



# **FINANCIAL POLICIES AND PROCEDURES MANUAL**

**2014**

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# **FINANCIAL POLICIES AND PROCEDURES MANUAL**

# 1 INTRODUCTION

## 1.1 Purpose of Manual

The manual provides details of policies and procedures to be used by **NairoBits** to regulate its financial and operations activities. The main purpose of this manual is to provide guidance and awareness of the operational policy requirements, considerations, guidelines, procedures and best practices to the employees in their efforts to ensure efficiency and effectiveness of the **NairoBits** operations. The manual shall also help the auditors, the Board, donors, and other stakeholders to appreciate the **NairoBits** management philosophy of its operations

The manual provides guidance in the following broad areas on financial and accounting operations, financial reporting, personnel administration, general administration and operations and internal controls.

## 1.2. Objectives of the Manual

This manual is developed for use in regulating the operations in order to ensure that;

- a) The operations of the **NairoBits** are carried out in accordance with the approved policies and procedures;
- b) That proper financial management is undertaken at NairoBits in line with International Financial and other operating standards;
- c) That funds are properly and accurately planned, utilized and reported on;
- d) That expenditures are properly supported;
- e) Budgets are well monitored and controlled;
- f) Operations of the organization are well synchronized;
- g) The business and operational processes of the **NairoBits** are adequately described to guarantee continuity of operations;
- h) Guidance is provided to all staff on how to conduct the operations of the **NairoBits**; and that;
- i) The controls which have to be put in place are adequately described.

Generally the manual shall be used to standardize the way financial transactions and business operations are conducted in order to ensure consistence and thus gives a very clear understanding of what is expected and allowed in the organization

**NairoBits** being a Not for Profit Organization is committed to ensuring that grants received from donors are used for the furtherance of the mission as well as using the grants for the purpose in which they were intended by putting in place proper financial practices which can be used to prevent and detect errors and frauds that may arise.

This document intends to bring together those policies and procedures that relate to improving internal control structures, and the accounting activities of **NairoBits**.

## **1.2 Responsibility**

The setting of all policies at **NairoBits** is the responsibility of the Board of Trustees. Once established the implementation of these and other policies is delegated to the Secretariat headed by the Executive Director. The implementation of the Financial Policies which include policies for the operation of the department and for the interaction with other departments and all stakeholders of **NairoBits** in financial matters is the responsibility of the Finance Function at **NairoBits**. The Finance function shall be headed by the Executive Director who in turn delegates the day-to-day charge over operations and activities to the Finance Manager.

## **1.3 Finance Function**

In the finance function, **NairoBits** shall ensure high standards of performance and appropriate qualifications in the team, always maintaining professionalism and a motivated team. **NairoBits** shall comply with the international financial reporting standards and comply with the statutory requirements within Kenyan law.

## **1.4 Reporting,**

In management reporting, **NairoBits** shall ensure clarity and accuracy of information in providing excellent support for management decision making. In both management and statutory reporting, **NairoBits** shall continually challenge and review the accounting practices to ensure that they apply current best practice methods and maintaining adequate internal controls.

In financial reporting systems, **NairoBits** shall maintain high quality, accurate and timely

reports to support its financial processes. The Finance function shall endeavor to serve all the stakeholders of the organization both internally and externally by providing service and information to enable optimal operations of the organization.

The Finance function shall ensure all the assets of the organization are secured and properly insured.



## 2 ACCOUNTING AND FINANCIAL REPORTING

### 2.1 Basis of Accounting

#### a. Accounting Period

The financial year of the **NairoBits** is twelve months commencing on 1st January to December 31st of every year.

#### b. Historical Cost Concept

NairoBits Financial statements shall be prepared under the historical cost convention, modified by the revaluation of non-current assets, and, where material, current asset investments and stocks to fair value as determined by the relevant accounting standard.

#### c. Currency and Conversion Rates

The operating currency for **NairoBits** is Kenya Shilling. The reporting currency for the funds received from donors in US Dollars, Euros or in any other foreign currency are converted using the spot exchange rate at the time the funds are received

#### d. Accounting Convention

The accounts are prepared on an accrual basis. The organization shall apply accrual based accounting method. Revenue shall be recognized in the accounting period it is earned and expenses recognized when incurred.

#### e. Consistency

Consistent accounting methods shall be applied and changes made shall be reported and the effect on reported results disclosed in accordance with Generally Accepted Accounting Principles (GAAP).

#### f. Income

Income shall be considered to represent the following:

- i. Grants from donor,
- ii. Interest received from bank deposits and investments
- iii. Amounts received from income generating activities.

Grants, cash donations and interest received from bank deposits and investments are recognised as income in the period in which they are received.

**g. Expenditure**

Expenditure represents expenses incurred directly for program activities. These are recognized when they are expensed regardless of when the actual payment is done. All expenses will be accrued within the period that they fall due.

**h. Taxation**

**NairoBits** shall ensure that it is aware of and complies with all relevant taxation exemption requirements on its income as shall be set from time to time by Kenya Revenue Authority. The Finance Manager shall apply for, obtain and renew as necessary all such tax exemptions. When such exemptions are obtained, no provision shall be made for taxation payable on **NairoBits** income. This notwithstanding, **NairoBits** shall take steps to ensure that it abides by all other taxation requirements and statutory deductions including those for PAYE, NHIF and NSSF.

## **2.2 Financial Reporting**

Financial reporting is very important for any going concern entity. It shall reflect the transparency in the usage of funds and its management as a whole. Financial reporting shall form a very critical part in **NairoBits** and shall be used as a tool for gauging its performance.

Financial reports shall be prepared by the Finance Manager and the finance team for submission to the management for review and thereafter to the Advisory Board for approval and comments. The Finance Manager shall be required to prepare and present to the management monthly, quarterly, half year and annual financial reports. Financial reporting shall be in accordance with GAAP and the donor requirement report formats and timing. Financial reports shall include the following.

- i. Income and Expenditure statement
- ii. Balance Sheet
- iii. Fund Accountability Statement(s)
- iv. Cash Flow Statements
- v. Management Reports comparing Actual versus Budget
- vi. Variance Reports
- vii. Project Reports
- viii. Budgets
- ix. Work plans

A Project or department work plan is very important especially during budgeting and budget monitoring. The information contained in work plans shall assist managers in coming up with a budget that is realistic to the current situation in terms of funding and the desired objectives. Work plan shall contain information on the proposed annual budget (operating and capital expenses), activity schedules, expectations of service requirements, significant objectives for the planning period, expected major events or changes, and financial projections by service category. The annual work plan shall form the basis for managing and monitoring **NairoBits** and / or project performance.

### **2.2.1 Monthly Financial Report**

Monthly reports are essential in monitoring the activities taking place and any need for improvement in achieving the project or organization objective. The Finance Manager shall prepare financial reports on a monthly basis. These reports shall be prepared in accordance with the organisation and donor requirements and shall be reviewed by management and approved by the Executive Director.

### **2.2.2 Quarterly Financial Reports**

The Finance Manager shall also prepare financial reports on a quarterly basis and shall share them with the Board of Trustees. These reports shall be prepared in accordance with prescribed organization formats as well as donors requirement. The reports shall itemize the use of funds for the reporting period. These reports shall also be used for making management decisions on the internal and external business environment. The quarterly reports shall be used by management to assess the financial performance and call for budget review or revision of allocation of funds and / or seeking for more funding in case of ongoing projects.

### **2.2.3 Half Year Financial Reports**

The Finance Manager shall prepare semi-annual financial and narrative reports on the progress made in implementing activities for the reporting period and share the same with the Board. The report shall summarize the activities of the past period, highlights the results achieved, the difficulties encountered and recommendations. An analysis shall be done of every budget line explaining any variances observed and reasons for over or under expenditure.

The project manager shall also prepare a report that includes an update of the annual work plan for the subsequent six months citing the achievement and challenges faced and coming up with ways of managing those challenges in the coming half year of the financial reporting. This report shall be submitted to the management for review and approval by the Executive Director and thereafter to the Advisory Board for comments and authorization for any additional funds requests.

#### **2.2.4 Annual Financial Report and Narratives**

At the end of the financial period the Finance Manager shall prepare a year-end report in accordance with GAAP and the local authorities governing standards, as well as the donor requirements. These reports shall be used for the annual audit and therefore all the balance sheet support schedules shall be attached. The Project Manager shall write an annual report which is linked to the applicable annual work plan and budget and highlights all work and tasks undertaken during the previous year. Variances shall be analyzed and explained. Challenges experienced during the period shall also be discussed and recommendations for the future put in place. The reports shall be submitted to the Management and the Board for authorization and thereafter forward to the auditors. The schedules supporting the balance sheet shall include:

- i. Trade accounts payables,
- ii. Ageing payables,
- iii. Accruals,
- iv. Debtors,
- v. Staff advances,
- vi. Deposits and Prepayments,
- vii. Fixed assets schedules as per the fixed assets register,
- viii. List of other creditors other than suppliers,
- ix. List of designated Funds
- x. List of existing Bank accounts, balances and signatories
- xi. List of Banks accounts closed during the year

## **2.3 Financial Statements**

A set of financial statements is a structured representation of the financial performance and financial position of a business and how its financial position changed over time. It is the ultimate output of an accounting information system and has following six components:

- i. Income Statement
- ii. Balance Sheet
- iii. Trial Balance
- iv. Statement of Cash Flows
- v. Statement of Changes in Equity
- vi. Notes and Other Disclosures

Financial statements are better understood in context of all other components of the financial statements. For example a balance sheet shall communicate more information if there is a related income statement and the statement of cash flows attached to it. Financial statements are prepared after a specified period such as monthly, quarterly, yearly, etc.

### **2.3.1 Annual Financial Statements**

Financial statements prepared for a period of one year are called annual financial statements and are required to be audited by an auditor who is a chartered accountant or a certified public accountant. Annual financial statements are normally published in an annual report which also includes the Executive Directors report and an overview of the organization, its operations and past performance.

Income statement communicates the organizations financial performance over the period while a balance sheet communicates the organization financial position at a given point of time. The statement of cash flows and the statement of changes in equity indicate how the financial position changed over the period. Disclosure notes to financial statements cover such material information which is not appropriate to be communicated on the face of the main financial statements.

### 2.3.2 The Income Statement

The income statement is an important component of a set of financial statements. It measures the performance of a business during an accounting period by calculating one or more of the following:

- i. Gross Profit
- ii. Operating Income
- iii. Net Income

An income statement has four important elements that include revenues, gains, expenses and losses.

- a) Revenues are the earnings from usual business activities. In most cases, revenues are earned from sales of goods and services or grants received from donors.
- b) Gains are the enhancements in the assets or the reductions in liabilities caused by activities outside the usual course of business and which are eligible to be recorded according to acceptable accounting practices.
- c) Expenses include consumption of assets or the creation of liability against the business in the course of normal business activities.
- d) Losses are the reductions in assets or the enhancements in liabilities caused by activities other than those in the main course of business.

### 2.3.3 Balance Sheet

A balance sheet also known as the statement of financial position is a snapshot of a business that show the assets, liabilities and equity of a business at a specific point of time. A balance sheet is an extended form of the accounting equation that is:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Assets are the resources controlled by a business, equity is the obligation of the company to its owners and liabilities are the obligations of parties other than owners.

A balance sheet lists all resources owned (assets) by the organization and shows that it is equal to the sum of all liabilities and the equity balance.

Long-term liabilities also known as non-current liabilities are obligations which a business is expected to pay in the next year or in the next operating cycle. These include bonds payable, notes payable, liabilities related to pension benefits, leases, etc.

### **2.3.4 Trial Balances**

Using a double-entry accounting system adds reliability by ensuring that the books are always balanced. Even so, it is still possible for errors to bring a double-entry system out of balance at any given time. Calculating daily or weekly trial balances can provide regular insight into the state of the system, allowing one to discover and investigate discrepancies as early as possible. Since, in double entry accounting records each transaction with two aspects, therefore the total of debit and credit balances of the trial balance are always equal. Any difference shall indicate some mistake in the recording process or in the calculations. Although each unbalanced trial balance indicates mistake, but this does not mean that all errors cause the trial balance to unbalance. There are few types of mistakes which shall not unbalance the trial balance and they may escape un-noticed if one does not review the work carefully. For example, to omit an entry, to record a transaction twice, etc.

### **2.3.5 Fund Accountability Statement(s)**

Monthly Fund Accountability Statements (FAS) shall be prepared for each project.

The FAS show the following details:

- i. Opening fund balance / balance brought forward
- ii. Receipts during the month (mainly receipts from the donor and bank interests)
- iii. Expenditure during the month
- iv. Closing fund balance / balance carried forward

The closing fund balance should be reconciled to the cash and bank balances.

## **2.4 Financial Accounting**

Financial accounting is a system that accumulates, processes and reports information about an entity's performance in the form of a profit or loss, its financial position stated as assets, liabilities and shareholders' equity and changes in financial position.

Every entity, whether for-profit or not-for-profit, aims at creating maximum value for its stakeholders. The goal of maximum value addition is best achieved when there is a mechanism to monitor the management and the board of directors. Financial accounting helps in such monitoring by providing relevant, reliable and timely information to the stakeholders. Inputs to a financial accounting system include business transactions which are supported by

source documents, such as invoices, board resolutions, management memos, etc. These inputs are processed using generally accepted accounting principles (GAAP). The processed information is reported through standardized financial statements.



### **3 CASH AND BANK MANAGEMENT**

All NairobiBits bank transactions vouchers shall be prepared by the Finance Manager approved by the Executive Director and authorized for payment by a member of the Board. Two authorized Board members sign cheques for payment. Cash payments shall be prepared by the Finance Manager and approved by the Executive Director. All financial records shall be maintained and recorded into the accounting system by the Finance Manager

#### **3.1 Objective**

The purpose of these cash and bank procedures is to ensure that:

- i. All cash and cheques received are properly recorded and accounted for.
- ii. All cash received is deposited intact in the appropriate bank accounts. **NairobiBits** shall ensure that funds are properly accounted for and tracked through the relevant bank accounts. Where appropriate or requested separate bank accounts may need to be maintained for the donor or project funds.
- iii. There is separation of responsibility of handling the cash/cheques and that of recording.
- iv. All cash transactions are properly captured by the general ledger system.
- v. All payments are properly verified and approved prior to payment.
- vi. All creditor payments are made by cheque.
- vii. All vouchers and supporting documentation are properly stamped “PAID” before cheques are dispatched.
- viii. Proper and timely bank reconciliations are prepared and independently reviewed.

#### **3.2 Managing Bank Accounts**

It is a policy that all receipts shall be deposited into a bank account and that payments shall, as far as possible, be made by cheque. To facilitate this process, **NairobiBits** must operate a number of bank accounts.

#### **3.3 Number of Bank Accounts**

The number of bank accounts shall depend on operational convenience and funding

contractual obligations. Funding agreements may require the opening of specific accounts for particular funds.

### **3.4 Authority to Open Bank Accounts**

Bank accounts shall only be opened on the written authority of the Board with appropriate minutes maintained for such decisions.

#### **3.4.1 Types of Accounts**

- a) The organization may with the approval of the Board of Trustees open any of the following types of bank accounts:
  - i. Current Accounts- in local and/or other denomination (e.g. US\$, Euro, Yen, GBP etc.)
  - ii. Savings Accounts
  - iii. Deposit Account (Fixed, Call etc.) - Subject to grant or funding agreements and prevailing legislation for NGOs permit.
- b) In an effort to maximize return on the funds it holds, NairoBits may open:
  - i. Treasury Bills (as per (a) iii above)
  - ii. Other financial instruments as approved by Central Bank of Kenya

### **3.5 Names of Accounts**

All bank accounts shall contain the name **NairoBits**. A description designating the function or type of account may be added if considered necessary.

### **3.6 Signatories**

All bank accounts shall be operated by at two people one of whom must be a member of the Board. The signatories shall observe any prevailing authority levels.

### **3.7 Overdraft**

All Bank accounts shall remain in credit. Overdrafts shall only be authorized by the Board.

### **3.8 Cheques Security**

On receipt from the bank, cheque books shall be inspected to ensure that no leaves are missing. Cheques shall be kept securely, under lock and key, at all times. All cheques shall be crossed.

### **3.9 Internal Controls on Banking**

**NairoBits** shall keep adequate internal controls on cash and bank so as to ensure proper management of donor funds. The following internal controls are recommended:

#### **3.9.1 Managing Bank Accounts**

- i. **NairoBits** funds shall be banked with reputable financial institutions in Kenya
- ii. The banks must have a well-established foundation and adequately resourced.
- iii. All bank account transactions must have two signatories at any one time.
- iv. Un-utilized cheque books shall be kept securely in a safe.
- v. Blank cheques shall NEVER be signed in advance.
- vi. Electronic wire transfers must be approved by the authorized bank signatories with adequate audit trail and evidence maintained by **NairoBits**.
- vii. Payment approval procedures must be ensured prior to authorizing all payments.
- viii. Available excess funds shall be kept in interest bearing accounts.

#### **3.9.2 Bank Reconciliations**

- i. Bank reconciliation statements shall be prepared monthly by the Accounts Assistant, reviewed by the Finance Manager and approved by the Executive Director.
- ii. Reconciliations shall be done as soon as possible but not later than five working days at most, after the closing of the month in reference.
- iii. Reconciliation statements shall be prepared by the Finance Manager or his appointee.
- iv. The voided cheques shall be checked and endorsed by the Finance Manager and can be made available for review by the Executive Director or authorized Board member upon request.
- v. The ending date of the accounting cash book and the bank reconciliation statements shall be the same.

- vi. Compare the bank deposit records with cash book records to determine whether each deposit recorded in the accounting system agrees with the bank record.
- vii. Check the cash entries in the receipt book against the bank statement to ensure that all cash received was banked correctly.
- viii. Check whether the ending balance in the general ledger cash account agrees with the bank statement, after making the adjustments on the bank reconciliation form.
- ix. List all outstanding cheque, any outstanding cheques for over 90 days, take appropriate action.
- x. List all un-credited cheque(s) appearing on the accounting system but not yet received by the bank.
- xi. The bank name, account name/description and number, and account currency should be clearly indicated on the bank reconciliation statement.
- xii. The bank reconciliation shall include a copy of the bank account ledger balance as per the **NairoBits** accounting records and a copy of the bank statement when it is presented for review and approval by the Executive Director or the authorized representative for approval.
- xiii. All cheques not cashed after six months (180 days) from the date of execution by the authorized signatories shall be voided and reissued upon validation by the Finance Manager or the authorized finance staff.
- xiv. Any reconciling items requiring adjustments in the books must be explained and clearly documented fully.
- xv. Any un-reconciled differences between the bank statement and the accounting records shall be brought to the attention of the Executive Director or his representative.
- xvi. Bank statements for a given financial year shall be filed together with the bank reconciliation statements in a manner that such documents shall be easily retrievable.

### **3.10 Cash Management Procedures**

Cash can be easily mishandled or stolen and therefore must be handled carefully. The following procedures must be followed when handling cash received:

- i. If cash is received into the office, the person accepting the cash **MUST** immediately provide a written official receipt when taking the cash.
- ii. The receipt should state the person's name, the date, the currency, the amount of the cash (both in word and numbers) and the purpose of payment.

- iii. Use a pre-numbered receipt book with an automatic duplicate copy with the organization's name printed on it.
- iv. No pages shall be removed from the receipt book.
- v. The person with access to the receipt book shall keep it in a locked drawer and shall lock cash in a secured location until the Finance Manager can retrieve it.
- vi. If possible, when the Administrative Assistant or the person in charge of the place where cash is kept opens the location with the cash, one other person shall accompany him/her so that they can count the cash together.
- vii. All cash received MUST be banked immediately. Cash received shall NOT be used as petty cash.
- viii. A copy of the bank deposit slip, and a copy of the receipt must be attached to the credit voucher as proof of cash received and banked before entering the transaction into the accounting system. The credit voucher must be approved by the Executive Director.
- ix. An Insurance Cover for Cash In Transit shall be taken with a reputable Insurance company for those staff required to carry cash on behalf of the organization for official use.

### **3.11 Petty Cash Management**

Petty cash vouchers shall be prepared by the Finance Manager and authorized by Executive Director. As an internal control, cash counts shall be done weekly by the Finance Manager and a petty cash certificate checked by the Executive Director. The Executive Director or his appointee shall perform frequent surprise cash counts as and when it is deemed fit to do so.

### **3.12 Petty Cash Procedure and Controls**

- i. A petty cash fund shall be maintained by the Finance Manager to a maximum of KSh.60,000 (Sixty Thousand), or such other amount as may be set from time to time by the Executive Director and approved by the Board.
- ii. The Finance Manager shall ensure that all payments are paid through the cheque system or direct transfers to payee accounts so that petty cash is used entirely for petty expenses such as motor vehicle parking fees and office milk of say KSh.5,000 (Five thousand) or

less, or such other amount as may be set from time to time by the Executive Director and approved by the Board.

- iii. The petty cash float shall be used for miscellaneous expenditures of preferably less than KSh.5,000 (Five thousand) or such other amounts as may be set by the Executive Director and approved by the Board from time to time.
- iv. Under exceptional circumstances, and with the approval of the Executive Director, petty cash may be used for purchases of amounts exceeding the set limit, for instance in situations where either bank facilities are inaccessible or inadequate or for some good reason, the payee cannot accept a cheque.
- v. For any petty cash payments above KSh.5,000 (Five thousand) or such other amounts as may be set by the Executive Director and approved by the Board from time to time, it is recommended that the Executive Director shall approve it before payment is made.
- vi. Original receipts shall be required for all petty cash expenditure, regardless of the amount.
- vii. Use of petty cash shall be limited to such items as miscellaneous office supply needs, amongst others which are not easy to handle through the normal procurement channels.
- viii. Petty cash shall strictly not be used for cashing personal cheques or personal foreign currency exchanges or staff personal expenses for reimbursement such as mileage claims which have to go through the cheque system.
- ix. Petty cash shall be used to reimburse prior approved official miscellaneous expenses.

The following controls in addition to the above shall be applied in managing petty cash at all levels where petty cash is handled.

- a. Recipients of cash shall sign petty cash payment vouchers and attach the proper supporting documentation.
- b. No cash receipts shall be deposited into petty cash at any given time. All cash received from whatever source, other than replenishment of imprest shall be receipted and banked into a **NairoBits** bank account. Imprest limits established shall not be surpassed.
- c. The petty cash box shall be locked and stored in a safe location when not in use. Only designated custodians of the petty cash shall have access to the box.
- d. Requestors of funds from petty cash shall sign off a receipt of funds (Petty cash voucher) when they need such funds for official business and other expenses. The petty cash voucher shall be returned to the requestor upon submission of the

receipts and balance, if any. The receipts shall clearly mention the purpose for which the funds have been used.

- e. Petty cash shall be counted regularly by the Finance Manager preferably, on the last day of the week so that expenses can be reported within the month they occurred.
- f. Petty cash count certificate shall be issued after every cash count, bearing the Finance Manager's signature and the Executive Director's signature and kept in a file for reference.

### **3.13 Procedure for Replenishment of Imprest**

- a) The maximum amount for replenishment of imprest shall be KSh.60,000 (Sixty thousand), or such other amount as shall be set by the Executive Director and approved by the Board.
- b) The Finance Manager shall prepare Petty Cash Requisition and payment voucher.
- c) Upon approvals by the Executive Director, imprest replenishment cheques shall be drawn and sent to the authorized Board Members for signatures and release of funds.

## **4 CASH BOOK**

A cash book is a financial journal that contains all cash receipts and payments, including bank deposits and withdrawals. Entries in the cash book are then posted into the general ledger.

This is undertaken automatically using the computerized accounting system. The cash book is reconciled with the bank statements on a monthly basis as an internal control measure and to ensure that all financial transactions relating to the organization are properly taken into account.

### **4.1 Definition of Cash Accounting**

There are two forms of accounting namely cash accounting and accrual accounting.

#### **a) Cash Accounting**

Cash accounting is an accounting method where receipts are recorded during the period they are received, and expenses are recorded in the period in which they are actually paid.

#### **b) Accrual Accounting**

Accrual accounting is where revenue and expenses are recorded when they are incurred regardless of when the payments are made or cash received. Small businesses often use cash accounting because it is simpler and more straightforward, and it provides a clear picture of how much money the business actually has on hand. Organizations, however, are required to use accrual accounting under Generally Accepted Accounting Principles.

### **4.2 General Ledger**

A general ledger is one of the main accounting records. A general ledger is a complete record of financial transactions over the life of an organization. The ledger holds account information that is needed to prepare financial statements, and includes accounts for assets, liabilities, owners' equity, revenues and expenses. A general ledger is typically used by businesses that employ the double-entry bookkeeping method, where each financial transaction is posted twice, as both a debit and a credit, and where each account has two columns. Because a debit in one account is offset by a credit in a different account, the sum of all debits shall be equal to the sum of all credits.



## 5 PROCUREMENT

There shall be in existence a procurement unit that comprises of the Executive Director (ED), Project Manager (PM) and Finance Manager (FM) and such other officers as may be appointed from time to time. For major capital assets procurement, the Advisory Board committee shall be incorporated into this unit.

### 5.1 Procurement Objective

Procurement policies and procedures lead to an efficient and cost effective service to everyone in the organization. Documenting of procurement policies and procedures by **NairoBits** aims at ensuring that the following **objectives** are achieved:

- a) Harmony in the procurement processes is maintained.
- b) A judicious, economic and efficient use of resources in procurement is secured; Ensure a better use of funds and reduce procedural cost;
- c) Procurement is carried out in a fair, transparent and non-discriminatory manner to support the coordination and implementation of the **NairoBits** activities in Kenya and the region; Promote competition
- d) Guarantee integrity, trust and transparency in procurement procedures.
- e) Ensure value for money.

To achieve the above objectives, all **NairoBits** staff responsible for the procurement function shall ensure that the goods, works and/or services procured are of high quality standards, economical in price, procured at the right time, from the right or recommended source and delivered to the right place or requestor.

The main elements of the **NairoBits** procurement cycle are shown in Figure 1.

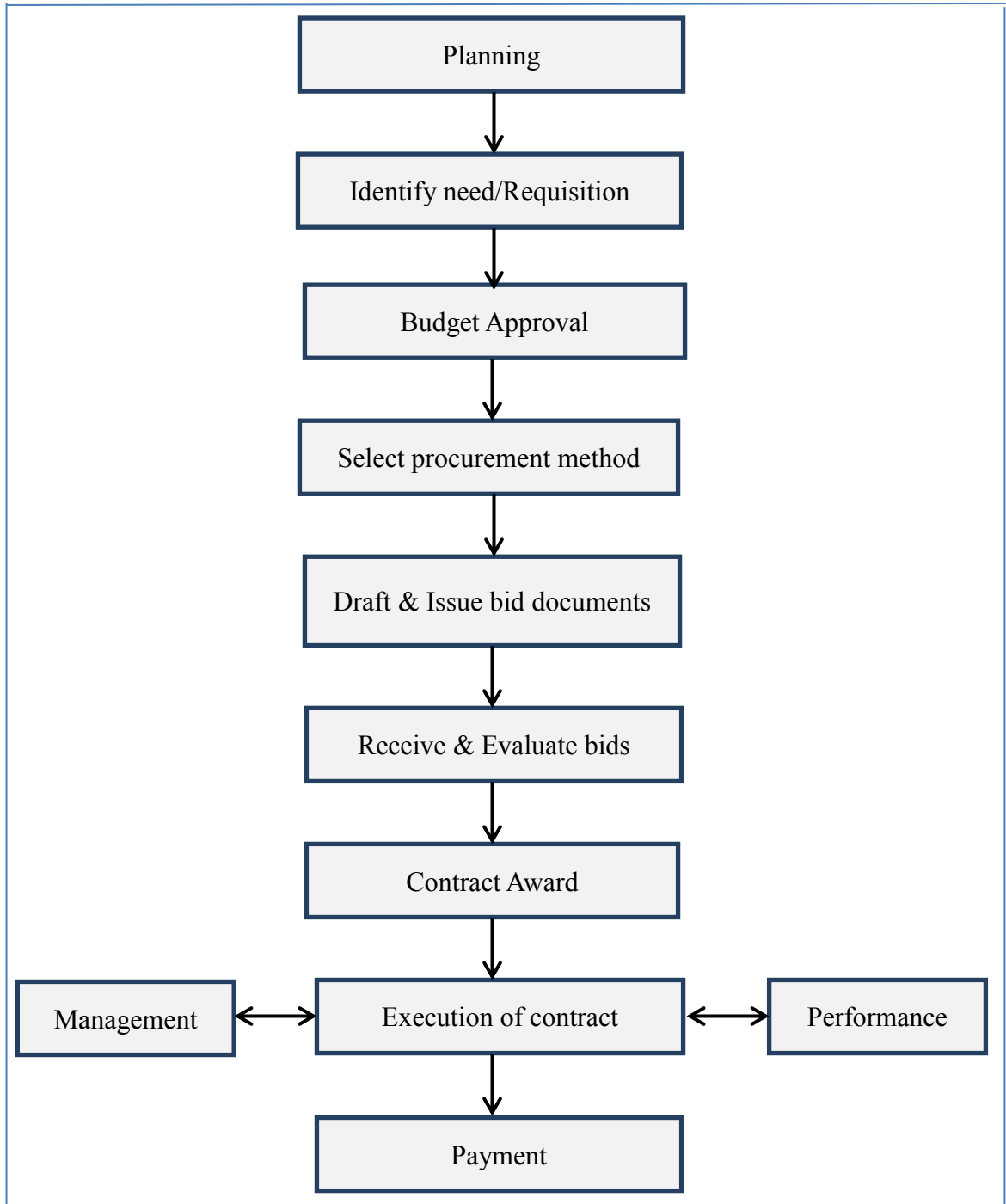


Figure 1: Procurement Cycle

## **5.2 Policy on Procurement**

### **5.2.1 Preference for Local Procurement**

**NairoBits** shall endeavor to procure locally, unless it is deemed absolutely necessary to go international.

### **5.2.2 Purchase Consolidation**

**NairoBits** shall consolidate, whenever possible, major purchases of general supplies and capital items in order to obtain quantity discounts. Procurement of inventories shall be done quarterly or semi-annually to capitalize in economies of scale and price stability.

### **5.2.3 Tax Exemption Privileges**

The Management shall ensure that tax exemption privileges awarded by the Kenyan Government are fully exploited.

### **5.2.4 Preferential Purchases**

Management shall purchase goods and services in the most beneficial manner to the organization taking advantage, whenever possible, of available discounts, special offers, special delivery terms, etc.

### **5.2.5 Competitive Bidding**

Procurement shall be undertaken on the basis of competitive bidding. At least three bids shall be obtained in the procurement of goods, works and services.

### **5.2.6 Exceptional Circumstances**

Exceptions to the above policy are cases where the goods or services are of a repeat nature, or items are of small values such as consumable stores. Pre-existing contracts with suppliers may also be excluded from competitive bidding for the period of the contract.

### **5.2.7 Pre-qualified suppliers**

Bi-annual prequalification tenders shall be floated for selection of prequalified suppliers for regularly procured goods and services. The prequalification exercise shall be concluded by 1<sup>st</sup> January of the year it falls due and the list of recommended prequalified suppliers shall be approved by the Board. Pre-qualified supplier contracts shall be reviewed regularly, at least

every two years, or at such other time as may be stipulated from time to time. Reviews could be done more regularly, say every six months if price changes in Kenya prove to be erratic.

#### **5.2.8 Purchase of Technical Goods**

Goods of technical nature, e.g. computer hardware and software procured shall have the endorsement of a relevant expert, say IT consultant/officer.

#### **5.2.9 Goods Standardization and Licensing**

The Management shall ensure that IT goods, motor vehicles etc, procured are standardized. Appropriate operating licenses and updates for computer software and IT applications must be obtained, as necessary.

#### **5.2.10 Soliciting or Accepting Gifts**

Employees are prohibited from soliciting or accepting any rebate, money, gifts or gratuity from any person, company, firm or corporation to which any purchase order or contract is, or might be awarded

#### **5.2.11 Transparency**

All procurement transactions shall be conducted in a manner to provide the maximum extent practical, open and free competition.

#### **5.2.12 Procurement Approvals**

Given the small size and limited number of procurement operations in the organization, all procurements must be approved by the Executive Director or their designate.

### **5.3 General Procedure on Procurement**

For all procurements done on behalf of **NairoBits** there shall be segregation of duties from the requisition, ordering and the delivery of goods. The following procurement procedures shall be followed:

- i. A centralized purchasing system is to be set up, where one person is in charge of all purchasing and all departments shall send their requisitions for the goods/services they need to the person in charge.
- ii. Once a year, the person in charge of purchasing sources for suppliers/service providers and makes a Procurement Plan, showing items that require to be procured

during the year, the estimated prices of these items, type of procurement method to be utilized in procuring the item and terms such as delivery time, mode of payment, credit period, warranty, conditions for repair and replacement of equipment under warranty terms etc.

- iii. The Finance Manager shall evaluate the Procurement Plan and select three to five suppliers/service providers to be used for the year and recommends them to the senior management for approval.
- iv. The approved suppliers' list and the selected best three to five are given to the person in-charge of purchasing.
- v. a) The person in-charge of purchasing shall negotiate with the selected suppliers on prices e.g. to hold prices constant for a period agreed, or not to increase beyond a specified limit.  
b) If (a) above is not possible, the person in charge of purchasing shall get quotations from the selected suppliers at the time that a purchase needs to be done.
- vi. Purchase Requisition Form shall be filled by the department needing supplies and sent to the person in charge of purchasing.
- vii. After approval of the requisition, a Local Purchase Order (LPO) shall be raised by the person in charge of purchasing.
- viii. The Finance Manager shall then approve the LPO (or the Executive Director, depending on value set limits).
- ix. The person in-charge of purchasing shall send the LPO to the supplier with packing and delivery instructions (goods to be packed and delivery notes issued per the LPO). A copy of the LPO shall be kept by the purchasing officer awaiting delivery of goods/services for verification.
- x. Supplied goods shall be received and signed for by the person who requisitioned them (**not the purchasing officer**), who then sends the signed delivery note to the person in-charge of purchasing.
- xi. The person in charge of purchasing shall verify the invoice, attaches the delivery note and a copy of the LPO and sends it to finance department for payment.

xiii. **Requests for purchase / Requisition for procurement:**

Requisitions are the documents submitted by the user department to request a good or service from a supplier. It is the user department's responsibility to ensure funding is

available and that the budget line has been established prior to submitting the requisition. Requests from Program staff (trainers and field staff) for purchases will therefore include the following information:

- (a) Specifications of the item/service.
- (b) Quantity required.
- (c) Delivery requirements.
- (d) Estimated cost (if possible).
- (e) Authorized signatory.
- (f) Budget line (in accordance with the procurement plan).

### **5.3.1 Goods**

All procurements of goods with a threshold of KSh.30,000 (Thirty Thousand) and above, or such other threshold as may be set by **NairoBits** from time to time, shall follow the procedure below:

- i. The purchasing officer in liaison with the Finance Manager shall double check that there exists sufficient budget to cover the planned procurement.
- ii. A request for quotation shall be made by the purchasing officer. Received quotations shall be sealed and addressed to the Executive Director who shall open these quotations in the presence of at least two **NairoBits** staff.
- iii. The quotations shall then be analyzed by the Finance Manager and processed.
- iv. The purchasing officer shall then prepare a comparative statement, and recommend the supplier whose prices are competitive, quality of product is good and has a good reputation and is capable of supplying the goods/services on time as required
- v. Additional justification for the selected supplier shall be made in a note and attached to the file in memo format.
- vi. Upon the above certification, an approved LPO shall be issued to the winning supplier by the Purchasing Officer.
- vii. Upon receipt of the goods/services the person who raised the requisition for purchase shall sign the delivery note and the invoice.
- viii. The invoice together with the copy of LPO and the signed delivery note shall be forwarded to the Finance office for payment after all the approvals and conditions have been met.

***Note:** That procurement of goods of value less than KSh.30,000 (Thirty thousand), or such other threshold as may be set by the Executive Director and approved by the Board from time*

*to time, may be done through single sourcing to expedite the process. However, the procedure to be followed in making such procurement shall follow the right channels of approvals and shall not be compromised.*

### **5.3.2 Works and/ or Specialized Services**

Procurement of works or specialized services refers to assignments such as construction of an office block or refurbishment, installation of ICT equipment, development of websites etc. Such procurement shall have to be approved by the Board and regardless of the value of the services shall follow the following procedure.

- i. The Finance Manager in liaison with the Executive Director shall double check that there exists sufficient budget to cover the planned procurement.
- ii. Detailed terms of reference with the necessary additional materials such as sketches, maps, diagrams, photos etc shall be developed.
- iii. An advertisement in the appropriate media inviting potential suppliers to tender for the provision of such services shall be made by the Purchasing Officer. All tender applications shall be addressed to the **NairoBits** Executive Director.
- iv. A committee shall be formed by the Executive Director to open and evaluate the tenders.
- v. The tenders received shall be analyzed by the Purchasing Officer with support of the committee.
- vi. Depending on the nature of services, a shortlist of two to three firms shall be made by the committee.
- vii. The shortlisted firms shall then be asked to send detailed proposals (technical and financial) with references to the **NairoBits** specifications.
- viii. The Purchasing Officer shall prepare a comparative statement; with the final recommended firm/supplier whose prices are competitive, quality of service is good and has a good reputation, capable of supplying the services needed on time.
- ix. Additional justification for the selected firm/supplier shall be made in a recommendation memo for final approval by the Executive Director / Board.
- x. Upon the above certification, a contract between the **NairoBits** and the winning firm shall be executed for the commencement of the assignment.
- xi. Upon successful completion of the assignment, a certificate of completion shall be issued by the appointed supervisor.
- xii. An invoice from the contracted firm shall be processed for payment by the finance

office.

### 5.3.3 Procurement of Consultancy Services

The following procedure shall be followed in the recruitment of professional consultants and support staff.

- i. A requisition is raised with details of qualifications, experience and other requirements for the position.
- ii. Purchasing Officer shall carry out a search for appropriate applications from **NairoBits** database and files of Curriculum Vitae (CV) and / or call for Expression of Interest
- iii. An advertisement to be placed in relevant media for highly specialized positions and also for those positions for which appropriate CVs are not available in the database, CV files or Expression of Interest.
- iv. A long list and a short list shall be prepared by the Purchasing Officer according to the criteria drawn up for the particular position. The list shall be circulated to all interview panel members electronically.
- v. Interviews / tests may be arranged for the short listed candidates.
- vi. The panel of interviewers would depend on the type of position. Invariably the representative of the Board may be part of the team. The Executive Director and the Finance Manager shall also be part of the panel.
- vii. Consultants shall be hired through a competitive process. Short listed candidates shall be asked to submit bids in two parts, i.e. technical and financial. For financial bids, a fee shall be specified.
- viii. Bids shall be evaluated giving weight of 80% and 20% to the technical and financial bids respectively or such other proportions as may be dictated from time to time. For a bidder to be technically qualified, they must achieve a minimum of 75% marks in the technical evaluation, or such other threshold as may be set from time to time. Only technically qualified bidders shall proceed to the financial evaluation stage.
  - a). The technical weighted score (Ts) for bidder Z shall be calculated as
$$T_s = T_z \times 0.8$$
where  $T_z$  is the raw technical score for bidder Z.
  - b). The weighted financial score (Fs) for bidder Z shall be calculated as
$$F_s = (F_m / F_z) \times 0.2$$
where  $F_z$  is the price quoted by bidder Z.  
And  $F_m$  is lowest priced responsive bidder which meets the specified



minimum technical score threshold.

- c). The tender winner is the Bidder with highest Score of  $Ts + Fs = 80\% + 20\%$ .

#### **5.3.4 Consultancy Contracts**

The need for consultancy contracts may arise at different levels; i.e. from the **NairoBits** or Donors levels. The **NairoBits** Purchasing Officer is responsible for preparation of all local Consultants' contract / sub contract documents or amendments. The following procedure shall be followed when preparing local professional contracts:

- a. Requisition for preparation of contract is initiated by the office requiring the services. The requisition should contain the following information:
  - i. Curriculum vitae of the Consultant
  - ii. Nature of Contract (Short Term/Long Term /Standing Offer)
  - iii. Duration of Contract (Starting & Terminating Dates)
  - iv. Budget
  - v. Per diem rates
  - vi. Terms of Reference
- b. A draft contract is prepared by the Purchasing Officer.
- c. Three copies of the contract shall then be forwarded to the consultant for signature.
- d. After signing of the contract by both parties i.e. the Consultant & the Executive Director, each party shall keep one copy for purposes of records and future reference.
- e. New file shall be opened in the name of the Consultant and kept in the finance office with the third contract copy.
- f. The Finance office shall do the financial administration of the contract.

#### **5.3.5 Amending of Procurement Agreements**

- a. Amendments to contracts shall go through the same approval process followed when handling the initial contract.
- b. Clear reasons justifying the need for the amendment must be provided in writing prior to the amendment. Budget availability **MUST** be ensured as well.
- c. Amendments must be done prior to the end of the initial contract.
- d. Requests for amendments of contracts after the expiry of the initial contract shall be

treated as new assignments and new contracts issued (with appropriate references to the initial one or previous contracts). The terms of reference shall be revised as may be necessary.

- e. The new contract expiry date must be within the overall project funding period or the contract expiry date.
- f. Payments relating to amended contracts shall follow the procedure defined above

### **5.3.6 Procuring Internationally**

With the approval of the Executive Director and the Board and depending on the nature of goods to be procured, international procurement shall be considered as an option if:

- i. It is deemed to be in the **NairoBits** financial and operational interests to do so or
- ii. Where it is clearly evident that the goods or services required cannot be found locally.

Once approval has been given for international procurement, the Purchasing Officer shall take steps to go through the process of seeking for quotations from various suppliers. The procurement process shall be similar to that detailed in the appropriate section of this manual.

#### **5.3.6.1 Receipt of Internationally Procured Goods**

- i. International suppliers shall be required to notify **NairoBits** in advance of a shipment and within a reasonable period of the actual date of departure. For shipments by sea, on departure from the port of loading, the supplier shall send a complete set of original shipping documents by the fastest possible means for example DHL courier.
- ii. Upon receipt of the goods, a Receiving Report (Delivery Note/or Goods Acceptance Note) shall be prepared and signed by the Executive Director so that payment can be processed. The completed Receiving Report is forwarded to the Accounts office to be placed in the accounts payable file and attached to the corresponding purchase order until the invoice is received and processed for payment.
- iii. The following documents shall be filed along with the above documents and copies of the same must be attached to the invoice when processing for payment:
  - a. Original Bill of Lading, Air Waybill, Truck Waybill
  - b. Commercial Invoice
  - c. Packing List
  - d. Certificate of Origin

- e. Inspection Certificate (if applicable)
- f. Gift / Donation Certificate (if applicable)
- g. Insurance Certificate (if CIF)

### **5.3.6.2 Customs Exemption and Clearance**

- i. International purchases or donations of goods enter Kenya through the main ports of entry such as Mombasa, Jomo Kenyatta International Airport or a land customs border post like Namanga, Malaba etc. The Kenya Government customs agents shall not release imported goods until all duties are paid or a customs exemption certificate is provided. If clearance is not taken promptly, goods may be held at the port or placed in a bonded warehouse, accruing storage/demurrage charges.
- ii. Requirements for customs exemption vary and depend upon the nature of the goods or intended use of the goods in a consignment. Each consignment shall be certified separately by the Ministry of Finance and the Kenya Revenue Authority. Getting the necessary documents approved can take considerable time.
- iii. To avoid delays in customs clearance, the Management shall ensure that the description of the goods in the exemption certificate accurately defines the actual goods in the consignment, and that necessary customs documentation is provided.
- iv. The Purchasing Officer with delegated authority for procurement shall process an exemption certificate for each consignment as soon as possible, in advance of the arrival of the shipment. The exemption certificate together with the shipping documents and appropriate receiving instructions shall be forwarded to the appointed clearing agent, who shall deal with the port authorities, customs officials, shipping agent and others to release the consignment from the port of entry.

### **5.3.7 Procurement of Computers and Office Machines**

For computer equipment and peripherals including printers and other office machines, the following shall be applied when ordering and receiving the goods:

- i. The Hardware and Software must be **NEW**
- ii. All offered software shall be Genuine
- iii. The computer hardware shall be supplied with all necessary connection cables such as power, interface, etc.
- iv. The supplier shall supply the equipment in its original sealed packaging
- v. Warranty for computers, servers and other equipment shall be at least one year,

- though longer periods are preferable.
- vi. The supplier shall meet all minimum requirements indicated in the Request for Quotation.
  - vii. Computer hardware and software procured shall have the endorsement of a relevant IT expert, say IT consultant or officer. Being aware that the IT industry is fast paced in changing, all efforts must be made to safeguard against procuring equipment and software that is about to be phased out.
  - viii.** The Management shall ensure that IT goods, procured are standardized. Appropriate operating licenses for computer software and IT applications must be obtained as necessary.

## **6 FIXED ASSETS AND INVENTORY MANAGEMENT**

### **6.1 Preamble**

An asset is an economic resource and can be anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value. Assets represent value of ownership that can be converted into cash. A fixed asset is an asset of a business intended for continuing use, rather than a short-term, temporary asset such as stocks. Fixed assets must be classified in **NairoBits** balance sheet as intangible, tangible, or investments. Tangible fixed assets include land and buildings, plant and machinery, fixtures and fittings, machinery, motor vehicles, computers and other IT equipment. Intangible assets include goodwill, patents, and trademarks. Long term investments are to be held for many years and are not intended to be disposed off in the near future. There are three types of investments including investments in securities such as bonds, common stock, or long-term notes. Investments in fixed assets not used in operations like land held for sale in future and investments in special funds like sinking funds or pension funds. Some forms of insurance policies can be treated as long term investments.

Fixed Assets are properties procured or donated and owned by or being in possession and use by **NairoBits**. Fixed Assets can also be classified into two categories that is capital for those whose use goes beyond one financial year and non-capital assets.

### **6.2 Policy on Assets and Office Equipment**

#### **6.2.1 Fixed Assets**

- i. There shall be a committee in charge of fixed assets acquisition and disposal. The committee shall comprise of the Executive Director, Finance Manager and the Program Manager or the Training Coordinator. All assets Procured must be approved by this committee in conjunction with the Advisory Board Member(s). All disposals shall be authorized by the Advisory Board.
- ii. There shall be a Fixed Asset Register maintained by the Finance Manager. Once an asset has been purchased it shall be recorded in the books of accounts and the Asset register. The Asset register shall continually be updated with any additional asset and disposals.

This shall ensure that a record kept in the financial system agrees with balances in the assets register. The Finance Manager or his designated assignee shall keep updated electronic registers of all the assets. Details in the fixed assets register shall include the following:

- a) The description of the items,
  - b) The year of manufacture,
  - c) Date of purchase and suppliers name,
  - d) Cost of purchase
  - e) Warranty period and date of expiry (if applicable)
  - f) The location - stating the place, department, custodian / users name
  - g) Depreciation method used
  - h) The net book value of the asset
  - i) Condition of asset / comments
- iii. All capital assets shall be marked or numbered serially in a manner that the mark/serial number is not easily erasable or removable from the asset. Engraving of assets or durable bar code tagging is recommended.
- iv. All motor vehicles shall have official **NairoBits** logos that are clearly displayed, with the windows and side mirrors embossed with vehicle registration number. Appropriate fees shall be paid to the Local Authority / County Government for use of such logos on **NairoBits** vehicles where applicable.
- v. No one shall have the right to move, remove or relocate an asset without the knowledge and approval in writing by the Executive Director or his appointee.
- vi. All assets, such as office equipment, computers, vehicles, buildings (where applicable), etc shall be securely covered through appropriate insurance policies with reputable insurance firm(s). The Finance Manager shall be responsible for ensuring that adequate and appropriate policy covers are taken. The insurance cover shall safeguard assets against risks such as fire, theft, riot / terrorist attack and other disasters as may be appropriate. All assets must be insured at replacement value or market value of the asset.
- vii. Procurement of assets and office equipment shall follow the procedures detailed in the appropriate section of this manual.

### **6.2.2 Policy on Other Inventory**

- i. All consumable (current) assets such as stocks purchased shall be recorded in a stores record book.

- ii. The Finance Manager or his designated assignee shall be the custodian of the stores record.
- iii. The stores record book shall contain the following information:
  - a. Nature or description of item
  - b. Quantity
  - c. Old stock balance prior to this purchase
  - d. New stock balance
  - e. Section for quantity issued out.
  - f. Date of transaction
- iv. Monthly physical inventorying verification of the stores record shall be carried out by a staff designated by the Executive Director in the presence of at least one staff member to certify the record and witness the counting.
- v. Any discrepancies from such monthly inventory verification shall be brought to the attention of the Executive Director complete with explanations of the nature and value of the variances.
- vi. The Executive Director, with advice from the Board, shall make the final decision with respect to the stores variances and whether or not the stores records shall be adjusted to match the physical count.

### **6.3 Procedures on Fixed Assets and Inventory Management**

#### **6.3.1 Fixed Assets Procedures**

- i. The Finance Manager shall ensure that the insurance premiums for all assets are paid on time to avoid any lapses on security of the items.
- ii. Quarterly physical inventorying of the capital assets shall be carried out by an officer designated by the **NairoBits** Executive Director. The Executive Director or his appointee shall guide the exercise. The officer shall ensure regular updates of the assets register following such stock takes.
- iii. Physical stock taking of the capital assets shall be done annually by an officer other than the one charged with the custody of those assets. Records of capital assets stock-take shall be checked and approved by the Executive Director after the stocktaking.
- iv. Variances between records and physical counts shall be investigated and explained as shall be directed by the Executive Director or his designate.
- v. The Finance Manager shall keep copies of the approved stock list.

- vi. Un-explainable variances shall be reported to the Executive Director and shall form a basis for disciplinary action on the staff (s) entrusted with the particular missing asset.

### **6.3.2 Procedure on Inventory Management**

Proper control of the consumable inventory shall be insured by the Finance Manager or his designee to prevent loss or damage and to ensure that adequate inventory levels are kept. The main elements of these Procedures are:

- i. The inventory shall be maintained securely by locking it in a store room or any other secure place.
- ii. Control over inventory shall be given to the Finance Manager or designated staff and in any case a single person who retains the store room or cupboard key.
- iii. All individual items in the store room shall be entered in an electronically maintained record with details of the item, location, date, and the current inventory level. If a computer application is available similar information shall be included.
- iv. Any withdrawals by the clients from the inventory shall be on the basis of an approved stores requisition form signed by authorized staff in charge.
- v. The Finance Manager or the designated staff shall ensure that the items are ordered from suppliers in sufficient quantities and time to prevent a shortage in stock.
- vi. The Finance Manager shall be responsible for organizing physical stock takes of all current assets at the end of every quarter or at any such frequency as shall be found necessary by Executive Director.
- vii. The consumable stock take shall be done by an officer appointed by the Executive Director.
- viii. Records of the physical count shall be compared with the stores records and any variances on the stocks shall be investigated and / or explained.
- ix. Un-explainable variances shall be reported to the Executive Director and may form a basis for disciplinary action on the staff(s) entrusted with the particular missing asset.



## 7 SECURITY OF EQUIPMENT AND GENERAL OFFICE SAFETY

A security service provider shall be hired to provide round-the-clock security at the office premises. The following security measures shall be undertaken routinely at the office:

- a. A security guard shall always be available at the reception of the building; a visitor book shall be maintained at the building reception wherein timings of entering in/going out of all visitors are recorded.
- b. All visitors shall be screened at the main reception of the office
- c. No equipment is allowed to be moved in or out of the office without the written permission / knowledge of Finance Manager or the Executive Director's Appointee. A gate pass must be issued by the operations unit to facilitate such a process.
- d. All the entrance doors to the offices shall be kept locked at all times.
- e. As a security measure, and as may be advised by the Security firm, the office shall maintain a maximum set of four (4) keys for the main door entrance.
- f. Where feasible, an electronic security system (e.g. CCTV) shall be installed to improve the security level of **NairoBits** premises / offices.
- g. Security cards shall be issued to all staff and client's resident at the office to allow easy entry exit.
- h. Entry/exit through the office doors for staff and visitors shall be restricted. Such movement shall only be possible, where applicable with the use of electronic cards or biometric devices issued or any other security mechanism that may be installed, e.g. airlock doors.
- i. All staff members shall be individually and collectively responsible for the security and safety of the office premises/equipment.
- j. The Office Caretaker shall be responsible for ensuring that all common areas are properly locked at the end of the day and the lights, AC systems, other office equipment are switched off, save for those relate to the maintenance of security.

## **8 DEPRECIATION OF ASSETS**

All Assets shall be depreciated in accordance with the laid down rates that are acceptable in the accounting field. Assets are written off against profits over their anticipated life by charging depreciation expense with exception of land assets. Accumulated depreciation is shown in the face of the balance sheet or in the notes. An asset is an important factor in a balance sheet and therefore must be stated with the correct values. The following policy on depreciation shall be followed for every category of the asset:

- i. Land shall be amortized over the lease period of the land and building over the expected economic useful life,
- ii. Motor Vehicle shall be depreciated at a rate of 25% per annum on reducing basis,
- iii. Office equipment and computer shall be depreciated at a rate of 33.3% per annum on reducing basis,
- iv. Furniture & Fittings shall be depreciated at a rate of 12.5% per annum on reducing basis,
- v. Full depreciation shall be charged on the year of acquisition and none in the year of disposal.

### **8.1 Revaluation of Fixed Assets**

NairoBits shall make every effort to ensure that it maintains a strong Balance Sheet. In this regard the organization shall undertake a periodic review of its fixed assets or Property Plant & Equipment (at least every 5 years) to ensure that the assets that are still in good condition and with a useful life ahead, have their values appropriately reflected on the face of the Balance Sheet. This may be done through the revaluation of the relevant assets. Any such revaluation must be undertaken taking into regard the appropriate International Financial Reporting Standards such as those for Tangible Assets and Deferred Taxation.

Revaluation of fixed assets is the process of increasing or decreasing their carrying value in case of major changes in fair market value of the fixed asset. IFRS require fixed assets to be initially recorded at cost but they allow two models for subsequent accounting for fixed assets, namely the cost model and the revaluation model. Revaluation of tangible fixed assets shall be applied to all the assets of the same class. Revaluation shall not need to be every year but it shall be kept up to date. Revaluation gains shall be taken to the statement of total

recognized gains and losses while revaluation losses caused by a clear consumption of economic benefits are recognized in the profit and loss account (Income & Expenditure Account). Other losses are largely recognized in the statement of total recognized gains and losses.

## **9 DISPOSALS OF ASSETS**

Disposal of assets shall only be done with approval of the Board.

### **9.1 Reasons for Disposal**

An asset shall be disposed due to the following reasons:

- a) Factors that may prompt asset disposal include the following,
  - i. End of the asset useful life.
  - ii. Damaged asset.
  - iii. Uneconomical to maintain due to high costs.
  - iv. Non- compliance with current technology.
  - v. Inefficient and ineffective in performance.
  - vi. End of a program or project.
  - vii. Expansion of programs thus needing more modern assets etc.
  - viii. Unavailability of spare parts / inability to service
- b) Recommendations for the disposal of assets shall be endorsed by the Executive Director. The request for disposal shall be signed and approved by the Finance Manager upon receipt of sufficient justification from the project Manager or the asset user.
- c) Assets procured with donor funding may only be disposed off if this is allowed within provisions of the funding agreement.
- d) Suggestions for the disposal of assets shall be initiated by a Manager, Coordinator or the Executive Director or his appointee.

### **9.2 Information for Disposal**

Whatever the reasons for the asset's disposal, the information below shall be contained in that request. Such information shall facilitate faster decision making relating to the disposal request:

- i. The description of the Assets.
- ii. The model number.
- iii. The assigned serial number or engraved mark.
- iv. The location – Place, department, users name

- v. The year of manufacture, in case of equipment.
- vi. The year of purchase.
- vii. The initial cost of the asset.
- viii. The revaluation value (if revaluation has been done by an expert).
- ix. The recommended disposal/salvage value (if revaluation has been done by an expert).
- x. Reason(s) for disposal.
- xi. Minutes of a meeting that approved the disposal.
- xii. Date of request
- xiii. Name, Position & sign of staff making request

### **9.3 Disposal by Auction**

Where the mode of asset to be disposed off goes through an auction, there shall be an approval by the Advisory Board with reasons why the asset has to be auctioned. The following procedure shall be followed for auctioning.

- i. Upon approval by the Advisory Board and the Executive Director, the Finance Manager or his appointee shall arrange auctions of disposable assets.
- ii. Prior to the auction taking place, the Finance Manager or his appointee shall obtain a No Objection Certificate for sale of any items or goods if previously procured duty free.
- iii. The Finance and /or Project Manager shall hand over selected disposable assets to the identified auctioneer with a list of items, and an authority letter from the Executive Director indicating the terms of sale.
- iv. The Finance Manager or Executive Director shall remain present at the time of auction as a representative of the **NairoBits** interests.
- v. The proceeds arising out of the auction shall be handed over to the Finance office for recording in the books of accounts and depositing the cash into the bank account.

## **10 ACCOUNTING FOR EMPLOYEES' REMUNERATION**

The Human Resource office shall provide the Finance Office with all employees' details to facilitate input into the accounting system and payment of salaries to the respective staff members.

a. The employee personnel file details shall include:

- i. Name
- ii. National Identity Number or Passport Number
- iii. NSSF number
- iv. PIN
- v. NHIF number
- vi. Tax withholding forms
- vii. Pay rate
- viii. Bank account details (bank, branch, A/c No.)
- ix. Terms of appointment
- x. Title code

b. The Human Resource Office shall continuously update personnel files so that cheques may be issued accurately and on time

c. The Finance Manager shall ensure that other payroll information is updated accurately and timely that affects such Items as:

- i. Staff loans
- ii. Office loans or advances
- iii. Retirement plans
- iv. Voluntary withholdings such as insurance,
- v. Where applicable ensuring compliance when payments are made for approved unusual circumstances

### **10.1 Policy on Employee Remuneration**

Employees are an asset to the organization and need to be compensated well for the work they are doing for the organization. Each permanent employee after successfully completing his/her probation period shall be entitled to a monthly salary. Staff on contract shall also be paid a salary per month. The following policies shall be in force:

- i. All permanent employees shall be issued with appointment letters signed by the Executive Director and employee signifying acceptance of the terms and conditions set forth thereto. The appointment letter shall contain the initial salary, responsibilities, duties and the general terms and conditions, such as probation period and terms of contract.
- ii. Subsequent changes in salary, responsibilities, duties, terms or conditions of employment shall be communicated to the employee in writing,
- iii. A personal file shall be opened for every employee. Copies of job application letters, appointment letters and any other correspondence between the organization and the employee shall be kept in this file,
- iv. Salaries shall be paid monthly in arrears. Salary schedule showing the gross pay, advances, deductions and net pay shall be prepared by the Finance Manager, checked, verified and approved by the Executive Director prior to the preparation of payment vouchers and the cheques
- v. A personal data card shall be opened for each member of staff. Salaries shall be paid by cheque through the respective bank accounts,
- vi. Employees shall be issued with a pay slip every month, which shall show the computation of his/her net salary,
- vii. Signing the payment vouchers for the net pay, and the monthly transfer sheets where applicable shall evidence authorization of salary payments.

#### **10.1.1 Payroll Disbursements Procedures**

- i. All **NairoBits** permanent employees shall be required to open personal bank accounts through which salaries shall be paid. Payment of salaries through cash shall not be practiced.
- ii. The **NairoBits** permanent staff salaries shall be processed on or before the 25<sup>th</sup> day of each month to allow for sufficient time for the crediting of the funds to staff personal bank accounts.
- iii. The salary payment instruction shall be delivered to the bank by the 24<sup>th</sup> day of each month. If the pay date falls on a weekend or holiday, payment date shall be made on the preceding working day.
- iv. All new employees are required to submit all their bank details as soon as they are recruited.

### **10.1.2 Overtime Payments**

No overtime in monetary payments shall be made to staff working on overtime. **NairoBits shall** compensate members of staff who have worked overtime by allowing time off equivalent to one and a half times the actual overtime worked.

### **10.2 Payroll and Tax Compliance**

The term payroll generally refers to the process of identifying employees, calculating the pay and payroll taxes, recording the payroll transactions, making the payments, and completing required Kenya Revenue Authority (KRA) income tax forms.

Payroll is unique from other basic accounting topics because it involves the KRA regulations that every employer has to abide with especially on income tax withholding laws, and pay rate calculation rules. **NairoBits** shall deduct and remit Pay As You Earn tax (PAYE) monthly before the 9<sup>th</sup> day of the following month preceding the payroll payments. Each of these legal rules imposes different requirements. At the end of year the employer is required to supply KRA with all PAYE taxes deducted from employee salaries in form P9.

To calculate a payroll means to make a calculation for a specific time period of total employee expense and then to determine the payments required. The total employee expense includes three basic elements:

- a) Gross pay expense
- b) Payroll taxes expense
- c) Benefits expense

Payroll deductions are not a tax on the employer; the employer is simply acting as a collection agent. The two categories of payroll deductions are:

- i. Deductions required by law (includes PAYE, NSSF, NHIF)
- ii. Voluntary deductions by agreement (Salary advances, Insurance premiums, cooperative deductions, etc).

Voluntary deductions shall be done by NairoBits following instructions from the employee to deduct a certain amount(s) from their salary and pay for an advance taken from the employer and also pay for any personal commitments that require to pass through the employer e.g. mortgages or cooperative loans guaranteed by the employer.



As per Kenya government laws:

National Social Security Fund (NSSF), National Hospital Insurance Fund (NHIF) and PAYE, is payable on the 9<sup>th</sup> day of the month otherwise stiff penalties on late payments shall be levied on every delayed amount.

### **10.3 Salary Advances to staff**

**NairoBits** relies on donor funding that is designated for its projects and programs and therefore staff advances shall not be encouraged; but under very special circumstances, staff salary advances shall be given upon receipt of a request with approval from the Board and the Executive Director. The salary advance is refundable within one month from the date when it is issued and is recoverable from payroll or by cash deposit to **NairoBits** bank account.

Salary advance shall not exceed a period of 60 days at most.

## **11 BENEFITS INCLUDING GRATUITY**

Employee benefits represent the compensation paid to employees in return of the services rendered to the organization. NairoBits shall compensate staff as much as possible subject to availability of funding. Employee benefits may include short-term employee benefits, post-employment benefit plan, and termination benefits. Short-term employee benefits are current employee benefits that are expected to be settled within 12 months of the end of the period in which the related services were received from employees. These include wages, salaries and social security contributions, paid annual leave, paid sick leave and bonuses where applicable.

### **11.1 Termination Benefits**

Termination benefits are employee benefits paid to an employee when his employment is prematurely terminated or he/she opts for a voluntary redundancy scheme by himself/herself.

### **11.2 Gratuity**

**NairoBits** shall maintain a gratuity system comprising 20%, or such other percentage as may be dictated from time to time subject to availability of funds. The gratuity program shall apply at the maturity of the employee's contract. A specific fund into which the amount accruing on monthly basis shall be set up.

### **11.3 Employees' Pension Schemes**

**NairoBits** shall have a staff pension scheme with a reputable insurance pension schemes in Kenya. Every permanent employee shall be entitled to join the scheme and contribute a proportion of their salary as shall be by law established from time to time. NairoBits shall contribute a similar amount for each staff every month as a contribution for retiring benefit.

## 12 VEHICLES AND TAXI USAGE

**NairoBits** owns motor vehicles that are used mainly for the purpose of its mission and work to achieve its objectives. The Executive Director's appointee or the Finance Manager shall be responsible for the transport services and is responsible for assigning duties to the drivers. Transport requests shall be done through an established requisition system and shall be provided on a first-come first-serve basis. The following shall be key policy guidelines and procedures to be followed in the management of transport services:

- a. Each vehicle shall be assigned to a specific NairoBits' staff / driver who shall have a valid driving license for that category of vehicle and they shall be responsible for ensuring its adequate maintenance at all times.
- b. Each NairoBits' staff authorized to drive a NairoBits vehicle shall furnish the Finance Manager with a copy of their valid Driving License for safe keeping and it shall be the staff's responsibility to renew such Driving license as necessary.
- c. The need to access use of vehicles shall be expressed to the Administrative Officer through the requisition system.
- d. Management shall put in place adequate measures to ensure that vehicles are fueled as required and records of such fueling maintained in a monthly log.
- e. Seat belts shall be worn by driver and passengers at all times.
- f. Smoking shall not be allowed at any time in official vehicles
- g. Drivers shall be required to strictly observe all traffic rules and laws.
- h. Unauthorized use of **NairoBits** motor vehicles by non-staff shall not be allowed unless the person(s) are directly related to specified NairoBits project. Prior approval to travel in a **NairoBits** motor vehicle must be obtained from the Finance Manager and an indemnity certificate signed by the traveler.
- i. Personal use of office vehicles shall strictly be prohibited.
- j. Use of official vehicles without the Executive Director's approval shall be grounds for disciplinary action.
- k. Authorized use of the vehicles for non-core business activities shall be subject to cost recovery based on approved cost recovery rates.

## **12.1 Vehicle Registration and Security**

- a. All vehicles acquired through **NairoBits** resources **MUST** be registered in the official and legal name of **NairoBits** and the logo affixed immediately upon purchase.
- b. Vehicle insurance shall be in place before a vehicle becomes operational. The type of insurance cover to be taken shall be comprehensive
- c. In the unfortunate event of an accident involving any of the office vehicles, the driver or any other staff member present shall be expected to take reasonable steps to:
  - i. Assist, as best as possible, any injured persons.
  - ii. Report the accident immediately to the police and/or local administration.
  - iii. Report in writing all pertinent details of the accident to the Executive Director.

The following details shall be included in the report;

- a) Specific location, road/weather conditions, date and time of the day.
  - b) Names, addresses, telephone contacts of all witnesses and any other drivers or cyclists involved.
  - c) Driver's / cyclist's license numbers, vehicle / motorcycle registration and insurance coverage information for any other vehicles / motorcycle involved.
  - d) Accurate description of the accident and any injuries to life or damage to property.
- d. All drivers of **NairoBits** vehicles shall be strictly forbidden from taking alcohol, intoxicating substances/drugs or indeed any other such substance that may cause drowsiness or affect the driver's alertness or driving ability while on duty.
  - e. Violations of this provision shall be subject to disciplinary action, up to and including termination.

## **12.2 Vehicles Daily Management and Record Keeping**

### **12.2.1 Vehicles Daily Management**

The overall responsibility of managing office vehicles resides in the office of the Finance Manager who is responsible for the day to day management of the vehicles. In assigning the vehicles for authorized daily errands, the Finance Manager shall be expected to plan 24 hours ahead of time. Errands towards the same direction **MUST** be consolidated as may be convenient. To achieve this, the initiators of daily errands shall be required to

notify the Finance Manager well in advance of the mission so that effective planning of errands is achieved. Clear emergencies shall be accommodated. Drivers assigned to a mission shall be responsible for communicating directly with the officers going on these missions to alert them that they have been assigned that responsibility. They should also inform them of the pickup time and location.

To sustain a good image of the organization, all vehicles shall be clean, tidy and in good working condition at all times. The vehicles shall be serviced, inspected and repaired periodically by an identified qualified mechanic/garage. Drivers shall be responsible for ensuring that this is achieved.

### **12.2.2 Vehicle Record Keeping**

Each vehicle shall be assigned a Vehicle Log Book which shall be regularly maintained by the authorized driver(s). Records to be kept shall include, vehicle maintenance dates and costs, fuel and oil consumption costs, date of next service, daily errands undertaken etc. The Executive Director shall sign the log book daily before and after the errands have been undertaken.

### **12.3 Use of Rental Vehicles**

Use of rental/hire vehicles for official business shall be encouraged if such use proves to be convenient and economical. In the event that this service is needed, prior authorization must be obtained from the Executive Director or their representative.

### **12.4 Use of Personal Vehicles and Taxis**

Under exceptional circumstances, which must be authorized beforehand by the Executive Director, an employee may use their own vehicle or a taxi on official business where the organization's vehicle is unavailable and the staff member is unable to wait for it to be available. Where authorization has been received, reimbursement shall be at the prevailing Automobile Association of Kenya Rates less the elements of capital and insurance. In cases where NairobiBits does not use the AA of Kenya rates, reimbursement for wear and tear will be Kenya shilling **One thousand**. Reimbursement of taxi hired charges shall be done only with submission of receipts and approval by the Executive Director authorizing use of taxis.

## **13 TRAVEL AND ADVANCES**

Travel shall be undertaken mainly to enhance the achievement of **NairoBits** mission and objectives. In the context of this policy, travel shall be undertaken to enable staff or sponsored partners to participate in an event or forum that promotes the achievement of the organization mission.

These travel controls are intended to facilitate travel arrangements, provide compensation for all reasonable expenses and clear guidelines and procedures to all staff involved in planning the travels.

The employees shall at all times adhere to the published travel policies and procedures, especially on per diems and expenditure claims.

### **13.1 Travel and Mileage Policy**

Travel and mileage allowances are meant to facilitate staff in the execution of their duties and are not part of staff emoluments. They shall therefore be calculated to reflect prevailing conditions.

### **13.2 Travel Allowance**

A member of staff who is required to perform duties that include overnight stay away from their normal station shall be entitled to a travel allowance to cover accommodation and meals. The member of staff, may alternatively, be reimbursed actual expenditure upon submission of authentic receipts. A guide to the daily rates applicable shall be set by the Executive Director and approved by the Board from time to time. The record shall be maintained by the Finance Manager.

#### **13.2.1 Accounting for Travel Allowance**

No receipts shall be required to support per diem allowances. In exceptional cases, where an employee is compelled to spend more than the allowed amount for a particular location, the Executive Director may authorize reimbursement of the amount spent on production of authentic receipts and invoices.

### 13.3 Foreign Travel

**NairoBits** shall not fund overseas travel, which shall be covered by the sponsoring body.

A duly signed Travel Authorization Form must support all requisitions for travel expenses incurred. All employees shall adopt the following foreign travel procedures.

- a) All travels must be documented and prior approval obtained from respective line manager or the Executive Director. Approval of a trip shall be determined based on the Terms of Reference (TORs) for the trip, travel destination and availability of funding from the sponsoring agent.
- b) Budgeted trips shall be planned well in advance or within a reasonable period of not less than fifteen working days to allow for bookings to be made early and acquire tickets that are reasonable and cost effective.
- c) All requisitions for air travel shall be handled by the Finance Manager or the designated appointee of the Executive Director. However, under emergency circumstances efforts shall be made by the designated appointee to facilitate smooth air travel.
- d) All authorized travels shall be by the most direct and cost effective method of travel. Travelers shall schedule all travel assignments effectively to minimize expenses, whenever possible.
- e) Employees can only travel using the cheapest, most direct and economical route. They can only travel in economy class. In situations where travelers want to upgrade their class of travel, the difference shall be at their personal cost.
- f) Employees shall take responsibility for all costs arising from late cancellations without a justifiable reason. All allowable expenses incurred during an approved trip shall be reimbursed after the trip, and shall be supported by original receipts/invoices as allowed by the sponsoring agent/partner.
- g) Where trips are cancelled after tickets are purchased and before they are undertaken, the Finance Manager shall process for refunds from the respective airlines. However, if a trip is cancelled for the traveler's convenience, that employee shall be responsible for reimbursing the airline for the costs incurred together with any penalties that may apply
- h) In situations where there are no domestic flights during a foreign trip, with permission from the sponsoring agent the employee shall be reimbursed the cost of the ground transportation.

- i) Conference registration fees shall be acceptable costs subject to the rules and regulations of **NairoBits** or the sponsoring institution. Conference or workshop registration fees shall be part of the travel advance given in the Travel Request form and proof of payment must be provided for a reimbursement to be made.
- j) Bank charges and losses due to fluctuating currency exchange rates may be claimed if supported by receipts.

### **13.4 Travel Expenses**

If and when there is a sponsoring institution for the foreign trip the following shall be applicable where in agreement with the sponsors regulations:

- a. While on travel status outside Kenya, the actual cost of transportation to and from places of business, hotels and airports incurred in connection with official activities shall be reimbursable using the set travel guidelines. When extensive local transportation is needed where taxi services are considered expensive, use of a rented car shall be authorized. Rented cars shall not be used solely as transportation between airport and hotel. In any case, prior approval by the Line Manager or the Executive Director shall be required.
- b. Hotels and Meals shall be given as per the set guidelines
- c. Other Incidental expenditures incurred as reasonable and necessary in the conduct of official business are reimbursable in accordance with the prevailing set guidelines on travel.

#### **i. Incidental Expenses**

Examples of incidental expenses include the following.

- a) Fees for passports and visas
- b) Fees for preventive medicines and necessary injections
- c) Excess baggage fees
- d) Official telephone calls, faxes, telegrams and telex charges
- e) Internet connection charges
- f) Airport taxes
- g) Secretarial, interpreter services
- h) Duplicating costs of official documents
- i) Parking fees, road tolls etc.



- j) Bottled water

## ii. Exceptions

No reimbursement shall be allowed for the following expenses.

- a) Personal reading material or services
- b) Bags or other related items for personal use
- c) Damaged, lost or stolen personal articles or clothing
- d) Personal entertainment
- e) Personal shopping
- f) Personal medicine except for emergencies or sickness during work-related travel
- g) Toiletries

## 13.5 Travel Advances

It is the responsibility of the staff travelling to prepare the travel advance request using the travel advance form available at the Finance Manager's office. In addition, the staff is also responsible for preparing the accounting for the travel using the template form available at the Finance office.

- a) Travel advance shall be allowed to staff travelling on official matters only. Application for travel advance should be made to the finance Office Five (5) working days in advance of the travel. The advance amount shall be specified on the Travel Request Form and shall be justified and authorized by the line Manager and approved by the Executive Director.
- b) No advance shall be allowed for **NairoBits** consultants. Consultants are expected to spend their own funds and then seek for reimbursement upon their return. Where the office has assisted in sourcing for air tickets, travel agents and/or accommodation, the Finance Manager shall obtain the necessary invoices, review and forward to Finance office for payment to the supplier.
- c) Per Diem Policy for staff shall be made in compliance with the set guidelines as given in the appropriate section of this manual.

### 13.6 Travel Expense Reports

- a. Within two working days (48hours) upon return from the trip, staff members shall submit an expense report accounting for official travel expenses.
- b. All expenses, in excess of the allowable per diems should be properly documented and supported by way of original receipts. When receipts are required but are unobtainable, an explanation must be given in the expense report and approval from line manager sought.
- c. When reporting foreign currency transactions in expense reports, documentation supporting the actual currency conversions must be presented along with the expense report. These could be actual receipts obtained at the point of foreign exchange conversion during the trip or a publication of exchange rates in an acceptable media such as a well read local newspaper. Public rates in credible internet sites are also acceptable sources.
- d. Receipts or counterfoil of original airline tickets and boarding pass, whether issued through the Purchasing Officer or directly purchased, shall be attached to each expense report.

### 13.7 Travel Benefits and Health Issues

- a) The travelling employee shall be responsible for keeping themselves informed as to the necessary injections (e.g. Yellow Fever, Cholera etc) and preventive medicines (e.g. drugs against malaria etc) required for the countries to which they travel. **NairoBits** shall reimburse employees for necessary injections and preventive medications for official travel.
- b) Employees shall be covered while on travel through the medical insurance scheme. Consultants/Clients on mission shall be expected to take their own travel insurance covers.
- c) Every employee shall be automatically covered through the baggage liability of the airline. Coverage varies by airline. Travelers have the option of purchasing additional baggage insurance through the airline at their own expense.
- d) As a personal benefit, all travelers are entitled to keep their Frequent Flyer points earned while on official travel. The monitoring and use of frequent flyer points is the responsibility of the individual staff.

### **13.8 Travel Invitations and Sponsorships**

In cases where staff travel on invitations and funding by a third party, the travel shall still need to be approved as per the policy detailed in the appropriate section. However, the policy of the sponsor in terms of costs and per diems shall apply. If complementary funding is required for such travel, staff must request for an advance while submitting the travel request and such a request must undergo the same approval processes.

### **13.9 Travel Visas and Passports**

- i. Travelling staff shall be responsible for ensuring that their passports and their immigrant or non-immigrant visas to exit and re-enter Kenya and other destination countries, whichever is applicable, are valid and shall not expire while they are travelling.
- ii. Travelling staff shall be responsible for consulting with the Finance Manager to ensure that all necessary visas required to complete their travel are obtained.
- iii. The Finance Manager shall be available to provide assistance in obtaining necessary documents for international travel upon request.
- iv. The costs associated with processing of visas and passports shall be charged to the travelers' budget indicated on the Travel Request Form unless otherwise stated.
- v. Visas processing varies from country to country and can be conditional on an individual's nationality. Travelers requiring support should submit completed visa forms and photos with a valid passport to the Finance Manager for processing. Due to the possible lengthy delays in obtaining visas for different destination countries, it is often necessary to allow for additional time when planning staff itinerary. As a general rule, staff shall allow at least Ten (10) working days for each country for processing of visas.

## **14 AUDITING OF FINANCIAL STATEMENTS**

The overall purpose of an audit function shall be to provide for verification of records, processes and / or functions in a sufficiently independent manner from NairoBits as the institution being audited in order to add its value and improve its operations. The overall objective of an independent audit shall be to express an opinion with regards to the financial statement in their entirety as to whether they are presented in conformance to GAAP. The independent audit shall be performed by a Certified Public Accountant external to the organization and shall thereby be presenting an unbiased opinion void of any conflicts of interest. Specifically, the objectives of an independent external audit shall be:

- i. To independently identify information which is essential to develop an overall picture of the organization,
- ii. To identify and test the organization internal control system
- iii. To identify any weaknesses or administrative flows which otherwise would not be identified due to unwillingness or inability by insiders of the organization,
- iv. To identify strengths and weaknesses of the administrative structures in order to inform decisions on overall strengthening of the organization,
- v. To provide baselines on which reforms can be assessed,
- vi. To provide the government, donors and other stakeholders with credible information that result in public faith or trust of the organization and/or pressure for any reforms to address problems identified.

### **14.1 External Audit**

The **NairoBits** annual financial statements audit shall be conducted by an external independent auditor who appears on ICPAK's list of Auditors in Good Standing that appears on the ICPAK web-site, and has no conflicting interest with the organization. The audit shall be in accordance with the laws of the Government of Kenya. The following policies shall be put in place and observed.

- a) The **NairoBits** Financial statements shall be prepared based on the guidelines that comply with International Accounting Standards of Audits and the Generally Accepted Accounting Practices (GAAPs).
- b) The financial statements shall be audited annually by a competent, reputable and independent local external auditor

- c) The identification and engagement of the external auditor shall be the responsibility of the Executive Director with guidance from the Board.
- d) The responsibility of appointment of auditors rests with the Board during the Annual General Meeting Resolution.
- e) Before the start of audit, the Executive Director shall issue an audit engagement letter to the external auditor as is the normal auditing practice.
- f) Recommendations contained in the auditor's report shall be duly recognized and the Executive Director in consultation with the Finance Manager shall take reasonable steps to ensure that appropriate actions are taken to address all the deficiencies identified in the Management Letter.
- g) Audit reports must be made available to stakeholders however no staff member is allowed to distribute the audited financial statement without approval from the Executive Director. The authority to distribute the statements to other individuals or organizations requesting for audited financial statements shall be left to the discretion of the Executive Director and the authorized Board member but only after the audited financial statements have been formally accepted and signed.
- h) Appointment of an Auditor: An independent auditor shall be appointed every year. During the first appointment of an auditor or when the board determines that a new auditor is required or the existing auditor's tenure cannot be renewed as they have been in office for 5 years, then a Request for Proposal (RFP) shall be issued inviting quotations and proposals from audit firms. Clear terms of Reference shall be indicated in the RFP detailing the expected scope of work.

## **14.2 Internal Audit**

Internal auditing is an independent appraisal activity established within an organization for the review of operations as a service to management.

### **14.2.1 Objective of Internal Audit Function**

The objective of internal auditing shall be to assist NairoBits staff in the effective discharge of their responsibilities. Internal auditors examine and evaluate the planning, organizing, and directing processes to determine whether reasonable assurance exists that the organization shall achieve its goals and objectives. Such evaluations, in the aggregate, provide information to appraise the organization's overall control system and the quality in implementing assigned

responsibilities. All systems, processes, operations, functions, projects and activities within NairoBits shall be subject to evaluations by internal auditors.

#### **14.2.2 Differences between internal and external audits**

Internal and external audits are different in the following respects:

- i. Internal auditors are employees or contractors providing internal auditing services to the organization.
- ii. External auditors are independent of the organization and must be independent both in fact and in appearance. They are independent public auditors who provide auditing services on a fee basis.
- iii. External audits do not alleviate the need for an internal audit function, or vice-versa and hence internal and external audit functions are complementary.

#### **14.2.3 Basic Requirements of Internal Auditing Function**

**NairoBits** Executive Director and the Board shall be assigned the responsibility and authority for establishing and maintaining an internal audit unit. NairoBits decision to employ an internal audit function shall be made based on the results of a risk assessment. The priority of the need for an internal audit shall be compared to the organization's other projects and operational needs and capacity to run the unit.

Internal audit function implemented by **NairoBits** shall follow auditing standards as appropriate for the organization such as Generally Accepted Audit Standards and / or Institute of Internal Auditor Standards).

#### **14.2.4 Role of Internal Audit Function**

- i. Review operations or programs to ascertain whether results are consistent with established goals and objectives and whether they are managed according to plan.
- ii. Review the management control system designed to ensure compliance with those policies, plans, procedures, laws, regulations, and contracts that could have a significant impact on operations. Also report whether the management control system is working as designed.
- iii. Review the reliability and integrity of financial and operating information and the means used to identify, classify, measure, and report such information.
- iv. Review the means of safeguarding assets and, as appropriate, verify the existence of

such assets.

- v. Appraise the economy and efficiency with which resources are employed.
- vi. Isolate problem areas and provide a means for corrective action before the problem affects operational efficiency.
- vii. Promote open communications and establish a positive relationship among the internal auditor, external auditor, organization staff, management, and board members as applicable.

a) **Authority**

The internal audit function shall be an integral part of **NairoBits** and shall derive its authority from senior management. It shall serve to promote objective, comprehensive review coverage and to assure the consideration of audit recommendations. To accomplish this, the internal audit function shall be responsible to an individual in the organization with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports and appropriate action on audit recommendations. Internal auditors shall also be independent of the activities they audit by having no direct or indirect authority or responsibility for the programs or operations they audit. Generally, reports and associated audit findings, recommendations, and analysis shall be directed to the **NairoBits** Executive Director and the Management and where necessary the Board.

b) **Timing**

Internal audits may be performed during or after a fiscal period. In either case, an audit is not part of any control activity however it serves as an important component of the management control system. The activities of an internal audit, whether performed during or after a fiscal period, shall include:

- i. Consultation and education sessions to familiarize organization staff with control activity responsibilities,
- ii. Assisting organization staff in preparing for new processes or requirements,
- iii. A review of organization activities to serve as a basis for recommending improvements as necessary to aid in the accomplishment of organization identified goals and objectives.

## **15 FINANCIAL BUDGETS**

A budget shall be a planning tool that reflects **NairoBits** programs, mission, and strategic plan and strategic direction. Typically the budgeting process shall begin at least three months before the end of the fiscal year to ensure that budgets are approved by the Board of Trustees before the start of the financial year. Therefore the budget preparation exercise shall start in October of each year and shall be done alongside other activities like the development of the work plan.

### **15.1 Institutional Capacity**

The planning of activities shall take into account the internal capacity available for implementing activities. Capacity levels in personnel, equipment and other resources determine which of the organization objectives can be met and activities that cannot be carried out within that budgeting period.

### **15.2 Funding Agreements with Development Partners**

Where **NairoBits** have existing agreements with donors/partners for the provision of funding, the activities and funding agreed to must be taken into account in the preparation of budgets.

### **15.3 Structure of the Budget**

The budget shall reflect, as closely as possible, both the structure and the activities of the organization. This shall also be the format that the financial reports take. Income and expenses shall be classified in a manner that is easy to understand.

### **15.4 Responsibility and Factors for Consideration**

The Finance Manager shall be responsible for the budget process and shall ensure that all budgets are received and approved within the acceptable timeframe. The following factors shall be considered during the budget process:

- i. Expected donor funding
- ii. Expected local income



- iii. Inflation,
- iv. Economic situation,
- v. Political situation,
- vi. Exchange rates,
- vii. Selling prices,
- viii. Discount policies,
- ix. Cost of goods,
- x. Cost of Freight,
- xi. Salaries & benefits,
- xii. Planned Activities
- xiii. Ongoing Projects,
- xiv. New approved projects and
- xv. Historical data for reference etc.

### **15.5 Budget Process**

The budgeting exercise shall be done for all the projects and business operations. The following budgeting process shall be followed:

- a) All budget Holders must be involved in the preparation of their respective departmental budgets in relation to their core activities and work plan subject to availability of funds allocated.
- b) The Finance Manager shall provide the last two years actual figures per department as well as the third quarter actual performance of the current financial year preceding the budget period. This shall serve as a tool to gauge/estimate the income and expenditure for the following year.
- c) The annual budgeting process shall begin with an inventory of existing activities for which the estimated expenditures shall be spread over the period of performance based on funds allocated by donors.
- d) The Finance Manager shall give the Project Managers and all the officers who are involved in preparing for the budget a time plan which shall include the time for submission of the first, second and third budget drafts to the discussion meeting. There shall be at least three budget meetings involving all the top management team.
  - i. In the first budget meeting each manager shall present his/her first budget draft. In this meeting all budgets shall be reviewed and every manager given a

chance to explain the contents of his/her budget and the other team members shall be required to make adjustments and comments.

- ii. In the second meeting the Finance Manager shall consolidate all the budgets and come up with one **NairoBits** budget (alongside other budgets for each department/project) that shall reflect the whole picture of the annual budget.
  - iii. The third meeting shall be the final one where each budget holder shall have accommodated all the comments from other budget holders and polish it for final consolidation and submission to the Advisory Board.
- e) Final annual budget shall be presented to the Top Management Team for comments and onward submission to Board for approval and adoption.
  - f) Budget approvals shall be provided at least one month before the beginning of the new financial year.
  - g) The Executive Director shall finally submit the approved budgets to the donors as soon as all the necessary requirements of the donors are met and after approval by the Board.
  - h) Before the beginning of each financial year, the Finance Manager shall be required to submit to the management approved budgets and forecasts for their use.

## **16 INTERNAL CONTROL SYSTEM**

Internal controls system shall provide a mechanism for NairoBits management to monitor the achievement of operational goals and objectives. It shall encompass the policies, processes, tasks, behaviours and other aspects of operations that, taken together facilitate its effective and efficient operation by enabling it to respond appropriately to significant **NairoBits**, operational, financial, compliance and other risks to achieving **Nairobits**' objectives.

Generally, control shall comprise those elements of **NairoBits** that, taken together, support people in the achievement of the organization's objectives and are effective to the extent that they provide reasonable assurance that the organization shall achieve its set objectives reliably.

Internal control system shall be divided into two parts of activities mainly preventive and detective control activities. Preventive control activities shall be used to avert the chances of errors and fraud. These shall mainly include the process of proper documentation and authorization levels that enable senior management to identify risks through well thought processes. On the other hand detective control activities shall be used to detect and identify undesirable occurrences after the error or fraud has been committed; this shall be achieved through thorough reconciliations.

### **16.1 Benefits of Internal Control System**

Proper Internal controls shall ensure that:

- i. All assets are protected against inappropriate use, accidental loss or loss from fraud and ensuring that liabilities are identified and managed.
- ii. That the quality of internal and external reporting that requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organization.
- iii. Ensures the reliability and integrity of financial information in the sense that management have accurate, timely, relevant and complete information, including accounting records, in order to plan, monitor and report business operations.

- iv. That the organization is in compliance with the state and local laws and regulations affecting the operations of the business and also internal policies with respect to the conduct of business.
- v. Internal controls provide an environment in which managers and staff can maximize the efficiency and effectiveness of their operations.

The following internal controls shall be used to minimize the occurrence of errors and breakdowns but cannot provide absolute assurance that they shall not occur. Human fallibility and the risk of unforeseeable occurrences are inherent limitations in any system of internal control. A control system cannot be designed to provide protection with certainty against **NairoBits** failing to meet its business objectives; or all material errors, losses, frauds or breaches of laws or regulations.

The system of control shall be embedded in the operations of **NairoBits** and form part of its culture. Control shall be effected by people throughout the organization, including the Board of Trustees, management and all other staff. People who are accountable, as individuals or teams, for achieving objectives shall also be accountable for the effectiveness of laid down controls that support the achievement of those objectives. It is important that criteria shall be in place by which the effectiveness of the system of control can be judged. By making individuals accountable, the likelihood that controls are operated properly shall be increased.

## **16.2 Internal Controls for Payments**

All invoices and other support documents shall be approved by the department or project budget holder before any transaction can take place. Any payment of a capital item shall be approved by the Board in liaison with the Executive Director.

The following documents shall be mandatory before any payment can be instituted:

- i. Original Invoice / fee note
- ii. Original Receipt
- iii. Signed payment advise slip
- iv. Copy of Cheque
- v. Delivery note
- vi. In case of a lost suppliers invoice, the supplier shall issue photocopy of the said lost invoice stamped and signed as '*certified true copy of the original*'.

Reasons for the lost or misplaced original invoice must be clearly stated and accepted with approval from the Executive Director.

- vii. Other supporting documents in case of capital procurement shall be copy of LPO and three quotations or justification for single sourcing. Additional guidance on procurement rules are outlined in the appropriate section of this manual.

### **16.2.1 Main Procedures for Payments**

Before effecting payments to suppliers, the following steps shall be verified by the finance office. That:-

- i. Only Original invoices shall be used to make payments at all times. In the event that photocopies of invoices are used, the same MUST be certified as a true copy of the original by the supplier and approved by the Executive Director.
- ii. The original invoice shall be stamped with "RECEIVED" and signed by an authorized budget holder or the Executive Director.
- iii. The original invoice shall be stamped "PAID" by the Finance office once payment has been effected.
- iv. All cheques shall be crossed before they are distributed. No open cheques shall be issued to suppliers.
- v. A Payment Requisition shall be properly filled out, signed off and approved by authorized officers.

### **16.2.2 Payments to Suppliers**

- i. The Finance Manager shall ensure that an LPO is issued for the purchase of goods/ supplies received.
- ii. The Finance Manager shall verify that a delivery note for the goods supplied has been stamped 'RECEIVED' as an indication that the goods have been received in good condition and as per the LPO requirements.
- iii. The Finance office shall countercheck the details of the LPO and the invoice to ensure that only the goods supplied are paid for. A payment voucher is then raised in the name of the supplier.
- iv. The payment voucher is then verified by the Finance Manager approved by the Budget holder, and authorized by the Executive Director or his designate person. The

budget holder shall append their signature on the invoice and approving it for payment.

- v. Thereafter, the Assistant Accountant shall use the approved PV to raise a Cheque in the name of the supplier or make a direct transfer to the supplier's bank account.
- vi. All cheques shall be signed by two authorized signatories as per bank mandate.
- vii. The Payment voucher and the supporting documents shall be stamped '**PAID**'. This ensures that an invoice is not paid twice.
- viii. The Finance office shall then records the payment voucher in the accounting system.
- ix. The supplier shall be issued with a payment/remittance advice, showing the breakdown of the payment and the invoice numbers being paid for.
- x. In addition, the accounts assistant in liaison with the Finance Manager shall obtain a statement from the supplier, to verify the outstanding amount as per the **NairoBits** records and prepare a reconciliation of the account. Any amount outstanding for more than the credit limit days (for example 30 days) shall be explained and reasons clearly stated for the delay in making payments to that particular invoice(s).
- xi. Monthly reconciliation of the suppliers' statement with the aged payables shall be done.

### **16.2.3 Internal Controls for Cash Advances and Prepayments**

- i. All advances and prepayments (e.g. travel, office rent, electricity office supplies etc) shall be charged to a receivable account at the point the advances are issued.
- ii. No advances and prepayments shall be expensed directly to the expenditures account.
- iii. A periodical quarterly review of receivable and prepayment accounts shall be done by the Finance Manager to ensure that all the outstanding advances are up-to-date.
- iv. Efforts shall be made by the Finance Manager to ensure that advances/prepayments are liquidated promptly to avoid carrying forward huge balances in receivable accounts at the end of the financial period.
- v. All **NairoBits** staff shall have a personal staff advance account where all the advances issued are debited into this account and credited once the advance(s) are properly accounted for. This will be a debtor account in the balance sheet. All staff shall bear some reference codes that are linked to the main staff advance accounts to avoid a long chart of accounts.

#### **16.2.4 Internal Controls in Accounting for Travel Advances**

- a) The following internal controls shall be followed in accounting for staff travel advances:
  - i. As a general rule, staff shall account for their travel advances within 2 working days after completion of activity/return from trip/mission.
  - ii. The advance shall be accounted for within 2 working days of return from travel, failure to account for the advance within the required period, a recovery of the amount equivalent to the advance shall be made through payroll.
  - iii. All costs incurred during travel shall be clearly be accounted for by receipts or a reasonable means of payment support where receipts are unavailable.
  - iv. Where incurred costs exceed the anticipated expenditure as claimed, the staff shall be reimbursed the extra costs incurred upon presenting supporting documentation for the advance claimed.
  - v. Where the actual costs incurred during travel are less than the amount claimed, the staff shall be required to refund the extra amount advanced at the time of accounting for the advance
  
- b) The Finance office shall adopt the following steps in regard to accounting for travel advances issued:
  - i. The Finance Manager in liaison with the departmental heads shall follow up any staff advances outstanding for more than a month from date of issue for purposes of deducting from their salaries for the month in question.
  - ii. The Finance Manager shall issue a reminder and a warning of intent to recover long outstanding staff advances from staff accounts through payroll.
  - iii. All accounting for advance forms shall be reviewed and verified by Finance Manager and forwarded for approval by the budget Holder or the Executive Director.
  - iv. Any cash returned by staff shall be banked immediately and a receipt issued to the staff.
  - v. The Finance Manager shall counter checks the expenditure support and ensures it is genuine and relevant to the purpose for which the advance was issued. Thereafter, the accounting for advance and receipt shall be posted by crediting the relevant staff advance account ledger to reduce the amount outstanding.

- vi. The documents shall be filed in the accounting for advance file or in the relevant finance office file.



## **17 COMPUTERISED ACCOUNTING**

**NairoBits** shall adopt appropriate computerized accounting software for its operations. Such an Enterprise Resource Planning (ERP) system shall be adequate for its current and future needs. The responsibility for its operation and maintenance to provide the required information and reports shall be vested with the Finance Manager. Such ERP shall have capacity for financial, Human Resource and Payroll modules.

### **17.1 Data Integrity**

All users of the accounting and financial management system shall input correct and accurate data that is a true and reliable representation of the transactions. The transactions posted into the financial system must always have approved documentation from the executive Director or his designate.

### **17.2 Managing Organization Data**

Financial management decisions affect every aspect of NairoBits, but such decisions can only be as good as the data on which they are based. Consequently, each department shall establish and implement procedures to ensure data integrity. These procedures shall provide reasonable assurance that transactions are in accordance with management's authorization and are recorded in the organization general ledger in an accurate and timely manner.

The Finance Manager shall be responsible for developing procedures to ensure financial data integrity that adhere to the following requirements:

- i. An adequate data control system including independent checks and balances shall exist within and between operating units.
- ii. All employees engaged in financial management activities shall be responsible for ensuring that adequate data controls are being employed. If problems are identified, all concerned employees shall take an active role in developing and implementing appropriate corrective actions.
- iii. All systems that are used to report financial data shall be secure, reliable, responsive and accessible. These systems must be designed, documented, and maintained according to accepted development and implementation standards.

- iv. All interfaces between financial systems and affecting any financial information shall contain controls to ensure the data is synchronized and reconciled.

### **17.3 Establishing Separation of Duties Controls for Data Integrity**

No single individual shall have complete control over the entire processing functions for any financial transaction. Such functions include:

- a) Recording transactions into the Financial System directly or through an interfacing system;
- b) Authorizing transactions through pre-approval or post audit review;
- c) Receiving or disbursing funds;
- d) Reconciling financial system transactions; and
- e) Recording corrections or adjustments.

If the number of employees in a department is limited, causing one person to perform multiple functions, the department shall assign a second person to review the work for accuracy, completeness and timeliness, or combine these functions with another unit.

### **17.4 Departmental Transactions Responsibilities and Information Systems**

- a. The Organization needs experienced well-trained technical professionals and adequate information system to support the departments functions. Such resources shall be provided by the Board of directors.
- b. The ICT Manager shall be in charge of significant hardware and software purchases costing over KSh.5,000 (Five thousand), or such other amounts as may be determined from time to time by the Executive Director and approved by the Board.

### **17.5 Records Retention**

The finance departmental head shall maintain financial records in compliance with regulatory requirements and organization policy. This includes:

- a. Maintaining records for all the periods and not destroying any data despite being old. Information beyond eight years shall be archived.

- b. In cases where there is pending litigation or audits, records shall be maintained until the exercise is concluded.

## **18 TAX LAWS AND REGULATIONS**

To comply with tax regulations, the Finance Manager shall ensure that appropriate personnel are informed of the various tax authority requirements applicable to their operations. NairoBits shall pursue tax exemption from Kenya Revenue Authority (KRA) on all its income. However until this is granted the following taxes shall be applicable to **NairoBits** on its operations.

### **18.1 VAT**

VAT on value-adding activities, which constitute a legal requirement are regularly carried on trade or business. Consequently, employees who are charged with this responsibility shall:

- i. Maintain information that supports whether or not a particular activity is subject to VAT as per prevailing legislation.
- ii. Account for all VAT paid through maintenance of Electronic Tax Register receipts for all purchases made.
- iii. Make regular / monthly VAT returns as required by law.

### **18.2 Income Taxes**

Income taxes shall be assessed on employee's salary and wages, supplemental pay, undocumented reimbursements, and various allowances (such as car and housing) in accordance with the Income Tax Act. The Finance Manager or their delegated appointee shall be responsible for withholding taxes on salary based upon the individual's consolidated remuneration. The finance office shall be responsible for remitting the actual tax payments to Kenya Revenue Authority, completing the required annual tax returns, and distributing P9 forms at the end of the calendar year.

### **18.3 Tax Statements to Employees**

The finance department shall be responsible for providing staff with accurate and timely data on payroll deduction for the completion of the individual tax return form.

#### **18.4 Corporate Tax**

The finance department shall be responsible for calculating and ensuring that withholding tax on corporate tax is accounted and forwarded to Kenya Revenue Authority on time as per legal requirement. Corporate tax of 30% on profits shall be calculated and remitted to KRA. This applies where there is a form of trading taking place or where a Non-Governmental Organization does not have a tax exempt certificate from KRA.

#### **18.5 Withholding Tax on Dividend and Interest Rebate**

The finance department shall have the responsibility to provide and ensure withholding tax on dividends and/or interest rebate is accounted and forwarded to Kenya Revenue Authority on time as per legal requirement. The members shall be provided with withholding tax certificates

#### **18.6 Reporting Fraudulent or Illegal Acts**

Any fraudulent or illegal business transactions conducted in the name of **NairoBits** shall be properly reported to the Board of Trustees through the Executive Director. The Board shall take appropriate action as required by governing national law and / or **NairoBits** policies.

## 19 REVENUE AND EXPENSE ACCOUNTS

### 19.1 Revenue Accounts

Most of the income received by **NairoBits** shall be from donors and partners. Revenue is the total amount received by a business or recognized as earned when the business services and goods or when donors make available grants in the case of a non-profit making organization. In modern accountancy, revenue is recorded when it is earned not when the cash is actually received from customers/donors.

#### 19.1.1 Types of Revenue

Revenue can be classified in two ways either as operating revenue and non-operating revenue.

#### 19.1.2 Operating Revenues

Operating revenues are those that originate from main business operations such as Sales, etc.

#### 19.1.3 Non-operating Revenues

Non-operating revenues are earned from sources other than the core business for example revenue in the form of interest income, dividend income, rent income etc

#### 19.1.4 Revenue Accounts

The following are the common revenue accounts:

- i. **Revenue / Sales / Fees / grants** - These accounts are used interchangeably to record the main revenue amounts. However **NairoBits** shall give their revenue account a more specific name like: Grants from specific donor (s), fees earned, service revenue, etc.
- ii. **Interest Revenue** shall be used to record the interest earned by the business from bank interest or other investment income
- iii. **Rent Revenue** is the revenue from buildings or equipment of the business on rent.
- iv. **Dividend Revenue**: is used to record the dividend earned on the stock of other companies which is owned by the business.

## **19.2 Expense Accounts**

In financial accounting, expense is the consumption of the business' own resources (assets) in the form of consumption of supplies, cash, materials inventory and non-cash expenses such as depreciation etc. It is the creation of a liability against the business when it consumes resources from outside such as use of electricity expense, interest expense, water expense, rental expense, repairs and maintenance etc. Expenses shall be recognized in the books of accounts as soon as they are incurred. Once goods or services are received an expense has taken place and therefore once an invoice has been received the expense incurred is recognized in the books of accounts as an expense even when there is no physical exchange of money.

### **19.2.1 Types of Expenses**

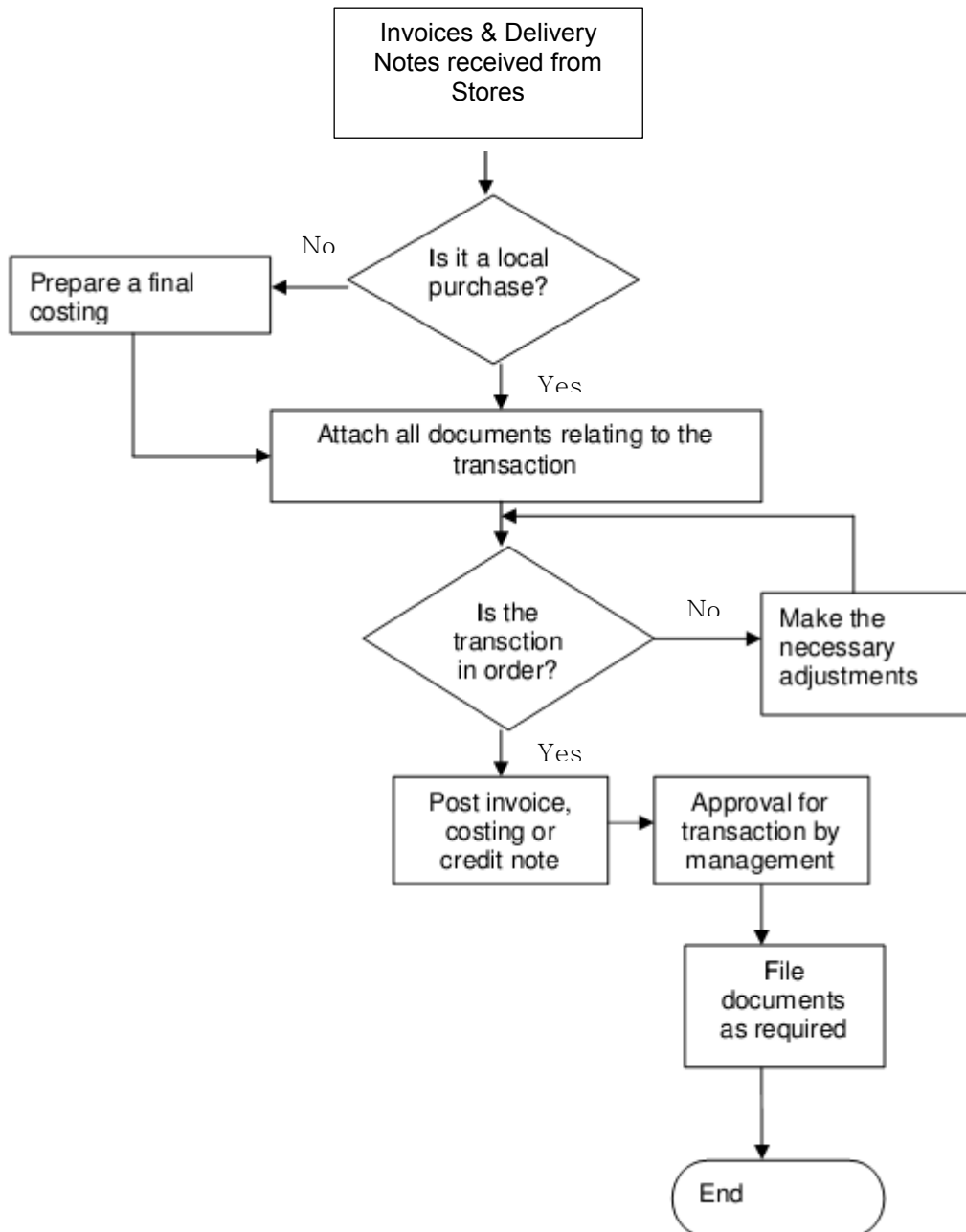
The following are some list of expenses:

- i. Supplies Expense
- ii. Utilities Expense
- iii. Salaries Expense
- iv. Staff benefits expense
- v. Depreciation Expense
- vi. Insurance Expense
- vii. Advertising Expense
- viii. Bad Debts Expense
- ix. Fuel Expense
- x. Rent Expense
- xi. Interest Expense
- xii. License Expense
- xiii. Telephone Expense
- xiv. Miscellaneous Expense

Expenses incurred at the time of the balance sheet and are for the purpose that falls within that financial period but not yet paid for should be recognized in the income and expenditure statement and in accruals account as a liability to the organization. These accrued expenses should include any operational costs as well as staff costs such as salaries, leave allowances and any other staff benefit incurred and needs to be accrued.

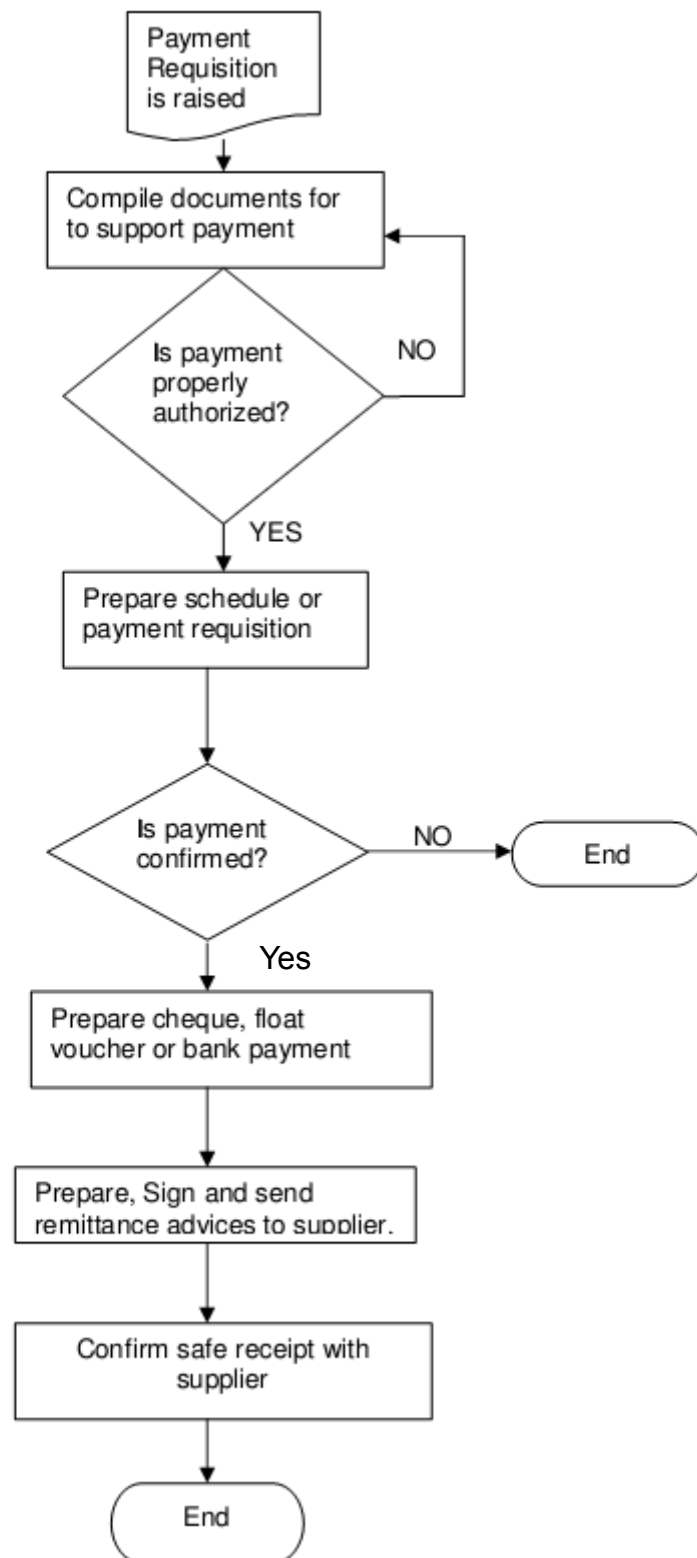
## 20 APPENDIX

### 20.1 Invoice Processing Flow Chart





## 20.2 Payment Processing Flow Chart



**20.3 Petty Cash Reimbursement Request**

Date: .....

Date	Voucher No.	Payee	Nature of Payment	Amount	
				KShs.	Cts.
<b>Total</b>					

**20.4 Cash Count Form**

Date: .....

		<b>Total Value KShs.</b>
<b>Coins</b>	..... X 50 Cts.	
	..... X 1/=	
	..... X 5/=	
	..... X 10/=	
	..... X 20/=	
	..... X 40/=	
<b>Notes</b>	..... X 5/=	
	..... X 10/=	
	..... X 20/=	
	..... X 50/=	
	..... X 100/=	
	..... X 200/=	
	..... X 500/=	
	..... X 1,000/=	

Unreimbursed vouchers (Use separate sheet if necessary) .....

<b>Payee</b>	<b>Amount</b>	
.....	.....	.....
<b>Total Cash and Vouchers</b>	.....	.....

Authorised Float Level .....

(Shortage)/Excess .....

Cash Counted By: .....

Date:.....

Position: .....

Date: .....

Witnessed and Agreed By: .....  
Cash Custodian

## 20.5 Petty Cash Book

Date	Particulars	Voucher Number	Cash In		Cash Out		Balance	
			KSh	Cts	KSh	Cts	KSh	Cts

**20.6 Cash Requisition**

**Name of Applicant:** \_\_\_\_\_ **Date** \_\_\_\_\_

**I request for an advance of KSHS** \_\_\_\_\_  
**To undertake:** \_\_\_\_\_

**COSTINGS:**

Details	Number of Units	Unit Cost		Total	
		Shs	Cts	Shs	Cts

Checked By \_\_\_\_\_ Approved By: \_\_\_\_\_

I confirm receipt of the amount of Shs \_\_\_\_\_

Which represents a true estimate of the expected expenditure on the above.

Received By: \_\_\_\_\_  
Name
Signature
Date

**20.7 Petty Cash Voucher**

**NAIROBITS TRUST**

Date	Voucher Number
------	----------------

<b>Pay:</b>

<b>Being Payment Of:</b>

<b>Amount in Words:</b>

Description of Goods/Services	Main Heading	Category	Subcategory	Amount KSh.	
Total					

--

Receipt of Goods/Services confirmed by: \_\_\_\_\_(Name)  
 \_\_\_\_\_(Sign)

Checked By: \_\_\_\_\_ Approved By: \_\_\_\_\_

Cash collected by: \_\_\_\_\_  
Name
Signature
ID Number

**20.8 Cheque Payment Voucher**

**NAIROBITS TRUST**

Date	Cheque Number
------	---------------

<b>Pay:</b>

<b>Being Payment Of:</b>

<b>Amount in Words:</b>

Description of Goods/Services	Main Heading	Category	Subcategory	Amount KSh.	
<b>Total</b>					

--

Receipt of Goods/Services confirmed by: \_\_\_\_\_ (Name)

\_\_\_\_\_ (Sign)

Prepared by: \_\_\_\_\_

Checked by: \_\_\_\_\_

Approved by: \_\_\_\_\_

Cheque collected by: (Name) \_\_\_\_\_

(Signature) \_\_\_\_\_

(ID Number) \_\_\_\_\_ Date \_\_\_\_\_

**20.9 Income and Expenditure Statement**

FOR THE MONTH OF \_\_\_\_\_

	Month						Year To Date					
	Actual		Budget		Variance	Variance	Actual		Budget		Variance	Variance
	KSH	EURO	KSH	EURO	EURO	%	KSH	EURO	KSH	EURO	EURO	%
<b>INCOME</b>												
Local Grants												
<b>NairoBits</b> Holland												
Websites												
Other Income												
<b>TOTAL INCOME</b>												
<b>EXPENDITURE</b>												
<b><u>Training</u></b>												
Emoluments												
Teacher Salaries												
Incentives												
Trainee allowance												
Communication												
Lease line												
Telephone												
Publications												
Transport												
Local Transport												
Transport Allow.												
Development												



Research												
Materials												
Publicity												
Transport												
Exhibitions												

**BALANCE SHEET**  
**AS AT** \_\_\_\_\_

	<b>Notes</b>	<b>This Period KShs</b>	<b>Last Period KShs</b>
<b>FIXED ASSETS</b>	1		
<b>CURRENT ASSETS</b>			
Cash and Bank	2		
Accounts Receivable	3		
<b>CURRENT LIABILITIES</b>			
Accounts Payable	4		
<b>NET CURRENT ASSETS</b>			
<b>TOTAL NET ASSETS</b>			
<b>FINANCED BY:</b>			
Capital Grants	5		
Revenue Reserves	6		

1 of 4  
**FIXED ASSETS REGISTER**

<b>FIXED ASSETS SUMMARY</b>										
<b>AS AT</b>										
Description	Asset Code Number	Cost as at 01.01.- KSh	Additions during period KSh	Disposal during period KSh	Cost as at 31.12.- KSh	Cumulative Depreciation 01.01.- KSh	Charge for the period KSh	Depreciation on disposal KSh	Cumulative Depreciation 31.12.- KSh	Net Book Value 01.01.- KSh
Motor Vehicles		-	-	-	-	-	-	-	-	-
Furniture and Fittings		-	-	-	-	-	-	-	-	-
Office Equipment		-	-	-	-	-	-	-	-	-
IT Equipment		-	-	-	-	-	-	-	-	-
					-				-	
<b>Totals</b>		-	-	-	-	-	-	-	-	-



**Table XX**  
**3 of 4**  
**Office Equipment**

**FIXED ASSETS REGISTER**  
**OFFICE EQUIPMENT**

Description	Asset Code Number	Serial Number	Year of Purchase	Cost as at 01.01.-- KSh	Additions during period KSh	Disposal during period KSh	Cost as at 31.12.-- KSh	Cumulative Depreciation 01.01.-- KSh	Charge for the period KSh	Depreciation on disposal KSh	Cumulative Depreciation 31.12.-- KSh	Net Book Value 31.12.-- KSh
			<b>Totals</b>	-	-	-	-	-	-	-	-	-

**Table XX**  
**Table 4 of 4**  
**Computer Equipment**

**FIXED ASSETS REGISTER**  
**COMPUTER EQUIPMENT**  
**AS AT 31.12.--**

Description	Asset Code Number	Serial Number	Year of Purchase	Cost as at 01.01.-- KSh	Additions during period KSh	Disposal during period KSh	Cost as at 31.12.-- KSh	Cumulative Depreciation 01.01.-- KSh	Charge for the period KSh	Depreciation on disposal KSh	Cumulative Depreciation 31.12.-- KSh	Net Book Value 01.01.-- KSh	Net Book Value 31.12.-- KSh
			<b>Totals</b>										

Prepared by



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