Financial Policy and Procedures Manual

Of

PRO-POOR

Point Man Advisors

Pro Poor Ethiopian Development Organization (PEDO)

Addis Ababa

July 2016

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I. INTRODUCTION

BACKGROUND OF THE ORGANIZATION

Pro Poor (PP) is an indigenous NGO, established in June 2003 with two professional Diasporas and three Ethiopians. Based on the new CSO law it was re-registered as Ethiopian Resident Charity Organization in October 2009. The organization envisions "regenerating hope and self esteem" for the hopeless and the disadvantaged communities. Pro Poor works towards the fulfillment of human dignity by addressing the economical psychosocial, physical and emotional needs; the core aim is to bring about hope and self esteem of the underprivileged through empowering them to meet their basic and services and creating an equitable environment.

Whilst PP pursued a community based transformational approach, it took women and children rights, and welfare as an overarching purpose. It has been working to improve the lives of needy communities particularly children, women and youths, be a voice for voiceless, holistically empowering them to with stand disaster, reduce vulnerability of the affected and infected. . As strategic approach it emphasized community participation and ownership in the real sense of the term, building capacity of wide range local partners & stakeholders, and building strong networking and referral systems with likeminded NGOs, GOs and private entities that shares its vision. The organization has a clearly articulated direction of development and operational guidelines.

Vision, Mission and Values:

PRO-POOR's Vision

The vision of pro-poor is to see poverty free society" regenerating hope and self esteem" for the hopeless and the disadvantaged communities. .Pro Poor works towards the fulfillment human dignity by addressing the economical psychosocial, physical and emotional needs of the disadvantaged groups of the community

PRO-POOR's Mission

Pro-Poor's mission is to reduce vulnerability of disadvantaged groups of the community through empowering the target group to utilize the talent personal, social, economic and natural resources of the community in partnership with governmental, non governmental, private sectors and particularly with community based structures.

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PRO-POOR's Core Values

- Pro-poor is highly commuted for the realization of rights and dignity of the poorest of the poor
- Pro-poor believes no person is born poor; given the necessary conditions and opportunities every person has a potential for self reliance.

Pro-poor is pledged to deal fairly, legally, honestly and openly with all stake holders

II. Uses of the Manual:

Financial control systems help to ensure PRO-POOR's financial resources are properly administered. They also help to ensure that the ethos of PRO-POOR are followed, using all resources to achieve best value for money and thus to maximize the benefits of the work. The emphasis should be on obtaining good value for money and producing work of an excellent quality, and not wasting resources.

This manual is intended:

- To provide guidelines for the management of the program. Financial control is ultimately the responsibility of the Director, but implementation may be delegated to finance and program staff. This manual, therefore, provides guidelines for both the program management and support staff.
- To provide a basis for uniformity and good practice across all project offices.
- To set out the minimum level of financial control necessary in PRO-POOR.
- To be used as a monitoring tool by the ED, Project officer, Finance and Administration officer, accountant and also to provide confidence for external auditors when assessing systems and procedures.
- To be used as a training tool for accountants; both during their induction and as a reference when supporting partners and advising on their systems.

This manual is a convenient hand book but not ever static, rather its sections/sub-sections should get changed / modified to cope with the changing policies/procedures from time to time. This manual is called "PRO-POOR Financial policy and procedural Manual".

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PART I: FINANCIAL POLICIES

1. ACCOUNTING SYSTEM

1.1 The accounting system of PRO-POOR is based on Generally Accepted Accounting Practices, taking into account the proclamation of the Government of the Federal Democratic Republic of Ethiopia which is a basis for the establishment of PRO-POOR and other relevant rules, policies and procedures of the organization, other government laws, which enable the safeguarding of its assets and generation of timely and reliable financial reports to internal users at all levels and Donors and government bodies.

1.2 The accounting functions are done centrally in such a way that the financial status and the result of financial operations of individual Programs could be shown separately.

2. ACOUNTING BASIS

2.1 The accounting basis adopted by PRO-POOR is modified cash basis accounting. Income and expenditures related to donation and grants are recorded on modified cash basis.

2.2 Unpaid credit purchase of services or goods are accrued during preparation of annual financial report.

2.3 Advance payments shall be recorded as expense when only settled; otherwise they will be recorded as advance or prepayments.

2.4 Fixed assets purchased shall be recorded as long term Asset at the time of acquisition and annual depreciation will be assumed at the end of every fiscal year. In addition a Fixed Asset register shall be maintained for all fixed assets under the custody of the Organization.

3. ACCOUNTABLE DOCUMENTS & RECORDING

3.1 ACCOUNTABLE DOCUMENTS

3.1.1 Finance section shall be responsible for the development, printing, maintenance and recording of accountable documents (documents used for evidencing the movement of cash and other assets).

3.1.2 Accountable documents shall be printed upon the authorization of the ED. They shall be printed with serially sequenced number with the required number of distribution as indicated in this manual

3.1.3 Unused accountable documents should be controlled, registered and kept safely

3.1.4 The relevant copies of used accountable documents should be recorded intact, filed sequentially according to their type, together with supporting documents in a secured place.

3.2 COMPUTERIZED ACCOUNTING SYSTEM

3.2.1 Books of accounts of PRO-POOR shall be recorded and maintained using Computerized Accounting System.

3.2.2 All accounting transactions should be recorded into the computer system on a daily basis.

3.2.3 Only authorized personnel shall have access to the Computerized Accounting System and its components

3.2.4 Users of the Computerized Accounting System who are outside the finance section shall have only READ access

3.2.5 Backup must be made on a daily basis using a separate media, and must be kept in a safe place.

4. CASH

4.1 BANK ACCOUNT

4.1.1 Except small cash required for petty cash payments, cash has to be kept in bank in the name of the organization or its project. Bank accounts will be opened when approved by the board.

4.1.2 Opening a bank account is initiated by the Senior Accountant and the ED requests the board for approval. The current account will be operated with any dual signatories out of those designated to run the account to be opened after notifying ChSA.

4.1.3 Bank books have to be reconciled against statements issued by bank at the end of every month and appropriate action has to be taken if there is un-reconciled difference.

4.1.4 When a bank account is believed to be inactive permanently, it will be closed by the request of the ED after initiated by the Senior Accountant.

4.2 CASH COLLECTION

Cash collected from any source shall be collected as follows:

4.2.1 All cash collected in cash, cheque or through direct bank transfer to PRO-POOR's account should be evidenced by the organization's pre-numbered printed Cash Receipt Voucher.

4.3 DEPOSITING TO BANK

4.3.1 Cash received must be deposited to the bank intact daily.

4.3.2 The making of any payment or advance out of cash received is expressly forbidden.

4.3.3 Cash collected after the bank closing hours, shall be deposited on the following working day

4.4 SAFE BOX LIMIT

4.4.1 Cash should not be kept in the safe box in excess of the authorized limit.

4.5 DISBURSEMENT

4.5.1 DISBURSEMENT POLICY

- Payment request shall be approved if supported by budget and the supporting documents are correct and sufficient.
- Payments made in cash and cheque shall be evidenced by pre-numbered payment vouchers, where the voucher is to be approved by designated officials.

4.5.2 CHEQUE PAYMENTS

- A single payment in excess of Birr 500 shall be paid in cheque. However, depending on the size and frequency of operation, the minimum amount of a single transaction to be paid in cheque may be revised with the approval of the ED as per the proposal of the Senior Accountant.

- Payment to be made from bank account has to be approved by at least two designates signatories where one of the signatory is from Finance section.

- Authorized cheques not collected in thirty days should be cancelled
- Blank cheques should not be signed

- Cheque payment should not be issued when there is no sufficient balance in the bank account.

- Cheque should not be prepared in the name of signatories except those personal payments (Salary, per diem and the likes)

4.5.3 PETTY CASH FUND

- Petty cash fund shall be established on imprest system whereby the cashier is advanced a float of a fixed amount, which will always be represented by cash or vouchers. The fund will be used for effecting single payments below Birr 500.

➢ Petty cash float at the level is Birr 3,000. The size of the float may be revised in accordance with the volume of transaction, when approved by the ED upon request and proposal of the Senior Accountant

➢ Petty cash float is determined on the average total amount of petty payments made in ten days time.

➢ For petty cash payments where the exact amount of payment is not known, the payment should be effected using a suspense voucher which is to be replaced against invoices.

➢ Petty cash payments are made using a pre-numbered Petty Cash Payment Voucher.

4.5.4 CONTROL OVER CASH

➢ Surprise cash count should be made by Finance Controller for cash and vouchers held by cashiers or assigned personnel. Investigation may be made as deemed necessary.

➢ Cash or property which does not belong to PRO-POOR should not be kept in safe box.

➢ Cash overage found during counting or property found in the safe box which is not a property of PRO-POOR, will be transferred to the account of PRO-POOR.

➢ Cash indemnity allowance shall be maintained for cashiers according to the level of their cash holding

➢ If cash shortage could not be refunded promptly by the cashier, the staff will be requested for refund. If he/she fails to refund, claim should be requested and legal action should be taken for the refund of the shortage

5. FINANCING SOURCE

5.1 The sources of finance are:

- ➢ Donation from Donor organizations
- ➢ Community contribution
- ➢ Individual Volunteers

6. FIXEDASSETS

Fixed asset is defined as an item of a capital nature which costs Birr 1,000 and above (including VAT) with a useful life of over one year.

6.1 PURCHASE OF FIXED ASSETS

Fixed assets are purchased only when supported by a budget

6.2 RECORD

6.2.1 Every building, machine, furniture, vehicle and the like whose value is Birr 1,000 and above and could serve more than a year shall be recorded as fixed assets.

6.2.2 The value of the fixed asset is the purchase cost plus direct costs incurred to bring the asset to the premises of the organization in a usable condition. Fixed Assets acquired by donation shall be recorded at a price, which the Donor paid for it. If the donated fixed assets are bought in a foreign currency, the value will be converted into Birr at the prevailing bankers selling rate at the time of receipt. If the value of the asset can't be determined from the market, the management shall make an estimate.

6.2.3 Fixed assets which have a useful life in excess of one year but their value is below Birr 1000, shall be recorded in a and shall be counted during annual physical count. The issuance of such assets from the store has to be evidenced by a store issue voucher and copy of such voucher should be attached in the personal file of the user where the voucher should be referred to when the employee resigns or transferred.

6.2.4 Finance section shall maintain a fixed asset register

6.3 PHYSICAL COUNT AND FIXED ASSETS IDENTIFICATION NUMBER

6.3.1 Once in a year comprehensive physical count of fixed assets should be made.

6.3.2 Each fixed asset should be tagged with a unique and systematically designed identification number where this number is also recorded in the fixed asset register.

6.4 DISPOSAL OF FIXED ASSETS

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6.4.1 Fixed assets are disposed with the decision of the Board and ChSA.
6.4.2 The record of fixed assets should be adjusted by the disposed assets.

6.5 FIXED ASSET MANAGEMENT

6.5.1 Refer the procurement Manual for the detail management and control over fixed assets.

7. STOCK

Stocks are supplies purchased for consumption which are not qualified for definition of fixed assets.

7.1 RECORDING

7.1.1 Supplies are recorded as expenses at the time of purchase
7.1.2 Supplies purchased shall be recorded in a stock card at finance and bin card at store.

7.2 PHYICAL COUNT

7.2.1 Physical count for supplies should be made at least once in a year, normally at year end.
7.2.2 Appropriate measure should be taken for discrepancies found between the stock record and physical count.

7.3 REVIEW

7.3.1 Finance section should review periodically the correctness of the bin card maintained by the store keeper

7.4 DISPOSAL

7.4.1 The Senior Accountant is responsible for the identification and submission of report of the list of stocks for disposal to the ED every year subsequent to the year end physical count if any.

8. ADVANCES

8.1 Advance payment for purchase should be settled in ten days from the date of preparation.

8.2 Staff Work advances made for Main Office and sites (If any) should be settled not later than 10 and 20 days respectively.

8.3 Travel Advances should be settled within five days after return from the trip.

9. TAXES AND OTHER LEGAL LIABILITIES

9.1 Government taxes to be collected by PRO-POOR on its behalf (including tax on employment and withholding taxes) and other similar obligation should be performed according to the law and paid in time to the relevant government body.

10. BUDGET

10.1 SOURCE OF FUND FOR THE BUDGET

10.1.1 The sources of fund for the budget are identified in item number 5 above.

10.2 BUDGET PREPARATION

10.2.1 PRO-POOR will have one consolidated annual budget

10.2.2 Budget should be prepared with the participation of all departments of PRO-POOR.

10.2.3 The ED should nominate a budget committee which will review the budget proposed by each department in light of the strategic plan of PRO-POOR, guideline provided by the ED and available financial resources

10.2.4 The Program Manager is responsible for the coordination of annual budget preparation. Final budget draft is issued to the Board of Directors by the ED three months before the beginning of the fiscal year.

10.2.5 Each agreement with Donors will be treated as a budget for the project period and will be taken into account during the annual budget preparation.

10.2.6 Budget for projects are prepared by the respective section head or their representatives in consultation with the finance section. The budget will be finally compiled by the program department and approved by the Donor and the Board of PRO-POOR.

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10.3 BUDGET APPROVAL, IMPLEMENTATION AND CONTROL

10.3.1 Annual budgets are implemented after getting approval by the Board.

10.3.2 Payment requests over the budget but with in 10% of total budget amount of the line item or not in excess of Birr 1,000 should be approved by the Senior Accountant if the budget is from unrestricted funds. Disbursement requests which affect the budget in excess of 10% from the approved budget or in excess of Birr 1,000 per budget item whichever is lower; it shall be approved by the ED.

10.3.3 Budget for project agreements, which are from restricted donation, will be determined according to the agreement entered between PRO-POOR and the funding organization.

10.3.4 Each department of PRO-POOR is responsible for appropriate utilization of the budget earmarked to it.

10.3.5 Budget analysis reports are prepared at least semiannually and appropriate actions should be taken after evaluation of such reports.

10.3.6 Budget transfer from one line item to another within a program shall be made when necessary with the approval of the Program Manger.

10.3.7 Budget transfer from one budget item in one Program to another Program shall be made with the approval of the ED in consultation with Donors.

11. UNALLOWABLE COSTS

11.1 If a donor agreement requires some expenditures to be segregated as unallowable, this should be strictly complied with.

12. FINANCIAL STATEMENTS AND MANAGEMENT ACCOUNTING REPORTS

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12.1.1 Finance section has to deliver the appropriate financial information to managers of PRO-POOR at all levels, including the Board of Directors through the ED

12.1.2 Senior Accountant has to deliver the required financial reports to the Board of PRO-POOR and Donor organizations through the ED timely and in the required format

12.1.3 Annual financial statements should be prepared in four weeks time from end date of the fiscal year.

13. ACCOUNTING PERIOD

13.1 The accounting period of PRO-POOR is from January 1 to December 31

14. AUDITING

14.1 External Auditor is nominated by the PRO-POOR's Management.

14.2 The financial statements should be reviewed and discussed by the management of PRO-POOR before forwarded to external auditors.

14.3 Draft financial reports shall be delivered to auditors in six weeks from the end of the fiscal year (not later than February 15)

14.4 Audit draft reports should be reviewed and comments and disclosures have to be agreed upon before the release of the final audit report by the management.

14.5 The final audit report should be delivered to the Board within three months period from the end of the fiscal year.

14.6 The Administration and Finance Head shall issue copies of the audit report to the relevant stakeholders (Donors, government organizations etc)

15. ACTION PLAN

15.1 Finance section has to prepare annual action plan of its own department for the budget year which is to be approved by the ED.

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