



MEDICAL WOMEN ASSOCIATION OF
NIGERIA (MWAN)
RIVERS STATE CHAPTER

FINANCIAL POLICY AND PROCEDURES

MAY 2018

This Policies & Procedures Manual is a guide to MWAN's financial management processes and lays out the broad principles derived from best practices in non-profit financial management regulating our corporate accounting systems and processes.

MWAN has developed this handbook as a toolkit for its accounting staff and as a means of systematic standardisation of financial controls and accounting systems across all Operations of MWAN in Rivers State. It is also intended to serve as a reference tool for MWAN Donors and Partners, justifying why we adopt certain procedures and how we account for donor resources.

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1. INTRODUCTION

This Financial Policies & Procedures Manual with laid down internal controls is intended to assist the executives of MWAN Nigeria to control the organisation's operations, to ensure procedures are known, and to effectively meet our corporate objectives. Internal controls serve both the interest of MWAN as an organization, its management, governance and donors.

This manual is primarily intended for MWAN executive and the Finance Team in Rivers State. It describes general financial management policies and procedures, the laid down internal controls, and the accounting procedures that should be followed to maintain accurate records, which thereafter accurately reflects the financial status of MWAN Nigeria operations, while upholding transparency and accountability.

It should be noted that MWAN mainly receives funds from the multiple donor-funded organizations, sourcing funds both locally in-country and internationally. In addition to the general policies and procedures outlined in this manual, agreements with individual donors may include specific provisions, which govern the utilization of their contributions. The Chapter President, Secretary and principal investigator are responsible for ensuring that the organisation complies with all provisions of agreements with its donors. It should further be noted that these provisions might vary between donors, or change from year to year. MWAN maintains the principle of providing reports based on International Accounting Standards, while complying with the statutory requirements of National Governments in Nigeria.

2. POLICY OVERVIEW

These financial policies and procedures are designed to ensure effective management of MWAN's financial resources and accountability and transparency in financial transactions. It is the responsibility of MWAN executives and staff to ensure that all expenses are **reasonable, necessary, allocable and allowable by its donors**. The executive needs to be financially accountable to donors and to beneficiaries. This policy and procedures manual therefore provides for maintenance of permanent records of transactions and approvals together with a system for safeguarding financial resources as the most effective and acceptable way of demonstrating financial accountability.

A system of internal controls has been included to ensure that proper accounting records are maintained, assets are properly safeguarded and management policies are followed. Effective internal controls also facilitate management of operations and utilization of financial resources to effectively meet programmatic objectives.

The Board, along with MWAN Management and major donors, are responsible for periodic review of these policies and approval of any changes.

3. FINANCIAL SYSTEM

3.1 Currency

MWAN shall transact and maintain its records in the local currency of Nigeria which is the naira. However, MWAN can keep and maintain multiple currency accounts in line with the laws of the Federal Republic of Nigeria, and as required by its donors within project-specific contexts. Where multiple currencies are operated, separate books shall be kept for each currency, and a consolidated account produced at the end of the year in local currency.

3.2 Fiscal Year

The fiscal year of MWAN shall run from 1 January – 31 December.

3.3 Budgets

The project management team shall present an annual budget to the executive for review and approval not later than **the 30th of March of each year**. Agreements with major donors will provide the framework for the annual work plan and budget and will usually specify the process for requesting any changes. All expenses made by the organisation shall be in line with approved budgets, and all extra budgetary this expenses shall require the special approval of the President, within the approval limits defined by the Board. **Where such expenditure exceeds the approval limit of the President, the approval of the CEO shall be sought. For any single extra-budgetary expenditure beyond 10% of the annual budget, the advice of the Board finance and audit committee shall be sought and approval of the Board obtained.**

The Finance and Administration department shall put in place sufficient budget tracking systems including preparation of monthly and quarterly budgets to ensure that expenses remain within approved monthly and annual budgets.

3.3 Bank Accounts

MWAN shall maintain a maximum of 5 types of bank accounts for its operations with reputable banks. These shall include:

(a) **“Project Accounts”** held in any international banks or a local banks of reputable international standing - for foreign donations received from donors for specific projects. Project accounts could be in local or foreign currencies, depending on donor regulations for funding.

(b) **“Salary Accounts”** held at any reputable local banks in which staff salaries from all projects will be pooled and paid centrally for ease of payroll management and issuance of standing orders. Payments of taxes, fringe benefits/allowances and other statutory deductions including pension and insurance premiums shall be paid from the salary accounts accordingly as at when due.

(c) **“Operations Accounts”** in any reputable banks in which all project and non-project funds intended for operational purposes including sundry receipts from sales of goods or services including staff remittances from sponsored activities and workshops will be deposited. These accounts shall fund the day to day running of the offices as well as vehicle, equipment and building maintenance. At the field

level, where MWAN maintains field offices, each office shall maintain its own “float/operations accounts” separate from “project accounts” into which its floats will be uploaded from Head Office.

(d) “**Reserve Accounts**” in any reputable banks in which major non-project funds, endowment funds, special/long-term project funds, dividends from shares and other investments or proceeds from sales of assets are deposited. Funds in the Reserve Accounts shall only be withdrawn with the approval of the Board, and for special development projects, acquisition of landed or other fixed assets or any other approved purposes including project cost shares, or buffering of threats of financial bankruptcy. Funds in these accounts shall be fixed or invested and earnings thereof retained or reinvested.

(e) “**Special Projects Accounts**” in any reputable banks in which all project management fees and consultancy income shall be deposited. These accounts shall support major non-routine operational/institutional development costs such as staff development/training, fundraising, purchase of office equipment and motor vehicles not included in donor budgets, contributions to project cost shares, contributions to any special projects of the Regional Office, and funding of staff retreats, board meetings, strategic planning workshops and any emergency expenses, deficits or costs not foreseen or accommodated in the annual budget. Utilisation of Funds in this “special projects account” shall be with the written approval of the CEO.

3.4 Signatories of Bank Accounts

All cheques and/or bank instructions are co-signed by a minimum of **two signatories out of three signatories**. One is the President of MWAN and another is either the Secretary or where not possible, the Financial Secretary. Each bank account shall have at least three signatories at least one of who would be a Board member.

Where any of the two designated staff signatories are unavailable, the Board member shall co-sign. For purposes of internal control, cheques shall only be signed as at when they are to be paid, and after they have been duly written out in full details. No unwritten cheques (without dates, beneficiaries and amounts duly completed in full) shall be signed and kept in anticipation (for future use), whatever the reason.

3.5 Cash in Hand

The Finance Officer or Assistant Secretary shall hold the petty cash fund in local currency for small payments and purchases in an **imprest account of N50,000.00k and below in local currency. Payments out of petty cash shall not exceed N20,000.00k in local currency for any one transaction. The imprest account will be reimbursed as needed upon reconciliation of previous disbursement and presentation of paid petty cash vouchers. In principle, purchases and payments above N20,000.00** will normally be **made through cheque payments**, but local conditions of operation may necessitate that larger disbursements over the set limit are paid in cash. This must be with the approval of the President. However, larger cash float amounts may be kept periodically to meet workshop expenses.

3.6 Cash Advances

Official cash advances are made to staff, particularly to cover expenses to be incurred outside the office, e.g. during field work or workshops. Any advance to staff is recorded as an imprest credited to

the staff's account, and should be adjusted upon submission of bills with relevant vouchers to the Finance and Admin/Accounts Department. Personnel are required to settle their accounts immediately upon return to the office. ***Subsequently, personnel cannot receive a new imprest if the previous one is not retired.***

Official advances are extended to staff for:

i. Travel Advances

ii. Workshops/ Training Advances

iii. Payment of Consultants/Volunteers, service providers or suppliers who don't have bank accounts or lack relevant bank identification documents.

MWAN reserves the right to deduct unjustified or unretired cash advances from a staff member's salary at the end of each month.

4. DOCUMENTATION OF TRANSACTIONS

MWAN takes financial documentation processes seriously, as they form the basis for accountability and financial probity. Documentation of transactions shall include the following processes:

4.1 Request & Payment Vouchers

Vouchers are used to record all financial transactions of the organization.

MWAN uses three types of payment vouchers:

- a) Journal Vouchers
- b) Receipt/Credit Vouchers i.e.
- c) Debit/Payment Vouchers

Each type of voucher is numbered sequentially, and it is preferable that these vouchers be pre-printed. Supporting documentation for each transaction must be attached to the voucher. Once a voucher is approved, the transaction is recorded in the accounting system. Vouchers must be filed in numerical order.

a) Journal Vouchers

This involves the recording of transfers between accounts, which do not involve the receipt or disbursement of funds, such as the depreciation of fixed assets or the correction of an erroneous entry into the accounting system. Other entries to be passed through **Journal Vouchers** are all rectification transfers, adjustments and non-cash transactions.

b) Receipt/Credit Vouchers

Funds received from donors are deposited into a "Project Account" designated for that project. A receipt voucher is prepared indicating the source of funds and account to which the funds have been deposited. The full amount of the fund should be recorded as a receipt. Any arising bank charge/commission is recorded separately as expenditure.

c) Debit/Payment Vouchers

All requests for payment need to be supported with evidence of prior approval of the expenditure before funds can be disbursed. Such is documented in an approved Debit Payment including:

- i. **Payment voucher** – for non-staff advance payments especially to third parties including consultants, suppliers and other service providers.
- ii. **Staff Travel Advance Request/Payment Voucher** – to be completed prior to staff travel and reviewed/approved before payments are made using the Staff Travel Advance Payment Voucher.
- iii. **Staff Advance Request Voucher:** This is used for making requisition to implement project activities, and should always be accompanied by activity concept note and budget.

4.2 Salary Payments

Salary payments are approved upon signing of an employment contract or notice of change in salary. Details of processing Salary payments are explained in section 4.8 under “Payroll”.

4.3 Payment of Routine Office Expenses

In the case of routine office expenses such as utility or phone charges, this approval is implicit from the time the service is initiated; approval of invoices therefore recognizes that the services already rendered. The control of such expenditure should lie with the Secretary or whoever heads the Department. All other disbursements must be approved in advance. Once payments are made, vouchers should be duly stamped **[PAID]** to clearly reflect status and thereby avoid any possibilities of double payments.

Routine Expenses shall include:

- *General operating expenses such as utility bills, communication.*
- *Utility bills shall be paid in designated bank accounts and receipts obtained.*
- *Payments of telephone bills shall be made directly to service providers and receipts obtained or made into the bank and tellers filed.*
- *MWAN presently has phone services from local in-country private fixed & mobile phone companies.*
- *Routine maintenance and equipment repairs*

4.4 General Office Supplies

The Secretary and Assistant Secretary are responsible for ensuring there is a reasonable amount of basic office supplies available at all times. The Assistant Secretary shall review the stock of supplies at least monthly and prepare a Purchase Request to replenish any item that has been depleted and submit to the Secretary for procurement. These shall be purchased and delivered by service providers and items received and payments processed by the Operations and Logistics Unit. MWAN purchases the general office supplies on monthly basis. The Purchase Request is reviewed by the Financial Secretary and approved by the President prior to making the purchase.

4.5 Other Materials and Supplies

Supplies for training workshops are requested by the responsible programme Officer, by submitting a Purchase Request to the Assistant Secretary.

Once the President has approved the Purchase Request, the Secretary with the assistance of the Assistant Secretary, will procure the requested supplies.

Staff needing other supplies, which are not kept in regular supply, should also complete a Purchase Request Form. This should include clear specifications on the desired item as well as an estimate of cost, if known. If a reasonable estimate of price cannot be provided, the Operations Secretary will check the availability and cost of the desired item and also check the budget allocation before the Purchase Request can be completed and processed. Once availability and cost has been determined and budget allocation is confirmed as available, the request shall be submitted to the President for approval.

4.6 Special Services

MWAN sometimes needs to procure special services such as internet browsing, photocopying, typing, printing or transportation/car hire, etc.

Agreement to procure these services needs to be documented in a Local Consultant Contract (for services procured from individuals) or other service agreement (for services procured from other organizations). Such agreements should be approved and signed by the President.

4.7 Major Purchases

Senior management are responsible for ensuring that all major purchases and installations are provided for in the annual budget, and are clearly needed to support the activities and operations of MWAN.

Purchases over N100,000 shall require quotations from at least three sources prior to procurement. If it is not possible to obtain three quotations, this must be clearly noted in the documentation for the purchase. Very large purchases with donor funds will require prior donor approval. For further details on procurement of major purchases, refer to the MWAN Procurement Policy.

4.8 Payroll

Salaries are paid between 25th and 28th of the month.

An attendance register or timesheets for members of staff shall be the basis for preparation of salaries. When new personnel are hired, a copy of the new employee's contract should be attached to the voucher of their first month's salary payment. Recruitment for new staff position is based upon the availability of donor funding. Details of the internal control governing recruitment are explained in the Personnel Policies & Procedures of MWAN Rivers.

MWAN deducts the statutory income tax at sources from employees' monthly salaries. This is deposited into a separate bank account, and timely payments are remitted to the Government Treasury or relevant Tax Authorities via bank payments not later than the 10th of the following month for which deductions are done, or as specified by local tax laws.

Both employer and employees make contributions to the **Pension Fund** on a monthly basis. MWAN deducts contributions from the employees while processing their monthly salaries. These contributions are deposited into a relevant Pension Fund Administrator bank accounts and staff notified.

A payroll schedule is prepared by the Financial Secretary listing all staff, their respective bank account numbers, current salary, allowances, Pension fund contribution, National Health Insurance Fund and Income Tax (PAYE) deductions.

This schedule is reviewed by the Treasurer and approved by the President. The Secretary prepares salary transfer documents, which are duly signed by the signatories of the bank account. The approved salary transfer advice is submitted to MWAN’s bankers holding the “**Salary Account**” from which the net salaries are debited and transferred to individual personnel bank accounts.

The Finance Department prepares payslips for each staff member. All Staff are required to sign triplicate copy of payslip for their own records and for the organisation’s records. One Copy of payslip shall be filed in staff file, one copy in Salary Voucher files and other copy retained for internal audit.

All staff shall be notified of payments by their banks as necessary. Payment of Salaries to staff shall be based on verification that staff is not owing any outstanding retirements of advances in his/her staff account, and upon effective completion and submission of duly signed monthly timesheets and reports.

4.9 Payment of Advances

Requests for travel advances and workshop/training related advances must be authorized by the Secretary and approved by the President on the Travel Advance Request and Staff Advance Request Vouchers.

Approval of other advances are requested and approved on the payment request vouchers.

5. AUTHORIZATION SCHEDULE

To safeguard the interest of the organisation, MWAN has to ensure adequate control over the financial transactions with an efficient and effective internal control system. Therefore, the internal control system will be organised in such a way that the work of one person is automatically checked by another officer (immediate senior) and thus ensuring that the possibility of irregularities is minimised.

The below table shows the authorisation schedule for various transactions:

| Transactions | Proposed by | Reviewed by | Authorized by |
|---------------------------|-------------------------------------|----------------------------------|----------------------|
| Payroll | Financial Secretary | Treasurer | President |
| Local Consultants | State Coordinator/Project Secretary | Treasurer | President |
| Asset- less than N200,000 | Concerned staff | Treasurer/Financial Secretary | President |
| Asset- more than N200,000 | Financial Secretary | Procurement Committee/ President | Donor |
| Running costs | Assistant Secretary | Secretary | President |

| | | | |
|---|-------------------------------------|---------------------|---------------------------------|
| Program activity costs | State Coordinator/Project Secretary | Secretary | President |
| Workshops/ training costs | State Coordinator/Project Secretary | Secretary | President |
| Travel (Local travel) | Concerned staff | Financial Secretary | President |
| Travel (International travel) | Concerned staff | Financial Secretary | President /donor |
| NGO Beneficiaries expenses and remittance | State Coordinator/Project Secretary | Financial Secretary | President |
| Remittances | Financial Secretary | President | Donor |
| Audit- external | Financial Secretary | President | Board Finance & Audit Committee |
| Audit-internal & Programme evaluation | State Coordinator/Project Secretary | President | Donor |
| Fund Raising & Proposal Writing | State Secretary | President | Donor |

6. PROCESSING OF PAYMENTS

Disbursements are generally made upon presentation of invoices. Finance Staff prepare a **payment voucher** and attach the relevant supporting documentation for review and approval of the payment by the President. Appropriate supporting documentation and responsibilities for review and approval of the voucher for various types of payments are as follows:

| Type of Payment | Supporting Documentation | Review of Voucher and Documentation |
|-------------------------------|---|--|
| Routine Payments | <ul style="list-style-type: none"> Service provider's invoice | Check to make sure the amount is reasonable compared with prior months, and that previous payments made are correctly reflected on the bill. |
| Materials and Supplies | <ul style="list-style-type: none"> Approved Purchase Request Vendor's invoice or cash receipt | Make sure that all items were properly approved prior to purchase. |
| Special Services | <ul style="list-style-type: none"> Signed Contract or Approved Purchase Request Service provider's invoice Verification of receipt of services | Make sure that all items were properly approved in advance. |

| | | |
|---|---|---|
| Major Purchases | <ul style="list-style-type: none"> • Approved Purchase Request Quotations from three suppliers • Verification of budget provisions • Verification of receipt of goods | Make sure that all items were properly approved in advance. If it has not been possible to obtain three quotes, the reason must be clearly explained. |
| Payroll | <ul style="list-style-type: none"> • Approved Payroll Schedule • Copies of contracts for any new staff | Make sure salaries are consistent with the employment contracts and reflect any salary adjustments that have been approved. |
| Travel Advances | <ul style="list-style-type: none"> • Approved Travel Form | Check to ensure that calculations for accommodations, per diem and other expenses are consistent with MWAN policies and that the numbers add up correctly. |
| Reimbursement of Travel Expenses | <ul style="list-style-type: none"> • Hotel receipts • Receipts for local transportation and other miscellaneous expenses | Check that calculations for accommodations, per diem and other expenses are reasonable and consistent with MWAN policies and that the numbers add up correctly. |
| Payments to other NGO/CBO Partners | <ul style="list-style-type: none"> • Signed Partnership Agreement • NGO/CBO Financial Report for the previous reporting period (or the final report for a previous grant, if it is a renewed grant) • Reviewed and Approved the Quarterly Remittance Request | Make sure request is consistent with the budget and planned activities for the next quarterly period. |
| All Expenses | | Make sure allocations to activities and funding source are correct |

6.1 Allocation of Expenses

Each expense is assigned to an expense account, activity code (program activity) and donor. Individual payments will frequently involve more than one funding source and/or activity. It is the responsibility of the individual initiating a payment request to ensure that the activity is clearly identified.

Any type of advance made, no matter how temporary in nature, should be assigned to an advance account. When returns on an advance are made, the “accounts payable” account should be adjusted accordingly, and the resulting expenses be appropriately allocated to an account code, activity code and donor.

The staff member initiating the payment request signs the appropriate space on the relevant voucher forms. The Financial Secretary then reviews the voucher. The President, designated deputy or delegated representative must approve all payments prior to disbursement.

7. TRAVEL EXPENSES

All people engaged on MWAN business and entitled to claim expenses are included in this policy. This includes MWAN board members and staff, volunteers and local consultants.

7.1 Travel Authorisation/Approval:

Domestic travel is generally for technical support to partners or workshops in the field in accordance with annual and quarterly work plans and budgets.

All travel must be approved by the President and Finance and Administration Secretary on the Travel Authorisation and Travel Advance Request Voucher. All travel expenses must be agreed on beforehand with the immediate supervisor.

7.2 Travel Arrangements:

If a MWAN vehicle is to be used for travel to the field, use of the vehicle will be scheduled during programme planning meetings. Travel by other than normal public transport (i.e. by air, taxi, car hire etc.), must be approved beforehand by the President or immediate supervisor.

If arrangements need to be made for use of other vehicles, a request should be submitted to the Administrative Assistant to identify potential rental vehicles and negotiate rental terms following standard procurement policies.

If airline tickets need to be purchased, a Purchase Request should be completed specifying the names of traveller(s), destination(s) and dates of travel. The Administrative Assistant in collaboration with the State

Secretary will arrange for purchase of air tickets at the safest and lowest available fare.

7.3 Accommodations and Per Diem:

The per diem allowance is N5,000 per day. Where only a part of a day is included, this per diem is paid pro-rata at N1000 for Breakfast, N2000 for

Lunch and N2,000 for Dinner a day. Likewise, if lunch is provided as part of a workshop or training event, a proportionate amount will be deducted from the per diem. These rates shall also apply to Regional staff on official assignments in Nigeria throughout their stay.

Accommodation will be reimbursed on production of receipts up to a maximum of N7,000 or equivalence per night. It is expected that people will share rooms whenever possible. On occasions when MWAN staff anticipate a heavier preparation or reporting workload than is normal for technical support visits or workshops and with approval from the Executive Director, an extra room may be provided for their use.

7.4 Travel Advances:

In some cases, and with the agreement of the Finance Secretary, an advance will be given to cover anticipated expenses. Otherwise the expense is paid by the individual, and later reimbursed by MWAN on production of receipts. Travel advances may be requested based on the number of days the traveller is expected to be away and estimates of expenses for accommodations and other miscellaneous costs.

7.5 Travel Expense Reports & Retirements:

Travel expense reports are submitted and any advances settled within one week after returning to the office. New travel advances cannot be issued to the same staff member until all previous advances have been retired and settled.

Where staff travels by road or rail for monitoring of field activities or project supervision, or for any other official purpose chargeable to MWAN, transportation shall be reimbursed upon provision of car hire receipts, public transport ticket or calculated at N15/km, whichever is the lower cost. When retiring staff travel expenses, staff must submit all relevant receipts of expenses and supporting documents including visa fees, transportation fares, communications, accommodation and duly signed Per Diem forms.

Air travels shall be advanced or reimbursed at prevailing economy class rates.

8. BOOKKEEPING & ACCOUNTING SYSTEMS

MWAN shall maintain its books of accounts manually and electronically.

However, with increasing efforts by management to institutionalize the organisation and in view of the growing need for improved professionalism in our work, the Admin & Finance team shall make efforts at moving towards the utilization of Excel spread sheets and a computerized accounting system. A schedule of financial books

8.1 Why accounts are produced

There are several compelling reasons to produce accounts, including:

- i. **For project management:** To know how much money has been spent, on what, and when;
- ii. **The law requires it:** all non-profits are required by law, by government and by the public to produce accounts detailing their income and expenditure for accountability purposes;
- iii. **Donors require it:** donors wish to see how their money has been spent;
- iv. **For control purposes:** to check that money is not going missing;
- v. **For budget monitoring and planning:** to compare actual expenditure against the budget, so that Financial Secretary can be sure that there are funds to complete all project activities.

8.2 Maintenance of Cashbook

The cashbook is the most important single accounting book. It sets down the basic information used to build up a complete set of accounts.

The following details must be entered in the cashbook for each transaction:

- ☐ *The Date,*
- ☐ *The Description,*
- ☐ *The Reference Number (See Later), and*
- ☐ *The Amount.*

The 'balance carried forward' should always be the same as the amount of money in the safe at the end of the month. If it does not, then either a payment or a receipt has been made but not recorded in the cashbook, or money has been taken or added to the safe. The cashbook must be updated weekly and reconciled with the bank statements monthly.

8.3 Maintenance of Bankbook

The Finance and Admin Department shall keep a separate accounting book – the bankbook to record the details of each bank transaction. The ‘bankbook’ has almost exactly the same format as the cashbook. The only difference is an extra column used to record the cheque numbers of all payments made. In fact, the term cashbook is used loosely. It can refer to a book detailing either cash transactions or bank transactions. The term ‘bankbook’ is used here to distinguish it from the cashbook.

Separate bankbooks shall be maintained for different bank Accounts, and a consolidated account produced at the end of the month.

8.4 Bank Statements

A bank statement is a list of transactions produced by a bank, showing all the payments and receipts on an account over a period of time, and the amount held at the end of that period.

Bank statements must be requested and collected for all MWAN bank accounts on a monthly basis, not later than the 5th of the following month. This is to enable the Accounts unit prepare timely reconciliations and statement of accounts for the month.

8.5 Bank and Cash Reconciliation

The cash reconciliation confirms that all the cash transactions were properly recorded in the cashbook. A similar check should be carried out for the various bank accounts. Instead of comparing the balance in the cashbook to the amount of cash in the safe, the balance in the bankbook is compared (reconciled) to the balance on the bank statement. This is known as a ‘bank reconciliation’.

a) Petty Cash Reconciliation

Cash controls should be made periodically (at least before the petty cash float is replenished) and a cash reconciliation undertaken monthly. Any abnormalities must be reported immediately.

b) Bank Reconciliation

MWAN maintains various bank accounts. The bank reconciliation should be prepared monthly upon receipt of the bank statements.

The balance in the bankbook may not be the same as the amount on the statement, even if transactions have been properly recorded. There will probably be a number of timing differences. For example, a cheque payment made in the last couple of days of the month will be recorded in the bankbook. But the cheque may not have been presented to the bank and processed by the bank. So it might not appear on the bank statement.

Similarly, money paid into the bank during the last few days of the month may not appear on that month’s statement. There may also be some transactions on the bank statement that have not been recorded in the accounts. A common example is bank charges, which are deducted directly from the bank account.

So, it is necessary to check whether each transaction appears on the bank statement and in the bankbook. This can be done by ticking transactions off the statement, and seeing if they appear in the bankbook, and then by ticking transactions off the bankbook and seeing if they appear on the statement. It should then be possible, using transactions which are only recorded in one place, to

reconcile the balance in the bankbook to the balance on the statement. This is called a Bank Reconciliation. A voucher shall be prepared for any miscellaneous bank charges and recorded in the Ledger/accounting system. Any differences between the balance shown on the bank statement and the bank book balance must be explained.

8.6 Multiple currencies

As explained earlier, separate books must be used to record cash and bank transactions. Separate books must also be used for each currency that is used.

This allows the organisation to keep track of the balance of each fund of money that is being used.

8.7 Payment Vouchers (reference numbers)

In a cashbook, each transaction is given a reference number. For payments, this is done using payment vouchers. Every payment should be documented on a separate payment voucher. This voucher must state: its own unique number (they should be numbered sequentially), the date of the payment, the payee (the person receiving the payment), a description, the amount of the payment and the accounts code.

A payment voucher should be prepared before the payment is made. Though the payment voucher can also be used to authorise payments, the better practice is to use separate Payment Request voucher/authorisation forms for this.

The basic purpose of payment vouchers is to assign a unique number to each payment. This number is the label that finance staff use to track the payment through the accounting system. It is often necessary to do this, especially when problems crop up.

Where no numbered printed payment vouchers are available, then the accounting staff responsible should assign each payment a unique numbering system to enable it fulfil its basic function.

Payment vouchers should be produced in duplicates. The first copy should be filed in the accounts records, and the second copy should be left in the payment vouchers book. This means that there is an extra record of all payments made in the vouchers book, along with the record in the cashbook.

Every payment must also be supported by a receipt, and an invoice where available. The receipt is the proof that payment really happened, and that the goods or services were really bought. The invoice describes the goods or services that were actually received. When there is no invoice, the goods or services received should be described on the receipt. Receipts should be filed, as described below.

8.8 Receipt Vouchers

Any income received should be documented on a receipt voucher. This must state: its own unique number (numbered sequentially), the date of the receipt, the payer (the person giving the money), a description, the amount and the accounts code.

Receipt vouchers should be produced in triplicate. The payer should be given one copy, signed by the person who received the money. This is their proof that the money has gone to your specific organisation. The second copy should be left in the receipt vouchers book, and the third should be filed in the accounts records.

Books of receipt vouchers should be stored in a secure place. Otherwise, anybody could use them, apparently receiving money in the organisation's name.

8.9 Supporting Documents

All transactions must be recorded in cashbooks or bankbooks (as described above). However, each transaction must also have supporting documents filed for it, as well. Supporting documents include receipts, payment vouchers and authorisation forms. These files of supporting documents are a crucial part of any set of accounts.

There should be a separate file of documents for every month, with dividers in it for each different currency (and for cash as opposed to bank accounts). The documents filed for each transaction should include: authorisation (which could be on the payment voucher), the payment voucher, and receipts or invoices, all stapled together. The documents should be filed in order of payment voucher.

It should be easy to find the supporting documents in the files for any entry in a cashbook or bankbook. So, any accounts office is likely to have monthly files of supporting documents along its book shelves.

8.10 Producing Accounts

Section 4 described how transactions are documented. This is the basis of book-keeping, and one of the most important parts of any accounting system.

However, on their own cash and bank books only have limited value. They only give details of individual transactions.

They do not provide any overall picture of how much money was spent on what, and where money was received from. To do this, the information contained in the cashbooks must be summarised.

The **Monthly Statement of Account** shows a summary of the receipts and payments made by the office at the end of the month. The information is drawn from both the cashbook and the bankbook, and the income and expenditure is then summarised, using categories. From this, it is easy to see how much has been spent and received. It provides a clear breakdown of how the money was spent, and where it came from. This is useful for Management, and enables it to monitor the overall financial situation.

When transactions are made in a number of currencies, they should all be converted all into one common currency before The Statement of Accounts is produced.

Financial Statements of Accounts should be produced on project by project basis and on a consolidated basis monthly, quarterly and annually.

8.11 Accounts Codes

The categories used to summarise cashbooks are labelled with 'accounts codes'. Any set of categories can be used to summarise a project's income and expenditure. For MWAN, like any other NGO, the expenditure codes are generally the most important ones. They would be set up according to various frameworks e.g. according to project or programme area (for instance, expenditure on Integrated Health, Child Protection, and Sustainable livelihoods), or according to type of expenditure (for instance, Staff Costs,

Operations Cost, and Direct Programme Cost) etc.

So, accounts codes are defined when the budget is written. MWAN Finance and Admin Department should always consider the financial reporting needs of the organisation when setting up accounts codes. The codes should define what information will be produced, and consider its usefulness to the organisation and its donors.

It is important that every transaction recorded in the cash and bank books is properly coded. For this, an extra column is required on the cash and bank books.

8.12 Retention of Documents

All financial records, vouchers and documents, shall be preserved by MWAN for at least ten years before disposal.

8.13 Accounting Records

MWAN shall maintain the following Accounting Records:

a) Cheques and associated records

1. *Cheque books/butts for all accounts*
2. *Cancelled cheques*
3. *Dishonoured cheques/dishonoured cheques register*
4. *Paid cheques/presented cheques;*
5. *Stoppage of cheque payment notices*
6. *Record of cheques opened books*
7. *Cheque registers*
8. *Record of cheques drawn for payment*

b) Bank deposits

9. *Bank deposit books/slips/butts*
10. *Bank deposit summary sheets, summaries of daily banking, cheque schedules*
11. *Register of cheques lodged for collection*

c) Bank re-conciliations

12. *Reconciliation files/sheets*
13. *Daily list of paid cheques*
14. *Unpaid cheque records*

d) Bank statements

15. *Bank statements, periodic reconciliations*
16. *Bank certificates of balance*

e) Electronic banking and electronic funds transfer

17. *Cash transactions, payment instructions, deposits and withdrawals*

f) Cash books/sheets

18. *Expenditure sheets*
19. *Cash books/sheets*

g) Petty cash records

20. *Petty cash records/books/sheets*
21. *Petty cash receipts/Vouchers*
22. *Summary (Petit) cash books*

h) Creditors

23. *Creditors history records, lists/reports*

i) Statements

24. *Statements of accounts outstanding, outstanding orders*
25. *Statements of accounts - rendered; statements of accounts - payable*

j) Subsidiary records

26. *Credit note books*
27. *Credit notes*
28. *Debit note books*

k) Vouchers

29. *Vouchers - includes claims for payment, purchase orders, requisitions for goods and services, accounts payable invoices, invoices received, etc.*

30. *Wages/salaries vouchers*

l) Copies of vouchers

31. *Copies of vouchers (not the main accountable copy)*

32. *Copies of wages/salaries vouchers*

m) Voucher registers

33. *Voucher registers/voucher registration & voucher payments cards*

n) Voucher summaries

34. *Voucher summaries*

35. *advice/schedule of vouchers dispatched, delivery advices*

o) General and subsidiary ledgers

36. *General and subsidiary ledgers produced for the purposes of preparing certified financial Statements or published information*

37. *Other ledgers (e.g. contracts, costs, purchases, etc.)*

38. *Creditors ledgers*

p) Related records

39. *Audit sheets - ledger postings*

q) Journals

40. *Journals (prime records for the raising of charges)*

41. *Journals (routine adjustments)*

r) Trial balances & reconciliations

42. *Year-end balances, reconciliations and variations to support ledger balances and published accounts*

s) Books/butts

43. *Receipt butts/books; office copies of receipts; - includes cashiers' cash register, fines and costs, sale of publications and general receipt books/butts/records*

44. *Postal remittance books/records*

45. *Receipt books/records for imposts*

46. *Irregular remittance books*

t) Cash registers

47. *butts/copies of cash register forms*

u) Copies of forms

48. *Cash register reconciliation sheets*

v) Rolls

49. *Cash register audit rolls*

w) Summaries/analysis records

50. *Cash register analysis and summary records*

x) Cashiers' records

51. *Cashiers' handover books*

y) Revenue records

52. *Revenue cash books/sheets/records; receipt cash books/sheets*

z) Debtors records/ invoices

53. *Copies of invoices/debit notes rendered on debtors - includes invoices paid and invoices unpaid and registers of invoices - debtors ledgers*

- 54. *Source documents/records used for raising of invoices/debit notes*
- 55. *Copies of invoices and copies of source documents*
- 56. *Records relating to unrecoverable revenue, debts and overpayments - includes register of debts written off, register of refunds, etc.*

9. FINANCIAL REPORTING

MWAN shall require the production of periodic reports to communicate its financial position and accountability for resources. These shall include internal expense reports, financial reports to donors, and audit reports.

9.1 Internal Expense Reports

The Accounts Officers in the field offices and the Financial Secretary shall prepare **monthly expense reports** by activity and by donor. MWAN management shall review these reports to ensure that expenses have been properly allocated, and to monitor the financial status of the organization.

The Financial Secretary/State Secretary should offer assistance to the management of MWAN in reading and understanding the financial reports, and make recommendations from time to time on better utilization of funds.

Copies of Quarterly Consolidated Expense Reports will be submitted to the Board Finance Committee quarterly for review.

9.2 Financial Reports to Donors

Financial reports are submitted to donors in accordance with the reporting schedule and possibly reporting format defined in the grant agreement document. As MWAN currently receives its funding donors, financial reports are generated as per the donor's reporting formats, and submitted on monthly/quarterly, and yearly basis, as the need arises. (Refer to section 12.2).

9.3 Audit Reports

MWAN is required by law, by donors and by the public to produce and make public its audit reports as demonstration of its accountability. Details of audits and reports thereof are explained in section 10 below.

10. AUDIT

MWAN's By-laws require that the accounts of the organization be audited by an approved firm of accounts auditors duly appointed by the Board and the Audit Reports submitted to the Board and made available to the public.

10.1 External Audit

MWAN has the responsibility to its donor(s) for the proper financial management of all funds received, which can be evidenced by the audit of the annual financial statements. In its constitution, the accounts of MWAN are required to be audited annually by a Chartered Accounts Officers firm duly appointed by the Board and the results circulated to all Board members.

As donors are currently MWAN's major funders, they sometimes contract the audit firm and pays for the audit directly. This may be provided for in the approved Memorandum of Understanding between MWAN and the donor.

The financial audit, which should be carried out in accordance with internationally accepted auditing standards, involves examination of the relevant books and records of MWAN, and preparation of a management letter. The auditor's report and management letter should be signed by the authorized representatives of MWAN and submitted to currently funding donors by the end of the first quarter of the next financial year.

10.2 Management Evaluation

The top management of MWAN, the Board or Programme Management

Committee can call for an internal audit or management evaluation of the organisation.

This will involve the examination and evaluation of MWAN's activities as a service to the organisation, with the objective of assisting MWAN with the effective discharge of its responsibilities. Additionally, it should furnish MWAN and its donors with analysis, appraisals, recommendations, counsel and information concerning activities that have been reviewed. This could precede the organisation's strategic planning process or as a result of other strategic investigations.

11. FUND RAISING

MWAN's funding depends on donation from local and foreign donors, government grants and donation from local people including her staff. MWAN continually shall endeavour to raise additional funds through both national and international fund raising activities, including execution of income-generation and consultancy services.

While fundraising shall be the primary responsibility of the Board, MWAN

Management shall commit to seeking and securing funding through grants writing and other resource mobilisation strategies laid out in the Resource

Mobilisation Plans. Once the annual budget is developed, the organisation must immediately proceed, in an ethical and value driven manner, on resource mobilisation to secure the funding required to resource its budget.

When developing proposals, care must be taken to ensure that costs included in the budget are reasonable, allocable and allowable by donor specifications.

12. DONOR GRANTS MANAGEMENT

Presently, MWAN's primary source of funding is from grants obtained through proposal writing, and few donations from individuals, churches, corporate institutions and consultancies.

12.1 Project Grants Agreements

All donor grants being managed by MWAN must be preceded by a project specific grant agreement with the donor. Signing of Grant agreement is the responsibility of the Principal Investigator and President MWAN.

At a minimum, funding agreement with donors should include the following:

☐ *Purpose of the project*

- ☐ *Amount and time period*
- ☐ *Obligations and Disbursements*
- ☐ *Financial recordkeeping*
- ☐ *Financial reporting requirements*
- ☐ *Programme reporting requirements*
- ☐ *Modifications*
- ☐ *Termination*
- ☐ *Liability*

Grant Agreements also need to include a provision regarding the scope and nature of project requirements. The project proposal, budget and reporting formats should be included as attachments to the agreement.

12.2 Grants Reporting to Donors

Grant reporting to a donor is the responsibility of the Finance Officer responsible for the project. All Donor financial reports must be reviewed by the Financial Secretary. Grant Reporting shall be at the frequency and follow the format prescribed by the donor. In general terms, the grants report should highlight:

- I. Total Amount of Grants*
- II. Duration of Grant*
- III. Grant Reporting Period*
- IV. Amount Received to date*
- V. Amount Spent to date*
- VI. Amount Spent during Reporting Period*
- VII. Balance at hand (unspent)*
- VIII. Amount Outstanding with Donor (not disbursed)*

Grant Reports should be accompanied by original copies of supporting documents including receipts, attendance lists, payment vouchers, etc. Copies of reports and supporting documents should be filed and kept in Accounts Unit for subsequent reference and audit purposes.

Project financial reports must align with programme activities carried out for the reporting period. It is therefore important that the Accounting staff crosschecks and collaborates with programme staff responsible for the project when compiling project financial reports.

Through Memoranda of Understanding (MOU) MWAN makes contracts with the it's donors, and thereafter expends funds within the budget line items not exceeding the maximum virement limits agreed with the donors, which is usually in the range of 10% of the total budget line item. If expenses are forecast to exceed the stated virement limits, MWAN must obtain prior donor approval for budget re-allocation.

For more on donor grants reporting, refer to section 9.2 above.

12.3 Grants Balance to Donors

Grant balance after implementation of project, shall be returned to donor, except otherwise approved for application to other uses by the donor. This should be done during, or as soon after project close-out as possible.

12.4 Programme Management Fees

MWAN desires to build into all grants an institutional sustainability mechanism through the charging of some administrative fees for managing projects from her donors. **MWAN shall therefore include a programme management fee of 15% of total programme activity budget (personnel costs not inclusive) for grants below US \$ 0.5 million, and 10% for grants above US \$0.5 million.**

These fees shall be negotiated with donor prior to signing of grants agreements, and shall be applied to supporting administrative costs of the Head Office. These fees shall be held in the “**Special Projects Account**”, and shall be used to fund staff retreats, strategic planning meetings, and other institutional development costs not specifically borne by donors but which are crucial for the survival and sustainability of the organisation.

15-20% of the total Programme Management Fee collected from all donor grants shall be remitted to support administrative costs.

12.5 Sub-Granting to other Implementing Partners

MWAN may choose to implement a project grant through sub-granting mechanisms to other community-based organisations know as implementing

Partners (IPs). This has to be indicated in the grants application and approved by the donor funding the project in question.

Sub-granting has to be through a transparent bidding and open partnership selection process.

a) Criteria for Implementing Partner (IP) Selection:

i. The following criteria must all be met by NGO/CBO before being selected and grants are made as an IP:

ii. The partner should be a community-based non- governmental and not for profit entity

iii. The partners should have proven capacity to reach highly vulnerable populations will be given a high priority

iv. The IP should be organically and functionally outside the formal government structure.

v. Grants would only be made to organisations and not to individuals

vi. The proposed project should aim to contribute to the achievement of MWAN’s vision and mission

vii. The partner should have financial systems judged adequate by MWAN to manage the grant with minimal technical support

viii. Partners should have organisational capacity judged adequate by MWAN to manage the grant with minimal technical support

MWAN’s donors may stipulate that their funding be used to support partner organisations working with a specific target group (e.g. vulnerable youth, women, children, IDPs, OVCs, refugees, etc.), in a defined geographic area or with a specific programmatic emphasis (e.g. awareness, capacity building, care and support, livelihood support, etc.). These donor priorities will shape the allocation of grant resource and provide guidance for partner’s selection.

b) Financial Support to Sub-grantees

Sub-grantees are the NGOs and CBOs that receive financial and technical support from MWAN. When granting to partners, MWAN records grants as an expense upon disbursement. Advances are recorded as a receivable.

Expenses against grants advances are recorded upon submission and acceptance of an implementing partner's financial report and supporting documentation.

When sub-granting, all funding agreements with partners are on an advance basis. MWAN finance team should assess the financial management capacity of its partners prior to entering into grants agreements to determine the feasibility of providing financial assistance to the partner on a grant basis. This assessment should include a review of internal controls, bookkeeping systems and the financial management capacity of the partner's staff.

c) External Audit of MWAN's Sub-grantees:

It is the policy of MWAN that an annual audit is carried out for each of its grant-receiving partner NGOs/CBOs. The objective of the audit is to provide MWAN with an independent verification of the utilization of funds received from MWAN by its partners.

d) Signing of Grants Agreements with Sub-grantees:

All sub-grantees with whom MWAN intends to partner must be engaged through an agreement or memorandum of understanding which might be as specified by the donor funding MWAN for the main grant. At a minimum, funding agreement with partners should include the following:

- ☐ *Purpose of the project*
- ☐ *Amount and time period*
- ☐ *Obligations and Disbursements*
- ☐ *Financial recordkeeping*
- ☐ *Financial reporting requirements*
- ☐ *Programme reporting requirements*
- ☐ *Modifications*
- ☐ *Termination*
- ☐ *Liability*

e) Signing of Grants Agreements with Sub-grantees:

All partner agreements must be signed in *triplicated* copies by:

I. The Executive Director of the partner organisation.

If someone other than the Executive Director is to sign on behalf of the partner organisation, a written authorisation from the Executive Director must be provided to MWAN.

II. A member of the MWAN Board Committee for Grants.

III. The MWAN President. In the absence of the

President, the State Secretary or Project Secretary may be authorised to sign on behalf of MWAN.

One original copy of the agreement should be given to the partner organisation. The second copy is kept by MWAN for its files. Once a new agreement has been signed by all parties, MWAN's original copy of the agreement, along with the proposal and approved budget should be filed in the partner's file kept in the programme unit. Another copy of the agreement, proposal and budget should be given to the finance unit for its files.

f) Partner Financial Reports

Financial reporting requirements are also defined in the partner agreement. In most cases, partners are required to submit quarterly financial reports on standard calendar quarters (i.e., January to march,

April to June etc.) In some cases, monthly reports will be required in the agreement. Reports are due by the fifth day of the month after the end of a quarter. The agreement will also include formats for financial reporting as an attachment. Partners with new or weak financial systems are also given formats for recording transactions.

Partner financial reports should be reviewed by the responsible project secretary and finance officers. The review by the State Coordinator or Project Secretary should focus on monitoring the implementation of activities as reflected in spending patterns. The finance officer review should focus on the allocation of expenses to budget categories, reasonableness of expenses and accuracy of calculations. Partners receiving funding on an advanced basis must also submit original receipts and vouchers for all expenses. These are also reviewed by the finance officer for completeness and reasonableness.

Partner expenses from advances are entered into MWAN's accounting records on a general journal voucher- recording the expenses and clearing the advance by the amount of the recorded expenses. The general journal voucher should be reviewed by the Programme Secretary and Finance and Administration Secretary, and approved by the President. An advance status report is also prepared which summarises the obligations, disbursements and reported expenses for each partner agreement.

g) Financial Monitoring and Technical Support

Financial monitoring is accomplished primarily through careful review of financial reports from partners. Technical support in financial record keeping and reporting is provided as needed at the MWAN office when the partners submit their financial reports. Should a partner require more extensive assistance with financial management, a visit to the partner's office will be scheduled. Partners that are candidates for funding on a grant will also be visited to assess the adequacy of their internal controls and record keeping system. When providing partner supportive supervision, the finance staff should pay attention to the operational effectiveness of the following internal control systems of the partner:

- *Are all disbursements, except those from petty cash, made by pre-numbered cheques?*
- *Are voided cheques preserved and filed after appropriate mutilation?*
- *Is there a written prohibition against drawing cheques payable to cash?*
- *Is there a written prohibition against signing cheques in advance?*
- *Is a cash disbursement voucher prepared for each invoice or request for reimbursement that details the date of cheque, cheque number, payee, amount of cheque, description of expense account (and restricted fund) to be charged, authorization signature, and accompanying receipts?*
- *Are all expenditures approved in advance by authorized persons?*
- *Does the cheque signer review the cash disbursement voucher for the proper approved authorization and supporting documentation of expenses?*
- *Are invoices marked Paid with the date and amount of the cheque?*
- *Are requests for reimbursement and other invoices checked for mathematical accuracy and reasonableness before approval?*

- *Is a cash disbursement journal prepared monthly that details the date of cheque, cheque number, name of payee, amount of cheque and columnar description of expense account (and restricted fund) to be charged?*
- *Is cheque-signing authority vested in persons at appropriately high levels in the organization?*
- *Are the number of authorized signatures limited to the minimum practical number?*
- *Do larger checks require two signatures?*
- *Are bank statements and cancelled cheques received and reconciled by a person independent of the authorization and cheque signing function?*
- *Are unpaid invoices maintained in an unpaid invoice file?*
- *Is a list of unpaid invoices regularly prepared and periodically reviewed?*
- *Are invoices from unfamiliar or unusual vendors reviewed and approved for payment by authorized personnel who are independent of the invoice processing function?*
- *If the organization keeps an accounts payable register, are payments promptly recorded in the register to avoid double payment?*
- *If purchase orders are used, are all purchase transactions used with pre-numbered purchase orders?*
- *Are advance payments to vendors and/or employees recorded as receivables and controlled in a manner which assures that they will be offset against invoices or expense vouchers?*
- *Are employees required to submit expense reports for all travel related expenses on a timely basis?*

h) Partner Audits.

It is the policy of MWAN that an annual audit is carried out for each of its grant-receiving partner NGOs/CBOs. The objective of the audit is to provide MWAN with an independent verification of the utilization of funds received from MWAN by its partners.

MWAN should ensure that partner projects are audited once a year, with emphasis on the project funds granted by MWAN. MWAN should ensure cost of such audits are borne by the project budget.

13. ASSETS & LIABILITY ACCOUNTS

All fixed assets must be registered in the fixed assets register immediately after purchase. Depreciation will be calculated on the fixed assets, on the straight line method.

13.1 Fixed Assets Accounts

All fixed assets must be registered in the fixed assets register immediately after purchase.

a) Depreciation of Assets: Depreciation will be calculated on the fixed assets, on the straight-line, reducing Balance or revaluation basis or combination of these methods.

- *Furniture & fixtures 20% depreciation per year*
- *Machines/ Equipment 25% depreciation per year*
- *Motor Vehicles 20% depreciation per year*
- *Landed Assets/Building by Revaluation method 1*

Assets purchase within the first six-months of the year, will receive full depreciation for that year, while those purchased within the last six months will half the percentage depreciation.

On the other hand, the policy of most donors is that fixed assets are fully expensed at the time of purchase. This therefore calls for corresponding entries in the liability side of the Balance Sheet. On purchase of a fixed asset from donor funds, the donor Fund Balance should be debited and the Fixed Assets Reserve credited. This is to show that for fixed assets, MWAN will no longer be liable to the donor through the Donor Fund Balance, but instead will have created a reserve that MWAN will manage.

b) Prepaid expenses: These are expenses that have been paid for in advance (such as office rent), and the period for which they have been paid might not have expired at the date of generating the balance sheet. They are therefore recorded as assets in the assets account until fully expended.

13.2. Liability Accounts

MWAN shall maintain a number of liability accounts including:

a) **Staff Salary Arrears:** Where the books are being balanced and staff are being owed salaries for the reporting period, such arrears shall be considered liabilities and hence reflected in the liability account.

b) **Donor Fund Balance:** Adjusting the year's expenditures with remittances received from donors arrives at the Donor Fund Balance. This is also generated on a quarterly basis during submissions of quarterly financial reports. Various donors will provide funds differently – usually in advance.

c) Quarterly transfers of funds from the donors are based on estimates generated by MWAN on forecasts for the next quarter. Adequate consideration should be made to cover the period during which reports are generated by MWAN, thereafter reviewed, approved, and subsequently additional funds remitted by the donors.

d) At the end of a project, all unused donor funds shall be held in a liability account until such funds are remitted and liquidated.

e) **Accruals:** At the date of generating the balance sheet, if there are any unpaid bills or commitments for the period that are not yet paid, these are to be reflected as accruals.

f) **Provisions to NGO/CBO Partners:** This is the amount, which is due to the implementing partners or project communities during the year but is not yet paid at the date of generating the balance sheet. This is reported as a liability and entered into the liability account.

14. FIXED ASSETS MANAGEMENT SYSTEM

The purpose of this section is to enable Finance and Admin staff to give adequate attention to maintaining a positive identification system for

MWAN-owned assets and to ensure that all MWAN fixed assets and controlled items are assigned asset numbers and are issued a fixed asset tag for identification and accountability purposes.

A fixed asset, in this manual, shall mean any physical item with a useful life greater than one (year) reporting period, and which exceeds MWAN's minimum capitalization limit as may be determined from time to time by

Management. An inventory item cannot be considered a fixed asset, since it is purchased with the intent of either reselling it directly or incorporating it into a product that is then sold.

The following general categories of fixed assets shall be recognised in MWAN's Accounting System:

- Buildings (BD)
- Computer/ICT Equipment (CP)

- Computer Software (CS)
- Furniture and Fixtures (FF)
- Landed Assets (LA)
- Machinery (MC)
- Vehicles
- Electronic/Electrical Equipment (EE)
- Other fixed assets

Fixed assets shall be initially recorded as assets, and are then subject to the following general types of accounting transactions:

- i. Periodic depreciation (for tangible assets) or amortization (for intangible assets)*
- ii. Impairment write-downs or depreciation (if the value of an asset declines below its net book value)*
- iii. Disposition (once assets are disposed of)*

A fixed asset shall appear in the financial records at its net book value, which is its original cost, minus accumulated depreciation, minus any impairment charges. All of MWAN's fixed assets shall be acquired in line with the provisions of the procurement POLICY

An efficient assets management system is important for the following reasons:

1. Prolonging asset life and aiding in rehabilitate/repair/replacement decisions through efficient and focused operations and maintenance.
2. Meeting consumer demands with a focus on system sustainability
3. Setting rates based on sound operational and financial planning
4. Budgeting focused on activities critical to sustained performance
5. Meeting service expectations and regulatory requirements
6. Improving response to emergencies
7. Improving security and safety of assets

14.1 Managing the Fixed Assets Register

Asset registers are listings of information relating to various aspects of an asset portfolio, in a form that allows data to be cross-referenced and retrieved as required. Assets should be recorded if they have a service potential and/or the capacity to provide economic benefits used in delivering MWAN services. An asset register may be computer, card file or paper based and contain data relating to one or more asset categories including:

- i. Service delivery functions*
- ii. Physical properties*
- iii. Technical data*
- iv. Financial information*
- v. Property title details*
- vi. Key operational data*
- vii. Maintenance data*
- viii. Performance records*

Key elements to consider when registering assets include:

- 1) **Expected life:** The expected life of an asset is a function of utility, life costs and technical or social obsolescence.

2) **Materiality:** Materiality is a lower limit on cost below which items should be expensed. The limit on individual items will usually be set by Management

3) **Economic Life:** The economic life of an asset should exceed twelve (12) months to warrant inclusion in the register and to attract depreciation. The Management of Assets Registers shall be by the **Unified Composite Model**, whereby all Assets of the organisation will be managed centrally.

For audit purposes, it is important that a strict record is maintained on the Fixed Assets Registration (FAR) forms. Completion of the FAR form will involve the following:

1. Asset Requisition Number
2. Cost Centre Code
3. State Office
4. Asset Classification
5. Fixed/Moveable
6. Asset Description
7. Asset Location (Room Number)
8. Owner (member of staff who actually uses the equipment)
9. Original Cost/Monetary Value
10. Donor or Project to which asset is assigned
11. Any other relevant information.

SAMPLE FORMAT OF ASSETS REGISTER

| SAMPLE FORMAT OF ASSETS REGISTER | | | | | | | | | |
|----------------------------------|-------------|------------------|---------------|----------------|---------------|----------------------|--------------------|------------------------|-----------------------------|
| Asset Number | Description | Current location | Purchase Date | Purchase Price | Accounts Code | Accounts Ref (PV no) | Date last verified | Current Net Book Value | Notes/ functional condition |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

The MWAN fixed Assets Register shall be updated annually, with net book values of various assets ascertained and recorded. Other accompanying records to the Fixed Assets Register will include Assets Movement Register, Borrowers' Register, Assets Sales or Disposal Register and any other relevant records.

14.2 Responsibilities for Maintenance of Assets Registry & Records

The Finance and Admin Departments will be responsible for assigning, recording, and affixing tag numbers for all fixed assets including vehicles.

Asset tags will also be assigned to those items determined to be controlled items, as defined in subsequent sections on Asset Valuation. The State Secretary or her designate will determine which assets will be considered controlled or high-pilferage items within the organisation.

The Finance and Admin Department must maintain appropriate records of all non-current assets of MWAN to ensure they are:

- *Efficiently and effectively used to support service delivery*
- *Properly managed throughout their life cycle*
- *Responsibly accounted for on her balance sheets and allowance made for their depreciation*
- *Ensure Fixed Asset Registration forms are completed for all assets with purchase cost greater than capitalisation limit set by MWAN management*
- *Tag all assets with the Fixed Asset Registration form numbering*
- *Maintain the Fixed Asset Registration system for movement of assets– room location, owner, obsolete etc.*
- *Carry out an annual physical inspection of assets and assist in random physical inspection of assets (this will be biannually on a selective basis)*
- *Maintain Log Book for borrowed assets*
- *Ensure asset disposal procedures are followed*
- *Record asset transfer forms*
- *Ensure any removal of equipment by staff follow due process and appropriate procedure*

14.3 Assignment of Fixed Asset Numbers

All fixed assets and controlled items will be assigned an asset number at the time of receipt. This serves as the record number for the asset in the MWAN Fixed Asset Management System (FAMS).

14.4 Assignment of Tag Numbers

All qualified fixed assets and controlled items will be tagged and assigned a tag number before the item is placed into service. This number will be used and referenced as the inventory number when physical inventories are conducted. Tag numbers will be issued with no duplicates.

Bar coded tags that clearly identify MWAN will be placed on all MWAN property. All tags will be affixed to the asset in a conspicuous and convenient location that is easily accessible for scanning and inventory purposes (the upper-right front of most equipment).

Asset tags will remain in this location throughout the life of the asset and will be replaced when damaged.

Suggested tag locations (including typical controlled items) are as follows:

- Computers, and copiers – Upper-right front
- Moveable or hand-held machinery – Near the manufacturer’s identification plate (where the tag will not hinder normal usage)
- Stationary equipment – In front, on the right-hand side or, if necessary, in a protected area as close to the front right-hand side as possible
- Where the application of a tag is not possible or practical, Finance and Admin Department will have the option of using alternative methods of applying the assigned FAI number to the asset to account for varying environments and usage.
- Alternative methods include etching, engraving, dye marking, dye stamping, etc., that may be used without, but preferably with, a standard fixed asset tag.
- Certain assets will not be tagged physically, e.g., buildings, land, and improvements other than buildings. These assets will have a tag and or facility number assigned and supporting manual ledgers where the tag will be placed, along with descriptive information identifying the asset.

14.5 Disposing of Assets

MWAN Assets shall be disposed of at the end of its book life following its depreciation rate. However, assets that are still deemed useful shall continue to be in use except otherwise unfit for use or they begin to incur such maintenance costs that render them liabilities to the organisation.

Disposing of Assets shall be by the authorisation of the President.

Assets shall be disposed by transferring them to another partner organisation of similar mission and goals as MWAN, or through outright auction to the highest bidder following an advertised action sales bidding procedure.

14.6 Assets Depreciation and Revaluation

Depreciation is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset.

Depreciation includes amortisation of assets whose useful life is predetermined.

Depreciable assets are assets which

- (i) are expected to be used during more than one accounting period; and
- (ii) have a limited useful life; and
- (iii) are held by MWAN for use in the production or supply of goods and services, for rental to others, or for administrative purposes and not for the purpose of sale in the ordinary course of business.

The Useful life of a fixed asset is either (i) the period over which a depreciable asset is expected to be used by MWAN; or (ii) the number of production or similar units expected to be obtained from the use of the asset by MWAN. The depreciable amount of a depreciable asset is its historical cost, or other amount substituted for historical cost in the financial statements, less the estimated residual value.

Depreciation has a significant effect in determining and presenting the financial position and results of operations of the organisation.

Depreciation shall be charged in each accounting period by reference to the extent of the depreciable amount, irrespective of an increase in the market value of the assets.

Assessment of depreciation and the amount to be charged in respect thereof in an accounting period shall be based on the following three factors:

- I. Historical cost or other amount substituted for the historical cost of the depreciable asset when the asset has been revalued;
- II. Expected useful life of the depreciable asset; and
- III. Estimated residual value of the depreciable asset.

Historical cost of a depreciable asset represents its money outlay or its equivalent in connection with its acquisition, installation and commissioning as well as for additions to or improvement thereof. The historical cost of a depreciable asset may undergo subsequent changes arising as a result of increase or decrease in long term liability on account of exchange fluctuations, price adjustments, changes in duties or similar factors.

The useful life of a depreciable asset is shorter than its physical life and is:

- I. Pre-determined by legal or contractual limits, such as the expiry dates of related leases;
- II. Directly governed by extraction or consumption;

- III. Dependent on the extent of use and physical deterioration on account of wear and tear which again depends on operational factors, such as, the number of shifts for which the asset is to be used, repair and maintenance policy of MWAN etc.; and
- IV. Reduced by obsolescence arising from such factors as: (a) technological changes; (b) improvement in production methods; (c) change in market demand for the product or service output of the asset; or (d) legal or other restrictions.

Determination of the useful life of a depreciable asset shall be a matter of estimation and shall normally be based on various factors including experience with similar types of assets. Such estimation is more difficult for an asset using new technology or used in the production of a new product or in the provision of a new service but shall nevertheless be required on some reasonable basis.

Determination of residual value of an asset is normally a difficult matter. If such value is considered as insignificant, it shall normally be regarded as nil. On the contrary, if the residual value is likely to be significant, it is estimated at the time of acquisition/installation, or at the time of subsequent revaluation of the asset. One of the bases for determining the residual value would be the realisable value of similar assets which have reached the end of their useful lives and have operated under conditions similar to those in which the asset will be used.

The quantum of depreciation to be provided in an accounting period involves the exercise of judgement by management in the light of technical, commercial, accounting and legal requirements and accordingly may need periodical review. If it is considered that the original estimate of useful life of an asset requires any revision, the unamortised depreciable amount of the asset shall be charged to revenue over the revised remaining useful life.

There are several methods of allocating depreciation over the useful life of the assets. MWAN shall commonly adopt the straight line method or the reducing balance method. The management team shall select the most appropriate method(s) based on various important factors e.g.,

(i) type of asset, (ii) the nature of the use of such asset and (iii) circumstances prevailing in the organisation. A combination of the two methods may sometimes be used. In respect of depreciable assets which do not have material value, depreciation shall often be allocated fully in the accounting period in which they are acquired.

Where depreciable assets are disposed of, discarded, demolished or destroyed, the net surplus or deficiency, if material, is disclosed separately.

The method of depreciation shall be applied consistently to provide comparability of the results of the operations of MWAN from period to period. A change from one method of providing depreciation to another shall be made only if the adoption of the new method is required by statute or for compliance with an accounting standard or if the change would result in a more appropriate preparation or presentation of the financial statements of the organisation.

When such a change in the method of depreciation is made, depreciation shall be recalculated in accordance with the new method from the date of the asset coming into use. The deficiency or surplus arising from retrospective re-computation of depreciation in accordance with the new method shall be adjusted in the accounts in the year in which the method of depreciation is changed. In case the change in the method results in deficiency in depreciation in respect of past years, the deficiency is charged in the statement of income and expenditure. In case the change in the method results in surplus, the surplus is credited to the statement of income and expenditure. Such a change is treated as a change in accounting policy and its effect shall be quantified and disclosed.

Depreciation rates shall be as indicated in Section 13.1 (a) of this manual, and shall be reviewed from time to time by management based on prevailing industry best practices or by the recommendations of the Board or auditors.

14.7 Disclosure of Depreciation of Assets

The depreciation methods used, the total depreciation for the period for each class of assets, the gross amount of each class of depreciable assets and the related accumulated depreciation shall be disclosed in the financial statements along with the disclosure of other accounting policies.

The depreciation rates or the useful lives of the assets shall be disclosed only if they are different from the principal rates specified in this policies and procedures manual. In case the depreciable assets are revalued, the provision for depreciation shall be based on the revalued amount on the estimate of the remaining useful life of such assets. In case the revaluation has a material effect on the amount of depreciation, the same shall be disclosed separately in the year in which revaluation is carried out. A change in the method of depreciation shall be treated as a change in an accounting policy and is disclosed accordingly.