



Kenya Organic Agriculture Network

FINANCE AND ADMINISTRATION POLICY MANUAL

KOAN

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FOREWORD

Kenya Organic Agriculture Network (KOAN) is committed to fulfilling its mission of To Lead Coordinate Create public exposure of national organic agricultural sector promoting its contribution to economic, environmental social benefits. Financial Policy is crucial in an organization for prudent Financial Management. KOAN recognizes the finances resource as key to achieving its mission and therefore the need to maintain generally acceptable financial standards. The manual is intended to inform, guide and provide an objective way of handling financial issues. The manual will continuously be improved to meet the demand of the organization and the dynamic economic situations of the country.

Signed,

Board Chairperson.

Date:

PREFACE

Being responsible for management of resources at KOAN, the Board has the overall oversight portfolio for all the resources of the organization. To manage the resources efficiently and objectively, the Board delegates the authority to transact financial obligations to the Board Chair person, Treasurer and the Chief Executive Officer. The CEO is also the Secretary to the Board and is the Chief Executive Officer of the organization.

Except for special circumstances in the extreme, the CEO shall be the mandatory signatory to all organization's financial and other documents as first and 'a must' signatory. To this end the Board shall elect the authority limits for the CEO above which the Board chairperson or treasurer shall endorse to authenticate transactions. The authority limits shall be presented by the Chief Executive Officer to the Board for approval.

The authority limits granted shall be in relation to procurement, issuance of materials including expenditures on stationary, office equipment, staff salaries, recruitment allowances, and advances, purchase of motor vehicles, spare parts, repairs and maintenance, on KOAN installation etc. The authority limits granted to the individuals shall be constituent with budget size of the items in references.

This Financial Policy Manual will be a guiding principle document on all KOAN financial dealings with all stakeholders and the government agencies. In the regulations and policy issues is given, it is the aim of the Board that this document will aid all actors within the KOAN Organization in understanding and appreciating the demand and premium placed on prudent financial management by the donors, stakeholders and government agencies requisite of civil society organizations that have a direct touch with communities.

All KOAN employees will be held responsible for reading, understanding and complying with the regulations set out in this manual. This also includes any other amendments that will be made as and when the organization deems necessary. Supervisors must ensure that all staff under them, irrespective of cadre, are made aware of sections of these regulations Ignorance of any of these regulations will not be accepted as an excuse for failure to know and act upon any matter or comply with the

regulations as laid down in this Financial Manual. The financial policy of KOAN shall be reviewed after every 3 years and as necessary to keep pace with any changes as necessary.

Signed,

CEO:

Date:

ABBREVIATIONS AND ACRONYMS

AGM	Annual General Meeting
CEO	Chief Executive Officer
FAD	Finance and Administrative Department
FAM	Finance and Administrative Manager
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
ICPAK	Institute of Certified Public Accountants of Kenya
KOAN	Kenya Organic Agriculture Network
LPO	Local Purchase Order
NGO	Non-Governmental Organization
POM	Programmes Operations Manager

1. BACKGROUND

Provision of the Board policy on financial resources at KOAN Organization shall be as follows:

- 1.1 The financial resources are one of the core components of the organization's operation success and sustainability. The management (of) and efficient use of this resource makes the difference between failure and success for the Organization.
- 1.2 In fulfillment of aspirations the Board is obligated and hereby enacts policy guidelines and regulations that may enhance proper and prudent management of the KOAN financial resources.
- 1.3 In order to provide transparency, accountability and efficiency in the management of finances therefore, the Board of KOAN approves the following policy and regulations that shall be observed by all management and staff in the Organization as here under: -

1.2 Personal authority limits

The Board shall grant authority for various cadres of management to approve and authorize transactions on its behalf for the following officers:

- i. Board Chairperson
- ii. Chief Executive Officer
- iii. Finance and Administrative Manager
- iv. Programmes Operations Manager

The list is not limited to the titles but may include those in Management whose titles are yet to be established by the Board.

1.3 Approvals for Financial transactions:

- i. All financial transaction by cheque shall be approved by at least one member of the KOAN Executive Board, Member of the Board and the Chief Executive Officer or by a properly appointed officer(s) with specifically granted authority limits.

- ii. The financial resources control for the purposes of this policy shall encompass acquisitions through purchases, sales, payments, sourcing, and inventory management. Accounting encompasses monitoring, recording, reporting, mobilization and storage.
- iii. Authority to approve financial transactions is the Board's preserve.
- iv. However, the Board shall have the right to appoint the Chief Executive Officer and other officers in the management team and grant them authorities limited to their responsibilities to approve and sign for and on behalf of the Board. Such authority limits shall be pegged on specific types of expenditure and circumstances. In all cases, the appointed officers shall not approve/authorize more than their approved authority limits on all items as listed in the prescribed list of KOAN inventory, contracts and documentations.
- v. The Board shall approve authority limits on the listed items as per inventory, assets and liabilities which shall also include non-inventory items like salaries, wages, allowances, staff leaves, Staff loans, recruitment, and removal of staff from employment, severance pay and general approvals on payments / documentations.
- vi. To be able to operationalize this policy the Board shall establish and approve a management structure, positions that will inform the kinds / types of authorities in each cadre as per the human Resources manual.
- vii. In order to further enhance control and accountability, the staff / employees granted authority limits shall have their specimen signatures recorded and preserved for references by KOAN Finance and Administrative Manager as necessary.
- viii. A copy of each specimen signature (s) shall be filed in the employee personal file(s) at the Human Resources Office and the copy kept at the Chief Executive Officer's Office. A further copy shall be provided to the accountant to be used e.g. reference for any vouchers signed and presented for payments as necessary.
- ix. Cost Centre's shall be established in the Organization for ease of budgeting and control of income expenditure at KOAN. Each cost Centre shall be under the control of appointed officers as per the organogram.

2. BASIS OF THE POLICY

2.1 Finance Mission: To support KOAN in the efficient management of its scarce resources by delivering quality and timely information. Thus, the Institution integrates its financial activities within the guidelines provided by the Generally Accepted Accounting Principles (GAAP) and also recognizes the International Accounting Standards (IAS) as the acceptable standards in accordance to the guidelines issued by the institute of Certified Public Accountants of Kenya (ICPAK). KOAN will continue producing quality products and services, and eliminating unnecessary steps whenever possible, while keeping a good internal control system.

2.2 Strategic Priorities: The following main strategic principles are to:

2.2.1 Integrate KOAN's administrative systems of the Finance to reduce paper work and use simple procedures.

2.2.2 Use technology resource intensively.

2.2.3 Set standards to obtain quality information.

2.2.4 Enhance the quality of systems and information by formulating Simple accounting structure

2.2.5 Focus on users' needs, information needs and reports.

2.3 Documentation of Financial transaction: All financial transactions shall be accurately and completely be documented and such documents shall be filed in a manner that facilitates easy reference. All documentation shall be in a prescribed form and must be:

2.3.1 Authorized by relevant personnel

2.3.2 Properly within the transaction range of KOAN

2.3.3 Complete in respect of all details.

2.3.4 Reasonable in respect of KOAN Mission and mandate

3. LIST OF DEFINITIONS

- 3.1 Assets: Resources controlled by an organization and in which it has ownership rights such as cash, inventory and fixed assets
- 3.2 Audit: The process of verifying the correctness of a set of accounts is detailed checks of transactions totals, broad tests on account values as reviewing internal controls.
- 3.3 Bank Reconciliation: The reconciliation of the balance on the cash book to the balances on the bank accounts
- 3.4 Budget: A budget is a statement of estimated expected expenditure for the organization for a given period.
- 3.5 Cash Accounting: Under the cash basis of accounting receipts and payments are recognized only when cash is received or paid. The cash basis of accounting is often used in the preparation of financial statements for donor funded organizations.
- 3.6 Cash Book: A Cash book is a ledger that records all the cash transactions i.e. cash received and payments made by the organization.
- 3.7 Depreciation: The annual write off of a portion of the cost of fixed assets over the expected useful life of the asset.
- 3.8 Expenditure: Expenses incurred by the organization which are payable either by cash or cheque.
- 3.9 Fixed Assets: These are those assets which are acquired by continuous use in the businesses and not for conversion into cash. The life of such assets should extend beyond one year such as buildings, office equipment and furniture, computers, motor vehicles etc.
- 3.10 Fixed Asset register: This is a record of the fixed assets owned by the organization.
- 3.11 Float: Amount of cash kept in petty cash

- 3.12 General ledger: A summary of all transactions grouped into different accounts or budget line items. The totals on the general ledger are posted to the trial balance.
- 3.13 Imprest system: The imprest system is a method of maintaining cash or petty cash, whereby the cashier starts with a fixed sum, and at each reconciling period given cash or a cheque for the exact amount of the disbursements made, thus restoring the balance to the original figure. Documentation supporting the disbursements should be scrutinized, verified, properly authorized and maintained.
- 3.14 Journal entry: The chronological, day-to-day recording of business transactions of an organization such as cash receipts and cash disbursements.
- 3.15 Payroll: A record of salaries and benefits paid to all staff members of an organization.
- 3.16 Petty cash: A small amount of cash kept for paying small expenses.
- 3.17 Revenue: All monies received by the organization such as grants, investment income, interest income and cash donations.

4. OBJECTIVE OF THE FINANCIAL POLICY

4.1 The objective of this manual is to present KOAN's financial policies and procedures in the form of a simplified handbook for ease of reference by staff, KOAN Board Members, Partners and Stakeholders. Furthermore, the principle behind the financial policies and procedures is to establish internal control systems that meet the demands and needs of KOAN National and International finance and accounting standards that will be readily approved by the stakeholders.

5. AIMS OF THE POLICY

5.1 The policy aims to ensure and achieve a greater degree of control over the organization financial resources by clearly laying out the necessary procedures to be followed in various transactions that involve the Organization's finances and associated materials, acquisition, use and storage, as they relate to the organization

operations. The policy manual also reveals the financial management systems in operation at the Organization.

5.2 The information contained in this manual is commensurate with the KOAN financial responsibilities which include legal, statutory and ethical accountability. The manual further provides users and KOAN staff with procedures and mechanisms for compliance in financial matters with organization's legal, statutory, and operational and audit requirements as mandatory.

5.3 It will assist management in decision making on budgetary issues and enable those in authority to make informed judgments related to acquisition, use and disposal of Organization assets and other resources.

6. RECOMMENDED GUIDELINES

6.1 The actors in meeting their accountability and financial management responsibilities as shall be listed within actions as determined by the individual at appropriate organization level / position. This manual shall be reviewed constantly with reflections and improvements made as necessary.

6.2 The manual forms the core policy on finance by the KOAN Board in its wisdom to exhibit transparency and accountability by all management and staff at the Organization. This manual supersedes any other policy guidelines issued earlier.

7. FINANCIAL MANAGEMENT RESPONSIBILITIES

7.1 Key Principles: The key principles on which the financial policy is based include: -

- i. That the board, management and all the staff at KOAN are stewards / stewardess of the resources provided at the Organization by stakeholders, donors and well-wishers. They shall use finances for the purposes that are intended transparently and efficiently.
- ii. All funds at the disposal of KOAN belong to the organization and to donors who have sent the funds for programmes they fund and:

- iii. Should not be used for private purposes like private grants to individuals or any other such use that is inconsistent with approved purpose.
- iv. Should be carefully used to achieve the objectives of KOAN
- v. All board members, management and staff are responsible for careful and honest use of funds availed to the organization so that funds granted to the organization will be used for that purpose only.

7.2 Collective responsibility

- i. All KOAN board members, the management and staff have a shared collective responsibility for the financial health of the organization.
- ii. Each person in the organization has individual specific financial responsibilities; some shall be larger than others depending on positions held at KOAN.
- iii. The finance and administrative manager and the finance team shall be responsible to examine, vet and verify all the finance expenditures and accounting documents.
- iv. Each board member shall be responsible for examination and questioning / interrogating the financial reports including Audits and personally participate in approving them.

7.3 Transparency

- i. All financial documents that deserve board scrutiny and reports shall be available to all members of the board and senior management staff with financial responsibility
- ii. The board will not withhold any financial reports from a member who is mandated to see such reports.

7.4 Separation of duties:

The financial tasks will be divided between two or more persons for proper transparency and accountability. The tasks will be checked for correctness and authority limits commensurate with positions held as necessary.

7.5 All KOAN management and staff shall corporately contribute to the fulfillment of organization financial statutory, reporting and other requisite responsibilities. To ensure compliance and effective implementation and efficiency in a decentralized structure, it will be imperative for KOAN staff to clearly understand the roles and responsibilities commensurate with their positions at the work place have access to necessary information, knowledge and training to appreciate a collaborative approach.

7.6 Records and Maintenance of Books of Accounts: KOAN shall maintain all the financial books of accounts for a minimum period of seven years.

8. OVERALL FINANCIAL RESPONSIBILITY

8.1 KOAN Board shall be responsible for all the Organization's financial resources and assets. The authority for all Organization financial matters lies with the Chairperson on behalf of the KOAN Board. However, the management of all the financial resources and the implementation of accounting policies and procedures are the responsibility of the Chief Executive Officer on behalf of the KOAN Board.

8.2 The Chief Executive Officer shall also be the official custodian of all KOAN accounting records and documentations, provided that he may delegate some responsibilities to the Finance and Administrative Manager for ease of tasks sharing and in conformity to 5.1 (e) above.

8.3 This formal recognition of roles and responsibilities shall assist to educate staff and provide a consistent platform for the implementation of the financial policies and procedures as approved by the KOAN Board.

9. INDIVIDUAL ROLES AND RESPONSIBILITIES OF OFFICE HOLDERS

9.1 The Board Treasurer

In relation to KOAN financial management, policies and procedures, the Board treasurer shall undertake to: -

- i. Ensure KOAN has written financial policies and procedures that are approved by the Board.

- ii. Ensure that board members, management and staff have a copy of the financial policies and procedures, have read them and understood them.
- iii. Ensure the policies are implemented effectively and to the letter.
- iv. Ensure that a yearly budget is prepared and approved by the Board and a half yearly review is carried out.
- v. Ensure that the Board meets regularly to review and approve financial statements and reports.
- vi. Liaise with Chief Executive Officer to ensure timely financial reports are prepared.
- vii. Be a signatory to organization cheques and other official documentations as necessary.
- viii. Ensure checking and understanding of vouchers before signing them.

9.2 Board Members

In relation to KOAN financial management, policies and procedures, the Board Members shall undertake to: -

- i. Attend and actively participate in Board meetings.
- ii. Read and understand KOAN financial policies and procedures.
- iii. Read and understand KOAN financial budgets reports and statements as necessary.
- iv. Approve and often study, the KOAN budgets and estimates.
- v. Interrogate and question financial reports tabled at the KOAN Board before approving.
- vi. Approve financial Reports half yearly and annually.
- vii. At least one of the board executive members (Chairperson, vice chairperson and treasurer) to authorize all payments made by KOAN. However, in special circumstances the chairman may give temporary powers to a board member to authorize.
- viii. For every board meeting, board members will be provided with Board Sitting Allowance of 10,000 per sitting.

9.3 Chief Executive Officer

In relation to KOAN financial management, policies and procedures, the CEO shall undertake to:

- i. Manage the organization financially and provide strategic direction and leadership.
- ii. Prepare annual budgets in consultation with Finance Administrative Manager, Programmes Operations Manager and the board.
- iii. Act as a mandatory signatory for all cheques and other Organization documentation.
- iv. Authorize all cheque payment Vouchers.
- v. Ensure total accountability by all in the organization.
- vi. In charge of all the accounting functions and presentation of statements and reports to the Board, Donors and the stakeholders at the Annual General meetings.
- vii. All other responsibilities as prescribed in the job descriptions of the Chief Executive Officer.

9.4 Finance Administrative Manager

In relation to KOAN financial management, policies and procedures, the Finance and Administrative Manager shall undertake to: -

- i. Shall be responsible to the Chief Executive Officer.
- ii. Shall be responsible to prepare and develop all financial reports and statements for presentation to the management, Board and Annual General Meeting.
- iii. Banking all incomes.
- iv. Oversee all financial transactions and procedures in the organization.
- v. Keep custody of all financial records on behalf of the Chief Executive Officer.
- vi. Prepare organization budgets for the board.
- vii. Check and adhere to authority limits.
- viii. Advise the Chief Executive Officer on financial matters and particularly resource mobilization taxation and investments if at all.
- ix. Approve documentations including vouchers for payments to creditors and staff.
- x. Hold brief for the human resource function as referenced in the job description.

- xi. Prepare, check and ensure all monthly reconciliations are accurate. Also ensure that all statutory deductions are made and remitted on time to the relevant authorities.
- xii. Carry out spot checks on financial accounting procedures and documentation to ensure adherence to required and approved organizational, national and international regulations and standards.
- xiii. Check, vet, and approve every payment voucher in the organization to ensure total accountability in the organization.
- xiv. Be responsible for all accounting and book keeping systems of KOAN.
- xv. Prepare and manage all internal and external audit and assessment process.
- xvi. Execute work as per the job description of the Finance and Administrative Manager.

9.5 KOAN Staff

KOAN – staff must have and be seen to have the highest standards of honesty, propriety and integrity in the exercise of their duties. All the KOAN staffs are responsible for: -

- i. Acting with propriety in the use of organization resources and in the handling and use of organizational funds whether they involve cash or other payment systems, Receipt or dealing with contractors or suppliers. In all their dealings, the staff must portray honest, and avoid any transactions that are fraudulent.
- ii. Any transaction involving KOAN finances must be authenticated by the relevant officers with vested authority.
- iii. Giving false information to obtain any approvals for financial advances or gains will amount to gross misconduct. If this is proved, the existing disciplinary measures procedure for staff in a gross misconduct shall apply.
- iv. Staff whose duties involve financial transactions shall handle all information and transaction with strict confidence. Conniving with employees and non-employees of the organization to defraud the organization shall be held as criminal attracting both external intervention and a gross misconduct internally.
- v. Specimen signatures of authorized officers shall not be imitated or forged by any staff. If found, those who attempt will be dealt with in the manner in (d) above.

- vi. Over pricing items during procurement is considered a fraudulent practice. Any staff who engages in the vice contravenes this policy and is liable to dismissal from employment with KOAN in the manner prescribed in the Human Resource and Finance policy.
- vii. Staff responsibility over project funds: -
 - a) Every staff handling project finances is fully accountable and must ensure the transactions involving projects funds are witnessed in writing and with approvals from authorized persons as per authority limits.
 - b) The inventory or assets allocated to the projects are part of KOAN resources, staff must ensure to use them only for the intended purpose. Misuse of resources is gross misconduct and will attract disciplinary action from management as prescribed in this policy part (d) above or in the Human Resource Policy.

10. KOAN FINANCIAL SYSTEMS STRUCTURE

10.1 Accounting Unit / Department: There shall be established a unit that shall strictly deal with financial records, transactions and management information thereof as follows

10.1.1 Currency values: All currencies transacted at KOAN shall first be converted to local currency (Kenya shillings) at the prevailing exchange rates.

10.1.2 Accounting calendar: The accounting period shall be 12 months counted from January 1st to 31st December each year. This will be referred to as the fiscal year (KOAN Terms)

10.1.3 Accounting/Book keeping systems and procedure: -

The organization shall maintain a historical book keeping system with a computerized approach.

All the accounting documents (dockets) of the organization shall be coded for ease of inputting through the mechanized/computerized systems of book keeping.

A copy of the approved codes list shall be developed and shall be commensurate with established cost centers within the organization generations.

At the commencement of a fiscal year there shall be approved budgetary allocations to every cost Centre. These budgets shall be a replica of what is approved in the projects by funding partners.

The accounting records of KOAN shall be monitored in an appropriate and approved computer-based package (database) which shall inhibit appropriate software that will provide ready financial accounting references and financial management information.

The Finance and Administrative Manager in consultation with the Chief Executive Officer shall select and install software that best suits the KOAN financial transactions and which may also serve to track project implementation status.

10.2 Fund Accounting

The accounting at KOAN is on the basis of fund accounting meaning that funds are allocated to each project by respective donors upon references to the projects proposals.

For purposes of quality accounting, each project shall be treated as a distinct entity complete with its own corresponding individual bank accounts cashbook, ledges and identity code. Unless otherwise reverted by a KOAN Board decision.

All income and expenditure of a particular project shall be accounted for separately so that each project can be audited separately. However, the accounts will be incorporated to form consolidated accounts for KOAN at the end of each fiscal year.

10.3 Secretariat Accounting

10.3.1 The Chief Executive Officer in consultation with the management team is responsible for the development of the Country Secretariat budget and the monitoring of expenditure against approved budgets for ease of references the Chief Executive Officer may introduce and use cost centers. The KOAN management shall prepare and present an annual budget to the Board for review and approval.

10.3.2 Agreements with major funding partners shall provide the framework for the annual work plan and budgets and the respective donors may usually specify the process for requesting any changes.

10.3.3 In preparing the budget the Secretariat may base its budgets on the projected and anticipated costs. The CEO and Management team may then mobilize resources to meet the anticipated costs. Each approved project(s) that are ultimately funded should

have budgets annexed on them. The consolidation of the various approved projects and their budgets shall inform the yearly budget of KOAN.

10.4 Consolidation of Accounts

10.4.1 The accounts of all projects and or departments / cost centers shall be consolidated into an income and expenditure account and form the balance sheet of the Organization as appropriate.

10.4.2 The income and expenditure accounts report for KOAN shall be prepared and produced quarterly by the Finance and Administrative Manager and forwarded to the Chief Executive Officer who may share the report with the Board Chairperson and Treasurer of the board.

10.5 Financial Statements and supporting documents

10.5.1 Financial Statements: The Finance and Administrative Manager with the support of the finance staff shall prepare half yearly and yearly financial statements as per agreed schedule in the calendar year. The financial statements so prepared shall be endorsed by the Chief Executive Officer for onward transmission to the KOAN Board and Annual General Meeting for approval. The copies of the approved statements shall be forwarded to partners and stakeholders

10.5.2 Supporting Documents

10.5.2.1 All transactions must be adequately documented to ensure that there is proper authorization and support for receipts and payments. Supporting documentation such as invoices, quotation matrixes, Local Purchase Order, Materials requisition forms and vouchers are very important part of controlling income and expenditure. In all cases the finance department staff (Accountant, Senior Accountant and FAM) shall consistently check the vouchers for individual officer's authority limits.

10.5.2.2 All supporting documents must be attached to the vouchers for payment. All the documents will be pre-numbered for reference purposes. The receipts and all supporting documents must be stapled, arranged and organized in a way that they can be photocopied. KOAN reserves the right to check, verify, and authenticate any supporting documents to ascertain their accuracy, correctness and source.

10.5.2.2.1 Input Documents: There are five main types of input documents:

Cash payment voucher: All cash payments must have a Cash Payment Voucher. This voucher contains a record of transaction details. Originals of third-party receipts should be attached to this document. An example of a Cash Payment Voucher is provided at [Appendix A](#).

Fund payment voucher: All bank payment must have a Funds payment voucher. This voucher contains details relating to cheque payment.

Funds Requisition Form: All Funds Payment Vouchers must be supported by a Funds request form which is signed by the requesting office. Attached to this form should be a projected Budget as evidence of the request. The projected activities and budgets must be within the approved programme activities.

Quotation Form: This form must be used to fully describe goods and services being purchased through the quotation system.

Imprest surrender Form: This form is filled in surrender of Imprest. The Imprest Surrender form must be supported by authentic receipts of the payments and reimbursement Cash Payment Vouchers. KOAN reserves the right to check and authenticate any supporting documents.

10.5.2.3 Filing Vouchers: The Purpose of filing vouchers is to ensure that documents can be easily found when they are required. This is an important part of maintaining an Audit trail. In order to do this, it will be necessary to hold separate files for each funding partner or project. All vouchers should be filed according to reference number.

10.5.2.4 Depending upon the volume of transactions in place, it may be necessary to have a separate file for each month for each Project. For example, twelve files for bank payment vouchers i.e. one for each month. However, if the number of transactions is small, as is likely for income receipts, then one or two files may be sufficient for the whole year, in which case each month should be separated by file dividers

10.5.3 Cash Office Float

10.5.3.1. All payments should be paid in cheques. However, for small payments that may not be paid by cash, a cash office float will be maintained. The maximum amount that can be transacted at the office in cash shall be KShs. Ten Thousand (Kshs. 10,000).

10.5.3.2. Such amounts shall be held as cash float and shall be limited to expenses that are inefficient for transacting through cheques systems.

10.5.3.3. There shall be random cash counts on the cash float held in the office. At all times the amount and receipts for payment are expected to match.

10.5.3.4. If during the random cash counts it's found that the funds are diverted or misused a disciplinary action shall be taken on the officer involved.

10.5.4 Staff Official Expenses.

10.5.4.1 All expenses unsecured in the course of duty are reimbursable by KOAN to the staff concerned provided that the expenses incurred are confirmed and approved by the supervisor, department manager, Finance and Administrative Manager and Chief Executive Officer in that order.

10.5.4.2 Each approving manager shall be assigned with authority limits commensurate with status or positions held in the organization (KOAN).

10.5.5 Charging Expenses to Cost Centers / Cost Allocations: KOAN shall establish cost centers within their accounting systems: -

10.5.5.1 Every cost center shall draft a budget for the center / department annually.

10.5.5.2 Expenses borne by staff in each department shall be charged against the cost centre concerned. These should include salaries wages, allowances, stationary items, transport cost and other overheads related to the department.

10.5.5.3 The accounting department shall compose the expenditure by departments against approved budgets on a monthly basis. Projects will cater for costs as per approved budgets. For shared costs, project contributions will be pooled together as per budget allocations and paid from the pool.

10.5.5.4 The expenses incurred shall be compared to the budgets as approved by funding partners.

10.5.5.5 The summary of each department financial expenditure shall be furnished to the Management Team and Chief Executive Officer who will study, critic, approve or otherwise disapprove the financial statements as part of management information.

10.5.6.7: Shared Costs Allocation: For shared costs across projects such as administration costs, a percentage will be charged to each project as agreed in the project design with the project funder. For staff salaries, each staff will keep monthly timesheets as stipulated in the personnel manual, which will form the basis of charging salary costs to projects.

10.5.6.8 Project inter borrowing Project Inter borrowing may occur while implementing projects. This maybe necessitated by:

- i. Delay in disbursements of funds as per agreed timeliness.
- ii. Where distribution of activities in the work plan is not in tandem with the disbursement calendar.
- iii. Changes in timings of activities in the work plan based on optimization of results.

10.5.6.9 Where project inter borrowing occurs both the financier of the project that pre-finances activities and the recipient donor of the “borrowed funds” must be informed in writing and authorization thereof shall be given in writing.

10.5.7 Receipts as Accounting Documents: All expenditures save for allowable incidental cost shall be supported by official receipts and approved vouchers. If the receipts are not attainable for any acceptable reason, the staff shall ensure the recipient of monies from KOAN will sign a voucher to acknowledge receipt. Such vouchers should have ID numbers and mobile phone numbers of the recipient for the purpose of verification if need be.

10.6 Cost Accounting

10.6.1 To track and charge the cost of personnel who serve in different projects and departments:

- i. A record will be maintained on time and service provision levels given.
- ii. Payments and reimbursements of expenditures shall be made based on these records.
- iii. Each payment or reimbursement to any creditor shall relate to a cost centre.
- iv. For the cost accounting system to function KOAN shall create cost centers as necessary.

- v. Whenever staff shall serve another project or cost centre (department) other than where they are designated the service cost shall be debited (charged) to that project/ department that received the service from the particular officer(s).

11. BANKING

11.1 Opening, operation and closing of the Bank Account.

11.1.1 The KOAN Board shall authorize the opening, operation and closure of all KOAN Bank Account(s). All the KOAN Bank Account(s) should be held in the Organization name and not only project names. As much as possible the organization shall maintain separate Bank account for each project or programs. Except in special circumstance funds for different projects/programmes will not be lumped in same accounts. However, if this occurs, the Finance administrative Manager shall ensure clear coded vouchers are used in the inputs and expenditure to track the transactions as appropriate, provided that the donors are in agreement with banking two or more project funds in one bank account.

11.1.1.1 For ease of monitoring and fast tracking of income and expenditure of various projects and programmes, the KOAN Board and management shall establish cost centers or departments into which transactions shall be entered.

11.1.1.2 It shall remain the policy of KOAN to maintain separate bank accounts for each project and or cost centers.

11.1.2 Unspent Funds: Any unspent fund Balance shall be as much as possible be held in interest earning accounts or fixed deposits as determined by the Board in consultation and approval with funding partners in the cases of project funds.

11.2 Current Accounts: The Organization shall maintain current accounts at banks to facilitate disbursements. It shall be the responsibility of the Chief Executive Officer assisted by the Finance and Administrative Manager to ensure optimal balances are maintained between current accounts and savings/ interest earning accounts. In order to affect this, the Finance and Administrative Manager should constantly monitor the bank balances and keep the management team and the Chief Executive Officer updated.

11.3 Cheques preparation and Authorization: Its mandatory that every Cheque written shall be supported by relevant duly authorized vouchers/ document which include and not limited to:

i.Requisition form (duly approved)

ii.Local Purchase Order

iii.Local Services Order

iv.Labour contract

v.Delivery Note

vi.Goods Received Note.

vii.Certificate of Job Completion.

viii.Invoices

ix.Payment Voucher:

11.3.1 All payment voucher documents shall be approved by the project officer/manager, verified by the Finance Manager and authorized by the CEO. Such approvals must be in writing (endorsed initials and in easy to find colors at the front of each document).

11.3.2 Cheques shall be raised by the Accountant on the authority of Finance and Administrative Manager. Before a cheque is written all the support documents must be verified and approved by the relevant authorized officers, its only after this that the Chief Executive Officer and Authorized Board Representative shall sign the cheque. Cheques shall only be written on the strength of an authorized payment voucher.

11.3.3 In all disbursements by Cheque, at least one Board member from the executive committees must sign and endorse the cheques, provided that the Chief Executive Officer shall be a mandatory signatory of all cheques and payments of KOAN.

11.3.4. For Convenience of transactions and if all relevant supporting documents are attached, the CEO may approve and sign cheques for payments. The authorized board signatory shall endorse the cheque and authorize the payment.

11.3.6 The Finance and Administrative manager shall ensure that the accountant presents vouchers that are duly authorized and compliant with authority limits and which agree in amounts for any cheques to be drawn. The accountant must ensure that the signatures approving payments are duly authorized to sign by the Board by confirming with the provided authority limits. In case of imprest officers surrendering the imprest must sign all receipts and a voucher to authenticate it's from them.

13.4 Security of Cheques: The Organization shall provide a safe storage facility for the KOAN cheques and other vital documents. To secure the cheques the Accountant shall maintain physical cheques register. All cheques drawn out at KOAN must be recorded and reconciled monthly before the 10th of following. They must also be copied and be part of the accounting documents.

11.5 Security of payments through cheques

11.5.1 As a rule, KOAN signatories must never sign on blank cheques.

11.5.2 Cheques will only be drawn against payment vouchers duly authorized by the relevant officers: the programme operation manager, the finance and administration manager the Chief Executive Officer and the one authorized board representative.

12. CHEQUE SIGNATORIES

12.1 KOAN shall maintain a dual cheque signatory policy.

The Cheque signatory authority limits shall apply. The signatories shall be:

- i. Board Chairperson – of the KOAN Board.
- ii. Treasurer – of the KOAN Board.
- iii. The CEO - who shall be the Mandatory Signatory

12.2 Authorization of Payments

12.2.1 In all circumstances the CEO shall remain a mandatory signatory to all KOAN bank accounts both savings and current.

12.2.2 For payments beyond KShs. Five Hundred Thousand (KShs. 500,000) and less than KShs. One Million (KShs. 1,000,000), the executive board will approve. This authority shall be granted by a minute of the executive board meeting approval. For payments beyond KShs. One Million (KShs. 1,000,000) the full board will approve through minutes of full board meeting.

12.3 Scrutiny of Vouchers: -

12.3.1 Cheque signatories shall ensure that all calculations are true and compare with the amounts in cheques before signing them. The approval signatures of the Finance Administration Manager, Programme Operations Manager and CEO are mandatory on all cheque's payment voucher.

12.3.2. The signatories should check to ensure that the authority limits of those who have signed the supporting vouchers are in conformity with the lists held before signing the cheques for payments. Ensure the delivery Notes, Goods Received Notes, local purchase orders are attached to support the invoices as necessary.

12.3.3 Before the cheques are signed, all officers responsible for verification and checking must ensure that all calculations and expenses are correct.

12.4.2 Journal Vouchers: -These books shall be used for primary entry of the transaction that does not originate from the KOAN dockets. Journal vouchers used must be prepared by the Accountant, approved by the Finance and Administrative Manager and authorized by the Chief Executive Officer.

12.4.3 Bank account files and documentation: - Each bank account operated shall have a separate file where all vouchers relative to the accounts shall be placed and coded. The files to be recorded and filed shall include deposit slips, swift transfer advice slips, Imprest surrender slips, membership receipts, letters of correspondence, bank statements, bank charges, input journal vouchers and a copy of reconciled cash book/bank statements.

12.4.4 Cancelled Cheques:- When errors are made on a cheque leaf intended for payments, the same shall be cancelled by writing the word cancelled across the face of the cheques and perforated. Such cancelled cheque leaf shall be recorded in the cheques register alongside other cheques in the sequences as per the numbers pre-printed. In the cheques register the same cheque shall be recorded but with the remark in the line “cancelled”. All cancelled cheques shall be securely filed in the respective Bank Accounts files and included in the reconciliation statements.

12.5 Correspondence with Bankers: Like all other external written communication; correspondences with the bankers shall be done by the Chief Executive Officer and if not available one of the signatories of the bank account. In some special cases senior staff in the management team and with express authority from the Chief Executive Officer can write to the bank but for and on behalf of the Chief Executive Officer.

12.6 Bank Charges:

12.6.1 The bank charges on each account shall be monitored by the Finance and Administrative Manager to ensure that they are consistent with prevailing rates in the banking industry.

12.6.2 The charges on the current accounts shall be consistent with the transactions.

12.6.3 The bank charges on each account shall be posted into the respective accounts and reconciled every month.

12.7 Bank Interest

12.7.1 All interests earned from placement of donor funds in interest earning accounts shall be posted in the respective accounts of the fund through coding and reconciled alongside the charges as appropriate.

12.7.2 At the end of the accounting month reconciliation shall be prepared and specifically take note of interest earned on the saving accounts from respective banks.

12.7.3 The interest shall be considered as income and KOAN must declare any interest earned to the respective funding partners and seek approval from the respective funding partner for its use.

12.8 Bank Account Reconciliations Guidelines

12.8.1 All bank accounts of the Organization shall be reconciled every month on or before the 10th of next month. This will be done by the accountant; verified by a Senior Accountant and or by the Financial and Administrative Manager. The Chief Executive Officer will finally approve. The details of the dates, personnel preparing, reviewing and approving will be indicated on the reconciliations.

12.8.2 The Finance and Administrative Manager shall ensure that the accountant is furnished with bank statements promptly every end of calendar month, at least by the first week of the subsequent month.

12.8.3 All acceptable bank charges will be posted in KOAN books of accounts through a journal voucher prepared by the accountant, approved by the Finance and Administrative Manager and Authorized by Chief Executive Officer.

12.9 Statutory Deductions: All statutory deductions must be paid on time. The Finance manager should ensure this is made in time. On every 5th of the month, the Admin Assistant will ensure that proper documentation and payment forms are filled for all statutory deductions and forwarding to the relevant authorities

13. INCOMES

13.1 All income due to the organization will be upon receipt, be posted in the cash book and an official receipt issued to the payer (depositor) as appropriate. The same shall be recorded in the Organization cashbook and coded accordingly in the respective accounts. All deposits shall be recorded daily in the respective bank accounts.

13.2 Income received directly by KOAN, upon confirmation of the credits and documentation from the bank an official receipt bearing the organization logo and confirmation letter from the Chief Executive Officer will be issued

13.3 At the end of the accounting period, all income shall be reconciled to projects as approved and the remitted funds recorded; this should be done separately for each project.

13.4 Besides the FAD monitoring, the programme officer in charge of the project for which the funds were received and the programme operations manager shall ensure that

the transactions are currently recorded to the project and file a copy of the documents in the projects file.

14. ACKNOWLEDGEMENT OF RECEIPTS TO PARTNERS

14.1 To acknowledge receipt of funds, a letter containing the receipt of funds should be sent to the partner(s). A copy of the swift transfer advice slip, a KOAN receipt and any other document required by the partner duly signed by the Chief Executive Officer shall be forwarded as necessary.

14.2 In case of receipt of un-identified deposit, the Finance and Administrative Manager shall immediately inform the Chief Executive Officer and the bank manager of the abnormality. The Income shall be posted in a suspense account awaiting feedback from the bank. If amount remains pending for a period of more than 6 months, the Chief Executive Officer will consult with the bank manager and the Board on treatment of the mentioned funds upon which a decision will be made on the way forward.

15. LOSS OF FUNDS AND ANY DOCUMENTS OF ACCOUNTS

15.1 In the rare case of loss or damage to KOAN Funds or resources a report should first be made to the nearest police station and the Chief Executive Officer. The Chief Executive Officer shall also inform the board Chairperson.

15.2 The staff involved will put a report in writing and submit it to the respective head of department and Chief Executive Officer. The Management Team shall meet and determine the course of action and this may include advice from the board or police for further investigation or action. In all cases, the Executive Board will be kept in the picture.

16. INTERNAL TRANSFERS & INTERNAL CHARGES

16.1 KOAN financial systems, being based on the principles of fund accounting, are quite complex requiring records to be kept for different funds with different reporting requirements. This complexity is perhaps reflected to the greatest extent in the procedures to be followed for the transfers amongst funds.

16.2 Purpose of Transfers

16.2.1 The purpose of a “transfer” is to either reallocate financial resources amongst funds or to ensure expenditures are recorded in the correct fund. The appropriate method must be determined on a case by case by basis with a consideration of fund types as well as the amounts involved. The appropriate method selected shall be approved by the Chief Executive Officer as necessary.

16.2.2 All transfers must be prepared and verified by the accountant, checked by the senior accountant and Finance and Administrative Manager respectively. A letter detailing the purpose of the transfer shall be written by the Finance and Administrative Manager to the Chief Executive Officer for approval. A board signatory must also authorize the transfer.

16.2.3 All transfers must have authorization and supporting documents and shall be posted using a journal voucher for the primary entry

16.2.4 All fund transfer must be approved by the Chief Executive Officer and authorized by a board representative (Chairman or in his/her absence the vice-chairman and in his/her absence, the Board Treasurer)

16.3 Transfer of Expenditures: The purpose of expenditure transfer is to properly attribute costs to a fund. Whenever possible, transfer should be avoided by charging expenditures to the correct funds when source documents are initially prepared (e.g. purchase order, appointment form, etc.)

16.3.1 It is recognized, however that in some instances the transfer of specific expenditure(s) from one fund to another is unavoidable to fulfill audit requirements and adhere to the general accepted rules of accounting, and the transfer must meet the following conditions to be acceptable:

- i. As an overriding principle, the expenditure must be reasonably attributable to the fund being charged. To be reasonably attributed, the resources (be they material vouchers,) used for the transfer must be coded and filed in computer system. Accordingly.

- ii. The expenditure being transferred must have been used in the activity being operated by the fund being charged. In the case of materials on hand, a reasonable explanation, that the material will be used in the activity of the fund charged is also appropriate
- iii. The expenditure being transferred must be adequately documented and supported by documents. The request to transfer non-salary expenditure must identify the initial charge by type. In all cases, there must be a valid reason stated for the transfer. All documents shall be coded to make distinct difference and identification
- iv. The type and timing of expenditure must be permissible under the conditions of the fund being charged. For example, operating expenses cannot be charged to capital expenditure funds
- v. The request to transfer the expenditure(s) will be approved by the Chief Executive Officer.
- vi. There shall be established codes for every partner and every expenditure to ease the complexity of this kind.

17. BUDGETING AND BUDGETARY CONTROL

17.1 General

17.1.1 KOAN's budget centre is the Secretariat

17.1.2 The Chief Executive Officer shall be responsible for the Secretariat budget. This will be discussed by the Chairperson and approved by the KOAN Executive Board

17.1.3 The responsibility for the preparation of a budget rests with the Programme Operations Manager and the Finance and Administrative Manager. However, budget preparations will be bottom up and hence the department staff shall also be involved.

17.1.4 With the assistance of the Finance and Administrative Manager and Programme Operations Manager shall monitor the Secretariat individual Programme budget. They will give the Chief Executive Officer summarized reports through regular briefs and updates.

17.1.5 The Finance and Administrative Manager and the Programmes Operations Manager shall maintain, control and manage the Country Secretariat and Individual Project's Budget.

17.1.6 The Finance and Administrative Manager shall provide a budget vs. expenditure report on a quarterly basis by the 15th of the month to facilitate the monitoring and control of Country Secretariat and project budget. Any variations above ten percent shall be fully explained in the additional notes or remarks section. The format of this report shall be as follows:

Table 1: Country Secretariat and Project Income Generation Report.

Item	Source of Project	Realized	Variance	%	Remarks

Table 2: Project Expenditure Report

Item	Expenditure	Budget allocation	Expenditure	Variation	% variation	Remarks

17.1.7 It is the responsibility of the Chief Executive Officer to ensure that KOAN operate within the approved budget. However, in order to do this the Finance and Administrative Manager and Programme Operations Manager must monitor, manage and control all budgets in their respective budget jurisdictions and continually keep the Chief Executive Officer in the picture as per

17.1.8. In the event of a budget overrun, the two must report this to the Chief Executive Officer who in turn will advise the Board Chairperson and KOAN – Kenya Board:

17.1.9 The Finance and Administrative Manage establish procedures for verifying of funds from one project to another unit. And produce relevant reports and advice the Programme Operations Manager to update the Management team and the Chief Executive Officer.

17.2 Formats

17.2.1 The required format for budget submission will usually be specified by the donor. Whatever the format requirements for submission, the budget for any piece of work should be prepared at least at detailed expenditure code level. That is using the organizations chart of accounts structure.

17.2.2. It is helpful, indeed, to use the organizations chart of accounts as a check list of budget areas to be considered in developing the proposal.

17.2.3 In general, therefore, all budgets should be prepared in the format of the chart of accounts and then rearranged to meet the specific requirements of donors. This reorganization is likely to be a joint effort between the finance department and the Programmes department.

17.2.4 Where there are no funding partner format requirements, the Programmes Operations Manager in collaboration with the Finance and Administrative Manager and the Chief Executive Officer should be encouraged to use a format which will help enrich the contents of the proposal.

17.2.5. When preparing budgets Programme and Finance staff are reminded that the following should be considered for inclusion:

- i. The costs of administrative support the total cost of Capital
- ii. Items Training and workshop costs.
- iii. Staff development and staff retreats.
- iv. Audit fees.
- v. Bank charges
- vi. Inflation
- vii. Exchange rates.

17.2.6 All budgets shall be prepared jointly by the Programmes and the Finance Departments under the supervision of the Finance and Administrative Manager and Programme Operations Manager. The budgets shall be reviewed by the Chief Executive Officer before they are sent out. The following have to be confirmed by the Finance and Administrative Manager and Programme Operations Manager

- i. That the format used is in agreement with the donor requirements.
- ii. That all additions are correct with no rounding errors
- iii. That all financial commitments have been included in the budget.

- iv. That figures and explanations quoted in the budget are consistent with the rest of the donor proposal.
- v. That the budget is consistent with the supporting documentation and analysis.
- vi. That inflation and foreign exchange risks have been considered
- vii. That adequate financial provision has been made for administrative and technical support.
- viii. That budget for contingencies is made.

17.2.7 In all cases the Chief Executive Officer or his designate will get an overview and give his approval before the proposals and budgets are sent out.

17.3 Monitoring

17.3.1 Roles and Responsibilities: The Principal responsibility for monitoring actual progress against budget expenditure rests with the Programme Officers themselves. They are the personnel who know about project activities and are therefore in a better position to explain variances as they arise. The Programme Operations Manager and Finance Administrative Manager shall ensure that the staff in their departments monitor and use funds as per their budgets. This delegated authority shall be approved by the CEO on behalf of the Board.

17.3.1.1 The Finance and Administrative Manager should ensure that recent incidental information is availed to the Programme Staff. He/ she will also assist in the process by criticking exceptional variances or by bringing unusual items appearing in the accounts to the attention of the Programme Officers and Programme Operations Manager for further explanation.

17.3.2 Routine Requirements:

a) The Programme Officers should monitor the expenditure against their budgets at least monthly. To assist in this, the Finance and Administrative Manager will ensure that the following are issued to all Programme Officers, in accordance with the monthly plans.

- i. Give a list of the transactions posted to the relevant budget during the month

- ii. Provide a monthly comparison of budget and actual figures, by expenditure code as well as cumulative position since the beginning of the funding.
 - iii. All vouchers used for payments in respective cost centers shall first be approved by the relevant budgets held before an expense can be incurred.
- b) The Programme Officers should review these documents to confirm the following:
- i. That all expenditures recorded against their cost centers is valid and authorized
 - ii. That expenditure is within the approved budget.
 - iii. That all variances can be explained and the appropriate people are aware.
 - iv. Check also that authority limits for approving expenditures are not exceeded by verifying the approving signatures.
- c) The Programme Operations Manager shall monitor and supervise all the programme officers to ensure that they adhere and follow all procedures.

17.3.3 Adjustments: Following the review of the budget monitoring information noted above, adjustments may be necessary to correct coding or posting errors in a meeting with the Programme Operations Manager, the Finance and Administrative Manager and the Chief Executive Officer should discuss and approve. Once approved, the Finance and administrative Manager will make such amendments.

17.3.3.1 All adjustments to cost centre expenditure will be effected using a general journal. This requires the signature of the Programme Operations Manager, the Finance and Administrative Manager and the Chief Executive Officer.

18. REPORTING

18.1 International Accounting Standards (IAS): KOAN will endeavor to provide financial statements that meet the requirements of the international Accounting Standards. These are uniform minimum standards and guidelines for financial accounting and reporting which govern the form and content of the financial statements of the organization. IAS encompasses the conventions, rules and procedures necessary

to define accepted accounting practices at a given time. They include not only broad guidelines of general application, but also detailed practices and procedures.

18.2 Variance Reporting: Every month, budget monitoring reports will be produced, printed and distributed by the Finance and Administrative Manager to the Programme Officers. On receipt of these reports the Programme Officers are responsible for reviewing the actual costs recorded compared with the relevant budget. Programme Officers are then required to prepare a brief report explaining significant variances (10% and above) between budget and actual performance for discussion with Finance and Administrative Manager, Programme Operations Manager and the Chief Executive Officer.

18.3 Donor Reporting (Narratives and Budgets): Donor reporting requirements are identified in the contract the organization has with each respective donor. The contract will usually specify the Frequency of reporting, The Format to be used and the Supporting documentation necessary. The programme Officers will prepare their donor reports, discuss them with Programme Operations Manager and once all the changes have been agreed, the Programme Operations Manager is expected to remit the final copies to the Chief Executive Officer who then submits the reports to donors/ funding partners.

18.4 Reporting Timetable: On receipt of a new grant the due dates for financial reports will be added to the reporting schedule by the Finance and Administrative Manager. The reporting timetable should be circulated to all relevant staff including the Programme operations Manager and the Chief Executive Officer. It is the responsibility of the Programme Officers, the Programme Operations Manager and the Finance and Administrative Manager to ensure that reports are prepared in accordance with this schedule. The department managers should ensure that this is strictly adhered to.

18.5 Formats for Financial Reports: In the absence of guidance formats to be used, it is important to report financial performance in the same format and at the same level of analysis as the budget included in the agreement.

18.6 Preparation: Responsibility for the preparation of the financial reports for donor purposes is shared between the Programme Operations Manager and the Finance and Administrative Manager. While the Finance officers can provide financial analysis,

explanations concerning actual financial performance will require the input of the relevant programme officer and approval of the Programme Operations Manager. This will ensure consistency between the financial and the narrative report.

18.7 Besides preparing financial statements for donors, the finance officers shall prepare the consolidated financial statement for KOAN management as an organization.

18.8 Review of the Financial Reports

18.8.1

- i. All Financial reports must undergo a review process comprising the following:
 - a) When ready the report should be signed by relevant signatories and accompanied by a clean copy for dispatch to the donor.
 - b) The draft for review/ signing requires the following checks by the Finance and
and
- ii. Administrative Manager:
 - a) That the format used is in agreement with the donor requirements.
 - b) That all additions are correct with no rounding errors.
 - c) That the totals in the report agree with KOAN accounts.
 - d) That all financial commitments have been included in the report.
 - e) That figures and explanations quoted in the financial report are consistent and agree with the narrative report.
 - f) That any supporting documentation to be provided to the donor easily reconciles with the analysis given in the report.

18.8.2 For quality control purposes the financial report will be written by the Finance and Administrative Manager in consultations with the Programme Operations Manager and submit to the Chief Executive Officer who will sign the relevant parts and return the relevant documents to the FAM who will scan the final documents and send the same to the Chief Executive Officer for sending via email. The FAM will dispatch to funding partners hard copies of the documents by the safest method available including Securicor courier. The FAM shall also file all reports sent to the funding partners in relevant files.

18.8.3 Where errors are identified which require the report to be amended, the signing process should begin from scratch and the previous copy destroyed by the Finance and Administrative Manager to avoid the risk of sending the wrong version. The copies should be numbered and be preserved as back up.

18.8.4 The signed copy as well as a photocopy of the version sent to the donor should then be filed by the FAM on the respective Funding partners' file.

18.9 Unspent Funds on Completion of Project

18.9.1 Unspent funds, interest and exchange rate gains remaining after provision of the completion report does not belong to KOAN, in all cases the donor must be notified. A supplementary budget may be prepared as a no cost extension of the project to finish up activities. The donor has to approve such budget before these funds are spent. Refund to the donor may be done only if the donor agreements state so. In the event that the requirement is silent such funds should be posted in a special account pending procedures for seeking approval from the donor.

19. PROCUREMENT OF GOODS AND SERVICES

19.1 Procurement of goods and services will be undertaken as stipulated in the KOAN Procurement manual.

20. PAYMENTS AND DISBURSEMENTS

20.1 Payments and disbursements may be made either through petty cash, by cheque or through the Imprest system. In cases where KOAN will disburse funds to its partner members for implementation of a specific project, the Finance and Administration Manager shall ensure that cheque payments will be effected and that all the funded partners will be provided for a budget for implementation and a format for reporting.

20.2 Cheque Payments:

20.2.1 All payments that are not made through petty cash or through the Imprest system must be made by cheque. Relevant supporting documents shall include but not limited to the following:

- i. Requisition form (duly approved)
- ii. Local purchase order (duly approved)
- iii. Delivery note (duly signed)
- iv. Goods received note (duly signed)
- v. Certificate of job completion
- vi. Payment voucher.

20.2.2 All documents shall be verified by the Finance and administrative Manager, approved by the Chief Executive Officer, verified and authorized for payment by the Treasurer of the Board or his/her delegatee. Such approvals must be in writing (endorsement initials or signature). Cheques shall only be written on the strength of an authorized payment voucher.

20.2.3 The cheque stub in the book will clearly indicate the purpose of payment, the amounts as per the cheque. A cheque register with enough columns shall be used to record all cheques made out and reasons, names of payee and dates besides the amount.

20.2.4 Under no circumstance will a payment be made without the verification the relevant head of department and approval by the Chief Executive Officer. Payment vouchers and attachments shall be filed according to the cheque numbers numerically.

20.3 Imprests: All payments should be paid by cheques. However, due to the nature of KOAN's field activities, it may not be possible to effect all payments by cheque or through a central petty cash system. When absolute necessary, staff may be issued with Imprest to facilitate efficient payments and operation.

20.3.1 The maximum Imprest to be held by a staff member shall be determined by the KOAN Board and should be in accordance with the needs of the situation provided that the Chief Executive Officer shall be a reference for such approval.

20.3.2 Imprests shall be accounted for within ten days (10) after the implementation of the activity or before any other imprests are advanced to the concerned staff. Under no circumstance shall a member of staff be allowed to draw imprests funds before the previous moneys are fully accounted for. As for monies held as floats/imprests by staff, the same shall be accounted for by the end of the financial year. Cash balances held shall be surrendered to the account's office. A list of Imprest holders shall be made

available to the Chief Executive Officer and the Finance Administrative Manager monthly in the cash position reports.

20.3.3 Failure of staff to surrender imprest on time will lead to disciplinary actions instituted to staff including summary dismissal from KOAN.

20.3.4 Security of Imprest Money: There shall be documentation preferably a special form that will be signed before the advancing of imprests and which shall bear full details of recipients and the conditions attached to the float/imprests holding as necessary. The signed form shall be made in triplicate with a copy to the Finance and Administrative Manager the accounts Office and the original copy to the Imprest holder.

20.3.4.1 Holder Obligations: All imprests holders are under obligation to surrender the funds on demand or at the time of departure and before receiving any severance pay from KOAN. All staff are expected to use the imprest as per projected plan. Any expenditure from the Imprest that fails to be approved for whatever reasons becomes refundable to KOAN immediately. The disallowed expenditures shall be recovered from the salary of the holder in full if not voluntarily surrendered. Provided the recovery amounts will conform to the law of not recovering beyond 2/3 of ones pay. Diverting imprest to other non-authorized uses will lead to disciplinary actions being instituted on the staff including summary dismissal.

20.3.4.2 Authenticity of expenditure against Imprest: All expenditure must be supported by proper vouchers and receipts. The receipts should be those on proper logos as appropriate. The receipts verification process will start from officers surrendering the imprest, the accountant, The POM and FAM. For expenditure to be approved the departmental heads shall bear the final approval before forwarding to the Chief Executive Officer for approval and authorization. In all cases the Finance and Administrative Manager, the Programme Operations Manager and the Chief Executive Officer are responsible to verify the receipts, invoices, bills, etc. for any claims to be accepted.

20.3.4.3 Black listing for defaulting: Any defaulters on surrender of imprest may not qualify for imprest holding automatically despite the funds being necessity on given assignments. They may be advanced monies conditionally only upon production of

expenditure evidence. Prolonged delay in surrendering of imprest on time shall lead to disciplinary actions being instituted to the staff including summary dismissal.

20.4 Per-Diems and Travels Costs

20.4.1 Per diems: It is not KOAN’s policy to pay per-diems when on duty station. However, due to nature of work, staff and partners who spend night- outs of their stations on behalf of KOAN shall be reimbursed or paid direct costs to meet the basic costs of meals, accommodation, and travel and incidental costs incurred by the staff as appropriate. Payments for the above will be subject to availability of funds and hence, prior authorization from the Chief Executive Officer shall be required before one incurs the expenditure.

Table of Per-diems, Accommodation and Travel during KOAN business

Detail	Accommodation	Per diem/incidentals	Local Transport	Meals
Major Cities (Nairobi Kisumu Mombasa Nakuru)	Usd 70	Usd 20		Usd 15
County Headquarters	Usd 50	Usd 20		Usd 15
Other Towns	Usd 40	Usd 20		Usd 15
Long day Allowance		Usd 15		
International Trips	Usd 150	Usd 20	Usd 50	Usd 50

These are budget limits and do not indicate automatic spending. Authentic and official receipts shall still be required during the surrender of the imprest.

20.4.2 Travel: KOAN will meet the actual travel expenses for KOAN staff and Partners who travel out on organization business. The approved mode of Travel is by Bus, Train, flight (economy class) and Taxi. In all the cases, prior authority from the Supervisor must be sought before incurring the expenditure. The supervisor must keep the Chief

Executive Officer in the picture when the staff travels. To facilitate reimbursements for the actual expenses mentioned, authentic receipts, bills and invoices must support the claims for the reimbursements.

20.4.2 Incidental Costs Allowances: Depending on the availability of funds and allocations in the project budgets, KOAN will provide fixed allowances to cover incidental expenses for staff and partners carrying out tasks on behalf of the organization as appropriate. The incidental costs allowances schedules shall be as per approved budgets and worked out by the Management Team and the Chief Executive Officer and approved by the Executive Board for approval.

20.4.3 Incidental costs - allowances for participants in KOAN organized workshops/seminars: KOAN will provide incidental costs allowances for participants who will be participating in KOAN organized relevant forums/functions e.g. Capacity building workshops, meetings etc. The rates of the allowances to be paid will be as per the approved budget in the approved proposals. Where there is no such approved budget, incidental set and adjusted by the Chief Executive Officer and approved by the Board regularly to keep pace with cost of living in the countries or as prescribed in the funded project budget

21. PETTY CASH FLOAT

21.1 Payments for goods and services shall be made by cheque. However, in circumstances where payment by cheque may not be possible and cash maybe more appropriate e.g. small payments and small unforeseen expenditures, petty cash will be drawn by the officers undertaking the tasks and pay out as appropriate. Provided all procedures shall follow those stated in the imprests system i.e. all payments must be supported by relevant vouchers and the authority limits observed as necessary. For the purpose of catering for frequent payments of small expenditures that are uneconomical for cheque disbursements, the Board shall approve a fixed petty cash to be held at the Secretariat cash office as appropriate. Such petty cash held at the cash office shall not exceed KES. 10,000/=

21.2 Project Float

25.2.1 Project float/petty cash shall be used for paying programmes minor transactions where using the cheque payment systems may prove uneconomical. The project float money shall be maintained using the imprests system. The project floats shall be limited to maximum KES.30, 000/= to cover for all projects. All payments made from the float must have authentic vouchers and be coded to the right expenditure cost centre. During project implementation, some activities may require cash payments for transport reimbursements to participants, payments for dinner allowance, night outs among others, which may require project floats more than 30,000. In such cases project budget lines will strictly be followed and only approved payments will be allowed to be paid in cash as guided by this manual.

21.3 Payment for Goods and Services

21.3.1 All payments for goods and services shall be made during working days and working hours only. Payments that may need to be made outside the allowable time must have the authority of the Chief Executive Officer. Such payments may relate to emergencies to qualify for the transaction. Goods and services consumed by KOAN shall be paid within 5 working days and in a maximum period of 30 working days.

21.4. Cash on hand

21.4.1. All monies received by the accountant or any other officers of the organization shall be promptly banked in the appropriate bank accounts.

21.4.2 Cash Floats Accounts Reconciliations

21.4.2.1 A reconciliation of the cash held by staff as floats and the cash held at the Secretariat cash office shall be subjected to instant audits time and again to ascertain that the monies are physically available with the permitted holders as necessary. Discrepancies in floats held are not permissible. It will be the responsibility of the FAM to audit the cash floats and also do random internal audits. All funds held as cash shall be reconciled to ascertain the authenticity of the figures reported in the

22. KOAN STATEMENTS OF ACCOUNTS TO STAKEHOLDERS AND THE DONORS

22.1 Prudent security for finances

22.1.1 All cash belonging to the organization shall be held under proper security. There shall be provided a safe for the Secretariat cash and other important documents. Except in extreme circumstances, no cash shall be held at offices in excess of the limits as stated.

23. CASH BOOK POSTINGS

23.1 The organization cash book shall be posted by the Accountant every day to reflect the daily cash transactions. However, this is made impossible, all vouchers supporting any payments made must be filed chronologically to allow for posting the next day. This practice is abnormal and should never be encouraged by management. In any case, the cash book vouchers shall be used as records and backup for the cash book recording each day. Figures posted in the cash book shall never be altered by erasures or rubbing off. In case of alteration after calculations, a line shall be drawn across the figure and left in a readable form.

24. INVENTORY MANAGEMENT

24.1 The Finance and Administration Manager shall be responsible for maintaining the KOAN Inventory. This authority is delegated by the Chief Executive Officer.

- i. All organization inventories shall be clearly marked with permanent inks giving specific reference numbers for ease of identifications.
- ii. KOAN shall open an asset register to record and update all assets of the organization and their location of use done after every three months.
- iii. The accounts office shall maintain the Organizations Inventory Record on historical cost.
- iv. A copy of the assets register shall be maintained in the computer (spread sheet) software.

24.2 Depreciation on Fixed Assets: Fixed assets are at cost or valuation less depreciation. All fixed assets shall be depreciated using the straight-line method at rates to be fixed by management and approved by the Board. The current rates of depreciation on the KOAN fixed assets shall be determined by the type of asset as follows:

- i. Motor Vehicles @ 25% per annum.
- ii. Computers and related accessories @ 33.33%
- iii. Furniture and fittings @ 12.5 %
- iv. Buildings and other installations @ 33%

24.3 Yearly Inventory Stock Count

24.3.1 A physical count of all organization inventories shall be carried out annually to inform accounting procedures as necessary. The stock count may be carried out by the Finance and Administration staff. However due to the fact that the stock records will be used for external reporting as well, it will be important for the listed auditors to be involved in the exercise.

25. SALARIES AND WAGES PAYMENTS

25.1 Salaries and wages for management and staffs shall be paid within reasonable time and in accordance with the contracts.

25.2 In paying the salaries and wages, only the net will be paid to the staff less the statutory deductions which shall promptly be paid to the concerned government agencies and other bodies in which the staffs are indebted as appropriate

25.3 Mode of salaries and wages payments

25.3.1 Payments of staff salaries shall be made by cheque or bank transfers. All employees shall be required to sign the staff pay slips for receipt of the salaries at the finance office and take with them a copy of the salary advice or pay slip as necessary.

25.3.2 Advances against salaries payment

- i. Salary advances may be paid to staff every midmonth or on request during an emergency.

- ii. The maximum salary advance shall be the equivalent of one's salary and which shall be recovered within six months and deduction commencing during the month the salary advance is obtained.
- iii. Any monies in excess of the salary advanced to staff shall be regarded as loan and maybe recovered from the concerned staff in installments as per Human Resource policy in operation.
- iv. The salary advance shall be paid to staff upon request or as agreed in the hiring contract.
- v. All salary advanced must be cleared by the end of the year.

26. ACCOUNTING ROUTINE AT KOAN

26.1 Ultimate responsibility: The ultimate responsibility for the day to day maintenance of the accounting system shall be delegated to the FAM and the Finance Team who shall ensure that:

- i. The monthly routine for data entry, transactions and reporting is adhered to
- ii. Adequate security controls are in place and enhanced to ensure integrity of the data entries.
- iii. Adequate backups are taken to minimize the risk of loss of accounting data.
- iv. All statutory deductions are remitted to respective agencies without fail.
- v. Mandatory returns to government agencies are filed on time.
- vi. Accounting reports and audits for the donor funds are prepared and forwarded on time.
- vii. Any other accounting requirements that will be needed by the Organizations are promptly attended to.

26.2 Adjustments of Costs: To adjust entries into the ledger special journals shall be used. The journals shall be approved by the FAM and the Chief Executive Officer before the entries are posted in the general ledger. All entries to the ledger must be endorsed to confirm the correctness of the entries and to ensure the entries are coded to the cost centers as appropriate.

26.2.1 Backups: The FAD shall ensure that a daily back up of the accounts is in place to cushion the systems against loss of data. The backup discs shall be safely stored and clearly labeled for ease of reference. The Programme Operations Manager shall also

ensure that all programme reports and proposals sent to donors are filed in soft and hard copies with proper backups. Financial records shall be properly maintained for a period not less than seven (7) years.

27. END YEAR ACCOUNTING ROUTINE

The financial year for KOAN shall be based on the calendar year (January 1st to December 31st). The year shall be divided into accounting periods which are broadly equivalent to the calendar months. For the purpose of finalizing and tidying up the accounts for a given year, the accounts are held open for a further three months. These latter periods run parallel with the first three months of the following year after which the accounts for the year are closed.

28. ACCURACY AND INTEGRITY OF ACCOUNTS

28.1 To ensure the accuracy and integrity of the organization accounts, there shall follow:

- i. A close review of income and expenditure in the last quarter of the year to ensure that possible forecasts for the year are met.
- ii. Review of commitments made before the year end but yet to be recorded in the accounts.
- iii. The establishment of significant accruals for expenditure not yet recorded in the organization books of accounts.
- iv. The calculations of significant prepayments where expenditure has been incurred in advance of service
- v. That accounting is timely, to ensure the year end timetable is followed.
- vi. Backups are taken
- vii. Any other areas as may be identified from time to time.
- viii. Expenditures shall be recorded only when they are incurred as appropriate

29. PREPAYMENTS AND ACCRUALS

KOAN shall identify where substantial payments have been made in the current year of accounting of which a significant proportion relates to the future and seek to find satisfactory reasons to support the prepayments. The identification and calculations of

potential prepayments shall be done by the FAM the approvals and setting up prepayments shall be done by the Chief Executive Officer. In order to gain approval supporting documentation for the prepayments shall accompany the requests.

30. COMPLETENESS AND AUDITS

30.1 Every six months, a completeness review of the donor files on finance shall be carried out jointly by the FAM, POM and Chief Executive Officer. The budget lines and partner reporting formats shall be checked by the Programmes Operations Manager and FAM.

30.2 The Annual General Meeting (AGM) shall have the mandate to appoint external auditors as appropriate in conformity with prudent accounting and Finance Management process.

30.3 KOAN Organizational financial reports shall be audited and the reports submitted within three months after the close of the accounting period

31. MANAGEMENT OF THE AUDIT PROCESS

31.1 A formal letter of engagement drafted and signed by the Chief Executive Officer and the FAM incorporating detailed terms of reference must first be agreed with the auditors before the work can begin.

31.1.1 The terms of reference must cover the following areas:

- i. The scope of work to be carried out, including its limits
- ii. The timing of the audit verification work and schedule for audit completeness.
- iii. The formation needed by the auditors before the start of the audit
- iv. The style of audit report required conforming to whom it should be addressed
- v. The requirement or otherwise, for a management letter.
- vi. The basis of the fees payable to the auditors

31.1.2 The FAM shall be in charge of the audit exercise and also follow up on the implementation of recommendations as appropriate. In all cases KOAN Board reserves

the right to institute an audit by external auditors of choice whenever it deems necessary to verify Organization books of accounts.

32. ETHICAL STANDARDS AND CORE VALUES

There are three crucial values which must underpin the work of staff while working for KOAN

32.1 Accountability - everything done by those who work in KOAN must be able to stand the test of scrutiny, judgments on propriety, and professional codes of conduct.

32.2. Probity - there should be an absolute standard of honesty and integrity in handling KOAN work and resources.

32.3. Objectivity and impartiality – There are need for KOAN Staff to be objective and impartial in all their work, including accurate, fair and balanced reporting.

32.4 KOAN Staff should therefore seek to ensure that the organization spends money wisely; operates to the highest standards of financial management and reporting; and exercises due care and diligence in conducting its business.

32.5 Staffs are responsible for familiarizing themselves with KOAN’s Statement of Vision, Mission and Values; and any professional ethics applicable to professional bodies they may belong to in whatever capacity.

32.6 The principles of Ethical Standards include but not limited to:

- i. Selflessness: The Country Secretariat staff should take decisions solely in terms of the interest of KOAN. They should not do so in order to gain financial and other material benefits for themselves, their family, or their friends.
- ii. Integrity: The Country Secretariat staff should not place themselves under any financial or other obligations to outside individuals or organizations that might influence them in the performance of their official duties and on decision making.
- iii. Objectivity: In carrying out organization business, including making appointments, awarding contracts, or recommending individuals for rewards or benefits, The Country Secretariat staff should make choices on merit.

- iv. Accountability Country Secretariat staffs are accountable for their decisions and actions to the KOAN and general public and must submit themselves to whatever scrutiny is appropriate to their office.
- v. Openness: The Country Secretariat staff should be as open as possible about all the decisions and actions they take. They should give reasons for their decisions whenever necessary and restrict information only when the wider interest of KOAN's clearly demands.
- vi. Honesty: The Country Secretariat staffs have a duty to declare any private interests relating to their duties and to take steps to resolve any conflicts arising in a way that protects the interest of KOAN.
- vii. Leadership: The Country Secretariat staff should promote and support these principles by leadership and example, and talking the walk and walking the talk.