial policies and procedures manual is to provide the guidelines on the standards for financial management in order to ensure the organization's effectiveness, operational efficiency and clarity as well as safeguard organization's assets. The policy aims to give clear and concise guidance on handling of financial operations.

This manual demonstrates FIDA Kenya's commitment to financial integrity thereby providing important evidence of our transparency and accountability to all stakeholders. Finance function across the organization is charged with establishing and communicating the policies and Procedures contained in this manual.

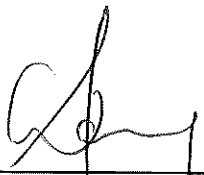
1.3 Implementation of the Manual

The manual is intended to be a handbook for easy reference, and interpretation of financial policies and procedures. It will be of use to FIDA Kenya Executive Council, senior management, Department Heads, Finance and Accounting Staff and all the staff who undertake operations involving a financial aspect.

Although this manual mainly covers Financial and accounting procedures, it shall be read and implemented in conjunction with other FIDA Kenya operational policies and procedures. In carrying out their duties, all senior management, budget holders and senior officers are responsible for considering the financial implications of their actions – for managing the resources entrusted to them in a cost-effective way. They are therefore responsible for understanding and complying with all aspects of this manual including relevant legislation, policies and guidelines.

It is the responsibility of the Finance department with involvement of all staff to ensure enforcement of the outlined procedures and guidelines.

Any Policy changes will be fully consulted on and communicated to all staff through normal communication channels. This Policy will also be updated as necessary. This Finance Manual was approved by the Council members on 30th November 2016.



Josephine Wambua
FIDA Chairperson



Nancy Kang'ethe
Treasurer

2 BASIC POLICIES AND PROVISIONS

2.1 Accounting Policies

The Accounting System of FIDA Kenya will be based on double entry bookkeeping principle and shall conform to International Financial Reporting Standards and International Accounting Standards.

Kenya Shilling is the base and reporting currency for all local financial reports. However, the transactions incurred in other currencies such as US Dollar (USD) should be recorded in the original currencies and translated into Kenya Shillings based on the accounting exchange rates for reporting purposes.

Consistency principle - this principle regulates that all the accounting methods, books and reports should remain unchanged until this manual is revised or communicated through memo and notice.

Historical Cost – all transactions shall be recorded at the cost price.

Full disclosure principle – all transactions must be recorded in the books and be disclosed in all financial reports.

FIDA Kenya's budgeting and Fiscal period commences on 1st January and ends on 31st December of every calendar year. However, for donor funded projects, accounting periods may differ from the calendar year as stipulated in the signed grant agreements.

2.2 Processing of Transactions

All financial transactions shall be documented and recorded in books of accounts to facilitate comprehensive financial reporting, easy referencing and clear audit trail. This is achieved through the use for proper source documents, books of original entry and books of final entry. Postings to Quickbooks shall be done regularly. There shall be segregation of duties at all levels of the transaction processing cycle.

2.3 Exchange Rates

Transactions in foreign currency during the year are converted into Kenya Shillings at rates of exchange ruling on the dates of the transactions. Assets and liabilities at balance sheet date denominated in foreign currency are translated into Kenya Shillings at the exchange rates ruling at that date as published by Central Bank of Kenya.

2.4 Internal Control System

Internal Control system has been put in place by management designed to provide reasonable assurance regarding the achievement of the FIDA Kenya's strategic objectives through:

- a) Effectiveness and efficiency of operations;
- b) Reliability of financial reporting; and
- c) Compliance with laws and regulations.

Duties and responsibilities at finance function shall be organized in a manner that facilitates internal control activities that occur within the internal control system. These include but not limited to authorization and approval protocols, documentation, reconciliation, security measures and safeguards, clear separation and segregation of duties thereby ensuring completeness, accuracy and validity of transactions.

As much as possible, segregation of duties shall be maintained so that staff with control over assets do not have control over records pertaining to the same assets. As far as possible, the accounting system will provide for the work of one person to be independently checked by another person. There shall be various access rights and levels within the accounting system for different finance personnel to ensure an effective internal checks and balances.

The Finance Manager is responsible for the development of internal control systems and procedures in all FIDA Kenya field offices.

2.5 Responsibility over the Finance Function

The Executive Director - ED is responsible for overall finance function of FIDA Kenya. Functionally, the ED delegates this responsibility to the Finance Manager for the development and enforcement of internal control systems and procedures in all areas of FIDA Kenya operations. The key aspects of these responsibilities will be formulated into job descriptions to provide finance personnel with a comprehensive specification of their individual responsibilities and duties.

2.6 Accounting and Financial System

Quickbooks is installed by FIDA Kenya for effective accounting and financial management. The accounting system is made up of Chart of Accounts which lists the General Ledger accounts with multi-dimensional analysis capacity and report generation.

2.7 Accruals

At the end of every financial year, utilities and office costs (electricity, telephone, water and office rent), contractual activities done but not paid, unpaid salaries, outstanding fees for consultants etc, expenses shall be recognized and a provision for liability shall be established. Detailed schedules showing the makeup of the balances shall be prepared and relevant journals passed.

Accruals will be separated from payables. Accruals will comprise estimates for regular payments for utilities like electricity, telephone, water and office rent. Other expenditures to be recorded before payments are made will be classified as payables and these will be done only when the either the goods have been delivered and invoiced or services consumed and invoiced.

2.8 Consistency with Kenyan Laws and regulations and Accounting and Reporting Standards

The policy provisions and procedures guidelines shall be consistent with International Accounting Standards, International Financial Reporting Standards and Kenyan laws and regulatory requirements. Where there are conflicts or inconsistencies, the laws of Kenya take precedence.

2.9 Internal Audit Function

FIDA Kenya shall establish the function of internal audit which will be responsible for ensuring risks to the organization are well managed and that the organization adheres to its internal policies, systems and procedures, all applicable statutory obligations and International Financial and other Reporting Standards, including the not-for-profit regulatory framework. The internal audit function will also ensure that the organization complies with all contractual terms and conditions as outlined in its agreements with donors or any other relevant parties as well as guarantee adherence by FIDA Kenya staff to the terms of agreements signed between the organization and its stakeholders. The function shall report directly to the Executive Council.

3 AUTHORIZATION

3.1 Principles

Authorization refers to the signing of a document. The signature verifies that the signatory has read and reviewed the document, agreed to its content and approved the payment. E-mail approval is acceptable as valid authorization and needs to be printed and attached to the relevant document before filing.

Authorization policies are designed in such a way that appropriate and designated senior managers of the organization have the authority, responsibility and accountability for approving transactions carried out under the name of FIDA Kenya. Employees cannot authorize their own payments or claims.

3.2 Expenditure Approval

It is the policy of FIDA Kenya that no transaction that has not been properly approved will be processed by Finance department. Regardless of the circumstances, all transactions recorded by finance must have proper supporting documentation proving that legitimate financial transaction has taken place. Only original third party source documents (delivery notes, invoices, receipts, etc.) shall be accepted for payments.

Approval is tied with the budget. Requests for expenditure can only be approved if there is a budget for the same. Only budget holders can authorize expenditures depending of the authorization limits.

3.3 Authorization Limits

Authorization limits for expenditure will be same as cheque signing limits. It is the responsibility of FIDA Kenya Executive Council to authorize all payments. The Executive Council, shall delegate authorization of expenditure subject to Ksh. 100,000 limit to The ED to facilitate operational efficiency. Any expenditure above Ksh. 100,000 shall be authorized by the Executive Council. The expenditure of the ED MUST be authorized the Executive Council.

For the delegated authority, appropriate Indemnity insurance shall be undertaken by management to mitigate against any professional liability. This shall be supplementary liability coverage specific to potential exposure subject to the delegated authority limit.

4 CASH AND BANK OPERATIONS

4.1 General

It is more secure and convenient to conduct financial transactions through the banks. Strong internal controls are designed to safeguard cash as the most liquid assets. It is important that maximum precaution is taken in managing its movement and physical custody in a secure and safe place. All payments should be made by cheque or bank transfers except for petty cash payments and emergency imprest float.

Cash consists of cash in hand (coins, bank notes, cash in transit), cheques drawn to and from third parties and bank balances in all bank accounts opened in the name of FIDA Kenya.

4.2 Petty Cash Payments

FIDA Kenya shall maintain petty cash float in order to facilitate recurrent and routine transactions of small monetary values for which payment by cheque is not feasible and/or practical. Petty cash maximum float shall be set at Ksh. 50,000 for head office and Ksh. 20,000 for all branch office. Single petty cash payment limit shall be set at Ksh. 3,500 for head office and Ksh. 1,500 for branch office. Petty cash float shall be replenished when it falls below 80% of the set maximum float. The Emergency imprest float shall be set at Ksh. 10,000 at head office.

Petty cash shall be operated on a reimbursement basis with cheques for replenishment being drawn on the basis of the actual amounts of petty cash expended as evidenced by petty cash vouchers.

The petty cash Custodian shall be assigned to handle and manage the cash. Petty cash fund shall be kept in a lockable cash box and stored in a safe at all times.

4.2.1 Petty Cash Payment Vouchers

Payments from petty cash shall be done using pre-printed in self - carbonated duplicate, pre-numbered petty cash vouchers (PCVs) fully authorized with adequate supporting documentation. The voucher shall state the payee and signed by the recipient as evidence of having received the cash. A valid PCV should bear the signature of the originator, authorizing officer and the recipient. A recipient of petty cash cannot authorize his/her own payment.

Immediately after effecting payment, the petty cash custodian shall sign the voucher and stamp all the documents attached to the PCV with "PAID" stamp and cross-reference them with the voucher number.

4.2.2 Petty Cash Replenishment

When the petty cash expenditure equals 80% of the set maximum petty cash fund, the petty cash custodian initiates replenishment by raising payment voucher and a cheque to replenish the petty cash. The Finance manager will review and approve the voucher and the attached supporting petty cash expenses. The cheque is then submitted to the signatories as per set signing mandate and limits then bank Agent withdraws the cash and hands it over to the petty cash custodian.

Accounting entries;

On replenishment of petty cash

Dr Petty cash account

Cr. Relevant bank account

On recognizing petty cash expenses in the accounting system

Dr. the relevant expense accounts

Cr. Petty cash account

On a daily basis petty cash will be maintained in an excel spreadsheet that tracks the petty cash balance, records all the petty cash expenses and petty cash replenishment.

4.2.3 Recording and Documentation of Petty cash

All petty cash records shall be kept up-to-date at all times. The petty cash Custodian shall daily record all PCVs disbursed on petty cash excel spreadsheet and determine the cash balance left.

The petty cash payment vouchers with their supporting documents shall be filed in a separate file in the order of the PCVs and a print out of the excel spreadsheet summary of all payments filed at the top for easy reference per month. Any void or cancelled PCVs shall be retained in the PCV booklet clearly marked *Void* or *Cancelled*.

4.2.4 Cash Count and Reconciliation

Routine weekly cash count shall be performed by the immediate supervisor. Petty cash count form will be used to record the cash count. The form shall include date, name of the person ; details of the cash counted. The cash shall be checked against the balance recorded in the petty cash spreadsheet. The cash count shall be done in the presence of the petty cash custodian, signed and filed immediately. If there is any discrepancy, it shall be documented, investigated and resolved immediately and appropriate action taken.

The petty cash count form is signed by both the Cash Custodian and the immediate supervisor the cash. The form is filed in a separate petty cash count file.

Surprise petty cash counts shall be performed in addition to the weekly routine petty cash count by the Finance Manager. This shall be documented in the same manner as routine count.

4.3 Cash Advance Payments for Office Expenses

In special circumstances, where the office related expenses exceed the set limits for petty cash payment, the following procedures shall apply:

- A cheque request detailing the purpose of the funds will be prepared and relevant approval sought. Then cash is withdrawn and the requisitioner is notified by the petty cash custodian as soon as the cash is available.
- The amount shall be advanced to the requisitioner who will sign for it.
- The requisitioner will liquidate immediately after carrying out the intended activity and bank back any balances into the FIDA Kenya bank account.

In the case where cash is advanced to purchase items, cash advance request forms shall be completed and approved by the relevant officers before the cash is advanced. Upon completion of the purchase of goods or services, the recipient will submit the receipts and bank back any balances into the FIDA Kenya bank account within 48 working hours. In case of failure, the cash advanced shall be recovered from the recipient's salary through the payroll. Cash advance is treated as an advance to the relevant staff and booked in their personal advance account until accounted for then cleared from their advance account and relevant expense account charged.

Accounting entries;

On issuance of cash advance
Dr. Individual advance account
Cr. Relevant bank account

On liquidation/Accounting for the advance
Dr. Relevant expense account (with actual expense amount)
Dr. Relevant bank account (with advance balance banked back)
Cr. Individual advance account

4.4 Emergency Imprest Fund

A special fund shall be maintained to cater for emergency program interventions. This fund shall not exceed Ksh. 10,000 and shall be maintained on an imprest system with replenishment at 80% of expenditure.

The fund shall be operated in the same manner as petty cash for purposes of requisition, issuance, accounting and documentation. The custodian shall be the same as petty cash custodian.

4.5 Cash Receipts

There should be no receipts into petty cash other than through replenishment. All miscellaneous receipts arising from e.g. sale of FIDA Kenya merchandise must be promptly banked intact.

All collections by the Cash Custodian shall be against issuance of official FIDA Kenya cash receipt voucher prepared and signed by him/her in triplicate. All collections made by the Accountant at branch must be deposited intact to FIDA Kenya bank account within 48 working hours. An Official receipt should be issued to evidence such cash collections.

As much as possible, all cash receipts should be banked intact latest within 48 working hours. Materiality of the amount involved should be taken into account in determining the frequency with which banking is done. In all circumstances, this should not exceed 5 working days. All cash must be banked before a weekend or a holiday.

On banking the Cash Receipt and the pay in slip should be batched and journalized then updated in the accounting system. The original copy of the receipt should be given to the payer, duplicate copy to be attached to supporting documents and triplicate copy should remain in the receipt book. Staff members other than authorized Cash Custodian are not allowed to collect cash on behalf of FIDA Kenya.

4.6 Year End Petty Cash Procedure

A cash count will be conducted on the last working day of the year a cash count certificate issued by the FM and filed in the petty cash count file

5 OPERATION OF BANK ACCOUNT

5.1 Opening of Bank Accounts and signatories

All payments should be made by cheque or bank transfer – Electronic banking (on line payments) wherever possible except for cash payments as provided for under 4 above.

Authority for the opening or closing of bank accounts in the name of FIDA Kenya, appointments to or removals of signatories from those bank accounts and as signing limits of authority of the signatories shall be vested on the Executive Council.

All bank accounts opened in the name of FIDA Kenya will be operated by at least two signatories.

At management level, the Executive Council shall delegate authority to sign cheques with a limit of Ksh. 100,000 subject to approval of the Executive council during the council meeting of payments to be made. The organization shall obtain indemnity cover for the signatories The Executive Director, Deputy Executive Director and two senior management staff members shall be assigned as signatories to the bank accounts. The Executive Director and any other signatory Must sign each cheque. For branch offices, the ED, the DED, senior program officers and branch

officer in-charge, shall be signatories. Any two Must sign each cheque. Finance staff shall not be signatories to bank accounts. All Signatories Must not sign their own payments.

Any cheque above Ksh. 100,000 Must be signed by the Executive Council and Executive Director. Any 2 signatories must sign each cheque. All the signatories will observe prevailing authority levels and the bank(s) will be informed accordingly.

FIDA Kenya will have bank accounts in Nairobi for its head office and at the towns where there are branch offices for operations and program implementation. The number of bank accounts, type and nature of bank account shall be determined by the Executive Council based on the recommendation of management as per the various programs or donor requirements.

Selection of signatories to the bank accounts will be approved in writing by FIDA Kenya Council. The Executive Director will approve the bank agent(s) for all the banks. Under no circumstances should a cheque be signed before full details of the payee and sum payable have been entered in the cheque leaf.

All signed cheques shall be entered in a cheque register and the recipients should sign for their cheques in the register. Any unissued cheques and stocks of cheque books are kept in the safe.

In the event of a signatory or a bank agent leaving the organization, the bank should be immediately notified in writing.

5.2 Cheques

Cheque books shall be retained in a secure location under lock and key in the safe. The Finance manager is primarily responsible to ensure the cheque leaves are accounted for and all cancelled cheques are attached to the respective cheque stubs.

Request for cheque books from bank shall be lodged in good time so that the office would not run out of cheque books before new ones are received. On receipt of ordered cheque books from bank, the number of cheque leaves shall be checked carefully. Such un-used cheque books shall be kept with the cashier or cash custodian in a safe.

Cheque stub of used cheques shall be kept in the safe till the accounts are audited, after that then they will be filed. Cancelled cheques must be voided and kept pinned to the cheque stub and must be included in the accounting system.

5.3 Electronic Payments - Direct bank transfers.

The signatories and the signing mandates including the limits as set for cheque signing shall apply for Electronic payments. The signatories and signing mandates shall be mapped in the electronic platform. The Finance Officers shall initiate all online payments and the Finance Manager will review to ascertain accuracy before the signatories can approve as per mandate.

Upon final approval of the online payment, the Finance Officers will print the confirmation of payment and attach to the payment voucher with the invoices and all other support documents.

5.4 Processing Bank Payments

All cheque and electronic payments must have an initiating document, payment request, which shall be checked and authorized as per set limits before writing a cheque. The payment requests shall be identified with a cost center or project or account identifier corresponding to the budget line item so that the information can be recorded in the accounting system. Relevant analysis transactions shall also be completed.

All payments must be recorded on payment voucher. These vouchers have to be supported by documents, which provide evidence of receipt of goods or services being paid for, as well as evidence that the goods or services were properly procured in line with approved procurement procedures. Before PV is raised, the following shall be checked:

- That the third party invoices are obtained and checked for arithmetic accuracy.
- Such invoices shall match to the price quotation and purchase requisition and the supplier's goods delivery notes.
- For consultancy there will be attached record of the selection process where the consultant is not part of pre-qualified service providers, terms and condition of the agreement and certification by the budget holder that the required output or services have been received to satisfaction and as per the consultancy contract..
- The PVs are appropriately numbered as per the sequence and referenced with cheque numbers or electronic transfer reference numbers, and signed by authorized signatories.
- Training, workshop and seminars daily signed list of participants containing their ID and telephone numbers and a certification by the budget holder that services have been received to satisfaction.
- Hotel payments the check in list duly signed including check out day and time by all the resident participants or guests.
- Any other document that the finance department may require.

All Invoices and all other supporting documents relating to that payment must be stamped **“PAID”** once the cheque has been signed or electronic payment approved to avoid any risk of double payment before filing.

5.5 Cheques Receipts / Remittances from donors

Receipts comprise grants from donors, members' subscriptions, donations by friends of FIDA-Kenya, interest received from bank deposits, Sales of publications and clients registration fees. A confirmation of funds shall be raised for funds received from third parties. This may be in the form of an e-mail confirmation or an acknowledgement memo. Cheques shall be deposited in FIDA Kenya bank account and the deposit slip attached to the voucher.

Direct remittances to FIDA Kenya bank shall be acknowledged upon receipt of credit advice slip from the bank. The credit advice slip will indicate the source, the purpose, the amount, date of transfer and the currency. Finance Manager will acknowledge and issue a confirmation for the remittances received to the specific donor agency.

5.6 Conversion of Foreign Currency to Kenya Shillings

The Finance manager will maintain exchange rates statistics and compare the rate offered by FIDA Kenya bankers with CBK published rates when negotiating currency exchange. The principal guide is maximize value to FIDA Kenya and ensure the rate negotiated is competitive and favorable to FIDA Kenya.

Finance should track exchange rates used for all inflows to facilitate entry in the accounting system.

<http://www.oanda.com/oanda+currency+converter>;
<http://www.reuters.com/reuters+currency+converter>

5.7 Documentation

All properly authorized transaction processing documents with supporting schedules shall be posted in the accounting system. These include payment vouchers, journal vouchers for direct bank charges, bank transfers and cash deposits. As a minimum requirement the following information shall be entered when capturing and posting transactions;

- Date of payment or date of deposit
- Payee or source of receipt
- Cheque No
- Amount
- Precise and meaningful description of transaction
- Account to be debited / credited

The full payment or receipt vouchers with their supporting documents shall be maintained in a file in sequential order. Filing shall be arranged in the order of internal transaction processing document and filed by class of transaction. All payments by bank shall be filed by payment voucher numbers.

A cheque register of all issued cheques shall be maintained. All used cheque counterfoils, payment vouchers and receipt vouchers counterfoils shall be established and a register maintained of the same in a secure place.

5.8 Bank Reconciliation

Bank reconciliation shall be carried out at the end of each month. Bank reconciliations for each account will be prepared by the 10th of every month by the Finance Officer. It is the responsibility of the Finance Manager to ensure that bank reconciliations are done every month on a timely basis. Stale cheques should be reversed on a regular basis. Follow ups should be done on outstanding items including investigation of all reconciling items and where deemed necessary, follow up with the bank and vendors for clarification.

The reconciliation will be done in the accounting system, printed, checked and approved by the Finance Manager and filed in a separate file by the Finance Officer as stipulated.

All reconciliation statements are filed on a monthly basis together with the bank statements and maintained in a manner stipulated for organizational accountable documents separated by bank and month.

5.9 Cancelled Cheques

In the event that a cheque is to be cancelled the word “cancelled” should be written across the cheque and the stub in ink. The cancelled cheque should be stapled back into the cheque book on the corresponding cheque stub.

5.10 Stale and Lost Cheques

If it becomes apparent that a cheque has been issued but remained un-cashed for a period of six months, it is to be regarded as stale. The stale cheque is cancelled and reversed in the accounting system by passing a reversing journal as follows;

Dr. Cash book account
Cr. Respective expense account

The vendor is then notified and a replacement cheque issued. The accounting entries are as follows;

Dr. Payables Account
Cr. Cash book account

When a cheque is lost when still valid, the bank will be notified of the details of the lost cheque and it will be cancelled by reversing the original entry and replaced as stipulated above. The letter notifying the bank not to honor the cheque shall be filed.

5.11 Bank Charges and Interest levied and Received

The Finance Officer is responsible to ensure that the bank charges, interest levied and interest received are posted in the accounting systems by preparing the journals before preparing the bank reconciliation.

6. GENERAL LEDGER

6.1 Purpose of General Ledger Procedures

FIDA Kenya shall establish the general ledger chart of accounts which provides the means to identify transactions, according to description, nature and type for posting transactions, enquiries and reporting. General ledger chart of accounts describe the type of asset, liability, revenue or expense. The chart of accounts is assigned account names and donor classes to identify the accounts and the sub accounts or analysis account. The chart of accounts is perpetual and additions or any changes must be effected and controlled by the Finance Manager.

Accounts as set in the Chart of accounts cannot be deleted even when they are not actively updated with data in the current year. The general ledger chart of accounts facilitates consistent, comparable presentation of financial information to all stakeholders and users at all times. Financial Information includes information on assets, liabilities, revenue, funding and expenses. The chart of accounts as set is mapped into Quickbooks accounting system.

6.2 Posting Expenses to the GL accounts

The GL accounts are used to organize and segregate expenditures, revenue, assets and liabilities of FIDA Kenya. The chart of accounts is used to ensure consistent posting of transactions. Expenses are entered in Quickbooks using pre-numbered system generated Payment Voucher sequence. Transactions are captured and posted as soon as they take place and are approved to ensure that reports are complete and up to date. Costs/ expenses directly allocable to a program/ project are charged to those programs/projects.

Shared costs are apportioned to different projects/ programs/cost centers based on an equitable and objectively verifiable basis. The Finance Manager will provide the basis for allocating shared costs and the allocation percentages. Once a criteria has been agreed upon, it should be applied consistently over time to enable comparison and trend analysis.

For donor funded projects, shared cost should be allocated to the projects in line with the budgeted amounts as approved by the donor to avoid any adverse variances. Journal Vouchers are numbered using unique characters. They should be prepared by the FO, reviewed and approved by the Finance Manager before they are posted in the current period. They are also filed in the same sequence in a separate file.

6.3 Posting Receipts and Income to the GL

FIDA Kenya receipts consists of incoming donor disbursements, cash from sale of merchandise and membership subscriptions. Donor funds received should be acknowledged by issuing a letter of confirmation, an acknowledgement memo or e-mail confirmation. Receipts should also be issued by the Accounts Assistant for any sales of merchandise and membership subscriptions. Any cash received by FIDA Kenya should be banked intact and should not be used to make payment for the organization before banking.

1. Donor funds shall be posted in the GL as follows;

On confirmation of receipt of funds

Dr. Cashbook account

Cr. Unexpended grants account

To recognize funds received giving adequate details as to donor, project, funding period and other relevant details.

At the end of a reporting period after expenditure, a journal voucher is raised *equivalent to the total expenditure for the period* and posted to recognize income for the period as follows;

Dr. Unexpended grants account
Cr. The respective donor/project income account

To recognize income for the period to the extent of expenditure in the reporting period.

Where expenditure is incurred before funds are received from donors then the accounting entries to recognize income shall be as follows;

Dr. Grants Receivable account
Cr. The respective donor/project income account

To recognize income for the period to the extent of expenditure in the reporting period.

2. Other receipts (Income from merchandise sales and subscription receipts from members) shall be posted in the GL as follows;

Dr. Cashbook account
Cr. The respective income accounts (merchandise sales and subscription accounts)

To recognize income received from each of the sources of income respectively.

6.4 Posting Journal Voucher Entries in the GL

Journal entries are primarily used to process non-cash transactions including but not limited to, depreciation recognition Income recognition, posting bank charges and interest levied and earned, year - end adjustments like prepayments adjustment and accruals adjustment, and correction of entries.

Journal Vouchers are numbered using unique alpha numeric identifiers set and consistently applied in a chronological manner by month and year. They should be prepared by the FO or Assistant Accountant, approved by the ED or DED and posted by the Finance Manager before they are posted in the accounting system. The Journal vouchers are posted as per the accounts stated therein. They are also filed in the same sequence in a separate file.

6.5 Reconciliation of GL accounts

There are GL accounts that require reconciliation at the end of each month. These accounts include, petty cash account and cash book account. These are reconciled as stipulated in section 4 and 5 above respectively. Other GL accounts that require monthly reconciliation include accounts payable and accounts receivables which the Finance Manager will review monthly for debits and credits respectively as well as old invoices, investigate old unpaid invoices and compare them with

vendor statements. As much as possible, it is recommended that there should be no unpaid or unrecorded invoices at the end of the month. These should be filed in a separate file.

7. TRAVEL, WORKSHOPS, TRAININGS AND SEMINARS

7.1 Staff Travel advances

When staff are required to travel either locally or internationally, they will fill in the Imprest application Form. All travel must be approved by the relevant program budget holders. The completed Travel imprest request form will be reviewed by FO to ensure no outstanding imprests then approved by the Finance Manager. All travel requests should have preliminary approval by the supervisor of the travelling staff and the program budget holder (SPO). The ED and DED must authorize all travel imprest requests before submission to Finance for payment.

FIDA Kenya will advance/reimburse employees/consultants for any pre-authorized expenses incurred in travelling on authorized travel, on official business. Prior approval for any intended travel must be obtained, The amount advanced/reimbursed will be based on the rates as approved by the Executive Director. The rates will be based on cost of travel, accommodation etc in the specific location.

International travel sponsored using donor funds shall be undertaken on International Airlines as stipulated under relevant source and origin regulations by the respective donors. All international air travel shall be economy class. For donor sponsored travel, any use of first class travel has to be specifically approved by the donor.

FIDA Kenya will ensure that for donors with specific travel requirements, these have been included in the grant agreement. The FM will ensure that these specific requirements are adhered to before any payments for travel are made.

Payments of staff travel imprest and reimbursements will be banked directly to the staff bank accounts. Where a travelling staff requires the advance in foreign currency, then it will be availed in cash as stipulated in cash payments where the staff does not have a foreign currency bank account.

Each staff has an advance account in the accounting system for tracking staff travel and activity advances. All imprest/ advances should be accounted for within 5 days from day of completion of the activity or field travel. Any cash Imprest not surrendered will be deducted from the respective officers' next salary through the payroll. No additional imprest should be given if previous imprest has not been fully accounted for. The ED or DED must review staff advance accounts with overdue advance balances on a monthly basis.

Once the form has been authorized, the AFO shall raise a Travel Purchase Order for air tickets. This shall be authorized by the Executive Director. The air ticket(s) shall then be handed over to the traveller. The traveller should surrender the boarding pass together with advance surrender forms.

After travel and completion of assignment the employee/consultant concerned shall fill a Claim/Accounting for Advances Form showing the details of how the advance was used providing details of;

- actual per diem as stipulated in the policy
- details of ground local travel attaching receipts for the same
- details of accommodation providing receipts for accommodation
- details of other expenses providing actual receipts. These may include stationery.

The appropriate supporting documents shall be attached to this form. This shall be submitted to the FO for review and verification. Any balance on the travel advance shall be banked in FIDA Kenya bank account intact.

The FO shall review the Claims/Accounting for Advances Form and the relevant supporting vouchers for accuracy and genuineness the FM shall then approve and thereafter, the documents shall be sent to the Executive Director for authorization. Any amount payable to/recoverable from the employee/consultant shall then be paid / recovered. The FM shall circulate staff advance statements on a monthly basis and authorize recovery of any outstanding advances through the payroll.

The Imprest Application Forms and the advance surrender forms will be used for posting to the Travel Advances account and expensing the liquidations respectively. The ED's own travel expenses must be authorized by the Executive Council.

7.2 Per Diems

Per diems will be paid according to the rates which will be determined from time to time as per level of seniority. The per diem rates shall be reviewed and adjusted as deemed reasonable and approved by the ED.

Accommodation will be reimbursed as per actual subject to set maximum amount on the basis of presentation of authentic receipts.

All travels outside the duty station shall be officially approved by the immediate supervisor while all international travels will be approved by the ED.

7.3 Meetings, Trainings, Seminars and Workshops

All planned meetings should have a statement of cost incurred. This should include – cost of venue, number of participants, costs of flight and other logistical arrangements. The statement of cost will be prepared by meeting organizers. Meeting organizers should demonstrate that the venue selected is cost effective. The meeting organizers will be guided by procurement policies on all procurement related issues. All planned meetings should have proper approval and authorization from the relevant budget holders proceeding with the meeting arrangements.

Meeting venues should reflect modesty, cost effectiveness and convey FIDA Kenya values to the external world. Through procurement process a recommended list of venues of acceptable standards for meetings (image, secure, cost) shall be maintained.

Participants should not arrive at meeting/workshop venue more than 24 hours prior to commencement and should depart within 24 hours of the meeting ending. In the event that a meeting is planned in a location in which FIDA Kenya has an office, meeting organizers should work with the support team in the branch or regional office for logistical assistance. At all times stipulated procurement policies and procedures are adhered to.

Advances received for participants payments shall be accounted for as stipulated above. The participant's payments list shall include details of names, amount paid, Identification details, telephone contacts and signature of the participants. The payment list shall be signed off by the FIDA Kenya staff making the payments and dated. The payments may be made by cash, electronic transfer or mobile money payment. The specific activity shall be indicated as heading including venue of the activity.

The participants payment list shall be supported by the participant's attendance register which shall include details of names, designation or organization, contact and signature of the participant.

Payment of participants

Where field implementation activities require large cash payments, FIDA Kenya shall make such payments by mobile money payment..

Upon registration of participants, the register containing the mobile numbers of the participants shall be provided to Finance to initiate the mobile money payments through mobile banking platform. The approvals shall be done as stipulated under signatory mandate.

8.0 CONSUMABLE STORES

8.1 Consumable Stock Records

FIDA Kenya is not expected to store big quantities of materials for a long period of time. Major proportions of items procured centrally by the head office are low-cost items such as stationery and other consumable supplies. Therefore, the stock control and recording procedures shall be designed for such items.

As part of the stock control procedure, Delivery Note and Store Issue Voucher (SIV) evidence receipt of goods and issue of items for consumption respectively. In addition to these documents (GRN & SIV); spread sheet records will be kept showing materials received, issued, transferred between different programs or units, and remaining balance in store.

If there are any donated items a GRN must be raised and issued in order to acknowledge receipt. When the item received in the form of donation has no established values, the values of the goods shall be assessed and estimated by the store custodian using current market rates.

8.2 Physical counts and reconciliation

Physical verification of all stocks will be carried out bi-annually. After stock take, the physical quantities on hand shall be reconciled to the spread sheet balances and any discrepancies shall be investigated and resolved. This exercise will be coordinated by the Administration unit.

9.0 FIXED ASSETS

9.1 Acquisition of Fixed Assets

A plan for the acquisition of fixed assets shall be incorporated into the annual budget and approved by the Council. An authorization policy is established to ensure that only approved fixed assets are purchased. All Fixed assets with value above Ksh. 100,000 purchase must be approved by the Executive Council as stipulated in the procurement policy and procedures manual. In general, fixed assets to be capitalized and or registered, consist of all movable and immovable property owned by FIDA Kenya.

9.2 Fixed Assets Capitalization Values

Organizational Fixed assets to be capitalized and carried in accounting system and reflected in the financial statements shall have a useful life of more than one year and a value of Ksh. 5,000 and above. Donor funded fixed assets shall be expensed on purchase but a fixed asset register will be kept to control their physical existence, custody and movements. When such fixed assets are donated to FIDA Kenya on disposition then they shall be valued and recognized in financial statements by recognizing deferred income against the revalued fixed asset value.

9.3 Fixed Asset Register

The purposes of maintaining a fixed asset register are:

- To provide a means of controlling the acquisition, disposal and transfer of valuable property.
- To facilitate the evaluation of asset's existence and cost at any one location or any one department.
- To enable accounting calculations to be performed of asset cost, depreciation and net book value.

There will be two forms of fixed asset register (FAR). FAR which is maintained for all organizational fixed assets capitalized and included in the fixed assets movement schedule. Inventory List which is maintained for all the donor funded fixed assets which are expenses when purchased. Fixed assets in this category will be moved to the fixed Assets Register upon donation to FIDA Kenya on disposition hence ownership vesting on FIDA Kenya.

When such Assets are donated upon disposition by the donor, the assets shall be objectively valued and the following accounting entries shall be made;

Dr. Fixed Assets Account by category (e.g Motor vehicle, Computer etc)
Cr. Deferred Income Account

These assets are then depreciated as per the depreciation policy and accounting entries are made as follows;

Dr. Provision for depreciation Account
Cr. Cumulative Depreciation Account

Dr. Deferred Income Account
Cr. Deferred Income recognized Account

When a fixed asset is acquired it shall be assigned a unique asset number (a tag), which shall be physically marked on the asset and recorded in fixed asset register/ Inventory list. The tagging shall respect any specific donor marking and branding requirements. The register shall record all fixed assets movements and custody at all times.

The register shall include the following details:

- Unique Asset Code (Tag Number)
- Asset Name
- Location or Sector or Function/Department
- Year of acquisition or completion
- Cost (purchase price)
- Annual Depreciation Rate
- Measurable Quantity
- Supplier
- Make or model/Body Type
- Registration Number (For vehicle and motorcycle)
- Engine Number (For vehicle & motorcycle)
- Chassis Number (For vehicle & motorcycle)
- Manufacturer's Serial Number (For Office equipment and Furniture)

9.4 Fixed Assets Verification

Each asset on the register shall be inspected and documented at least once annually to confirm its existence, usefulness and condition. This exercise will be coordinated by Finance department. All assets which cannot be located will be thoroughly investigated and a full report submitted to the ED.

Assets in poor condition or not being used shall be considered for disposal subject to any donor restrictions for donor funded assets.

9.5 Depreciation Policy

Annual depreciation is charged to expenditure accounts in order to write off the cost of fixed asset over its expected useful life. Depreciation shall be calculated using a straight-line method over the life of the asset. This means that the cost of the asset will be divided by the number of years of asset life to get the annual depreciation charge. A full year of depreciation shall be charged in the year of purchase of an asset and nil in the year of disposal.

The following depreciation rates are used for depreciating assets over their expected useful lives;

Motor vehicles	25%
Office equipment, furniture and fittings	12.5%
Computers	33.33%

The assets useful life, residual value, and methods of depreciation, are reviewed only when events or changes in circumstances indicate that the current estimates or depreciation method are no longer appropriate and adjusted as a change in estimate.

9.6 Fixed Asset Disposal

Subject to any restrictions on disposal of donor funded fixed assets, the ED with prior approval of the Executive Council will appoint a team comprising representation from all departments to oversee and approve disposal of all capitalized fixed assets, taking into account, the prevailing government rules and regulations in Kenya.

Fixed asset may be disposed of by selling, scrapping, writing off or transferring it to another NGO as may be nominated by staff of FIDA Kenya. Whatever choice of disposal is preferred it must be seen to be fair and transparent. FIDA Kenya Staff shall be given first priority in the event that assets are to be sold.

When assets are fully depreciated they may be retained subject to cost benefit analysis of maintenance and expected economic use. Management may with approval of the Council dispose such assets atleast once every 3 years subject to availability of funds for the replacement of the disposed assets. Management shall prepare a fully depreciated assets report detailing the economic use status of such assets.

On disposal of fixed assets, the difference between any sale price and the net book value of the asset shall be taken recognized in the financial statements. The fixed asset register shall be updated accordingly.

A fixed asset disposal memorandum shall be prepared and signed by the ED. The The memorandum shall include the following details;

- Asset number
- Location
- Description
- Year of Acquisition
- Original Cost

- Net Book Value
- Reason for disposal/write-off
- Method of disposal
- Estimated income/loss.

Any disposal of assets must take into account the contractual obligations governing disposal of assets e.g. disposal of assets purchased with Donor funds must be accompanied by proof that the disposal was approved by the respective donor subject to disposal restrictions.

Where a fixed asset is donated to another NGO, a certificate of donation is prepared to facilitate the formal transfer of the asset.

When donor funded assets are purchased, the following entries are done in accounting system;

Dr. expense account for the purchased Asset (e.g Motor Vehicle, computers etc)
Cr. Cash book Account

When organizational assets are purchased, the following entries are done in accounting system;

Dr Fixed asset Account (by category e.g Motor Vehicle, computers etc)
Cr. Cash book Account

10 PAYROLL PROCESSING

10.1 General

Detailed policies and procedures covering Human resource management and development are contained in FIDA Kenya HR Policy and Procedures Manual.

10.2 Payroll

Letter of employment shall form the basis for preparing payroll. The Finance Officer will prepare the payroll. The Payroll will be reviewed by the Finance Manager and approved by the ED. Changes to the standing data shall only be made on the strength of written instructions from the ED.

The payroll accumulates all the staff related costs like salary, fringe benefits, statutory deductions, pension deductions and contributions for allocation to each cost center and all payroll deductions for posting to related accounts. The payroll database is maintained and processed for all staff and salary will be paid by the 25th day of the payroll month. Salary payment shall be done by bank transfer. Payroll reconciliation shall be made to document any variations in a particular month.

Payment for temporary employees shall not be prepared on payroll but must be made by Bank irrespective of the amount payable. Temporary employees are those on contracts of three months or less.

Remittance of all statutory and payroll deductions shall be made to the appropriate authorities as stipulated by relevant legislation before the due date. The Finance Manager must ensure that all statutory deductions are remitted in time and the relevant support documents filed. Voluntary deductions shall only be made on the strength of written instruction from individual employees.

FIDA Kenya does not allow salary advance. However with the approval of the ED, an employee may request for a salary advance by completing the Request for Salary Advance form which will be reviewed by the Finance Manager and approved by the Executive Director before being processed. All salary related payments shall be done by bank transfer or by cheque.

10.3 Payroll accounting entries

A payment voucher will be prepared for the net pay as per the payroll summary sheet and the amount debited to Salaries Control Account.

A journal voucher (JV) will be prepared from the payroll summary sheet containing the following entries:

Dr Basic Salary Account
Dr Overtime Allowance Account
Dr Any Other Allowances
Dr NSSF Contribution Account (employer's)
Cr PAYE
Cr NSSF (employers' and employees' contribution aggregate)
Cr Staff Pension (aggregate)
Cr Mid-month Salary Advance Account
Cr Staff Loans and Advance Account
Cr Salaries Control Account (Net Salaries)
Cr NHIF.

If there are other voluntary payroll deductions, these shall be credited as indicated in the payroll summary sheet.

Compliance with NITA (National Industrial Training Act) is mandatory. FIDA Kenya needs to make monthly contributions of Ksh. 50 per employee as currently stipulated in the Act.

11 INSURANCE

11.1 General policy

To safeguard FIDA Kenya's employees against possible accidents, and assets against risks of fire, theft, burglary etc appropriate insurance coverage shall be arranged with a reputable insurance company subject to availability of funding. The list of insured staff and assets shall be reviewed periodically to ensure that there is adequate cover at all times for all staff and assets owned by the organization.

11.2 Possible Risk coverage areas

11.2.1 Group Personal Accident Insurance-This is an insurance policy, which covers employees at their working place.

11.2.2 WIBA (Work Injury Benefits Act)

This is a statutory requirement under the laws of Kenya. This may be provided as a bundled cover for both group personal accident and WIBA.

11.2.3 Motor Insurance - A comprehensive cover for FIDA Kenya office vehicles and motorcycles.

11.2.4 Property Insurance - All assets shall be insured against burglary, fire, lightning and flood including accidental damage and theft. List showing reasonable value of the assets to be insured is a basic requirement to be submitted to the insurance company.

11.2.5 Indemnity Insurance

To mitigate against any possible exposure to the Council as a result of delegated authority, appropriate Indemnity insurance shall be undertaken by management to mitigate against any professional liability. This shall be supplementary liability coverage specific to potential exposure subject to the delegated authority limit.

12.0 BUDGETING AND BUDGETARY CONTROLS

12.1 General

FIDA Kenya shall maintain long term budget in line with the strategic plan. This shall be an organizational budget with annual projections. Cost recovery shall be done through program budgets and budgets for other revenue streams. It is the responsibility of the Finance Manager in collaboration with the Executive Director, Deputy Executive Director and Senior Program Officers to ensure that all budgets are prepared in time to be approved by the Executive Council. The long term budget shall be reviewed in accordance with the medium term review framework and aligned

with the strategic plan. Annual budgets will be managed through monthly variance reports. Donor budgets will be prepared according to donor requirements and donor templates will be used.

12.2 Annual Budget

Each budget holder (Program/ project based, operational/ administrative, units/ departments and office location/field etc) will prepare an annual budget within the first year framework of the long term budget plan/ strategy. The budget represents the costs of detailed activity plans and also provides the basis for management accounts and budget control.

The budgeted expenditure, income and reserves will not vary by more than 5% from the corresponding approved long term plans. The annual budget will be approved by the ED before being consolidated into an organizational budget to be approved by the Executive Council. The approved budgets will serve as the authority for all programmes and other functions to incur expenditure but still following the approval/authority levels set on each individual transaction.

The budget shall be completed and loaded onto the Quickbooks accounting system before the commencement of the budget year. No expenditure may be incurred without prior inclusion in the budget unless specifically approved by the donor in writing. Budgets may be realigned and or amended with prior approval of both the ED and authorization by the Executive Council.

12.3 Operational Budgets

These are prepared based quarterly work plans in line with donor's remittance cycle for implementation and operational support. The operational budgets are derived from the Annual budget.

The FM consolidates all the organizational operational budgets based on input from all the functional departments. All functional departments prepare their quarterly work plan budgets and submit to FM who reviews the Work Plans and the budget and prepares operational budgets for ongoing projects/programmes and operational support. The operational budgets contain complete details of expenditure for a specified quarter disaggregated by month. The operational budgets are approved by the ED. All program work plans and budgets are approved by the DED before being submitted to FM for consolidation of the operational budget which is approved by the ED.

During implementation, through variance analysis and pipeline review, it may become necessary to seek budget revision or amendment from a donor. In consultation with the Senior Programme Officer the FM will review the activities for the next quarter and determine the projected costs. Compare the projected costs with the budget and determine whether budget revisions are required. Document the revisions required and seek the Executive Director's approval refer to the specific grant agreements and determine the stipulated process for budget revisions required by the donor for approvals of such amendments. Initiate the process to obtain donor approvals and ensure this is granted in writing and filed appropriately.

12.4 Resource Mobilization Budgets – Request For Applications, Request For Proposals, Proposals

FIDA Kenya will regularly need to prepare budgets for new program funding, response to a published RFA or RFP as well as unsolicited proposal, concept or annual program statements. The technical proposal development team will comprise the Finance Manager for purposes of understanding the budget elements from the concept.

Each budget will be prepared in the stipulated specific donor format and structure by the Finance Manager. The drafting team will meet to harmonize and validate the proposal with the budget. The ED will approve all proposal budgets.

13. FINANCIAL REPORTS

13.1 General

Financial reports are key parts of maintaining and demonstrating financial integrity of FIDA Kenya. Timely, accurate and relevant financial information are management tools for the decision making process. The Finance function of FIDA Kenya shall strive to prepare and disseminate high standard financial information to management on a timely and regular manner.

13.2 Management and Statutory Accounts

The Finance Manager shall ensure that monthly financial reports are produced, reviewed and disseminated to budget holders which are aligned to the annual budget and operational quarterly budgets format and layout. The aim is to present the information in a pipeline layout. The monthly financial reports will be then be submitted to the ED and the Senior Management Team for review and discussion before being filed. Monthly reports shall be produced by 10th of the month following the reporting month.

The Finance Manager will produce quarterly financial report which will be accompanied by other management reports to be submitted to the Executive Council by the 10th of the month following the end of reporting quarter. The financial report will include;

- Expenditure against Budget (Variance analysis).
- Finance narrative including variance analysis, performance of confirmed and non-confirmed income, key performance information and implications for the remainder of the year.
- Income and Expenditure Statement.
- Trial Balance.
- Advances Report – Loans or Advances or Floats etc
- ED's Expenses Report.
- Risk profile matrix.
- Update on audit recommendations implementation progress.

Expenditure shall be reported on a Cost Centre basis, showing actual cumulative and budgeted expenditure and the utilization percentage. This shall show a breakdown of expenditure by budget line items.

All budget-holders are required to explain major variances on quarterly basis. Variance reports shall be considered as a tool to budget holders in controlling their budget and to measure progress of the work plans. Variances of 10% over or under spending shall be explained and submitted to the Finance Manager within 10 days after receiving the monthly financial reports the variances shall be tracked and reported to the Executive Council in their quarterly reports.

All financial reports shall be approved by the ED, to ensure completeness, accuracy and relevance, prior to being submitted to the Executive Council or externally to donors, auditors as appropriate.

13.3 Donor Reporting

FIDA Kenya will comply with donor requirements in order to maintain sound relationship with donors and ensure future funding remains available without compromising FIDA Kenya's mission and values. Donor requirements e.g. logical frameworks, separate bank accounts, reporting frequency, content and structure etc shall be strictly adhered to. Any variation from donor requirement must be approved by the relevant donor agency in writing and filed appropriately.

Finance Manager should have access to all donor agreements, map all financial reporting requirements and deadlines and ensure full compliance and adherence to the reporting specifics. Income, expenditure and fund balances for each donor must be tracked through the accounting system and donor reports. There shall be a clear audit trail from financial reports to bank and payment vouchers and invoices. To ensure reporting deadlines are met, a timetable shall be established for information collection and report preparation together with individuals responsible. Prior approval in writing shall be reached with donors for any non-compliance or variation of deadlines. All donor reports should be reviewed internally by the functional departments (Finance, Program, HR and admin) before approval by ED and submission to the donor. The Executive Council shall be notified of all donor reports due and submitted in their quarterly reports.

14 RELATED PARTY TRANSACTIONS/ CONFLICT OF INTEREST

The staff members of FIDA Kenya aspire to the highest levels of ethical conduct in all their work for the organization. FIDA Kenya strongly believes that its core objectives and mandate benefits from having members of its staff with highest professional and ethical standards as well as expertise in their relevant fields. Given the broad experience and interests of FIDA Kenya staff, from time to time, staff may serve as directors, trustees, or advisors to an organization or business entity that may be under consideration for FIDA Kenya's support or for provision of goods or services.

Consequently, transactions may arise during the ordinary course of FIDA Kenya's work where conflicts of interest may arise. FIDA Kenya shall enforce a conflict of interest policy to ensure

legal and ethical integrity of its decision-making and to ensure that no organization or individual benefits inappropriately because of a relationship with a staff of FIDA Kenya.

14.1 Prohibited transactions

While initiating partnership, appointing consultant and entering in to other service agreements we shall be driven by the following (where financial involvement exists). FIDA Kenya shall not engage in partnership with any organization or individual when the concerned official is a relative of any of the Council members, management team members or staff members of FIDA Kenya. This may not apply in case of membership being part of larger network association like Association of NGOs, CSOs, INGOs, professional associations like LSK, ICPAK etc.

We have to be very careful in appointing consultant so that it does not cause conflict of interest. We shall not appoint any consultant or service provider who is affiliated (Council member or staff member) with an organization when concerned FIDA Kenya official and or ED is also a board member of such organization. This may not apply in case of membership being part of larger network association like Association of NGOs, CSOs, INGOs, professional associations like LSK, ICPAK etc.

However this principle will mainly apply for long term and large consultancy and services where long term and large sum in fee described as more than 10 days of work and/or more than Ksh. 100,000 fees in a year. Short term services like capacity development, facilitations, and routine maintenance etc .less than 10 days of work and/or less than Ksh. 100,000 fees will not fall under this.

We shall also not appoint any consultant and other services provider who is a close relative of the concerned FIDA Kenya official and/or ED.

14.2 Procedure for related party transactions

If we have to be involved financially with any related party under any exceptional circumstance then the Executive Director will seek formal approval from the Executive Council. The formal approval will involve submission of a brief describing the nature of involvement and relationship, explanation on exceptional circumstances, task, financial involvement and period of transactions.

14.3 Disclosure of related party transactions

FIDA Kenya yearend audited financial statements will disclose related party transactions as per the International Financial Reporting Standards and International Standards on auditing and disclosure requirements.

All FIDA Kenya staff will have to disclose all their existing related party transactions by December 31 every year. This disclosure should include-nature of involvement and relationship, circumstances, task, financial involvement and period of transaction. This disclosure note must be submitted to the Executive Director.

14.4 Definition of Relative

For purposes of this policy relative means:

- Spouse of the individual;
- Brother or sister of the individual or their children;
- Brother or sister of the spouse of the individual or their children;
- Brother or sister of either of the parents of the individual or their children;
- Any lineal ascendant or descendant of the individual;
- Any lineal ascendant or descendant of the spouse of the individual;

15 FRAUD AND OTHER IRREGULARITIES

15.1 General

Fraud and other irregularities include illegal acts such as theft, deception, manipulation of accounting entries, bribery, and corruption. Where cases of suspected fraud or irregularities occur in a FIDA Kenya operation, these must be promptly reported to the ED or DED or FM. This requirement extends to all FIDA Kenya funded programmes and Projects, branch offices and clients.

FIDA Kenya shall have a contingency operating plan for use in the event of suspected fraud. This includes issues such as staff briefing, how to handle staff suspensions, changing computer passwords, restricting access to assets and information.

Fraud will not be tolerated in FIDA Kenya and all perpetrators will face the due legal process. Any member of staff found to be guilty of fraud will be summarily dismissed in accordance with FIDA Kenya HR Policies and procedures.

15.2 Procedures

If a member of staff has a genuine concern over the actions of another staff of FIDA Kenya, then the matter shall be raised with the staff's supervisor or head of department. Any personal interest shall be made known when first raising concerns. No disciplinary action will be taken against a member of staff raising the concern unless there is evidence that the allegations were both false and malicious.

Any major frauds will be reported to the police. If an exemption is required, full written details of the fraud and reasons why the police shall not be informed shall be sent to the Executive Council by the ED.

A fraud investigation shall be initiated promptly to determine the extent of the fraud and to establish how it is carried out so that safeguards can be put in place to prevent re-occurrence, and to identify the perpetrator. Full details of findings of investigation of fraud cases will be reported to the Executive Council in writing. All other incidents, regardless of their level of materiality shall be reported at the end the financial year in an annual statement to the FIDA Kenya Council. All Fraud cases must be dealt with conclusively and expeditiously.

15.3 Whistle Blowing

FIDA Kenya has an obligation to protect whistle blowers as stipulated in the relevant laws and establish detailed whistle blowers policy for further reference.

A whistleblower is an employee, former employee, or member of a partner organization, who reports wrongful or suspected wrongful acts to people or entities that have the power and presumed willingness to take corrective action.

It is an obligation and responsibility for all FIDA Kenya staff, business partners, service providers and clients to report wrongful or suspected wrongful acts. There may be occasions where staff members feel that financial or procedural malpractice is taking place. If the member of staff has a genuine concern over the actions of a colleague or a partner organization, then the matter should be reported to the ED or the employee's supervisor.

Whistle blowing allegations should not be false or malicious, should not be driven by personal interest and should be backed by facts to facilitate investigations. These may include; wrongful acts like financial and procedural malpractice, mismanagement and misappropriation of funds as well as actual or suspected fraud or abuse of authority

Any allegation which proves to have been maliciously or knowingly false will be viewed as a serious disciplinary offence. Any personal interest should be made known when first raising concerns.

16. YEAR END CLOSING PROCESSES AND EXTERNAL AUDIT

In order to maintain a highest standard of accountability and governance, FIDA Kenya's activities and financial performance will be audited by external auditors. The auditors shall serve for a maximum of 5 years. The auditors are appointed by the Council.

To comply with its statutory accountability, local legal requirements and the requirements of the Council, donors and other stake holders, FIDA Kenya shall get its financial statements audited by a competent external audit firm. The Finance Manager is responsible for facilitating the audit process, responding on audit findings and implementing audit recommendations

The Financial year runs for a 12 month period beginning 1st January to 31st December. The FM will ensure complete year end close and organize for annual audit to be done promptly after year end. The FM will ensure that the financial statements are prepared according to the international accounting standards.

All year end accruals and adjustments are prepared, reviewed, approved and posted in the accounting system. All the audit schedules as provided by the auditors are prepared before the audit entry meeting.

The Executive Council, shall approve the scope of the audit which details among other things, the date of commencement of audit, the date of submission of both draft and final reports.

The Council shall, after the submission of final draft report and management letter, meet to consider and approve the audited final statements within reasonable time to allow for issuance of signed financial statements and filing of returns as stipulated under the regulatory requirements.

It is the primary responsibility of the Council to ensure FIDA Kenya audits meet the highest professional standards.

16.1 Year end accounting procedures

If all month end procedures have been performed on a regular and timely basis, year-end accounting procedures should not be an onerous task. The following will be key areas of focus;

- Deposit all cash receipts on hand by close of business on December 31 and carryout petty cash count and issue a petty cash count certificate signed by the FM.
- Make sure that all transactions recorded at the end of the day on December 31 are properly recorded in all the accounting system and that all transactions relate to the current year (ensure that year end cut-offs have been properly made).
- Review all accounts for adjustments that are normally required only at year end (e.g., accruals, prepayments, payables receivables etc).
- Review revenue and expense accounts that have regular monthly charges to ensure that all transactions have been recorded for the full twelve months and that all necessary accounts receivable and payable have been accounted for.
- Ensure all required reconciliations are done and reviewed for completeness and accuracy.

17 INDIRECT COST RECOVERY SYSTEM

17.1 Introduction

Indirect costs are those costs that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective, Direct costs are those that can be identified specifically with a particular final cost objective. Direct costs of minor amounts may be treated as indirect costs for reasons of practicality where the accounting treatment for such cost is consistently applied for all final cost objectives.

The total cost of a donor funded project is the sum of the allowable direct and allowable indirect costs. To be allowable, costs must meet the following general criteria:

- be reasonable for the performance of an award and be allocable thereto
- conform to any limitations or exclusions stipulated in the grant agreement

- be consistent with policies and procedures that apply uniformly to all activities of the organization
- be accorded consistent treatment
- be determined in accordance with generally accepted accounting principles
- be adequately documented.
- Allocable to a specific program cost objective

A cost is reasonable if, in its nature or amount it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. A cost is allocable to a particular cost objective, such as a grant, project, service or other activity, in accordance with the relative benefits received.

17.2 Basis of FIDA Kenya Indirect costs

The costs of FIDA Kenya are currently classified into two broad categories - direct project costs and indirect costs.

Direct expenses relate to specific projects run by the organization. These are the direct project expenses. Indirect costs are those expenses incurred for general administration of the association. The purpose of an indirect cost recovery system is to determine allowable indirect costs and allocate them to a particular cost objective using an indirect cost rate. FIDA Kenya receives funding from various donors for different projects and therefore it is necessary to have an indirect cost recovery system to determine the indirect cost chargeable to those projects and be able to request for funding for overheads from donors. An indirect cost recovery system is important in computing the provisional indirect cost rate. The provisional indirect cost rate is a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on awards/grants pending the establishment of a final rate for the period.

The indirect cost rate is calculated as follows;

$$\text{ICR} = \frac{\text{Total qualifying indirect cost pool}}{\text{Total direct costs pool}}$$

17.3 Cost recovery

An objectively verifiable cost apportionment basis should be developed for apportioning shared or common costs these include rent, lighting, security etc and shall form an annex to this policy framework, as well as subsequent reviews as circumstances warrant. This shall be provided by Finance Manager.

Direct costs are chargeable to the specific program cost objectives and cost centers as set in the approved budgets.

18 BRANCH ACCOUNTING

18.1 Purpose of branch accounting

The purpose of branch accounting procedures is to ensure that: branch office expenditure is paid for promptly to avoid unnecessary delays, branch office expenditure is fully captured for inclusion in FIDA Kenya financial records, accounting documents for branch expenditure are accumulated and promptly submitted to head office and branch expenditure is properly accounted for.

18.2 Branch Office Procedures

Branch office procedures are as follows;

Branch office revenue

The Branch Accountant is responsible for ensuring that revenue due to the Federation is collected, recorded and banked intact. In order to achieve the foregoing, the Branch Accountant:

- Maintains a register of all FIDA Kenya members in the branch. Their register shows the name, address, occupation and other relevant information which enables other FIDA Kenya personnel to follow up dues if need be.
- Issues receipts for all cash received and perform reconciliation of receipts issued to cash collected.
- Takes the necessary action of promptly informing Head office on members who do not promptly remit their membership dues.
- Records all cash collected in a memorandum receipt cash book and banks the money intact in FIDA Kenya bank account. Maintains a file of all banked deposit slips and sends one copy to HQ at the end of the month.
- At the end of the month the branch accountant prepares a summary of all the cash collected and banked. The summary, together with the copy of the pay-in slip from the temporary file, are forwarded to the Finance Officer at the HQ.
- Money collected from fund raising activities is transferred through bank to Headquarters Bank Account.
- Collection summary which is submitted to the Head Office will also make a commentary on the type of fund raising activity.

On receiving the summary of cash receipts and pay-in slips, the branch accountant prepares a posting summary to be posted to the receipt cash books, and sends it over to the Finance Officer. The branch accountant further updates the branch subsidiary ledger to take account of the cash receipts.

Standing imprest

The standing imprest procedures are described below under the following main headings:

- (a) Size of float

The Executive Director in consultation with the Finance Manager establishes the size of the float for each branch. The size of the float will depend on the size of the branch and average expenditure per month, the projects and activities planned for that branch during the year and the communication logistics as well as average time required to communicate with Head Office bearing in mind head office review and remittance procedures. The funds are then remitted to the branch and the accountant liquidates as stipulated.

(b) Disbursements

At the beginning of the year the Head office sends to the area an opening float which should be three times the size of the monthly approved float to cover a quarter. The amount is sent to the branch through the imprest bank account. A detailed budget indicating the details of the amount transferred is sent to the branch for follow up and record keeping. The accountant shall confirm the funds received and record in the branch books of accounts. Subsequent disbursements from Head office to the branches are based on reimbursement system.

(c) Withdrawals

The branch accountant shall facilitate the funds needed at branch office level based on the approved work plans. The branch will maintain petty cash system on an imprest system as stipulated under section 4 above. All payments at the branch office shall be undertaken as stipulated under sections 4 and 5 above. The signatories to all branch accounts shall constitute the ED, DED, branch office co-ordinator and senior program branch officer other than the branch accountant. At all times payment shall be through bank except for petty cash and emergency cash fund.

The branch coordinator will develop work plan and give it to the branch accountant who will then submit it to Head office for review and approval.

(d) Reimbursement

The coordinators have to account for this money before another request for funds is approved. On receiving these retirements from the coordinators the Branch Accountant compiles the report to be verified by Finance Officer at the Headquarters office in order to be reimbursed. The DED reviews and approved the branch imprest retirement.

The Branch Accountant, prepares a journal voucher to account for the expenditure and a payment voucher for reimbursing the area. The journal and payment vouchers are passed to the Finance Officer for checking. Then they are reviewed by FM before the ED approves then funds are transferred to the branch as stipulated by the signing mandates. Any outstanding branch imprests are followed up and cleared as stipulated in the relevant sections of this policy framework.

19. FILING

All payment support documents shall be stamped "PAID" and contain the date of the cheque. They should be filed together with the payment voucher and attached support documents, so that they can be easily located. Documents should be filed chronologically according to the payment voucher number. The order of the documents in the file should be as follows:

- Payment Voucher
- Payment request form
- Invoice
- Bid Analysis
- Purchase Order
- Quotations
- Procurement request
- Any other documentation acquired during the transaction
- A Copy of signed cheque

Journals are maintained in the order of the system generated numbers.

Cash receipts should follow the same order i.e. CR, Year, Month, Number for example the first Cash receipt for the month of June 2014 would be **CR1406-001**.

Filing should be done as soon as documentation for payment is made and transaction posted in the accounting system for easy retrieval and to avoid losing documents. Separate files will be maintained for Bank Reconciliations, bank correspondences, Invoices to donors and partners. Financial documents and all support documents should be maintained for at least 7 years for all revenue and expenditures in a manner stipulated for maintaining organizational official and accountable documents.

Annex 1 List of Abbreviations and Acronyms

Admin	Administration
AFO	Assistant Finance Officer
CBK	Central bank of Kenya
CR	Cash Receipt
Cr	Credit entry
CSO	Civil Society Organization
DED	Deputy Executive Director
Dr.	Debit entry
ED	Executive Director
FAR	Fixed Assets Register
FIDA Kenya	Federation of Women Lawyers – Kenya
FM	Finance Manager
FO	Finance Officer
GL	General Ledger

GRN	Goods Received Note
HQ	Headquarters
HR	Human Resources
ICPAK	Institute of Certified Public Accountants of Kenya
ICR	Indirect Cost Rate
INGO	International Non- Governmental Organization
JV	Journal Voucher
LSK	Law Society of Kenya
NGO	Non- Governmental Organization
NHIF	National Hospital Insurance Fund
NITA	National Industrial Training Act
NSSF	National Social Security Fund
PAYE	Pay As You Earn
PCV	Petty cash Voucher
PV	Payment Voucher
RFA	Request For Applications
RFP	Request For Proposals
SIV	Stores Issue Voucher
SPO	Senior Program Officer
USD	US Dollars
WIBA	Work Injury Benefits Act

