

KENYA EDITORS GUILD

FINANCE AND PROCUREMENT MANUAL

DRAFT

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1. ABOUT THE FINANCE MANUAL

1.1.1. This KEG Finance Manual and reporting handbook will define a minimal level of accounting requirements. It has been prepared as a working guide for the KEG staff that receives funds from a donor. It sets out the minimum requirements for:

- a) Reporting (and ensuring standardization in reporting); and
- b) Ensuring compliance with the grant agreement, and donor requirements, and generally accepted accounting principles.

1.1.1. The objectives of the handbook are to:

- Describe accounting policies and procedures operated by the project
- Ensure uniformity in application of accounting policies and procedures
- Provide a reference or guide for training staff.
- Outline procedures which will enhance adequate internal controls
- Document the project work's ethics.

1.1.2. The documentation demanded in the handbook is to ensure conformity with donor and statutory requirements. Any difficulty encountered in the application of the handbook should be referred to the donor. It should be borne in mind that all accounting and relevant documents will be subjected to an audit and any rejected expenditure surcharged to the project.

1.1.3. Before the project operations get underway, the management should familiarize themselves with, among other things, the following documents:

- The project grant agreement
- Attachments to the grant agreements (project proposal, budgets and reporting formats, etc)
- This accounting and reporting handbook

1.1.4. This handbook shall be reviewed from time to time and amended or modified as appropriate in order to accommodate technological developments, new policies, new donor requirements and changes within accounting profession or within the project.

1.1.5. The users of this manual are not all expected to be KEG technically trained accountants. For this reason, a number of explanatory points are embodied in the style of stating technical content. Trained finance and accounting practitioners may find such explanations obvious or superfluous. However, it is strongly recommended that in editing, adding or amending the manual, great care be taken with technical language, as the

primary users of the manual are expected to be non-accountants. For purposes of clarity in understanding, the language used in this manual is designed to be common day English. As far as possible, technical terms have therefore been dispensed with and replaced with longer explanations.

1.1. RESPONSIBILITY

The management has the overall responsibility over all project financial aspects including the application and implementation of this handbook. As a general policy, all staff members of the KEG shall exercise utmost control over the project finances and other asset and shall comply in good faith with the Accounting and Reporting Handbook. The mere application of this handbook does not absolve management from their responsibility of ensuring proper utilization and accounting for project resources and reporting.

1.2. ACCOUNTING PRINCIPLES

The project's accounting system should conform to the following general principles:

- a) Modified cash basis of accounting: Throughout the year the project books will be maintained on cash. At the end of the financial year, they shall be adjusted in order to present the financial statements on accrual basis.
- b) Fund accounting: The accounting records will separately identify funds received from different donors and disbursements there from.
- c) Fixed assets: fixed assets will be expanded on acquisition. However, all project assets, purchased or donated shall be recorded in the fixed assets register.
- d) Receipts will be recorded when received
- e) Expenditure shall be recorded when disbursed. At the end of the year, all outstanding payment obligations will be accrued.

2. INTERNAL CONTROL SYSTEM

2.1. An internal control system is a system of financial and other controls designed to ensure an orderly and efficient administration of an organization. This means ensuring:

- The safeguarding of project funds, property, equipment and other assets:
- Completeness and accuracy of records(prevent errors and irregularities):and

- Compliance with relevant regulations and legislation such as grant agreements, donor requirements etc.

2.2. The Internal control system should ensure that all transactions are recorded and that the recorded transactions are:

- Real
- Properly valued
- Reflected in the proper accounting period (timely)
- Correctly classified, summarized and posted

2.3. It is a generally accepted principle of internal control that this can be achieved by defining separate functions and making different individuals responsible for carrying out the functions. This means that no single individual has the power to carry out transaction.

FINANCIAL MANAGEMENT

To achieve its financial management responsibility, KEG has implemented a system that provides for the following:

- a) Accurate, current and complete disclosure for the project, in accordance with reporting requirement of the project grants agreement.
- b) Records that identify the sources and application of fund for sponsored projects.
- c) Effective control over and accountability for all funds, property and other assets.
- d) Comparison of the outlays with budgeted amounts. Financial information should relate to performance and unit cost data wherever appropriate.
- e) Procedure for determine the reasonableness. Allow ability and allocation of costs, in accordance with the terms of the grant.
- f) Accounting records are supported by documentation that at a minimum will identify, segregate, accumulate and record all costs incurred under the project and which fully disclose (i) the amount and disposition by the portion of cost of the grant, (ii) the total cost of the project, and (iii) the amount of that portion of cost of the project supplied by other sources, and (iv) such other records as will facilitate an effective audit.
- g) A systematic method to ensure timely and appropriate resolution of audit/review findings and recommendations.

3. FINANCIAL ACCOUNTING

3.1. The Financial accounting system should be based on a double entry system of Book keeping and shall be in accordance with Generally Accepted Accounting Principles (GAAP). The transactions should be identified and classified by allocating account codes and budget codes as prescribed in the chart of accounts. Posting to the ledger, from which receipts and expenditure statement shall be prepared, shall be done through prime books of entry. Transaction shall be captured into the ledger in a timely way so as to maintain balance that accurately reflect the financial position of the project at any given time.

3.2. As a minimum, the following accounting records should be maintained for each project where applicable

- **Cashbook**- should be analyzed by expenditure lines, preferably similar to those in the project budget. A separate cashbook should be maintained for each bank account.
- **Petty Cashbook**
- **General Ledger or monthly summary of expenditure** analyzed by budget lines
- **Payroll**
- **Imprest/Advances Register**
- **Members Register**

3.3. All adjustments to accounting records shall be through formal journal entries approved by the finance and administration manager.

3.4. Operation of Bank Accounts

- A separate Bank account shall be opened for each donor-funded project and Members subscription Fees, in which all funds received from the each donor and Members will be banked. Where the organization does not open a separate account, it must ensure that proper accounting software exist in place which separates each donor & Members funds and expenditure.
- The bank account will be opened by two senior officials with the approval of the Members. There shall be at least two signatories of the President, Trustee and CEO, who will sign the cheques. It is also recommended that cheques should be signed by at least 2 signatories.
- If the a signatory leaves the organization either through sacking, resignation, or death, the management will within one day of his or her departure write to the bank to notifying it about the departure of the signatory, not accept cheques signed by him or her.
- Bank reconciliation statements, which reconcile the cash records (cashbook) to the bank statements, should be prepared on a monthly basis.

- At the end of the project, funds remaining in the bank account shall be accounted for as prescribed by the donor.

3.5. Fund Accountability Statements

Monthly Fund Accountability Statement (FAS) should be prepared for each project. The FAS show the following details:

- a) Opening fund balance(balance brought forward)
- b) Receipts during the month(mainly receipts from the donor and bank interest)
- c) Expenditure during the month
- d) Closing fund balance(balance carried forward)
- e) The closing fund balance should be reconciled to the cash and bank balances.

(See appendix 2.2 for format of the FAS)

4. PAYMENTS

- 4.1.** Payments will only be made in respect of works, supplies or services properly provided under a contractual arrangement. The payments shall be made when they are due and within the time limits laid down.
- 4.2.** All projects payments relating to the donor's contribution shall be effected from the project bank account. Otherwise these may not be claimable from the donor.
- 4.3.** All cheque payments shall be initiated by the Accountant, who shall prepare payment voucher adequately supported with the relevant documentation. The payment voucher should give details of payee, explanation for payments, amount, fund source and account code (budget line). The payment voucher should be initialed by the person who prepared it. All cheque payment (and Bank) transfers) shall be approved through payment Vouchers, which shall adequately supported by valid vouchers from the contracting parties (i.e invoices, delivery notes, contracts, receipts, etc). The Payment Vouchers and supply documents shall be approved by the President. Each official shall sign on the payment vouchers and support documents shall be approved by the project manager. Each official shall sign on the payment vouchers as evidence of their review and approval as appropriate.
- 4.4.** The cashbook shall be promptly updated sequentially with the signed cheques and properly referenced to the support documents. The writing of post dated cheques shall not be allowed. A cheque register shall be maintained to record all signed cheques and track their dispatch to the various payees.

- 4.5.** All direct Bank debits and credits shall be entered in the cashbook. All unknown direct bank debits and credits shall be noted by the accounts assistants and reported to the Finance and Administration manager for appropriate action.
- 4.6.** As far as possible payment will be made by means of crossed cheques. Cash payment will be made when it's impossible to make payments by cheque or when the amount paid is little. Cash payment should not Exceed ksh 30,000 .
- 4.7.** On incurring the expenditure, the requisitioner shall submit the original expenditure support documents e.g. receipts, cash sale, invoices etc, and any cash balance to the Accountant. All petty cash payments shall be recorded in the petty cashbook immediately payment is effected. The Petty cashbook shall be balanced whenever a replenishment is requested and at the end of each month. Replenishments shall be on presentation of an approved cheque payment voucher and support documents for the Assistant. Petty cash (cash in hand) shall be physically verified at the end of every month and petty cash reconciliation prepared. The verification shall be done by the Accountant, all of whom shall sign the petty cash certificate. The petty cash reconciliation shall be done by the Administrative and Accounts Assistant and reviewed by the Finance and Administration Manager. Finance and Administration Manager shall conduct surprise petty cash count and reconcile actual cash to book balance. Such surprise counts shall be documented.
- 4.8.** The Payments voucher and its support documents shall be stamped "paid" when payment is effected. These shall then be filed sequentially.
- 4.9.** Voided cheques shall be punched and stamped "void" and the signature blacked out or torn off.
- 4.10.** Signing and countersigning of blank cheques shall not be allowed.

5. PROCUREMENT OF GOODS AND SERVICES

Introduction

This policy around procurement for Kenya editors Guild clearly defines authority, responsibility, and establishes guidelines for the organization and the procurement team to follow when carrying out its responsibilities. KEG recognizes procurement as a fundamental process in ensuring the organization funds are utilized as per the set rules and regulations so as to achieve Value for Money

5.1 Purpose of KEG Procurement Policy Manual

- Establish the legal authority of the procurement function within the organization
- Simplify, clarify, and reflect the laws governing procurement
- Enable uniform procurement policies throughout the organization
- Ensure the fair and equitable treatment of everyone who deals with the procurement system.

5.2 . KEG PROCUREMENT PROCESSES:

KEG is majorly involved in two procurement processes; Namely

5.3 Direct Procurement process:

This is basically single sourcing of the Preferred Vendors/ Consultants. The usual practice has been that atleast two officials who are members of the procumbent committee goes back to the prequalified list of suppliers or consultants to ascertain whether the suppliers / consultants are still in the prequalified list of suppliers. Pre-qualification is usually done after every six months to select suppliers/ consultants that offers the most economical values for quality goods and services. This is usually done after obtaining atleast five quotation in the market for analysis, and the two consultants with lowest value automatically meet the first criteria for being in the pre-qualified list of suppliers.

Other qualifications that a consultant need to for him or her to be pre-qualified supplier/ consultant include:

- The consultant must have worked with Kenya Editors Guild for more than five years;
- The consultant must understand what KEG does and its goals;
- The consultant work must be of quality standard compared to other vendors/consultants
- The rates they charge the organization are low compared to what is likely to be the ruling in the market.
- There is also a low risk in not getting value for money and delivery of outputs.

According to KEG practice, once a supplier / consultant has been selected from the list of pre-qualified suppliers, competitive process usually does not apply: For the **vendors**, we always ask them to submit LPOs, Quotations, invoices and other accounting documents that are deemed necessary. For the consultants, there is always contractual agreement, quotations, invoices, and any other document that is deemed necessary for any given engagement.

5.4 Indirect procurement process:

This involves the process where KEG engages in a full competitive process to obtain the value for its money. In this case there is no preferred vendor or consultant. The procurement committee team must ensure that bids are solicited from at least three vendors. The three quotations must be subjected to analysis to determine the most cost-

effective one. The Procurement Committee looks at the various locational reasons cited for each vendor in order to settle on the best vendor.

5.6 PROCUREMENT FOR GOODS AND SERVICES

KEG will only pay for goods and /or services necessary for the project and previously approved through the budget process and as stated in the agreement with the donor. Where practicable, amounts to be included in the budget shall be based on formal/informal quotations obtained.

- 5.6.0 All purchases of goods or service should be approved by the project manager on formal orders (Local Purchases Order). It is recommended that a Procurement Committee comprising of the President and at least two other senior staff members be formed for purchases of goods & services.
- 5.6.1 Situations where real conflict of interest could rise, or be reasonably perceived by others to arise, should be avoided at all times. A potential conflict of interest would arise for example when an employee has direct or indirect personal interest in a company that is quoting for supply materials. The staff should clearly state in writing when conflict of interest situations concerning them arise or are likely to arise
- 5.6.2 At least three (3) quotations will be obtained if the purchase is above the predetermined threshold levels (see (3) above). The quotations should be summarized, clearly indicating the preferred supplier and the reasons thereof. The reason why the particular suppliers were requested to present quotations shall also be indicated. Purchase of goods shall not be split for the purpose of circumventing the financial limit prescribed above. When seeking quotation, generic description, and not the brand name, will be used unless the brand constitutes a standard description of goods.
- 5.6.3 For regularly used items (mainly office supplies, stationery and accommodation hire), a list of approved suppliers should be prepared. To facilitate preparation of the list, the finance and administration manager, in collaboration with the Administration and Accounts Assistant, shall obtain at least five quotations from reputable suppliers. The lowest two bidders shall be included in the list. Suppliers shall be obtained from the suppliers list.
- 5.6.4 The list of suppliers shall be approved by the procurement committee and reviewed every six months to determine whether supplies are still obtained at the most competitive prices.

- 5.6.5 A purchase requisition will be raised by the user indicating the description of the item required. The requisition shall be approved by the project manager or the Finance and Administration manager.
- 5.6.6 After supplier selection , a local purchase Order(in triplicate) shall be raised by the Administrative and Accounts assistant and forward to the Finance and Administration manager or the project manager for approval.
- 5.6.7 One copy of the LPO shall be sent to the supplier, one copy retained by the administration and accounts assistant to be used for processing a payments on Receipts of the goods and a third a book copy.
- 5.6.8 On delivery of the goods, a delivery note should be attached to invoice together with all other support documents. Goods received noted should be checked against the orders and other documentation.
- 5.6.9 An Inventory movements register for recording supplies and stationery shall be maintained at each location. At the end of every month, an inventory statutes report should be prepared and presented to the Finance and Administration manager, together with the inventory register, for review.

5.7 PROCUREMENT OF CONSULTANCY SERVICES

- 5.7.0 Consultancy services will be clearly budgeted for, otherwise approval from the donor should be obtained before engaging such services.
- 5.7.1 The terms of reference for the consultant shall be prepared and approved by the president
- 5.7.2 At least three (3) quotations shall be obtained from credible consultants in the particular field and evaluated to select the most appropriate, where the consultant is not Pre-qualified. It is recommended that the selection be done by the Procurement Committee. Where a consultant is identified in the project proposal and the charges agreed, competitive bidding shall not be necessary.
- 5.7.3 After selection, a contract for the services will be drafted and signed by the project manager and the selected consultant before commencement of work. The contract, the consultant's CV and the basis of selection shall be attached to the payment documentation presented to the donor.
- 5.7.4 Payment to consultants should be made in accordance with the consultancy contract and after the work performed is reviewed and certified. Certification of work performed will be attached to the payment documentation.
- 5.7.5 Payment will be made through a cheque. Only Consultancies of Ksh 8,000 and less will be paid in Cash. Any other cash payment above this amount will only be made on qualified

basis, with a consultant putting the request for cash payment in a signed letter. The letter will be reviewed and approved by the Executive Director based on case by case basis. The approval shall be attached to the payment made.

6 STAFF COSTS (PAYROLL)

- 6.6 On appointment all employees should be issued with appointment letters, which will constitute authority for payment of salary. The appointment letters should indicate all the terms and conditions pertaining to each appointment. The contracts should be signed by both the staff and the project Manager.
- 6.7 The staff costs shall be:
- within the approved budget
 - Eligible costs i.e. incurred on the project and relevant to the project
 - Reasonable (rates used should be acceptable to the donor) and approved by the project manager.
- 6.8 The Organization shall maintain a payroll from which the relevant project costs can be extracted. (Where an organization payroll is not maintained, a project payroll should be maintained).
- 6.9 Staff costs should be allocated to the Sub-projects/donors using Sub-projects budgets and/or actual time spent by staff on the projects. Where project staff is also engaged in other activities/projects, time sheets should be maintained to facilitate the allocation of costs between the various projects /activities. The time sheets shall be completed at least weekly and reviewed by the project manager.
- 6.10 An analysis of staff cost charged to projects shall be prepared (at least monthly) Showing the staff paid , allocation rates, time spent on project activities, amount, budget line, etc. The analysis should be approved by the project manager.
- 6.11 Overtime payments are discouraged unless these are properly justified and approved by the president. However, all payments must be within the budget.
- 6.12 All legal requirements of the following statutes in relation to employee/employer Relations in Kenya will apply to the Organization.
- Income Tax Act
 - National Hospital Insurance Fund Act
 - National Social Security Fund Act
 - Employment Act
 - Regulations of Wages and conditions of Employment Act
 - Trade Unions Act
 - Trade Disputes Act
 - Workmen's Compensation Act

- Industrial Training Act

6.13 The following statutory deductions will be deducted from the staff:

- **Pay As You Earn (PAYE):** This is income tax payable to the Government through the Income Tax Department of the Kenya Revenue Authority. It is computed and deducted according to standard rate to be found in the Income Tax
- **National Social Security Fund (NSSF):** This is a social security contribution that is mandatory for all employees. According to the present rules, the employee contributes half of the deduction while the other half is contributed by the employer.
- **National Hospital Insurance Fund (NHIF):** This is a national medical insurance that is mandatory for all employees. The deductions are computed and deducted at standard rates given from time to time by the fund.

6.14 The organization will be responsible for deducting and remitting statutory deductions to the relevant authority on a timely basis. All employees shall be issued with pay slips. It is important to note that failure by the employee to remit any of the statutory deductions is faulted on the employer and attracts very stiff penalties.

6.15 Casual worker budgets shall be an integral part of the overall organization staffing budget. The following shall apply:

- A casual employee shall be defined as any worker employed temporarily and having the legal right to be paid wage at the end of every day's work unless he or she freely wishes otherwise.
- Casual worker will be employed for three months or more continuously at any one time.
- Casual worker will be employed by the completion of the Casual Employee Contract Form by the staff member responsible.
- Casual staff will be employed on predetermined fix terms, approved in advance. They are not eligible for any other benefits such as gratuity due to the NGO staff on permanent or Fixed Contract Terms.
- Either party can terminate the casual Employee Contract by giving 24 hours notice.

7 TRAVEL IMPRESTS

7.6 Standard travel allowance rates (per diems, mileage, meals, accommodation, etc) should be prepared and presented to the donor for approval.

7.7 Field advances should be requested by the relevant personnel in accordance with budgets/work plans, using advance request forms. These must be checked by the administrative and accounts assistant and reviewed by the project manager or finance and administration manager.

7.8 The advance request form shall include names of payee, date, purpose, and budget to be charged.

- 7.9 After the advance is approved, a cheque, payment, voucher shall be raised by the Accountant who shall cash it on behalf of the person traveling. The recipient shall acknowledge receipt of advance by signing on the payment voucher.
- 7.10 Imprests should not be recorded as expenditure when paid but should be treated as an advance. An imprest register should therefore be maintained where all imprest paid should be recorded. A listing of all outstanding imprest shall be prepared at least monthly and all long outstanding imprest promptly followed up.
- 7.11 All advances even those issued on a per diem basis shall be accounted for within 5 days after return from the field or end of activity. Additional advances should not be issued before outstanding advances have been accounted for. Any outstanding for over 25 days after the concerned staff returned from the field shall be recovered through payroll.
- 7.12 The accounting shall be done through the Advance Return Journal/Travel Expense Form, which shall be supported with the relevant receipts, hotel bills, pre diem/allowance computations.
- 7.13 The Advance Return Journal/Travel Expense Form, which shall be checked by the administrative and Accounts Assistant and approved by the project manager or finance and administration manager, who shall ensure that the costs are reasonable and allowable under the project. On approval the administration and accounts assistant shall post the expense to appropriate budget line and accounts code and clear the payee of the advance.
- 7.14 Amounts returned shall be banked intact and receipt issued. Any excesses spent over the advance issued will be refunded by a cash voucher from petty cash or cheque depending on the amount involved.
- 7.15 Project related travel shall be as per the detailed work plans and should be clearly documented and authorized by the project manager.
- 7.16 The outstanding imprest at the end of the month shall be a reconciling item in the fund accountability statement.

8 ASSETS CONTROLS

- 8.6 It is the responsibility of the Accountant and The CEO to ensure that project assets are properly recorded, maintained and safeguarded. It shall be ensured that service contracts are in order for all equipment and that these are indeed serviced regularly.
- 8.7 All purchases of fixed assets shall be subject to the same procurement procedures listed under "Procurement of Goods and Services". Before purchase, management should ensure that these have been provided for in the project budget. The technical and operational specifications should be part of the agreement to avoid performance disputes.
- 8.8 After pre-acquisition procedures have been followed, a purchase agreement for equipment and motor vehicle shall be drawn up as an addendum to the LPO. The purchase agreement shall

include, where necessary, commissioning and performance guarantee. It is also necessary that the technical specifications, including operational or load data, become part of the agreement to avoid performance disputes.

- 8.9 Fixed asset register shall be maintained. The register will at minimum, show the following details for each asset:
- Item description
 - Serial number of model number
 - Funding source (donor)
 - Date of acquisition
 - Location and condition of the item
 - Cost
 - Internal identification number (asset tag number)
 - Name of supplier
 - Details of disposal.
- 8.10 The organization will have a capitalization policy. All capital items purchased using project funds shall be recorded in the organization's fixed assets register. A separate listing of all project assets should be maintained by the CEO. All assets shall also be tagged with unique identification numbers. The identification shall take into consideration the asset type, funding source, location and number in the category.
- 8.11 Where assets are to be carried to the field, a movement register should be maintained.
- 8.12 Regular physical count of assets shall be carried out (at least every 3 months). The results of the physical count shall be reconciled to the register. Any loss of assets shall be promptly investigated and reported to the donor. Where viable, all project assets (including cash) shall be sufficiently insured. The verification results and the reconciliation to the registers shall be documented and shall be reviewed by the project manager. Any losses shall be reported in writing.
- 8.13 The fixed asset register should be reconciled to the fund accountability statements on a regular basis.
- 8.14 The decision to dispose of any asset shall be made by the President, on advice of the fiancé ad administration manager. Project fixed assets shall not be disposed during the life of the project unless authority is obtained from the donor where applicable. The disposal decisions and approvals should be clearly documented. Disposal decisions and approvals should be clearly documented. Disposal should be through tendering process.
- 8.15 At the end of the project, the assets purchased from project funds shall remain the property of the funded organization unless otherwise prescribed by the donor.
- 8.16 Store items, e.g. stationery, should be controlled through stock registers/ledger cards. Regular independent physical counts shall be performed and reconciled to the stock records.
- 8.17 Proper maintenance and safe custody of office equipment shall be the responsibility of the finance and administration manager. It shall be ensured that all equipment is serviced

regularly through service contracts or other appropriate arrangements. Any defects on equipments shall be reported promptly by the users to the finance and administration manager.

- 8.18 The finance and administration manager shall arrange for appropriate insurance policies to safeguard the organization against loss. After cost-benefit analysis, management shall determine the various risks which insurance cover should be taken. These should include fire, theft, all risks, comprehensive cover for vehicles, public liability etc.
- 8.19 All purchases and disposal of fixed assets shall on a timely basis be added to /deleted from the fixed assets register and/or schedule of insured property.
- 8.20 Purchase of second hand vehicles is strictly prohibited.

9 BUDGETARY CONTROLS

- 9.6 The project budget shall be outlined in the project grant agreement and is an integral part of the agreement. It shall only cover activities included in the project proposal and as agreed with the donor. The budget should be prepared based on programme/activities rather than expenditure heads/elements.
- 9.7 Budget lines shall not be exceeded/realigned or the budget otherwise altered without the written approval of the donor. Savings in a budget line cannot justify overspending on another budget line unless prior written approval has been obtained from the donor.
- 9.8 Project expenditure must be consistent with the project proposal. It must be insured that all expenditure charged to the project was real, reasonable, adequately supported, properly authorized and relevant to the project.
- 9.9 Reports showing variances between the actual and budgeted expenditures shall be regularly prepared (at least monthly) and reviewed by the project management. Unexpected variances must be promptly investigated.
- 9.10 Budget revisions if necessary and justified, are possible with written approval from the donor. Expenditure based on the revision can only be incurred after the approval.

10 REPORTING

- 10.6 It is proposed that the Organization defines its reporting time frames under two categories, 'internal policies' that relate to reporting requirements within the organization and 'External Policies' which define the reporting requirements to the donor and/or other stakeholders.

10.7 RESPONSIBILITY FOR REPORTING

Project management is responsible for:

- a) Preparing all project reports in their prescribed format within the set timeframes;
- b) Ensuring that budgets have not been exceeded for individual expenditure lines within projects and in overall;
- c) Liaising with project officers – advising project officers whenever budget lines have been substantially utilized, obtaining written information from project officers relating to budget variances, resolving queries raised by programme staff relating to the projects, etc;
- d) Maintaining accurate financial accounting records which will be the basis for preparing all internal and external report;
- e) Ensuring that all narrative reports are prepared in their prescribed format within the set timeframes;
- f) Liaising and coordinating with the donor to ensure proper follow-up on any queries raised within the narrative/financial report by the donor; and
- g) Reviewing and confirming the accuracy of the information contained in all project reports.

10.8 EXTERNAL REPORTING (REPORTING TO THE DONOR)

The main purpose of external reporting by the NGOs shall be to provide **proper justification of project expenditure**. All expenditure from the donor and the Partners' contribution to the project must be properly documented and adequately supported by third party and/or internally generated documents (refer to appendix 1). Reports on any given activity must be filed within 10 days after the end of the activity. Project reports timelines are to be informed by specific donor's timelines.

As provided for under the grant agreement, a financial report must be forwarded to the donor every time a request is made for the subsequent tranche and on closure/completion of the project. This shall include the following:

- a) A **written request** for the funds required (tranche as in the grant agreement) stating the intended use of the new funds in terms of activities to be carried out;
- b) The **Project Financial Report** and original support documents and copies of the support documents. The financial report should be in the format set out in appendix 2;
- c) The **Fund Accountability Statement (FAS)** for the period up to which the financial report relates (refer to section 3 for details). Supporting schedules for the reconciling items in the FAS shall also be provided (e.g. lists of outstanding advances and receivables, petty cash, certificates, etc);

- d) Copies of **Bank reconciliation** statements for the period covered by the project financial report;
- e) Copies of **Bank statements** for the period covered by the project financial report;
- f) The **Project Technical Report** prepared in the format prescribed by the donor; and
- g) Update **list of fixed assets** purchased by the NGO for the purpose of implementing the project.
- h) Upon receipt of each disbursement, the NGO shall send a copy of the **bank credit slip or bank statement** to the donor.

It should be noted that:

- All the documents/reports should be approved, and evidenced for such approval, by the project manager.
- The reports outlined above shall also be provided to the donor at the time of requesting for additional tranche of funds.
- All queries raised by the donor on the reports should be officially responded to within to weeks.

Accountability of funds-Auditing

The Organization shall keep at all times records of the expenditure incurred on the financed projects and shall make available all financial records, for inspection by the staff of the donor and external auditors.

Auditing of the book of accounts will be done by an external auditor, appointed by the Board. The Auditors will serve for a period of three years, after which the Board will appoint new auditors to take over.

Audit reports shall be given to the Board for perusal and adoption, with at least one of the board members signing on the reports.

10.9 REPORTING CALENDAR

Report	Timing
Financial report	When need for additional tranche arises.

Approval of financial report by the donor	Within two weeks from receipt.
Queries and questioned costs	Should be officially responded to within 2 weeks.
Disbursement of additional tranche	Within two weeks of receipts of claim or satisfactory resolution of queries and questioned costs, if any.
Project closure/final report (financial and technical)	Within 45 days from end of project or as stipulated in Contribution agreement

10.10 INTERNAL REPORTING

- Internal reports (management accounts) shall be monthly, quarterly, annual and end-of-Project.
- Monthly - (reports required quarterly to be listed)
- Quarterly - (reports required annually to be listed)
- End of Project – (reports required at the end of Project to be listed)
- The internal reports should have sufficient details to facilitate management decision-making. This shall include:
 - a) Analysis of receipts and expenditure by sub-project/activities
 - b) Analysis of expenditure by budget line (periodic and cumulative)
 - c) Comparison of actual with budgeted expenditure and explanations for variances.
 - d) Project Fund Accountability Statements
 - e) Analysis of fund balance items (cash and bank balances, outstanding advances, payment obligations, etc.)
 - f) Attachments: bank reconciliations, petty cash reconciliations, Fixed assets purchased during the period, Fixed assets register (for annual report)

The reports shall be presented to the Project Management Committee for review within 15 days after end of period being reported.

11 CONTROLS OVER ACCOUNTABLE DOCUMENTS

11.6 The following documents are considered accountable and shall be kept in safe custody:

- Receipt Books
- Payment Vouchers
- Local Purchase Order Books
- Petty Cash Vouchers
- Cheque books
- Any other pre-printed and serially numbered accounts documents

- 11.7 The unused documents in section 14.1 above shall be kept in the custody for the Finance and Administration Manager, and access to these documents shall be restricted to the key holder. Vouchers supporting payments shall also be kept in safe custody by the Finance department.
- 11.8 Issues of accountable documents shall be accounted for through the security documents register. The requisitioned shall sign for each issue. The Administrative and Accounts Assistant shall update the register with receipt/issue of the documents. The user shall account from the completed books of accountable document. The document register shall show when such books were completed.
- 11.9 Completed books and other accounts document (payment vouchers and support documents, etc) shall be retained for a minimum period of 5 years and shall only be destroyed thereafter with written authority of the Co-directors after considering specific interests of the donors and government authorities. The finance and Administration Manager shall examine these books on a regular basis to ensure that they are correctly recorded and properly stored.
- 11.10 The Administration & Accounts Assistant shall frequently check stock of these books. Loss of these books shall immediately be reported to the Co-directors, and if found necessary, the police. The circumstances surrounding the loss shall be investigated and the loss shall also be published in the local press.

MINIMUM SUPPORT DOCUMENTATION for VARIOUS TRANSACTIONS

BUDGET ITEM	REQUIRED SUPPORTING DOCUMENTS
VEHICLE COSTS <ul style="list-style-type: none"> Hypothecated hire Maintenance Fuel 	<i>(Evidence of authorization should be provided)</i> <ul style="list-style-type: none"> Authorized claim indicating total kms, rate (AA rate maximum) + copy of log book) Original invoices + evidence of payment Original invoice/receipts
TRAVEL COSTS <ul style="list-style-type: none"> Local transport (taxis, public transport) Own mileage claims Local air fares 	<i>(Travel authorization required in all cases)</i> <ul style="list-style-type: none"> Original receipts/signed claim form Original claim form (kms x rate) Original invoice + ticket & boarding pass evidence of payment
STAFF RELATED COSTS	<i>(Memo authorization required in all cases)</i>

<ul style="list-style-type: none"> • Salaries and allowances • Per diems 	<ul style="list-style-type: none"> • Signed pay slip • Signed claim form or schedule + travel order
CONSULTANTS FEES11837 4048	Copy of signed contract/agreement + receipts/signed acknowledgement of pay + certificate of acceptance of output + withholding tax certificate 15%
OFFICE RUNNING COSTS <ul style="list-style-type: none"> • Office rent & related costs • Stationery & consumable • Office insurances 	<i>(All vouchers must be authorized for payment)</i> <ul style="list-style-type: none"> • Original receipts/signed claim form • Original claim form (kms x rate) • Original receipt +invoice • Original receipt +invoice +policy document
COMMUNICATIONS Telephone, e-mail/internet, postage courier charges (preferably as % age of other project costs)	<ul style="list-style-type: none"> • Authorized claim prorated against project expenditure; specific costs with specific invoices/receipts etc
WORKSHOP & SEMINARS <ul style="list-style-type: none"> • Cost of meals/catering • Stationery & training materials • Hire of training equipment • Accommodation • Conference facilities & premises 	<i>(Authorization must be appended to all claims)</i> <ul style="list-style-type: none"> • Original invoice + receipt + signed list of participants • Original invoice + receipt • Original invoice + receipt • Original invoice + receipt + signed list of participants • Original invoice + receipt + signed list of participants
EQUIPMENT PROCURED <i>(Refer to the donor for correct procedure before ordering if in doubt)</i>	<i>(Authorization must be appended to all claims)</i> <ul style="list-style-type: none"> • Original quotations (at least three if> KShs 30,000) • Copy of approval to purchase given by the donor where the supplier has not provided cheapest quotation. • Original invoices + receipt

ADMINISTRATION OVERHEADS	<ul style="list-style-type: none"> • Certificate signed by Chief Executive Officer as a percentage of the direct payment or as agreed under grant agreement
MONITORING COSTS	<ul style="list-style-type: none"> ▪ Expense accounted for as above or as % age of project costs in accordance with the grant agreement

DECLARATION

I declare:

- This report is complete and accurate
- The attached report is a correct record of income and expenditure for this Project to date:
- The expenditure detailed in this report is based on (name of implementing agency) financial accounting records;
- Copies of all payment vouchers and other records related to expenditure at the individual item level are attachment;
- Expenditure to date were made in accordance with the approved Grant agreement and the approved Project Proposal, including any variations to the proposal, including any variations to the proposal and/or budget approved by the donor in writing.

Full Name: _____

Signature: _____

Position: _____

Date: _____

APPENDIX

FUND ACCOUNTABILITY STATEMENT

FOR THE PERIOD/YEAR ENDED _____

Project name: _____

Project number: _____

Cumulative balances should reflect all receipts and expenditure since the commencement of the

		This month	Cumulative*	Approved Budget
		KShs	Kshs	Kshs
	Receipts			
	Funds received from the donor			
	Interest earned			
	Other receipts			
a	Total Funds Available			
	Project expenditure			
	<i>(List by budget line) e.g.</i>			
	Conference/Workshops			
	Salaries			
	Training			
	Consultancy			
	Equipment/Other Assets			
b	Total Expenditure			
c	Fund balance at.... (a-b)			
	<i>Fund balance represented by:</i>			
	Cash at bank (<i>cashbook balance</i>)			
	Cash in hand (<i>attach certificate</i>)			
	Outstanding imprest (attach listing showing date advance, date due and whether recoverable)			
	Other (<i>attach details</i>)			
d	Total (= c)			

Prepared by..... Reviewed byApproved by.....

Date Date Date

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Form 1: PAYMENT VOUCHER

<p style="text-align: right;">Ref Number _____</p> <p style="margin-top: 20px;">BANK (name and account number) _____</p> <p style="margin-top: 20px;">PAYEE _____</p> <p style="margin-top: 20px;">AMOUNT (KENYA SHILLINGS) _____</p>					
			ACTIVITY	A/C	AMOUNT

DATE	PARTICULARS		CODE	CODE	KSHS	CTS
<div> <div>Cheque Number</div> <div>Date</div> <div>TOTAL</div> </div>						
	NAME	SIGNATURE	DATE			
Prepared by:						
Reviewed by:						
Approved by:						
Received by:						

FORM 2: PETTY CASH VOUCHER

Ref No: _____

SECTION A (To be completed upon request for petty cash)

Date _____

Amount (in words) _____ (in figures) _____

Purpose _____

Requisitioned by (Name) _____ (Signature) _____

Reviewed by (Name) _____ (Signature) _____

Approved by (Name) _____ (Signature) _____

Paid by (Name) _____ (Signature) _____

Received by (Name) _____ (Signature) _____

SECTION B: (To be completed by Accounts Assistant/cashier when cash advance is accounted for)

Amount paid out _____

Amount accounted for _____

Amount Accounted for _____

Amount due to/from* requisitioner _____ * Delete as appropriate

Prepared by (name/signature) _____ Date _____

Acknowledgement by requisitioner _____ Date _____

Approved (name/signature) _____ Date _____

NOTES	NUMBER	TOTAL
KShs 1,000		
KShs 500		
KShs 200		
KShs 100		
KShs 50		
KShs 20		
KShs 10		
KShs 5		
COINS	NUMBER	TOTAL
KShs 20		
KShs 10		

KShs	5		
KShs	1		
Cents	50		
Cents	10		
Cents	5		
Total cash counted			
Add: Outstanding advances (attach summary)			
TOTAL IMPREST			
Reconciliation to Petty Cash Book			
Balance per Petty Cash Register			
Adjust (give details)			
Balance per Petty Cash Count			

Counted by

Reviewed by

Date

Date

FORM 3: TRAVEL EXPENSE REIMBURSEMENT FORM

Date: _____

Name of Employee: _____ Signature: _____

Location Visited _____

Dates of travel:

From (date & time) _____ To (date & time) _____

Actual Expenses

Airfare _____

Lodging _____

Train _____

Meals _____

Private Auto _____

Taxi _____

Parking _____

Tips _____

Rental Car _____

Telephone _____

Other _____

(Details on reverse)

Total actual Expense _____

Amount Advanced _____

** Delete as appropriate.*

All supporting documents and receipts are attached

Approved by: _____

Designation _____ Date _____

Posted by: _____

Designation _____ Date _____

FORM 4: TRAVEL ADVANCE REQUEST FORM

Name: _____

Department: _____

Signature: _____

Date: _____

Location to be visited: _____

Purpose of trip: _____

Date of travel:

From (date & time) _____ To (date & time) _____

Estimated Express

Airfare \$ _____ Lodging \$ _____

Train _____ Meals _____

Private Auto _____ Taxi _____

Parking _____ Tips _____

Rental car _____ Telephone _____

Other _____ (Details on reverse)

Total Estimated Expense: \$ _____

Maximum Advance x _____ %

Advance Amount \$ _____

This is not a final expense claim. The advance MUST be accounted for in full within the stipulated time

Approved by:

Name: _____

Signature: _____

Date: _____

FORM 5: PURCHASE REQUISITION

PURCHASE REQUISITION (Internal request for goods/stores/service)						
Please provide the following goods/stores/services:						Ref No. ____
REF	P A R T I C U L A R S	BUDGETED?	ACTIVITY	A/C	A M O U N T	
		YES/NO	CODE	CODE	KSHS	CTS
				TOTAL		
<p><i>Please attach quotations where applicable.</i></p> <p>Comments: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>Requested by: _____ Date _____</p> <p>Reviewed by: _____ Date _____</p> <p>Approved by: _____ Date _____</p>						

FORM 6: LOCAL PURCHASE ORDER

LOCAL PURCHASE ORDER

Ref Number _____

Purchase Requisition No: _____

Date _____

Suppliers name & address _____

Expected Date of Delivery _____

Qty Ordered	Description	Unit Cost	Amount KShs
Total			

Prepared by: _____

Date _____

Reviewed by: _____

Date _____

Approved by: _____

Date _____

FORM 7: BANK RECONCILIATION STATEMENT

BANK RECONCILIATION STATEMENT

MONTH/YEAR: _____

			KShs	KShs
Balance as per bank statement:				
Less: Unpresented Cheques:				
Date of cheque	Cheque number	Date Cheque Presented	Amount	Amount
Total unpresented cheques				
Add: unbanked receipts:				
Date:	Receipt Number	Date receipt Credited		
Balance as per cash book				
PREPARED BY: _____			DATE: _____	
REVIEWED				
BY: _____			DATE: _____	
APPROVED BY: _____			DATE: _____	

FORM 8: PETTY CASH BOOK

PETTY CASH BOOK

MONTH/YEAR: _____

Details	Balance B/fwd	Receipts	Payments	Analyzed as per budget line					Total Payments	Balance C/fwd
TOTAL										

FORM 9: RECEIPT

RECEIPT

Number: _____

Date: _____

RECEIPT

Received from _____

The sum of Kenya Shillings (in words): _____

_____ (in figures) _____

Being: _____

Cash/Cheque No. _____

With Thanks.

FORM 10: PAYROLL

PAYROLL

MONTH/YEAR: _____

	GROSS				TOTAL	NET
Names	PAY	PAYE	NHIF	NSSF	DEDUCTIONS	PAY
	KShs	KShs	KShs	KShs	KShs	KShs
EMPLOYER'S CONTRIBUTION						

FORM 11: CERTIFICATE OF RELEASE OR ACCEPTANCE**CERTIFICATE OF RELEASE OR ACCEPTANCE**

I..... Hereby certify that I have surrendered all assets and/or cash that has been in my possession by virtue of employment with KEG.

However, the following items were misplaced in my possession during the period of my employment with KEG, or as at the date of departure and hereby accept responsibility for their loss.

1
2
3
4
5
6
7
8

If none, state as appropriate

Subject to my paying KShsto make good the loss of name items as above; I certify that I can be released by the organization.

Department Staff: _____ Date: _____

Signature _____

The handover has been done under the supervision of Mr/Mrs/Dr..... Who confirms the authenticity of the statement above by signing here below:

Signature _____ Date: _____

POLICY UPDATES:

POLICY	UPDATE	CONDITIONS
ALLOWANCES LOCAL TRAVEL (2020)	<p>Participating in activity outside the office within the country, assigned officer is entitled to Kshs. 3,500 as per diem. This amount was reduced from Ksh. 5000 which was described as not sustainable.</p> <p>Airport Transfer</p> <p>Kenya: Kshs. 1500</p>	<ol style="list-style-type: none">1. Approval2. Funds provided for donor budget activity3. Availability of funds4. Specify vote from which funds are to be drawn
ALLOWANCES INTERNATIONAL TRAVEL (2023)	<p>Participating in activity outside the country, assigned officer is entitled to USD 70 per day. This amount was increased from USD 50 per day, based on the cost of living.</p> <p>Airport transfer</p> <p>Africa: 50 USD</p> <p>Outside Africa: 100 USD</p>	<ol style="list-style-type: none">1. Approval2. Funds provided for donor budget activity3. Availability of funds4. Specify vote from which funds are to be drawn

