



FINANCIAL POLICIES AND PROCEDURES MANUAL

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INTRODUCTION TO THE PROCEDURES MANUAL

This manual has been designed and compiled by CMDS. The distribution and use of the material beyond the particular organisation to which it has been sold may only be carried out with the express permission of CMDS. Sale, or any unauthorised reproduction, of this material will constitute a copyright infringement and render the doer liable under civil and criminal law.

Disclaimer

1. This manual includes details relating to generic finance policies and procedures for a non-profit organisation, together with policies and procedures that are specific to the Institute for Justice and Reconciliation (“the Institute”).
2. Whilst every effort has been made to ensure that the information included in this manual is accurate and comprehensive, CMDS, its members and employees take no responsibility for any errors or omissions and shall further not be liable for any loss or damage suffered by any person as a result of reliance on, and the application of, the information contained in this material.
3. Nothing contained in this document shall be construed as constituting any warranty, guarantee or undertaking.

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Guide for using this manual

Each section has a **table of contents** and there is also an **alphabetical index** at the back of the manual.

Within the text the following has been applied:

Bold indicates key words or phrases

Underlining in the text refers to another part of the manual

Italics refer to standard forms contained in SECTION 5.

Objectives of the finance policies and procedures

The objectives of the finance policies and procedures are:

- ❑ To safeguard the assets and resources of the organisation;
- ❑ To provide clarity regarding responsibility for actions throughout the organisation; and
- ❑ To ensure effective use of all assets and resources towards meeting the organisational objectives, in an accountable and transparent manner.

Objectives of the manual

The objectives of documenting the policies and procedures of the organisation are:

- ❑ To formally record the policies of the organisation; and
- ❑ To provide a clear and comprehensive reference document containing both
 - the policies; and
 - the procedures devised and approved to implement those policies.

Applicability of the manual

The manual sets out the policies and procedures of the Institute, as they apply to all officials of the organisation, board and staff members, interns and volunteers. It also acts as a guide to relationships with suppliers and other service providers.

Departures from formal policies and procedures

1. Any departures from the policies and procedures stated in this manual will require the prior written approval of the Board.
2. Where there is a need to exercise discretion in the interpretation of any financial policy or procedure, the Board reserves the right to make that interpretation to the benefit of the organisation.
3. Failure to comply with the prescribed policies and procedures will result in the institution of disciplinary procedures in accordance with the organisation's human resource policies.

Changes to this manual

1. It is critical that all changes made to the manual are properly approved and communicated to all relevant persons.
2. The control (change management) of the manual should be carried out as follows:

- 2.1. A **register is to be maintained** that records the latest version of the manual currently in use.
 - 2.2. The manual should contain the **latest version number** and be updated before a new version is issued.
 - 2.3. All employees must take responsibility for ensuring that they have the latest version of the manual should they wish to obtain information about any formal policy or procedure.
 - 2.4. The **Administrative and Financial Manager will be responsible for ensuring that the manual is reviewed and updated** as required, and for the physical control of the original version of the manual.
 - 2.5. Each person who receives a copy of the manual must sign for it as evidence of receipt.
 - 2.6. Requests for changes to the manual should be sent to, and systematically recorded by, the Administrative and Financial Manager, who will then plan appropriate revisions of the manual.
3. These procedures are to be applied in conjunction with any other formal instructions from the Executive Director (referred to as “the Director” in this manual) that may arise from time to time. Instructions that affect long-term operating procedures will be incorporated into the relevant policies and procedures manuals.

Guiding Principles

Delegation of authority

Full responsibility for internal control within the various operating departments rests with the Board, which ensures that appropriate and adequate controls exist within the organisation to safeguard all assets. The Board ensures that all staff members comply with the policies, procedures and guidelines and determines appropriate structures for authorisation. Certain specific authority is delegated to the Director. The Director in turn specifically delegates authority to others within the organisation.

Accountability and independent check

Wherever possible a particular post-holder is given responsibility for a task or area of work so that it is clear who must account for the relevant actions or transactions. In order to ensure that all policies and procedures have been followed, independent checking and review of work is practiced. The evidence of checking is shown on the relevant documents in the form of a signature.

Separation of duties

The organisation applies separation of duties wherever possible. This means that the following responsibilities are separated in relation to a particular transaction:

- Authorisation
- Physical control of the relevant asset(s)
- Recording

If there are instances where one person is required to carry out a task that involves all three responsibilities, independent check and accountability will be enforced.

Conflict of interest

The Institute understands conflict of interest to include, amongst others, situations where the individual:

- 1) uses organisational resources, time or property for personal gain;
- 2) is unable to perform his/her organisational duties as a result of additional (part-time) employment which impacts negatively on his/her capacity to perform full-time duties;
- 3) is in competition with the organisation for scarce resources and in so doing limits opportunities for the organisation;
- 4) uses his/her privileged position in the organisation to secure funding or services for another organisation from one of the Institute's funders or suppliers;
- 5) engages in extra-organisational activities which are in conflict with the values of the organisation.

Staff members:

- ✓ are expected to proactively raise any situation of potential conflict of interest with their line manager as soon as he/she becomes aware that such a potential conflict exists; and
- ✓ agree to be bound by the Board's decision as to whether the intended activity can take place or continue.

No employee, officer or other person involved in the organisation shall participate in the selection, award or administration of a contract if a real or apparent conflict of interest would be involved.

In the event that either party (management or the staff member concerned) believes that an incorrect decision has been made at any enquiry into the alleged breach of financial policies or procedures, that party has a right to appeal to the Board, whose decision will be final.

Section 1: STRUCTURES AND DECISION-MAKING PROCEDURES

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Vision and Mission Statement and Programmes

IJR's VISION

Located at the interface between civil society and academia, the Institute's main aim is *the building of fair, democratic and inclusive societies in Africa before, during and after political transition*. While it also advocates policies or interventions that *should* be undertaken, its main objective is to cultivate the potential for reconciliation and the (re)construction of society after conflict through a range of carefully constructed and selected interventions.

and MISSION

The Institute promotes its main vision through the following key areas of work:

- Research and analysis of economic, social and political trends prevalent during political transition.
- Reconciliation and reconstruction in post-conflict communities
- Development of education resources, tools and interventions to foster reconciliation.
- Stimulation of public dialogue and policy interventions to build inclusive societies.

PROGRAMMES

To harness its resources most effectively, the Institute organises its work in three programmes:

- The **Political Analysis Programme (PAP)** identifies and examines critical success factors in South Africa that relate to reconciliation, transformation and development. Qualitative and quantitative analysis guides and supports the Institute's initiatives in South Africa and across the rest of the continent.
- The **Reconciliation and Reconstruction Programme (RRP)** seeks to promote processes of reconciliation in post-apartheid South Africa. The TRC offered both insights and warnings in this regard, but constituted only a first step in the process. The experiences from RRP have fed into similar processes that the Institute has become engaged with elsewhere in Africa.
- The **Transitional Justice in Africa Programme (TJIAP)** promotes transitional justice and reconciliation initiatives in other African countries by gathering and sharing the lessons of the South African experience, and developing them further in conjunction with other agents of transition. Key activities include engaged research and analysis, capacity-building, and collaborative political intervention.

Organisational Chart

(Please see updated Organisational Chart saved as a separate document at the back of this manual)

Board of Directors

The ultimate authority for the affairs of the Institute for Justice and Reconciliation lies with the Board of Directors, which delegates responsibility to the Executive Committee (ExComm). Directors consist of prominent people drawn from a cross-section of South African society and who are committed to the ideals of the Institute:

Professor B. O'Connell	Chairperson
Professor L. Fernandez	
Professor H.M. Corder	
Ms M.L. Asmal	
Dr S. Xapile	
Professor D. Foster	Deputy Chairperson
Dr P. Gobodo-Madikizela	
Justice R. Goldstone	
Advocate D.B. Ntsebeza	
Professor J.J. Sarkin	
Dr L.R. Louw	
Professor L.M. du Plessis	
Ms A.E. Krog	
Ms G. Wildschut	
Professor C. Dyers	
Dr J. Barnard-Naude	
Ms N. Badsha	
Dr S.M. Soko	
Dr S.F. du Toit	Executive Director
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-

Notes REGARDING Board of Directors:

1. **The portfolio of Company Secretary is presently occupied by the auditors of the Institute, namely KPMG.**
2. **The portfolio of Treasurer is not applicable to the Board of the Institute.**
3. **Frequency of ExComm Meetings – as needed, but at least four times per annum.**
4. **Frequency of Board Meetings – one full Board Meeting per annum.**

OPERATIONS TEAMS

In order to facilitate the management of the Institute, Operations Teams are appointed to ensure maximum efficiency and hands-on management. These teams report directly to the Director.

Management Team

Director (Team Leader)
Administrative & Financial Manager (Convenor)
Programme Managers (3)
PA to the Director

Finance Team

Director (Team Leader)
Administrative & Financial Manager (Convenor)
PA to the Director
Independent Financial Advisor, who will implement policy as directed by the Director, as and when requested to attend.
CHEC Financial Administrator, as and when requested to attend

Administration Team

Administrative & Financial Manager (Team Leader & Convenor)
PA to the Director
One Programme Manager (on a rotating basis)

Programme Managers/Project Leaders Team

Reconciliation Barometer Project Leader (Convenor)
Reconciliation and Reconstruction Programme Manager
Transitional Justice in Africa Programme Manager
Political Analysis Programme Manager
Greater Horn Project Leader
Southern Africa Project Leader
Great Lakes Project Leader
Political Analysis Project Leader

General Team Guidelines

Frequency of meetings

The **Management Team** will determine the frequency with which it holds its meetings.

The **Financial Team** will meet once a month, with such team members as required. The Independent Financial Advisor will meet with the Director once per quarter.

The **Administrative Team** will meet once per month.

The **Programme Managers/Project Leaders Team** will, as a rule, meet twice a month, on a Friday, for approximately one hour. The discussion at this meeting is content-based and is focused on the activities of projects. The Programmes/Projects should table their plans for the rest of the year.

Staff meetings, at which all staff are expected to be present, will be held once a month.

Agendas

The **Convenor** of each Team is responsible for preparing the agenda for the meeting.

All staff are welcome at any stage to submit to the Team Convenor, by e-mail or on a disk, a proposal for the consideration of the Team.

The Convenor will distribute the agenda with attached proposals by e-mail to all staff one week before the next Team meeting and, in the case of weekly meetings, two days before the meeting.

Minutes of Meetings

Minutes of all decisions reached at the various team meetings will be taken by the Convenor and will be distributed to all staff by e-mail. A hard copy will be filed by the Convenor in a Minute Book.

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Anti-fraud Policy

Purpose

The Institute has a commitment to high legal and ethical standards. All members of staff, as well as consultants, contractors, partner organisations and any other parties with a financial or fiduciary relationship with the Institute are expected to share this commitment. The purpose of this policy is to set out the approach of the Institute towards the prevention and detection of fraud and the procedures to be followed if fraud is detected or suspected.

Definition

No precise legal definition of fraud exists. In the public and non-profit sector, the term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, misappropriation and concealment of material facts. For practical purposes, fraud may be defined as the **use of deception with the intention of obtaining as unjust or illegal financial gain or other unfair advantage.**

Policy

Fraud of any type represents a threat to the good name of the Institute and to the funds for which it is responsible. The Institute is, therefore, committed to the elimination of any fraud within the organisation and to the thorough investigation of any cases of fraud.

The policy of the Institute is to:

- promote awareness among staff of the risk of fraud;
- establish and maintain controls aimed at preventing and detecting fraud; and
- take effective action whenever fraud is discovered or suspected.

The Institute considers it the duty of all employees to act honestly and with integrity at all times, and to report any suspected irregular without delay. Therefore it is also the organisation's policy, which will be rigorously enforced, that no employee will suffer in any way as a result of reporting reasonably held suspicions.

Responsibility of the Board

The Board of the Institute is responsible for identifying the major risks to which the Institute is exposed and for ensuring the appropriate systems, procedures and controls are in place. In the case of fraud, relevant systems and controls should reduce the risk of fraud occurring, and procedures should outline the response of the Institute to a suspected or actual fraud.

Responsibilities of the staff

The Director of the Institute, with the support of other managers, is responsible for the day-to-day management of the organisation, and so for the maintenance of the systems and controls designed to minimise incidence of fraud within the organisation.

All managers are responsible for ensuring that, through a system of line management, employees are:

- aware of the risks of fraud; and
- familiar with the types of impropriety that might be expected to occur within their areas of responsibility and alert for any indications of irregularity.

Similarly, the Director and managers are responsible for ensuring that employees comply with systems established to prevent and detect fraudulent activity.

The Director is specifically responsible for the design, implementation, development and maintenance of systems to prevent and detect fraudulent activity. Compliance with systems should be confirmed by both internal review and external audits. It is also the responsibility of the Director to maintain a register of reported cases of suspected fraud.

All employees have a duty to act honestly and with integrity at all times, and to report any suspected irregularity without delay.

Procedure for reporting suspected fraud

An employee who is concerned about the actions of a colleague or colleagues and suspects that a fraud has been committed or planned should not give the suspect any idea of their suspicions, as this would jeopardise any investigation. The details should be reported immediately by the employee to her/his line manager, or to the Director, if, for any reason, the employee feels unable to discuss the matter with her/his line manager or other member of the management team.

The manager to whom the suspected fraud has been reported should **not** carry out an investigation into the allegation, but should report the matter immediately to the Director. In the event that the Director is implicated in the suspected fraud, the incident should be reported to the Chair of the Board.

Procedure for responding to reports of suspected fraud

If the Director concludes that the allegations have substance, s/he must report the matter to the Chair of the Board. The Chair of the Board is responsible for ensuring that an investigation is initiated and for determining the nature of any such investigation.

Such an investigation will aim to establish the extent of the fraud, identify the perpetrator and determine whether other individuals are involved. It will also consider whether a lack of adequate systems and internal controls allowed the fraud to be perpetrated, or whether the problem arose due to a failure to ensure compliance with existing systems.

Non-compliance with existing systems may be evidence of negligence on the part of management, and those responsible will be subject to due disciplinary process. Serious negligence on the part of any manager or employee will be considered grounds for dismissal.

Disciplinary action

It is the policy of the Institute to report all cases of suspected fraud to the police, who may then wish to take criminal proceedings. Whether or not the matter is referred to the police, disciplinary action, which may result in dismissal, will be taken against the employee concerned.

An allegation which proves to be unfounded **and** of malicious intent could be considered an act of gross misconduct on the part of the employee concerned. Disciplinary action, which may result in dismissal, will be taken against any employee making such an allegation.

Use of Private Vehicles for the Organisation's Activities:

The Institute has no “organisational” vehicles. Staff may be required to use their own vehicles for Institute business. Travel from/to home to/from the office is not travel on Institute business. The following procedures apply to the use of staff members' own vehicles:

1. An amount per kilometer (to be agreed at the 4th ExComm meeting in each year) should be paid for use of private vehicles for programme activities. IJR will ensure that the amount covers the likely additional costs of insuring the private vehicle for use on business purposes and the possibility of needing to pay an excess if claiming from insurance in the event of an accident while using the vehicle on Institute business.
2. *Petrol Claim Form*, with the reason for each trip, must be completed and authorised by a relevant manager. (See standard *petrol claim form* in Section 5).
3. No person may authorise his or her own mileage claim.
4. Where a staff member incurs unavoidable costs related to the use of her/his private vehicle on Institute business on approved journeys (such as toll fees, parking etc.), those costs can be claimed using a travel/expense claim form which must be supported by the relevant receipts/vouchers.
5. The Institute will not reimburse any fines or penalties arising from travel on Institute business – such fines/penalties remain the responsibility of the staff member.
6. Staff members who use their private vehicles for Institute business must ensure that they are covered by suitable insurance and must ensure that their vehicles are in a roadworthy condition. The Institute will not cover costs relating to accident or breakdown while on the Institute's business.
7. Staff must claim by the 25th of the month for that month, or lose their right to claim for use of private vehicle.

Hiring of vehicles:

When conference participants need to be transported or staff members are travelling outside the Western Cape, if local transport cannot be arranged through a local partner organisation or is, for other reasons, not a suitable option, the hiring of a suitable vehicle can be approved through the normal ordering and budget control procedures.

1. Based on an approved travel budget, staff members may use the purchasing procedures to arrange the hire and insurance of a suitable and economical vehicle when arranging transport for a conference or when travelling outside the Western Cape.

2. In exceptional circumstances, the Director may approve use of a hired car when a staff member is making long journeys for business within the Western Cape and might otherwise incur excessive wear and tear on her/his own vehicle
3. The vehicle must be hired from a reputable company that maintains its vehicles in good working order and that provides drivers, where applicable, who have legitimate PDP licences.
4. The hired vehicle is only to be driven for IJR business purposes throughout the period of hiring.
5. The Institute will not reimburse any fines or penalties arising from travel on Institute business – such fines/penalties remain the responsibility of the staff member.
6. Where the vehicle is hired at the staff member's own cost, that cost must be recovered from the Institute using the *travel/expense claim form*.

Public transport:

As with use of private vehicles, travel from/to home to/from the office is not travel on Institute business and the costs cannot be claimed. Whilst on Institute business, if staff members do not have their own vehicle or where public transport is a practical option, the following procedures apply:

1. Staff members should use public transport whenever this is safe and economical, in terms of both time and cost (when compared to alternative methods of travel). The method of transport will be agreed with a relevant manager for a specific journey or for types of journey.
2. When public transport is used, the staff member must obtain a receipt/voucher.
3. The staff member may then claim **actual approved expenditure** using the *travel/expense claim form*.

Fixed Asset Identification and Control

Fixed assets should be protected, well maintained and used effectively by the organisation.

Fixed assets are items that will be useful to the organisation for more than a year and that cost or are worth more than R1 000.00 per item.

1. All fixed assets belonging to the organisation must be identified, labelled and listed as soon as they are deployed.
2. Each item must be **labelled** with a sticker with a unique identifying number.
3. A **fixed asset register** is maintained and must be updated with all new assets purchased/received in the year and with any assets disposed of. The register records the following details:
 - 3.1. the allocated label number
 - 3.2. description of the item,
 - 3.3. identifying marks, i.e. registration number, make or brand, etc,
 - 3.4. date of purchase,
 - 3.5. cost of item,
 - 3.6. the location (where asset is located), and
 - 3.7. date and proceeds (if any) of disposal.
4. Each fixed asset should be **physically checked** against the register:
 - 4.1. each time it is borrowed and returned (where relevant); and
 - 4.2. at least once per yearto ensure the register is up to date and that all assets are still operating effectively.
5. All missing or broken assets should be reported to the Administrative & Financial Manager who has responsibility for ensuring that the asset is repaired (if cost effective) or disposed of.
6. All fixed assets should be adequately **insured** by the Administrative & Financial Manager, through an insurance company approved by the Executive Committee of the Board.
7. The management of the organisation must approve all **disposals of fixed assets**:
 - 7.1. Disposals made to a staff member should be authorised in writing by two designated members of the management.
 - 7.2. All items disposed of should be noted in the fixed asset register, reflecting the proceeds received on disposal.
8. With regard to the **use of assets**:
 - 8.1. All staff members are required to use the Institute's fixed assets with care and for the benefit of the Institute and are required to report, to the Administrative & Financial Manager, any malfunctioning of those assets as soon as this is identified.

- 8.2. Assets should be retained on the organisation's premises unless clear authority has been given to remove the asset from the premises for good reason, in which event an *Asset Loan Form* must be completed.
- 8.3. Any misuse of assets should be reported to the management of the organisation.

9. Institute Publications

- 9.1. All Institute publications and other outputs are the intellectual property of the Institute and should be copyrighted to the Institute and regarded as its assets, unless it is a condition of funding that specific materials published are to be made available for general use, where the usage is not-for-profit and the source is acknowledged.
- 9.2. For each publication funded, the staff member responsible for the project management of the publication ensures, by review of the relevant contract, that the contractual terms are met. In particular, the acknowledgement of the relevant funder(s) and the branding and use of the relevant logo(s) is confirmed with the funder(s) concerned before a draft publication is approved.
- 9.3. Where the writing and/or editing is outsourced to a third party by the Institute, this shall be on the basis of a contract signed by the Head of Programmes and countersigned by the Director before implementation.
- 9.4. It is essential that all publications reflect both a style and format adopted by the Institute; therefore, the design and layout of all publications is approved by the relevant staff member **and** the Director.
- 9.5. All draft publications are carefully proof-read and finalised before printing. It is also essential that branding of both the Institute and funder/donor be clearly visible.
- 9.6. Once any document authored within IJR has been signed off as ready for printing and publication, an electronic copy must be stored within the office of the Director.

Purchasing Procedures/ Ordering of Supplies and Services

All commitments to purchase must be approved prior to an order being placed with an approved supplier.

See Financial Authority Limits and Modalities in SECTION 3 FINANCIAL GUIDELINES

Supplies could include goods or services used by the organisation:

1. Supplies must be ordered from **approved suppliers**.
 - 1.1. The organisation should approach potential suppliers for quotes, or ask for tenders where this is required. See modalities for procurement of supplies in SECTION 3 FINANCIAL GUIDELINES.
 - 1.2. The suppliers' tenders or quotes should be assessed to ensure the organisation or programme will regularly and reliably receive quality supplies at competitive prices.
 - 1.3. A supplier can then be selected to be an approved supplier
 - 1.4. Suppliers to the organisation need to be assessed regularly to ensure that the organisation continues to enjoy competitive prices and quality supplies.
2. Suppliers should be notified that no orders are to be accepted without an **order number** or reference.
3. Orders should be prepared in writing in a **duplicate numbered order book**.
4. The written order should contain the following:
 - 4.1. Description of the items or services
 - 4.2. Quantities
 - 4.3. Quoted or expected price (where possible)
 - 4.4. Signatures of the **budget holder** or of the person delegated with the authority to purchase plus the Administrative & Financial Manager. See nomination of budget holders and checklist for budget holders in SECTION 3 FINANCIAL GUIDELINES.
 - 4.5 Purpose for purchase (linked to programme objectives).
5. All goods received must be **checked to the order, and to the invoice** or delivery note. The invoice or delivery note should be signed as evidence of check.
6. The order should be attached to the invoice and/or delivery note and payment prepared. See payments in SECTION 3 FINANCIAL GUIDELINES.

Control of Stocks of Stationery, Resources and Equipment and of Research Resources

Stocks of stationery, Institute publications, resources and equipment are to be effectively controlled to protect against loss or misuse.

1. All stocks of stationery, publications and portable equipment above a value of R2,000 must be stored in a **locked storeroom/store cupboard**.
2. The **keys** to the storeroom/store cupboard should be kept under the control of one staff member (the Administrative & Financial Manager). The keys should not be passed to another person unless agreed to by management.
3. The Administrative & Financial Manager, who has control over the key and the stocks of stationery, publications and equipment, should always accompany persons who wish to enter the storeroom/store cupboards. No person, other than the Administrative & Financial Manager, should enter the store cupboards alone.
4. The Administrative & Financial Manager will regularly review the stocks held and will ensure that re-ordering is carried out in good time to ensure no items run out. So far as this relates to Institute publications, re-ordering will be carried out in conjunction with the Director and take account of any funding that is available.
5. The ordering of supplies should be approved by the Administrative & Financial Manager, using the Order Book.
6. Issues from stock will be at the discretion of the Administrative & Financial Manager, who will seek authorisation from the relevant Programme Manager or the Director where there is concern about wastage.
7. All research resources purchased (sets of documents, videos, books, etc.) should all be recorded on the Resource Database and lodged in the Resource Room and controlled by a designated member of staff. Any staff member or IJR affiliate who wishes to take out a resource item on loan, must complete a *resource lending form*, signed by the issuing person.

Use of Stationery Stocks

In order to avoid wastage of resources:

1. Use should be made of the “electronic office” as far as possible..
2. Staff are encouraged to **recycle** waste paper in the box provided for this purpose (currently located beneath the open plan utility/ equipment table).
3. Staff are expected to **cut down on the amount of printing** and to print larger documents in draft form.

Events/Workshops/Conferences/Dialogues and Forums

The organisation is committed to conducting a number of events, workshops, conferences, forums or other similar activities. These events should be planned in line with Outcomes Based Events (OBE) principles.

All proposals for travel and/or special events require a memorandum of motivation addressing the following concerns:

Proposal

- What concerns (needs, problems) does the proposal address?
- How does answering this particular concern accord with the mission of the Institute?
- What benefit will the proposed project have for the Institute?

Budget

- Cost: Provide a projected/tentative budget
- Funding: Is there a line-item for this in the programme's budget or is it a separate proposal –requiring new funding?

Process

- What organisational steps are needed to turn your idea into a viable project?
- Provide a checklist that includes at least the following:
 - Logistical tasks
 - Deadlines
 - Who on your team is responsible for what?
- Begin to develop an *actual budget* as soon as the actual expenses become evident. This should enable you to avoid any runaway expenditure.

Outcomes

- What impact do you expect the project/event to have?
- Who is the target community?
- What follow-up to the event do you envisage?
- How will you know if the project has been worthwhile? Specify indicators of success that will enable you to assess both the *output* and *impact* of the project. (Formal feedback?) Policy changes? Spinoff projects? New mechanisms? Public response?

Time Line

The process from start to finish should be framed in terms of following timeline:

- Date of event(s)
- Deadlines for preparatory phase
- Dates of submission of report.

A written report is required at the conclusion of every project. This should vary depending on the nature and extent of the project.

Recording Procedures

All these activities need to be accurately recorded, both in terms of results and costs.

In order to facilitate this recording, the following procedures are recommended:

1. Activities for the period should be **planned and approved** in principal and **scheduled** well in advance of the event.
2. A **mini-budget** should be prepared by the Project Manager for each event, using the *events/workshops/conferences and forums budget cost form*. The budget needs to be drawn up preceding each event and approved by the Head of the Programme and by the Director before implementation.
3. The Administrative & Financial Manager should sign the form to confirm the funds and other resources that need to be made available.
4. The **budget holder** should finally check the proposed mini-budget against the overall activity/programme budget and sign. See *nomination of budget holders* and *checklist for budget holders* in SECTION 3 FINANCIAL GUIDELINES.
5. The *events/workshops/conferences and forums budget cost form* must then be completed by the Administrative & Financial Manager, with the **actual costs** and any journalised costs allocated (see paragraph 7). This form should be attached to the cheque requisition for filing.
6. The Administrative & Financial Manager should reconcile the event budget to expenditure and make a financial report available to the Director.
7. Any **allocation of costs** to the workshop or event can be done by journal entry, by debiting the relevant workshop cost account and crediting the expense type. (For example: photocopies done for the workshop - debit workshop cost account and credit printing and stationery.) Note the journal number on the above form.
8. For each event the staff member responsible for the event should complete the Impact assessment form, which is utilised for monitoring and evaluation purposes, for reporting (where appropriate) to relevant funders and for statistics useful in an **information system**.
9. A designated person within the organisation (Administrative & Financial Manager) should keep these forms.
10. The project leader in charge of the event should prepare a report on the event that is suitable for uploading on to the IJR web site.

Travel Arrangements and Travelling Costs

The organisation may require staff members to travel to destinations away from home. The procedures to be followed and the costs to be covered (which are fixed and periodically reviewed in terms of market-related costs) are set out below:

1. All travelling costs, as with all other costs, must be **covered by the budget**, and should be specifically allocated to a particular activity/outcome. See financial authority limits SECTION 3 FINANCIAL GUIDELINES.
2. In cases where staff members have submitted a budget for travel to countries outside South Africa, approval of such a budget must be sought from the Director. If such approval is granted, travellers' cheques will be issued in the name of the staff member responsible for the travel arrangements, even where a group is travelling. All expenditure using the travellers' cheques (and any personal funds if the value of the travellers' cheques was insufficient) must be accounted for by the staff member who holds the travellers' cheques and who is designated with responsibility for the activities of the group that is travelling on her/his return, fully supported by receipts/vouchers (including the advices received from the bank when travellers' cheques were exchanged).
3. All travel arrangements must be made by the Programme Administrators and **not by the individual making the trip**. Bookings for air travel, accommodation and car hire must be made at least **two weeks** in advance and after budget approval.
4. A *travel form* must be completed, and **authorised by the Director, prior to the making of reservations** (see purchasing procedures SECTION 2 OPERATIONAL GUIDELINES).
5. It is the Institute's policy, wherever practical, to book, and pay directly for, accommodation for staff members travelling on Institute business. Where accommodation is paid for by the staff members by other means, staff members are reimbursed for the actual costs of accommodation when they claim for the costs of meals incurred whilst travelling and for relevant per diems. Guidelines on maximum amounts that can be claimed for accommodation and meal costs are included in the *rates table*. Any deviation from the guidelines shall be at the discretion of the Director. Receipts and vouchers are required to support all claims for accommodation and meals.
6. The Institute also provides a **per diem** for staff members required to stay away overnight on Institute business, to cover all incidental costs (local parking/travel, snacks, private telephone calls [other than budgeted] etc.). No supporting documentation is required for such incidental expenses. The amount of the per diem is reviewed periodically and shown in the rates table. Per diems may also be paid to board members and volunteers/interns who stay away from their place of residence while on Institute business or taking part in a conference.

7. Where a contract is agreed for an **external presenter** at a conference, the payment terms should include a **sum to cover subsistence costs** of the presenter while staying away from home.
8. Staff may claim **actual approved expenditure** using the *travel/expense claim form*.

For local and national and international events, cash advances are approved by the Director. Once issued, all advances must be reconciled against expenses incurred (supported by original invoices/receipts), whether in foreign exchange or in rands, and any unspent cash must be returned to the Financial Administrator within 3 days of returning to the office.

Consultancies – Terms of Reference

Implementation of a programme may require the employment of consultancies for specific activities to be undertaken over a limited time-period for specific deliverables. The following terms will apply to all consultancies undertaken.

1. Pre-conditions for soliciting a consultancy

Consultancies will only be considered where:

- 1.1. The required task is clearly identified as beyond the skill or time capacity of programme staff;
- 1.2. The proposed consultant's reporting relationship to the organisation (responsibility for administration of the contract and performance) is clearly identified; and
- 1.3. Management consensus approval is minuted.

2. Standards and Specifications

All proposals/contacts considered must include:

- 2.1. Qualifications, expertise and experience relevant to the task;
- 2.2. Experience in the development sector and the relevant field;
- 2.3. References;
- 2.4. A workplan for the specific task methodology and a schedule that is an indication of progression;
- 2.5. Detailed cost estimates including billable hours (where possible, **payment should be linked to completion of outcomes and deliverables and not linked to hours worked**), expenses, manner and time of payment; and
- 2.6. Implied benefits to the organisation's policies regarding skills transfer and affirmative/corrective action with race and gender.
- 2.7. The expected outcomes and deliverables must be specified, together with time frames.
- 2.8. All standards, specifications and expectations will be agreed to in writing prior to appointment.
- 2.9. Written agreements will include deadlines and conditions for termination.

Projects with External Partners – Memoranda of Understanding

The Institute will, in seeking to attain its objectives, from time to time enter into partnerships with third parties; in such cases:

1. The agreement to work with a third party (external partner) will be made as part of the strategic/work planning for the relevant programme and with the authority of the Director.
2. The agreement will be formulated according to the template used by IJR and will include a schedule of any payments due under the agreement.
3. The working arrangements, including the expectations of the parties, the method of dealing with all relevant costs and the monitoring of the progress, will be set out in a memorandum of understanding between the Institute and the external partner.
4. The memorandum of understanding must be drawn up under the control of the relevant Programme Manager and must be signed, on behalf of the Institute, by the Director, prior to the implementation of the relevant working arrangements.

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Terms and Definitions

TO BE INSERTED ACCORDING TO KNOWLEDGE OF RELEVANT STAFF MEMBERS

Term:	Definition:
Budget Holders	The relevant Project Manager for that particular programme or project, supported by the relevant Programme Manager. The core budget will be held by the Director, working with the Administrative & Financial Manager.
Contingency Budget	“Last resort” line item in budget, for unforeseen expenses.
Casual	Worker employed by the Institute, who earns less than R200.00 per day.

Financial Authority

1. The overall principle is that financial authority limits should be set in terms of **approved budgets**.
2. The **Board of Directors approves the overall budget**.
3. The organisation is then authorised to **operate within the limits of the approved budget**.
4. The Director is responsible for ensuring that the organisation operates within the limits of the approved budget. In the absence of the Director, the Acting Director will deal with management concerns.
5. A new or revised financial policy, a decision regarding implementation of a new programme or any financial decision or budget adjustment exceeding the amount stated in the *rates table* should have the approval of the relevant funder where applicable and must then be submitted to the Chair of the Board or her/his designated representative for approval **before** implementation.
6. The Director should identify staff members who will pay particular attention to the budgets and will ensure that all expenditure incurred is within budget, or that income from other sources covers the expenditure. These staff members are the **budget holders** for their programme/activity (see the [nomination of budget holders](#) in SECTION 3 FINANCIAL GUIDELINES). They would continually check the line in the budget that expenditure is to be allocated to and ensure that there are sufficient funds available or unspent against that line item (see the [checklist for budget holders](#) in SECTION 3 FINANCIAL GUIDELINES).

[See also [bank accounts](#) SECTION 3 FINANCIAL GUIDELINES for further guidelines on authority limits.]

Nomination of Budget Holders

The nomination of budget holders for particular programmes/activities will ensure that careful attention is paid to the budgets, thus ensuring that all expenditure is covered by the budget.

1. The Director is responsible for approving all expenditure, but her/his decisions would be based on information provided by the budget holders.
2. The Director would rely on budget holders to check that approved expenditure is adequately covered by the budget.
3. The budget holder should have a good detailed understanding of the budget.
4. The budget holder would generally be the person responsible for the outcome of a programme/activity (i.e. relevant programme manager).
5. The responsibility for each section of the budget could be delegated to project leaders or to those responsible for significant result areas.

Approval for Change to Organisational Budget

Because the budget is drawn up on the basis of expected income, it may need to be significantly revised, and the revised version approved, in the light of the actual income contracted/received.

1. All significant variations from the initial, Board-approved organisational budget are considered by the management of the Institute, in line with the necessary revisions to operational plans and activities. The financial impact is recorded in a revised budget, which is presented to the ExComm at the relevant quarterly meeting.
2. Requests for **budget reallocations** within the organisation's budget are approved by the Director at the request of the relevant Programme Manager.
3. Where expenditure at line item level will exceed the approved budget by more than 15%, written approval for this must be sought from the appropriate Programme Manager.
4. Where there is a request that requires an **additional budget allocation** to that programme/activity, i.e. the additional expenditure cannot be covered by the underspending in other areas, the request will need to be approved by the Director.
5. When approval for a budget revision is given, it is notified to the Administrative & Financial Manager, who will revise all relevant financial reports..

Checklist for Budget Holders

Questions should be asked by the budget holder prior placing an order for supplies or services. The first three questions must be asked and answered by the organisation's management.

1. Is this supply or service **necessary** or valuable in order to meet our obligations to the funder, to the community, or to staff and in line with programme objectives.
2. Are we certain that this is the most **cost-effective** way of obtaining these supplies or services?
3. Have we investigated obtaining donations in kind or discounts?
4. Does the **budget** cover this expenditure?
 - 4.1. Which budget line can be used to cover this expenditure?
 - 4.2. Are there sufficient funds unspent in this budget in this period to cover the expenditure?
 - 4.3. What future expenditure is unavoidable against this budget line, which would reduce amount of funds available to spend?
5. If the budget does not cover this expenditure, what **funds** can be used to cover this expenditure?
 - 5.1. What sources of income do we have that could cover this expenditure?
 - 5.2. Are there sufficient funds unspent of this income to cover the expenditure?
 - 5.3. What future expenditure is unavoidable which reduces the amount currently available to spend?
6. Have we complied with the modalities for procurement of supplies? See SECTION 3 FINANCIAL GUIDELINES
7. Can we request a **reallocation of or an increase** in the budget, by using the budget change request form? Has the Director approved the request by signing the form? See approval for change of approved budgets.
8. What **other action** could be taken to **obtain funding** to cover this expenditure, if the budget or the funds from other sources do not cover the expenditure?
9. Can we use a **contingency budget** (for unforeseen events) after consultation with the Director?
10. Finally, is there money available in the bank account to meet payment requirements?

Modalities for Procurement of Supplies

Where major items of expenditure are being considered, the organisation needs to comply with its modalities for procurement, which must be set, and reviewed from time to time by the Board.

The following modalities are included as a guideline:

1. Goods costing more than R500,000 will be procured by open tender.
2. All other goods costing less than R500,000 but more than R125,000 must be procured by restricted tender.
3. Supplies costing less than R125,000 but more than R50,000 shall be procured on the basis of no less than three written offers from three different qualified suppliers.
4. Supplies costing less than R50,000 but more than R5,000 shall be procured only after receipt of at least three written quotations from three different qualified suppliers.

(Note: Deviation from any item is at the discretion of the Director, in consultation with the Chair or Deputy Chair of the Board, subject to previous purchases and market knowledge.)

Authority to enter into Contracts

Where the purchase of goods or services, or their leasing, requires the entering into a contract with the supplier and/or the setting up of credit facilities, it is necessary to ensure that such contracts are properly drafted and scrutinised in accordance with authority levels set by the Board.

1. An order for the relevant goods/services is prepared and approved in the normal way (see *Purchasing Procedures*) together with the justification for the particular payment option that has been chosen.
2. The supplier's contract is then reviewed by the Financial and Administrative Director, who may take advice from an external adviser if the provisions are complex and/or technical.
3. When a final draft of the contract is available, it is discussed with the relevant Programme Manager and/or the Director and can be signed, on behalf of the Institute and after the signature of the relevant supplier's representative, as follows (provided the acquisition of the goods/services was planned and budgeted for):
 - a. Total contract value <R50,000: Programme Manager/Budget Holder
 - b. Total contract value <R125,000: Director
 - c. Total contract value >R125,000: ExComm-nominated official.
4. If the acquisition is unplanned/unbudgeted and the total contract value exceeds R25,000, the Director first motivates for the acquisition through ExComm, which stipulates the signing arrangements on a case-by-case basis.

Financial Responsibilities

IJR Administrative & Financial Manager
Oversees: Preparation of payments, receipting, petty cash
Does: Budgeting and financial forecasting
Checks management financial reports for accuracy & completeness
Checks cash book and ledgers for allocations
Gets expected funding schedule from Executive Secretary and gives a copy to Finance Team members.
Insurance of IJR Assets
Maintains Fixed Asset Register
Checks bank reconciliation of CHEC Bookkeeper

CHEC Financial Administrator
Does independent check of payroll
Gets written authorisation for salary changes
Checks requisitions against documentation and issues cheques
Receipts and deposits of income
Liaison with bank for foreign funding
Cash flow management
Liaison with IJR Insurance Brokers
Liaise with bank and IJR regarding investments

CHEC Bookkeeper
Financial data input
Bank reconciliation
Prepares management reports
Income and Expenditure Summary against Budget
Audit year-end procedures

Independent Financial Consultant (at discretion of Director)
Assists with financial reports to funders.
Reviews financial records on a quarterly basis
Produces quarterly financial report for the Director
Meets quarterly with Administrative & Financial Manager and Director to discuss finances.
Works with Director on budget forecasts

IJR Director
Responsible for core & programme budgets
Reviews all management reports on a monthly basis
Liaison with donors and submission of funding schedule to Executive Secretary
Presents budgets and financial reports to ExComm

Daily Financial Guidelines

Bank Accounts

All current banking accounts should be well managed.

1. Levels of authority for becoming **bank signatories** and users of electronic banking must be agreed and minuted, with full lists of duly authorised officials being made available for the administrators and finance personnel. A full list of signatories with telephone numbers and addresses posted on the wall of the office would be useful.
2. Responsibility for **updating the lists** and for providing mandates to the bank(s) must also be allocated.
3. The CHEC Financial Administrator must retain copies of the current mandates in the files of the organisation.
4. **Levels of authority** for approving cheque requisitions, for the **signing of cheques** and for the operations of electronic banking are determined by the ExComm of the Board on a regular basis.
5. All cheques must be signed by at least **two signatories**.
6. The current **cheque book** should always be retained at the office of the organisation and should, under no circumstances, be removed. The cheque book should remain under the control of CHEC's Financial Administrator, in the office and held in a locked drawer.
7. Separate passwords and user functions must be allocated for electronic banking. Passwords must never be shared/exchanged.
8. Clear arrangements for obtaining original **bank statements** from the bank must be made. Bank statements for the month should be **collected** from the bank at the end of each month, including the call or investment account statements. Statements drawn from electronic banking are used for monthly processing but cannot be used as the source document for transactions such as bank charges or as the support to the bank reconciliations when it is reviewed and authorised.
9. New, and changes to, stop or **debit orders** must also be authorised by the cheque signatories and copies kept and filed by CHEC Financial Administrator.

Checklist for Signatories

When signing a cheque, or verifying/releasing an electronic payment, the signatory is taking responsibility for the payment, in that the signatory confirms that the payment is being made for valid expenditure for the benefit of the organisation.

The signatory should check that:

1. A requisition has been prepared for the payment.
 2. **Appropriate supporting documents*** are attached to requisition:
 - 2.1. Original unaltered invoices, or a constructed invoice from an informal trader
 - 2.2. Original documents supporting the beneficiary account name and account number for electronic payments (if not shown on the invoice)
 - 2.3. Order form authorised by budget holder
 - 2.4. Proof of delivery (where appropriate)
- *See also payments in SECTION 3 FINANCIAL GUIDELINES.
3. The payment has been authorised by the **budget holder**, either on the requisition, or on an approved order form. See nomination of budget holders and checklist for budget holders in SECTION 3 FINANCIAL GUIDELINES. This should give the signatory assurance that the expenditure is covered by the budget and by funds, and that the modalities have been complied with.
 4. The signatory should
 - 4.1. Sign the cheque or verify/release the electronic payment.
 - 4.2. Sign the cheque requisition.
 - 4.3. Initial the original supporting documentation to ensure the same document is not presented twice for payment.
 - 4.4. Ensure the requisition and supporting documents are returned to the office immediately.
 - 4.5 Ensure that the cheque is crossed "Not Transferable".

Managing Cash Flows

The organisation must manage its cash flow to ensure that it does not go into overdraft, and that it maximises interest earned on available funds.

1. Where available, make use of **electronic banking facilities** to have daily access to bank statements, which will facilitate cash flow management.
2. The Administrative & Financial Manager/CHEC Financial Administrator should only be authorised to view accounts, or to transfer funds between bank accounts of the organisation, electronically, by phone, fax or in writing.
3. The CHEC Financial Administrator should access the electronic banking facility first thing each day or should otherwise review the organisational cash flow schedule to see that the current bank account balance is positive. If not, a transfer of money from a call account into the current account must be authorised.
4. A summary of the cash position and the cash flow requirements for the month ahead should be prepared by the Administrative & Financial Manager for financial meetings, monthly.
5. The CHEC Financial Administrator should anticipate expenditure, and transfer sufficient funds into the current account to cover expenditure.
6. Cash flow forecasts should be prepared regularly, in conjunction with the Executive Director (and the independent financial consultant) and presented to the management of the organisation.
7. The Finance Team should be informed of anticipated cash flow difficulties by the CHEC Financial Administrator.

Payments

All payments for goods/services received must be made against properly authorised documentation and available budget lines and actioned through two authorised signatories.

The following steps should be followed to process a payment by cheque or through an electronic banking transfer:

1. The goods/services must be linked to a **properly authorised order**. All orders to suppliers must be documented on an official IJR order form and must be signed by the Head of the Programme, before this is submitted to the Director for approval. It is very important to complete the whole order form (e.g. full description, line item and amount charged). See purchasing procedures in SECTION 2 OPERATIONAL PROCEDURES.
2. Confirmation must be obtained from an authorised staff member that the **goods/services have been received** and met the terms of the order.
3. **The original invoice must be obtained** from the supplier and matched to the order and to evidence of receiving the goods (either a signed delivery note or goods received note if appropriate). **Payment should not be made against a statement or a faxed copy of invoice, or a quote.** If an original invoice is lost, a copy invoice can be processed only if a reason is added to the copy being processed and full checks have been carried out to ensure that a payment has not been made previously against the original invoice.
4. The **supplier's statement must be checked** to ensure that there are no other liabilities outstanding or credits to be taken against the payment due.
5. A **requisition form** (see example in the forms) must be made out, showing details of the supplier to whom payment is due, the goods/services being paid for, the invoice value (and any VAT amount included) and the account(s) to be charged.
6. This payment requisition, together with the supporting paperwork, must be passed to an official responsible for approving expenditure against the relevant budget line (**the budget holder**) and expenditure account allocations, who must approve the payment and sign the requisition accordingly. See the nomination of budget holders and checklist for budget holders in SECTION 3 FINANCIAL GUIDELINES.
7. **No payment should be approved against a manually altered invoice.** If checking reveals that an error has arisen on the invoice, the invoice should not simply be amended but the supplier must be asked to provide either a credit note and replacement invoice or an adjusting credit note.
8. The cheque must be prepared for signing (including relevant crossings) and the **cheque number inserted on the requisition** or the **electronic banking entry must be made on the system and the reference number allocated to the requisition.**

9. The cheque or electronic banking transfer authorisation, the payment requisition and supporting documents must then be passed to **two signatories** for action. When signing (or releasing an electronic payment), they must properly scrutinise all supporting documentation to ensure that all payments have a clear justification. See checklist for cheque signatories in SECTION 3 FINANCIAL GUIDELINES.
10. The payment must be sent to the supplier and the **supporting documents marked to show that payment has been made** (a “paid” stamp and the initials of the signatory can be used for this purpose). The payment requisition must be filed, with supporting documents, in cheque number order or electronic banking reference number order.
11. If a **cheque is spoiled** or has to be cancelled prior to issue for any other reason, it must clearly be marked cancelled and filed in order with the cheque requisitions so that all cheques can be accounted for.
12. If a **cheque is lost in transit** or in the hands of the supplier, an authorised instruction must be sent to the bank to “stop” the cheque. Once confirmation has been received that the cheque been stopped, a new payment can be raised following the relevant steps above. Copy of confirmation that the cheque has been stopped must be filed by CHEC’s Financial Administrator.
13. No individual is to authorise payments to themselves.
14. No signatory is to sign a cheque made out to themselves.
15. **The cheque book** must be retained at the office by the CHEC Financial Administrator, and all cheques should be prepared by the CHEC Financial Administrator.
16. **All** outgoing cheques are recorded in an “Outgoing Items” Register. If the cheque is posted, the date of posting should be noted in the Register.
17. If a payment is to be made for **casual staff**, a letter is required with the following details:
 - Name and address of casual staff member plus ID number
 - The amount to be paid
 - The signature of the Administrative & Financial Manager or relevant Programme Manager, authorising the employment, hours worked and rate of pay.
18. All consultants are paid through UCT as part of payroll processing. Payment is made on the **25th of each month**. UCT HR forms must be completed by everyone who carries out short term contractual work for IJR so that the correct amount of PAYE (tax) can be deducted from their payments. Requests for ad hoc payments must reach the Administrative & Financial Manager’s office by no later than the **3rd last day of the month** preceding the month in which payment will be made.

19. All requests for payment must reach the Administrative & Financial Manager's office by Tuesday of each week in order for payments to be organised by the Friday of the same week, pending the availability of a second signatory.
20. All requests for **credit card payments** must be treated in the same way as a normal payment request. Requests for credit card payments must be handed to the Director's PA for authorisation by the Director. Under no circumstances may anyone else authorise the use of the Institute's credit card.

Payments by way of reimbursement to staff members

Where staff members claim reimbursement of expenditure incurred on behalf of the Institute (other than travel and subsistence costs which are dealt with elsewhere) the following procedures apply:

1. The process of approval of the expenditure follows the procedure as above for budget-holders (to ensure that the expenditure is in the interests of the Institute and its programmes) and requires some formal notification of agreement (in cases where an order form is not appropriate) that the Institute will carry the relevant cost before that cost is incurred.
2. Staff members may, unless a prior agreement has been reached that provides a standard monthly reimbursement, claim the cost of work-related cellphone calls from their **private cellphones against an itemised bill** (on which the nature of the work-related call and the person/organisation called is noted) from the cellphone provider. The claim should be made on a *travel/expense claim form* and properly authorised.
3. Where a staff member uses a **prepaid facility for cellphone calls and/or internet access**, that staff member must provide a “logbook” to support their claim for any business use.
4. Similarly, any staff member who uses a **dial-up internet access from their home, or uses an internet café or other internet service** while away from the office, must submit receipts/vouchers which support the claim for reimbursement of the expenses, duly marked up with the reason for the use of the external facility.

Receipting and Banking

All money received, either as cash or cheques, must be recorded immediately on receipt and must be banked promptly and intact.

1. **Two people should always be present** whenever money (in cash or by cheque) is received (particularly at the time when post is opened and distributed on a daily basis). See fees in SECTION 2: OPERATIONAL GUIDELINES.
2. When any money is received, **a pre-numbered receipt must be issued** to the person giving the money by the person receiving the payment, at the time of receipt.
3. Where money is received by **post/courier**, a pre-numbered receipt must still be issued and the details recorded in a daily postal receipt book.
4. All money received in the course of a day must be held securely in a **fireproof safe/cabinet** and recorded on a bank deposit slip prior to banking (on the same or next working day). The bank deposit slip must show the receipt numbers of all amounts being banked to provide an audit trail. **All receipts issued since the last banking must be totalled** - this total must be agreed to the deposit slip and be entered in the receipts book. **All deposits should be numbered.**
5. **No money received must ever be used to fund expenses; it must all be banked.**
6. Where money is received in foreign currency, the bank must have a standing instruction to put Rands into the account at the spot rate of exchange applicable at the time of receipt.
7. Where money is received from a donor or statutory funder, the office of the Executive Director must acknowledge receipt according to their requirements and file a copy of the acknowledgement with the remittance advice / receipt document.
8. The appropriate **accounting code** for the income must be identified by the Administrative & Financial Manager and inserted on the copy receipt and bank deposit slip.
9. Each receipt must be entered in sequence by the CHEC Bookkeeper on the accounting system, with the appropriate account code.
10. The electronic banking should be used to identify and record all monies received directly through the banking system as soon as they appear in the relevant bank account. **Once the original bank statement is received, enter all other income** (such as bank interest) into a cash receipts batch.

Creditors

All creditors must be paid monthly and by due date, to ensure the organisation enjoys all the benefits of any discounts offered.

1. Creditor payments should be ready for checking and signing prior to the end of each month.
2. Signatories must be contacted to ensure that they are available at the relevant time each month.
3. For each payment the following must have been done:
 - 3.1. A check that the order ties up with what was actually delivered; if so, the order should be signed and the delivery note attached, as evidence that it has been checked.
 - 3.2. A check to ensure that the invoice ties up to the order; if so, the invoice should be annotated as evidence of checking.
 - 3.3. Scrutiny of the supplier's statements to ensure all invoices listed on the statement are prepared for payment and are authorised. If any invoices are not on hand, another should be requested.
 - 3.4. A check to ensure no invoice will be paid twice by checking last month's payment and statement to each relevant supplier.
 - 3.5. A check on the statement to see if any discounts are available and/or any credits can be used to set off amounts due for payment.
 - 3.6. All invoices, orders and statements must be attached to the payment requisition.
4. Present the requisitions and supporting documents, together with a cheque where appropriate, to the signatories so that the cheques can be signed or the electronic payment released. See checklist for cheque signatories and payments in SECTION 3: FINANCIAL GUIDELINES.
5. Distribute/post all cheques, noting date of posting, or signature of person taking delivery of the cheque from the office, in the Outgoing Items Register.
6. Mark all invoices "paid".
7. File the documentation intact in 2 sequences – cheque payments in **cheque number** order and electronic payments in reference number order.

Petty Cash

A float should be issued to the controller based on the need to meet incidental costs where a cheque is not appropriate (for items such as postage, etc). This float must be controlled using the imprest system.

1. For every payment out of the petty cash, an **internal petty cash voucher** must be prepared, describing the **nature and purpose of the expense** and the **amount** issued.
2. This voucher should be signed by the person receiving the money and responsible for making the payments.
3. Wherever possible, **external** supporting vouchers should be attached to the internal petty cash voucher, such as till slips, invoices, receipts, etc.
4. The petty cash voucher should be numbered and the supporting vouchers stapled to the voucher.
5. The **imprest system** should be used to **reimburse** actual petty cash expenditure. No additional amounts should be issued until the original float amount has been fully accounted for. At all times the cash plus the total internal petty cash vouchers (i.e. that which has been spent) should equal the float amount.
6. The actual expenditure from petty cash should be presented for reimbursement at least once a month.
7. The actual expenditure should be analysed by expenditure type on a *petty cash sheet* or in a petty cash analysis book using relevant columns, entering each petty cash voucher in number sequence.
8. Petty cash should be kept in a separate **locked cash box**. This should not be mixed with any other cash. Any shortfall must be recovered from the custodian.
9. Only **one person** (usually the Secretary to the Administrative & Financial Manager) should have control over the petty cash and the box so that one person is held fully responsible for the petty cash float. It should not be passed from one person to another but, if this cannot be avoided, the **cash and vouchers must be checked by both parties** and signed for to ensure responsibility is passed officially.
10. Regular checks of the petty cash should be undertaken by the Administrative & Financial Manager.

Monthly Financial Guidelines

Bank Reconciliation

The bank reconciliation should be performed monthly as soon as capturing has been completed (payments and receipts) and original bank statements have been received. The reconciliation ensures that the organisation's records agree to the bank statements.

1. Systematically review the bank statements to check that all deposits and payments have been picked up.
2. Enter bank charges, debit orders and credit transfers in the payments journal.
3. Enter interest received or direct deposits in the deposits journal.
4. Use the statement number as a reference for these, i.e. ST121/1, etc. Note this reference on the bank statement.
5. Go to bank reconciliation in the process menu of the accounting programme and complete the following tasks:
 - 5.1. Enter the closing balance as per the bank statement concerned, the period and the month end date.
 - 5.2. Enter each reference from the bank statement, starting at the top of the page and moving down.
 - 5.3. Check the amount on the screen agrees to the amount on the statement, and enter if correct. If not correct, do not enter, escape and note the discrepancy on the statement so that, after checking the relevant supporting documentation, the error can be corrected
 - 5.4. After completing these tasks, display the reconciliation by selecting View. There should be no difference.
 - 5.5. Print and file the reconciliation.
6. If changes are made to the payment or deposits journal, it may be necessary to go back to the bank reconciliation to ensure that it still balances.
7. After all entries have been approved, update them to the ledger, check the bank reconciliation again and finally print.
8. The reconciliation should be signed by the Administrative & Financial Manager as evidence of checking, and on a quarterly basis by the independent financial consultant. The checking requires confirmation of the bank balance to the original bank statement, confirmation of the closing balance to the cash book and confirmation of the validity of all outstanding transactions.

Salaries and Deductions

Salaries must be authorised and checked thoroughly every month.

1. **All changes to payroll must be authorised in writing.**
2. The written evidence of authorisation for salary changes must be retained and filed by CHEC's Financial Administrator. Examples of salary changes include:
 - 2.1. An increase or decrease in basic salary, whether this be general or specific to a single staff member or group.
 - 2.2. Any change to salary structure in terms of benefits, employer's contributions, or allowances.
 - 2.3. Any additional income in the form of overtime, leave pay, bonuses etc.
3. No amounts (other than statutory deductions such as PAYE, UIF and garnishee orders) should be deducted from salaries without the **written permission of the staff member.**
4. The monthly payroll must be compared to the previous month's payroll to ensure that all changes have been accurately processed. This task must be done by the CHEC Financial Administrator for every line of the payroll reconciliation, finally **reconciling net salaries to be paid this month to net salaries paid last month.**
5. An **independent check of payroll** must be carried out every month by a senior staff member, independent from the person who prepared the payroll but with access to all relevant payroll information. The "checker" should check the payroll reconciliation report and the reconciliation to the previous month in detail.
 - 5.1. The person checking should make her/himself available on an agreed date and time each month to do a thorough check.
 - 5.2. The reports should be signed as evidence of check.
 - 5.3. CHEC's Financial Administrator must follow up any queries with UCT.
6. The checking must include:
 - 6.1. Review of the detailed transaction listing for any obvious errors.
 - 6.2. Test-checking the detailed transaction listing to the payroll reconciliation report.
 - 6.3. **Checking that the net salary payable amount per the payroll reconciliation agrees to the credit transfer listing or cheque listing and to the instruction to bank.**
 - 6.4. The reconciliation between this month and the previous month (the variance report, which highlights any changes on a transaction-by-transaction basis).
7. UCT administers the salaries of IJR staff and must ensure that it meets all its **statutory requirements.**
 - 7.1. **Employee's tax** must be calculated according the taxation rules, deducted from salaries, and paid to SARS monthly. Note that all amounts paid to employees and any benefits enjoyed by employees are taxable according to the rules. Staff are responsible for checking the amounts on their own payslips.

- 7.2. **Unemployment insurance (UIF)** must be calculated and deducted monthly for all full time employees (up to a notified maximum salary), and this plus the employer's contribution paid monthly to the fund.
- 7.3. **Department of Labour Compensation Fund ("COIDA") contributions** must be paid annually, based on the salaries and number of employees.
- 7.4. **Skills Development Levy.**
8. CHEC's Financial Administrator must check that all the above obligations have been carried out, using the UCT SAP R3 system.
9. **CHEC's Bookkeeper posts the month's salary costs:**
 - Check that the UCT totals for the month agree to the CHEC Financial Administrator's payroll reconciliation report.
 - Check general ledger balances with UCT total PRISM account.

Monthly Checklist

The following is an end of month accounting checklist to be completed by the CHEC bookkeeper:

<u>TASK</u>
Enter all receipts and payments for the month using cheque requisitions, deposit books, receipts etc.
Process the salary journal from PRISM records
Ensure all other bank balances are updated (such as call accounts and other investment accounts)
Put through other journal entries (examples being photocopying charges, cost allocations, petrol charges)
Complete the bank reconciliation
Run a trial balance and ledgers, plus income statement with budget variances, for each programme
Make a backup of accounting records at least monthly
Print the following final reports for the files: <ol style="list-style-type: none">1. Detailed ledger for the month.2. Trial balance with sub-accounts to date.3. Trial balance without sub-accounts to date.4. Final bank reconciliation.5. Management reports.

The following tasks are carried out by the Administrative & Financial Manager:

<u>TASK</u>
Raise and process invoices for goods/services provided by IJR or costs to be recharged to clients of IJR
Process petty cash and expense claims and ensure all supporting documentation is received (such as log books, petrol slips, etc)
Review the detailed ledger and reports for all possible mispostings or misallocations in the income and expenditure accounts
Review the balance sheet accounts to ensure all control accounts are cleared and all other balances can be explained

Quarterly Guidelines

In addition to the normal monthly procedures the following procedures are required **QUARTERLY** or more frequently, where appropriate, from the Administrative & Financial Manager:

Forecast

A detailed **forecast** of expenditure for the coming quarter must be prepared and submitted to management. **It is essential to produce quarterly forecasts alongside the preparation of actual results at quarter-ends.**

This exercise must be done thoroughly and must take into account the following:

- The **full expenditure** that is required by the organisation to meet its activity obligations.
- The **actual pattern of expenditure** that will be incurred rather than a simple division of the annual budget.
- Consideration of the **costs of all unusual events** expected for the quarter.
- In order to prepare a **realistic forecast**, obtain information about planned activities for the quarter from the staff and management of the organisation.
- A comparison of actual results against the forecast for the previous quarter can be done by printing the trial balance for that quarter with the budget for the quarter reflected in the left-hand column.

Financial Reports

The quarterly financial report from the Independent Financial Consultant must go into the Board Pack for presentation to the ExComm. The **written report on the financial results** for the previous quarter must be prepared and submitted to the Director. This should report should contain the following, under these headings:

- 1.1. Comments on any **unusual transactions**
- 1.2. Explanations of **variances from budget for the previous quarter**
- 1.3. Explanations for **changes in the forecast for the next quarter**
- 1.4. **Problems** experienced during the quarter
- 1.5. Other **comments**

This report assists management to gain a good understanding of the financial results and potential problems areas of the organisation.

Annual Guidelines

Audit Year-end Procedures:

These are the responsibility of the CHEC Bookkeeper:

1. Check the opening balances per the ledger to the audited financial statements of the previous year.
2. Reverse last year's accruals.
3. Reconcile bank accounts to statements and check.
4. Accrue for all interest on deposit accounts and reconcile to statements.
5. Review ledger and make any correcting entries. Accrue for all expenses relating to periods prior to year-end which have not been paid for – raising the expense.
6. List accruals and reconcile to accrual account in ledger.
7. Reconcile creditors' statements to the ledger to ensure all expenses are included.
8. Clear out all suspense accounts:
9. Obtain confirmation of investments, interest and dividends for the year – obtain market value at year-end.
10. Calculate depreciation on fixed assets (where applicable). Write off assets sold or scrapped during the year and update the fixed asset register with all additions and disposals.
11. Draft the annual financial statements and prepare audit schedules of:
 - Bank & cash
 - Accounts receivable (including staff loans list)
 - Accounts payable (including accruals)
 - Fixed assets
 - Investments
 - Petty cash

Budgets

It is essential that budgets are prepared on the basis of expected activities for the year and as such the preparation of the budgets must be in consultation with appropriate staff. The participation of appropriate staff in the budget preparation ensures that all the activities are budgeted for and the staff are motivated to take responsibility for planned activities.

1. The starting point of any budget is therefore the **activity plans** for the year.
2. The **cost of these plans** can then be calculated. Wherever possible, the Director in conjunction with the Administrative & Financial Manager, will publish guidelines relating to costings that, for example, set the context of cost-price and wage and salary inflation, the funding outlook and any “standard costs” that should be used in costing.
3. All staff should understand the costs attached to the activities they are involved in.
4. The larger the organisation grows, the more time the preparation of the budgets will take, as each group or team will need to work on its plans and then be guided in workshop format on the costing of these activities.
5. The **core costs** of the organisation can be budgeted by the Administrative & Financial Manager (ie. the known monthly costs, such as existing salaries and benefits, rent, etc.).
6. The Administrative & Financial Manager should get **input from management and staff** regarding plans that may impact on these core costs, such as additional staff, a planned move etc.
7. The Administrative & Financial Manager will collate and summarise the budgets from each team with the core budget, ensuring that there is no **duplication of costs**.
8. The Administrative & Financial Manager, with the assistance of the Independent Financial Consultant, will **compare** this budget with the **actual costs of the previous year or period** and be satisfied that the new budgets are **reasonable** and that **all major differences can be explained** in terms of changes in activities.
9. The final draft budget, which must balance projected income with planned expenditure and be approved by the management team, must be submitted to ExComm for approval.

Financial Reporting

Monthly Financial Reporting to the Director

In order to ensure cohesion and control of finances, the following reports should be submitted to the Director, who reports to the Board of Directors through the ExComm.

The monthly reporting to the Director should include the following:

- An **income and expenditure statement (management accounts)**
- **Monthly financial reports for Programme Managers** (as below)

Monthly Financial Reporting to Programme Managers

The monthly reporting with the Programme Managers should include a monthly report for each programme, which includes:

- Balance brought forward for previous year
- All revenue received in the current year
- Expenditures listed by budget line item
- Remainder of budget unspent
- Balance of funds remaining

The deadline for preparation of these reports is the 10th of the following month.

Quarterly Financial Reporting

The quarterly report should include the following, in addition to the above:

1. A **summary of expenditure** for the quarter. This should show the previous quarter (where relevant) as well as the budget and variance from budget.
2. A **summary forecast** for the next quarter.
3. A balance sheet, with supporting analyses of all balances.
4. The **narrative report** should be extended to comments on variances from budget and comments on the forecasts for the quarter ahead.
5. Meeting with Independent Financial Consultant to discuss her/his quarterly review and any issues arising therefrom.

Financial Reporting to the ExComm

The Director presents the most recent Financial Report at each ExComm meeting. The quarterly report prepared for the Director can be presented, once it has been accepted by the Director and after consideration as to whether the level of detail is appropriate.

The quarterly financial report to ExComm would include the following:

1. A **summary of expenditure** for the quarter. This should show the previous quarter (where relevant) as well as the budget and variance from budget, and the budget for the next quarter.
2. A **summary forecast** for the next quarter.
3. The balance sheet as at the quarter end.
4. The **narrative report**, including comments on the results, commenting on unusual transactions and problems experienced during the quarter, comments on variances from budget and comments on the forecasts for the quarter ahead.
5. An **income and expenditure summary**, analysing income and expenditure by funder/sources of income.

Section 4: INCOME

The Institute for Justice and Reconciliation is largely a donor-dependent organisation. It is at the same time exploring options for becoming increasingly financially self-sustaining.

General Policy

It is the policy of the organisation to ensure that:

1. All amounts due to the organisation are obtained in full as soon as possible.
2. All money received is banked in full on receipt and is not used to fund expenses.
3. All foreign currency is converted into local currency at the time of receipt.

Donations and Grants

POLICY

The Institute is dependent on grants from funders and therefore promotes integrity in its relationships with funders. Integrity and accountability are key concepts in the Institute's fundraising initiatives and are accomplished through regular, timely and transparent reporting. It is the policy of the Institute to formally acknowledge all grants received and to thank funders.

RESPONSIBILITY

It is the responsibility of the Director to:

- ❑ oversee the preparation of well-written proposals (addressing what is proposed, why it should be undertaken, how it will be undertaken and what outcomes are intended) with an executive summary and a comprehensive budget that relates fully to the Institute's overall plans and budgets;
- ❑ establish explicit and implicit mission statements of donor organisations, as well as donor priorities and interests;
- ❑ ensure that the profile of the Institute is presented as part of every proposal (through appropriate business cards as well as the Institute's brochure, mission statement and examples of successful outputs);
- ❑ ensure that all funding proposals embody honesty, trust, the honouring of agreements (including the acknowledgement of the donor) and delivery of products;
- ❑ ensure that funding under the terms of funding contracts is received and banked as soon as possible (see following sections on receipting and banking);
- ❑ ensure that product delivery can be demonstrated, together with the link between output and impact; and
- ❑ prepare letters of thanks.

PROCEDURES

1. The Director ensures that all grant payments are deposited directly into the relevant bank account of the organisation by ensuring that the correct bank details are included in all funding proposals and contracts.
2. The Administrative & Financial Manager ensures that all funder financial reporting requirements are met in order to facilitate the timeous transfer of funds due under the terms of funding contracts.
3. A database of funders is maintained and a funding schedule updated regularly, including details of existing and potential funders:
 - The funder and their contact names and numbers
 - The status of applications submitted
 - The funding amounts and period
 - Any restrictions and requirements under the funding contract
 - The allocation of funding
 - The reporting requirements and deadlines
4. Once funds have been received/deposited, the Administrative & Financial Manager:
 - 4.1. issues a receipt;
 - 4.2. ensures that an acknowledgement is sent to the funder; and
 - 4.3. ensures that the database is updated.
5. The Administrative and Financial Manager notifies all relevant colleagues that funder income has been received and convenes a meeting to ensure that all relevant staff members are aware of:
 - 5.1. the purposes for which the funding is intended (by reference to the funding contract/agreement);
 - 5.2. the reporting requirements related to the grant; and
 - 5.3. the need to update the funder schedule and cash flow.

Fees for Services and Charges for Items Sold

Fees may be received for services rendered and other income may be received through the sale of materials (publications, DVD's, etc.). Such income must be banked in full by the organisation.

Clients are requested to deposit payments directly into the Institute's bank account. However, if payment is made by cheque, the cheque must be made out to the Institute for Justice and Reconciliation. No fees or payments for items offered for sale should be settled in cash but if they are, in exceptional circumstances, strict controls are applied:

1. If it is not possible to have amounts due settled by direct deposit or cheque, payments received in cash must be recorded **at the time of first receipt**, in the presence of the client.
2. Fees/payments received at any other locations must be receipted at that location, then collected and delivered to the Institute's office for confirmation of receipt and for banking.
 - 2.1. Each time money changes hands within the organisation, it must be checked in the presence of both persons, and both must sign as evidence of checking.
 - 2.2. The Administrative & Financial Manager must sign for receipt of money from other locations and must cross-refer the amounts received to the bank deposit book.

[See receipting and banking in SECTION 3 FINANCIAL GUIDELINES.]

Invoicing

Responsibility:

It is the responsibility of the Administrative & Financial Manager, working with relevant colleagues, to ensure that all amounts due to the organisation are invoiced.

Procedures:

1. The Administrative & Financial Manager, working with the Management Team, prepares, at least annually:
 - A set of standard "charge-out rates" for each relevant staff member on which fees for services rendered by the Institute will be based; and
 - A price list for all items held for sale by the Institute that also includes any discounts that will be granted for early payment or for bulk orders.
2. All staff members that contract to provide services on behalf of the organisation must prepare a "pro-forma invoice", with all relevant details, and submit this to the Administrative & Financial Manager.

3. Similarly, all staff members responsible for the custody and sale of the Institute's stock of publications, DVD's and other resources must prepare a "pro-forma invoice" based on the number of items sold and the current price list.
4. The Administrative & Financial Manager prepares a pre-numbered original invoice on receipt and checking of the pro-forma invoice (ie. when an amount becomes due to the organisation) and includes details of the person or organisation that is liable to pay, their VAT number if relevant, the amount and the details of the goods and services supplied. The invoice must indicate when payment is due and provide the Institute's bank account details.
5. The original invoice is sent to the person or organisation liable to pay. A copy of the invoice is retained and filed in invoice number order.
6. A monthly summary list of all invoices issued (in invoice number order) is prepared and filed with the invoice copies.

Receivables

Responsibility:

It is the responsibility of the Administrative & Financial Manager to ensure that all amounts invoiced are specifically and vigorously followed up to ensure payment is received.

Procedures:

1. A list of all unpaid invoices (receivables) is prepared at the end of each month, including the invoice number and date, the name, person or organisation that is liable to pay, and the amount still unpaid, together with an aged analysis of all outstanding debtors.
2. The aged analysis and list of unpaid invoices (receivables) is presented to, and scrutinised by, the Director each month to ensure that vigorous follow up of amounts due is taking place.
3. Unpaid amounts are followed up by:
 - a. Preparation and posting of monthly statements of account
 - b. Telephone and email correspondence
 - c. Letters of warning
4. Any amounts unpaid for more than 90 days, must be brought to the attention of the Management Team and further action agreed. The Team will formally minute any agreed action.

Section 5 – RESERVES

POLICY

It is the policy of the organisation that funds are used efficiently and effectively and that, without limiting necessary budgeted expenditure, reserves are built up to ensure that:

1. The Institute's activities are not delayed or cancelled because of cash flow difficulties; and
2. The long-term financial sustainability of the Institute is strengthened.

The Institute believes that reserves are essential to ensure, as far as is reasonably possible, that the **future objectives of the organisation, and the expenditure that is related to them, can be met**. In the short-term, reserves provide the **space to respond to an unexpected deterioration in the flow of income** – a delay in receiving grants, an unsuccessful fundraising initiative, the loss of a regular funder, etc. In the longer-term, reserves may **reduce or eliminate the Institute's dependence on donor funding** by generating income for core costs from investment income.

The Institute believes that it is important to plan to build reserves. This is:

- ❑ **fundamental to planning;**
- ❑ **supportive of the Institute's fundraising effort;** and
- ❑ **a way of improving the effectiveness of decision-making** - by removing some of the anxiety that arises from the need to raise funds, and maintain a cash flow, that does not interrupt the Institute's operation.

RESPONSIBILITY

It is the responsibility of the Board, working through the ExComm where appropriate, to determine and communicate to stakeholders:

1. The types of reserve that are appropriate to the Institute; and
2. The target level of those reserves.

It is the responsibility of the Board to review the level of reserves at least annually, at the time of the risk management review and in conjunction with a review of the budget for the following year.

It is the responsibility of the Board to authorise the use of any of the designated reserves and to delegate that responsibility where appropriate. For the time being, the Board delegates authority to the Director to access up to R50,000 from the general reserve to cover a temporary cash flow shortfall. Use of this delegated authority will be notified to the Board in written format (email) within 2 days of that use.

PROCEDURES

The accumulated funds of the organisation are made up of:

- **Restricted funds** (funds that are subject to specific conditions imposed by the funder or stated in the specific appeal that generated the funds):
 - **Restricted income funds** – unspent income that was **given for a specific purpose or in response to a specific appeal** and which will be used for that purpose
 - **Permanent endowment funds** – funds given which must be **held permanently as part of the “capital”** of the organisation and **cannot be converted into income**. The donor may also specify in what way the income generated from the endowment must be used.
 - **Expendable endowment funds** – these funds must be held as part of the capital of the organisation unless and until the Board **exercises its power to convert** the endowment into expendable income. The Board, working with the staff, are seeking to build an endowment fund, through fundraising and other means, that will enable the Institute to generate a stated percentage of the annual financial resources it requires from income from the fund.
- **Unrestricted funds:**
 - **General funds** (these “surplus resources” are not immediately required to finance operations and can be **freely deployed** at the discretion of the Board)
 - **Designated funds** (these unrestricted funds have been **designated or allocated for a specific purpose** by the organisation itself; they remain at the discretion of the Board (general funds set aside for a specific purpose))

The Institute considers it necessary to have up to 4 **designated reserves**:

- (i) **General funds** – an amount equivalent to three months’ budgeted expenditure on recurring activities to enable the Institute to absorb temporary downturns in fundraising, or in the value of the organisation’s investments, without having to reduce programme expenditure.
- (ii) **Property fund** – this designation represents the extent to which funds are invested in property and are therefore not available for other purposes.
- (iii) **Capital fund** – an amount equal to the net book value of the fixed assets owned by the organisation (excluding land and buildings) that is therefore unavailable for other use.
- (iv) **Sustainability funds** – the Institute’s funds that are set aside to enhance the longer-term financial sustainability of the organisation. This reserve is not used to fund shortfalls in current expenditure as the capital is protected. The income arising from the reserve is re-invested unless the Board agrees that, in specific circumstances, it can be made available for operating costs.

The Board is informed of the level of reserves and of cash balances by means of the balance sheet and the cash flow projection that are submitted as part of the quarterly financial reports. However, as part of the annual risk management review, the Board will consider whether the type and level of reserves is appropriate. If the Board considers that changes are required, it may request proposals from the Director who works with Board and staff members, and external advisers if required, to prepare recommendations for the following meeting of the Board.

At the time when the annual budget is considered, the Board reviews the planned movements to/from reserves as part of their approval of the overall organisational budget to ensure that reserve levels will reflect the Institute's policy.

Section 6: INVESTMENT OF RESERVES

POLICY

This policy provides the framework for the prudent investment of the Institute's funds and for maximising the efficiency of its cash management system. Precedence is given to restrictions/conditions placed on fund utilisation by the provider of the particular funds; where stated, restrictions/conditions will be followed. Subject to this, the investment goal of the Institute is to enhance the return on funds while investing the funds prudently, in order to achieve the maximum acceptable yield and the long-term financial sustainability of the organisation.

Surplus funds are invested in an appropriate way to achieve the maximum acceptable return on such funds within defined levels of safety based on the standard of the prudent investor. Surplus funds exclude:

- cash required for operational expenditure, which will be held in a current account with one of four banks (being Nedbank, Standard, FNB and ABSA); and
- cash arising from the receipt of grants for specific purposes, which will be deposited in call or other term deposit accounts with one of 4 banks (being Nedbank, Standard, FNB and ABSA).

In addition, where the grant funding contract contains restrictions on the investment of the funds provided, the money will be deposited in accordance with those restrictions.

Interest received and dividends accrued will be capitalised and reinvested in terms of this investment policy.

This policy statement is aligned with any and all South African legislation such as the Financial Advisory and Intermediary Services Act (no.37 of 2002) "FIAS", the Financial Intelligence Centre Act No. 38 of 2001 ("FICA") as well as with the South African Income Tax Act of 1962 and also makes provision for internationally accepted practices and standards. Compliance with this policy statement is reviewed periodically by the Board.

RESPONSIBILITY

The Board, working with duly appointed investment advisers, devises and periodically reviews the investment objectives of the Institute, from which an investment strategy is developed and revised. Criteria for investment guide the investment instruments used, with the safety of the funds being the paramount criterion, whilst an acceptable yield is also expected. In their periodic review of the policy, the Board will approve any additional guidelines that reflect the vision of the Institute, without compromising the criteria of safety and an acceptable yield. The Director is responsible for depositing and/or investing the surplus funds of the Institute in accordance with this policy for investing reserves. Accordingly those making investments on the Institute's behalf are deemed to act in a fiduciary capacity in line with the internationally accepted prudent investor standard.

Responsibility delegated to the Director includes:

- ❑ carrying out ongoing monitoring and review of all investments for consistency with the investment policy;
- ❑ retaining proof/confirmation of investments received from a fund manager, institution or bank as may be appropriate. Such documentation will be kept in a fire protected safe or placed for safekeeping off the premises. This documentation is retained in a manner that allows its recovery at all times in order to establish the Institute's right of ownership to the relevant financial asset; and
- ❑ ensuring that investment decisions taken by the Board are acted on in accordance with those decisions. The responsibility for execution of the investment programme may be delegated to the Administrative & Financial Manager with the prior approval of the Board.

Definitions & Criteria

“Prudent investor/person standard” means the judgement and care, under circumstances prevailing, which persons with prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The investment criteria of the policy, in order of priority, shall be as follows:

1.1. Prudence

The Institute's funds will be invested with prudence – a standard of care that would be exercised by a person of intelligence and integrity when investing their own funds. The safeguarding of principle funds shall be the foremost objective of the investment policy, and other objectives shall be subordinate to the attainment of this objective.

1.2. Liquidity

Liquidity refers to the ability to convert an investment to cash promptly with minimum risk of losing some portion of principal or interest. The investment portfolio shall be managed at all times with sufficient liquidity to meet all daily and seasonal needs, as well as special projects and other operational requirements either known or which may be reasonably anticipated.

1.3. Yield and capital growth

Yield (or return on investment) is the average annual return on an investment based on the interest rate, price and length of time to maturity. Assets purchased for income within the investment portfolio shall be managed with the objective of obtaining no worse than a market rate of return, taking into account the constraints contained herein, the guidelines for public benefit organisations as from time-to-time are legislated and the cashflow patterns of the Institute.

Capital growth is the increase in value of equity or bond based investments, principally contained within unit trusts. Assets purchased for capital growth shall be managed with the objective of obtaining capital growth that at least matches the increase of the JSE all share index for the relevant time period (or the increase in another index that the Board may, at their discretion, decide upon).

1.4. Sustainability

The investment of funds and consequent yield and/or capital growth must further the objective of the Institute to be financially sustainable in the long-term.

1.5. Diversity

The investment portfolio shall be managed to avoid undue concentration of ownership in a single issue and/or financial institution or type of investment.

Procedures

General

The procedure for the investment of reserves differs according to the source of the funds and any restrictions placed on their use:

1. Restricted income funds will be placed in call or other term deposit accounts with one of four banks (being Nedbank, Standard, FNB and ABSA).
2. Cash required for operational purposes will be placed in a current account with one of four banks (being Nedbank, Standard, FNB and ABSA). As set out in section 4 above, cash on hand will be determined from time to time by forecasting cash flow requirements. Cash required will be available in a **call account** and transferred to the Institute's current account by the day prior to its requirement. The call account will be held with the Institute's bankers to expedite release of funds when necessary and to maximise cash flow management.
3. Designated and unrestricted funds will be **managed by type of funds**, as follows:
 - a. **Property fund** – the Board may designate that a certain proportion of the Institute's unrestricted reserves is used to invest in commercial property in order to generate an income stream and/or the prospect of capital gain. It is intended that property will form a maximum of 10% to 15% of the overall investment portfolio.
 - b. **Capital fund** – the Institute requires fixed assets for operational purposes and the funds used for their purchase (net of accumulated depreciation) are ring-fenced in this reserve to identify the funds utilised in this way.
 - c. **General funds** – as these funds need to be available to meet potential funding shortfalls, the money will be placed in call or other term deposit accounts with one of four banks (Nedbank, Standard, FNB and ABSA).
 - d. **Sustainability funds** – the criteria and procedures applicable to the investment are based on the standard of the "prudent investor", a standard that is internationally defined and practised (see "Definitions" above).

Payment procedures

All investment transactions of the Institute are conducted using standard payment procedures that are in accordance with the Institute's financial management policy. Due to the potential for error arising from transactions conducted by telephone, all telephone transactions are supported by written communication and approved by the Administrative & Financial Manager.

Reporting

The Administrative and Financial Manager will submit a quarterly investment report to the Institute's ExComm. The report:

- ☐ Lists the information required by legislation regarding investments.
- ☐ States whether the investments comply with the Investment of Reserves Policy.
- ☐ States the yield on investments and whether the Institute will be able to meet its needs for cash for the next six months.

The Administrative & Financial Manager annually renders a comprehensive report on cash on hand as well as surplus funds invested in terms of the investment policy statement to the ExComm for consideration. This report is then used as the basis for an accounting policy note on reserves in the annual financial statements of the Institute.

Review

This policy on the investment of reserves is reviewed at least annually in conjunction with the review of the annual report to the ExComm on investment.

Section 7: STANDARD FORMS

The following forms are available from the Administrative & Financial Manager:


P1	Activity assessment form
P2	Asset Loan form
P3	Budget change request form
P4	Cheque requisition form
P5	Events/workshops/campaigns/forums budget form
P6	Petrol Claim Form
P7	Petty Cash Sheet
P8	Resource Lending Form
P9	Travel Form
P10	Travel Expense Claim Form

Section 8: RETENTION OF DOCUMENTS

Document	Period of Retention	
Accounting Records	Retention in years	Reference
Ancillary books of account and supporting schedules	15	2&4
Annual financial statements	15	2&4
Annual financial statements working papers	4	4
Bank instructions	4	4
Bank statements and vouchers	4	4
Bills of exchange	6	10
Books of account	15	2&4
Cash books	15	2&4
Cheques	4	13
Consolidation schedules	15	2&4
Costing records	5	2
Creditors' invoices and statements	5	2
Creditors' ledgers	15	2&4
Debtors' ledgers	15	2&4
Debtors' statements	4	4
Deposit slips	4	4
Dividend and interest payment lists (listed company)	15	2
Fixed asset register	15	2&4
General ledgers	15	2&4
Goods received notes	4	4
Insolvent businesses	3	12
Payrolls	7	4&7
Petty cash books	15	2&4
Purchases invoices (with supporting documentation)	4	4
Purchase journals (with supporting documentation)	15	2&4
Purchase Orders	4	4
Railage and shipping documents	4	4
Receipts	4	4
Sales invoices (with supporting documentation)	4	4
Sales journals	15	2&4
Second hand goods - details of acquisition and disposal	3	19
Shipping documents – inwards and outwards(after completion of shipment date)	2	5
Stock records (supporting schedules)	15	2&4
Stock sheets	4	4
Year end working papers for companies	4	4

Document	Period of retention	
Contracts and Agreements	Retention in years	Reference
Agreements of historical significance	Permanently	n/a
Debts (The Prescription Act should be referred to as the period depends on the type of debts)	4-30	4&10
Indemnities and guarantees (after date of expiry)	5	1
Licensing agreements (after date of expiry)	5	1
Rental and hire purchase agreements, suspended sale agreements (after date of expiry)		1
▲		
Correspondence	Retention in years	Reference
General	3	1
Accounting related	5	1
Agreements (after termination)	5	1
▲		
Employee Records	Retention in years	Reference
Accident books and records	7	6&7
Application for jobs – unsuccessful	1	1
Apprentice records of remuneration	3	6
Arbitration award records	3	15
Collective agreement records	3	15
Determination records made in respect of Wage Act	3	6&15
Dispute records prescribed details of any: <ul style="list-style-type: none"> • Strike • Lockout • Protest action involving employees 	3	15
Expense accounts	4	4
Factory register	Permanently	8
Payrolls	7	4,6&7
Personal records of organisation's executives (for historical purposes)	Permanently	n/a
Salary revision schedules	7	6&7
Salary wage register	7	7&4
Staff records (after date employment ceases)	7	6&7
Tax returns – employees	4	4
Time and piecework records	7	6&7
Unemployment insurance contributor's card	Until service terminated	6
Wage and salary records (including overtime details)	7	4,6&7
Workmen's Compensation documents	3	

Document	Period of retention	
Insurance	Retention in years	Reference
Claim reports and accidents reports (after date of settlement)	3	1
Policies (after date of lapse)	4	4
▲		
Investment Records	Retention in years	Reference
Certificates and other documents of title	Permanently or until sold	n/a
Schedules and documents (after date investment sold)	15	2&4
Share investment certificates	Permanently or until sold	n/a
Transfer of marketable securities	5	2&4
▲		
Patents	Retention in years	Reference
Patent agreement with staff	Duration of patent or service of employee	1
Report and opinion on patents and trademarks (after date of expiry)	5	1
▲		
Pension Records	Retention in years	Reference
Actuarial valuation reports	10	1
Contribution records	4	4
Fund's annual account	Permanently	n/a
Group health, life and personal accident policies (after date of final cessation of any benefit payable under the policy)	5	1
Individual life policies under "Top Hat" schemes (after date of final cessation of benefit)	5	1
Investment records	15	2
Minutes of meetings of members and trustees	Permanently	n/a
Pension fund account records	15	2
Pension fund rules (including superseded rules)	Permanently	n/a
▲		
Property Records	Retention in years	Reference
Agreements with architects and builders (after date of completion)	5	1
Deeds of title	Permanently or until disposed	n/a
Leases (after date of expiry of lease and all queries have been settled)	5	2&4
Sectional title records	Permanently	n/a
Transfer duty records	Permanently	n/a
▲		

Document	Period of retention	
Share Registration Records	Retention in years	Reference
Acceptance forms	12	1
Accounting records of stock of brokers and carrier against shares	5	18
Allotment letters	12	1
Allotment sheets and return of allotment	15	2
Annual return and supporting documents	15	2
Application forms	12	1
Cancelled share of debenture certificates and balance receipts (many large transfer offices keep for one year only)	3	1
Cancelled share transfer forms	12	1&3
Change of address – notification	1	1
Dividends and interest <ul style="list-style-type: none"> mandates (from date of receipt) paid warrants payment lists unclaimed 	3 12 15 until cleared	1 1 1
Letters of indemnity for lost share certificates	Permanently	1
Power of attorney, stop notices and similar court orders (from date person ceased to be a member)	15	1
Redemption / conversion discharge forms of endorsed certificates	12	1
		

INVESTMENT OF RESERVES

Document	Period of retention	
Statutory Records	Retention in years	Reference
Combined company register including:		
• Branch register	15	2
• Index of members	15	2
• Register of debenture holders	15	2
• Register of directors' attendance	15	2
• Register of directors and officers	15	2
• Register of directors' interest on contracts	15	2
• Register of members	15	2
• Register of pledges and mortgages	15	2
Documents of incorporation including:		
• Certificate of change of name	Permanently	2
• Certificate of incorporation	Permanently	2
• Certificate to commence business	Permanently	2
• Founding statement and amendments (Close Corporations)	Permanently	2&11
Memorandum and Articles of Association	Permanently	2
Minutes of meetings (originals for:		
• Board meetings	Permanently	2
• Committee meetings	Permanently	2
• General meetings	Permanently	2
• Minute books	Permanently	2&11
• Notification of change of address	1	1
Notices of general and class meetings proxy forms:		
• used	3	2
• used at court convened meetings	3	2
Special resolutions / resolutions passed at general / class meetings		
class meetings	Permanently	2
CM25	Permanently	2
CM26	Permanently	2
▲		
Tax Records	Retention in years	Reference
Income tax required records	4	4
Taxation returns and assessments	15	12
▲		

Document	Period of retention	
VAT Documentation	Retention in years	Reference
Bank statements, deposit slips, stock lists paid by its member	Four years from last date of entry	13
Books of accounts	Four years from last date of entry	13
Detailed records of the registered vendor's transactions	4	13
Invoices, tax invoices, credit and debit notes	Four years from last date of entry	13
System documentation		
Charts and codes of accounts	4	13
Accounting system instruction manuals	4	13
System and program documentation	4	13
Other	4	13
In the case of all other records that are not required for the submission of the income tax return, for a period of 5 years from the date of the last entry in any book, or, if not in book form, from date of completion of the transactions, acts or operations to which they relate.		

REFERENCES:

1. Standard practice.
2. Companies Act No.61 of 1973 - Regulations for the Retention and reservation of Records (R2592 of 25 November 1983).
3. Stamp Duties Act No.77 of 1968, Section 23(6).
4. Income Tax Act No.58 of 1962, Sections 75(1) and (2).

In terms of the Income Tax Act No. 58 of 1962, Section 75 "The Commissioner may, subject to such conditions as he may determine, and in respect of such books (other than ledgers, cash books and journals) or documents as he may specify, authorise the retention of any book or document referred to in subsection (1) in a form acceptable to him lieu of the original thereof."

For years of assessment ending on or after 1 January 1993, all accounting records are to be retained for a period of five years from the date of receipt by Revenue, of the tax return, which incorporates information drawn from the last entry of that record.

The Income Tax Act No.113 of 1993 changed the retention period from five years to four years for years of assessment ending on or after 1 January 1994. The Taxation Laws Amendment Act No.97 of 1993 brings the retention period for VAT documents into line with the requirements of the Income Tax Act No.113 of 1993.

Consequently, the retention of accounting records for the 1993-year of assessment is five years from the date of receipt by Revenue of the tax return which incorporates information drawn from the last entry of the that record. For years of assessment ended on or after 1 January 1994 the period at retention has been reduced to four years on the same basis as for the 1993-year of assessment.

5. Customs and Excise Act No.91 of 1964, Section 101 and Regulation 1.04- Government Gazette No 4040 R17770 dated 5 October 1973.
6. Basic Conditions of Employment Act No.75 of the 1997, Section 29(4), 31(2). Manpower Training Act No.56 of 1981, Section 44(3). Unemployment Insurance Act No.30 of 1966, Section 32(1). Wages Act No.5 of 1957, Section 29(3).
7. Compensation for Occupational Injuries and Diseases Act, No.130 of 1993 Section 81(2). (Departmental practice recommends a limit of seven years on the requirement to preserve records).
8. Occupational Health and Safety Act No.85 of 1993 Section 8(1).
9. Co-Operatives Act No.91 of 1981 Section 237.
10. Prescription Act No.68 of 1969, Section 11c. The effect of prescription is, that the rights

resulting from a contract are no longer enforceable by direct legal action:

- but the rights themselves are not destroyed, because the corresponding obligation or debt remains as a natural obligation;
- therefore for safety reasons, documents should be kept longer than the periods laid down in the Prescription Act;
- moreover, these periods can be extended because of interruption or suspension of the prescription.

11. Close Corporations Act No.69 of 1984, Regulations.
12. Insolvency Act No.24 of 1936, Section 155 and Section 134 (1).
13. Value Added Tax Act No.89 of 1991, Section 55 (1)
14. Guidance and Placement Act 62 of 1981, Section 15 (5).
15. Labour Relations Act No.66 of 1995, Section 53 (4), 54(1), 98(4), 99; 205 (2)(a).
16. Transfer Duty Act No.40 of 1949 Section 15(1).
17. Mutual Banks Act No.124 of 1993, Section 42.
18. Stock Exchange Control Act No.1 of 1985, Section 43.
19. Second Hand Goods Act No. 23 of 1955 Section 6(8).
20. Sale and Service Matters Act No. 25 of 1964, Section 11.
21. Electronic Communication and Transactions Act, 25 of 2002.
22. Promotion of Access to Information Act, 2 of 2002
23. Promotion of Administration Justice Act, 3 of 2000
24. National Archives and Record Services Act, 43 of 1996 (as amended)
25. Public Finance Management Act, 1 of 1999
26. Financial Intelligence Centre Act, 38 of 2001
27. STANSA 15489, South African Standard for Record Management.
28. Green paper on e-Government.

Source acknowledgement:

Athema Archiving

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Section 10: RATES TABLE

TABLE OF RATES – this table of rates forms part of the Financial Policies and Procedures of the Institute for Justice and Reconciliation, version 2.0.

Date updated: 1st June 2009

FINANCIAL DECISIONS OR BUDGET ADJUSTMENTS

In line with authority levels for entering into contracts, the following levels are set for financial decisions or budget adjustments:

Up to R50,000:	Programme Managers
Up to R125,000:	Director
Above R125,000:	ExComm

TRAVEL IN PERSONAL VEHICLES: RATE PER KILOMETRE

Employees using their own cars, travelling on approved organisational business, may claim a rate per kilometre for the appropriate distances travelled:

Rate per kilometre is R

PER DIEMS

Employees (and, where applicable, Board members, volunteers and interns) travelling overnight on authorised organisation business or participating in conferences are allowed per diems to cover all incidental expenses (ie. expenses excluding flights, travel to/from the airport and to/from venues and offices visited, accommodation and meal costs):

Per diem within the Rand Monetary Area: R80 per day*

International business travel: US\$10 per day*

*This amount covers all incidental costs and does not require returned vouchers.

EXPENSE CLAIM LIMITS

All expense claims (other than those for per diems) must be supported by **valid vouchers** for actual expenditure and will be reimbursed only as authorised. For international travel, there are **daily** limits for:

Breakfast/lunch:	US\$10 per meal
Supper:	US\$25
Accommodation:	US\$150 per night

For travel within the Rand monetary area, the daily limit for accommodation and meals is:

Accommodation/meals per day within SA:	R750 per day
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CASUAL WORKER

A casual worker is employed on a daily basis, with no expectation of regular work or employment, and earns less than **R200 per day**.
