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INTERNAL CONTROL & CORPORATE GOVERNANCE MANUAL

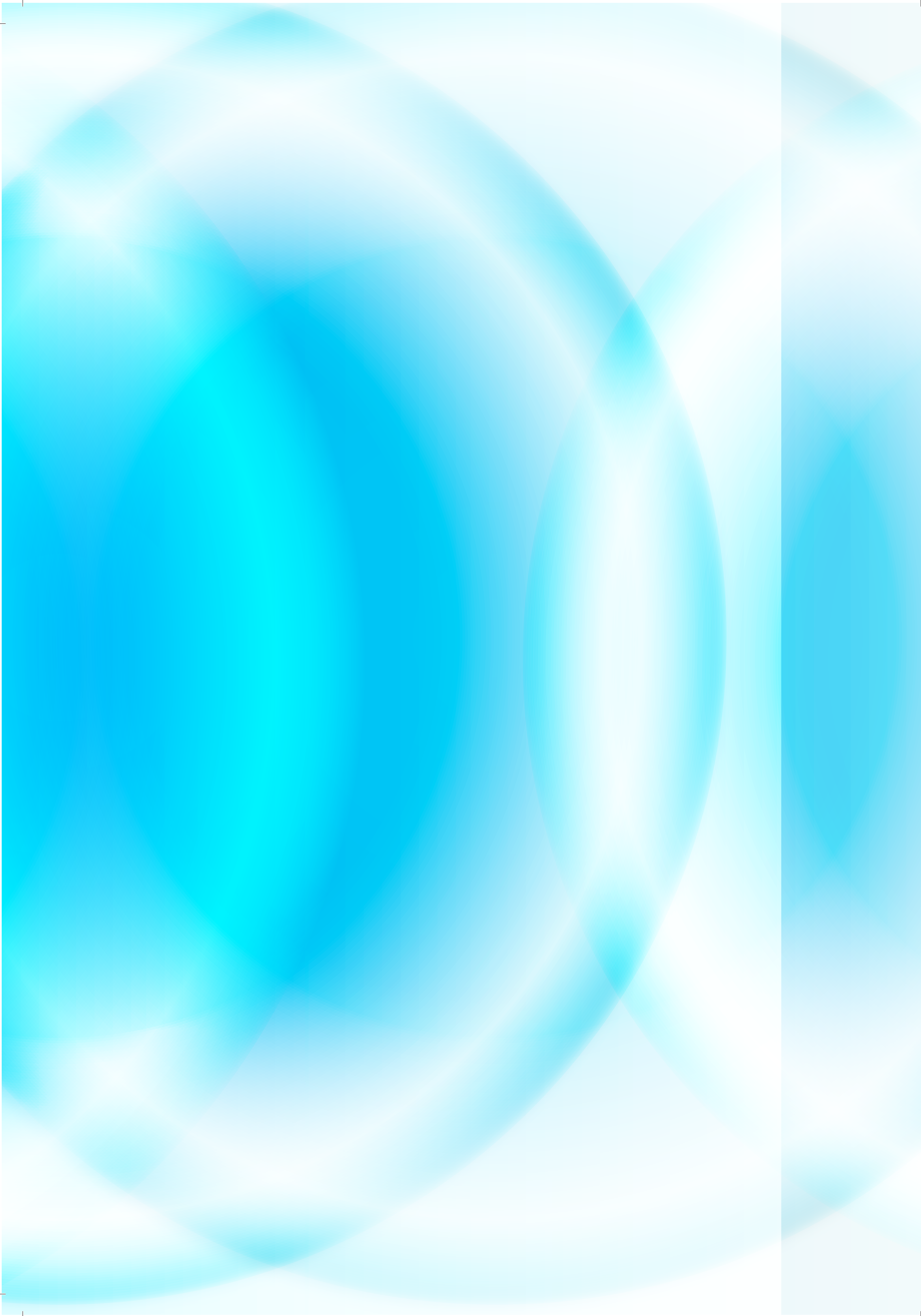
2016 –
2017

Presented to:
Civil Society Organizations

Funded and Supported by:
United Nations Development Programme and Sweden

Juba – South Sudan

The Consultant:
BDO - Jordan



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UNDP IS THE United Nations global development network advocating for sustainable development and inclusive economic growth. It supports South Sudan in building accountable, transparent state institutions to deliver services to the people. The overarching aim of UNDP in South Sudan is to support progress towards peace and reconciliation, early recovery and stabilisation, and towards achieving the new Sustainable Development Goals (SDGs). UNDP is focused on: helping create more resilient communities; reinvigorating local economies; strengthening peace and governance; and empowering women and girls.

The Internal Control and Corporate Governance Manual serves as a guide to assist UNDP partners in South Sudan with day-to-day performance and management functions.

In this Manual, UNDP aims to improve and develop its partners' expertise in financial management, procurement, human resources management, asset management, as well as corporate governance, in order to mitigate risks and build corporate compliance capacities.

This Manual is designed so that its contents can be updated and revised annually. Revisions result either from changes to existing policy, or from improvements to practices in the daily work of UNDP partners, as identified by end users of this Manual.

UNDP'S COMMUNITY SECURITY & Arms Control (CSAC) project is an integral part of the United Nations' support to South Sudan's efforts to build confidence, stability, peace and security for communities in South Sudan – a key contribution towards responsive democratic governance, rule of law, improved recovery and development planning. CSAC provides technical and financial support to: the Bureau for Community Security & Small Arms Control (BCSSAC); the South Sudan Peace & Reconciliation Commission (SSPRC); the National Platform for Peace & Reconciliation (NPPR); and the University of Juba's Center for Peace and Development Studies (CPDS); with a view to fostering dialogue and peace while improving community security and strengthening broader stabilisation initiatives. The Project also engages with Civil Society Organisations (CSOs) and Community Based Organisations (CBOs) to foster grassroots voices, accountability and civic engagement.

Support to civil society organisations is a key component of CSAC's work. Activities to "Strengthen civil voices, promote accountability and engender social inclusion" are funded by the Government of Sweden. Through a small grant facility, national civil society organisations are supported to promote reconciliation and dialogue activities at the grassroots level. Through their engagement, CSOs are able to foster exchange between individuals, groups and organisations using means such as community dialogue and healing sessions, coordination meetings, peace conferences, radio talk shows, debates, drama and cultural performances and sports.

The sustainable impact of peace and reconciliation activities hinges on the capacities of individuals and organisations. For this reason, CSAC considers it an integral part of its work to invest in the capacity development of its partner institutions to ensure sustainability and ownership and increase the impact of the supported activities.

As part of capacity development, assessments of partner institutions were conducted in line with the Harmonised Approach to Cash Transfer (HACT). The assessments found limited capacities in areas such as financial management, procurement, human resources management, asset management as well as overall corporate governance. To strengthen capacity in the identified areas, CSAC commissioned an assessment of internal control systems developed by the partners. Recommendations were developed on improvements to the systems of the various organisations and manuals were drafted covering processes related to finance, procurement, governance, human resources and fixed assets. The recommendations and manuals aim to enhance the internal systems and enable them to better manage risks and deliver improved results.

CORPORATE GOVERNANCE IS the overall framework or system of rules, practices and processes by which an organisation is directed and controlled. It involves managing the relationships and balancing the interests of an organisation's stakeholders, including management, beneficiaries, suppliers, financiers, government, and the community. It encompasses all the mechanisms by which organisations, and those in control, are held to account.

Corporate governance creates a transparent set of rules and controls in which stakeholders, Board of Directors, and management and staff have aligned incentives. Well run organisations aim to achieve a high standard of corporate governance, and to demonstrate good environmmental awareness, ethical behaviour and sound management practices.

The Board of Directors, as the primary direct stakeholder, is the body that determines corporate governance. Board members are usually made up of a mix of insiders (owners, members, donors, senior managers or staff) and independent outsiders with expertise in areas relevant to aspects of governance such as law, finance, human resource management and IT. Members of the Board are chosen because of their expertise and experience.

Internal Control is the system or set of mechanisms whereby top management can satisfy themselves and demonstrate to the Board of Directors and other stakeholders, including members, shareholders, external auditors and regulators, that their organisation operates according to agreed and appropriate policies and standards, and in compliance with laws and all applicable rules and regulations.

The management of an organisation is accountable, usually to a Board of Directors, for developing, operating and monitoring the system of internal control and for demonstrating to the Board that it has done so. The Board of Directors has, as part of its core responsibilities, a duty to review the effectiveness of the internal control systems. Aspects of the review work may be delegated to an Audit Committee but the Board as whole still needs to form its own view on the adequacy of any such review.

Internal control collects and reports information on how an organisation's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting an organisation's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks).

AIM OF THE MANUAL

THIS MANUAL SEEKS to define and explain the context of good corporate governance and the importance of having a robust system of internal control mechanisms to support it.

The governance of an organisation is the totality of functions required to be carried out in relation to both its internal functioning and its external relations with other people and organisations across society. Governance focuses on issues of policy, identity and structure rather than on issues of day-to-day implementation of programs: it addresses vision, mission and strategy – future directions and long-term strategic considerations; norms and values; legal and regulatory obligations applicable; internal programming, staffing and resourcing; and the external positioning of the organisation consistent with its position as an institution within civil society. Most importantly, governance is concerned with its effective functioning and performance in society as a whole – which has both a legal and a moral dimension.

Internal control mechanisms support good governance. At the organisational level, the focus of internal controls relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations applying to the organisation. At the specific transaction level, internal controls relate to the actions taken to achieve a specific objective, for example, the procedures in place to ensure that payments to third parties are for services properly procured and duly rendered according to specification. Internal control procedures reduce process variation and lead to predictable outputs contributing to the intended outcomes .

The Manual describes the minimum organisational requirements for good governance and effective internal controls in the context of CSOs operating in the South Sudan.

LIST OF ACRONYMS

AC	Audit Committee
BCSSAC	Bureau for Community Security and Small Arms Control
BOD	Board of Directors
CBOs	Community Based Organisations
CE	Chief Executive's
CFO	Chief Financial Officers
COA	Chart of Accounts
CP	Committee of Procurement
CPDS	Center for Peace and Development Studies
CSAC	Community Security and Arms Control
CSOs	Civil Society Organisations
ERM	Enterprise Risk Management
FAMS	Financial Assets Management System
HR	Human Resource
IA	Internal Audit
IP	Implementing Partner
IT	Information Technology
ITB	Invitation to Bid
LTA	Long Term Agreement
LVP	Low Value Purchasing
NPPR	National Platform for Peace and Reconciliation
PC	Petty Cash
PLD	Procurement Logistic Department
PO	Purchases Order
RFP	Request for Proposal
RFQ	Request for Quotation
SSPRC	South Sudan Peace and Reconciliation Commission
TOC	Tender Opening Committee
ZBB	Zero-Base Budgeting

PART 1 – CORPORATE GOVERNANCE GUIDELINES

AS PREVIOUSLY DEFINED, corporate governance is the system of rules, practices and processes which spell out how an organisation is directed and controlled in accordance with agreed and/or legislatively mandated standards.

Effective governance and accountability in an organisation, no matter how large or small, means that appropriate processes and structures are in place to direct and manage an organisation's operations and activities, and to ensure that they function well. The goals of good governance are to ensure the effectiveness, credibility and viability of the organisation and, in so doing, to balance the interests of an organisation's stakeholders, beneficiaries, management, suppliers, financiers, government and the community.

The Boards of organisations such as CSOs, despite their voluntary nature, are publicly accountable bodies, responsible to their stakeholders for the effective management of organisational funds, donations and services entrusted to them and for the management and performance of staff in their employment.

This accountability covers the way in which the Board conducts its affairs, the means by which it ensures the resources at its disposal are put to the best use, and the way in which it informs its clients and stakeholders of its activities and achievements. As societies develop, the standards for accountability and corporate responsibility increase commensurately. Despite the not-for-profit nature of their operation, many CSO Boards respond actively and responsibly to increasing community expectations.

As well as guiding corporate strategy, the Board is chiefly responsible for monitoring organisational and managerial performance, ensuring appropriate stewardship of the organisation's financial resources, and balancing competing demands on the organisation.

It is a fundamental principle of corporate governance that, In order for Boards to effectively fulfill their responsibilities, they must have a high level of independence from the organisation's management.

Board of Directors: The Board of Directors (BOD) is a group of individuals who are elected or appointed as representatives of the members/shareholders to set overall direction for the organisation, establish corporate management related policies, and make decisions on major organisational issues.

Civil Society: the "aggregate of non-governmental organisations and institutions that manifest interests and will of citizens." Civil society includes the family and the private sphere, referred to as the "third sector" of society, distinct from government and business.

Audit Committee: an operating committee of an organisation's Board of Directors that is in charge of overseeing financial reporting and disclosure.

Risk Management Process: the systematic application of management policies, procedures and practices to identifying, analysing and assessing the risk or uncertainties that might affect the organisation's ability to achieve its objectives, and, subsequently, to treating and mitigating their impact and effect.

Accountability: the obligation of an individual or organisation to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner.

Delegation of Authority: the action whereby a Board assigns specific aspects of its authority in relation to the performance of certain actions to staff in the organisation. While ultimate responsibility cannot be relinquished, delegation of authority carries with it the imposition of a measure of responsibility.

Transparency and Disclosure: transparency is the extent to which stakeholders have ready access to required information about the organisation, such as audited financial reports. Disclosure is the action taken, in the interests of transparency, to make known new or previously unpublished information to stakeholders.

Code of conduct: a set of rules outlining the social norms and rules and responsibilities of behaviour or proper practices for an individual, party or organisation; related concepts include ethical, honour, and moral codes.

Conflict of Interest: a situation in which a person is in a position to derive personal benefit from actions or decisions made in their official capacity.

1.1 Structure of the Board of Directors

THE BOARD OF DIRECTORS is a body of elected or appointed members who jointly have authority and responsibility to direct and oversee the activities of the organisation. The mode of appointment of the Board, usually either by appointment or by election, will be in accordance with the Constitution of the CSO.

It is widely accepted that the number of members of a Board should be between five and nine (5-9), that each member should receive a formal letter of appointment, and that the term of office of Board members should be fixed.

In the absence of any provisions of the Constitution to the contrary, Board members may usually be reappointed subject to an appropriate evaluation of their contribution to the work of the Board and the optimal mix of experience and skills available to the Board.

In accordance with the Constitution, the Chairman of the Board of Directors should be formally appointed or elected, and the performance of the Chairman should be discussed on an annual basis by Board members.

A majority of Board members should be independent, that is to say, not a member of management nor a representative of a party or body having a special or personal interest in the activities of the organisation such as regular service providers, donors, Government staff, or beneficiaries.

Board of Directors should have a schedule of regular meetings and should ensure full records are kept relating to each Board meeting, including Agenda, Minutes and reports and submissions relating to Agenda items discussed at each of its meetings.

Board committees should be established where they would enhance the effectiveness of the Board, and specific consideration should be given to the establishment of an Audit Committee and Ethics Committee.

/ Board of Directors members may be terminated by the following events:

- Resignation;
- Death;
- Expulsion;
- Conviction for criminal offence;
- Any other physical or mental incapacity as may make it impossible for a member to appreciate their rights in and properly carry out their duties towards the organisation.

/ Desirable characteristics of a Board of Directors member:

- Team player, but able to maintain independence of thought in critically analysing business options;
- Prepared to make the commitment of time and effort required to properly fulfill duties and responsibilities as a Board member;
- Inspires ethical behaviour in others, and whose presence on the Board enhances the reputation of the organisation; and takes a strategic but flexible approach to key issues.

/ Recruiting Board members (in cases where the Board has responsibility for selection and appointment):

- Recruiting Board members is a primary responsibility of the Board in that it is the way the Board ensures that it continues to have the right mix of skills needed to fulfill its role of strategic guidance and oversight. This is not a role that the Board should delegate to the management.
- The importance of independence must be kept firmly in mind in the selection of members as the Board must be independent of the management in order to fulfill properly its governance responsibilities.
- As part of the recruitment process for potential members, the Board needs to provide clear information about what will be expected of them, including role, minimum commitments – time, attendance at meetings, participation on committees and at other events - and legal responsibilities.
- The Board can prepare formal duty statements for members. These are useful for outlining what roles a Board member is expected to play and the required level of performance. In the worst case, such statements help in the evaluation of non-performing Board members.

Recruiting Board members (in cases where the Board has responsibility for selection and appointment):
– continued

- Recruitment does not end with the new member agreeing to serve on the Board – a new Board member needs to be inducted onto the Board. This should at a minimum involve visiting the organisation and being briefed about its operations, being provided with an information package that includes the legal constitution of the organisation, meeting rules, and other policies and procedures to guide Board members, or any other information sharing arrangements the Board may put in place.

Election of Board of Directors (in cases where the Board is elected by members of the CSO):

- The organisation should establish and issue election procedures.
- The organisation should establish an Election Committee to conduct the election of Board of Directors.
- The organisation should establish criteria for members of the organisation to have the right to be nominated for Board of Directors membership.
- The Election Committee should be responsible for the following:
  1. Initiating the election procedure;
  2. Reviewing the nominations for the organisation Board of Directors;
  3. Publishing the list of nominees;
  4. Collecting and counting the votes;
  5. Presenting the list of votes received to all interested organisations within the prescribed time (e.g., three (3) business days) following the election day;
  6. Publishing election results to the organisation's general assembly through the regular organisational information network distribution channels.
  7. Announcing the election results
- The voting period is set by the Election Committee;
- Mode of voting for eligible members may be by email, fax or postal mail or in the election box during the voting period;
- Eligible members may vote for the number of candidates allowed in accordance with the provisions of the Constitution of the CSO.

1.2 Board Responsibilities

IT IS WELL recognised that members of CSO Boards are deeply committed to the causes and beneficiaries that their organisation exists to serve. Nonetheless, Board membership carries with it a broader set of commitments than just adherence to the organisation's mission. As part of the management of the Board and meeting the tests of good governance, Board members are also committing themselves to:

- Allocate adequate time to attend meetings, review Board papers, contribute to decision making, share responsibility for Board decisions, and keep up to date with subjects relevant to the Board's work
- Know and understand the Constitution and role and mission of the organisation they serve;
- Participate in Board-sponsored events.
- Work collectively with fellow Board members to provide effective leadership to the organisation's management and staff.
- Accountability to stakeholders.
- Accept their responsibilities and act in the best interests of the Board and organisation.
- Promote the success of the organisation by directing and supervising the organisation's affairs and managers.
- Set the organisation's values and standards.
- Set the organisation's short and long term objectives.
- Ensure that the organisation's obligations to all its stakeholders are understood and met.
- Ensure that management implements procedures to enable the organisation to meet its legal and regulatory requirements including meeting the requirements of government rules and regulations, and donors' requirements.
- Regularly review the adequacy and effectiveness of risk management processes.
- Regularly review the operational performance of the organisation.
- Be in a position to give assurance that the organisation operates in compliance with its obligations.

/ **Board members should specifically be aware of the following:**

- Board members should have knowledge and experience relevant to the the organization whose Board they join and should be fully aware of all the duties and responsibilities membership on the board entails.
- Board members should be familiar with the relevant laws and regulations pertaining to the organization's operations.
- Board members should be familiar with the organization's goals, basic values and strategies, as well as understanding how best to help reach these goals.
- Board members should fully understand the function of the board and have good judgment and intuition.
- Board members should make independent decisions in each instance.
- Board members should ensure that internal controls are functioning satisfactorily and that the Board receives reliable, timely and accurate information necessary for performing its supervisory work.
- Board members should endeavor to inspire positive morale amongst staff.
- Board members should contribute to evaluating, approving and monitoring core business strategies developed by organization's management.
- Board members should monitor agreed performance measures linked to organization strategies and compare them with those of relevant organizations.
- Board members should recruit, support, evaluate, reward and, if necessary, terminate the Chief Executive.
- Board members should establish and oversee implementation of policies on risk management, financial controls, internal controls, compliance and public reporting.
- Board members should accept accountability to stakeholders of the organization;
- Board members should be transparent, including communicating to members, stakeholders and public, and making information available upon request.
- Board members should avoid conflict of interest.

- Board members should enhance the reputation of the organization in the community, and should trust and respect the community.
- Board member's meetings should be held regularly as well as on a needs basis and may include but not limited to issues such as:
  - Performance of the Board of Directors and of individual directors;
  - Governance processes and procedures of the Board;
  - Recruitment and appointment of new directors;
  - Requirements for independent legal/expert advice;
  - Review and approval of polices procedures and manuals;
  - Selection of the External Auditor;
  - Review of the external audit report;
  - Recruitment and employment of head of internal audit unit;
  - Review of the internal audit reports;
  - Follow up on internal audit recommendations.
- Meetings and record keeping:
- Boards of Directors should hold regular meetings and should document all of the meetings.
- All Board business should be conducted at formally and appropriately constituted meetings – whether at full Board meetings or at meetings of committees established to advise the Board on aspects of the organization's business.
- Board meetings should be conducted according to clear rules made known to all Board members concerning attendance requirements, quorum, voting procedures, and declaration and management of conflict of interest.
- All meetings should be fully documented, including at least:

  a. Agenda;

  b. Necessary papers to aid decision making by the Board, circulated to members sufficiently in advance for their full consideration;

  c. Minutes of meetings and decisions made by Board of Directors must be kept and endorsed by the Board at its subsequent meeting.

1.3 Duties of the Chairman of the Board

THE BOARD OF DIRECTORS is the highest authority in an organisation and its main role is to act in accordance with the law, the Constitution of the individual CSO, and in pursuit of its mission. The particular role of the Chairman of the Board of Directors is as follows:

The Chairman of the Board should:

- Play the most important role on the Board: he or she is responsible for approving the agenda of the Board's business, chairing/managing all meetings and providing leadership in the Board's actions to ensure that it complies with the principles of good corporate governance.
- Devote sufficient time to Board business – the time requirements of the Chairman of the Board are usually greater than those of any other member of the Board.
- Take special responsibility for ensuring that the Board operates effectively, including being satisfied that members understand their roles and responsibilities.
- Ensure the membership of the Board has the right balance of skills and experience to support the needs of the organisation.
- Monitor the operation of Board Committees to see that they carry out their designated duties and report regularly to the Board.
- Ensure that the performance of Board Directors individually is evaluated at least once a year.
- Oversee effective communication with stakeholders.
- Determine and monitor implementation of the necessary policies, procedures, and manuals that need to be in place to govern the organisation activities.
- Ensure that organisation-wide strategic plan, budgets, and action plans are prepared by management and agreed by the Board.

1.4 Board Committees

BOARD COMMITTEES ARE used to assist the Board in carrying out its functions by concentrating on specific areas of responsibility in detail, reporting findings and making recommendations to the full Board. For ongoing major activities, such as finance and audit, Boards usually establish standing committees; while for short-term or one-off activities or investigations, they establish ad hoc committees that cease when the activities are completed. Committees optimise use of Board members' individual expertise, time and commitment, and assist the productive use of time and resources by the Board as a whole.

Any committee established by the Board of Directors must have: a role defined and endorsed by the Board; clear membership involving at least one Board member; rules of procedure; and, where relevant, formally delegated authority from the Board. Outside experts, including members of staff of the organisation, may be coopted as members of Board committees, to take part in deliberations and reporting to the full Board.

Committees do not supplant responsibility of Board members, either individually or collectively; they operate at the Board level and not at management or staff level.

Committees meet as often as required either by their charter or as the task requires – weekly, monthly, or less frequently as agreed. It may be helpful to have committees meet at least once during the time between full board meetings, but the committee can meet more often if necessary.

As in the case of Board meetings, proceedings of meetings should be recorded for all committee meetings and should include minutes of decisions taken by the meeting.

It is mandatory that each Board committee should have at least one Board member on each committee, but preferably two or three, and that a Board member should chair the committee. Committee chairs are usually appointed by the Chairman of the Board; it may be worth asking Board members for a volunteer to serve as committee chair. To maximise efficiency, it is usually the case that no Board member should serve on more than two committees.

At each Board meeting, each committee chair should brief the Board of Directors on the committee's work since the last Board meeting and, if required, report findings and make recommendations to the Board on behalf of the committee.

Committees

The following are examples of Board committees found frequently across organisations; it is not intended to suggest all of these committees should exist because it is ultimately the responsibility of the Board of an organisation to determine which committees should exist and what they should do.

Potential Committees	Typical Roles
Board Development Committee	• Ensure effective Board processes, structures and roles, including induction, team building, skills development, committee development, and Board evaluation; • sometimes includes role of nominating committee, such as keeping list of potential Board members, orientation and training
Executive Committee	• Oversee operations of the Board; • act on behalf of the Board to oversee and take decisions about urgent matters that may arise between meetings, which acts are later presented for full Board review; • usually comprises Chairman of Board, and/or committee chairs and may involve Chief Executive; • may undertake evaluation of chief executive and present report to full Board
Finance Committee	• Oversees development of the budget; • ensures accurate tracking/monitoring/accountability for funds; • ensures adequate financial controls; • reviews major grants and associated terms
Fundraising Committee	• Oversees development and implementation of the Fundraising Plan; • identifies and solicits funds from external sources of support, working with Development Officer if available; • sometimes called Development Committee
Election Committee	• Committee responsible on managing the election of Board of Directors process in cases where the Board is elected rather than appointed.
Procurement Committee	• Committee responsible for managing tendering and letting of contracts for purchase of goods or services.
Audit Committee	• Plans and supports audit of major functions, e.g., finances, IT, human resources, daty-to-day operations, customer service, continuous improvement processes.
Ethics Committee	• Develops and applies guidelines for ensuring ethical behaviour and resolving ethical conflicts • Monitors adherence to organisation's Code of Conduct or Code of Ethics and makes recommendations about remedial action/improvements where required • May also have involvement in staff welfare

Ad Hoc Committees

By definition, ad hoc committees are established by the Board to consider a particular issue or set of issues or to accomplish a specific one-off goal and then cease to exist. Their establishment, terms of reference/charter, membership and rules of operation are subject to the same requirements as any other Board committee (outlined above).

1.5 Board Accountability

THE BOARD OF DIRECTORS is ultimately responsible for the organisation: as a whole, the Board and its individual members, are answerable for all that the organisation does, and how it does it. The Board therefore is the locus of accountability and should commit itself and the organisation to pursuing policies and practices that justify the confidence of stakeholders and the public in its continued operations.

Day-to-day operations of the organisation are properly delegated to the administration. The Chief Executive and staff answer to the Board: while senior management and staff must obey laws and regulations, conform to the principles and policies the Board lays down, behave with integrity and meet standards, they are nonetheless accountable only to the Board. It the responsibility of the Board to see that they conform.

Senior executives and staff generally, although they must act responsibly, do not have a separate accountability to the public. This much, therefore, is straightforward: it is the Board that is held responsible. The Board is called to account for the organisation. The Board and its members have a fiduciary duty to see that the organisation functions properly.

If the Board alone stands accountable for the organisation, it follows that it is the Board that must answer for the effectiveness of the organisation's performance. There are four performance responsibilities for which the Board has a fiduciary charge:

1. **The Mission:** The Board determines the organisation's mission — its purpose, programs, priorities, and vision — what it wants to be and do in the coming years. The mission is usually the product of strategic planning covering the short, medium and long term.

2. **The Chief Executive:** The Board selects, compensates, evaluates, and, if necessary, dismisses the Chief Executive. Selecting and dismissing a Chief Executive are important and sensitive functions that only the Board can undertake. In addition, evaluating the performance of the Chief Executive regularly is an often overlooked but important responsibility for which the Board is also accountable.

3. **Finances:** Assuring the integrity and reliability of the organisation's finances falls to the Board, even though financial management — the actual handling of the day-to-day accounts — is the Chief Executive's and senior management's responsibility. The Board's financial role is of two kinds:
   - **The budget:** Approving the budget, and overseeing adherence to it, is an instrument of Board control over financial expenditure, involving conformity to policy, and proper conservation of assets.
   - **The audit:** Contracting for and approving an independent audit is a fundamental element of accountability for the Board. While staff will work closely with the auditors in making available all financial figures, the annual external financial audit belongs to the Board. Boards should recognise that audits are their strongest protection and the most useful instrument in fulfilling their financial oversight responsibility.

4. **Program oversight and support:** Board members have an obligation to support staff in carrying out programs. As part of this duty, Board members must act as advocates in the community. They must also oversee the Chief Executive's administration of the organisation. This oversight role is at once critical and difficult. The board must keep an eye on how well programs are performing.

Accountability is of two kinds:

1. **Individual Board member accountability.** Each member has responsibilities: attending board meetings, serving on committees, and being knowledgeable about the organisation.

2. **The Board's collective responsibility.** The effectiveness of the Board as a whole is a key factor in the organisation's overall effectiveness. To assure its own efficacy, the Board should ensure the following:
   - **Participation:** All members attend Board meetings, take part in committee work, and keep informed about all matters related to Board decisions.

- **Composition:** Members possess needed skills and, together, have an appropriate diversity of age, gender, ethnicity, and constituency representation,
- **Committee Structure:** The committee structure is effective.
- **Recruitment:** Board members are selected with proper care according to the Constitution and, once selected, are oriented effectively.
- **Relationship with Senior Management:** Selection of senior officers most conducive to strong leadership and fostering a productive relationship between Board and Chief Executive and staff.
- **Meetings:** There is full documentation of Board meetings, including schedules of meeting dates, agenda, minutes and preparation and distribution of business papers for each Board meeting.
- **Self-assessment:** The Board looks candidly at itself to assure effectiveness and evaluates itself on a regular basis.

The Board of Directors has a duty of care, requiring the Board collectively and Board members individually to exercise careful oversight in accordance with their fiduciary obligations, and to exercise their powers in the interest of the organisation rather than in their own or anyone else's interest. Avoiding conflicts of interest or the appearance of conflict, within the Board and throughout the organisation, is a prime element of accountability.

1.6 Board Delegation

THE BOARD OF DIRECTORS has responsibility for the governance of an organisation, including exercising control and authority over all its affairs. As a part-time body it may, however, find it onerous to perform fully all the functions assigned to the Board of Directors according to legislation or the organisation's Constitution. In such circumstances, it may choose to delegate certain elements of its responsibility to another party, to enable the organisation to operate effectively and efficiently, whilst functioning legally.

Delegation of authority:

A delegate is a person or entity designated to act for, or represent another or others - in this case the Board. When a function is delegated, the Board is not absolved of the responsibility but remains accountable for everything that occurs.

Delegation of authority is intended to ensure that an organisation operates effectively by endowing a person or body - usually one of its employees or a sub-committee - with appropriate authority so they can perform certain functions on behalf of the Board.

/ **A Board may delegate responsibilities to:**

- A Board Sub Committee (which needs to include Board members);
- The Chief Executive;
- Any Board member;
- Any staff member

While the Board is responsible for oversight of the strategic direction of the organisation it will usually delegate to staff the day-to-day operational responsibilities, including a level of decision making. The Board nonetheless remains responsible for ensuring that it knows what is happening and taking action to ensure the organisation stays on track. This is achieved by maintaining accountability from the staff to the Board.

Delegations may be assigned across a broad range of activities. Financial delegations are part of the Board's financial accountability policy. A financial delegation occurs when the Board authorises individuals (or sub-committees) to perform financial transactions or exercise financial controls on its behalf.

/ **The Board of Directors may delegate to either an individual or Board committee the authority to:**

- Speak on behalf of the organisation to the media;
- Appoint new employees;
- Negotiate on behalf of the organisation with external stakeholders (e.g. regulators, landlords, collabourating organisation);
- Monitor legislative and contractual compliance.

/ **Delegations are generally approved under specified conditions. These include being:**

- Exercised under authorised policies and procedures of the organisation;
- Appropriate to the functions of the position (they need this delegation to do their job);
- Exercised with due regard to budget limitations;
- Applied to particular positions within the organisation, not to particular individuals;
- Given to a position where this will apply to any subsequent person who holds that position;
- Where a delegate may not exercise any delegation that will result in any benefit to them personally.

It is important to note that the Board also has the right to revoke any delegation it makes at any time. Equally, even though a delegation has been made, the Board may still exercise its authority and make a decision itself.

To be effective, delegations require a high level of accountability and to ensure this, the Board needs to establish clear expectations of potential delegates and precise limits to the extent of the delegation. Once a proposal to delegate a function has been identified, the Board needs to make a formal decision to delegate the necessary powers or functions to a particular position(s). This decision should identify the delegate, the responsibilities and any special conditions. This will be recorded in the Board meeting minutes to be dated and signed off by the Chairman of the Board. A similar process would also apply when a delegation is changed or revoked.

Each such resolution should be recorded in a Schedule (or Chart) of Delegations. These documents need to be available to the Chief Executive and staff, and should be reviewed at least annually by the Board to ensure that delegations are appropriate and up to date.

Limits to delegations

The document of delegation specifies both the limits of each delegation as well as the conditions under which the delegation may be exercised. It should include:

- The position(s) to whom the delegation is given (e.g. Chief Executive, Finance Officer).
- The limit for both budgeted and unbudgeted items should be clear, either with or without special approval if the expenditure is outside the budget.
- The delegation may exempt specific items from needing approval such as salaries, rent, audits, insurance, travel, training, and employment of casual staff, if they are within budget. Other areas that may be exempted include media releases and interviews, and preliminary negotiations with stakeholders.
- **Payments.** Responsibility for payment of accounts is generally delegated to Chief Executive and two signatures for each cheque is required.
- To avoid confusion and potentially placing either the organisation or the delegate at risk, the delegations must clearly state any limitations to ensure clarity for both the Board and the delegate.
- The Board also needs to assess the risk to the organisation of each delegation.
- Regular monitoring and reporting processes are essential. This could include internal and external reviews and audits, and risk management assessments of the Board's delegations.
- The person who holds the delegation must comply with the limits and any special conditions placed on the delegation.
- A financial delegation should be scheduled according to the activity, position of the delegate or function.
- All employees should be aware that conduct violating or exceeding the delegation will be considered as acting outside the scope of their employment. Such action could significantly damage the organisation and expose it to unintended legal and commercial liabilities. Individuals who violate these policies render themselves subject to appropriate disciplinary action by the organisation, including possible termination of employment.

1.7 Transparency and Disclosure

THE ORGANISATION SHOULD ensure that timely and accurate disclosure is made regarding all material matters concerning the corporation, including its financial situation and results.

It is in the interest of each organisation to provide clear, timely and reliable information that is adequately prepared, and to make relevant information equally accessible to all stakeholders.

The financial and operating results of the organisation should be prepared and disclosed in an easily understood manner for use both outside and inside the organisation.

Senior management should specify and publish the financial standards used in the preparation of financial information disclosed to stakeholders.

Stakeholders should be informed about organisational governance structure including, where appropriate, ownership or membership, voting rights, and policies. Such information should make transparent the objectives, nature and structure of the organisation.

Remuneration policy for members of the Board and key executives, as well as information about the Board members, should be disclosed. Information should describe Board members' backgrounds and whether they are regarded as independent by the Board.

Organisational management should also disclose all important risk factors and their possible impact. This may include: risk specific to geographical areas in which the organisation operates; financial risk; risk related to funding; and any other risks facing the organisation.

1.8 Code of Conduct

ALL CSOs SHOULD support employees to uphold and promote the highest standards of ethical and professional conduct. Ethics is often defined as "doing the right thing for the right reason". Acting ethically in the organisational context refers to doing the right thing: in an individual's relationship with the organisation; with beneficiaries; with colleagues; and knowing what what to do when things go wrong. Knowing, respecting and applying the law is the foundation for ethical behaviour, but acting ethically does not stop there. It also relates to aspects of behaviour that are not governed by law.

This guideline is intended to assist employees to understand the obligations placed upon their conduct by the law, manuals, regulations and other administrative directives. Staff regulations and rules and policy and procedures manuals are the binding sources of obligations for employees and failure to meet them, no matter whether this behaviour stems from conscious misconduct or ignorance, may have disciplinary consequences, up to and including termination. They are the first point of reference to all staff.

Organisation core values and guiding principles

Every organisation, including CSOs, operates according to a set of core values in seeking to achieve its objectives or mission. These values underpin and define the way the organisation and its staff go about their business and provide a reference point for measuring their success. The following guidelines are suggested statements of values and principles that may well be applicable to most organisations, especially those operating within Civil Society.

"Organisation X will run its work with honesty and high ethics wherever it operates, and will constantly improve the quality of its services and products; it will create a good reputation for honesty, justice, respect, responsibility, trustworthiness, fairness and good governance in the conduct of its business. Any conduct that is unlawful or unethical from any side (be it employees or managers or affiliate programs) is not in the interest and reputation of the organisation, and Organisation X will not compromise on its principles in any way. The ethical performance of the organisation is the sum of all the ethics of its employees, therefore it is expected that everyone working in the organisation or under its name, have to commit to high standards of personal integrity and high ethics."

The following statement of core values is likely to apply to the operations of any CSO and may be adopted with or without variation as judged fitting for an individual organisation's circumstances:

/ **Independence:**	Employees shall maintain their independence and shall not seek or receive instructions from any person or entity external to the organisation and shall refrain from any action which might reflect negatively on their position as organisation employee responsible only to the organisation management and Board of Directors. The organisation employee's action must be independent of political, economic, military or other influences.
/ **Loyalty:**	Loyalty to the purposes, values and principles of the organisation is a fundamental obligation of all organisation employees. They shall be loyal to the organisation and shall, at all times, discharge their functions and regulate their conduct with the interests of the organisation only in view.
/ **Respect for human rights:**	Employees shall fully respect the human rights, dignity and worth of all persons and shall act with understanding, tolerance, and sensitivity and respect for diversity and without unfair discrimination of any kind.
/ **Impartiality:**	Employees, in the performance of their official duties, shall always act with impartiality, objectivity and professionalism. They shall ensure that expression of personal views and convictions does not compromise or appear to compromise the performance of their official duties or the interests of the organisation. They shall not act in a way that unjustifiably could lead to actual or perceived preferential treatment for or against particular individuals, groups or interests. The organisation employee's actions must be carried out on the basis of need alone, giving priority to the most urgent cases of distress and making no distinction on the basis of race/tribe, gender, religion, class or political opinions.

/ **Accountability:**

Employees shall be accountable for the proper discharge of their functions and for their decisions and actions. In fulfilling their official duties and responsibilities, the organisation's employees shall make decisions in the interests of the organisation. They shall submit themselves to scrutiny as required by their position.

/ **Integrity:**

Employees shall maintain the highest standards of integrity, including honesty, truthfulness, fairness and incorruptibility, in all matters affecting their official duties and the interests of the organisation.

/ **Neutrality:**

Employees irrespective of their personal beliefs or opinions must not take sides in hostilities or engage in public controversies of a political, racial, religious or ideological nature.

A similar statement using slightly different language and an alternative format, may also be worth considering, as follows:

In all matters affecting official duties and the interests of the organisation, the organisation employees will maintain the highest standards of integrity, including honesty, truthfulness, fairness and incorruptibility. They shall reflect the following:

- [The organisation's] employees will be motivated by professional rather than personal concerns, resist pressure to compromise ethics, show the courage to make tough decisions or to take unpopular stands, and take prompt action in cases of unprofessional or unethical behaviour.

- [The organisation's] employees will be accountable for the proper discharge of our functions and for our decisions and actions, and submit ourselves to scrutiny as required by our position.

- [The organisation's] employees will fully respect the human rights, dignity and worth of all persons and shall act with understanding, tolerance, sensitivity, and respect for diversity and without discrimination of any kind.

/ [The organisation's] employees will underscore the duty of employees to deliver services in a way that meets the protection needs of beneficiaries, in line with our obligations as [the organisation's] employees.

/ [The organisation's] employees will aim to build constructive and respectful working relations with the governments, other organisations, and local community.

/ [The organisation's] employees work with an emphasis on consultation, cooperation and consensus building; in doing so [the organisation's] employees will uphold the regulations and rules [the organisation's] employees are bound by.

/ [The organisation's] employees will continuously seek to improve their own performance and will foster a climate that empowers everyone, supports positive change, encourages lifelong learning and sharing of information and knowledge, and applies the lessons learned from common experience. [The organisation's] employees will respect the cultures, customs and traditions of all people, and will strive to avoid behaving in ways that are not acceptable in a particular cultural context.

Applicability

All organisations can expect each member of staff to observe the ethical standards it identifies as applying to its individual operations. The Board of Directors, individual Board members, senior executives, employees, consultants, volunteers, interns, and suppliers are also expected to conduct themselves in accordance with the values of the organisation.

The following is a model Code of Conduct which may be adopted or varied according to local circumstances of each individual CSO.

Code of Conduct for all members of Organisation [Name]

As a [member of the Board of Directors] [employee], [consultant], [volunteer], [intern] [supplier] of [Organisation Name] and in accordance with my contract with the organisation and the employee regulations, rules and applicable administrative directives, I undertake to abide by the following:

Ethics in my relationship with the organisation

/ I will demonstrate integrity, truthfulness, dedication and honesty in my actions. I will be patient, respectful and courteous to all persons with whom I deal in an official capacity, including beneficiaries, my colleagues, representatives of governments and organisations with which the organisation cooperates.

/ I will observe government laws, will meet all my private legal and financial obligations, and will not seek to take personal advantage of any privileges or immunities that have been conferred on me in the interest of the organisation. I will do my utmost to ensure that the conduct of members of my household does not reflect unfavourably on the integrity of the organisation.

/ I will refrain from any involvement in criminal or unethical activities, activities that contravene human rights, or activities that compromise the image and interests of the organisation.

/ I will not accept any gift, favor, and/or other benefit from any source external to the organisation without prior authorisation. If my responsibilities relate to procurement of goods or services, i will not accept any gift, favor and/or other benefit under any circumstances.

/ I will not act in such a manner as to take improper advantage of my official functions and positions, including any information that is not generally available to the public, obtained from such functions and positions, when seeking employment or appointment after leaving my service with the organisation.

- I shall conduct myself at all times in a manner befitting my status as employee of the organisation and shall not engage in any activity that is incompatible with the proper discharge of my duties with the organisation. I shall avoid any action and in particular any kind of public pronouncement that may adversely reflect on my status, or on the integrity, independence and impartiality, which are required by that status.

- I will contribute to making sure that no activities could be perceived as constituting a breach of neutrality.

- I will avoid any personal conflict of interests in the performance of my functions within the organisation and, in addition, will avoid the use of any contacts with companies or third parties to promote any personal interests at the organisation's account.

- I will not give bribes or commissions, or bonuses or rewards to any person or organisation for the attracting or influencing any commercial activity related to the organisation

- Any information belonging to the organisation (whether intellectual or commercial property) shall be kept strictly confidential and will not be posted without prior official approval, and I will take appropriate steps to ensure its preservation, this information may include copyrights, patent rights, electronic copies of software, strategic business plans, operating results, marketing strategies, and donor lists, employee records, financial budgets, projects or new investments, manufacturing costs, processes, procedures and policies.

- I will act with honesty and accuracy in preparing issued reports, annual reports and the content of the financial statements.

- I will seek to safeguard the fiscal funds and the organisation's interests and properties, not to squander any of its rights, and to report any transgression against the fiscal funds or public interest or any act of negligence or omission that might cause harm.

Ethics in my relationship with beneficiaries

- The organisation and all of its various projects, programs and entities have been created to serve the interests of local communities, including the needs of children and young people. In the execution of its tasks, the organisation, its employees, consultants, volunteers, interns, and suppliers must take seriously the safety and welfare of all who come into its premises and are involved in its activities. It is therefore vital that all the organisation employees, consultants, volunteers, interns, and suppliers commit to safeguarding children from physical, sexual or emotional harm or abuse.

- The organisation employees, consultants, volunteers, and interns should treat the public tactfully and politely, on the basis of neutrality, impartiality, objectiveness and justice without discrimination based on sex, race, religious beliefs or any form thereof.

- If my job involves direct provision of services to beneficiaries, their dignity will be my paramount consideration. I will apply eligibility criteria and related procedures consistently and with clarity, and will react with sensitivity to beneficiaries' concerns.

- The organisation employees, consultants, volunteers, and interns, encourage developing good practices in the organisation, to prevent the physical, emotional and sexual abuse of children and young people while they are in the care of the organisation, and to protect those who work with children and young people from unfounded accusations or from behaving in ways which may be well-intended but inadvisable.

Ethics in the organisation workplace

- I will show respect to all colleagues, regardless of status or position, and will allow all colleagues the opportunity to have their views heard. I will seek to resolve differences and solve problems when they arise.
- As a Director/manager/supervisor i will be open to the views of all team members and will encourage them to contribute from their knowledge and experience to team efforts. I will provide timely feedback on the performance of each team member through guidance, motivation and fair and timely completion of periodic evaluation reports.
- I will exercise due care in all matters of official business.
- I will protect and manage the organisation's financial and material resources efficiently and effectively and use them only for authorised purposes.
- I will not engage in or tolerate any form of discrimination, harassment – including sexual harassment – and abuse of power in the work place.
- I will communicate openly and share relevant information (subject to confidentiality requirements) with other colleagues, and will respond in a timely manner to queries. At the same time, i will respect my colleagues' privacy, and avoid misinformation.
- Fraud, deception and lying are prohibited in any way with any party whatsoever. In addition, as an employee, I will report through available channels in the organisation any suspicions related to possible instances of fraud or corruption that I may uncover in the course of my employment.
- I will cooperate with audits, inspections or investigations at the request of authorised officials and have a right to be protected from retaliation for reporting, in good faith or on reasonable grounds, integrity concerns.
- I will raise concerns about any potential violations of the organisation standards of conduct and report suspicions, substantiated by reliable information, through established channels available for raising concerns and will not discuss my suspicions with anyone else that I work with.

- I will not use discriminatory practices in hiring, promotion, training and any treatment at work based on colour, sex, religion, nationality, race, or age,
- I have not been convicted for any crime (except for crimes of political character), or misdemeanor in default of honor, integrity and public morals.
- I undertake to behave in a spirit of companionship, cooperation, exchange of knowledge, and to respect the equal partnership between men and women,
- I undertake to continue to act ethically when things go wrong.

1.9 Conflict of Interest - Board of Directors

ANY BOARD MEMBER or Board committee member having a conflict of Interest in relation to a matter scheduled to be discussed at a meeting of the Board or committee, and who is in attendance at the meeting, shall disclose all facts material to the conflict of Interest. Such disclosure shall be reflected in the minutes of the meeting. If Board members are aware that staff or other volunteers have a conflict of interest, relevant facts should be disclosed by the Board member, or by the interested person him/herself if invited to the Board meeting as a guest for purposes of disclosure.

A Board member or committee member who plans not to attend a meeting at which he or she has reason to believe that the Board or committee will act on a matter in which the person has a conflict of Interest shall disclose to the Chair of the meeting all facts material to the conflict of Interest. The Chair shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.

No Board member or committee member with a conflict of interest should take part in the deliberations or vote on a decision relating to the matter in which he or she has a personal interest conflicting with the interests of the organisation. It is the responsibility of the Chairman of the Board or the Chair of the committee to see to it that the Board member or committee member does not participate in discussion or vote on any decision.

1.10 Risk Management and Compliance

RISK MANAGEMENT IS the identification, assessment, and prioritisation of risks – defined as the effect of uncertainty on objectives - followed by coordinated and economical application of resources to minimise, monitor, and control the probability and/or impact of unfortunate events and to maximise the realisation of opportunities. Risk management's objective is to assure uncertainty does not unduly deflect the endeavor from achievement of the business goals.

Risks come from many sources including uncertainty in finance from donors, threats from project failures, legal liabilities, credit risk, accidents, natural causes and disasters, deliberate attack from an adversary, or events of uncertain or unpredictable root-cause.

Strategies to manage threats (uncertainties with negative consequences) typically include avoiding the threat, reducing the negative effect or probability of the threat, transferring all or part of the threat to another party.

Risk Management Framework:

Risk management, or enterprise risk management (ERM), is a key component of organisational strategy, as it reduces the likelihood of potential failures, increases the chances of success, and contributes to an organisation's sustainable growth and long-term prosperity. Risk management forms part of the glue that holds corporate governance together.

Risk management helps to anticipate and manage future events by incorporating a decision-making process to determine the best way(s) to deal with potential losses and pursue potential opportunities. It is an ongoing process to identify, evaluate and manage risks. All organisations must accept varying degrees of risks in order to accomplish their missions, and should determine whether the type and the degree of risks they face are within tolerable levels. Risk management cannot guarantee that risks will not materialise, but it can provide a reasonable basis for managing risk of failure to achieve organisation objectives.

Protecting Assets and Mitigating Impacts:

Any risk management system needs to be flexible enough to handle rapidly changing internal and external environments. To ensure continued effectiveness, it should be re-evaluated thoroughly on a regular basis.

Organisations may face litigation, for instance, even for trivial or frivolous reasons. Risk management can provide a series of processes and procedures to enable the organisation to demonstrate that it has followed the appropriate steps in its activities. It can also serve to provide evidence that could help the organisation to prevail in a lawsuit.

The Board of Directors may consider purchasing insurance to mitigate certain risks. Insurance can transfer some of the financial consequences of risk to another party but it does not eliminate all negative impacts particularly in non-financial areas.

/ Common Types of Organisational Risks:

- **Strategic Risk:** Relating to high-level goals associated with the support of the organisation's mission.
- **Operational Risk:** Relating to the effective and efficient use of an organisation's resources and the delivery of its services.
- **Reporting Risk:** Relating to the reliability of the organisation's reporting procedures.
- **Compliance Risk:** Relating to the organisation's compliance with applicable laws and regulations

Risk Management Programme:

Developing a risk management Programme involves:

Determining the organisation's risk-taking appetite so as to ascertain the nature of risks which the organisation is willing to take. Risk management is important irrespective of the organisation's risk appetite. An organisation that is more of a risk-taker may put in less stringent controls but it should, however, undergo the same risk management practices as a risk-averse organisation.

Risk identification considers and articulates any serious risks which the organisation faces. The organisation first has to identify risks by examining its functional areas, such as sourcing of funds, community service initiatives, and administrative operations. The Board of Directors should also perform a broader risk analysis based on understanding the expectations of various stakeholders. It can then identify what type of uncertainties would threaten the organisation's mission and operational plan.

Evaluating and prioritising risk helps the organisation to make appropriate decisions about when and where to invest its time and resources. The organisation should develop criteria to prioritise risks according to their impact on the organisation and the likelihood of their occurrence. Not every risk faced is material and critical. The goal is to create a workable and practical list of significant risks on which to focus risk management efforts.

Selecting appropriate risk mitigation tools is the process of developing strategies to minimise the possibility of risks materialising and how to handle them if they do occur. When determining the approach, the organisation can choose to change, transfer, avoid or retain the risks.

Monitoring and updating the risk program allows the organisation to learn from experience. Management should be responsible for reporting risk events and the performance of control to the Board of Directors on a regular basis.

The Board of Directors cannot and should not be involved in actual day-to-day risk management. The Board of Directors should instead, through their risk oversight role, satisfy themselves that the risk management policies and procedures designed and implemented by the organisation's senior executives and risk managers are consistent with the organisation's strategy and risk appetite; that these policies and procedures are functioning as directed; that necessary steps are taken to foster an enterprise-wide culture that supports appropriate risk awareness, behaviours and judgments about risk; and that there are processes to ensure that risk-taking beyond the organisation's determined risk appetite is recognised, appropriately escalated, and addressed in a timely manner.

The Board should establish that the Chief Executive and senior management are fully engaged in risk management and should itself be fully aware of the nature and magnitude of the organisation's principal risks. Through its oversight role, the Board of Directors should send a message to management and employees that comprehensive risk management is neither an impediment to the conduct of business nor a mere supplement to an organisation's overall compliance program, but is instead an integral component of strategy, culture and business operations.

In addition, the roles and responsibilities of different Board committees in addressing specific categories of risk should be reviewed to ensure that, taken as a whole, the Board's oversight function is coordinated and comprehensive.

The Board and relevant committees should work with management to promote and actively cultivate a corporate culture and environment that understands and implements enterprise-wide risk management. Comprehensive risk management is not a specialised corporate function, but is an integral, enterprise-wide strategy affecting how the organisation measures and rewards its success.

Improving Risk Oversight

Risk management should be tailored to the specific organisation, but, in general, an effective risk management system will:

- Adequately identify material risks that the organisation faces in a timely manner;
- Implement appropriate risk management strategies responsive to the organisation's risk profile, business strategies, specific material risk exposures and risk tolerance thresholds;
- Integrate consideration of risk and risk management into strategy development and business decision-making throughout the organisation; and
- Adequately transmit necessary information with respect to material risks to senior executives and to the Board or relevant committees.

Specific types of actions that the appropriate committees may consider as part of their risk management oversight include the following:

- Review with management the organisation's risk appetite and risk tolerance, the ways in which risk is measured on an aggregate, organisation-wide basis, the setting of aggregate and individual risk limits (quantitative and qualitative, as appropriate), the policies and procedures in place to hedge against or mitigate risks, and the actions to be taken if risk limits are exceeded;

/ Establish a clear framework for holding the Chief Executive Officer accountable for building and maintaining an effective risk appetite framework and providing the Board of Directors with regular, periodic reports on the organisation's residual risk status;

/ Review with management the categories of risk the organisation faces, including any risk concentrations and risk interrelationships, as well as the likelihood of occurrence, the potential impact of those risks, mitigating measures and action plans to be employed if a given risk materialises;

/ Review with management the assumptions and analysis underpinning the determination of the organisation's principal risks and whether adequate procedures are in place to ensure that new or materially changed risks are properly and promptly identified, understood and accounted for in the actions of the organisation;

/ Review with committees and management the Board's expectations as to each group's respective responsibilities for risk oversight and management of specific risks to ensure a shared understanding about roles and accountabilities;

/ Review the organisation's executive compensation structure to ensure it is appropriate in light of the organisation's articulated risk appetite and risk culture and to ensure it is creating proper incentives in light of the risks the organisation faces;

/ Review the risk policies and procedures adopted by management, including procedures for reporting matters to the Board of Directors and appropriate committees and providing updates, in order to assess whether they are appropriate and comprehensive;

/ Review management's implementation of its risk policies and procedures, to assess whether they are being followed and are effective;

/ Review with management the quality, type and format of risk-related information provided to Board of Directors;

/ Review the steps taken by management to ensure adequate independence of the risk management function and the processes for resolution and escalation of differences that might arise between risk management and business functions;

/ Review with management the design of the organisation's risk management functions, as well as the qualifications and backgrounds of senior risk officers and the personnel policies applicable to risk management, to assess whether they are appropriate given the organisation's size and scope of operations;

/ Review with management the primary elements comprising the organisation's risk culture, including communication about values, accountability and incentives to support employees taking an active role in managing risks at all levels in the organisation;

/ Review with management the means by which the risk management strategy is communicated to all appropriate groups within the organisation so that it is properly integrated into an enterprise-wide business strategy;

/ Review internal systems of formal and informal communication across divisions and control functions to encourage the prompt and coherent flow of risk-related information within and across business units and, as needed, the prompt escalation of information to management (and to the Board or board committees as appropriate); and

/ Review reports from management, independent auditors, internal auditors, legal counsel, regulators, stock analysts, and outside experts as considered appropriate regarding risks the organisation faces and the organisation's risk management function, and consider whether, based on individual director's experience, knowledge and expertise, the Board or committee primarily tasked with carrying out the Board's risk oversight function is sufficiently equipped to oversee all facets of the organisation's risk profile—including specialised areas such as cyber security—and determine whether subject-specific risk education is advisable for such directors.

If the organisation keeps the primary risk oversight function in the Audit Committee and does not establish a separate risk committee or subcommittee, the Audit Committee should schedule time for periodic review of risk management outside the context of its role in reviewing financial statements and accounting compliance. While this may further burden the Audit Committee, it is important to allocate sufficient time and focus to the risk oversight role.

Lines of Communication and Information Flow

The ability of the Board or a committee to perform its oversight role is, to a large extent, dependent upon the relationship and the flow of information between the Board members, senior management, and the risk managers in the organisation. If Board members do not believe they are receiving sufficient information — including information regarding the external and internal risk environment, the specific material risk exposures affecting the organisation, how these risks are assessed and prioritised, risk response strategies, implementation of risk management procedures and infrastructure, and the strengths and weaknesses of the overall system — they should be proactive in asking for more.

The Board of Directors should work with management to understand and agree on the type, format and frequency of risk information required by the Board. High-quality, timely and credible information provides the foundation for effective responses and decision-making by the Board.

Any committee charged with risk oversight should hold meetings directly with key executives primarily responsible for risk management. In addition, senior risk managers and senior executives should understand they are empowered to inform the Board or Board committee of extraordinary risk issues and developments that need the immediate attention of the Board of Directors outside of the regular reporting procedures.

Legal Compliance Programs

Senior management should provide the Board of Directors or Board committee with an appropriate review of the organisation's legal compliance programs and how they are designed to address the organisation's risk profile and detect and prevent wrongdoing. While compliance programs will need to be tailored to the specific organisation's needs, there are several principles to consider in reviewing a program.

There should be a strong message from the board and senior management emphasising that non-compliance will not be tolerated.

The compliance program should be designed by persons with relevant expertise and should typically include interactive training as well as written materials.

Compliance policies should be reviewed periodically in order to assess their effectiveness and to make any necessary changes.

There should be consistency in enforcing stated policies through appropriate disciplinary measures.

Finally, there should be clear reporting systems in place both at the employee level and at the management level so that employees understand when and to whom they should report suspected violations and so that management understands the Board's or Board committee's informational needs for its oversight purposes.

An organisation may choose to appoint a chief compliance officer and/or establish a compliance committee to administer the compliance program, including facilitating employee education and issuing periodic reminders. If there is a specific area of compliance that is critical to the organisation's business, the organisation may consider developing a separate compliance apparatus devoted to that area.

1.11 Audit

INTERNAL AUDITING IS an independent, objective activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the system of internal controls.

Auditing is a catalyst for improving an organisation's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes.

Internal auditing provides value to Board of Directors and senior management as an objective source of independent advice.

Professionals called internal auditors are employed by organisations to perform internal auditing function. The scope of internal auditing within an organisation is broad and may involve topics such as: an organisation's governance; risk management; management controls; efficiency and effectiveness of operations (including safeguarding of assets); the reliability of financial and management reporting; and compliance with laws, regulations and other applicable professional standards.

Internal auditing may also involve conducting fraud audits to identify potentially fraudulent acts; participating in fraud investigations under the direction of fraud investigation professionals; and conducting post investigation fraud audits to identify control breakdowns and establish financial loss.

Internal auditors are not responsible for the execution of the organisation activities; they advise management and the Board of Directors.

It is a major responsibility of the Board of Directors to ensure the integrity, objectivity and independence of the internal audit function.

The Board of Directors should establish an Audit Committee (AC) comprising at least three Board members to be responsible for oversight of internal audit work and reports and to follow up on implementing recommendations made by internal audit to management.

The purpose of the Audit Committee is to review and recommend to the Board of Directors for approval of reports and recommendations in relation to:

- Quarterly and annual financial reports and statements;
- Audit and business processes;
- Systems of internal controls; and
- Processes to manage compliance risk.

The AC is to support the Board of Directors in fulfilling its oversight responsibilities in the following areas:

- Quarterly and Annual Financial statement preparation and integrity;
- Recommendation of an appropriate firm of external auditors;
- Effectiveness of the external audit and internal audit functions; and
- Review the adequacy and effectiveness of the risk management and internal control systems regarding regulatory compliance and financial reporting risks.

A suggested charter or delegation for the (AC) is as follows:

- The Board has delegated to the AC the authority to investigate any matter within its terms of reference. The AC has full access to the external auditors, Head of Internal Audit (IA) and management, and full discretion to invite any director or executive officer to attend its meetings.

- The AC has access to all appropriate organisational resources and in connection with its responsibilities, the AC is authorised by the Board, at the organisation's expense, to obtain any external legal or other professional advice, to appoint consultants, and to commission or purchase any relevant reports, surveys and information which it deems necessary, in discharging its duties.

Duties of the (AC):

Financial Reporting:

/ Review the significant financial reporting issues so as to obtain reasonable assurance about the integrity and fairness of the quarterly and annual financial statements and about any announcement relating to financial reporting, before making recommendations to the Board.

/ Recommend the quarterly financial statements, annual financial statements and corresponding organisation announcements to the Board for approval.

/ Carry out due-diligence when reviewing the basis for the Chief Executive's (CE) and Chief Financial Officer's (CFO) assurances that financial records have been properly maintained, and that the financial statements give a true and fair view of the organisation's operations and finances.

External Audit

/ Review the selection of the external auditors and recommend to the Board the appointment, reappointment, termination, terms of engagement and remuneration of the external auditors.

/ Review the scope of work and results of the external audit and, at least annually, the independence and objectivity of the external auditors

/ Review the nature, extent and costs of non-audit services provided by the external auditors, seeking to balance the independence and objectivity of the external auditor with the business and operational needs of the organisation.

/ Review the results of the audit of financial statements and consider significant findings and recommendations of the external auditors and management's responses.

- Review the external auditors' audit plans, interaction between the external and internal auditors and other matters related to the conduct of the audits.

Compliance

- Review the compliance framework, and the scope of work and plan of the compliance function.

- Review any non-compliance with applicable regulations and listing rules.

- Review compliance matters that may have a material impact on the financial statements, related exchange compliance policies and matters and reports received from regulators.

Whistleblowing and Fraud

- Review the policy and arrangements for staff and any other persons to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. Ensure that these arrangements allow concerns to be raised and that appropriate independent investigation of such matters, and follow up actions to be taken. Review the disclosure of the whistleblowing policy in the Annual Report, and publicly disclose the procedures for raising such concerns as appropriate.

- Report the results of investigations into suspected fraud or irregularities to the Board as appropriate.

Composition:

- The AC composition is made up as follows:
  - At least three (3) Board members, all of whom are independent from management and business relationships with the organisation and

- A majority of members (including the Chairman) who are independent Board members.
- All members being non-executive directors; and
- At least one member shall have recent and relevant accounting or related financial management expertise or experience as the Board interprets such qualification in its business judgment.

/ The independence of the members of the AC shall be determined in accordance with prevailing internationally recognised professional standards.

/ A member of the AC shall hold office until the next Annual General Meeting following that member's appointment and may be reappointed to such office.

/ If the number of members of the AC falls below three (3), the Board shall, within three (3) months, appoint new members to the AC to make up the minimum number of three (3). Any new member appointed shall hold office for the remainder of the term of office of the member of the AC in whose place he or she is appointed.

/ A former partner or director of the organisation's existing external auditing firm should not act as a member of the organisation's AC:

- Within a period of twelve (12) months commencing on the date of his or her ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case
- For as long as he or she has any financial interest in the auditing firm or auditing corporation.

Meetings and Proceedings:

- The external auditors or the Head of IA may request a meeting whenever necessary.
- The AC shall meet:
  - With the external auditors, and
  - With the internal auditors, in each case without the presence of management, at least annually.
- The AC shall meet with other committees, management, the Head of Internal Audit, the Head of Compliance and the external auditors, in separate sessions, if necessary.

Administrative Support Function/Secretary of AC:

- The Head of IA shall provide the administrative support function for the AC. He or she shall propose the agenda of the meeting and take action on issues and matters arising from the meetings of the AC.
- The IA Secretary or his/her nominee shall act as the secretary of the AC (the "Secretary").

Meetings and Proceedings

The following are model rules that may be appropriate for an organisation to adopt for its Audit Committee

- In addition to meetings as scheduled in the calendar of Board and Board committee meetings, the AC may regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, and the voting and proceedings thereat.
- The Secretary shall, on the requisition of a member, summon a meeting of the members.

- Seven days' notice, or such shorter notice as may be agreed by members, will be given by the Secretary, specifying the place, time and agenda of the meeting. A copy of the notice shall also be sent to the external auditors.

- The quorum necessary for the transaction of the business of the AC shall be two (2), provided that both shall be independent directors.

- If, at any meeting, the Chairman is not present within 15 minutes after the time appointed for holding the meeting, the members present may choose one of the other independent members to be Chairman of the meeting.

- In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

- A resolution in writing, signed by a majority of the members for the time being entitled to receive notice of a meeting of the AC (of which a majority shall be independent), shall be valid as if it had been passed at a meeting of the AC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

- Minutes of proceedings of meetings of the AC shall be recorded by the Secretary and circulated to all the members. The minutes are to be signed by the Chairman of the meeting. The minute books shall be kept by the Secretary and shall be open for inspection by any director of the organisation.

- The Chairman of the AC shall report on the proceedings of the AC to the Board by way of submission of minutes of the AC meetings or by such other mode as the Chairman shall in his discretion deem fit.

- The AC may invite members of management or others to attend the meeting and provide pertinent information as necessary.

PART 2 –
FINACIAL MANAGEMENT GUIDELINES

UNDERPINNING ALL FINANCIAL management systems is a series of financial policies and procedures which guide operations and lay out how an organisation uses and manages its money. A financial procedures guideline brings all these together in one document. It helps to establish financial controls within the organisation that ensure accuracy, timeliness and completeness of financial data.

While these guidelines are generally used by finance staff, they can also act as a reference for Board members, managers and other staff. There is no one model of a financial procedures guideline that suits all – the form it takes will depend on the needs and structure of an organisation. However, there are some basics that must be in place to achieve good practice in financial management. It is helpful to identify certain principles when developing a financial management system: these will act as a guide to Board members and managers when making decisions.

These guidelines should also serve as a means of orienting finance department personnel to the general functions and objectives of financial administration and of training new employees in the duties and responsibilities of their positions.

The definitions of the Finance Department and Financial terms are described as follows:

Finance period: The time period over which financial information is reported, normally monthly, quarterly or yearly.

Chart of Accounts: The complete listing of accounts used by an organisation in its finance department information system.

Finance department record: Any document upon which finance department transactions are recorded or any other document issued or used in the preparation and processing of finance department transactions.

Cash basis: Revenue is recorded when actually received, and expenses are recorded when actually paid.

Accrual Basis: Revenue is recorded when earned and expenses are recorded when incurred.

Cash flow: The movement in cash balances over a particular reporting period.

Cash flow statement: A financial report provided to show the movement in cash over a particular reporting period, showing how cash has been received and where it has been applied

Double entry system: A system of accounting, which captures and records twofold aspects (Debit and Credit) of each financial transaction.

Cash: Money in coins or notes, as distinct from checks, money orders, or credit.

Credit: In double entry accounting a credit is the right side of an account. Credits decrease assets and expenses and increase liabilities and revenues.

Debit: In double entry accounting a debit is the left side of an account. Debits increase assets and expenses and decrease liabilities and revenues.

Grant: A grant is a sum of money given by an organisation, entity or donor to a government/organisation for a particular purpose.

Invoice: A commercial document issued by a seller to a buyer, indicating the products, quantities and agreed prices for products or services with which the seller has already provided the buyer. An invoice indicates that payment is due from the buyer to the seller according to the payment terms.

Journal Voucher: A form used to record changes (debits and credits) to a specific account.

Payroll: The sum of all financial records of salaries, wages, bonuses, and deductions.

2.1 Financial Procedures

2.1.1 The Finance Department Accounting System

/ An accounting information system is a system of collecting, storing and processing financial and accounting data used by decision makers. An accounting information system is generally a computer-based method for tracking accounting activity using information technology (IT) applications. The resulting financial reports can be used internally by management or externally by other interested parties including creditors, donors, and tax authorities. Accounting information systems are designed to support all accounting functions and activities including auditing, financial accounting and reporting, managerial/management accounting and tax. The most widely adopted accounting information systems are auditing and financial reporting modules.

/ An accounting information system is a structure that an organisation or business uses to collect, store, manage, process, retrieve and report its financial data so that it can be used by accountants, consultants, business analysts, managers, chief financial officers, auditors and tax agencies.

/ The purpose of accounting is to accumulate and report on financial information about the performance, financial position, and cash flows of a business. This information is then used to reach decisions about how to manage the business.

/ A component of an accounting system is a single part that helps the overall system gather financial data, translate it into useful information, and communicate it to decision makers. Each section of the system is designed to accomplish one or two steps in the accounting cycle ultimately culminating in the preparation and issuance of financial statements.

Example

/ **There are five main components in an accounting system. Each part has a different job and accomplishes a different step in the financial reporting process. The five components are source documents, input devices, information processors, information storage, and output devices.**

- Source documents are business documents that track business transactions. These documents are created as a written record of a deal being made or a transaction taking place. Documents such as invoices, purchase orders, and receipts are created at the end of a business event to keep a record of the original transaction.

- **Input devices** - bar code scanners, keyboards, and modems - are tools used to enter transaction information into the accounting system. These devices help employees enter source documents into the system.

- Information processors take the raw data from the input devices and post it to ledgers, journals, and reports. Processors, nowadays mostly computers and software programs, process the data, so that decision makers can use it.

- Information storage is the component of the system that stores the reports and ledgers created by the information processors. Most modern accounting systems are computer based, so the storage devices usually consist of servers and hard drives. However, file cabinets are still considered storage devices.

- **Output devices** - monitors, printers, and projectors - are any devices that take information from the system storage and display it in a useful way, so that it can be used.

Accounting Ledger

The accounting ledger is most often called the general ledger because it contains a listing of all general accounts in the accounting system's chart of accounts. Most organisations use a computerised general ledger – there are many packages available commercially - to track their transactions activities.

Example

Accounts are usually listed in the general ledger with their account numbers and transaction information. Here is what a general ledger template looks like in debit and credit format (see page 60).

General Ledger			
Account Number	**Account Description**	**Debits**	**Credits**
1	Assets	100	
2	Liabilities		10
3	Equity		90
Totals		**100**	**100**

Journal Entry

A journal entry records financial transactions in the general ledger. Thus there are always both debit and credit journal entry lines and the total debits must equal the total credits. Rules surrounding journal entries are usually as follows:

/ Journal entries are required to have an approver who is different from the preparer.

/ The journal entry preparer is required to submit the completed journal entry template and supporting documentation to the designated approver for approval.

/ Journal entries must be approved in accordance with the journal entry approval matrix.

/ Evidence of journal entry approval is required to be in the form of a written signature.

/ Approved journal entries and supporting documentation are required to be archived and stored (either manually or, more often nowadays, electronically) by the preparer in a designated storage location for easy accessibility.

/ All journal entries initiated are required to comply with specific regulatory guidelines adopted by the organisation's governing entity, the Board of Directors.

2.1.2 Chart of Account

The chart of accounts is a detailed listing, with descriptions, of all of the accounts (records of each business transactions), maintained by an organisation. It is used to keep track of the income and expenses of the organisation. It serves as a detailed table of contents for the general ledger. The structure and headings of accounts should assist in consistent posting of transactions with each ledger account having a unique name and thereby allowing its ledger (record of transactions) to be readily located.

/ The chart of accounts (often abbreviated to COA) is the foundation of the double entry bookkeeping system. It is a listing of all the accounts found in the general ledger that the business will use to code each bookkeeping transaction. The sample chart of accounts below provides an example using some of the most commonly found account names.

/ The exact layout of the finance department chart of accounts is a matter of choice depending on the exact reporting requirements of the organisation. The important point to remember is not to over complicate the chart of accounts. This sample chart of accounts structure allows the organisation to easily identify accounts and account codes enabling transactions to be posted and the trial balance and financial statements to be prepared.

/ The organisation should decide what finance department reports it needs and then provide sufficient account codes to allow the report to be produced.

/ The only required features of the chart of accounts are the account name and the account code. In addition, this sample chart of accounts sets out which financial statement the account belongs to, how the accounts are grouped and sub-grouped so that all similar accounts are grouped together, and indicates whether the account is normally a debit or a credit.

Example

Here is what a general Chart of Accounts might look like (see page 62).

Sample Chart of Accounts

Account Name	Code	Financial Statement	Group	Sub-Group	Normally
Bank checking account	100	Balance sheet	Current assets	Cash and cash equivalents	Debit
Bank savings account	110	Balance sheet	Current assets	Cash and cash equivalents	Debit
Online savings account	120	Balance sheet	Current assets	Cash and cash equivalents	Debit
Petty cash account	130	Balance sheet	Current assets	Cash and cash equivalents	Debit
Paypal account	140	Balance sheet	Current assets	Cash and cash equivalents	Debit
Short term marketable securities	200	Balance sheet	Current assets	Short term marketable securities	Debit
Accounts receivable	300	Balance sheet	Current assets	Accounts receivable	Debit
Allowance for doubtful debts account	310	Balance sheet	Current assets	Accounts receivable	Credit
Raw materials	400	Balance sheet	Current assets	Inventory	Debit
Work in progress	410	Balance sheet	Current assets	Inventory	Debit
Finished goods	420	Balance sheet	Current assets	Inventory	Debit
Other receivables	500	Balance sheet	Current assets	Other current assets	Debit
Prepayments	510	Balance sheet	Current assets	Other current assets	Debit
Long term marketable securities	600	Balance sheet	Long term assets	Long term marketable securities	Debit
Property	700	Balance sheet	Long term assets	Property, plant and equipment	Debit
Property Depreciation	710	Balance sheet	Long term assets	Property, plant and equipment	Credit
Plant	720	Balance sheet	Long term assets	Property, plant and equipment	Debit
Plant depreciation	730	Balance sheet	Long term assets	Property, plant and equipment	Credit
Equipment	740	Balance sheet	Long term assets	Property, plant and equipment	Debit
Equipment depreciation	750	Balance sheet	Long term assets	Property, plant and equipment	Credit

Sample Chart of Accounts

Account Name	Code	Financial Statement	Group	Sub-Group	Normally
Goodwill	800	Balance sheet	Long term assets	Goodwill	Debit
Intellectual property	810	Balance sheet	Long term assets	Intellectual property	Debit
Intellectual property amortisation	820	Balance sheet	Long term assets	Intellectual property	Credit
Other assets	840	Balance sheet	Long term assets	Other long term assets	Debit
Notes payable	900	Balance sheet	Current liabilities	Notes payable	Credit
Accounts payable	1000	Balance sheet	Current liabilities	Accounts payable	Credit
Payroll payable	1100	Balance sheet	Current liabilities	Other current liabilities	Credit
Interest payable	1110	Balance sheet	Current liabilities	Other current liabilities	Credit
Accrued expenses	1120	Balance sheet	Current liabilities	Other current liabilities	Credit
Unearned revenue	1130	Balance sheet	Current liabilities	Other current liabilities	Credit
Sales Tax payable	1140	Balance sheet	Current liabilities	Other current liabilities	Credit
Purchase Tax payable	1150	Balance sheet	Current liabilities	Other current liabilities	Credit
Payroll tax payable	1160	Balance sheet	Current liabilities	Other current liabilities	Credit
Income tax payable	1170	Balance sheet	Current liabilities	Other current liabilities	Credit
Mortgage loan	1200	Balance sheet	Long-term liabilities	Mortgages	Credit
Bonds payable	1210	Balance sheet	Long-term liabilities	Bonds	Credit
Common stock	1300	Balance sheet	Equity	Capital	Credit
Retained earnings	1400	Balance sheet	Equity	Retained earnings	Credit
Sales	2000	Income Statement	Income	Revenue	Credit
Discounts allowed	2100	Income Statement	Income	Revenue	Debit

Sample Chart of Accounts					
Account Name	Code	Financial Statement	Group	Sub-Group	Normally
Materials purchased	2200	Income Statement	Cost of sales	Cost of sales	Debit
Packaging	2210	Income Statement	Cost of sales	Cost of sales	Debit
Discounts taken	2220	Income Statement	Cost of sales	Cost of sales	Debit
Carriage	2230	Income Statement	Cost of sales	Cost of sales	Debit
Import duty	2240	Income Statement	Cost of sales	Cost of sales	Debit
Transport insurance	2250	Income Statement	Cost of sales	Cost of sales	Debit
Opening inventory	2260	Income Statement	Cost of sales	Cost of sales	Debit
Closing inventory	2270	Income Statement	Cost of sales	Cost of sales	Credit
Productive Labour	2280	Income Statement	Cost of sales	Cost of sales	Debit
Research and development	2300	Income Statement	Expense	Research and development	Debit
Sales commissions	2400	Income Statement	Expense	Sales and marketing	Debit
Sales promotion	2410	Income Statement	Expense	Sales and marketing	Debit
Advertising	2420	Income Statement	Expense	Sales and marketing	Debit
Gifts & samples	2430	Income Statement	Expense	Sales and marketing	Debit
Marketing expenses	2440	Income Statement	Expense	Sales and marketing	Debit
Payroll	2500	Income Statement	Expense	General and administrative	Debit
Payroll expenses	2510	Income Statement	Expense	General and administrative	Debit
Payroll benefits	2530	Income Statement	Expense	General and administrative	Debit

Sample Chart of Accounts

Account Name	Code	Financial Statement	Group	Sub-Group	Normally
Payroll taxes	2540	Income Statement	Expense	General and administrative	Debit
Pensions	2570	Income Statement	Expense	General and administrative	Debit
Recruitment expenses	2580	Income Statement	Expense	General and administrative	Debit
Rent	2620	Income Statement	Expense	General and administrative	Debit
Water	2630	Income Statement	Expense	General and administrative	Debit
Property taxes	2640	Income Statement	Expense	General and administrative	Debit
Premises insurance	2650	Income Statement	Expense	General and administrative	Debit
Electricity	2660	Income Statement	Expense	General and administrative	Debit
Gas	2670	Income Statement	Expense	General and administrative	Debit
Oil	2680	Income Statement	Expense	General and administrative	Debit
Other heating costs	2690	Income Statement	Expense	General and administrative	Debit
Motor fuel	2700	Income Statement	Expense	General and administrative	Debit
Motor repairs	2710	Income Statement	Expense	General and administrative	Debit
Licences	2720	Income Statement	Expense	General and administrative	Debit
Vehicle insurance	2730	Income Statement	Expense	General and administrative	Debit
Miscellaneous motor	2740	Income Statement	Expense	General and administrative	Debit
Travelling	2760	Income Statement	Expense	General and administrative	Debit
Car hire	2770	Income Statement	Expense	General and administrative	Debit

Sample Chart of Accounts

Account Name	Code	Financial Statement	Group	Sub-Group	Normally
Hotels	2780	Income Statement	Expense	General and administrative	Debit
Entertainment	2790	Income Statement	Expense	General and administrative	Debit
Subsistence	2800	Income Statement	Expense	General and administrative	Debit
Printing	2810	Income Statement	Expense	General and administrative	Debit
Postage & carriage	2820	Income Statement	Expense	General and administrative	Debit
Telephone	2830	Income Statement	Expense	General and administrative	Debit
Office stationery	2840	Income Statement	Expense	General and administrative	Debit
Books	2850	Income Statement	Expense	General and administrative	Debit
Legal fees	2860	Income Statement	Expense	General and administrative	Debit
Audit & accountancy fees	2870	Income Statement	Expense	General and administrative	Debit
Consultancy fees	2880	Income Statement	Expense	General and administrative	Debit
Professional fees	2890	Income Statement	Expense	General and administrative	Debit
Equipment hire	2900	Income Statement	Expense	General and administrative	Debit
Equipment maintenance	2910	Income Statement	Expense	General and administrative	Debit
Repairs & renewals	2920	Income Statement	Expense	General and administrative	Debit
Cleaning	2930	Income Statement	Expense	General and administrative	Debit
Laundry	2940	Income Statement	Expense	General and administrative	Debit
Premises expenses	2950	Income Statement	Expense	General and administrative	Debit
Bad debt expense	2960	Income Statement	Expense	General and administrative	Debit

Sample Chart of Accounts

Account Name	Code	Financial Statement	Group	Sub-Group	Normally
Donations	2970	Income Statement	Expense	General and administrative	Debit
Subscriptions	2980	Income Statement	Expense	General and administrative	Debit
Clothing costs	2990	Income Statement	Expense	General and administrative	Debit
Training costs	3000	Income Statement	Expense	General and administrative	Debit
Insurance	3010	Income Statement	Expense	General and administrative	Debit
Refreshments	3020	Income Statement	Expense	General and administrative	Debit
Suspense account	3030	Income Statement	Expense	General and administrative	Debit
Property depreciation	3100	Income Statement	Expense	Depreciation	Debit
Plant depreciation	3110	Income Statement	Expense	Depreciation	Debit
Equipment depreciation	3120	Income Statement	Expense	Depreciation	Debit
Intellectual property amortisation	3130	Income Statement	Expense	Depreciation	Debit
Interest expense	3200	Income Statement	Expense	Finance costs	Debit
Bank fees	3210	Income Statement	Expense	Finance costs	Debit
Currency charges	3220	Income Statement	Expense	Finance costs	Debit
Gain on sale of assets	3300	Income Statement	Income	Other Income	Credit
Interest income	3310	Income Statement	Income	Other Income	Credit
Insurance claims	3320	Income Statement	Income	Other Income	Credit
Rent income	3330	Income Statement	Income	Other Income	Credit
Income tax expense	3400	Income Statement	Expense	Income tax expense	Debit

The sample chart of accounts is divided into the following columns:

Account Name

This is the name of the account in the general ledger. Account names will depend on the type of business or activities in which an organisation is engaged, but the classification and grouping should be broadly similar to the sample chart of accounts.

Code

Each account is given an account code or reference. In this sample chart of accounts, the code is a number, but it could be any appropriate classification system which allows accounts to be grouped together. For example, all the inventory accounts start with the number four. A good reason for using chart of accounts numbering for account codes is that it speeds up the entering of bookkeeping transactions using the numeric keypad on a typical keyboard.

The purpose of the code is simply to group similar accounts together, and to provide an easy method of referring to an account when preparing journal entries. When allocating account codes (chart of accounts numbers) it is useful to leave space for additional accounts and codes to be inserted in a group at a later stage. For example, the inventory codes run from 400 to 499 so there is plenty of room to incorporate new categories of inventory if needed.

Financial Statement

This column shows the financial statement in which the account appears, and for a profit making business is either the balance sheet of the income statement.

Group

The group refers to the categorisation of the account into one of the headings shown below. It generally helps to keep the most used accounts towards the top of each group as this helps speed up locating the account and the posting of double entry transactions.

1. Current assets
2. Assets
3. Current liabilities
4. Liabilities
5. Equity
6. Income
7. Expense

The first five headings refer to the balance sheet accounts and represent the finance department equation

Assets = Liabilities + Equity

The final two headings refer to the income statement showing:

Net income = Income – Expenses

Sub-Group

In this sample chart of accounts template, the sub-group column divides each group into the categories shown in the listings below. The purpose of the sub-group is to categorise each account into classifications needed to present the balance sheet and income statement in Finance Department reports.

In the sample chart of accounts for example, expense accounts are subdivided into business functions such as research and development, sales and marketing, and general and administrative expenses.

- **Current assets**
  1. Cash and cash equivalents
  2. Short term marketable securities
  3. Accounts receivable
  4. Inventory
  5. Other current assets
- **Long term assets**
  1. Long term marketable securities
  2. Property, plant and equipment
  3. Goodwill
  4. Intellectual property
  5. Other long term assets
- **Current liabilities**
  1. Notes payable
  2. Accounts payable
  3. Other current liabilities
- **Long term liabilities**
  1. Mortgages
  2. Bonds
- **Equity**
  1. Capital
- **Income**
  1. Revenue
  2. Other Income
- **Expense**
  1. Research and development
  2. Sales and marketing
  3. General and administrative
  4. Depreciation
  5. Finance costs
  6. Income tax expense

Normally a Debit or Credit

This column is for information only to indicate whether the account is normally increased by a debit or a credit. For example, expense accounts are normally increased by a debit entry, whereas income accounts are normally increased by a credit entry.

The Budget

The budget includes all planned activities listed by type of activity. It is a financial framework listing all activities and deliverables as stipulated in the agreement. Each line item in the budget indicates the costs which may be incurred for the specific activity (for example, the number of workshops to be presented, the number of persons to attend, the venue rental costs, the presenter costs). Travelling costs and per diems are either provided for in a separate line item or aligned with specific activities. Fees per kilometer and per diems applicable are listed. Provision for administrative costs may include:

- bookkeeping fees
- audit fees
- telephone costs
- rental
- stationery
- other office costs

- Office costs may be subdivided into specific costs or may be provided for as a lump sum for overhead costs for the total project.

- If divided into specific costs, actual costs are claimed per month as they occur according to specification.

- If specified as a lump sum, the total overhead provision may be transferred to a dedicated account from which running costs are paid monthly in total. The organisation can transfer the overhead funds to a dedicated account named, for example, 'own funds', pooling overhead funds from different projects. When transferring the overhead costs to an 'own funds' account, that sum is entered as an expense in the records of the project in the month of transfer in one sum.

- The organisation's running costs which are not project-specific may be paid from the 'own funds' account. Funds remaining in this account may also be used to bridge periods when projects have been completed and new projects have not yet commenced, but running costs including rent, telephone and insurance still have to be paid by the organisation.

- If, during the implementation of the agreement, it is found that certain reasonable costs could exceed the relevant budget line, an agreement has to be reached with the donor to readjust the costs accordingly and to rebalance the budget by reducing other line items. This should be done before overspending on a line item actually occurs. Salaries and fees are generally not adjustable during the course of an agreement. For the duration of the project a summary of expenses is drawn up and is updated monthly, indicating monthly expenses, total expenditure to date and the remainder of funds per line item. This serves as a control instrument for both the manager of the organisation and the project programmer managers.

- In addition, an organisation will generally have to submit a reconciliation of funds received to its donors at prearranged time intervals so that control can be kept of how much of a grant advance has been used, whether the organisation would need a subsequent advance and how much interest (which often has to be returned to the donor) any advanced funds have accumulated. Although the requirements of various donors and the forms to be used in this regard may differ.

- Efficient banking operations cannot be conducted without recordkeeping systems that generate accurate and reliable information and reports. Such systems are necessary to keep Board members well informed and help officers manage effectively.

- Finance department systems should be designed to facilitate the preparation of internal reports that correspond with the responsibilities of individual supervisors and key employees. Records should be updated daily and reflect each day's activities separately from other days. Subsidiary records, such as those pertaining to deposits, loans, and securities, should balance with general ledger accounts. While it is expected that records and systems will differ between banks, the books of every institution should be kept in accordance with well-established finance department and banking principles. In each instance, a bank's records and accounts should accurately reflect financial conditions and operating results. The following characteristics should be present in all finance department systems.

2.1.3 Financial Methods

There are two main methods for keeping accounts. The two methods differ in a number of ways but the crucial difference is in how they deal with the timing of the two types of financial transaction:

- Cash transactions which have no time delay since the trading and exchange of monies takes place simultaneously.
- Credit transactions which involve a time lag between the contract and payment of money for the goods or services.

Significantly, the method chosen to record transactions produces different financial information – as managers it is necessary to know which system the organisation's finance department uses to understand financial reports.

Cash Basis: This is the simplest way to keep finance department records and does not require advanced bookkeeping skills to maintain. The main features are:

- Payment transactions are recorded in a Bank (or Cash) Book as and when they are made and incoming transactions (money) as and when received.
- The system takes no account of time lags and any bills which might be outstanding.
- The system does not automatically maintain a record of any money owed by (liabilities) or to (assets) the organisation.
- The system cannot record non-cash transactions such as a donation in kind or depreciation.

When summarised, the records produce a Receipts and Payments Account for a given period. This simply shows the movement of cash in and out of the organisation and the cash balances at any given time.

Accruals Basis: This involves 'double entry' bookkeeping which refers to the dual aspects of recording financial transactions to recognise that there are always two parties involved. The dual aspects are referred to as debits and credits. This system is more advanced and requires accountancy skills to maintain.

/ Expenses are recorded in a General Ledger as they are incurred, rather than when the bill is actually paid; and when income is truly earned rather than when received.

/ By recognising financial obligations when they occur, not when they are paid or received, this overcomes the problem of time lags, giving a truer picture of the financial position.

/ The system can deal with all types of transactions and adjustments.

/ The system automatically builds in up-to-date information on assets and liabilities.

/ These records provide an Income and Expenditure Account summarising all income and expenditure committed during a given period; and a Balance Sheet which demonstrates, amongst other things, moneys owed to and by the organisation on the last day of the period.

	CASH	ACCRURALS
Accounting System	Single Entry	Double Entry
Transaction Types	Cash only	Cash and Credit
Terminology	Receipts and Payments	Income and Expenditure
Main Book of Account	Bank (or Cash) Book	Nominal (or General) Ledger
Skill level	Basic book-keeping	Advanced book-keeping
Non-cash transactions	No	Yes
Assets and Liabilities	No	Yes
Reports produced	Receipts and Payments Report	Income and Expenditure Report with Balance Sheet

2.2 Cash Management

Cash management is the corporate process of collecting and managing cash. It is a key component of ensuring an organisation's financial stability. There is often a specific position in the finance department designated as responsible for overall cash management.

2.2.1 Cash account

In a set of accounts, cash account is the account that records details of all amounts paid or received in cash in arrangements for payment by customers; an account that is settled quickly in cash, rather than one which is paid later or in several payments. It is another name for a checking account, cheque account, or current account.

2.2.2 Cash Transactions

All transactions are recorded on a schedule indicating:

- Opening balance at beginning of the month
- Cash received
- Payments made from petty cash.

No petty cash transaction should be left incomplete at the end of each month. The closing balance at the end of the month must be reconciled with the cash available. Any shortfall is usually refunded to the petty cash by the custodian of the petty cash from his or her salary.

2.2.3 Cash Controls and Cash Verification

- The finance manager should physically verify the cash balance occasionally and compulsorily at the end of the month.

- The cash account record should be signed by the person handling the cash and the person in charge of finance as and when the physical verification of cash is carried out.

- Any discrepancy noticed during the physical verification should be recorded and reported in writing to the person concerned immediately

- **The following list of internal controls will help the organisation to control cash:**
  - **Segregation of Duties:** The following responsibilities should be distributed among personnel so one person is not responsible for all aspects:
    - Opening mail, endorsing cheques;
    - Preparing deposits, reconciling to budget statements; and
    - Billing and collection duties distributed among personnel.
  - **Safeguarding of Cash:**
    - Cheques endorsed immediately upon receipt;
    - Receipts kept in a secure location until deposit (safe, locked drawer, etc.);
    - Access to credit card terminals and cash registers restricted to authorised personnel.
  - **Cash Receipt Processing:**
    - Deposits to bank made daily;
    - Daily cash register readings recorded on the daily cash reports and reconciled to daily deposits;
    - Processed credit card charges/credits handled properly and in timely manner;
    - Accounts receivables reconciled to Ledger monthly.
  - **Employee Reimbursements**
    - Receipts properly classified as employee reimbursements;
    - Receipts processed in timely manner.
  - **Nature and Source of Revenue**
    - Revenue sources properly classified;
    - Potential donations channelled through Board of Directors.

- **Petty Cash/ Imprest Fund**
  - Access to petty cash fund restricted to petty cash custodian;
  - Petty cash disbursements made upon presentation of approved petty cash pay-out forms with supporting documentation (e.g., receipts);
  - Petty cash fund replenished frequently enough to ensure sufficient funds are available and expenses are charged to the proper fiscal year;
  - Petty cash fund in agreement with the general ledger.

- **Money coming in separate from money going out:** All money coming into the organisation must be paid into the bank promptly and entered into the records before it is paid out again.

- **Receipts issued for money received:** This affords protection to the person receiving the money and assures the person handing it over that it is being properly accounted for. Receipts must be written in ink, not pencil, and from a numbered receipt book.

- **Receipts obtained for money paid out:** Receipt should be received from the money receiver, however this may not be possible in some cases, for example, when purchasing from a market; in this case the cost of each transaction should be noted down straight away so that the amounts are not forgotten and these can then be transferred to a petty cash slip and authorised by a line manager.

- **Surplus cash paid into the bank:** The organisation should always aim to pay cash into the bank on a daily basis. Having cash in the office is a temptation to a thief; it also loses the opportunity to earn interest from the bank on the deposit money.

2.2.4 Physical Controls

Physical controls are additional common sense precautions taken to safeguard the assets of an organisation. The precautions include but are not limited to the following:

- Third parties should not be allowed access to the accountant or the safe. Cash should be paid to them in the front office.
- Cash is handled by only one designated person who is responsible for it.
- A fixed period of time has to be set for cash disbursements, only emergency payments can be released during other times.
- Maximum and minimum cash limits to be strictly observed.
- Finance department recording of cash receipts/ payments is done on a daily basis.
- **Having a safe:** The organisation should have safe or at least a safe place to keep cash, cheque books, legal documents. A proper safe is worth considering if the organisation has to keep large sums of money on the premises overnight.
- **Insurance cover:** It may be advisable to take out insurance cover for cash kept at the offices and assets, so if cash or assets are lost, damaged or stolen they can be replaced or compensated. There are many different types of insurance to consider, including:
  - Office contents against fire and theft;
  - Buildings against fire, floor and storm damage;
  - Vehicles against accident and theft.

2.2.5 Cash Payment and Petty Cash

Cash Payments

Cash payment is all payments made by the organisation in cash, for which key controls should be in place as follows:

- Cash payments will be made only after preparing the payment voucher;
- All vouchers should be printed with serial numbers;
- The voucher has to be approved by the authorised person before payment is made;
- The payee must sign the voucher for having received the payment;
- The number of cash payments should be reduced by converting settlements through check payments.

Example

Payment Voucher (sample only)

PV No:	
Amount	Date
Method of Payment	
Cash:	Cheque #:
To:	
The Sum of:	
Being:	Payee:
Approved by:	Paid by:
Signature:	

Petty Cash Funds

All departments maintaining petty cash funds should exercise careful control over their use. A petty cash fund is a small amount of currency issued and held by departments to cover payments of day-to-day miscellaneous purchases such as one-off stationery items and postage charges. The petty cash fund is not to be used to circumvent organisation procedures and record keeping in regards to seeking proper approvals for purchases and payments.

Establishing or Increasing a Petty Cash Fund:

/ The Board of Directors should approve any proposal to establish a petty cash fund and any request to increase the amount held within it.

/ A custodian for the fund (Petty Cash Officer) must be appointed and is the party responsible for safekeeping, disbursing, and balancing the fund.

/ Determine the fund amount required by estimating expenditures for a two-week period. Generally, petty cash funds should not exceed $100.

/ Once the necessary approval to establish the fund has been obtained, the Chief Executive Officer or the senior financial officer with sufficient delegation should provide the agreed funds to the custodian by cheque.

Custodian Responsibilities:

/ The custodian of the fund is fully responsible for the safekeeping of the fund and for its proper usage. The custodian must exercise caution in the administration and protection of the fund in his/her possession.

/ Access to the fund should be limited to the petty cash custodian.

/ The cash should be locked in an office safe, file safe, or reinforced lockable file or desk with a padlock and bar that secures all drawers at all times and the key should be kept in the custodian's possession. At no time should the funds be left in unlocked desk drawers or cabinets.

Funds should not be retained in desk drawers or standard file cabinets since they are easily accessed with minimal forcing or readily available keys.

- Petty cash funds must not be commingled with any other funds or used for any purposes other than those listed in this manual.
- Any discrepancies in the fund are the responsibility of the custodian.
- It is the responsibility of the custodian to follow the manual and procedures in maintaining the petty cash fund.

Procedure to Change Custodian:

If a fund custodian is transferring jobs or terminating employment at the organisation, it is necessary to transfer the fund to a new custodian. The fund should be counted and reconciled by the current custodian and then formally handed over to the new holder. The new custodian should acknowledge receipt of the fund by signing a form documenting the transfer of funds and acknowledging acceptance of the accompanying responsibility. The finance department should develop a form to be used for this purpose; the completed form should be kept as part of the finance department's records.

Fund Restrictions:

- Petty cash funds are to be maintained on an imprest basis, which means the amount of the fund remains constant. Currency and coin plus petty cash receipts in the fund should always equal the authorised amount of the fund.
- This fund belongs to the organisation and should be kept on the organisation property at all times.
- The fund may be subject to a surprise count by the internal audit department, finance department and the organisation's external auditors during normal business hours.

- Surprise counts should be conducted several times per year.
- No money may be loaned or borrowed from the fund for personal use.
- The fund may not be used to cash personal checks.
- Mishandling of funds may result in dismissal and/or prosecution of involved employees.

Petty Cash Fund Disbursements:

- Petty cash disbursements may be made for:
  - Emergency or urgent one-off purchases
  - Freight, postage due
  - Authorised local travel under an agreed amount (say $50.00)
  - Food purchases under an agreed amount (say $50,00) with proper documentation provided, including business purpose of the event.
- Employee gifts should never be purchased with these funds.
- A receipt or invoice should be obtained for each expenditure.
- Vendor receipts should show the date, amount and description of purchases.
- More than one purchase or pay-out may be listed on the same PC, when the account to be charged and the employee being reimbursed remain the same.
- Presentation of the approved PC form to the fund's custodian will result in reimbursement.
- No single expenditure of more than an agreed amount (say $100) may be reimbursed through the Petty Cash Fund.

- Research studies, which are paying participants, must provide a signature log, which includes each participant's name, Social Security number, and address, date of research, amount paid and signature of participant. These reimbursements are restricted to a limit (say $50) per person/per calendar year.

- Reimbursements should not be made for receipts presented which are older than 90 days.

- Supporting documents should clearly indicate the amount claimed.

- To reimburse a fund for stolen currency and/or paid bills and invoices, a memorandum should be requested from the custodian acknowledging that the theft has been reported and investigated by the organisation including the incident number and the exact dollar amount. A copy of the memorandum should be attached to support the request for reimbursement.

Petty Cash Fund Replenishments:

- Petty Cash funds should be replenished on a regular basis. Receipts and Petty Cash - Pay-Out Forms should be reconciled and reimbursed on a monthly basis.

Example

Petty Cash Sheet (sample only)

Organisation Name
Petty Cash Sheet

Street Address
Website | Email address
Phone | F ax

Department Name:

Prepared by:

Date	Particulars	Cash In ($)	Cash Out ($)
Total			

Authorised Signature:

Theft or Loss of Funds

- Shortages in the fund must be reimbursed to bring the account back into balance.
- Funds lost due to circumstances beyond the control of the custodian must reported to finance department.
- If burglary or theft is suspected, the organisation should be notified immediately after discovery.

2.2.6 Cash Advances

/ Amounts paid to any staff member for meeting official expenses should be charged to the float account but for simplification of the process they are to be treated as general advances with an account of them kept against their Employee Number. Advances will normally be made for purposes of travel to provinces or overseas, or for meetings, workshops, conferences, or operational expenses in the provinces.

/ Staff can obtain advances mainly for the following expenses:
- Travel and Subsistence
- Purchase of goods from the market
- Conference and Workshop
- Day to Day expenses

/ All such requests should be approved by the authorised person as per the delegated authority limits, after the finance department has duly noted any previous amount outstanding in the person's name. Additional formats are provided for further guidance.

/ Requests submitted should be complete in all respects and the purpose clearly mentioned. In case of staff travel the period and dates and purpose should be specified.

/ The amount outstanding against a staff member should be acquitted/ settled within the month the advance is taken unless the staff is travelling on the last days of the month.

/ It is compulsory that there are no advances outstanding at the end of the financial year.

/ Advances have to be acquitted/settled either through submission of receipts and/or repayment of cash. When the advance given exceeded the funds needed for the prescribed activity, receipts and all the remaining funds should be returned to accounts section when retiring the advance.

2.3 Operating of Bank Accounts

2.3.1 Bank Accounts

/ The Board of Directors has the authority to open and close bank accounts according to the organisation's needs. An organisation may hold several bank accounts at various different banks

/ After obtaining the Board of Directors approval, the finance department will proceed to open the new bank account. The bank should provide all necessary documents like cheques books for current accounts, and fixed deposit certificate.

/ The choice of a bank will depend on the context in which the account will be operated as well as the facilities available at the organisation's location. If, for example, the account is being opened to handle funds under a donor grant and the agreement stipulates that interest earned on the funds of the project is refundable to the donor, a dedicated bank account will need to be opened to accommodate that agreement. The choice of bank may depend on its willingness to pay interest on a current account.

/ Management decides who is responsible for the approval of payments, the signing of cheques, and electronic transfers.

/ A resolution of the Board of Directors should specify the number of signatories required for a cheque – usually it is at least two. The cheque plus a cheque requisition form is completed by the bookkeeper and presented to the signatories, together with the approved invoice for payment.

/ When cash is credited to the bank from an outside source, including donors, a notification/ credit note should be received from the bank where the cash has been transferred to the organisation's bank account; the finance department should record the amount forthwith in the Bank Book.

/ The Bank Book shows the transaction date and a brief description of the transaction, the amount deposited or withdrawn and the balance.

- To minimise risks, the Board of Directors should make an internal regulation that where any transaction exceeds a certain amount (say $100), payments shall be made through bank payments.

- Every cheque should be signed by at least two signatories who have delegated authority to sign. In many circumstances, it is appropriate that one signatory be a Board member while the second is the Chief Finance Officer or a senior manager of the finance department.

- The authorised signatories are signing the cheques for and on behalf of the organisation and it is therefore necessary that the Rubber Stamp (or printed by the bank as such) for [Name of the Organisation] should be affixed on every cheque below which the signature should be put.

- A staff member with access to bank account and cash account is not entitled to be an authorised signatory.

- In the case of electronic funds transfer (EFT) the transfer request is to be signed by one or two delegated signatories, as per the Board's determination. A designated person does the actual electronic transfers. The transfer documentation is signed by the signatories who approved the transaction, or by other designated persons

- Organisations must provide safeguards for all property, including grant property (and whether held as cash or as some other form of assets), and assure that it is used solely for authorised purposes.

- Control will be enhanced if the duties of the members of the organisation are divided so that no one person handles all aspects of a transaction from beginning to end. Although a complete separation of functions may not be feasible for a small organisation, some measure of effective control may be obtained by planning the assignment of duties carefully.

- Many of the most effective techniques for providing internal control are very simple. Within an organisation, the same person should therefore, not be performing the following duties:
    - Preparation of bank reconciliations and approval thereof;
    - Preparation of requisitions and approval of expenses;
    - finance department entries and approval of expense reports.

- Any bank account no longer required should be closed immediately. The finance department has to take the matter with the authorised person and obtain in writing the necessary resolution. When it is decided to close a bank account, the following actions should be completed:
    - Reduce balance in the account to a minimum amount by transferring funds to another bank account.
    - Surrender all unused blank cheque forms to the bank and obtain a receipt.
    - After receipt of the resolution, deliver it to the bank under receipt and transfer the balance to another account.
    - Confirm closure of the bank account and transfer of balance to the senior responsible finance manager.

2.3.2 Bank Transactions – Cash Book

Bank Receipts

- All receipts are to be acknowledged by issuing an official receipt. The date of receipt and the date of deposit of the cheque to the bank account should be the same.
- The bank deposit slip should be attached with the receipt voucher.
- No receipt should be issued on the last day of the month if the instrument cannot be deposited with the bank on the same day.

Bank Payments

- Payment voucher has to be prepared before preparing any cheque.
- Cheque should not be prepared, for whatever reason, if a sufficient balance is not available with bank.
- All vouchers have to be verified and approved before payment is released.
- Payment should be made only against original bills and claims. Unverified copies of bill or claim should not be entertained.
- All supporting documents should be attached with the payment voucher and filed according to serial number.

- Cheques should be written legibly and care taken to ensure that the amount in words and figures are the same.
- All cheques should be crossed. A rubber stamp stating "A/c Payee Only – Not Negotiable" should be put on every cheque. Bearer cheques should not be issued under any circumstance.
- Post-dated cheques are not to be issued.
- The cheque number should be written on every Payment Voucher.
- All letters to the bank should be signed by the authorised signatories only.
- Never sign cheques in advance or in blank.
- Uncashed cheques should be cancelled within a reasonable period.
- Specimen signatures should not be left around.
- Cheque books should always be kept under lock and key. Only authorised persons should be allowed to handle them.
- Using a carbon (black side up) under the cheque will leave an impression on the reverse of the cheque making it difficult to alter.
- Insist on a receipt after payment by cheque.

2.3.3 Bank Reconciliation

- Reconciliation of the bank accounts is one of the most critical internal controls used to guarantee the correctness of financial data being captured and entered into the ledgers and to safeguard cash holdings. There are many errors that can be made in bookkeeping such as entering a number incorrectly and it is therefore important to carry out as many checks as possible on accuracy.
- One of the most obvious checks is to compare the cash book with the bank statement. The balance on both should be the same. If there are any errors, this simple check should discover that they exist.

/ Bank reconciliation statements are normally prepared on a monthly basis for all bank accounts. Adjustments (if any) made to the books in order to reconcile the bank account balances with the ledger must be approved by a relevant person other than the adjuster.

/ Authorised personnel preparing and reviewing the bank reconciliation shall sign and date the reconciliation indicating the date:

- The reconciliation was completed; and
- The reconciliation was reviewed.

/ All reconciling items should be identified and included in the bank reconciliation, and reconciling items shall include:

- Items that would clear over a period of time
- Items requiring adjustments to clear them, either by the bank or with an adjusting voucher in the financial records; and
- Items requiring further information before adjustments can be made.

/ Any non-reconciling items must be addressed in consultation with external and internal parties.

/ Bank reconciliations shall be filed within the financial management team and made available to internal/external auditors, upon request.

/ Supporting documentation for the bank account balance, general ledger account balance and significant reconciling items shall be attached to the reconciliation.

/ The financial manager reviewing the bank statements should focus on unusual items, and must agree to the details in the bank statement and the corresponding general ledger before granting approval.

/ Possible reasons the balance on the bank statement may differ from the balance in the cash account:

- Cash book errors and omission
- Bank mistakes
- Timing differences

/ On a monthly basis, finance department must conduct a bank reconciliation. This should be prepared by a designated Finance Officer. The purpose of this control is to compare the closing bank balance with the Cash Book or

General Ledger with the balance per bank statement. All non-reconciling items should be properly identified, explained and approved by the senior finance manager of that organisation.

/ Performing monthly reconciliation helps to:

- Clear up any problems between organisational financial records and the banks statement/records;
- Easily identify the discrepancies between one to the other accounts within a specific period of times;
- Report the non-reconciling items promptly. Fraud and error can be detected on a timely basis;
- Know that the amount of cash reported is consistent with the amount of cash being recorded by the bank; make sure the balance the organisation has in hand matches with the balance in the bank accounts and thereby also know exactly how much cash is available in the organisation's account for future spending.

Differences between a bank statement and cash accounting records

1	Items recorded in cash book, but not on the bank statement (timing differences)	
1.1	Cheques issued but have not cleared the bank	After a cheque is issued, it may take some time before its holder presents it to the bank. Therefore, a bank statement would not show such cheques until they are presented to the bank, but the organisation has already recorded such cheques in books of accounts.
1.2	Deposits in transit	Cheques deposited into the bank account, but not yet processed and recorded by the bank. Such deposits have been recorded by the organisation, but are not yet reflected on a bank statement.
2	**Items on the bank statement, but not in cash book**	
2.1	Bank charges	Charges already recorded by the bank, but not by the organisation as the organisation didn't know about them until the company receives the bank statement.
2.2	Standing orders	A bank has a right to pay fixed amounts at regular intervals to another account. Such orders are given to the bank by the organisation. Usually the organisation may not know or record such amounts until a bank statement is received.
2.3	Direct debits / Wire transfer	Direct funds transfer to account especially funds from donors may be transferred to the account but not know or recorded until a bank statement is received.

Differences between a bank statement and cash accounting records (continued…)

2.4	Dishonoured cheque	The organisation may issue cheques and the bank may dishonour them due to valid reasons as per bank regulations i.e. Post-dated cheques. The organisation has already recorded the cheque in its books of accounts yet the bank has dishonoured the cheque.
3	**Cash book errors or bank errors**	
3.1	Cast errors	A transaction is recorded to an incorrect account.
3.2	Transposition	A figure in the amount is transposed by mistake.
3.3	Omissions	A transaction is not recorded.
3.4	Duplications	A transaction is posted twice.

Monthly Bank Reconciliation Example

Monthly Bank Reconciliation [MM/DD/YYYY]

Bank Statement Date				
Ending Balance from Bank Statement				$0.00
Add deposits in Transit:				
Deposit Date	**Amount**	**Deposit Date**	**Amount**	
	$0.00		$0.00	
	$0.00		$0.00	
	$0.00		$0.00	
Total Deposits in Transit				**$0.00**
Subtotal				$0.00
Subtract Outstanding Cheque:				
Cheque No.	**Amount**	**Cheque No.**	**Amount**	
	$0.00		$0.00	
	$0.00		$0.00	
	$0.00		$0.00	
Total Deposits in Transit				**$0.00**
Computed Book Balance				$0.00
Balance per Your Books				$0.00
Difference				**$0.00**

Prepared by:	
Approved by:	

2.3.4 Cheque Control

/ All cheques must be drawn on the organisation's bank in the agreed currency, usually US$.

/ The staff member responsible, on receiving a cheque, should check the following:

- date of the cheque - that it is not a stale date (older than 90 days) and not postdated (dated in the future);
- the written amount and numerical amount must be the same; and
- the cheque must be signed by the authorised person.

2.4 Recording of project activities and payments

2.4.1 The Income Management

/ Income Management is a way to help the organisation to manage its money to meet essential organisation needs and expenses.

/ Revenue is the total amount of money received by the organisation. Income is the amount of money retained by the organisation upon paying expenses. Revenues come from donations, business activities and investment activity. Every business has expenses as a result of conducting operations.

/ The organisation will have more than one source as revenue which may include:

- Fees;
- Cash donations and In-kind;
- Grants and Contracts;
- Costing and recovery of overheads;
- Deficits and Surpluses;
- Other.

2.4.2 Budget Management

Budget Management: Is the analysis, organisation and oversight of costs and expenditures for an organisation. Managing a budget requires adhering to strict internal protocols on expenditures. A well-managed budget allows for continued smooth operations and growth.

/ The budget is an estimate of the amount of money to be received and to be spent for a specified purpose in a given time period (usually financial or calendar years). The budget sets a framework for reporting and analysis and never stands completely alone, but rather flows out of the managerial process of setting objectives and strategies and of building plans. It is especially and intimately related to financial planning.

/ Within the finance department's budgetary processes, separate sub codes should be created for every activity under the main budget/grant code, so that the budget can be monitored activity by activity.

/ The Board of Directors formally approves the organisation's budget and monitors its overall progress.

/ The Chief Executive is responsible for monitoring the budget to maintain control of the funding situation and thereby keep an eye on progress of the whole organisation towards achieving its objectives.

/ Project managers need budgets to oversee the implementation of their project activities.

/ Fundraisers need budgets to accompany funding applications.

/ Finance staff need budgets to make sure there are sufficient funds in the bank to cover anticipated expenditure.

/ Donors need budgets so they can see how an organisation intends to spend its grants.

/ Community partners need budgets so they can see how the organisation plans to spend and raise funds for their community projects.

Types of Budget:

There are three main types of budget:

- **The Income and Expenditure Budget;**
- **The Capital Budget;**
- **The Cash Flow Forecast.**

The Income and Expenditure Budget:

- The income and expenditure budget sets out the anticipated running costs (also referred to as recurrent costs) of the organisation and shows where the funds will come from to cover the costs.
- The annual income and expenditure budget is often broken down into shorter periods (or 'phases') – quarterly or monthly – to assist with monitoring progress. See example below:

Example

Budget for Year: XXXX		
Budget Items	**Sub Total**	**Total**
Revenue		
Government Grants		
Revenue from Contracts		
Donation from Foundations		
Donation from Corporations		
Donation from Religious Institutions		
Individual Contributions		
Fundraising events & products		
Membership and program income		
Other		
Total cash revenue		
Total in-kind revenue		
Total Revenue		

Example (continued…)

Budget for Year: XXXX		
Budget Items	**Sub Total**	**Total**
Expenses		
Staff salary and wages		
Insurance		
Fringe benefits & payroll taxes		
Sub-grants to partner organisations		
Consultancy and professional fees		
Travel and meetings		
Supplies		
Staff development		
Printing & copying		
IT/telephone		
Postage & delivery		
Fundraising fees		
Other		
Total cash expenses		
Total in-kind expenses		
Total Expenses		
Revenue over Expenses		

The Capital Budget:

/ A capital budget lists the expenditure that the organisation intend to make for the coming years on capital projects and one-off items of equipment that will form part of the organisation's fixed assets. As these usually involve major expenditure and non-recurrent costs, it can be useful to list and monitor them separately. Examples of capital expenditure include:

- Vehicles;
- Office furniture and equipment;
- Computer equipment;
- Building construction;
- Major renovation works.

- The implications for the income and expenditure budget should be noted – such as running costs for vehicles. A separate capital budget is not required if only one or two capital items are to be purchased. In this case it is sufficient to incorporate the capital items in a separate section of the income and expenditure budget. This is most common in a project budget.

Example

Budget for Year: XXXX				
Budget Items	**Price per unit**	**Quantity**	**Sub Total**	**Total**
Expenses				
Vehicles				
Office furniture and equipment				
Computer equipment				
Building construction				
Major renovation works				
Other				
Sub Total				
Total				

The Cash Flow Forecast:

- For good cash and financial management, cash reserves are essential as there will always be times when grants are delayed or unexpected expenses occur. The cash flow forecast (or cash budget) helps managers identify those times when cash levels become critical. It predicts the flow of cash in and out of the organisation throughout the year by breaking down the overall budget into smaller time periods, usually one month.

- Whereas the income and expenditure budget shows whether the organisation is covering its costs over the whole year, the cash flow forecast shows whether it has sufficient cash in the bank to meet its obligations to make payments at the time they fall due. This helps to identify likely cash shortages and allows avoiding action to be taken such as:
  - Requesting donor grants early;
  - Delaying payment of certain invoices;
  - Delaying some activities; or
  - Negotiating a temporary loan facility at the organisation bank.

- Care should be exercised in following the last three strategies because of possible negative impacts:
  - Delaying payments could affect the organisation's relationship with suppliers;
  - Delaying activities may affect partner communities as well as the organisation's ability to implement a program as planned and, possibly, as agreed with a donor;
  - Borrowing money from the bank will attract bank charges and interest.
- The cash flow forecast is also useful where the organisation maintains substantial cash reserves which need to be invested wisely to maximise investment income.

Budgeting Techniques:

- The organisation should adopt techniques to prepare budget making best use of the skills and time available for the organisation.

Good Practice in Budgeting:

- **Clarity:** Since many different people will need to use the budget for different purposes, they should be able to understand it (and adapt it, when necessary) without any additional explanation beyond what is written down. Clarity and accuracy are essential so it is important to keep notes on budgeting assumptions and how calculations have been made.

- **Timetable:** There are several stages involved in constructing a budget before it can be submitted for approval to the Board of Directors, so it is important to prepare a budgeting timetable and commence the process early. This could be up to six months before the start of the financial year, depending on the size of the organisation and what approach has been adopted.

- **Budget Headings:** When setting a budget for the first time or when reviewing a budget, it is important to pay attention to the chart of accounts in the organisation. This is because the budget line items also appear in the books of account and on management reports. It is advisable to design a Budget Preparation Sheet for the organisation using headings from the chart of accounts as the starting point. This will act as a memory-jogger and prompt staff to include all relevant costs. It will list all of the main types of income and expenditure that a project or department might have in a typical year.

- **Estimating Costs:** It is important to be able to justify calculations when estimating costs. It is not a good idea simply to take the previous year's budget and add a percentage amount on top for inflation; while last year's budget may be helpful as a starting point, it may also be misleading and contain historical inaccuracies.

- One of the best approaches is to make a list of all the inputs required and specify the number and unit cost of each item. From this detailed working sheet, it is then a relatively simple matter to produce a summarised budget for each line item; it is also easy to update if units or costs change.

2.4.3 Monthly summaries of expenditures

- Statements, including all expenses recorded for each budget line item, should be prepared each month. In one column the original amount budgeted is listed, in another column any differences between actual costs to date and the budget are indicated, appearing as under budget or over budget. This schedule is an important instrument to keep track of progress in spending, especially when there are funding agreements involved.

- It records as a summary the following:
    - All categories of income and expenditure belonging to that year;
    - All income not yet received but belonging to that financial year;
    - All payments not yet paid but belonging to that financial year;
    - Income items usually appear first in a list down the page followed by the summary of expenditure items.
    - The difference between total income and total expenditure, often called the outcome, appears on the bottom line and is expressed either as:
        - Excess of income over expenditure - a surplus; or
        - Excess of expenditure over income - a deficit

2.4.4 Supporting Documentation

Supporting documentation consists of source documents, supportive calculations, and/or other items necessary to substantiate the accuracy and appropriateness of a journal entry.

All financial transactions are required to have supporting documentation: supporting documentation must be stored and available at the time the preparer submits the journal entry template for approval. Typical supporting documents include, but are not limited to:

- General ledger reports.
- Worksheets with supportive calculations.
- Source documents such as timesheets, transportation tickets, boarding passes, pay slips.
- Invoices or receipts.
- Purchase requisitions, travel expense reports, third party reports/statements.
- related emails

Documents must be easily accessible and filed in a way that facilitates examination. Records and documents must be kept available for inspection by relevant authorities, usually for five to seven years in accordance with standard international practice.

2.4.5 Segregation of Duties

- **Separation of Duties:** In order to protect staff and to prevent any temptation to misuse funds, it is highly advisable that there be a separation of the various duties within the finance procedures. For example, the duties of ordering goods, receiving goods, authorising payment, keeping finance department records, and reconciling the accounts, should not rest entirely on the shoulders of one person. Apart from weakening financial control, it places too much responsibility on one person. As far as possible, duties should be shared between staff team (and Board members if there are only one or two staff members).

- **Procurement Procedure:** A procurement procedure sets out the steps and conditions that have to be followed by staff to acquire goods and services so that the objectives of the organisation can be fulfilled efficiently and effectively. The procedure will:
    - Outline the process and authorities for ordering, receiving and paying for goods and services;
    - Describe which method of payment or acquisition is to be used for different goods and services – for example, when it is acceptable to use petty cash (this should be rare), bank transfers (e.g., salaries) or suppliers' accounts (e.g., stationery, petrol);
    - Clarify when it is necessary to obtain quotations from supplier's quotations for expenditure over a certain amount (say $100);
    - Include a list of Approved Contractors or Suppliers, if used.
- **Signing cheques:** Each organisation should have a panel of cheque signatories from which to select the required number of authorising signatures; there should be sufficient people nominated to ensure efficient administration of payments. Signatories should be regularly reviewed and the list updated when people leave the organisation.

- **Checking and authorising finance department records:** A key responsibility of managers (the Chief Executive or Financial Controller in the organisation) is to check and authorise records, count the petty cash and review orders for supplies, from time to time. This provides an essential check on processes and is central to the concepts of separation of duties and risk management.

2.5 Financial Report

/ Financial statements are an output of the finance department. The organisation is required to product different financial reports according to organisation internal needs and stakeholders needs.

/ The finance department produces reports such as Cash Flow Reports, Budget Monitoring Reports, Income Statements, Balance Sheet and Reports to Donors where they apply

/ The Income Statement and the Balance Sheet summarise all the transactions for a specified period and show the financial position of an organisation. Financial statements can cover any period of time – for example, a month, a quarter or one year. The annual financial statements are used as the basis for the annual external audit.

2.5.1 Reporting to a donor

/ Intervals of reports will be as per the agreement between the donor and the organisation. Reports usually consist of a narrative and a financial report. The narrative report covers all activities completed for the reporting period, in detail. The financial report lists all expenses progressively during the period of the agreement. The reports are adjusted to cover the donor's requirements and most cases according to donor form.

/ Sometimes, during the period of the project, it happens that certain activities cannot be carried out as planned or are not as effective as expected; nonetheless, with certain adjustments, it might be possible to achieve better results. In such circumstances, the consent of the donor is to be obtained ahead of changes in the execution of the project. Should this require adjustments to budget line items, such changes should be discussed with the donor as well. Only after written consent of the donor has been received may adjustments to the program be carried out by the recipient of the grant.

/ It is worth remembering that donor agencies are themselves accountable to stakeholders (trustees, government, tax-payers) and they rely on the grant recipient organisation to provide them with the information they need to be able to fulfil that accountability.

- Financial accountability requires that the organisation demonstrate to the donor that their funds have been used for the purpose for which they were intended. The reference points are the original funding application, any guidelines provided with the confirmation of grant aid, and the contract or agreement signed by both parties. It is important to comply with the conditions and meet reporting deadlines to establish credibility and encourage confidence, and to make sure that organisation grant arrives on time.

- Donors usually require that an organisation is able to demonstrate financial soundness before releasing the grant funds. This is why the donor report is so important. In most cases the report will include a budget compared to actual summary, accompanied by a narrative report on the activities being undertaken.

2.5.2 The Cash Flow Reports

- The cash flow report is the cash flow forecast updated with actual receipts and payments each month, plus any new information about future spending or fund-raising plans. It allows managers to predict periods when cash balances are likely to be insufficient to meet commitments and make the most of any surplus funds during the year.

- Where cash resources are limited, it is important to monitor for the ability to pay creditors on time and to take action when there are early warnings of potential financial difficulty. Options available for managing cash flow include:
    - Good credit control – chase debtors for prompt payment;
    - Regular review of grant schedules – encourage payment in advance rather than in arrears;
    - Bank all monies received daily;
    - Request special payment terms from major suppliers;
    - Pay certain overheads by insurance premiums;
    - Prioritise major payments;
    - Defer action leading to additional expenditure – e.g. recruitment, entering new leases, purchasing equipment;
    - Negotiate a short-term overdraft facility – a last resort and usually expensive remedy

Example of Cash Flows Statement (Direct Method)

Cash Flows Statement (Direct Method):

Replace the heading with the name of your organisation and the years your Statement of Cash Flows covers.

Replace each of the xxx's with your values or zero, and your Cash Flow Statement

(**Note:** Be careful to enter negative numbers or subtractions as negative numbers to get a correct computation).

Organisation Name:

Statement of Cash Flows

For the Years Ending December 31, xxxxxxx and December 31, xxxxxxxxx

	2016	2015
Cash Flows from Operating Activities		
Collections	xxx	xxx
Payments to Suppliers	xxx	xxx
Payments to Employees	xxx	xxx
Insurance Payments	xxx	xxx
Interest Payments	xxx	xxx
Other Source/(Uses) of Cash	xxx	xxx
Net Cash from Operating Activities	$0	$0
Cash Flows from Investing Activities		
Increase in Marketable Securities	xxx	xxx
Sale of Fixed Assets	xxx	xxx
Purchase of New Equipment	xxx	xxx
Other	xxx	xxx
Net Cash Used for Investing Activities	$0	$0
Cash Flows from Financing Activities		
Payment of Mortgage Principal	xxx	xxx
Transfer From/(To) Parent	xxx	xxx
Other	xxx	xxx
Net Cash from Financing Activities	$0	$0
NET INCREASE/(DECREASE) IN CASH	$0	$0
CASH, BEGINNING OF YEAR	XXX	XXX
CASH, END OF YEAR	XXX	XXX

2.5.3 The Budget Monitoring Report

/ This report has several different names (e.g. Budget Compared to Actual, Budget Variance and Budget Versus Actual) and can take different forms. But as the titles suggest, the reports take the budget for the reporting period (preferably a phased budget) and compare that with the actual income and expenditure for the same period.

/ The difference between the budget and the actual result is known as the variance and this provides good information about what is happening in a project. Variance figures will be either positive, negative, or zero, depending on what has happened. Budget monitoring reports may also show variances as percentages.

Example of Budget Monitoring Report

FINANCIAL REPORT FOR : XXXXXXXX						1/Month to 31/Month / Year	
		A	B	C	D	E	F
CODE	BUDGET ITEM	TOTAL GRANT/ BUDGET	BUDGET to 31 xxxxxx	ACTUAL SPEND TO DATE	BUDGET VARIANCE = (B-C)	% BUDGET VARIANCE =(D/B)	COMMENTS
		USD	USD	USD	USD	%	
A2000	**ADMINISTRATION: PERSONNEL**						
A2001	Project Coordinator						
A2002	Project Officer						
A2003	Driver						
A2004	Staff Medical						
	Sub Total						
A3000	**ADMINISTRATION: OFFICE RUNNING**						
A3001	Utilities - water, electricity & gas						
A3002	Telephone, email, postage						
A3003	Rent						
A3004	Equipment Repairs & Maintenance.						
A3005	Vehicle Fuel						
A3006	Vehicle Repairs						

FINANCIAL REPORT FOR : XXXXXXXX							1/Month to 31/Month / Year
		A	B	C	D	E	F
CODE	BUDGET ITEM	TOTAL GRANT/ BUDGET	BUDGET to 31 xxxxxx	ACTUAL SPEND TO DATE	BUDGET VARIANCE = (B-C)	% BUDGET VARIANCE =(D/B)	COMMENTS
A3007	Vehicle Insurance & licenses						
A3008	Office Supplies - stationery						
A3009	Bank Charges						
A3009	Audit						
	Sub Total						
TOTAL ADMINISTRATIVE COSTS							
B4000	**CAPITAL COSTS**						
B4001	Computer & Printer						
B4002	Photocopier						
B4003	Furniture - desks, chairs, partitions						
TOTAL CAPITAL COSTS							
C5000	**PROGRAMME ACTIVITIES**						
C5001	Training						
C5002	Support for Educational Infrastructure						
C5003	Micro - Enterprise Grants						
C5004	Training of Community Mobilizers						
C5005	Media & Publicity						
C5006	Monitoring & Documentation						
C5007	Exchange visits						
TOTAL PROGRAMME COSTS							
GRAND TOTAL							

2.5.4 Trial Balance

- The trial balance lists all general ledger accounts. The totals of the debit and the credit balances should be equal, proving that debit and credit entries were posted equally and are balancing. This does not prove that costs have been allocated correctly.

- The trial balance is simply an arithmetical check on the accounts maintained using the double entry method. It is also the basis for the preparation of accruals-based financial statements.

- At the end of a finance department-nominated period – usually monthly – all the accounts categories having a balance in the general ledger are listed on a summary sheet to form a trial balance.

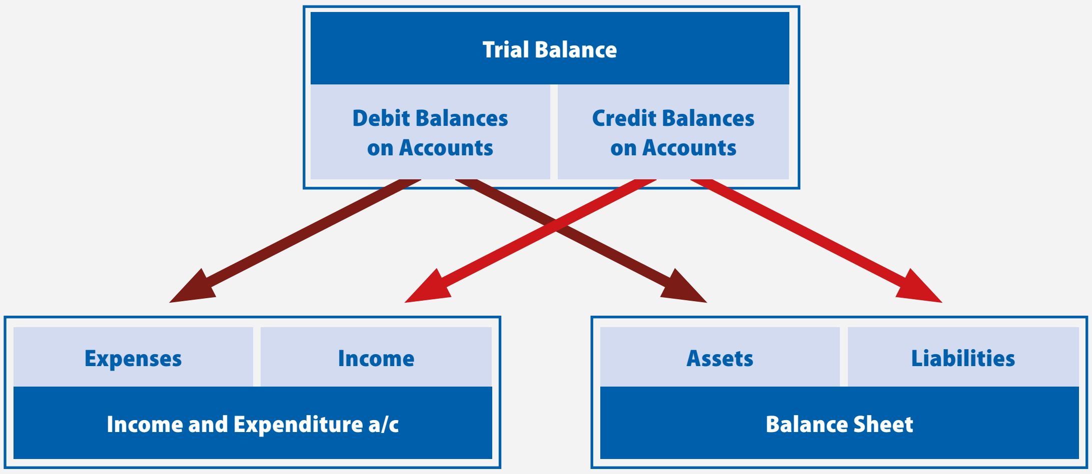
- The balance sheet and the income and expenditure statement are extracted from the trial balance.

- The income and expenditure statement includes all monies the organisation has earned or received and balances this against how much has been spent. Essentially, the statement presents total income received and the nature thereof, as well as the costs and expenses charged against this income.

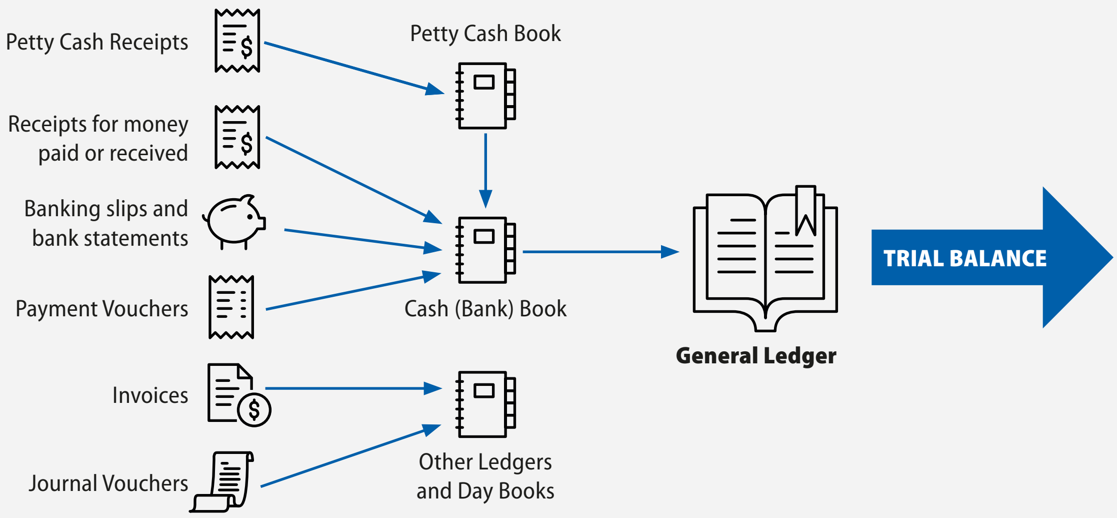
- The balance sheet depicts the overall status of the organisation's finances at a fixed point in time – usually at the end of its financial year. All assets are added and all liabilities subtracted to compute the organisation's overall net worth.

- Providing no errors have crept in during the recording and summarising stages, the total of debit balances on the list will equal the total of the credit balances.

Chart of Trial Balance



How it all fits together



Example of Chart of Trial Balance Worksheet

Trial Balance Worksheet

Date: Day / Month / Year

General Ledger

	Account Balance	
Account Name	**Debit**	**Credit**
Petty cash	$0.00	
Cash in checking	$0.00	
Cash in savings	$0.00	
Accounts receivable	$0.00	
Reserve for bad debts		$0.00
Inventory	$0.00	
Prepaid insurance	$0.00	
Prepaid other expenses	$0.00	
Office supplies	$0.00	
Utility deposits	$0.00	
Notes receivable	$0.00	
Investments	$0.00	
Organisation expense	$0.00	
Vehicles	$0.00	
Accumulated depreciation – vehicles		$0.00
Furniture and fixtures	$0.00	
Accumulated depreciation - furniture and fixtures		$0.00
Equipment	$0.00	
Accumulated depreciation – equipment		$0.00
Buildings	$0.00	
Accumulated depreciation – buildings		$0.00
Land	$0.00	
Other intangible assets	$0.00	
Accounts payable		$0.00
Accrued wages		$0.00
Accrued income taxes		$0.00
Credit card payable		$0.00
Bank loan payable		$0.00
Notes payable		$0.00
Revenues		$0.00
Purchases	$0.00	
Freight	$0.00	
Purchase returns and allowances		$0.00
Advertising	$0.00	

Example of Chart of Trial Balance Worksheet (continued…)

Trial Balance Worksheet

Date: Day / Month / Year

General Ledger

	Account Balance	
Account Name	**Debit**	**Credit**
Amortization	$0.00	
Bad debt expense	$0.00	
Bank charges	$0.00	
Charitable contributions	$0.00	
Commissions expense	$0.00	
Contract labour	$0.00	
Credit card fees expense	$0.00	
Delivery expense	$0.00	
Depreciation	$0.00	
Dues and subscriptions	$0.00	
Entertainment	$0.00	
Insurance	$0.00	
Interest expense	$0.00	
Maintenance	$0.00	
Miscellaneous	$0.00	
Office expense	$0.00	
Operating supplies	$0.00	
Payroll taxes	$0.00	
Permits and licenses	$0.00	
Postage	$0.00	
Professional fees	$0.00	
Property taxes	$0.00	
Rent	$0.00	
Repairs	$0.00	
Telephone	$0.00	
Travel	$0.00	
Utilities	$0.00	
Vehicle expenses	$0.00	
Wages	$0.00	
Income taxes	$0.00	
Totals	**$0.00**	**$0.00**
Difference		**$0.00**

2.5.5 Income Statement

/ An income statement is a financial statement that reports an organisation's financial performance over a specific accounting period. Financial performance is assessed by giving a summary of how the business incurs its revenues and expenses through both operating and non-operating activities.

/ The income statement is prepared using the revenue and expense accounts from the trial balance. If an income statement is prepared before an entity's year-end or before adjusting entries, it is called an interim income statement. The income statement needs to be prepared before the balance sheet because the net income amount is needed in order to fill out the equity section of the balance sheet. The net income relates to the increase (or in the case of a net loss, the decrease) in owner/member's equity.

Example

/ The finance department prepares its financial statements with year end being 31st December; it acquires some property on January 14th of the following year. If the books are properly closed, that property will not be included on the balance sheet that is being prepared for the period ending 31st December.

Example

Organisation Name			
Income Statement			
For the Years Ending [Dec 31, 2012 and Dec 31, 2011]			
Revenue		Year 20XX	Year 20XX
	Revenue		
	Service revenue		
	Interest revenue		
	Other revenue		
A	**Total Revenues**	**XXX**	**XXX**
Expenses			
	Advertising		
	Bad debt		
	Commissions		
	Depreciation		
	Employee benefits		
	Furniture and equipment		
	Insurance		
	Interest expense		
	Maintenance and repairs		
	Office supplies		
	Payroll taxes		
	Rent		
	Research and development		
	Salaries and wages		
	Software		
	Travel		
	Utilities		
	Web hosting and domains		
	Other		
B	**Total Expenses**	**XXX**	**XXX**
C	**Net Income Before Taxes (A – B)**	**XXX**	**XXX**
D	**Income tax expense**	**XX**	**XX**
E	**Income from Continuing Operations(C- D)**	**XXX**	**XXX**
Below-the-Line Items			
F	Income from discontinued operations		
G	Effect of accounting changes		
H	Extraordinary items		
Net Income (E + F + G + H)		**XXXX**	**XXXX**

2.5.6 Balance Sheet

/ The balance sheet is a financial statement that summarises the assets, liabilities, and capital of an organisation at a particular point in time.

/ These three balance sheet segments give stakeholders an idea as to what the organisation any owns and owes. The balance sheet adheres to the following formula:

Assets = Liabilities + Equity

/ The senior financial officer is responsible for preparing a balance sheet at the end of each financial year and for presenting it to the Chief Executive and the Board of Directors.

Example of a Balance Sheet

Organisation Name			
Balance Sheet			
Date:			
ASSETS		LIABILITIES	
Current Assets		Current Liabilities	
Cash		Accounts payable	
Accounts receivable		Short-term notes	
	(less doubtful accounts)	Current portion of long-term notes	
Inventory		Interest payable	
Temporary investment		Taxes payable	
Prepaid expenses		Accrued payroll	
Total Current Assets		**Total Current Liabilities**	
Fixed Assets		Long-term Liabilities	
Long-term investments		Mortgage	
Land		Other long-term liabilities	
Buildings		Total Long-Term Liabilities	
	(less accumulated depreciation)		

Example of a Balance Sheet
(continued…)

Organisation Name			
Balance Sheet			
Date:			
ASSETS		LIABILITIES	
Plant and equipment			
	(less accumulated depreciation)	Equity	
Furniture and fixtures		Capital	
	(less accumulated depreciation)	Retained earnings	
Total Net Fixed Assets		**Total Equity**	
TOTAL ASSETS		**TOTAL LIABILITIES & EQUITY**	

2.6 Payroll

2.6.1 Payroll General Principles

/ Payroll system is normally configured to record and aggregate an employee's hours of attendance and accrued entitlements to time off (flextime or holiday time).

/ The responsibility for preparing and finalising the staff's monthly payroll rests usually with the human resources senior manager but, in the absence of such a position, will rest with the senior finance officer.

/ Payment of staff salaries should follow settled procedures contained in documentation in accordance with the organisation's rules, regulations and policies related to payroll.

- Employees will be informed in case of any changes in the payroll procedures. The finance and human resource departments are responsible for assisting individual employees to understand what is contained in the payroll system.

- Time sheets prepared by the heads of various departments/programs should normally be submitted to HR or finance department on a nominated day of the month. Times of attendance should be recorded on a daily basis and signed by employees.

- Salary disbursement will be made by finance department by bank transfer after scrutiny of the payroll sheet by the Chief Executive Officer or by a duly authorised delegate such as a Chief Finance Officer or an HR Director.

- Salary should strictly be done by bank transfer or cheque and employees should sign two (2) pay slips, one for the employee and the other for filing purposes.

- The Chief Finance Officer or senior finance manager should ensure that staff receive salary promptly, usually no later than the first day of the following month. Disputes relating to employees not receiving salaries should be referred immediately to the bank for follow up and resolved forthwith to avoid inconveniencing employees.

2.6.2 Payroll Processing

- Payroll processing starts with collecting salaries information for each employee. The organisation should document the status of each employee – for example, single, married, head of household, number of dependants - any allowances to which they are entitled, and deductions for which they are liable (taxation, superannuation, social security and medical insurance, for example).

- At the end of each payroll period, the organisation should deduct amounts owing as employee contributions to retirement plans/ superannuation, tax payable, and other payments such as social security and medical insurance where these are levied.

- The employee may claim allowances, based on the number of dependants they have; for example, if the employee is married and their spouse is not working, they may receive an allowance. Allowances usually reduce the amount of tax payable: the more allowances claimed by an employee, the less federal tax is withheld from gross pay.

- Payroll information must be obtained for each pay period: regardless of how often the organisation pays salaries, it needs to gather the necessary records to compute salaries and to maintain updated payroll records for each employee.

- Records should indicate each employee's current salary or, in the case of workers paid by the hour, the organisation needs to document the hourly rate of pay, including overtime pay.

- Formal timecards are a useful means whereby hourly workers should post their time. Employees should be required to immediately post time worked each day, so that records are always current.

- The finance department should calculate salary for each employee at the end of a pay period. Calculations will vary, depending on whether the employee is salaried or is paid on an hourly basis.

- **Time in attendance:** This is time worked by the employee on a daily basis, usually by attending physically at the organisation's place of work. Every employee is expected to complete a certain number of hours) per day (often eight), for an agreed number of days per week (usually five), up to an agreed total of hours in a week (often 40). Hours worked should be recorded in a time sheet.

- **Time off:** Every employee is required to record all sick days, vacation days and public holidays taken off in their time sheet to enable the finance department to track these days for correct payroll implementation.

- **Administering payroll:** Completed time sheets dated and signed by the employee, approved by their supervisor, should be submitted to the finance department at the end of every month to be used for preparing payroll on a monthly basis. This is a recurring exercise because, without it, no payroll information will be entered and the employee will not be paid.

- The time sheet must contain the project name and code to be charged to. It should include sections on sick leave, vacation, holidays and other approved categories of leave.

- Control procedures should be in place to ensure segregation of duties between the preparation, review and authorisation of payroll.

2.6.3 Payments to Staff

/ Payroll calculations should be prepared by the responsible senior finance manager and reviewed and authorised by the position designated as the approving officer in the case of payroll.

/ Payment of salaries should be made by bank transfers to individual staff bank accounts.

/ Salaries paid by cheque should be signed for by staff on the payment voucher. The payroll supervisor should ensure that individual pay slips are distributed monthly.

/ Pay slips should be prepared for each staff showing details of calculations resulting in their net pay. These should be issued at the time payment of salaries is made.

/ A payroll documentation file should be established in the Finance Department to contain the following details:
- Non statutory deductions documentation
- Letters of appointment
- Salary Increment
- Contract renewal letters

/ The Chief Executive or a duly authorised delegate should review all payroll reports and approve payment of salaries at the respective stations.

/ Effort should be made to pay all staff before the end of every month.

/ **Statutory Deductions:**
- Statutory deductions such as social security funds, where they exist, should be calculated and submitted to the authorities according to the time line specified in the relevant legislation.
- Taxes should be calculated on the gross earrings of staff in the month and submitted to the authorities as per relevant legislation on or before the specified date, usually during the following month .

- Deductions should be calculated by finance department officers and reviewed by the Executive Chief Officer.
- Late submission should be avoided to prevent penalties and the responsibility lies with the senior finance officer.

/ **Per Diems:** Per diems should be paid as per established rates and at the location where the employee's regular salary is paid as per the organisation's rules and regulations.

/ **Medical Benefits:**

- Where medical benefits form part of the terms of employment of staff, details of eligibility and entitlement for staff medical benefits will be found in the organisation's rules and regulations.
- All medical claims should be verified by an authorised finance manager who has been made responsible for ensuring that the benefit limit has not been surpassed by the individual concerned.
- Reports about payment of medical benefits to individual employees should be prepared on a monthly basis by the responsible finance manager. This report should have the following details:
  - Amounts as per treatment category
  - Monthly and total expenses to date
  - Unutilised balance
- The medical report should be reconciled to the nominal ledger on a quarterly basis to ensure its completeness.

/ **Telephone and Fax Costs:**

- Control procedures should be established to ensure that records of fixed line telephone calls are maintained by the finance department.
- Private calls should be identified by the finance department and charged to the staff via payroll.
- A monthly summary of private calls should be produced by the the responsible officer within the finance department and passed on to the payroll processing branch for recovery.

/ **Taxation:** Deductions of taxes and payment to the authorities concerned always require special care. Any delay either in deductions or in payments will attract penalties from the government or regulatory authorities. The senior finance manager will be responsible for ensuring that source deduction of tax as per rules and regulations from payments being made to employees are promptly deposited with the government treasury. Finance department should ensure proper documentation is kept to demonstrate that the organisation conforms to the laws and as possible evidence in case of litigation/legal disputes with the authorities. Any delays by finance department in making necessary remittances to Government where a penalty applies may be passed to responsible parties and deducted from salary.

/ **Determination of pay:** Staff compensation will be determined according to salary scales approved by the Board of Directors. Each position will have attached a minimum and maximum salary to allow flexibility in setting salaries based on qualification and experience. These salary ranges will also have different levels within them to allow merit increments. Information about any individual's salary and entitlements may be obtained from his/her contract of employment which may, in turn, be governed by the labour law of South Sudan. The authority to approve the terms of the contract is vested in the Board of Directors or a duly authorised delegate.

/ **Timing of Payroll:** Timing of staff payroll payment will depend on the labour law of South Sudan. The payroll cycle will be monthly and payment will be made at the end of every month to enable the finance department to include all salaries expenditure in the month when the expenses were incurred. This timing will reduce complexity by closing off all transactions at the end of every month.

/ **Pay Slip:** Whenever a staff is paid his/her salary, he/she must sign a pay slip and be given a copy that will document the detail of the payment and the date of receipt. The pay slip must contain the following information:

- Period for which employee payment applies;
- Employee ID card (Staff ID) number;
- Name of the employee receiving this payment;
- Program Location;
- Units, rate, extended amount of gross salary payment and monthly staff benefit contribution;
- Units, rate, extended amount, description for each deduction and cumulated staff benefit organisation contribution.

Example of a Salary Slip

Organisation Name			
Address:			
Salary Slip			
Employee Name:			
Designation:			
Month and year:			
Earnings		**Deductions**	
Basic & DA	xxxxx	Provident Fund	xxxxx
HRA	xxxxx	E.S.I.	xxxxx
Conveyance	xxxxx	Loan	-
		Profession Tax	-
		TSD/IT	-
Total Addition	xxxxx	Total Deduction	xxxxx
		NET Salary	**xxxxx**
Dollar XXXXXX Only			
Cheque No.		Name of Bank	
Date:			
Signature of the Employee			
Director:			

/ Allocating staff compensation: The finance department will allocate staff to project (code) numbers based on the actual time spent on existing project or the percentage agreed upon in the project and the details recorded in the individual employee's time sheet.

2.7 Dealing with Fraud and Irregularities

- There will be occasions when internal control systems fail to prevent losses through theft, fraud or other irregularities. Fraud includes theft of goods or property, falsifying expenses claims, and falsification (or destruction) of records to conceal an improper action. Fraud does not include:
  - Finance department errors
  - Actions condoned by established practice
  - Cases where no loss is incurred.
- Irregularities include unauthorised activities for private gain: e.g. borrowing from petty cash; use of vehicles; or abuse of telephones and other equipment.
- Incidents of fraud and irregularities require sensitive handling to minimise the long-term impact. It is important to be prepared to deal with any occurrences of fraud or financial irregularity by having a written procedure covering steps that need to be taken.
- **Deterrence:** The procedure should state clearly that routine controls, checks and balances are in place to safeguard the assets of the organisation and to protect staff from any suspicion of, or temptation to, fraud or other impropriety. Paid staff and volunteers should be clearly informed that they are obliged to cooperate fully with internal control procedures and that any failure to do so will be dealt with within the organisation's disciplinary code.
- **Detection:** A procedure for reporting suspicions of irregularities should be made clear to all. This should make it easy for people to report concerns in confidence and without fear of retribution. When an irregularity is reported or detected, it is important to record the details in writing and to report them immediately to a senior officer. It is vital to follow up all reports or suspicions immediately, not to allow rumours to spread or to let the trail go cold.
- **Investigation:** When an irregularity comes to light, it must be dealt with quickly and sensitively; corroboratory evidence should usually be sought before instigating a formal investigation. If all the evidence points to an irregularity, the individual(s) involved should be formally interviewed with a third person present to take notes. Documents and records should be

protected by either removing access to them for those allegedly involved in the irregularity or by suspending the people involved during the investigation. Organisation rules and regulations should identify who is responsible for conducting a formal investigation. This will depend on the nature of the irregularity; it could be conducted by a senior manager, the internal auditor, the external auditor or, in more serious cases, the police.

2.7.1 Fraud

/ **Definition of irregularities:** Fraud can encompass an array of illegal acts characterised by intentional deception. It can be perpetrated for the benefit of the person or even the organisation but usually is to the detriment of the organisation and may be done by persons outside as well as those inside the organisation.

/ The type of fraudulent act designed to benefit the organisation generally produces such benefit through the exploitation of an unfair advantage or dishonesty that may also deceive an outside party. Perpetrators of such fraud usually benefit indirectly.

/ Fraud perpetrated to the detriment of the organisation generally is for the direct or indirect benefit of an employee, outside individual or another organisation.

2.7.2 Theft

/ Theft occurs where property belonging to another is dishonestly appropriated with the intention of permanently depriving the other of it.

2.7.3 Manipulation of Accounting Entries

/ Destroying, defacing, concealing or falsifying accounting records or knowingly furnishing false information is a serious irregularity.

2.7.4 Bribery

/ Bribery is any circumstances where an inducement is offered and given in order to influence any action of others and place the person offering the inducement at an unfair advantage which would not have otherwise been acquired but for the inducement.

2.7.5 Corruption

/ The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the actions taken by the authority, its members or officers.

2.7.6 Procedure Followed if Fraud Discovered

/ The following procedures should be followed if any fraud or other irregularities are discovered:

- The Chief Executive will determine the seriousness of the fraud or irregularity and in conjunction with the senior finance manager determine whether to inform and involve the police immediately, or later, or not at all.
- In all cases of irregularities as described the Chairman of the Board of Directors must be made aware immediately of all the circumstances before any action is taken. The Chairman should in turn inform all members of the Board.
- Any necessary disciplinary action will be taken in accordance with disciplinary procedures as specified in the organisation rules and regulations.

2.8 External and Internal Auditors

2.8.1 Internal Auditors

/ The role of internal audit is to provide independent assurance that an organisation's overall governance, risk management, and internal control processes are operating effectively. Auditors' duties are to ensure compliance with established internal control procedures by examining records, reports, operating practices, and reviewing documentation. The Auditor moreover verifies assets and liabilities by comparing items to documentation and completes audit work papers by documenting audit tests and findings.

/ All staff in the organisation are required to cooperate with internal auditors, and should allow access to all documents requested by the auditors.

/ Management of the organisation should consider with utmost seriousness internal audit reports and recommendations and, in all but the most exceptional circumstances, should act on them as a matter of urgency.

2.8.2 External Auditors

/ Organisations rely on external audits to demonstrate performance and accountability to the Board of Directors and stakeholders.

/ The external auditor studies important financial documents, such as invoices, the petty cash book, bank book, bank statements, stock sheets and bank conciliation statements; they review these papers in the privacy of a quiet place and interview staff members in confidence as needed.

/ Part of the auditing process involves the detection of fraud. When the accounting statements of a firm are in line with established procedures and best practices, the external auditor reports them as being "true and fair" and makes qualifications for adverse details – misstatements, undisclosed fraud, insider loans and incorrect accounting policy. If there are too many misstatements, the external auditor may declare the audit as adverse, an opinion that can bring reputational and legal consequences for the organisation.

- Finance department staff must facilitate and allow easy access to all financial data, records, files, statements, and reports for the external auditors, and cooperate fully in responding to all of the external auditor's inquiries, including preparing the following supporting documentation (for example but not limited to):
  - Proof of non-profit status and incorporation;
  - Audited financial statements for the past three financial years, signed by the auditor and responsible board member;
  - The organisation chart;
  - The organisation's strategic plan;
  - Code of ethics, code of conduct, and anti-terrorism policies, anti-corruption policies, or equivalent documents;
  - Any external audits reports.

PART 3 – PROCUREMENT MANAGEMENT GUIDELINES

PROCUREMENT IS THE process of identifying and obtaining goods and commercial services. It includes: planning and defining purchasing requirements (specifications); sourcing (identifying potential suppliers); evaluation of alternative offers; purchasing (actual buying of goods and commercial services from preferred suppliers); and covers all activities up to the inspected delivery from the selected supplier.

This part of the manual sets out the principles and procedures that apply to procurement of all goods and services on behalf of the organisation and governs the standards of conduct for all organisation personnel involved in the procurement process. It applies to all procurement carried out by the organisation.

The Board of Directors has the authority to establish the necessary controls and monitoring system and to issue and amend from time to time the contents of these procurement guidelines and other administrative instructions, consistent with all applicable regulations, rules, and procedures.

Arbitration: A method agreed to in advance by the parties to a contract to resolve a dispute by submission to one or more neutral third-party arbitrator for a binding judgment; arbitration is normally used to avoid litigation, i.e. court procedures and expense.

Award of contract: The action taken by the procurement officer, based on the evaluation of offers, to approve the selection of the supplier for a specific contract.

Audit Trail: Clear and concise documentation detailing each step of a procurement action, enabling a future reviewer to establish that applicable regulations, rules and procedures have been followed.

Bid: An offer submitted by a supplier in response to a formal invitation for the supply of goods, or services meeting a specific description.

Bidder/Proposer: An entity that submits an offer in response to a solicitation. Normally, the term bidder is used to refer to the entity responding to an ITB, RFQ or an electronic auction; the term proposer is used to refer to the entity responding to an RFP.

Catalogue: An organised list of goods or services specifying the description, price, unit of measure and other attributes. A catalogue may be available as a document or in electronic format. It may form part of an established long term agreement (LTA) and, where it is so included, purchase orders may be issued to procure items listed within it.

Competitive Bidding: A procurement method in which offers from competing suppliers are invited and provided with the scope, specifications and terms and conditions of the proposed contract as well as the criteria by which the offers will be evaluated. The objectives of competitive bidding are to obtain goods, services or works that are technically compliant and offer best value (frequently although not always the lowest cost on offer) through open and fair competition.

Contract: A contract is a written, legally binding agreement between the organisation and a supplier setting out terms and conditions, including the rights and obligations of the organisation and the supplier. A contract may take the form of a Long Term Agreement, Purchase Order, Memorandum of Understanding or other forms.

Contract Administration: All actions undertaken after the award of a contract relating to the administrative aspects of the contract, such as contract amendment, contract closure, record retention, maintenance of the contract file, and handling of security instruments (e.g., performance security).

Contract Management: Ongoing monitoring and management process of the supplier's performance regarding the contracted goods or services, as well as assuring compliance with all other terms and conditions of a contract.

Contractor: Any party to a procurement contract with the organisation.

Cost Estimate: An approximate calculation of charges or costs to supply goods or services.

Delivery time: The time taken to deliver goods from the date of contract to the time when the supplier makes the goods at the agreed place as per the delivery terms.

E-procurement: Electronic procurement occurs when steps of the purchasing process are conducted electronically over the internet, typically to shorten the cycle time and lower the transaction costs of the acquisition process.

Emergency: An abnormal situation in which there is clear evidence that a sudden calamity such as earthquake, flood, hurricane, drought, crop failure, pests, disease or other natural disaster, or a human-made emergency such as war, hostilities, civil war, rebellion or revolution or similar event or events have occurred and such event or events imminently threaten human life or livelihoods and cause disruption in the life of the community on an exceptional scale.

Force Majeure: A contract provision under which major events, such as fire, war, or severe weather, may excuse a party, in whole or in part, from the performance of its contractual obligations.

General Conditions of Contract: The general conditions of contract for the procurement of goods or services are a set of standard contractual provisions covering a range of issues, including the use of sub-contractors, indemnification, intellectual property rights, use of name, termination, events of force majeure, dispute settlement, privileges and immunities, standards of conduct and amendments.

Best Value for Money: A general principle that should be given due consideration when exercising the procurement functions of the organisation.

Goods: Objects of every kind and description including raw materials, products and equipment and objects in solid, liquid or gaseous form, and electricity.

Guarantee: A promise or pledge, something given or existing as security such as to fulfil a future engagement or a subsequent condition such as bank guarantee.

Invitation to Bid: A formal invitation by the organisation to a supplier to submit a formal offer in accordance with a specified procedure for the supply of goods and services and meeting precise specifications.

Invoice: Suppliers' demand for payment setting out the amount for payment by the organisation in respect of goods delivered or services rendered.

Liquidated Damages: A sum agreed upon during the formation of a contract which will be paid by the breaching party in the event of a defined breach of contract.

Long Term Agreement: A written agreement that is established for a defined period of time for specific goods or services at prescribed prices or pricing provisions and with no legal obligation to order any minimum or maximum quantity.

Market Research: The process of collecting and analysing information about capabilities within the market to satisfy the organisation's needs: used to identify suppliers, assist in the development of specifications, pricing information, and obtain information on available technology.

Procurement: The acquisition through purchase or lease of real property, goods or other products.

Purchase Order: A type of contract that documents the purchase of goods and/or services.

Quotation: An offer in response to a Request for Quotation.

Receipt of Goods: Official acknowledgement of receipt of goods.

Remedy: A means of relief that either party can pursue to compensate for the other party's non-performance or non-compliance with a contract term or condition.

Request for Quotation (RFQ): Method of solicitation whereby suppliers are requested to submit a quotation for the provision of goods or services.

Services: Work, duty or labour performed by a contractor pursuant to a contract: typical examples include security, cleaning, IT services, training, freight forwarding and consulting.

Solicitation: Generic term for a request to suppliers to offer a bid.

Solicitation Documents: Documents issued to describe procurement requirements and to invite suppliers to submit a bid, quotation or proposal.

Specifications: A description of the technical requirements for a material, product or service.

Procurement Officer: Staff member responsible for ensuring the proper procurement process is undertaken and to whom procurement authority has been delegated.

Sub-Contractor: A third party that carries out work for a Contractor under a subcontract.

3.1 Introduction

3.1.1 All procurement carried out by the organisation shall be guided by the following principles

Best Value for Money: The procurement principle of best value for money is identified as the trade-off between price and performance that provides the greatest overall benefit under the specified selection criteria.

Fairness: The organisation fosters competition in all procurement processes, as a means of ensuring fairness, integrity and transparency.

Integrity: In order for competition to lead to fair and transparent procurement, it must be carried out on the basis of clear and appropriate rules and procedures that are applied consistently to all potential bidders. Fairness implies being reasonable as well as impartial and treating all suppliers in the same way. Integrity relates to aspects of personal and institutional behaviour including qualities such as honesty, truthfulness, impartiality, and incorruptibility.

Transparency: Openness in all transactions ensures that all information on procurement policies, procedures, opportunities and processes are clearly defined and made widely known and available. A transparent system increases the possibility of detecting any deviations from fair and equal treatment, and therefore makes such deviations less likely to occur. Transparency thus protects the integrity of the process and the interest of the organisation.

Effective Competition: The competitive process shall, as necessary, include:

/ Acquisition planning for developing an overall procurement strategy and procurement methodologies;

/ Market research to identify potential suppliers;

/ Competition on as wide a geographical basis as practicable and suited to market circumstances.

3.1.2 Ethical Standards

Ethics: is the discipline relating to right and wrong, moral duty and obligation, moral principles and values, and to moral character. Most procurement related principles, such as best value for money, fairness, integrity, transparency, effective competition, and interest of the organisation and accountability, are based on ethics. All procurement officials shall maintain an unimpeachable standard of integrity in all business relationships, both inside and outside the organisation. Ethical conduct shall apply in all dealings with the organisation's partners, donors, governments, beneficiaries, suppliers, and the general public.

Responsibility and Disclosure: Procurement officials must never use their authority or office for personal gain and must seek to uphold and enhance the standing of the organisation. All individuals are responsible for the integrity of actions taken by them in the course of their official duties, and for avoiding action contrary to the Regulatory Framework of the organisation. Any personnel who believes he/she may have a conflict of interest should report this immediately to his/her line manager, in writing.

Ethics in Dealing with Suppliers: The organisation shall seek to treat all suppliers in a fair and equal manner in line with the principles of best value for money, fairness, integrity, transparency, effective competition, and interest of the organisation in the procurement process. All organisation personnel, and others, involved in the procurement process on behalf of the Organisation shall abide by the following standards of conduct:

- During the pre-solicitation phase, no one shall allow suppliers access to specific, privileged information on a particular acquisition before such information is available to all invited suppliers.
- During the solicitation phase, all potential bidders must receive identical information. Any clarifications to the solicitation documents must be provided at the same time, in writing, to all suppliers.
- Specifications should be linked to functionality.
- Individuals having a personal or financial interest in a supplier responding to a solicitation are prohibited from any involvement in the procurement process.
- During the evaluation, the evaluation criteria specified in the solicitation documents must be applied in the same manner to each evaluated offer.

Gifts and Hospitality: Staff members shall not accept gratuities or favours of any kind from commercial firms or individuals doing or seeking to do business with the organisation. No staff member involved in any aspect of procurement may accept any gift from any outside source that is soliciting business with the organisation, regardless of the value. All staff members involved in procurement shall decline offers of gifts, including drinks, meals, tickets, hospitality, transportation, or any other form of benefits, even if it is in association with an official working visit.

Corrupt, Fraudulent, Collusive or Coercive Practices: Staff will not engage in any corrupt, fraudulent, collusive or coercive practices, in carrying out of their functions as part of the procurement process. Staff members who become aware of information indicating that the procurement process might have been subject to corrupt, fraudulent, collusive or coercive practices, including with respect to activities undertaken by a supplier, both during the bidding process and throughout the execution of a contract, must provide such information either directly to their immediate supervisor or to the Board of Directors. For purposes of this Manual, the following definitions shall apply:

- **Corrupt practice:** Bribery as being the act of unduly offering, giving, receiving or soliciting anything of value to influence the procurement process.
- **Fraudulent practice:** The misrepresentation of information or facts for the purpose of influencing the procurement process.
- **Collusive practice:** An agreement among bidders to submit prices that is artificially high and not truly competitive.
- **Coercive practices:** The act of attempting to influence the process of procuring goods or services, or executing contracts by means of threats of injury to person, property or reputation.

Ethical Behaviour of Suppliers: Suppliers should adhere to the highest ethical standards during the bidding process and shall not engage in corrupt, fraudulent, collusive, and/or coercive practices. Suppliers have the obligation to comply with the applicable organisation's general conditions of contract, which contain specific provisions on anti-terrorism, mines, child labour and the fundamental rights of workers.

3.2 Organisation of Procurement

3.2.1 Procurement process

The procurement process consists of the series of activities undertaken to carry out procurement and includes:

- Identification of goods and services needed by the organisation;
- Determination of the purchase or tendering methodology;

- Identification of available suppliers;
- Evaluation of the offers;
- Award of contracts;
- Contract issuance, administration and management as well as logistics associated with implementation.

The provisions contained in this Manual apply to all actions necessary for the acquisition, by purchase, lease or otherwise, of goods and services, with the exception of the following:

- Contracts with individuals for employment or for personal, consultancy or other professional services;
- Agreements with public international organisations, governments or non-governmental organisations;
- Arrangements with banks and other financial institutions.

Documentation of Transparent Procurement Process: Staff involved in a procurement action have an obligation to protect the integrity of the procurement activity by maintaining the transparency of the procurement process. Documentation which enables internal and external audits of the organisation operations and related evaluation includes the following:

- Unbiased statement of specifications;
- Statement of objective evaluation criteria; demonstrated provision of equal access to information to all suppliers; and
- Maintenance of confidentiality of offers;
- A standardised system for tracking and retention of procurement files in accordance with the organisation's procedures. Procurement files are to be kept for 5 years after the PO or contract award date.

3.2.2 Responsibilities of Organisational Units

Responsibility for initiating, implementing, approving and signing procurement action is shared among designated units depending on the value and nature of the goods and services to be procured. Responsibility for reviewing certain procurement actions lies with the procurement officer, and any committees established to oversee procurement. The procurement officer sees to it that all procurement functions in the organisation are carried out in accordance with the rules and regulations.

Accountability:

All officials of the organisation are accountable to the Board of Directors for the integrity of actions undertaken by them in the course of official duties. Staff members involved in any action that is contrary to the rules and regulations may be held personally responsible and financially liable for the consequences of such actions.

Segregation of Duties:

The procurement structure within the organisation should be based on the segregation of responsibilities for the various steps in the procurement process in order to safeguard the integrity of the process and to ensure an appropriate system of checks and balances. Segregation of duties is an internal control mechanism used to ensure that no single individual or organisational unit is given responsibility for more than one related procurement function.

3.2.3 Procurement Authority

The organisation's authority to undertake procurement activity is vested in the Board of Directors which delegates authority to individual procurement authorities and personnel within the organisation tasked with implementing and overseeing procurement processes. Procurement authorities are responsible and fully accountable for exercising their duties and responsibilities with the utmost care, competency, efficiency, fairness and integrity. A procurement authority must ensure strict adherence to the rules and regulations. The organisation should have two procurement authorities or committees as follows:

Board of Directors Procurement Committee:

The Board of Directors Procurement Committee should consist of three to five members of the Board of Directors, including the Chair of the Committee.

The process of selection will be conducted by the Board of Directors. The process shall be documented and should define the term of the committee.

Management Procurement Committee:

The Management Procurement Committee should consist of three senior managers including the Chair. The process of selection shall be overseen by the Chief Executive Officer. The process should be documented and define the term of the committee.

In addition, procurement will be conducted in accordance to the procurement authority matrix as shown below. All procurement processes should have at least three (3) quotations at least regardless of which authority initiates the procurement.

Example Procurement Authority Matrix

Title	Authority of Procurement Amount in USD dollar	Procurement Methodology
Board of Directors Procurement Committee	Over $10,000	Tendering
Management Procurement Committee	$301–10,000	Tendering
Chief Executive Officer	$1-300	Direct purchase

3.3 Supplier Management

3.3.1 Supplier Registration

The organisation should develop and maintain a supplier database containing up-to-date information about suppliers including contact and company details, financial information, export volume, previous experience and registered products/services. Queries to identify potential bidders can be based on products, supplier information and geographical area. All suppliers' information, including from firms expressing a specific interest in doing business with the organisation when registering with the organisation, should be reviewed for completeness and relevance before final approval and inclusion in the organisation's supplier database. However, it remains the responsibility of the organisation to do a proper background check and analysis of the supplier's suitability for specific procurement opportunities.

3.3.2 Supplier Management

In order to maximise competition and receive value for money, the organisation should continually strive to identify new technically and financially sound suppliers. In particular, it should actively work to increase its sources of supply across all its geographic areas of operations and, where possible, to include suppliers from rapidly growing new markets. Procurement staff should keep a roster of potential suppliers to facilitate the identification of qualified suppliers who may be invited to bid. The performance of existing suppliers should be evaluated on a regular ongoing basis.

3.3.3 Supplier Ineligibility

The organisation should reject requests for supplier registration as well as offers from suppliers and may declare as ineligible any registered supplier or remove or suspend any registered supplier from the organisation's supplier list, indefinitely or for a stated period of time, based on one or more of the following grounds:

- Failure to perform in accordance with the terms and conditions of one or more contracts;
- Abusive, unethical or unprofessional conduct, including collusive bidding and anti-competitive conduct, corrupt practices and submission of false information;
- The supplier being engaged in criminal or fraudulent activity;
- Genuine concern about the supplier's ability to perform its contractual obligations, such as filing for bankruptcy;
- Any documented or compelling proof of misconduct which can negatively affect the interests of the organisation and which would reasonably impair the supplier's ability to perform a contract.

/ The Chief Executive should determine if a supplier should be declared ineligible or removed or suspended from the organisation's supplier list, and make such a recommendation to the Board of Directors for a final decision. The organisation shall communicate to the supplier who is declared ineligible or removed or suspended from the organisation's supplier list and give the reasons therefor, as determined by the Chief Executive Officer.

3.4 Solicitation

Following development of specifications (definition) and identification of possible suppliers (sourcing), a solicitation method must be selected to formally communicate a procurement requirement and request an offer from potential suppliers. The appropriate method of solicitation depends on market conditions, nature and value of the requirement, location and urgency. In selecting a solicitation method, it must first be determined whether the requirements can be met through using an existing long term agreement (LTA), redeployment of assets, or supply available withinin existing organisation stocks. A justification should be recorded explaining the chosen strategy. If the need for competition is established, one of the solicitation methods shall be chosen as follows:

3.4.1 Types of Competition

The organisation may use international, regional or local competition as appropriate for the type of commodity and market; it is essential to ensure that the type of competitive solicitation is both economic and efficient and results in the organisation obtaining best value for money.

Open International Competition: While this form of competition may be the most competitive by allowing all potential suppliers the opportunity to bid for the organisation's requirements, it may not be appropriate in many cases based on the nature of the products needed by the organisation and its areas of operations. Open international competition may be best used to solicit expressions of interest in order to pre-qualify international suppliers prior to a formal solicitation.

Regional and National Competition: The organisation may seek to foster the development of local markets and therefore, wherever possible, to support the local economy. If procurement requirements can be satisfactorily met within a local context, a regional or national competitive bidding exercise can be undertaken. Qualified international suppliers expressing interest in a regional or national tender should not automatically be excluded from participating in the tender on the same terms as regional or national suppliers, if they have a regional or local presence. Regional or national competition may be open to all local suppliers or limited to a selected number of local suppliers. To ensure competitiveness regional or national competition should only be used if there are enough suppliers of the goods or services in the area to ensure competition. National or regional tenders are typically conducted in the following cases:

/ When service requirements are scattered geographically or spread over time and the work would therefore typically not be of interest to international companies;

/ When goods are available locally at prices equivalent to or lower than the global market price when all factors are considered or if knowledge of the local or national system is a requirement;

/ If a donor agreement provides for procurement from a limited geographical area.

3.4.2 Solicitation Methods

The Chief Executive will usually determine the appropriate solicitation method to be used based on the estimated value of the procurement action taking into consideration the nature of the goods or services to be procured and the information provided by the request within a specific department. One of four methods as follows will be used:

Low Value Purchasing (LVP): Low value purchasing is not a formal method of solicitation. It is a method based on the comparison of prices obtained from potential suppliers, received orally or in writing. Prices taken orally must be written down carefully, dated and kept in the file. Contracts are awarded to the supplier offering the best value for money, based on service, quality and pricing considerations. Justification for the award should be documented in a note on the file. LVP is an appropriate method for the procurement of readily available off-the-shelf goods or standard specification commodities or simple works.

Request for Quotations (RFQ): A request for quotation is an informal method of solicitation used for procurement of goods and services where the requirement is clear and specific and if it is a simple and clearly defined specification. When using an RFQ, at least three suppliers must be invited to submit a quotation. Should it not be possible to obtain three quotations, the reasons must be recorded in writing. It is mandatory that each RFQ has a clearly defined submission deadline which must be specified in the RFQ document and communicated to all prospective bidders. Quotations in response to an RFQ must be received in writing. Procurement officials may receive the offers directly, either by mail, fax or email; however, a separation of duties is highly desirable. Awards are usually made based on an evaluation methodology identifying the lowest priced and most technically acceptable offer.

Invitation to Bid (ITB): An invitation to bid is a formal invitation by the organisation to suppliers to submit formal offers in accordance with a specified procedure for the supply of goods, or services meeting precise specifications. In general, an ITB is used for the procurement of goods with objectively measurable quantitative and qualitative specifications. An ITB may also be used to contract for services that can be expressed quantitatively and qualitatively. ITBs may be based on a one-envelope system, i.e. the financial and the technical components of a bid are combined in one single document, or a two-envelope system where they are separately sealed into two envelopes. An ITB can either define the minimum requirements goods or services have to meet or, alternatively, a range of acceptable requirements. Contracts are awarded on the basis of an evaluation methodology identifying the lowest priced, substantially compliant offer, including delivery terms and other technical requirements as stated in the ITB.

Long Term Agreements (LTA): A long term agreement is a written agreement between the organisation and a supplier that is established for a defined period of time for specific goods or services at prescribed prices and other provisions, with no legal obligation to order any minimum or maximum quantity. LTAs are typically valid for a period of two to five years and will be dependent on special market conditions. LTAs cover a product or products or services frequently requested; they represent a supply option for an organisation based on projected needs to allow for streamlined procurement as and when needed.

3.4.3 Solicitation Documents

Solicitation is the mechanism used to communicate a procurement requirement and request an offer from potential suppliers. For ITBs the procurement officer is responsible for preparing the formal invitation to invited suppliers which consists of the documentation necessary to fully describe the requirements of the procurement action, as well as the procedures for submission of offers (solicitation documents). The relevant procurement authority is responsible for approving and signing the solicitation documents to ensure that they meet the requirements of this Manual. For quotations requested in writing, a clear description of the goods, or services required is adequate. The solicitation documents consist of three components:

- Letter of Invitation, including Instructions to bidders;
- Requirements definition; and
- Contractual terms.

The minimum requirements of each component depending on the type of formal solicitation method, invitation to bid (ITB), request for quotation (RFQ), or request for proposal (RFP) are as follows:

- Detailed, clear and complete specifications for the goods or services;
- Commercial requirements, including payment terms, and as applicable, quantities of goods and delivery terms or timetable for performance;
- A request that suppliers provide costs of freight, and insurance where applicable;
- An indication that the organisation will award the tender on the basis of the "lowest priced, most technically and commercially acceptable" offer received.

3.4.4 Invitation of Suppliers

Transmission of Solicitation Documents: RFQs may be requested verbally or through consultation of price lists via catalogue, Internet or other media. The quotation that is the basis for the award must be documented by written confirmation from the supplier or a copy of the published price list. Solicitation documents for ITBs will be sent simultaneously to all invited suppliers by any means which provides confirmation of receipt (including but not limited to registered letter, courier, facsimile, email, e-tendering).

Confidentially of the Short List: In cases where the solicitation documents are only being made available to a short list of selected suppliers, the organisation shall not disclose the names of any short-listed companies, in order to safeguard the integrity of the procurement process.

Tender Period: The closing date for the submission of bids will be determined by the procurement officer, taking into account the delivery requirements, the complexity of the procurement activity, the urgency of the request in connection with emergency situations and the need to provide suppliers with adequate time to prepare and submit an offer.

Amendment of Solicitation Documents: If it becomes necessary, before the closing date to modify the solicitation documents in any way, an amendment will be issued to all invited suppliers. The rocurement officer must evaluate whether sufficient time remains for invited suppliers to consider the amended solicitation documents. If the remaining time is not considered sufficient, the procurement officer should also extend the closing date.

Cancellation of the Solicitation: It may become necessary to cancel the solicitation prior to the closing date, for example, if the goods, or services are no longer needed, the requirements change substantially, funding is no longer available or continuation of the solicitation is no longer in the best interests of the organisation. The procurement authority has the discretion to cancel a solicitation prior to the closing date. In such a case the procurement officer will notify all invited suppliers that the solicitation has been cancelled, as well as document the reasons for the cancellation. Any offers already received at the time of cancellation will be returned or destroyed, in which case the supplier will be notified. The relevant action must be appropriately documented, including notice of cancellation on relevant websites in the case of open competition.

3.4.5 Communication with Suppliers

During the solicitation period, the procurement officer is the organisation's sole point of contact for invited suppliers, except in cases where the solicitation documents provide for meetings with invited suppliers. All communication with invited suppliers during the solicitation period must be documented. If additional information or clarification is requested by one of the invited suppliers, the same information or clarification must be made available to all invited suppliers through the channels of communication (media/ websites) used for the initial advertisement and the procurement officer will prepare and dispatch written replies to suppliers' queries, and make all replies known, together with the text of the queries, to all suppliers, without disclosing the source of the queries.

3.4.6 Exceptions to Competitive Bidding

A competitive solicitation procedure is considered the standard for ensuring a fair, transparent and efficient procurement process. Procurement may, however, be undertaken without competition by means of a competition waiver when a competitive solicitation procedure is not possible or feasible or would not efficiently and effectively meet the interests and objectives of the organisation. The procurement officer must exercise sound judgment in requesting a waiver on the basis of one of the exceptions noted below and will ensure that in each case the justification for not seeking competitive offers is adequately documented in the record.

Reasons for exception to competitive bidding:

- The value of the procurement is below the monetary threshold for formal methods of solicitation; or is low value purchasing for which there is no competitive market-place.
- There has been a previous determination or there is a need to standardise the requirement.
- A formal solicitation has not produced satisfactory results within the previous six months.
- The proposed procurement contract is to purchase or lease real property where there is no competitive market.

- An emergency situation exists that does not allow time for formal solicitation even with a shortened submission period.
- An abnormal situation in which there is clear evidence that a sudden calamity such as earthquake, flood, hurricane, drought, crop failure, pests, disease or other natural disaster, or a human-made emergency such as war, hostilities, civil war, rebellion or revolution imminently threaten human life or livelihoods and cause disruption in the life of the community on an exceptional scale.
- The procurement authority otherwise determines that a formal solicitation will not give satisfactory results.

Procedures for Waiver of Competition:

Waiver of competition will be applied in accordance with the procedures provided in this Manual governing contact with suppliers. The procurement officer may choose any method for obtaining offers; and undertake direct negotiations and recommend a selected supplier. The procurement officer, on approval of a waiver, shall, as part of a team, directly negotiate the purchase of goods and services when directly meeting the requirements is not available in the geographical area where it is required.

3.4.7 Electronic Submission of Documents

In the event that the solicitation documents are distributed electronically and that the documents also allow bidders the opportunity to submit their offers by email, the integrity of the procurement process must be maintained as described in the ensuing paragraph.

All invitees must receive the same information at the same time. Due diligence should be exercised to ensure that the names of short-listed suppliers are not disclosed to the other invitees. Where the solicitation documents state that bids are accepted by email, the organisation must create a designated and secure email address for receipt of offers. The email address must be specified in the solicitation documents and it must be made clear that only offers sent to the dedicated email address will be accepted. An individual not directly involved in the procurement process shall have sole access (through password protection) to the dedicated email. When an offer is received, this duly authorised person shall immediately print out the offer, place each offer in a sealed envelope, marking the envelope appropriately with all necessary information and placing the offer in a locked and secure place.

3.5 Management of Submissions

3.5.1 Receipt and Safeguard of Submissions

It is the responsibility of suppliers to ensure that offers are submitted to the organisation in accordance with the stipulations in the solicitation documents. If offers by fax and/or email are accepted when formal methods of solicitation are used, a dedicated fax number and/or email address must be set up. It must be clearly stipulated in the solicitation documents that offers sent to any other fax or email will be rejected. Submissions sent by secure fax or email shall only be accessed by designated personnel not directly involved in the procurement action. The dedicated fax machine must be placed in a locked and secure location; the dedicated email address must be password protected. Only individual(s) designated by the Chief Executive should have access to the dedicated fax and email account. If offers are delivered by hand, the organisation must issue a receipt stating the date and time of delivery. Offers received by dedicated fax and email must be treated with the same degree of control and confidentiality as offers received by post or delivered personally. In particular, individuals directly concerned with the procurement process must not have access to the offers until the time of bid opening. Once all offers are received whether by hand, fax or email, they should be placed in a sealed envelope (or envelopes), dated, stamped or marked and placed in a locked and secure place by the authorised tender receiving staff. Tender boxes may also be placed at main entrance gates for suppliers to deposit hard copies of their bids. Suppliers who deposit their bids in the tender boxes shall receive acknowledgement receipts as proof of submission.

3.5.2 Modification and Withdrawal of Submissions

Suppliers may modify their offers in writing prior to submission deadline. The modification shall be submitted as per the submission instructions and shall be treated like any other offer by the organisation.

Withdrawal of submissions by suppliers can only be accepted if the organisation is notified in writing prior to the deadline for submission of offers. The withdrawn offer shall be separated from the other bids prior to bid opening and shall not be opened.

3.5.3 Late and Unsolicited Submissions

When submissions are received after the designated bid closure indicated in the solicitation documents, the date and time of receipt must be indicated on the envelope. The Chair of the Tender Committee shall seek advice from the Chief Executive on the action to be taken with regard to late submissions. If the Chief Executive approves, the late submission shall be opened together with the other submissions, provided the issuer provides evidence that the submission was sent prior to the bid closure, the delay in delivery could not be reasonably foreseen or was due to unforeseen events beyond the control of the prospective supplier and that there is no indication that confidentiality has been, or may have been, compromised.

3.5.4 Opening and Recording Submissions

Tender Opening Committee: A tender opening committee (TOC) will be responsible for opening and recording submissions; each TOC should comprise at least three members. The Chief Executive Director shall designate the Chair of the TOC. The selection of the Opening Committee members should aim to assure the impartiality of the Committee. The Chairperson of each TOC shall convene TOC meetings and shall ensure that the organisation's procedures for opening and recording submissions are complied with in order to ensure the integrity of the procurement process.

Opening and Recording Procedures: Offers must be date stamped and opened immediately after the deadline for submission or at the latest by close of business the next working day. It is recommended that the address for submissions and the location of the opening are the same or at least close to each other. The procedures for opening and recording submissions must:

- Provide a record of the date and time of the opening; the names of all persons present; a list of the offers received; a record of invited suppliers where applicable; the dates and times of receipt of offers; the validity of the offers received; and any other relevant observations, including documentation of any late or unsolicited submissions;
- Provide a means to verify that confidentiality of the offers submitted has been maintained; that offer contents have not been tampered with; and that submission was in accordance with the instructions specified in the solicitation documents;
- Ensure that financial offers cannot be modified;
- Ensure that the confidentiality of the opening and/or recording proceedings is maintained as appropriate;
- Provide evidence, in the case of Invitations to Bid (ITB), of currency of bid, total bid price and basis for quotation (when a tender comprises several lots total prices for individual lots shall be recorded).

3.5.5 Rejection of Submissions

When formal methods of solicitation are used, offers should be rejected if they are:

- Received by any fax or email other than the secure fax/ email specified in the solicitation documents;
- Received at any other location or by any person other than as specified in the solicitation documents;
- Received after the deadline for submission of bids stated in the solicitation documents.

3.6 Evaluation

Evaluation of offers shall be carried out in accordance with the principles governing procurement activities including best value for money, fairness, integrity, transparency, effective competition, and interest of the organisation. All evaluations shall be made against the criteria set and communicated to the suppliers at the time of the tender advertisement/procurement notice. No new evaluation criteria shall be added after the tender advertisements have closed and bids are opened for evaluation. The evaluation process will be transparent while maintaining appropriate confidentiality; the evaluation will be fair, reasonable, and objective and in accordance with the established evaluation criteria and evaluation methodology specified in the solicitation documents. All steps in the evaluation of offers must be appropriately documented.

3.6.1 Evaluation Committees

Evaluation of offers shall be undertaken by an evaluation committee consisting of three to five members depending on the nature, complexity and value of the procurement activity. At least one member shall be from the requesting department. The evaluation committee shall verify that the suppliers and their offers satisfy the requirements of the solicitation documents and evaluate the offers according to the pre-established evaluation criteria. Evaluation team members shall be appointed by the Chair of the Tender Committee in writing. The evaluation members shall be selected according to their knowledge/expertise in the subject matter. Team members shall provide objective and independent advice and knowledge regarding the specific subject matter and certify in writing that they have no conflict of interest. The Chair of the evaluation committee shall prepare evaluation documents in accordance with the evaluation criteria stated in the solicitation documents and brief the evaluation team members about their role, ensuring familiarity with the applicable evaluation criteria. Team members will be held to the same standards of ethics and requirements for confidentiality as other personnel involved in procurement activities.

3.6.2 Evaluation Criteria

Evaluation criteria for bids, as well as the methodology to be used for evaluation and any weighting or threshold for mandatory requirements to be assigned to the evaluation criteria, will be established by the requesting department prior to the issuance of the tender or solicitation documents. The proposed evaluation criteria and methodology shall aim to ensure selection of the supplier who offers best value for money to the organisation.

3.6.3 Technical and Price Evaluation

Evaluation of Quotations: For requests for quotations (RFQ), the evaluation committee will recommend award on the basis of the lowest priced quotation meeting requirements.

Evaluation of Bids: Evaluation of bids is based on an assessment of conformity to specifications and a prices evaluation based on the established evaluation criteria. The evaluation committee will recommend award to the supplier who submitted the bid considered to provide the best value for money to the organisation.

3.6.4 Recommendation for Award

The Chair of the Tender Committee will review evaluation for completeness and correctness and will obtain from the requesting department any necessary additional information or clarifications. The TC will review the technical evaluation and ranking, confirm the commercial suitability of the recommended supplier(s) and prepare the recommendation(s) for award. Results of the evaluation of offers and supplier qualification should be documented in an evaluation table and summarised in the evaluation report. The evaluation report documenting the evaluation process must be signed by all the members of the evaluation committee and kept on file for future reference. The evaluation report is used as the basis for the recommendation of award. An evaluation report typically contains a summary of the evaluation process and its individual steps, including the points allocation for each offer, if applicable. All evaluation criteria must be reflected in the evaluation report. Any rejection, non-compliance, and clarifications of offers must be clearly stated, including a list with the final ranking of the offers and the reasoning whereby the winning offer(s), was/were selected.

3.7 Awards

3.7.1 Award and Finalisation

Award is the final decision and approval to establish a contract with a selected supplier. Only after official award of contract by the relevant procurement authority may a contractual obligation be entered into by the organisation. The procurement authority will not approve or sign any contractual instrument committing the organisation to the expenditure of funds without documented confirmation that adequate funds for the procurement activity are available.

Basis for Award: Identification of the winning offer shall always be in accordance with the evaluation and award criteria stated in the solicitation document.

- When a formal Invitation to Bid has been issued, the procurement contract shall be awarded to the qualified supplier whose offer substantially conforms to requirements set forth in the solicitation documentation and offers the lowest cost and technically compliant offer to the organisation;

- Reuse of previous tender results through organisation competitive bidding within the previous six (6) months.

- Contracts based on waiver of competition.

Disagreement on Award: In the event of disagreement between the procurement authority and the procurement officer on the award of a contract the matter shall be referred to the Chief Executive for review prior to a final decision being made by the procurement authority. In the event of a disagreement between the procurement authority and the Chief Executive on the award of a contract the matter shall be referred to the Board of Directors who will be the final arbiter. A written record of the discussion shall be maintained for review.

3.7.2 Supplier Notification, Debriefing and Protest

Notification and Debriefing: After selection of a supplier, award of contract and contract signature, the organisation shall inform the unsuccessful suppliers in writing by email or facsimile or by uploading the award information to the organisation website where applicable. The notice of contracts issued shall contain a brief description of the contract, a reference to the contract number, the contract amount, the date of the contract, and the name of the supplier. The information shall be limited to identifying technical deficiencies or weaknesses in the supplier's offer and shall not disclose financial or cost information of other offers.

Protest Procedures: Suppliers believing that they have been unjustly treated in connection with the solicitation or award of a contract may complain in writing to the procurement authority responsible for the process. Exceptionally, if the relevant procurement authority has been directly involved in the procurement activity in question, suppliers may complain directly to the Board of Directors. The procurement authority/Board of Directors shall be responsible for the process and shall immediately prepare a response to the complaint/request for clarification to the supplier. After receiving the response from the organisation, the supplier shall be asked to confirm or withdraw the complaint. No additional matters than those contained in the original protest may be included in a successive presentation. If the complaint is confirmed and the response issued by the procurement authority/ Board of Directors is not satisfactory to the supplier, it may be open to the aggrieved supplier to complain to a respective Government authority.

3.8 Contractual Instruments

The following are the principal contractual instruments used by organisations for procurement of goods and services:

- ***a.*** Contracts (including long term agreements and service contracts)
- ***b.*** Purchase orders (POs)

The procurement officer will determine the appropriate contractual instrument to be used for a given procurement action, also taking into consideration the information provided by the requesting department. Modifications of the standard general conditions of contract for any contractual instrument must be reviewed and approved by Chief Executive, after seeking advice from the organisation's legal advisers.

3.8.1 Standard Contract Elements

A contract is a legally binding agreement between the organisation and a supplier providing for the performance of works or services for the organisation. Contracts shall be used when the works or services to be performed are: complex; require detailed written explanation to achieve a clear understanding of the obligations of the parties; or where performance of the works or service is a critical component of a procurement action including both goods and works or services. Contracts will be prepared by the procurement officer based on the organisation's standard templates, modified for the relevant procurement action. This applies to all agreements relating to goods and services including leases, except for low-value purchases under the specified amount set by the Board of Directors. Contracts will be approved and signed by the Chief Executive or other delegated signatory prior to transmission to the supplier.

3.8.2 A Contract will at a minimum clearly identify the parties and include

- A statement of the responsibilities of the organisation;
- Requirements for contract monitoring, supervision and reports;
- Right to inspect supplier accounts and records related to the contract and to have them audited by auditors appointed by the organisation;
- Liquidated damages;
- Bank guarantee;
- Responsibility for insurance;
- Warranties;
- Provision and procedures for amendment;
- Any other special conditions.

3.8.3 Purchase Orders

A purchase order (PO) is a legally binding contract between the organisation and a supplier. A purchase order must be signed before dispatch to the supplier. The supplier must also sign and return the purchase order as a confirmation of acceptance. Any purchase order not signed by the appropriate designated authorised staff must not be accepted by the supplier, and should be returned to the organisation for the required signature. A PO is generally used for the procurement of goods including any works and services incidental to their supply. Depending on value, POs will be raised by the procurement officer and approved by the procurement authority prior to transmitting the order to the supplier.

A PO will at a minimum clearly identify the parties and include:

- Specification of the goods and related services, if any;
- The required quantities and delivery terms;
- The unit price(s) and other costs;
- Payment terms;
- Responsibility for insurance;
- Requirements and instructions for notifications;
- The appropriate version of the organisation's general conditions of contract for the procurement of goods, modified as necessary for the procurement action; and
- Signature of the procurement authority and date of signature.

3.8.4 Long Term Agreements

A long term agreement (LTA), usually awarded to cover periods between 2-5 years, is a contract defining the terms and conditions under which the supplier commits to supply goods and services over the term of the agreement, but which places no obligation on the organisation to procure until a purchase order (PO) is issued. LTAs are used to ensure a reliable source of supply for goods and services at a competitive price, in accordance with pre-defined terms and conditions. LTAs must specify by what means and by whom the goods and services will be ordered and that such ordering will be on an as required basis by the organisation. Generally, procurement under a LTA will take the form of a PO issued by the procurement officer directly to the supplier. The PO must be a written communication and will at minimum reference the LTA, specify the goods and services required, including location and timing of delivery and indicate the estimated cost of the goods or services.

3.9 Contract Management

Contract management is a responsibility of the procurement officer. The procurement officer is responsible for executing and managing all contracts, including monitoring and control of all technical aspects, and contractor performance and delivery, and administrative aspects of contract management, such as contract amendment, contract interpretation, payments, closure and record retention and handling of security instruments.

3.9.1 Supplier Performance Evaluation

While the procurement officer has responsibility for overall supplier evaluation, he or she will depend upon input from the requesting department in order to conduct a thorough evaluation. The requesting department should submit an evaluation report to the procurement officer covering details of any supplier non-compliance and poor performance. The following issues shall be addressed:

/ Fulfilment of delivery schedule/timely delivery;

/ Compliance with contractual terms and conditions;

/ Adherence to warranty provisions;

/ Quality of goods or services provided in accordance with the contract;

/ Timely response to the organisation's requests;

/ Undue delay of the performance under the contract;

/ Failure to disclose information relevant to performance, such as bankruptcy or being defendant in litigation.

3.9.2 Remedies

A breach of contract may entitle the non-breaching party to the remedies set out in the contract.

Termination: Failure of one party to perform may give rise to the other party cancelling the contract. Cancellation occurs when one party puts an end to the contract for breach by the other. The remedies for that breach normally include damages that indemnify the non-breaching party for any loss suffered due to breach and such damages generally are compensatory. In all cases of termination, prior consultation and advice must be sought from the organisation's legal advisers.

Liquidated Damages: Certain contracts may expressly provide that the parties agree in advance to a sum payable as damages for any breach. These liquidated damages are an estimate of actual loss that would be incurred and are not considered a penalty. Such damages are usually enforced when delays result in extra costs, loss of revenue or other benefits to the organisation. When liquidated damages cover late delivery they are calculated as a percentage of the contract value up to a maximum amount and normally accrue for each day or other period of calculation of late delivery. The organisation can require that the liquidated damages clause be in addition to other remedies.

3.9.3 Disputes

Contracts should be clear and the responsibilities and obligations of supplier and the organisation clearly defined in order to minimise the possibility of disputes and disagreements. Procedures for dealing with claims, disputes and arbitration are specified in detail in the contract and these procedures and timeframes should be followed carefully. The preferred means of commercial dispute resolution is by amicable settlement. Amicable settlement is based on openness to compromise, which often is less costly than alternative methods of dispute resolution. When amicable settlement is not possible or fails, more formal means of dispute resolution are available. Mediation is a private method of dispute resolution by submission to an agreed impartial third party that has a non-binding authority. Arbitration is also a mutually agreed method of dispute resolution, but the arbitrator(s) are given authority to render a binding judgment. An arbitration requirement is usually found in an organisation's general conditions of contract to the effect that arbitration will be conducted according to the Permanent Court of Arbitration Optional Rules for Arbitration between International Organisations and Private Parties. These rules cover procedural issues only, related to how the arbitration will proceed, including selection of the arbitrator(s). Complete records of all circumstances that may give rise to claims or disputes should be retained on the procurement file.

3.9.4 Payments

Financial management and payment refers to the timely processing of invoices for payment, according to the terms of the contract. The payment is transferred to the finance department and finance personnel shall effect the payment in order to uphold the separation of duties between procuring personnel conducting the procurement process and personnel effecting the payment. This separation of the buying function and the payment function is a crucial factor in the principle of segregation of duties.

Advance Payments: In accordance with the normal financial rules, advance payments are not permitted without a financial guarantee. The senior finance manager may authorise advance payments, when availability of funds has been confirmed, without a financial guarantee. Advance payments refer to payments effected prior to receipt of goods or performance of any contractual service.

Third-Party Payments: Normally, an organisation does not make third-party payments. If, however, the procurement authority, in consultation with the requesting department, determines that circumstances warrant a third-party payment, then the procurement officer must consult with and obtain approval from the senior finance manager prior to the contract or PO being signed. Third parties shall be vetted as if they were suppliers to the organisation. Once the third-party payment has been approved, the name, address, and banking details of the third-party payee shall be included in the contract documentation.

3.9.5 Contract Amendments

Contractual instruments may require amendment after approval and issuance. An amendment is any change to a contractual instrument, including an extension. Amendments may only be made to contractual instruments which are not yet terminated or expired. Amendments to contractual instruments will be made in accordance with the terms of the contractual instrument and are usually in writing and must be accepted by the parties. Material amendments proposed to any existing contract shall require the approval of the procurement authority authorising the original contract, provided that the amendment proposed would bring the value of the amended contract within the limit of the procurement authority which approved it. An amendment shall be considered material if such amendment increases the contractual amount more than twenty per cent (20%) and significantly affects the procurement process or the original contractual terms according to the judgment of the procurement officer.

3.9.6 Contract Renewals

A contract renewal is the continued use of the terms of a contract for an additional period of time, either as provided for in the original contract or where annual renewal is standard commercial practice for the category of services, e.g., subscriptions or certain types of insurance. Contract renewals must be effected in writing and must be accepted by both parties within the time limits provided for in the contract. Contract renewals may be subject to the review and approval requirements.

3.9.7 Contract Completion

Contract completion entails the confirmation that all obligations have been met or identification of any residual obligations and how they shall be fulfilled, settlement of final payments, assessment of contractor and the administrative closing of files. Procurement personnel and requesting department personnel shall verify the following key steps, upon completion of which the procurement officer shall close the file:

/ All products and/or services required have been provided to the organisation;

/ All contractual instruments relating to the contract, such as transfers, assignments, and consent forms, are complete and on the file;

/ Documentation in the contract file adequately shows receipt and formal acceptance of all contract items;

/ No claims or investigations are pending on the contract;

/ Any property furnished by the organisation has been returned and discrepancies, if any, in number and condition resolved;

- All actions related to contract price revisions and changes have been concluded;
- All outstanding subcontracting issues have been settled;
- If a partial or complete termination was involved, action is complete;
- Original copies of all warranty documentation, including expiration dates, responsibilities and procedures to follow are finalised;
- Any required contract audit has been completed; and
- The final invoice has been submitted and paid.

3.9.8 Documentation and Maintenance of Procurement Files

A procurement file must be established by procurement personnel for each procurement action.

The file must include all information and documents required to successfully administer the contract.

Any issues of clarification or change of the contract must also be fully documented such as:

- The invitation Letter;
- Financial offers;
- Catalogues;
- Tender Committee minutes of meetings;
- Awarding letters;
- Performance of contractors reports;
- Records of disputes, if any.

- Digital files should be systematically backed-up to ensure that information is not lost and should include scans or copies of documents related to tenders.

PART 4 – HUMAN RESOURCE MANAGEMENT GUIDELINES

HUMAN RESOURCES (HR) MANAGEMENT is considered a very important administrative function in any organisation because of the importance of the human element and its potential effect on the productivity and efficiency of an organisation.

A contemporary definition of HR management is that it relates to the achievement of goals and the growth of the organisation through the individuals involved in it, based on the premise that the human element is the main contributor to the improvement of organisations and to accomplishing their goals and strategies.

Thus, the role of the HR management has expanded and evolved from a traditional administrative support role to a vital strategic role recognising that it plays a major contributing role in building the competitive position of any organisation and ensuring its success.

Human Resources looks after basic tasks that will improve the quality of people employed within the organisation through attraction, selection and recruitment and also through developing and improving the competency of the existing workforce either by training or motivation.

This part of the Manual contains the guidelines and general working procedures related to human resources policies and procedures that may usefully be applied throughout the organisation.

4.1 Recruitment and Selection

Introduction

Recruiment and selection is one of the most critical HR management functions. Attracting, recruiting and keeping committed, motivated, and qualified employees helps an organisation achieve its mission and goals.

The recruitment process involves defining the job, seeking a pool of qualified individuals, selecting the best individual for the position, and finally inducting or orienting the individual to the position and to the organisation.

When an organisation hires, promotes or transfers an employee it is making a commitment to that person. As such, an organisation is obligated to ensure that the individual has all reasonable opportunity to perform the job satisfactorily.

Requirement to fill a job position

- The recruitment and selection process starts when there is a need to fill a certain job, and this may occur in either two ways
    - The creation of a new position on the organisational chart.
    - An existing job becomes vacant.
- In the case of a new position, the first task is conduct a job analysis to identify the following:
    - The key areas of responsibility and requirements of the job;
    - The reporting and working relationships of the job;
    - The impact of the new position on existing jobs;
    - The status/duration/grading of the job.
- If it is an existing position the following issues need to be considered:
    - Whether the job has changed, and in what way;
    - Whether the job description needs to be changed to accurately reflect the role and responsibilities of the post and how the role will develop into the future.

4.1.1 Preparation of a job description

/ All existing jobs in the organisation must have a job description. Moreover, in case of creation a new position in the organisational structure the result of the job analysis performed must be reflected within the job description for the new position.

/ Job descriptions include:

- Typical duties, tasks, and responsibilities of the position;
- How the work of the position supports organisational goals;
- Minimum competencies/experience required to fulfill the duties of the position including minimum educational qualifications or equivalencies;
- Special requirements (if any) such as security clearance or criminal record checks;
- Degree of authority and/or independence of the position;
- Impact of the position on the organisation (such as relationships the position is expected to maintain with stakeholders and others).

Job descriptions for all positions should be periodically reviewed to ensure compliance with current and future business requirements.

Example Job Description Template

This template provides the major categories that you should include in your job descriptions along with an explanation of what to include in each category.	
Job title	The formal title of the position
Reports to	The title of the position that the job incumbent reports to
Job purpose	
Provide a brief description of the general nature of the position; an overview of why the job exists; and what the job is to accomplish. • The job purpose is usually no more than four sentences long	
Duties and responsibilities	
List the primary job duties and responsibilities using headings and then give examples of the types of activities under each heading. Using headings and giving examples of the types of activities allows development of a flexible job description that encourages employee to 'work outside the box' and within reason, discourages 'that's not my job' attitudes.	
• Identify primary duties and responsibilities for the position (usually three to eight)	
• List the primary duties and responsibilities in order of importance	
• Begin each statement with an action verb	
• Use the present tense of verbs	
• Use gender neutral language such as s/he	
• Use generic language such as photocopy instead of Xerox	
• Where appropriate use qualifiers to clarify the task – where, when, why or how often – for example instead of "greet visitor to the office" use "greet visitors to the office in a professional and friendly manner"	
• Avoid words that are open to interpretation – for example instead of "handle incoming mail" use "sort and distribute incoming mail	
Qualifications	
State the minimum qualifications required to successfully perform the job. These are the qualifications that are necessary for someone to be considered for the position. All qualifications must comply with human rights legislation.	
Qualifications include:	
Education	
Specialised knowledge	
Skills	
Abilities	
Other characteristics such as personal characteristics	
Professional Certification	

Example Job Description Template (continued…)

Experience	
Working conditions	
If the job requires a person to work in special working conditions this should be stated in the job description. Special working conditions cover a range of circumstances from regular evening and weekend work, shift work, working outdoors, and working with challenging clients,.	
Physical requirements	
If the job is physically demanding, this should be stated in the job description. A physically demanding job is one where the incumbent is required to stand for extended periods of time, lift heavy objects on a regular basis, and/or do repetitive tasks with few breaks.	
Direct reports	
List by job title any positions to be supervised by the incumbent	
Approved by:	Signature of the person with the authority to approve the job description
Date approved:	Date upon which the job description was approved
Reviewed:	Date when the job description was last reviewed
• Job descriptions should be reviewed annually and updated as often as necessary.	

4.1.2 Develop Selection Criteria

/ Each job vacancy requires a set of selection criteria, varying according to the nature and the level of the position.

/ The development of proper selection criteria for a particular job vacancy, necessitates consultations between the HR officer and related business parties (department head, senior management, and, where appropriate, Board members).

/ Selection criteria for a particular job vacancy should cover the following categories:

- **Education:** The achievement of a specified level in a recognised academic institution.
- **Experience:** The acquisition of skills and familiarity with duties and responsibilities through the performance of similar duties for some period.
- **Training and skills:** The attainment of specific skills of a technical, general, clerical, or professional nature through participation in a training program.

- **Job-related personal qualities:** The possession of specific qualities required to fulfill the duties set forth in the job description.
- **Job-related physical characteristics:** The possession of specific standards of physical health and/or fitness required to fulfill the duties set forth in the job description.

/ The weighting for each one of above categories will depend on the specification of the particular job vacancy.

4.1.3 Job announcement (advertisement)

/ With regards to the vacancy to be filled, a decision should be made on the most appropriate channel of advertising which would most likely result in sufficient levels of interest from suitable candidates.

/ Channels of announcement:

- Newspapers;
- Journals;
- Internet;
- Other media.

/ The announcement of a particular job vacancy will normally contain the following items:

- Job title;
- Level of the position/remuneration;
- Key duties and responsibilities of the position;
- Conditions of employment (i.e. salary or wage range, employment terms, working hours, location of work);
- Specific qualifications and experience, academic and professional, required for the position;
- Opportunities for professional development and fringe benefits;
- Time deadline for receipt of applications;
- Instructions on how to apply for a specific vacancy;
- Tel/fax number, email and website address.

4.1.4 Application Form

/ The HR department must develop a general Job application form, to be completed by all job applicants.

/ The job application form must contain at least the following categories:

- Personal information: This category will contain all necessary personal information relating to the applicant such as name, date of birth, address, mobile/cell phone number, email address;
- Education: This category will contain all related information about the applicant's education, such as university/school name, location, years attended, degree (including subjects majored in);
- Training and skills: The attainment of specific skills of a technical, general, clerical, or professional nature through participation in a training program.

/ All applicants must fill out the job application form in order to be considered as a potential candidate for a given job.

Example Application Form Template

Organisation Logo					
Organisation Name					
Organisation Address					
Organisation Contacts					
APPLICATION FOR EMPLOYMENT					
PERSONAL INFORMATION					
Date: _____ / ____ / _____					
Name	Last	First	Middle	Unmarried name	
Present address	Number	Street			
	City		State	Zip/postcode	
Marital status:					
Telephone					
Email address					

EMPLOYMENT DESIRED

Position(s) applied for

Employment desired: ☐ FULL-TIME ONLY ☐ PART-TIME ONLY

When are you available to start work?

EDUCATION

Type of School	Name of School & Location	Qualification Obtained	Major & Specialisation	Number of Years Completed
High School				
College/ University				
Professional or Graduate School				

WORK EXPERIENCE

Please list your work experience for the past five years beginning with your most recent job held. If you were self-employed, give firm name. Attach additional sheets if necessary.

Position 1

Name of Employer Address	Name of last supervisor	Employment dates	Pay or salary
City, State, Zip Phone number		From	Start
		To	Final
	Your last job title		

Reason for leaving (be specific)

List the jobs you held, duties performed, skills used or learned, advancements or promotions while you worked at this company.

Position 2

Name of Employer Address	Name of last supervisor	Employment dates	Pay or salary
City, State, Zip Phone number		From	Start
		To	Final
	Your Last Job Title		
Reason for leaving (be specific)			
List the jobs you held, duties performed, skills used or learned, advancements or promotions while you worked at this company.			

Position 3

Name of Employer Address	Name of last supervisor	Employment dates	Pay or salary
City, State, Zip Phone number		From	Start
		To	Final
	Your last job title		
Reason for leaving (be specific)			
List the jobs you held, duties performed, skills used or learned, advancements or promotions while you worked at this company.			

Position 4

Name of Employer Address	Name of last supervisor	Employment dates	Pay or salary
City, State, Zip Phone number		From	Start
		To	Final
	Your last job title		
Reason for leaving (be specific)			

List the jobs you held, duties performed, skills used or learned, advancements or promotions while you worked at this company.

Are you currently employed? ☐ Yes ☐ No

May we contact your present employer? ☐ Yes ☐ No

Did you complete this application yourself? ☐ Yes ☐ No

If not, who did and for what reason?

Have you ever been convicted of a felony? ☐ Yes ☐ No

If yes, explain number of conviction(s), nature of offence(s) leading to conviction(s), how recently such offence(s) was/were committed, sentence(s) imposed, and type(s) of rehabilitation.

Have you ever been employed with this organisation? ☐ Yes ☐ No

If yes, when?

Do you have any friends or relatives employed by this organisation? ☐ Yes ☐ No

If yes, please provide their names and relationship to you.

REFERENCES

Please list below three persons not related to you who have knowledge of your work performance and/or personal qualifications within the last 5 years.

Referee 1

Name		Occupation
Company name	Address	
Telephone	Email	Years acquainted

Referee 2		
Name		Occupation
Company name	Address	
Telephone	Email	Years acquainted
Referee 3		
Name		Occupation
Company name	Address	
Telephone	Email	Years acquainted

APPLICATION FORM WAIVER – PLEASE READ CAREFULLY

In exchange for the consideration of my job application by ____________________ (hereinafter called "the organisation"), I agree that:

Neither the acceptance of this application nor the subsequent entry into any type of employment relationship, either in the position applied for or any other position, and regardless of the contents of employee handbooks, personnel manuals, benefit plans, policy statements, and the like as they may exist from time to time, or other internal practices, shall serve to create an actual or implied contract of employment, or to confer any right to remain an employee of ***[Organisation Name]***, or otherwise to change in any respect the employment-at-will relationship between it and the undersigned, and that relationship cannot be altered except by a written instrument signed by the Chairman of the Boar/Chief Executive Officer of the organisation. Both the undersigned and may end the employment relationship at any time, without specified notice or reason. If employed, I understand that the organisation may unilaterally change or revise their benefits, policies and procedures and such changes may include reduction in benefits.

I authorise investigation of all statements contained in this application. I understand that the misrepresentation or omission of facts called for is cause for dismissal at any time without any previous notice. I hereby give the organisation permission to contact schools, previous employers (unless otherwise indicated), references, and others, and hereby release the organisation from any liability as a result of such contract.

APPLICATION FORM WAIVER continued…

I also understand that (1) the organisation has a drug and alcohol policy that provides for reemployment testing as well as testing after employment; (2) consent to and compliance with such policy is a condition of my employment; and (3) continued employment is based on the successful passing of testing under such policy.

I understand that, in connection with the routine processing of my employment application, the organisation may request from a consumer reporting agency an investigative consumer report including information as to my credit records, character, general reputation, personal characteristics, and mode of living. Upon written request from me, the organisation, will provide me with additional information concerning the nature and scope of any such report requested by it.

I further understand that my employment with the organisation shall be probationary for a period of sixty (60) days, and further that at any time during the probationary period or thereafter, my employment relation with the organisation is terminable at will for any reason by either party.

Signature

Date:

4.1.5 Selection

Interview

/ Interviews are considered to be the most popular method used in the selection process.

/ Interview(s) should be conducted consecutively to ensure a more accurate comparison of candidates.

/ The organisation must form a committee to conduct the interviews in order to select the most suitable candidate for a given job.

- The interviewers should:
  - Introduce themselves to the interviewee;
  - Inform the applicant of any relevant details of the position.
- Interview questions will cover the categories specified in selection criteria (education, experience, training and skills, personal qualities, physical characteristics).
- The nature and number of the interview questions will vary with the characteristics of the job vacancy.
- During and/or after each interview, the interviewer(s) will complete the candidate profile, adding any relevant comments as necessary. In particular, the suitability of each candidate for the vacancy should be carefully considered.
- All interviews should be documented and kept in a file dedicated for the interview procedure for a period of one year following the interview.
- The HR officer will be responsible for the maintenance and retention of this file.
- The file will include all correspondence with the interviewed applicants; any correspondence sent to unsuccessful candidates; all candidate profiles; and all other additional notes, reports, letters, or relevant materials.
- A copy of all documentation and candidate profile regarding the successful applicant should be placed on the new employee's personnel file upon acceptance of employment.
- After the completion of interviews, the committee must prepare a comprehensive analysis of all of the applicants against the adopted selection criteria. The analysis must arrange the applicants according to their qualifications and suitability for the job.
- In some instances, telephone interviews or video conferencing may be appropriate in order to minimise travel-related expenses.
- The HR officer will conduct reference checks on potential employees and this must be completed before any formal offer of employment is made. Reference checks will normally be made either by phone or in writing. Moreover, the results of this process must be documented.

Example Job Interview Evaluation Form

Interviewee Name:	
Date:	

All applicants are expected to have an appropriate cover letter and resume. Interviewer: Please place an X in the appropriate box and make comments that would be helpful for the interviewee in improving their interviewing skills.

APPEARANCE	Poor	Fair	Average	Good	Superior
Dress					
Grooming					
Body Language					
Eye Contact					
CHARACTERISTICS	**Poor**	**Fair**	**Average**	**Good**	**Superior**
Assertive					
Achievement-oriented					
Cooperative					
Responsible					
Outgoing					
Open					
Dedicated					
Poise					
Maturity					
Professional					
Verbal/Persuasive					
Ability to learn					
GOALS/PERCEPTION OF SELF	**Poor**	**Fair**	**Average**	**Good**	**Superior**
Realistic appraisal of self					
Reason for interest in field					
Realistic career goals					

Example Job Interview Evaluation Form (continued…)

QUALIFICATIONS	Poor	Fair	Average	Good	Superior
Education/Training					
Accomplishments					
Skills					
Relevant Experience					
Potential					
DECISION MAKING/PROBLEM SOLVING	**Poor**	**Fair**	**Average**	**Good**	**Superior**
Creativity					
Logic					
REASONS FOR SELECTING PARTICULAR ORGANISATION	**Poor**	**Fair**	**Average**	**Good**	**Superior**
Commitment					
Knowledge of Organisation					
Knowledge of Industry					
JOB EXPECTATIONS	**Poor**	**Fair**	**Average**	**Good**	**Superior**
Realistic					
Match employer's needs					
LONG TERM OBJECTIVES	**Poor**	**Fair**	**Average**	**Good**	**Superior**
Realistic					
Potential to grow					
OVERALL	**Poor**	**Fair**	**Average**	**Good**	**Superior**
EVALUATION					
ADDITIONAL COMMENTS:					

4.2 Employment Contracts and Benefits

4.2.1 The job offer

/ After selecting the best candidate, a job offer will be prepared and sent to the candidate either via email or provided personally.

/ The job offer should contain the following key information:

- Job title;
- Starting salary or wage rate;
- Hours of work;
- Key employee benefits;
- Reporting/supervision relationships;
- The end date of employment for fixed term positions;
- Any requirements for criminal record checks, security, clearances;
- Instructions on accepting the offer.

/ The candidate either accepts or rejects the offer. In case of acceptance, the candidate will sign the offer and return it to the HR officer who will start issuing the contract of employment. Otherwise, in case of rejection, the HR officer will withdraw the offer and initiate contact with the second rated candidate.

4.2.2 Employment Contracts and Amendments

/ After the acceptance of the job offer by the candidate, the HR officer must prepare the employment contract, which will be the official document that outlines the working relationship between the employee and the organisation.

/ The employment contract supersedes any previous correspondence or offers, and is considered the final document between the parties for the purposes of appointment.

- The employment contract will include:
  - Start date;
  - Job title;
  - Starting salary or wage rate;
  - Hours of work;
  - Notice period for resignation;
  - Notice period for termination;
  - Probationary terms;
  - Key employee benefits;
  - Reporting relationships;
  - Information on the organisation's human resource management policies and signed confirmation to which employees must adhere;
  - End date of employment for fixed term positions;
  - Reference to any applicable law.
- The two parties (the employee and the organisation) should sign the employment contract.
- A copy of the contract should be provided to the employee and the original contract will be retained on file in the HR department.

4.2.3 Probationary Period

- The probationary period Is a period of time in which an employee's work is closely monitored in order to determine whether he/she is suitable for the position for which he/she was hired.
- All permanent employment in the organisation will be subject to a probation period as negotiated and as set out in organisational policy and applicable laws.
- The direct supervisor will complete the probationary employee report.
- The supervisor will meet with the employee on at least two occasions during the probationary period to review performance of the position. In the case of an unsatisfactory review, the supervisor will consult with the employee to provide him/her with an opportunity to rectify any unsatisfactory performance factors. The supervisor should assist the employee where

necessary. A probationary employee report should be completed after each review meeting and submitted to the HR department.

/ After completion of the probationary period, a final report should be completed. This will indicate one of the following decisions in respect of the employee:
    - Confirmation of permanent employment;
    - Termination of employment with reasons clearly stated to the employee.

4.2.4 Staff files

/ There must be a separate personnel file for each employee in the organisation, containing all documents, identifying documents and correspondence in relation to the employee.

/ All employees must provide complete and correct information needed by the organisation for inclusion on their individual staff file.

/ All employees are obliged to inform the organisation immediately if any of the information provided changes, as well as about any legal violation or charge against them.

/ The employee's files are confidential documents not to be opened for viewing or photocopying without the permission of the Chief Executive, except in the cases specifically stipulated in the HR policy and procedures approved by the Board of the organisation.

/ Employee's files are the main source for the data and information necessary for preparing most of the HR reports in addition to being a quick reference for obtaining data and information required by the executives for their daily tasks related to HR.

/ Data entry to employee file should be from the following main sources:
    - Job application form (attached with other identity documents) for all the personal data of that employee.
    - Job description signed by the employee for acknowledgment.

- HR operational records for all data related to employee since joining the organisation and until termination (promotion, salary increase, transportation, allowances, etc.).
- Employee leave record, used to summarise the periods of leave that the employee takes every year. The employee file includes a full summary of leave accrued and taken throughout the employee's work at the organisation.
- Performance evaluation reports, which record the results of the employee's yearly evaluation throughout his/her work at the organisation.
- Any penalties imposed during the employee's tenure at the organisation.

/ Individual employee files usually grouped according to the departments, branches or divisions in which the position is located, and then by the numerical sequence of the employee.

/ When an employee's tenure has ended, the relevant file is saved within the records of former or previous staff.

/ Authority for giving information about current or former employees is limited to the HR department, based on written requests from one of the organisation's executive officers and only with the approval of the Chief Executive or a duly approved delegate.

4.2.5 Salary

/ Salaries of employee are paid in local currency, by means of the following methods:

- Bank Cheques.
- Bank transfers to employee accounts.

/ A new employee's salary will be calculated starting from the commencement date of actual work at the organisation.

/ Salary in relation to unpaid leave is to be calculated on the actual day the employee returns to work.

/ The employee will place his/her signature on the salaries receipt.

- Absentee days are deducted from employee's periodic salary as follows:
  - Deduction from salary for the pay period during which the absence occurred; or
  - Deduction from the salary of the successive pay period.
- The organisation should not deduct any amount of the employee's salary without written permission from him/her, except in the following cases:
  - Recovering advances or extra payment that has been declared to him/her, conditional on not deducting bigger amounts than allowable under local labour laws.
  - Accrued social security subscriptions, advance or any other deductions.
  - Fines imposed because of violations he/she committed, to be deducted for misuse of organisational assets.
  - Debt collected by any judicial ruling, where deduction should not exceed what is stipulated by the applicable law.
- Final salary due to an employee whose service at the organisation has ended will be paid after return of all items belonging to the organisation and signing the final clearance form between employee and the organisation; this should be completed within one week from the date of termination of service.
- Employees cease to have an entitlement to receive salary as follows:
  - Expiry of the fixed-term contract;
  - Contract ended by resignation;
  - Contract ended for health reasons;
  - Contract ended by death;
  - Contract ended because of disciplinary suspension caused by committing an offence or incurring a penalty.
- The HR officer prepares the employees payroll for each pay period after performing the following:
  - Extracting employee's information from the system;
  - Calculating employee's salary from attendance records, and deducting absences and leave, if any;
  - Calculating social security contribution. [Collected social security should be kept separately to avoid using this cash from the organisation.];

- Calculating value of employee's overtime, if any;
- Calculating and explaining any salary deductions such as health insurance.

/ After payroll is calculated, it should be approved by the Chief Executive or duly authorised delegate such as the HR director or the senior finance manager, and transferred to the finance department for payment.

4.3 Time and Holiday Management

4.3.1 Working time

/ Working hours are determined based on organisational working hours.

/ All employees must adhere to the organisation's official working hours.

/ The HR officer is responsible for monitoring the employee's adherence to official working hours.

/ In the case of non-adherence to the official working hours, the organisation's management should consider applying penalties in this regard.

/ The organisation's working hours mentioned above should be in accordance with local labour law.

4.3.2 Attendance sheets

/ The organisation should consider developing an attendance sheet or other suitable system to allow monitoring its employees' attendance.

/ All employees are obliged to sign the attendance sheet when they arrive at and or leave the workplace.

/ The attendance sheet must be reviewed on a daily basis in order to follow-up on employee attendance and take any necessary steps.

4.3.3 Time sheet

/ The organisation may develop a time sheet to monitor its employee time management.

/ Time sheets are usually filled in on a daily basis by the individual employee and submitted to a direct supervisor or branch manager at the end of each pay period for approval.

/ Employees should accurately record the time they begin and end each task, and they should record any absence, i.e. business, annual, sick leave.

4.3.4 Annual leave (Vacation)

/ At the beginning of each year, the head of each department should prepare a schedule for the expected annual leave to be taken by employees and forward it to the HR officer.

/ The employees' annual leave plan developed at the beginning of the year is to be regarded as final, unless there are logical and justified work-related reasons that hindered the employee from taking the annual leave as planned. Any variations should be notified to the HR department as and when they are approved.

/ Employees should use the balance of annual leave during the year of annual leave entitlement. Postponing annual leave should be approved only in exceptional and limited circumstances.

/ New employees can access accrued annual leave based on the period they spent working prior to the date of claiming the leave (proportional with days count) but only provided that the employee has completed the probation period.

/ The employee should not work during his/her annual leave for another employer. If it is proven that he/she violated this prohibition, then he/she maybe dismissed from work without notice and deprived of the annual leave period salary.

- If the employee has taken his/her full annual leave days in advance and then he/she was dismissed for any reason, the organisation has the right to reclaim the pay for those days and/or deduct it from his/her outstanding final balance, if any.

- The HR officer must follow-up in order to settle balances of annual leave.

- The main reference regarding the type of leave available are the applicable laws of Southern Sudan and the internal policies of the organisation approved by the Board of Directors.

4.3.5 Sick Leave

- All sick leave, awarded by pro rata calculation or taken as fractions of a day, will be rounded to the nearest half (½) day for record purposes and shall be awarded, deducted and tracked by the HR department. At least once per year all employees should be advised of the balance of their accumulated sick leave.

- Sick leave may be taken in hourly increments and rounded up to the nearest half day.

- In order to be entitled to paid sick leave, the employee is required to sign a statement or produce a certificate from a medical practitioner for any illness, certifying that he/she was unable to carry out his/her duties due to illness.

- Any costs associated with medical certification requirements are the responsibility of the employee.

- It is the responsibility of the employee to make care arrangements during the illness or injury of an immediate member of the employee's family. When no one other than the employee can provide these needs an employee may be granted sick leave benefits to care for the member of the family who is ill or injured.

- Employees are expected to make every effort to schedule their medical appointments outside of normal work hours. When this is not possible, and at the discretion of their supervisor, an employee may be granted time off with pay as discretionary leave, or make up lost time by mutual agreement. If the medical appointment is out of town, a reasonable amount of time to attend the appointment shall be deducted from the employee's sick leave in case absence from work is over three hours.

4.3.6 Unpaid Leave

- In some specific cases, the organisation may grant its employees unpaid leave for a specified period.
- During unpaid leave, insurance coverage (social security and health insurance levies) will not be maintained.
- During unpaid leave, no length of service is accumulated.

4.3.7 Leave requisition process

- The employee must submit a leave request to their direct supervisor stating the type of leave sought, e.g., annual or unpaid, period of the leave, as well as commencement date and date of return to work.
- The direct supervisor will review the request while taking into consideration the previously set plan, work conditions in the department and the employee's leave balance. Where approval is granted, the direct supervisor forwards the leave request to the HR officer.
- The HR officer will review the request by checking the leave balance, and update the leave balance, as well as saving the request and archiving it adequately.

4.4 Performance Management

- Management of an organisation should ensure that all of its employees are evaluated in relation to their level of performance and that each employee has a plan for acquiring and developing required skills to achieve excellent and distinguished performance.
- Each employee who completes either twelve (12) months or other period specified by the organisation's management has the right to have an evaluation for the level of his performance.

- Direct supervisors are responsible for evaluating their employee's performance. In cases where the employee moved to another position during the year under the management of another supervisor, two or more supervisors may jointly conduct the evaluation. In such a case, the employee should have spent at least three (3) months under the management of each of the supervisors.

- If the two supervisors' evaluation results show a significant variation, the results shall be submitted to senior management for review.

- Each supervisor must submit a final evaluation to senior management regarding the employee's performance level at the end of each annual reporting period (usually either financial or calendar year), this will then be forwarded to the HR officer.

- Work objectives should be derived from the organisation's strategic and annual plans and include any evaluation system adopted by the organisation as agreed between senior management, departmental manager and the HR department.

- Regular periodic review of an employee's performance should be undertaken to guide him/her to the right track to achieve the target during the year in the lead up to the final evaluation.

- Set goals must be always clear and measurable.

- Performance evaluation must be conducted in the presence of the employee.

- Revised targets for the employee may be set or updated during the year by agreement between the employee and his/her direct supervisor and in light of any changes to departmental or organisational priorities. This is conditional on giving the employee the needed support to achieve the new goals and the HR department must be kept informed of any such changes.

Evaluation of performance divides into two main parts:

- Evaluation of performance level related to behaviours, skills and attributes:

- Performance evaluation of employees may be conducted according to items listed in an adopted performance evaluation form, by determining a percentage for each item that can be calculated through a number of instructions to evaluate each item with regards to performance, behaviours, skills and attributes.

Evaluation of performance level versus objective:

- Business strategy, as set using concepts of comprehensive performance (e.g. Balanced Scorecard) or other monitoring and evaluation system adopted by an organisation, may be used to derive the objectives of individuals.

- For each objective, a method should be determined to measure it, such as: percentage of customers' satisfaction, growth. Based on that, the percentage of objective completion is calculated at the end of the year.

- Management of the organisation must review and modify the annual evaluation system according to its future requirements and strategies.

- The organisation classifies its employees to various levels according to what has been decided.

- Annual Increment or bonus may be calculated according to performance classification result and then added to the basic salary. The percentage or amount of such an increment or bonus will be decided by the Board of Directors

- Performance based increases to salaries, if approved by the Board, are based on the overall starting salary.

Example Performance Evaluation Template

Employee		Employee Number		
Job Title		Date of Last Evaluation		
Evaluation:				

Evaluation Factors		S	A	NI
Dedication	Reports to work on time.			
	Uses time constructively.			
Performance	Good working knowledge of job assignment.			
	Organises and performs work in a timely, professional manner.			
Cooperation	Willingly accepts work assignments.			
	Willingly accepts changes in assignments not directly related to job.			
Initiative	Performs assigned duties with little or no supervision.			
	Performs assigned duties with little or no supervision, even under pressure.			
	Strives to meet deadlines.			
Communication	Communicates clearly and intelligently in person and during telephone contacts.			
Teamwork	Works well with fellow employees without friction.			
Character	Accepts constructive criticism without unfavorable responses.			
Responsiveness	Handles stressful situations with tact.			
Personality	Demonstrates a pleasant, calm personality when dealing with customers and fellow employees.			
Appearance	Well groomed. Clean. Neat.			
	Dresses appropriately for work.			
Work Habits	Maintains neat and orderly workstation.			
	Maintains neat and orderly paperwork.			

LEGEND: S = Satisfactory A = Adequate NI = Needs Improvement

Comments and Recommendations:

This performance evaluation has been reviewed with me, and I understand that I may attach my comments, if desired.

Employee Signature:	**Date:**
Evaluation Performed by:	**Date:**

4.5 Training and Capacity Building Guidelines

4.5.1 Objectives of Skills Development and Training System

- Improve employees' productivity.
- Facilitate employee progression, career growth and achievement of their individual aspirations.
- Identify the strengths and weaknesses of staff to enable work on skills development and improvement of performance.
- Familiarise and update staff about the latest developments taking place at the organisation.
- Upgrade skills and abilities of the employee.

4.5.2 Determining training needs and setting the annual training plan

- The HR officer is responsible for consulting departmental, branch and unit heads to determine the required training for their employees; this should be done at least one month before the end of the year.
- Departmental, branch and unit heads are responsible for determining the training, skills development and education required for them and their staff., These requirements will be reviewed to verify the suitability of these requirements with the nature of work, the extent to which the new skills will improve the quality of work, and to match them with management's priorities and the main objectives of the organisation.
- Senior management needs to review, approve, and develop the required training suggested by departmental heds and ensure their compatibility with the vision of the management and send them back to the HR officer to reflect any changes into the training plan.
- In preparing the annual training plan, the HR officer will assess the individual proposals for training in terms of the totality of the required training

programs (repetition of topics, candidate numbers, and the requirement for an external training body).

- The HR officer will calculate the estimated costs of the training plan and consider priorities in light of the training budget approved by the Board. External programs, where necessary, will be contracted to accredited training bodies.

- The HR officer will issue the annual training plan before the end of the year based on the study of the required training for the organisation's departments and divisions, having first been presented to the Chief Executive and the Board for approval; concerned departments will be informed of their approved training plans.

4.5.3 Evaluating the training process

The HR officer is responsible for conducting a periodic evaluation of the courses run by external training bodies through surveying trainees who participated in the program to assess if the training course was delivered to the required quality.

- The HR officer should also conduct an evaluation of all the external training courses that employees undertook by evaluating: the training material; the objectives of the course and the extent to which they were achieved; the exercises, practical applications and study cases presented; trainer's skills throughout the course; and the trainees' performance in test exercises applied after the training course.

- Each trainer has to make an evaluation of the individual trainee's performance in the course to determine the extent of interaction the trainee had during the training course; this evaluation should be kept in the trainee's training file along with a copy of the certificate the trainee obtained from the training body.

- The trainee should provide a report to his/her supervisor about the course, containing the results and benefits achieved during the course, and any necessary comments. A copy of the report should be sent to the HR officer.

- All training participants must comply with the following rules during their participation in any training program either internally or at an external training body:

- Attendance: Committing to set attendance and session times.
- Behaviour and appearance: All participants should present a proper appearance and behave well at all times of the program.
- Absence: attend all the training days and not to be absent.

/ Departmental and divisional managers should assess the impact of the training on their employees three months after the training in order to appreciate the extent to which training objectives were achieved.

4.5.4 Unplanned training (urgent training)

/ Unplanned or urgent training may occur in cases where specialised seminars in organisational requirements or training on new systems become necessary.

4.5.5 Training of new employees

/ The HR training branch should invite all new employees to an introductory training course, and details of this training should be recorded in the training file of the employee.

4.5.6 Training plan follow-up

/ The HR officer should issue a periodic report about implementation of the training plan including the following:

- Numbers of planned courses compared with actual executed courses and explanation of any deviations;
- Training program of new employees, if any;
- The planned number of trainees participating compared to the actual number and explanation of any deviations;
- Evaluatiion of training courses executed individually;
- Estimated cost compared with actual costs and explanation of any deviations;
- Obstacles and challenges faced by the division during the execution of the plan, if any; and
- Number of unplanned courses (urgent training) with reasons for performing these courses.

4.5.7 Training file

/ There must be a training file for each employee containing the following information:

- Training log (detailing the number and nature of courses the employee undertook);
- Copies of training program certificates obtained;
- Trainers/external training bodies evaluation reports about the participation of the employee;
- Training impact evaluation presented by departmental, branch and divisional heads.

4.6 Termination Guidelines

Termination is the act of the employee leaving a job. Termination may be voluntary on the employee's part, or it may be at the hands of the employer.

/ Employee service at an organisation may terminated in any of the following cases:

- Resignation.
- Termination based on any or both parties' request during the probation period.
- Termination from the organisation side in the following cases:
  - The employee's total incapacity to perform the assigned tasks;
  - Disease that has no hope of recovery;
  - Reaching retirement age;
  - Conviction in a criminal trial involving a penalty of restraint of freedom;
  - Death.

/ **Resignation:** The employee should submit his/her written resignation, which should include the date and reason for resignation, while considering the notice period.

- **Termination by the organisation:** The organisation can end its relationship with an employee (individually) in the following cases:
    - Unsatisfactory performance;
    - Elimination of the position from the organisational structure;
    - If the employee worked for other parties or provided any other services, whether paid or not, without obtaining a written approval previously;
    - Lack of health fitness, involving the employee's inability to continue to work after exhausting accrued sick leave, according to internal regulations. This should only occur subsequent to a decision by the Chief Executive based on a medical report issued by an accredited medical institution.
    - Reaching the legal retirement age.
    - The organisation may end the relationship without notice subject to due process if the employee committed any of the violations listed in the organisation's policies and procedures.

4.6.1 The following points should be considered when service termination takes place:

- Termination should be based on an official accredited letter by the organisation.
- The employee must receive the letter and acknowledge receipt by signing and dating it as evidence of receipt.
- If the employee refuses to receive the notice or refuses to acknowledge and sign it, the notice shall be sent to his or her permanent address registered in the file.
- **Notice period:** If either of the two parties (the organisation or the employee) wish not to renew the contract in the case of the fixed term contracts or to continue the employment, the other party should be given a notice period of at least one month, regardless of the nature of contract signed between the two parties.

- **Ethical commitment:** Within the notice period, the employee must continue to perform his/her assigned tasks and duties in accordance with the performance level expected prior to submitting the resignation.

- **Return/delivery of organisation's items:** The employee whose service at the organisation ended (except in the case of total disability and death), must deliver all the assets under his/her name to the parties from whom they were originally obtained.

- **Delivery of work:** The employee whose service at the organisation ended (except for the case of total disability and death), must coordinate with the direct supervisor to settle any pending subjects concerning his assigned duties.

- **Benefits:** The employee is entitled to be compensated throughout the notice period by receiving outstanding salaries or leave accruals. The service period at the organisation shall be calculated until the end of the notice period.

- **Exit interview:** The HR department should perform an exit interview with the resigned employee to inquire about the reasons behind the resignation.

- **Termination during the probation period:** A written notice is submitted by one of the two parties before the end of notice period. The organisation may seek to exercise the right to claim all the expenses that the organisation incurred for hiring him/her, in addition to the expenses included in the contract if the termination is made by the employee him/herself.

- **Letter of service (experience certificate):** An experience or service certificate will be issued to the employee after he/she completes the end-of-service requirements, setting out the reasons behind the end of the employment relationship in accordance with internal regulations and the applicable law.

4.7 Related Documents

HUMAN RESOURCE MANAGEMENT usually covers all aspects of employee behaviour in relation to the organisation in which they work, including ethics, codes of conduct, and conflict of interest. These important topics were discussed in **Part 1 – Corporate Governance Guidelines** from pages 9 to 52, because they are fundamental to the underlying structure and operation of any organisation. HR managers and others seeking guidance about how to manage employees should familiarise themselves with those sections as well as the topics covered in this part of the Manual.

PART 5 –
FIXED ASSETS MANAGEMENT GUIDELINES

THE PURPOSE OF this Part is to set out guidelines and procedures in relation to the control and reporting of capital and controlled assets. It is intended to assist management in implementing and maintaining effective control over the organisation's fixed assets.

Asset management is important for several reasons. For example, government regulations require organisations to track an asset's cost, depreciation, and the disposal of the asset. Assets to be depreciated are categorised and assigned a depreciation life: technology equipment, for instance, has an expected book life of five (5) years. Further, in the event of a loss, it is necessary to have an accurate record of the asset to ensure adequate insurance coverage of the item lost.

But overall, the most important reason for guidelines on fixed asset management is the significant contribution that proper control and management of fixed assets makes to good governance and accountability of an organisation and, ultimately, the achievement of its mission.

Fixed Assets: A fixed asset is an item with a useful life greater than one reporting period.

The following are examples of general categories of fixed assets:

- Buildings
- Computer equipment
- Computer software
- Furniture and fixtures
- Intangible assets
- Leasehold improvements
- Machinery
- Vehicles

Capital Assets: Refers to real property or tangible personal property having:

- A value greater than or equal to the capitalisation threshold for the particular classification of the capital asset;
- Having an estimated useful life of greater than one year from the time of acquisition.

Useful life: The time period over which an asset is expected to be available for use by the organisation.

Tag/ID number: A unique number given to each asset, to enable it to be differentiated from the rest of the assets.

Controlled Assets: Refers to those items with a historical cost of less than certain amount, say $1000, but which are particularly at risk or vulnerable to loss or theft.

Depreciation: An accounting method of allocating the cost of a tangible asset over its useful life.

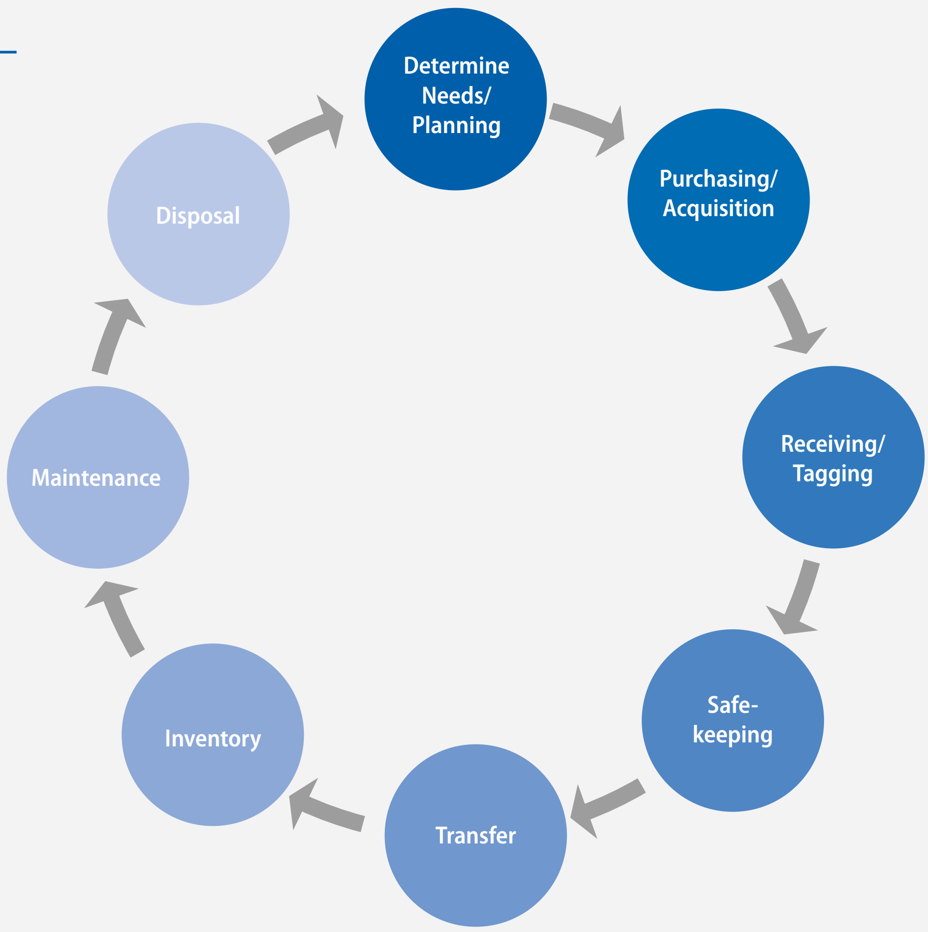
5.1 Introduction

Fixed assets management refers to the policies and procedures that aim to manage fixed assets throughout their useful life, starting by determining the need for the fixed asset and how to manage it within the organisation, and ending by disposal of that fixed asset.

Many organisations face a significant challenge in tracking the location, value, condition, maintenance and depreciation status of their fixed assets. A common approach to track fixed assets is to use a serially numbered asset tag, which will facilitate the fixed asset inventory process for the owner of the assets.

Off-the-shelf software packages for fixed asset management are marketed as suitable for both small and large businesses, and enterprise resource planning (ERP) systems are widely available with fixed assets modules as an integral feature.

A general life asset cycle will contain the following phases:



5.2 Purchasing/ Acquisition of Fixed Assets

/ The purchase of a fixed asset is undertaken using the same method as any other purchase of goods, and according to the procurement guidelines covered in Part 3 of this Manual.

/ The cost of purchasing an asset includes all costs necessary to put that asset into use in an existing location, including but not limited to freight, insurance and installation (i.e., ancillary costs.) These costs may include legal costs.

5.3 Receipt of Assets

/ Upon delivery of the fixed asset, it is the responsibility of the officers in charge of purchasing and logistics to ensure that what was ordered was received in good condition and in accordance with the correct specification.

/ The asset will remain in the purchasing and logistics officers' custody until transfer of the asset to its user.

Example Receipt of Assets Template

Employee name:		
Items issued by:		
Date items issued:		
Quantity	**Description**	**Value/cost**

I acknowledge that I have received the items listed above. I understand that I am required to return the items in good condition, subject to fair wear and tear.

I authorise the organisation to withhold the value of these items from my wages if they are not returned in accordance with ....

Signature of employee: **Date: / /**

Name of manager/supervisor:

Signature of manager/supervisor: **Date: / /**

5.4 Safeguarding of Assets

- It is the logistics officer's responsibility to maintain and safeguard the asset as long as the asset is under his/her custody.
- After transfer of the asset to the user (the unit or employee who will make use of the asset on a day to day basis), it becomes his/her responsibility to safeguard the asset and any other fixed asset controlled or used by him/her.
- The user of the asset is responsible for informing the logistics officer in the event of any incident affecting the asset such as loss, theft, or damage.

5.5 Tagging and Identifying of Assets

- All fixed assets must be tagged and assigned an ID number upon the reception of the asset and before the item is placed into service.
- The logistics officer will be responsible for assigning, recording, and affixing tag numbers for all fixed assets.
- The fixed assets ID number will be used as a reference during the fixed assets physical count or inventory.
- Each ID number must be unique and with no duplicates.
- All tags should be affixed to the asset in a noticeable and convenient location that is easily accessible for scanning and physical inventory purposes.
- The tag should remain in this location throughout the life of the asset and must be replaced when damaged.
- Certain assets are not capable of being physically tagged, such as buildings or land: for such assets a tag will be placed on the asset document.

5.6 Assets List

- An asset list should be used by the organisation to keep a record of all of its assets.
- Assets must be added to the asset list as soon as received and certainly no later than 30 days from receipt.
- If there is a fixed assets management system in place, any data entered into the asset list should be transferred to it.

Each asset in the asset list must have the following information:

- / Asset description: The description must be meaningful and allow anyone to identify the item. Moreover it must contain a detailed description of model, the manufacture serial number, and any other necessary information as applicable.
- / **Asset category:** The asset category is selected from the list of approved categories.
- / **Location/custody:** This will indicate the current location of the asset, and it must be amended in case of change of location.
- / **Date of purchase/acquisition:** The date when the asset was received at the organisation facility.
- / **Purchase cost:** The purchase cost is the cost of the asset as shown on the invoice. The cost must include any freight charged for the delivery of the asset, and any installation charges.
- / **Tag/ID number:** The number of the asset according to the asset numbering system used in the organisation.
- / **Purchased value:** The value of the assets when purchased.
- / **Accumulated depreciation:** The total amount of a fixed asset's cost that has been allocated to depreciation expense since the asset was put into service.
- / **Net value:** The purchased value minus accumulated depreciation.

Example Asset Inventory Template

Asset Inventory

Company name:

Date: | **Total inventory value**

Item Description				Location		Purchase Information				Quantity and Value				Item Details		
Name	Description	ID Tag	Category	Dept/ Area	Room	Date	Supplier	Warranty Expiration	Price	Condition	Unit Value	Qty	Value	Model Number	Serial Number	Photo/ info link

5.7 Custody Sheet

/ The logistics officer should prepare and maintain an assets safeguard (custody) sheet for all fixed assets indicating measures that are considered effective to ensure that all assets under control of each department are appropriately safeguarded from inappropriate use or loss, including the identification of asset custodians for all assets. The existence, condition and location of these assets shall be verified annually.

5.8 Additions to Fixed Assets

/ Additions to fixed assets include any addition of new components to previously capitalised assets that will affect the asset by any of the following:

- Increase in asset's value;
- Extension of an asset's useful life;
- Lowering the operating cost;
- Increasing the efficiency of an asset;

All information related to the asset must be updated accordingly: such as description, cost, salvage value, and deprecation.

5.9 Transfer of Assets

/ Transfers between departments may take place during the useful life of an asset. It is an important aspect of fixed asset management to keep track of such transfers within an organisation.

/ A standard form should be developed and used in order to track and record transfer of fixed assets. This form will release the responsibility of the current custodian of the asset and transfer responsibility to the new user or custodian. This transfer process will also involve changing the account fund against which this asset will be recorded if the item is moved to a department with a different account for fixed assets. Once the asset has been moved, the manager in charge of the fixed assets system is responsible for updating the fixed assets list with the new information regarding the location and the new custodian of the asset.

5.10 Disposal of Assets

/ An asset may be disposed of once:

- It is no longer working and cannot be fixed;
- The requirement for the asset has depleted;
- It has reached the end of its useful life;
- It no longer supports current needs;
- It is old and no longer meets organisational standards.

/ It is nonetheless the case that most fixed assets, even though they have reached or exceeded their useful life, may still have a value to business operations.

/ Methods of disposal may be used by the organisation as follows:

- Selling the asset (tender or direct);
- Donation of the asset;
- Transfer of the asset to another department/user within the organisation;
- Permanent disposal of the asset.

5.11 Depreciation

/ According to international accounting standards, all fixed assets are represented as depreciable assets, except for land.

/ Assets will be depreciated according to their useful lives.

/ The **straight-line** method of depreciation should be adopted for all asset classes.

/ Therefore, depreciation does not end when the asset becomes idle or is retired from active use, unless it is fully depreciated.

/ Expenditure on enhancements or upgrades to an existing asset also should be depreciated, together with the undepreciated balance, over the remaining useful life of the asset.

/ The useful lives of each asset class should be reassessed each year.

/ Any change in depreciation rates must be accounted for as a change in accounting estimate.

/ The effect of a change in depreciation rates/useful lives must be recognised prospectively.

/ The remaining useful life of any individual asset needs to be monitored based on actual experience in terms of physical wear and tear and obsolescence.

/ Changes in the use of assets that may affect their useful life and condition need also be taken into account. Required changes to remaining useful lives should be considered annually (generally mid-year) and any change should be updated on the relevant asset system at the time. The useful life of an asset should not be changed, unless it is considered inaccurate in relation to the whole asset class.

5.12 Conducting Physical Inventory

/ A physical check or inventory of all fixed assets should be periodically conducted by the logistics department.

/ The logistics officer should prepare an inventory plan covering all the departments, units, branches and divisions within the organisation.

/ Physical inventory counts are conducted to verify the accuracy of the organisation assets records in the fixed assets list or register,, as well as the existence and activity status of the assets.

/ Results of inventories provide an overall assessment of the effectiveness of property and asset management and the level of compliance with established policies and procedures.

/ Once a location has been selected for physical inventory, the logistics officer should prepare an inventory worksheet for the location, which will help in:

- Identifying the batch within the organisation that will be used for comparison with the batch of assets found in the physical inventory process.
- Providing a “walking document” to help identify and locate the assets that need to be inventoried at the location.

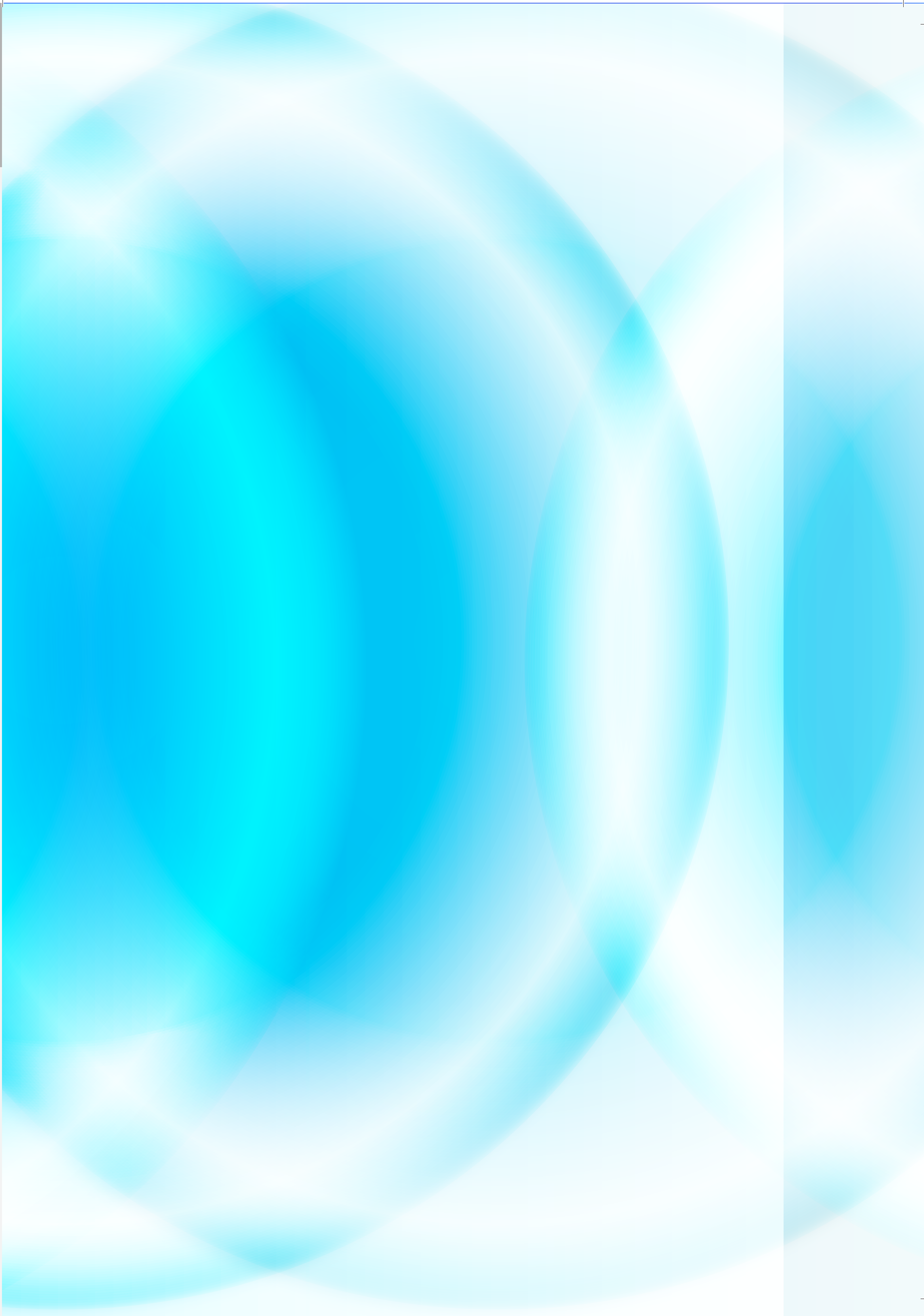
/ Designated department personnel will conduct the actual inventory physical count and record observations in a worksheet as follows:

- The inventory taker will initial the worksheet for the location being inventoried.
- The bar code tags of all of the assets found with tag numbers at that location will be read.
- If a tag cannot be read because it is damaged or dirty, the tag number should be replaced.

- Intangible assets should also be subject to an inventory, and the ownership, location, and status of these assets should be verified.
- Any items found at the location that do not have a tag and/or ID number, are not listed on the inventory sheet, and are not personal property, should be tagged and recorded as well.

5.13 Reconciliation

- After collecting the inventory data, the inventory results must be compared to the original list for reconciliation.
- Any exceptions in the inventory findings will be identified by comparing the field inventory results with the asset information in the fixed assets management system. When field results for an asset are the same as the information in the master file, the asset will be updated as reconciled and the date of the inventory noted in the asset record. If there is a discrepancy between the field inventory information for an asset and the master file, the record will be marked as an exception that needing to be reconciled.



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