

# FINANCE MANUAL

Wilson Ochieng

JAMNEL CARE ORGANIZATION [WWW.JAMNELCARE.ORG](http://WWW.JAMNELCARE.ORG)

**ABOUT THIS MANUAL**

This Manual was developed in consultation with Jamnel Care Organization Management team and the board of directors. The purpose of this Manual is to ensure suitable and effective controls are in place to protect the use and management of the JCO’s financial resources while ensuring compliance with legal and fiscal obligations.

This document comprises of governance, roles and responsibilities, accounting principles, policies and assumptions, information on JCO chart of accounts, budgeting and financial planning, internal controls, fraud, procurement, general ledger, and audit.

The finance and administration manager will lead the team in ensuring the implementation and adherence to the finance policies and procedures. This manual has been approved by the board members.

Approval

Board Members(JCO chair of the Board):.....

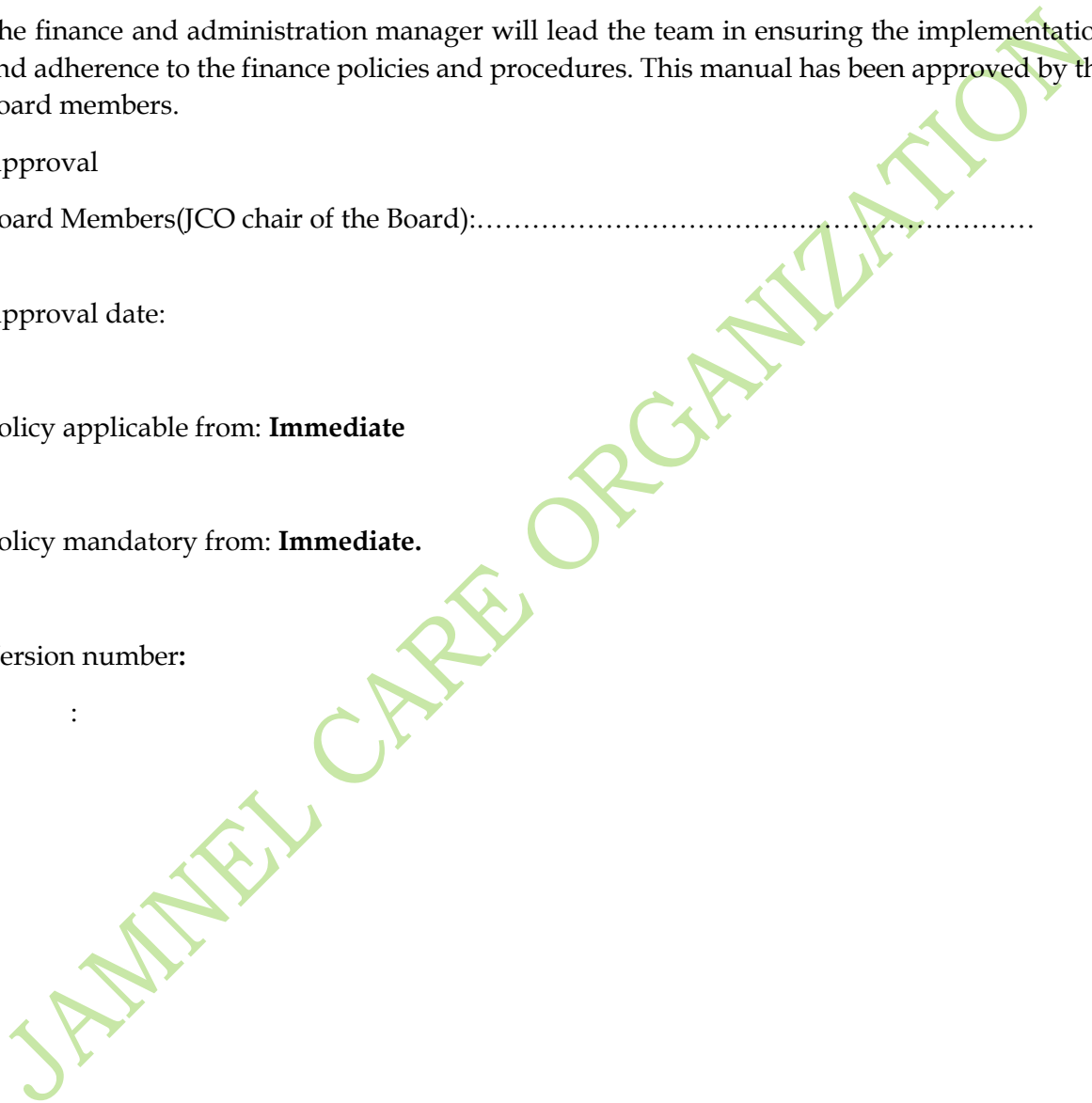
Approval date:

Policy applicable from: **Immediate**

Policy mandatory from: **Immediate.**

Version number:

:



## Contents

ABOUT THIS MANUAL .....	0
INTRODUCTION .....	6
PURPOSE .....	6
SCOPE.....	6
MANUAL ADMINISTRATION AND IMPLEMENTATION .....	6
MAINTENANCE OF THE MANUAL.....	6
GOVERNANCE AND RESPONSIBILITY.....	7
REPORTING STRUCTURE .....	7
BOARD OF DIRECTORS (BOD).....	8
EXECUTIVE DIRECTOR (ED).....	8
BANK SIGNATORIES.....	8
FINANCE MANAGER .....	9
ACCOUNTING SOFTWARE.....	9
FINANCE PROCESSES.....	11
FINANCIAL PLANNING AND BUDGETING PROCESS.....	12
BUDETING PRINCIPLES.....	12
BUDGETING PROCESS MAP: PROJECT BUDGET.....	13
BUDGETING PROCESS PROJECT BUDGET - NARRATION.....	14
RESPONSIBILTY MATRIX.....	15
BUDGETING PROCESS MAP: MASTER BUDGET .....	15
BUDGETING PROCESS MASTER BUDGET - NARRATION .....	17
RESPONSIBILTY MATRIX.....	17
BUDGETING PRACTICE AT JC .....	18
PROGRAMMES TEAM ROLES.....	18
FINANCE TEAM ROLES .....	18
PARTNER BUDGETS.....	19
STAFF COSTS BUDGETING PROCESS.....	19
DONOR PROJECT BUDGETS COMPONENTS .....	20
DIRECT PROJECT COSTS.....	21
PROJECT SUPPORT COSTS .....	21
INDIRECT COSTS RECOVERY / OVERHEADS .....	21
BUDGETING FOR CO-FINANCING A PROJECT - MATJC FUNDING.....	22
BUDGET MONITORING .....	22
BUDGET MONITORING PROCESS MAP .....	23

BUDGET MONITORING PROCESS -NARRATION .....	24
RESPONSIBILTY MATRIX.....	24
PAYMENT PROCESS.....	25
PETTY CASH MANAGEMENT PROCESS- MAPPING.....	26
PETTY CASH MANAGEMENT PROCESS- NARRATION .....	27
RESPONSIBILTY MATRIX.....	27
BANK PAYMENT PROCESS- MAPPING .....	28
BANK PAYMENT PROCESS- NARRATION.....	29
RESPONSIBILTY MATRIX.....	29
BANK RECONCILLIATION MAPPING PROCESS.....	30
BANK RECONCILLIATION PROCESS -NARRATION.....	31
RESPONSIBILTY MATRIX.....	31
FOREIGN CURRENCY VALUATION - MAPPING PROCESS.....	32
FOREIGN CURRENCY VALUATION - NARRATION .....	33
RESPONSIBILTY MATRIX.....	33
PAYROLL MANAGEMENT- MAPPING PROCESS.....	34
PAYROLL MANAGEMENT- NARRATION.....	35
RESPONSIBILTY MATRIX.....	35
PAYROLL CONTROLS.....	36
TRAVEL .....	36
INTERNATIONAL TRAVEL.....	37
PERDIEMS .....	37
FIELD ADVANCE MANAGEMENT -PROCESS MAP .....	38
FIELD ADVANCE MANAGEMENT -NARRATION .....	39
RESPONSIBILTY MATRIX.....	39
PROCUREMENT PROCESS.....	40
POLICY.....	40
PRINCIPLES OF PROCUREMENT.....	40
FAIR COMPETITION.....	40
CONFLICT OF INTEREST .....	40
COST-EFFECTIVENESS .....	40
TRANSPARENCY .....	40
ACCOUNTABILITY.....	40
PREQUALIFICATION OF VENDORS .....	40
PROCUREMENT PLANS.....	41

PROCUREMENT REQUESTS.....	41
REQUEST FOR BIDS .....	41
EVALUATION OF BIDS.....	42
PROCUREMENT COMMITTEE.....	43
PROCUREMENT CONTRACTS .....	43
PROCUREMENT PERFORMANCE .....	43
PAYMENT .....	44
RECORDS.....	44
PROCUREMENT PROCESS- MAPPING .....	45
PROCUREMENT PROCESS- NARRATION.....	46
RESPONSIBILITY MATRIX.....	46
FIXED ASSETS MANAGEMENT PROCESS .....	47
VEHICLES.....	47
ALL OTHER ASSETS .....	47
CAPITALIZATION OF ASSETS.....	48
ANTI- FRAUD PROCESS .....	49
FRAUD DEFINITION .....	49
FRAUD PREVENTION .....	49
FRAUD REPORTING.....	49
FRAUD INVESTIGATION .....	50
FINANCIAL REPORTING PROCESS .....	50
MANAGEMENT ACCOUNTS.....	50
BUDGET MONITORING REPORTS.....	50
BALANCE SHEET REPORTS .....	51
EXTERNAL REPORTS .....	51
AUDIT PROCESS.....	51
TYPES OF AUDIT .....	51
ANNUAL AUDIT .....	51
PROJECT AUDIT .....	51
AUDITOR SELECTION .....	52
AUDIT TRACKER .....	52
INCOME RECORDING PROCESS .....	52
RESTRICTED INCOME .....	52
UN-RESTRICTED INCOME .....	52
ARJCIVING PROCESS.....	53

ANNEXES .....	<b>Error! Bookmark not defined.</b>
ANNEX 1 - JCART OF ACCOUNTS.....	<b>Error! Bookmark not defined.</b>
ANNEX 2 - JC BUDGET ANALYSIS TEMPLATE .....	<b>Error! Bookmark not defined.</b>
ANNEX 3- CASH ADVANCE REQUEST FORM .....	<b>Error! Bookmark not defined.</b>
ANNEX 4-ADVANCE SETTLEMENT FORM.....	<b>Error! Bookmark not defined.</b>
ANNEX 5 PAYMENT VOUCHER .....	<b>Error! Bookmark not defined.</b>
ANNEX 6 PERDIEM FORM.....	<b>Error! Bookmark not defined.</b>
ANNEX 7 ATTENDANCE FORM .....	<b>Error! Bookmark not defined.</b>
ANNEX 8 PAYMENT FORM.....	<b>Error! Bookmark not defined.</b>
ANEX 9 CASUAL REQUEST FORM .....	<b>Error! Bookmark not defined.</b>
ANNEX 10 CASUAL ATTENDANCE FORM.....	<b>Error! Bookmark not defined.</b>
ANNEX 11 CASUAL PAYMENT FORM .....	<b>Error! Bookmark not defined.</b>
ANNEX 12 REIMBURSEMENT FORM.....	<b>Error! Bookmark not defined.</b>
ANNEX 13 RECEIPT .....	<b>Error! Bookmark not defined.</b>

JAMNELL CARE ORGANIZATION

## **INTRODUCTION**

This document outlines the specific procedures to be adhered to in relation to management of funds for Jamnel Care Organization (JCO). It outlines the procedure, processes, and lines of authority in financial and Grants management in line with Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS)

## **PURPOSE**

The purpose of this finance operation manual is to ensure the efficient and transparent management of finances and grants in line with recognized accounting standards and donor requirements. This Manual is to ensure suitable and effective controls are in place to protect the use and management of the JCO's financial resources while ensuring compliance with legal and fiscal obligations.

## **SCOPE**

The processes incorporated in this document are applicable to the finance requirements as is prescribed by the overall financial policy and procedure manual of Jamnel Care Organization (JCO). This manual is intended to be the central repository of Financial and Grants Management policies and procedures for JCO South Sudan and should be used by all Staff, referenced by the Board of Directors (BOD), the External Auditors and donors on matters of Financial and Grants Management.

## **MANUAL ADMINISTRATION AND IMPLEMENTATION**

The custodian of this manual is the Finance Manager (FM) who will be responsible in ensuring:

- The integrity of the Finance Manual is always maintained with no unauthorized changes.
- All Staff have been properly inducted of the Financial and Grants Management Policies and Procedures
- The Finance Manual is always relevant to the context in South Sudan and is updated as necessary with the JCO changes in context or otherwise
- Distribution of the Finance Manual is done as appropriate

## **MAINTENANCE OF THE MANUAL**

Dynamism nature of Internal Control Environment, government's legislations and donors' rules and regulations, the Finance Manual will be updated at least once every 3 years to ensure it remains relevant. The Finance Manual is a 'Living Document' and must be updated especially if any the following occurs:

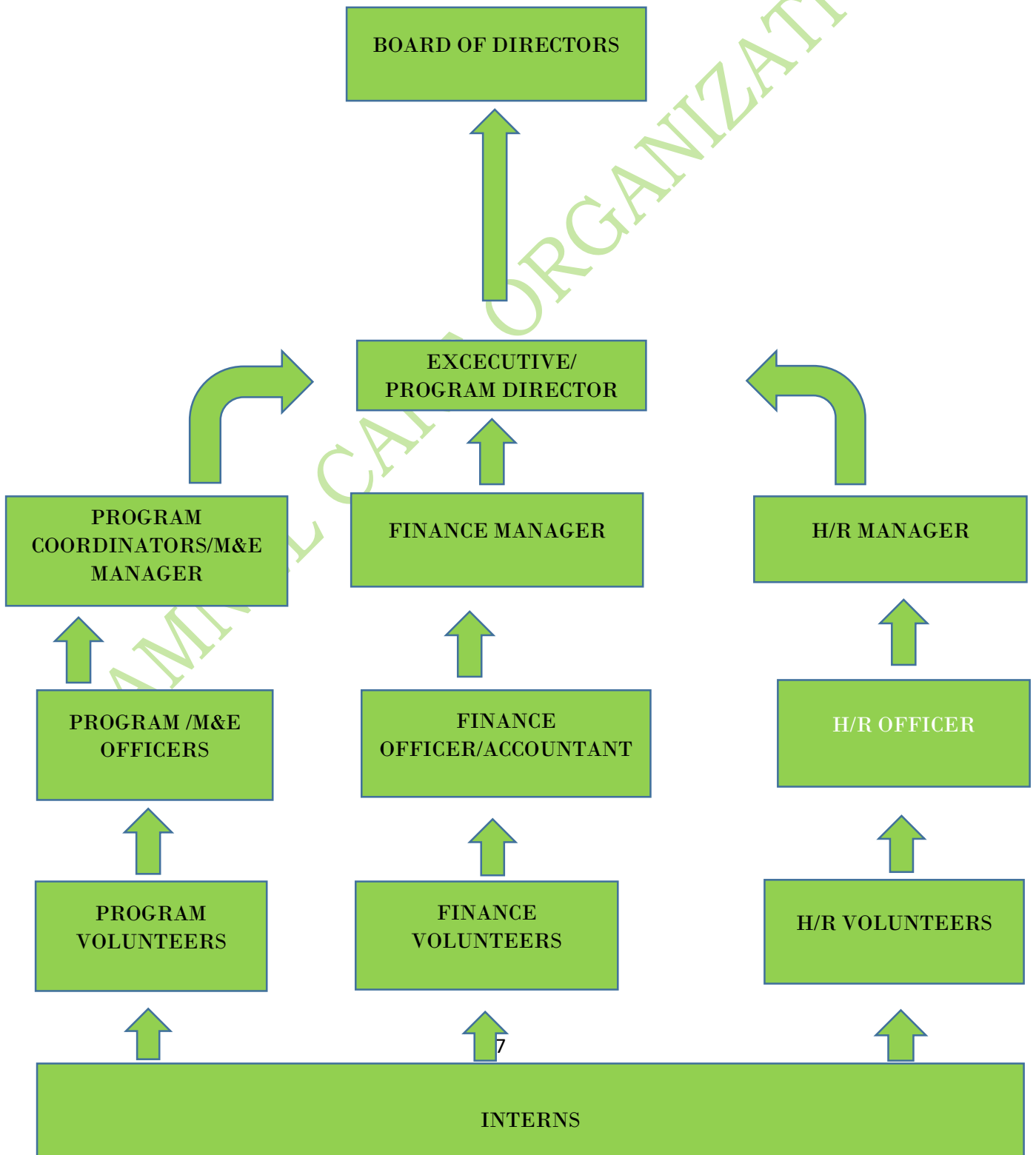
- There are changes to JCO's rules, policies, and procedures.
- There is a change in the context of the Internal Control Environment
- There are changes in legislation and otherwise significantly affecting the application of the manual
- There are significant changes in accounting and auditing standards and otherwise significantly affecting the application of the manual.
- There are significant changes in donor conditions that need to be reflected in the Finance Manual
- There are agreed recommendations from Auditors to make changes
- Any other prudent reason that will necessitate the need for an update

Any policy, rule, regulation, procedure, or provisions that conflicts or shall conflict with (upon JCO changes or the birth of) applicable local laws, International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards (IPSAS), or Generally Accepted Accounting Principles (GAAP) shall be superseded by the latter. JCO changes will be proposed by the FM through the Executive director for approval by the BOD.

**GOVERNANCE AND RESPONSIBILITY**

Effective Financial Management requires a good governance structure as well as clear definitions of the roles and responsibilities of each JCO person in the structure. The JCO governance structure will support the implementation of the Finance Manual as shown in the finance reporting structure

**REPORTING STRUCTURE**





## **BOARD OF DIRECTORS (BOD)**

The BOD is responsible for ensuring that policies are in place for sound Financial and Grants Management of JCO through the following responsibilities in relation to finance procedures and processes.

- Approving the annual and long-term Financial Plans (Budgets)
- Approval of annual Financial Statements
- Appointment of Auditors
- Authorizing the Finance Manual

## **EXECUTIVE DIRECTOR (ED)/PROGRAM DIRECTOR (PD)**

The Executive Director has the overall responsibility for the Financial and Grants Management of JCO. PD position oversees day to day running of JCO and is the secretary to the BOD. More specifically the PD is responsible for the following

- Formulating and Presenting Short term and mid-term Financial Plans (budgets) to BOD for approval
- Implementation of Financial and Grants Management Policies
- Financial and Grants Reporting to the BOD
- Financial Reporting to donors and other stake holders such JC as Government and statutory obligation bodies.

## **BANK SIGNATORIES**

JCO shall maintain bank accounts with reputable bank in South Sudan. The bank accounts shall be both in USD account and SSP accounts. These accounts shall be open and maintained by authorized bank signatories. JCO shall maintain a dual signature policy for all its transactions.

The bank Signatories shall include:

- Program Director
- Finance Manager
- B.O.D member

The Program Director shall be the primary signatory. Under no circumstances shall transactions be done with only one signature.

## **PROGRAM COORDINATOR (PC)**

PC has the oversight of implementation of Programs and / Projects as per work plans agreed by donors, partners where applicable and community / beneficiaries. Program team spend the financial resources to meet the beneficiaries needs and projects objectives and in particular the PC will have the following responsibilities with regards to Financial and Grants Management of JCO

- Develop plans (budgets) with support from the Finance team according to JCO and donor requirements.
- Implement the financial plans in compliance with JCO's Vision & Mission, Donor Proposals, Legislative and donor requirements. This includes ensuring the expenses have been incurred according to JCO and / or Donor budgets.

- Periodically monitor the Financial Plans to ensure the Program / Project is on track (monthly review donor financial reports)
- The Program coordinator has delegated authority from the Program Director for Financial Performance of Programs / Projects

It is important for the Program Team to understand their role in Financial Management and not to abscond their duties by referring everything to the Finance Team

### **FINANCE MANAGER**

The Finance Manager has delegated authority to support the Executive/Program Director in the Financial Management of JCO. More specifically:

- The Finance Manager is the owner of the Finance Manual and ensures that all JCO staff understand the financial policies and procedures.
- The FM has oversight over the finance function and ensures timely accurate preparation of Financial Statements and Financial Reports
- Support the planning (budgeting) and monitoring of JCO Financial resources
- Ensure financial records on income and expenditure comply to legal as well as donor requirements according to JCO charts of Accounts
- The FM also ensures that adequate internal controls are kept and updates to safeguard the resources of JCO.

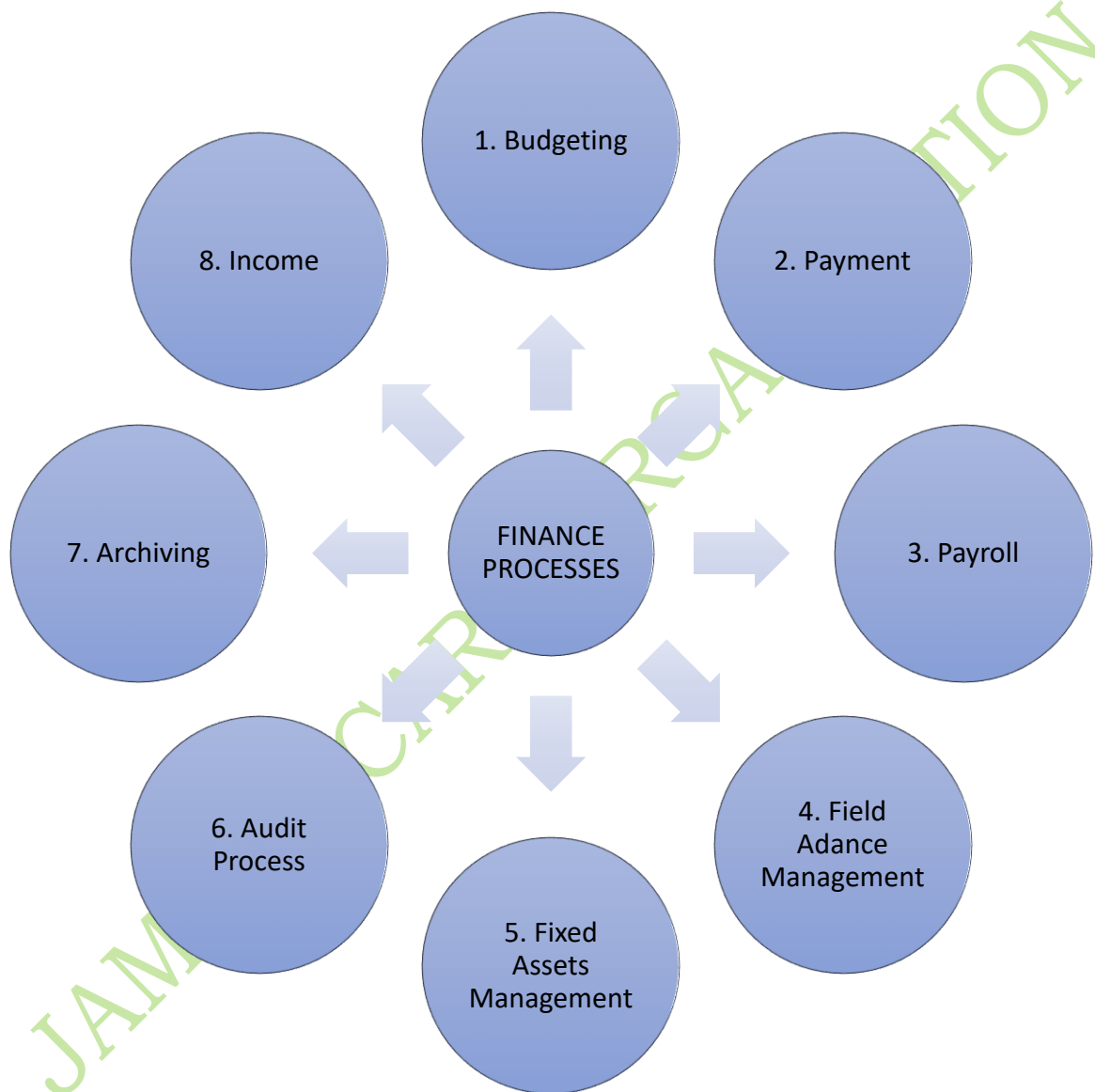
### **ACCOUNTING SOFTWARE**

The accounting software that will be used is Quick Books Enterprise Non-Profit Edition UK Version.

The finance staff will record financial data and generate reports as required from the system. They will capture original documents such JCO as supplier and consultant bills in the system after due approval process is followed and make payments in the system as per budget codes. The system will utilize all functionalities of QuickBooks for quality reports. Classes will be used as either projects or departments for ease of tracking specific project financial data as well as consolidating the same in a JCO annual financial report.

JAMNELL CARE ORGANIZATION

## FINANCE PROCESSES



## FINANCIAL PLANNING AND BUDGETING PROCESS

Planning is a core part of financial management and JCO gives the planning process the due diligence it deserves. JCO uses budgets for planning, control, and monitoring purposes. At JCO financial planning is done at various levels as follows:

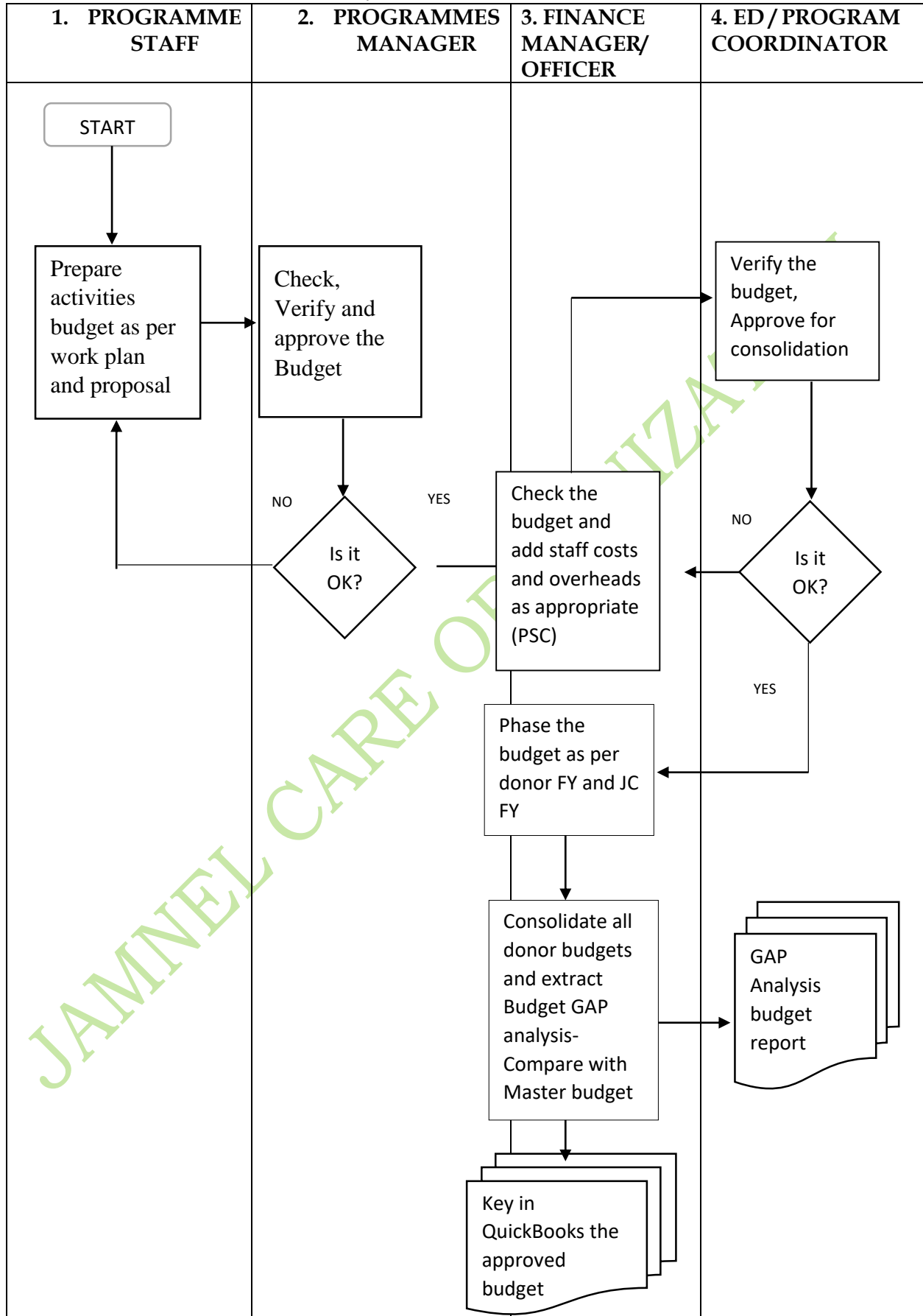
- Cash Flow Plan
- Project Budgets
- Activity Plans
- Partners Budgets

## BUDGETING PRINCIPLES

JCO has adopted the following principles to its budgeting process

- All JCO budgets shall be developed using a zero-based budgeting approach.
- JCO will review historical costs to provide validity of assumptions made in the budgeting process.
- The budgeting process shall always seek value for money and elimination of inefficiencies.
- Different budgets shall be prepared at the level of detail needed by the different stakeholders.
- All budgets will be supported by appropriate workings and budget notes
- The JCO Annual budget covers a period of the Financial Year (January to December) while Project Budgets cover the Project Period per the MOU with the donors. This may cut across different Financial Years
- JCO will prepare its Annual Budget in an approved template. The template will be updated and revised as necessary year on year without losing the ability to compare previous year's information with relative ease. The Budget template is documented in this manual as Annex 2.
- Project budgets will be prepared in donor templates where available and applicable, adhering to the donor budgeting guidelines and necessary.
- The budgeting process is a collaborated effort between the program and finance teams
- Different budgets are approved at different levels according to the type of budget as explained further below.
- Gifts and Donations in Kind will be included in the budgets at the expected market values. Any costs related to acquisition of the Gifts or Donation in Kind will be budgeted separately and not offset against the Gifts or Donations in Kind received.

**BUDGETING PROCESS MAP: PROJECT BUDGET**



## **BUDGETING PROCESS PROJECT BUDGET - NARRATION**

- The program staff prepare project budget based on the planned activities and forward the budget to finance team to add staff and overheads costs and any other related cost to be recovered from the project budget.
- The Program Director PD or the line manager checks, verifies, and approves the budget for finance team to add JCO costs as per donor requirements and JCO costs recovery policy.
- The Finance Manager / Team to check on accuracy of the budget add staff costs as per agreed staff participation in the project, ad overheads costs and any other JCO costs to be recovered in the project.
- The Finance Manager / Team to phase the budget as per Donor Fiscal Year (s) based on the agreed planned activities with donor and link the same to JC Fiscal Year.
- The ED/PC to verify the budget and approve for consolidation. The approval is based on optimal costs recovery and agreed work plan with donor taking into consideration the different Fiscal years of donors and JCO.
- The donor budget is coded by Finance team based on CoA of JCO and each JCO project will be given a unique name / code Class in QB
- The Finance team after consolidation of the budgets will construct a budget analysis to communicate gaps in costs recovery, show projects ROI, duration of the project's budgets against JCO FY Master Budget. This tool is vital for the subsequent proposal budgets on costs recovery for Staff, Overheads, and other costs recoverable.
- The Budget analysis report is vital for JCO as it shows how far staff costs are covered and overheads which are key as going concern of the organization.
- The Finance Manager / Team will post in QuickBooks the approved budget and extract a consolidated budget for presentation at the BOD. The consolidated budget from QuickBooks will be printed and presented for approval
- All amendments to the budget must be duly authorized before posting into the system. Budget changes to follow requirements as per donor contracts and agreed JCO rules on budget amendments.

## RESPONSIBILITY MATRIX

ACTION	1	2	3	4
Original Activity Budget	X			
Budget (Activity + Staff costs + Overheads + Other Costs JC charges)		X	X	
Phased Budget (as per work plan, Donor FY and JC FY)	X	X	X	
Coded Phased budget posted in QB			X	X
Budget Analysis Report (Budget gaps as per JCFY)		X	X	X
Presentation of the budget to the BOD		X	X	X

### KEY

1. Programme Staff / Team
2. Finance Manager / Team
3. Program Director/ Executive Director ED

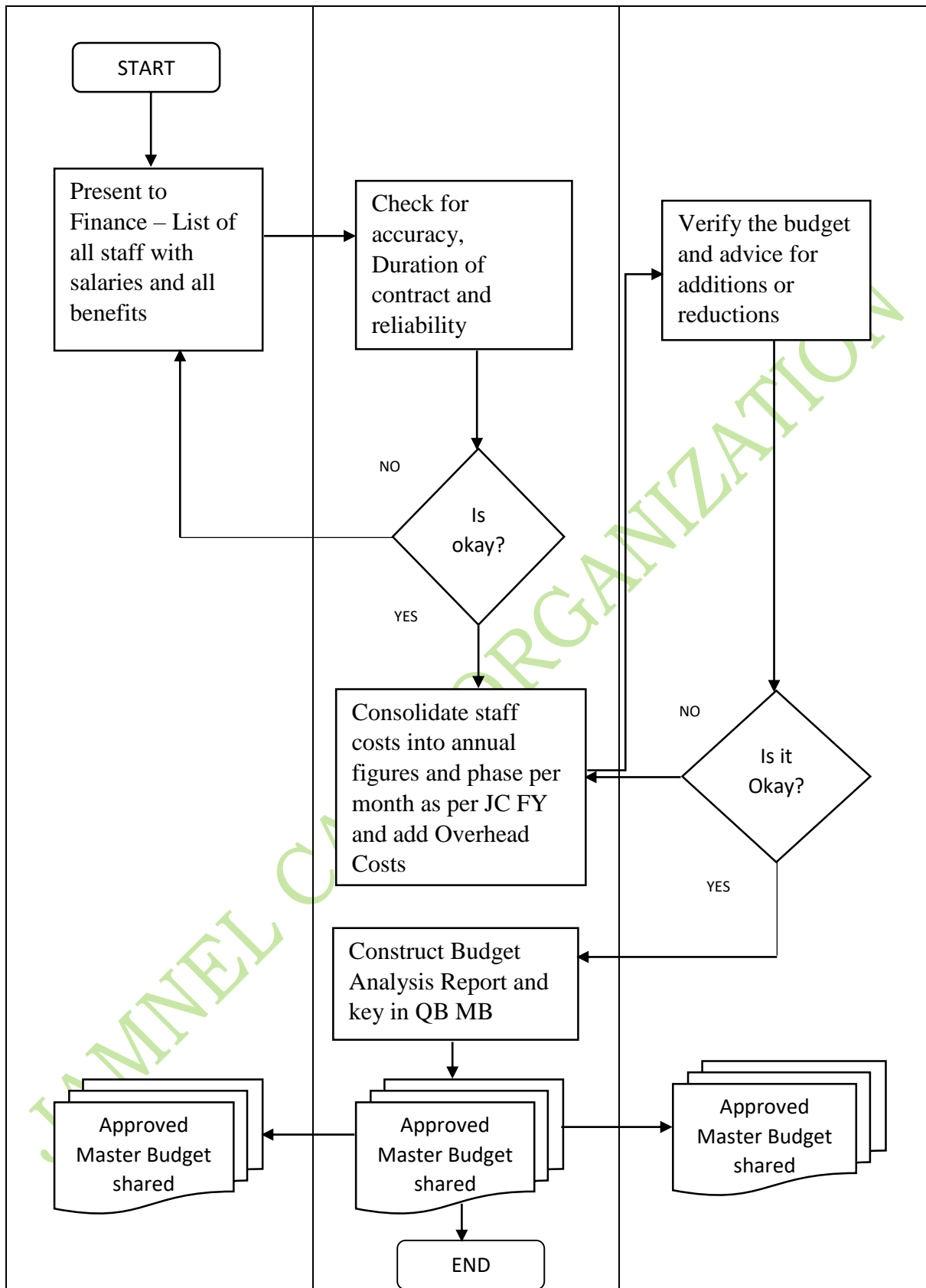
Project budgets are prepared for projects planned to be undertaken by JCO, either through donor or JCO Funding. The features of the Project Budgets are as follows:

- The Budgets contain the Program Costs, the Program Support Costs and Indirect Costs (Overheads). The Indirect costs are mostly given as a percentage (%) by the donor to cover for Head Office and Administrative Costs and the donor does require supporting documentation for this budget line.
- They need to be prepared in specific templates according the different donors and meet the donors budgeting guidelines.
- They follow the donor or Project Financial year. For example, JCO may be awarded a one-year donor funded project running from the month of May to the month of April in the next calendar year
- They may be multi-year, cutting across different financial years, for example a 3-year project.
- The focus on the donor budget is on the Project Activities (budget lines) and not the internal JCO classification by Account Codes. There should however be a link between the donor budget lines and the JCO COA
- Budget notes and workings supporting the Project Budgets should be documented
- Donors may ask for Co-Financing

### BUDGETING PROCESS MAP: MASTER BUDGET

HR MANAGER	FINANCE MANAGER	PROGRAM DIRECTOR/ ED
------------	-----------------	-------------------------





## BUDGETING PROCESS MASTER BUDGET - NARRATION

- The HR Manager to consolidate all staff members for the JCO FY including in the list basic salaries and all benefits with staff position and submit to Finance manager. All staff members must have employment code / number
- The Finance manager checks for accuracy and verifies the numbers as given checking on duration of contract and then consolidate staff costs annually and phased per JCO FY monthly.
- The Finance manager will add the overheads costs as per JC costs ensuring all overheads costs are captured then share the Master budget with ED / PC for verification and advise before consolidation and approval by the BOD.
- ED / PC will go through the budget and advise of any commissions or additions that should be added into the master budget. Upon approval by ED / PC, the phased budget will be posted into QB by the Finance Manager / Team.
- The Finance Manager will construct budget analysis report comparing the staff and Overhead costs covered in project budget with the master budget to identify and funding gaps in the JC FY.
- The master Budget and Budget analysis report is shared with Senior Management Team while the master budget together with project budgets consolidated is presented to the BOD by ED / PC for approval.

## RESPONSIBILITY MATRIX

ACTION	1	2	3
Staff list, Salaries, and benefits	X		
Consolidated staff costs and Overheads costs phased per JC FY		X	
Master Budget and Budget analysis Report		X	X
Coded Phased budget posted in QB		X	

## KEY

1. HR Manager
2. Finance Manager
3. Executive Director / Programme Director

## **BUDGETING PRACTICE AT JCO**

To allow for adequate time for budget preparation, review and approval, the Annual Budget process will commence in September. The Finance Manager in coordination with the Program Coordinator prepares and circulates a budget timetable. The Roles of the Program Team and budget team during the budgeting process will be segregated as follows:

### **PROGRAMMES TEAM ROLES**

The Program Coordinator will ensure the following during the budgeting process:

- Each member of the Program team as appropriate has received and understands the budget template
- All the Projects funded by donors continuing into the next Financial Year have been included in the budget
- The budget for all Project Activities has been included in the Annual Budget
- Where there are Project Support Costs such as rent, staff costs etc. covered in the Project Budget, the Finance Team is made aware so that it is included in the Annual Budget
- For multi-year Projects, there is a reasonable projection for expenditure in the current year to December and balances being carried to the next year are reasonable and in compliance with the donor contract.
- Partner's costs are included as necessary.
- The Projects Funded by JCO are also included in the Budget
- All Co-Financing Requirements for donor projects are met.
- The Project team will then phase the expenditure in the month of occurrence. Activity costs are phased to the month the activities costs will be incurred and posted the financial system, for the purpose of budget monitoring. For example, if an activity is done at the end of May and expenditure paid both in the months of May and June, these will be recorded to the budget in the appropriate months of expenditure as necessary.
- End Project Evaluation and Audits are normally done after the Project has ended. Their costs will be included in the last month of the Project.
- Prepare the Program Commentary for the budget

### **FINANCE TEAM ROLES**

- Prepare and circulate the budget template
- Set up reasonable Exchange rates for the budgeting process. These are the rates that will be used to convert donor Projects from other currencies to USD
- Reconcile all income budgets to existing donor contracts and the fundraising plan. The Executive Director may allow donor funds for contracts not yet signed with donors to be included in the budget if there is a very high proven likelihood that the donor contracts will be signed. For example, where JCO is in the process of negotiating the contract terms with the donor.
- Give financial information such as historical costs for the purpose of budgeting.
- Prepare the support costs budget including the budget commentary.
- Allocate support costs already covered by donor Projects to the right donor budget codes
- Prepare the Staff Costs Budget and ensure costs taken up by Projects have been allocated appropriately to each JCO donor.

- Review the arithmetic accuracy of the individual budgets submitted for consolidation
- Reconcile the Project budgets to the donor MOUs to ensure we are not over or under the budget
- Consolidate the budget from the various Projects together with the support costs budget
- Ensure full cost recovery of Project Support Costs from the Projects per donor contract.
- Phase the costs in the budget in the appropriate months that the cost will be incurred and recorded to the financial system. Monthly expenses such as rent, depreciation etc. will be phased evenly though out the year.
- Prepare feedback to the Project Team on their budgets as necessary

### **PARTNER BUDGETS**

Where JCO is implementing Project Activities through partners, there is need for the partners to have budgets to support the MOU between JCO and the Partners. The Partners Budget has the following features:

- They are part of a project activity or activities, they must be so linked
- They are bound by the same donor rules between JCO and the Donor
- The implementation and monitoring are done by the Partner. JCO should however have systems in place to ensure expenses are incurred according to plan by the partners.

JCO may implement activities directly or through partners. The partners may be other Non-Governmental Organizations (NGO's), Community Based Organizations (CBO's), Local Government or Municipal Authorities or otherwise. Partners may implement one or several budget activities in the Project Budget. The partner's budget must be clear, concise and separable from within the Project Budget. The Partners budget may be prepared as part of submission of the Project Proposal to the donor or may be prepared independent of the project proposal. Where the partners budget is not prepared as part of the Project Proposal process, the following shall guide JCO with regards to partner's budgets:

- The budgets should conform to donor regulations and the Project Agreement between JCO and the donor as appropriate.
- The Project Manager will lead the budgeting process with the partner and the finance team will support them as necessary.
- The partners budget should be prepared from an activity-based approach
- The Partners budget should be linked to the Project Activities for ease of reporting to the donor.
- The budget will be phased monthly for ease of processing it to the JCO financial system
- Partners Project Support costs and overheads shall be limited to reasonable levels with regards to the total budget level.

### **STAFF COSTS BUDGETING PROCESS**

JCO issues employment contracts for 100% Project funded Staff based on the donor contracts that the staff are working on. If the Projects come to an end and the staff cannot be absorbed into another project, they are made redundant. For Project Support staff and other staff who

are not funded 100% by the project, it is important that JCO monitors and keep track of the funding available to cover these staff. This shall be done through the Staff Costs budget. The Staff Cost budget is a budget that shows the cost of all JCO staff and the donors that are funding these staff. It is important to note that some donor project calendars don't follow the JCO FY, so staff whose costs are covered 100% on a project may not be covered 100% in the JCO FY. The Staff Costs budget shall have a monthly phasing that will enable JCO to know the exact months in the FY that staff costs are covered and whether there are budget gaps, to plan for them appropriately. This budget shall be monitored and reviewed every month.

The Staff Costs Budget shall be prepared as follows:

- The staff costs for each JCO staff shall be computed per their contracts.
- The staff costs shall be phased monthly over the JCO Financial Year
- The total staff costs including medical insurance, group life cover, employer's portion of pension contributions, 13th month bonus, terminal benefits accruals redundancies accruals etc. should be captured.
- The funding source (donors or JCO Funds) for each JCO staff should be noted in the appropriate month. It is important to note at this juncture that due to late recruitment, salary disparity between donor contract and actual staff's contract etc., there may be excess funds available for staff costs per the donor contract, but you cannot charge more costs to this donor budget line.
- The total cost for each staff, what has been funded for each month and the excess or gaps shall then be calculated.
- The Management will take decision on what to do about staff that is having very high funding gaps for their staff costs.
- The Template for the Staff Costs Budget and budget analysis is documented as Annex 5

### **DONOR PROJECT BUDGETS COMPONENTS**

Most donors fund JCO through Project Funding. The Project Budget is the breakdown of the Project Activity costs as well as the Project Support Costs and Overheads that are funded by the donor. Different donors have different ways of classification of costs and presentation of the Project Budget, but in general they assume the following cost categories:

- Personnel Costs
- Travel
- Equipment
- Office Running Costs
- Program Activities
- Contractual Obligations (Audits and Evaluations)
- Overheads

JCO will follow the following procedures to prepare donor budgets:

- In line with the narrative proposal and Log frame, all Project Activities will be costed using the zero-based budgeting with reference to historical costs.
- This will be done by the Project Team working closely with the Finance Team.
- Clear and concise workings and budget notes to support the budget. The workings need not be shared with the donor

- Resource mapping is done of the resources it will take to deliver the project. The resources may be categorized as either Direct Project costs or Project Support costs.

### **DIRECT PROJECT COSTS**

Costs that will be incurred specifically for the delivery of the Project. These include:

- The Project Activity Costs mentioned above
- Personnel Costs for staff involved specifically for the delivery of the Project such as the Program Director, Project Coordinator, Project Officers, Assistant Project Officer, Project Finance officer/ Accountant etc.
- Direct Project expenditure such as Travel Cost Monitoring and Evaluation (M&E)
- Equipment and supplies to be used solely for the project
- Equipment maintenance and related costs for the above
- Rent for Project Site office
- Partners costs directly attributed to the Project
- Vehicle fuel and running costs used specifically for the Project
- Travel costs specifically for the project (whether by direct project staff or otherwise)
- Project Audits and Evaluation
- Other costs that can be directly attributed to the project

### **PROJECT SUPPORT COSTS**

These are not directly attributed to the Project but are incurred to support the running of the project. An appropriate portion of the Project Support costs should be charged to the Project Budget by the Finance Manager in collaboration with the Program Director. The Project Support costs will be allocated as follows:

- Staff Costs - The level of effort (LOE) expected to be applied to the project
- Office Rent and related costs - Head Count of Project Staff
- Vehicle Running costs - Per projected mileage
- Reporting and compliance costs - Budget value
- Any other criteria as deemed appropriate by the SMT

### **INDIRECT COSTS RECOVERY / OVERHEADS**

Most donors allow for Indirect Costs / Overheads to be included in the budget as a % age of the Direct Project and Project Support costs. This is usually expressed as a % age and ranges from 5% to 15%. Different donors have different rules with regards to the Indirect Costs Recovery, kindly review the rules for each donor in detail during the Project Budget process.

- The above process of ensuring all costs related to delivery of the Project are included in the budget is also known as Full Cost Recovery (FCR).
- The FCR template will guide the preparation of Project Budgets. It is included in this document as Annex 6
- The Finance Manager will review the budget to ensure FCR has been received and to ensure arithmetic accuracy.
- The Finance Manager will also review the budget to ensure JCO is compliant with specific donor budgeting rules such as required percentage of personal costs, support costs etc.

## **BUDGETING FOR CO-FINANCING A PROJECT - MATJC FUNDING**

The Finance Manager will process the Co-Financing check as appropriate.

- Some donors may request JCO to have Co-Financing for the Project Budget usually expressed as a % of the total budget.
- Different donors have different rules about the source of funds and expenses that can be included in the Project Budget as Co-Financing
- The Finance Manager should be conversant with the Co-Finance requirements and include them in the Project Budget as appropriate.

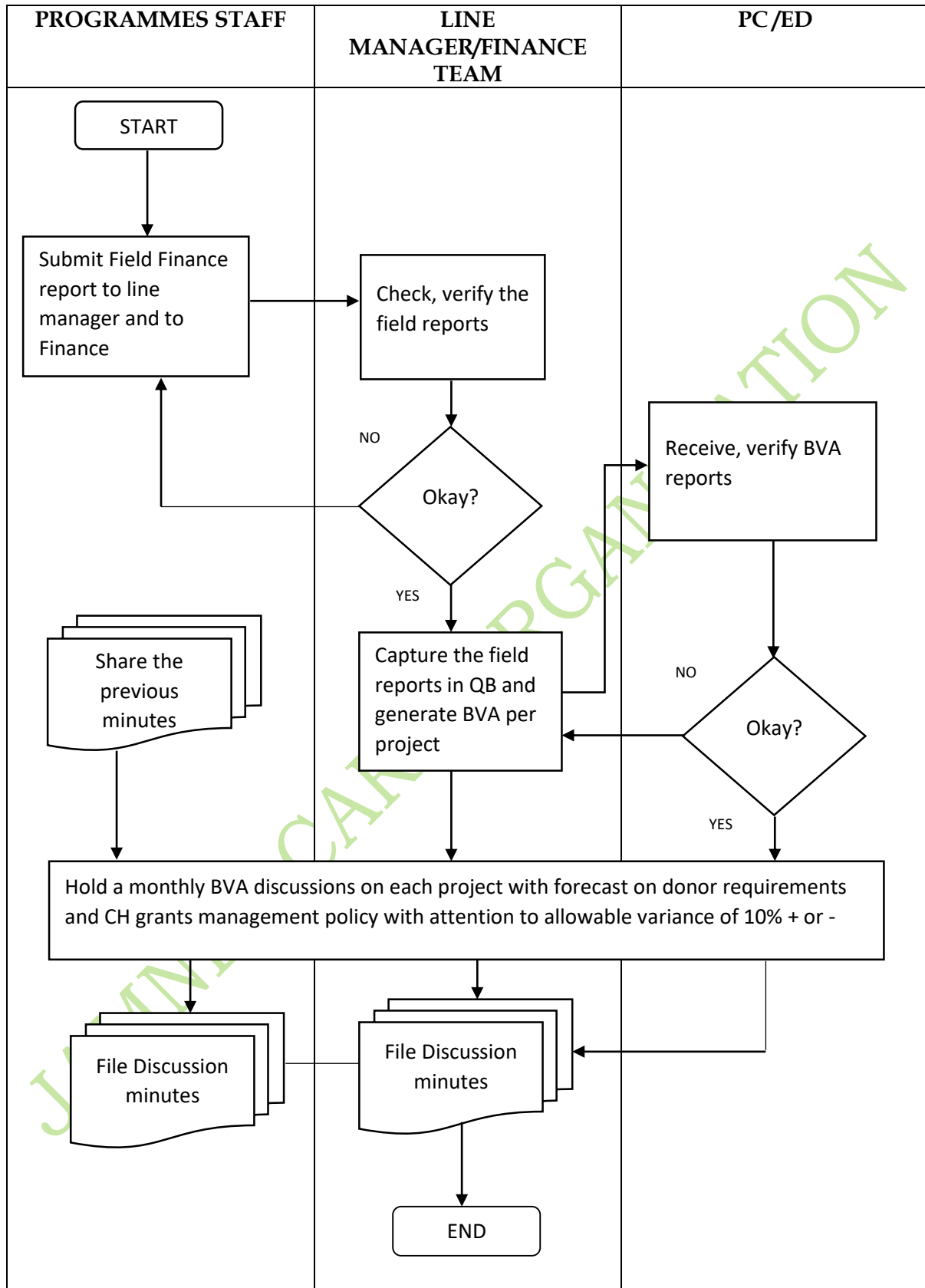
The Project Budget will be approved for submission to the donor by the Program Director after the review by the Program Coordinator. Once the donor approves the Project Budget, the Finance Manager should ensure the Project Budget is translated as follows:

- The Donor Reporting template - For the purpose financial reporting to the Donor. It is important to note that some donors may want the Financial Reports in a more detailed or less detailed version from the budget.
- The JCO Budget Template - For the purpose of including it in the JCO Annual Budget

## **BUDGET MONITORING**

The budget is not useful as a planning tool unless the performance against the budget is measured and monitored periodically. Budget monitoring will be done by reviewing the budget against the actual achievement. This is referred to as Budget vs Actual (BVA). The budget monitoring will also help identify errors made and these will be corrected

**BUDGET MONITORING PROCESS MAP**





## BUDGET MONITORING PROCESS -NARRATION

- Program staff to submit on timely by 25<sup>th</sup> monthly all field finance reports to Finance after approval by Program Coordinator for capture and consolidation with correct CoA codes otherwise known as budget codes.
- Finance team to check and verify field's reports taking cognizant of donor requirements on expenditures, JCO finance policies and coding as provided.
- Finance to post into QB the approved reports and extract BVA by the 5<sup>th</sup> monthly and share with Program Coordinator and Program Director. The same report is shared with program team for discussion by 10<sup>th</sup> monthly for previous month.
- Hold a monthly BVA discussion commencing with previous minutes and then the current report. Points to look at are donor requirements, planned activities, acceptable variances per budget line and heading, cash flow especially projects paid in arrears and foreign exchange rates fluctuations that can impact on project implications. The team should also look at staff costs recovery, overheads and PSC costs % age recovery as agreed by donor.
- The discussion minutes are filed for the following months discussions the minutes to indicate actions points and by whom

## RESPONSIBILITY MATRIX

ACTION	1	2	3
Submit Field Finance Reports to Finance	X		
Capture the field reports in QB and generate BVA per project		X	
Hold monthly BVA Meetings	X	X	X
File Discussion minutes	X	X	

## KEY

1. Programme Team
2. Finance Manager / Team
3. Executive Director / Program Coordinator

## **PAYMENT PROCESS**

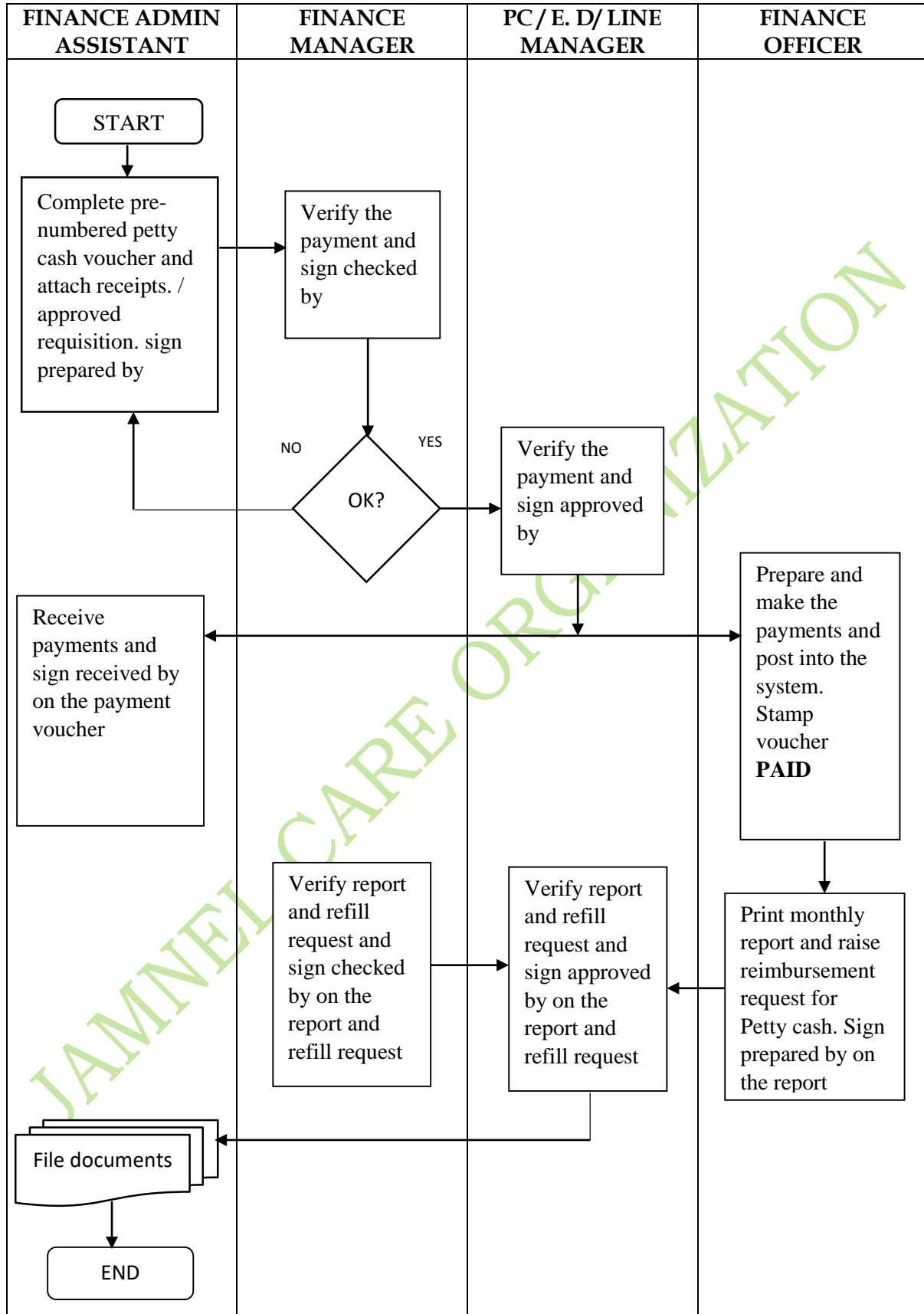
The payment process is the final process in the procurement cycle. Adequate controls should be implemented before the payment process. If the procurement process flaws are discovered when the invoices are presented for payment, JCO's action may be limited, as the vendor may have already met their part of the contract and JCO will be obligated to make payment. The Finance Team should therefore be careful to control the procurement process to ensure compliance before the contracts are issued to the vendor. This chapter of the Finance Manual will address the procedures for making different kinds of payments. Level of petty cash is USD 1000 and SSP 300,000, and it shall be replenished at a level of 300 USD and 80,000 SSP

## **PETTY CASH MANAGEMENT**

JCO will minimize the use of cash payment in as much as possible. The following procedures will guide cash payments:

- Payments below USD 1,000 (or equivalent) can be made in cash. Payments above 1000 USD will need justification for paying cash.
- Petty Cash payments will only be made by the designated cashier or Finance Officer
- Petty Cash payments will be approved based on DOA
- Petty Cash payments will be supported by the corresponding receipts or proof of payment.
- Payments based on internal documents where JCO cannot get 3rd party receipts must be approved based on DOA
- A cash payment voucher will be used to summarize the payment details for recording to the Financial System.
- Petty Cash payments Vouchers will be sequentially numbered and filed for reference

**PETTY CASH MANAGEMENT PROCESS- MAPPING**



## PETTY CASH MANAGEMENT PROCESS- NARRATION

- Admin Assistant to complete pre-numbered petty cash payment voucher and attach receipts. / approved requisition. All requisitions to follow approval process as indicated under requisition process and sign prepared by on the payment voucher.
- Finance Manager to verify the payments check on CoA codes as indicated on the voucher the project to charge and authenticity of the documents and sign checked by on the voucher.
- The line manager, Program Director and Finance Manager to verify the documents and sign on the voucher approved by otherwise the same is returned to finance manager for corrections.
- Once approved, the Finance officer to make the payment and receiver of funds to sign received by if not the third party receiving on behalf to sign received by. Finance officer to cancel the documents including payment voucher with stamp PAID and date paid.
- Finance officer to post transactions into QuickBooks and generate a summary report on monthly basis showing money into petty cash, payments, and cash balances. Finance officer to sign on the report prepared by forward the same with all vouchers attached to Finance Manager to check and verify and eventually sign checked by. The report is finally approved by either PC/ED, or Line manager Finance Department.
- Finance officer to file the documents as per voucher numbers for ease of retrieval
- Finance Manger to conduct Weekly petty Cash count with the custodian

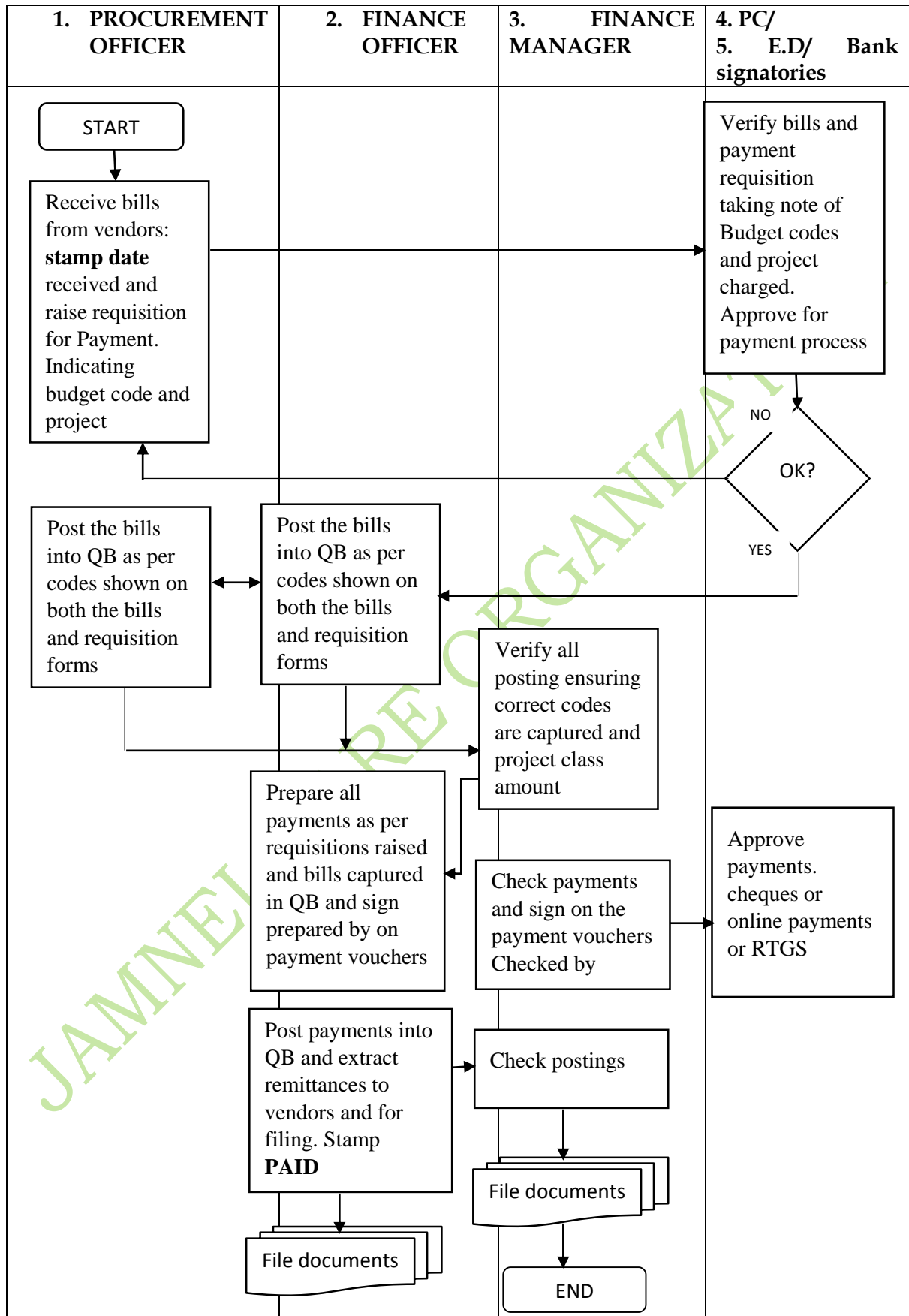
## RESPONSIBILITY MATRIX

ACTION	1	2	3	4
Complete pre-numbered petty cash voucher and attach receipts. / approved requisition. sign prepared by	X			
Verify the payment and sign checked by		X		
Verify the payment and sign approved by			X	
Prepare and make the payments and post into the system. Stamp voucher <b>PAID</b>	X			
Receive payments and sign received by on the payment voucher				X
Print monthly report and raise reimbursement request for Petty cash. Sign prepared by on the report	X			
Verify report and refill request and sign checked by on the report and refill request		X		
Verify report and refill request and sign approved by on the report and refill request			X	
File documents	X			

## KEY

1. Finance Admin Assistant
2. Finance Manager
3. Programmes Manager / Line Manager
4. Finance Officer

**BANK PAYMENT PROCESS- MAPPING**



## BANK PAYMENT PROCESS- NARRATION

- Procurement and Logistics Officer upon receipt of bills from vendors will stamp date received and raise requisition for Payment. Indicating budget code and project. Attachment to the payment requisition is the purchase order given to the vendor, contract copy in case of a consultant and tax number where applicable for WHT.
- The Programme Manager/, project Manager / Line manager will verify bills and payment requisition taking note of Budget codes and project charged.
- PC will Approve for payment process back to the both the procurement and logistics officer and Finance officer to capture the same in QB.
- Finance Manager will verify all posting ensuring correct codes are captured and project class is correct and the amount in QB corresponds to hard copy documents. If the amounts are in different currency, then the Finance manager will ensure that the correct exchange rate has been captured.
- The Finance officer will then prepare all payments as per requisitions raised and bills captured in QB and sign prepared by on payment vouchers. This will be passed to Finance Manager for verification.
- PD/ED / Bank signatories will authorize payments: cheques or online payments or RTGS and sign on the payment vouchers approved and authorized by.
- The Finance Officer to post payments into QB and extract remittances to vendors and for filing. Stamp PAID the payment vouchers, bills and support documents and files the same as per payment references. The finance manager to check all postings and extracts reports such as payables reports or supplier statements.
- All postings into QB will be stamped POSTED to avoid double capture of data into the system

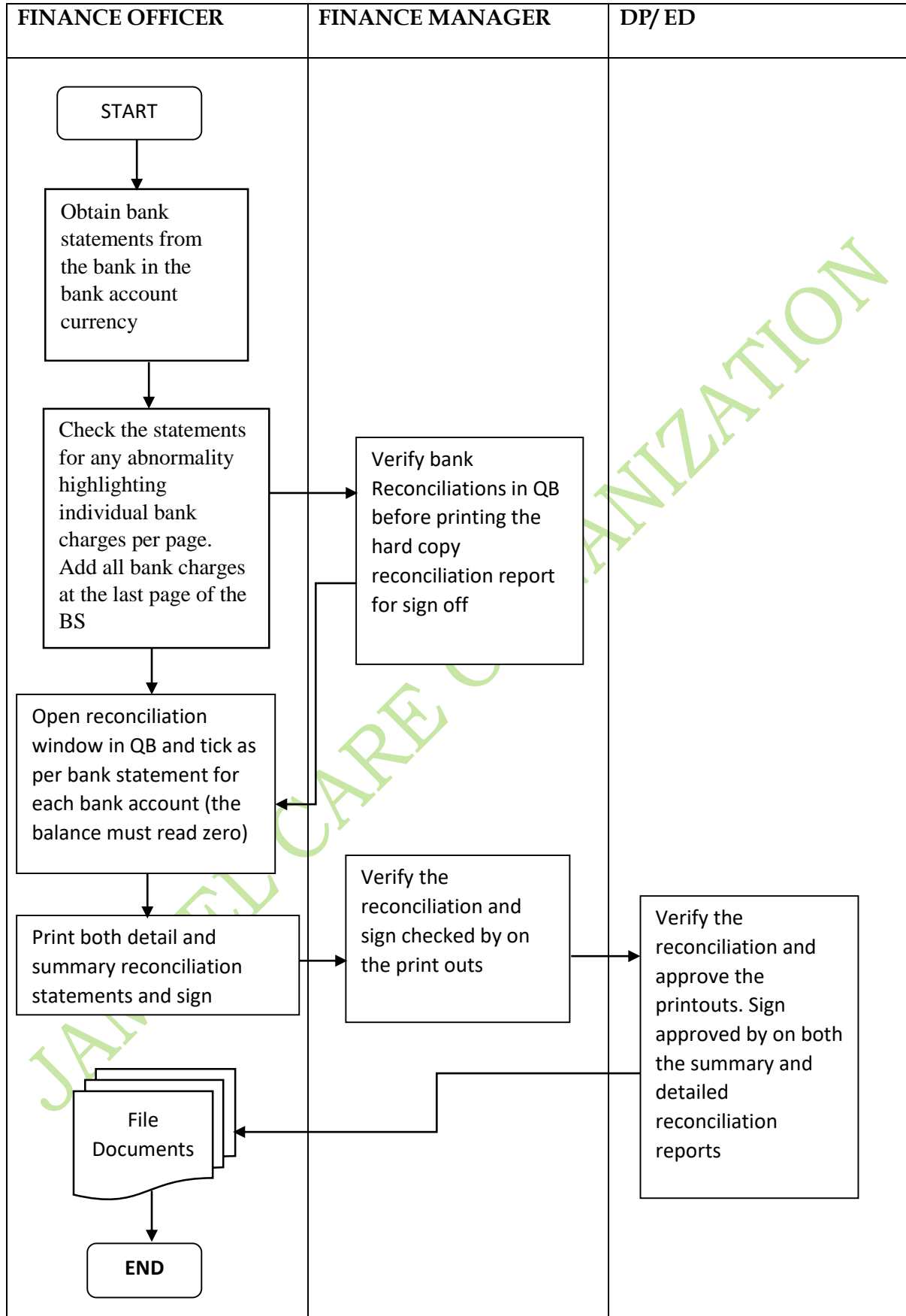
## RESPONSIBILITY MATRIX

ACTION	1	2	3	4	5
Receive bills from vendors: stamp date received and raise requisition for Payment. Indicating budget code and project	X				
Verify bills and payment requisition taking note of Budget codes and project charged. Approve for payment process				X	
Prepare all payments as per requisitions raised and bills captured in QB and sign prepared by on payment vouchers		X			
Authorize (Bank signatories)					X
Verify all posting ensuring correct codes are captured and project class amount			X		

## KEY

1. Procurement Officer
2. Finance Officer
3. Finance Manager
4. Program Coordinator/ Signatories
5. Executive Director / Program Director

**BANK RECONCILIATION MAPPING PROCESS**



## BANK RECONCILIATION PROCESS -NARRATION

- Finance Officer to obtain bank statements from the bank in the bank account currency by the 2<sup>nd</sup> day of the following month after month end and check the statements for any abnormality highlighting individual bank charges per page. He /she should add all bank charges at the last page of the bank statement from individual pages summary.
- Finance Officer to open reconciliation window in QB and tick transactions as per bank statement for each bank account (till balance must read zero at the QB window). Both QB and bank statements are ticked on similar transactions as shown.
- Finance Manager to verify bank Reconciliations in QB before printing the hard copy reconciliation report for sign off and investigate any reconciliation differences that might have arisen. He / She to take cognizant of unrepresented cheques that might be overdue and investigate.
- The next process is for the Finance officer to Print both detail and summary reconciliation statements and sign prepared by while the Finance Manager after verification will sign on both documents checked by. Finance Director or Executive Director to approve both Summary and Detailed reconciliation reports.

### Independent Verification

Clear supervision is vital to ensure that control systems are working and that weaknesses will be identified and corrected. The FM will consistently review the controls being implemented by the Finance Officers to ensure consistent implementation done. The Executive Director will also consistently review the Internal Controls being implemented by the FM. The Independent verification by the FM and the Executive Director will be done as follows:

- Periodic review of reconciliations
- Independent verification and drill down of transaction samples
- Surprise checks on petty cash and assets
- Variance analysis review

### RESPONSIBILITY MATRIX

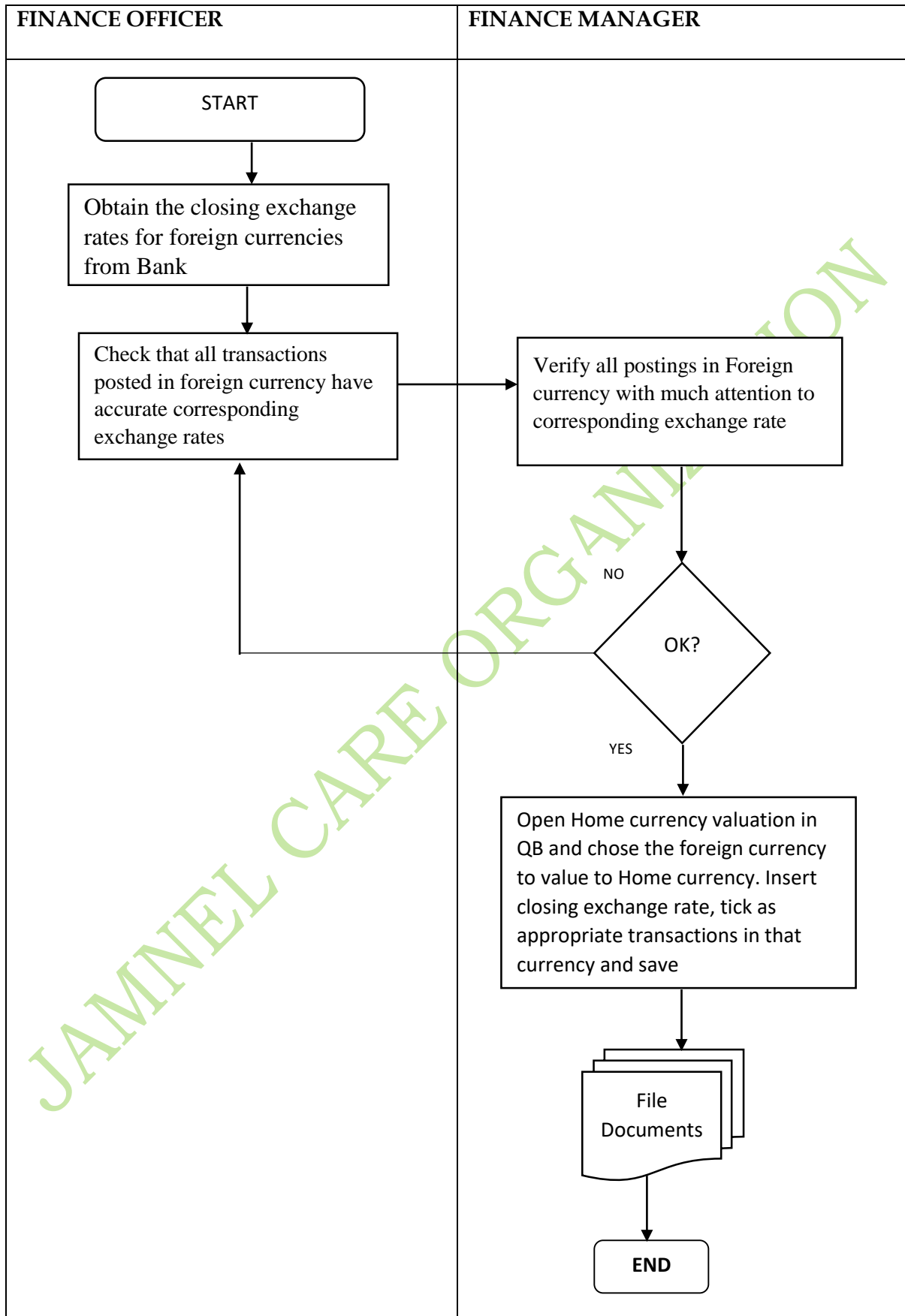
ACTION	1	2	3
Obtain bank statements, check postings, capture bank charges and reconcile the bank accounts. Print and file	X		
Verify the reconciliations		X	
Approve Reconciliation statements			X

#### KEY

1. Finance Officer
2. Finance Manager
3. Program Director/Executive Director



**FOREIGN CURRENCY VALUATION - MAPPING PROCESS**



## FOREIGN CURRENCY VALUATION - NARRATION

JCO receives funds from different donors in various currencies. The base Currency for Reporting for JCO is United States of America Dollars (USD). JC will adopt the UN official rate and the central Bank rate for conversions of currencies

JCO seeks not to get an undue advantage or loss from Foreign Exchange (FOREX) as we are not in the business of FOREX trading. Actual FOREX gains received will be passed on the Project and beneficiaries as necessary, whereas losses will also be absorbed by the Projects, mainly through revision of financial plans as appropriate.

- Book gains and losses will be recorded to the Profit and Loss account.
- Funds received from donors will be subject to the donor's rules and policies with regards to exchange rates for financial reporting.
- Where the donor doesn't have specific rules for Foreign Exchange (FOREX), JC will use the following principles:
  - Finance Officer to obtain the closing exchange rates for foreign currencies from Bank each month by 2<sup>nd</sup> of the following month for all the foreign currency bank accounts.
  - Finance Officer to check that all transactions posted in foreign currency have accurate corresponding exchange rates at the time of transaction and that the exchange rate applied is valid and authenticated.
  - Finance Manager to verify all postings in Foreign currency with much attention to corresponding exchange rate and validity of the same.
  - Finance Manager to open Home currency valuation window in QB and chose the foreign currency to value to Home currency. Insert closing exchange rate, tick as appropriate transactions in that currency and save

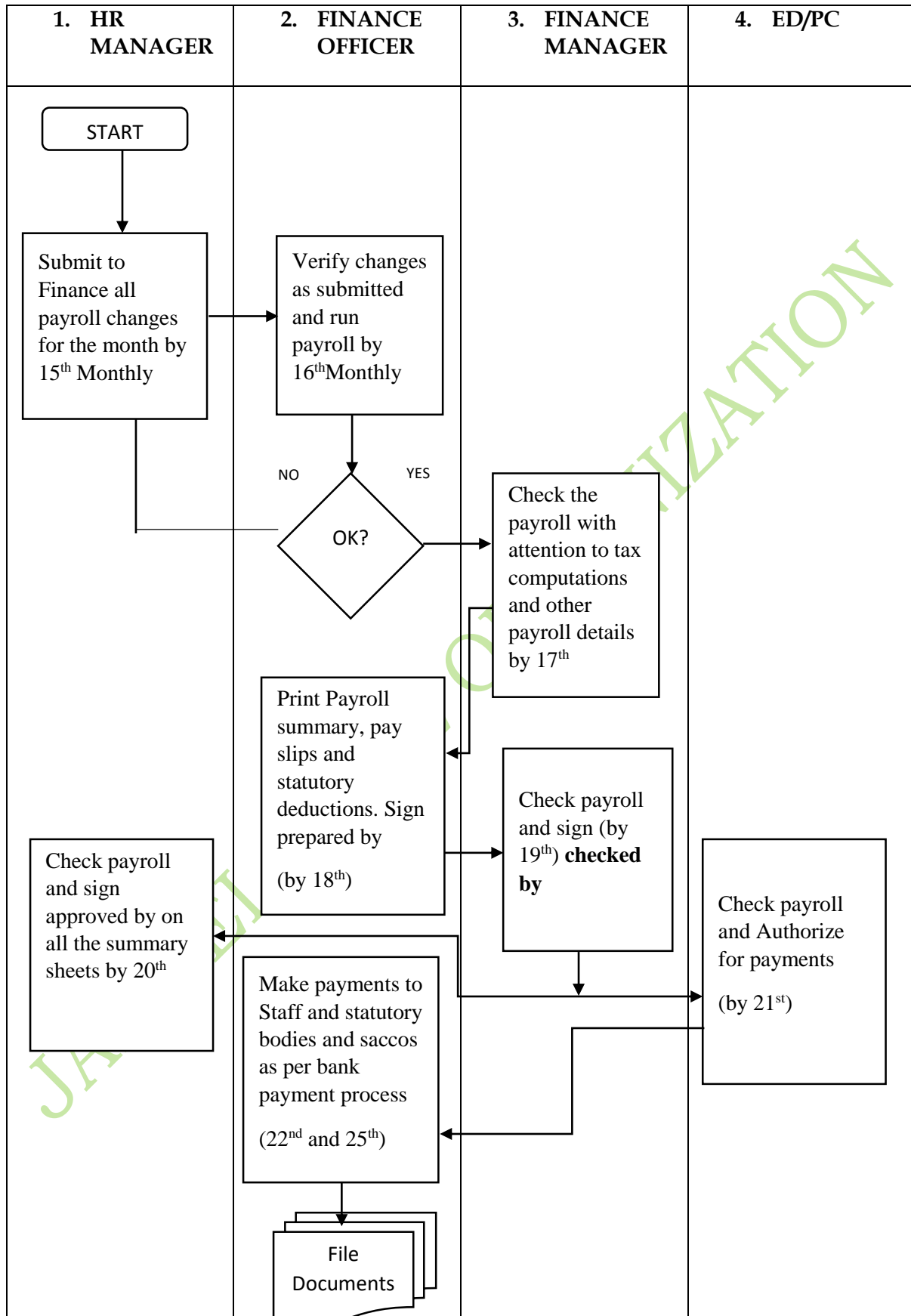
## RESPONSIBILITY MATRIX

ACTION	1	2
Obtain the closing exchange rates for foreign currencies from Bank	X	
check that all transactions posted in foreign currency have accurate corresponding exchange rates	X	X
Perform Foreign Currency Valuation in QB		X

## KEY

1. Finance Officer
2. Finance Manager

**PAYROLL MANAGEMENT- MAPPING PROCESS**



**PAYROLL MANAGEMENT- NARRATION**

- HR Manager to submit to Finance all payroll changes for the month by 15th Monthly after checking all necessary changes per staff. This can include new Staff joining, staff leaving, pay rise or reductions, any allowances added or denied and any other effects on staff payroll. It must be accurate for finance to rely on the information.
- Finance Officer to verify changes as submitted and run payroll by 16th Monthly and let the Finance Manager check the payroll soft copy before printing the same for signatures. Once Okay. The payroll is printed and Finance Officer to sign prepared by while Finance Manager to sign checked by 17th. The payroll is then forwarded to HR Manager for approval by 20th
- HR Manager to check and verify payroll and sign approved by on all the summary sheets then forward to the DP and Executive Director for authorization for payments by 21st. Once ED has authorized, the same is sent back to Finance Officer to commence payment process as per Bank payment procedure process this process to run from 22nd to 25th
- Finance officer will file all payroll documents in payroll file and statutory payments and documents in respective statutory files

**RESPONSIBILITY MATRIX**

ACTION	1	2	3	4
Submit to Finance all payroll changes for the month by 20th Monthly	X			
Verify changes as submitted and run payroll by 21st Monthly		X	X	
check payroll and sign approved by on all the summary sheets	X			
check payroll and Authorize for payments				X
Make payments to Staff and statutory bodies and saccos as per bank payment process		X		

**KEY**

1. HR Manager
2. Finance Officer
3. Finance Manager
4. Program Director/Executive Director

## **PAYROLL CONTROLS**

- Payroll costs form a significant portion of the JCO budget. Detailed explanation of the staffing and payroll process is explained in the Human Resources Manual. The following controls will be implemented over payroll:
- All staff positions will be supported by a Job Profile as a requisite for the need of the staff's role
- All staff must have a valid contract. The payroll will be supported by the staff contracts
- Payroll data is confidential and should be treated so throughout the payroll process.
- The payroll sheet should be password protected. The password and the payroll sheet should be shared in separate emails.
- Payroll is maintained in an excel sheet, the FM will ensure integrity of the excel sheet all the time, including locking of formula cells as appropriate.
- The payroll will be prepared by Finance Officer Reviewed by Finance Manager approved by the Human Resources Manager (HRM) and authorized by the ED.
- The Payroll will be prepared by the 20th day of each month to allow ample time for review and approval.
- The payroll process includes a monthly payroll reconciliation with explanation for variances from the previous month's payroll
- Staff salaries will be paid to staff bank accounts per the staff data form submitted to the HRM. Any changes to the bank account must be presented in writing
- All staff will fill in timesheets which shall be used as a basis of allocating their staff costs to different projects.
- Payroll expenditure for the month will be posted to the Salary Control Account in the Balance Sheet and then allocated to the Projects and JCO Funds per the staff time sheets.
- Statutory payments including Personal Income Tax (PIT) and Social Security payments will be deducted at source and paid before the deadlines.

## **TRAVEL**

Controls over National Travel will include the following:

- Travel costs must be included in the Project and other Budgets as appropriate. The cost of travel will include the accommodation where necessary, vehicle hire, fuel, road levies, per diem, air ticket and any other costs specific to the travel.
- Travel over radius less than 20 kilometers from the staff's base location will not be subject to Per Diem.
- Staff will prepare a monthly travel schedule to enable the Project Managers have an overview of the travel plans.
- Whenever possible, different staff travel plans may be consolidated for the staff to travel in one party, for the purpose of cost efficiency.
- Staff will fill in the Travel Authorization Form at least 4 days before each specific travel.
- The staff supervisor or Project Manager or delegate will review and ascertain that the travel is necessary to the fulfillment of JC Project Activities before approval.
- Availability of funds shouldn't be the main driver for travel approval.
- Necessary logistical and security considerations will be considered before travel approval and before the actual travel.

- Travel report should be prepared within 5 days of return from the travel. Travel report should be prepared within 5 days of return from the travel.

### INTERNATIONAL TRAVEL

In addition to controls over National Travel above, JCO will implement the following controls over International travel:

- All International Travel must be approved by the Program Coordinator in the absence of executive director or any other as per the delegation memo
- International Travel will be scheduled at least 1 month in advance to take advantage of early air ticket prices
- Personal costs including extra days spent and itineraries that are not part of JCO activities will be recovered from the staff.
- Travel insurance as necessary will be procured for all International Travel.

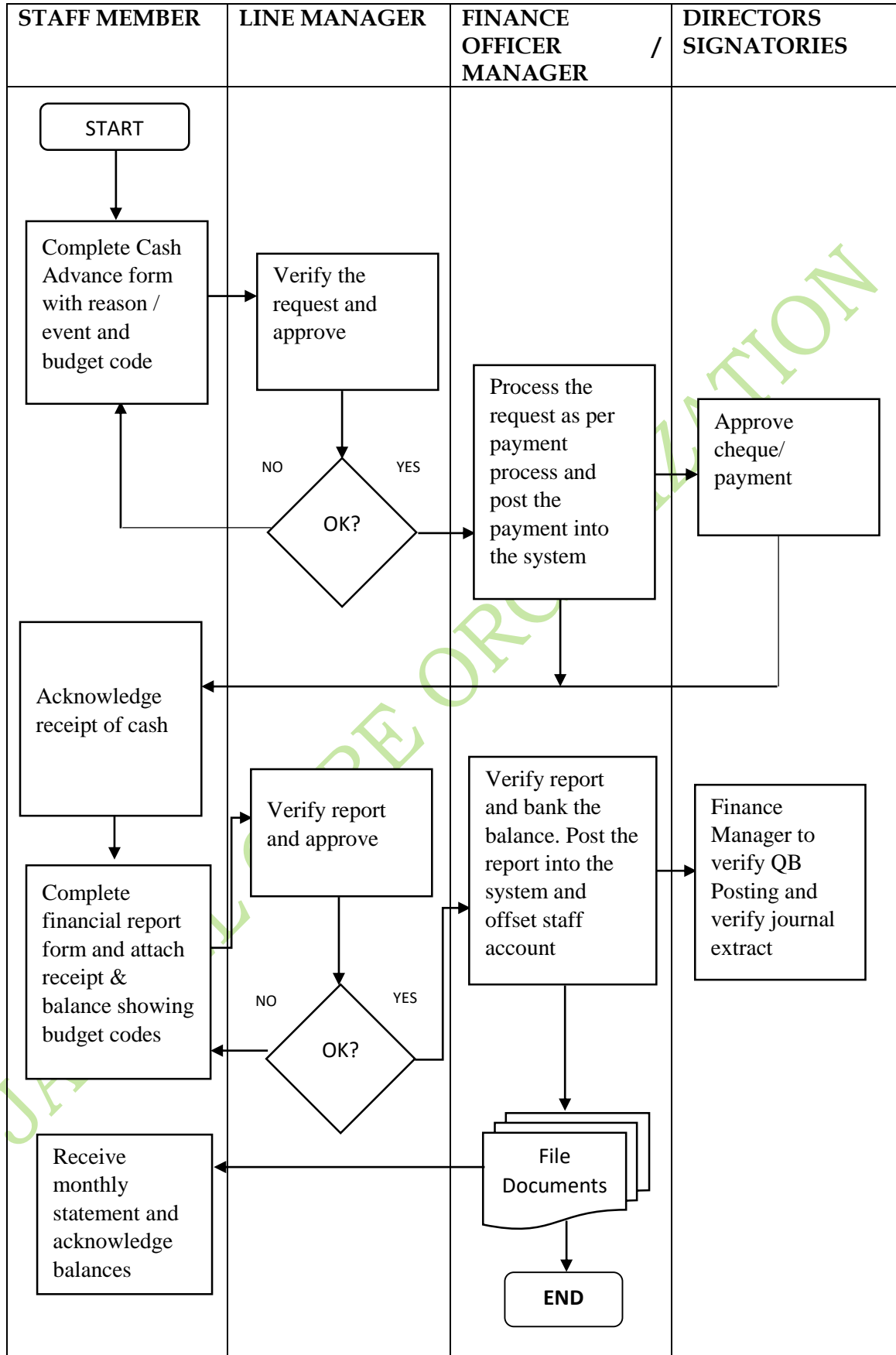
### PERDIEMS

The following table provides for per-diem rates both in Juba and Field Locations. This may only apply for staff that travels away from their normal duty station. International Travel Per Diem is capped at **USD 40** per day excluding accommodation costs

Description	Per diem rate
JCO compound with full accommodation and meals	NIL
JCO Compound without food	10 USD
Without JCO compound no meals	30 USD
Juba and other cities within South Sudan	30 USD
International	40 USD

- Exceptions will be made on case by case for staff accommodated in hotel for short period during workshops or another event requiring them.
- Local travel 30 USD including accommodation
- Local Daily subsistence allowance 10 USD where JCO is paying or providing accommodation

**FIELD ADVANCE MANAGEMENT -PROCESS MAP**



## FIELD ADVANCE MANAGEMENT -NARRATION

- Staff member to submit a request with a budget for to line manager approval
- Line manager submits consolidated team requests for approval to Program Director.
- After approval, staff member complete Cash Advance form with reason / event and budget code attached and present to line manager or programmes manager for approval as per planned activities and donor / JCO requirements
- The Finance Officer to process the request as per payment process and post the payment into the QuickBooks the accounting system as an imprest to be liquidated on return trip or afterwards.
- Executive director authorizes
- The money transfer agent is contacted to deliver money to field staff.
- The staff member who requested the advance on return will complete financial report form and attach receipt & balance showing budget codes and donor projects to be charged. This report is presented to the Line manager or Program Manager for approval and submission to Finance to capture the report into QB.
- The Finance Officer to verify report and bank the balance. Post the report into the system and offset staff account and thereafter the Finance Manager to verify QB Postings and generate staff statements to the staff member.

## RESPONSIBILITY MATRIX

ACTION	1	2	3	4
Complete Cash Advance form with reason / event and budget code, Receive Payments and generate finance field Report	X			
Verify the request and approve. Verify report and approve		X		
Process the request as per payment process and post the payment into the system. Verify report and bank the balance. Post the report into the system and offset staff account			X	
Approve cheque/ payment. Finance Manager to verify QB Posting and verify journal extract				X
Receive monthly statement and acknowledge balances	X			

## KEY

1. Staff Member
2. Line Manager
3. Finance Officer / Manager
4. Directors / Signatories



## **PROCUREMENT PROCESS**

This section of the Finance Manual will describe an overview of the Procurement process. It is important to note that lack of compliance to JCO or the donor's procurement rules and regulations may lead to disallowed costs which are not only a loss of resources by JCO but also a loss of confidence on JCO by the donors. The Finance Team is a key gatekeeper at various procurement steps. These are highlighted in this chapter.

## **POLICY**

All procurement shall be carried out in a transparent and competitive manner considering value for money (economy, efficiency, effectiveness) and without violating the donor, government or other governance bodies' requirements.

## **PRINCIPLES OF PROCUREMENT**

The following principles shall be adhered to in the procurement of materials and services:

### **FAIR COMPETITION**

Organization shall treat all bidders with fairness and ensure that they are given the same level of information when preparing quotations or tenders. Jamnel Care Organization shall obtain at least 3 Quotations before award is given.

### **CONFLICT OF INTEREST**

Situations of conflict of interest with the business of the Organization shall not be encouraged and if any should be declared to the Organization. Violation of this clause may lead to disciplinary action and or summary dismissal

### **COST-EFFECTIVENESS**

Quotations and tenders should be evaluated not only on competitiveness in pricing but also factors such as the quality of the products/services and track records of the bidders.

### **TRANSPARENCY**

To ensure transparency, tender documents should provide all the necessary information to facilitate submission of appropriate and competitive tenders

### **ACCOUNTABILITY**

Jamnel Care Organization shall always strive to ensure utmost accountability to the Partners, Donors and any relevant parties for any procurement involving the use of donor funds.

### **PREQUALIFICATION OF VENDORS**

JCO shall maintain a list of prequalified vendors for various categories of goods and services. This list shall be updated at least once in every 3 years. All procurement except for National and International tenders will be sourced first from the list of pre-qualified vendors before casting the procurement net wider if the prequalified vendors list is not sufficient. Prequalified vendors shouldn't be confused with Contracted Vendors. The later are vendors who have been given long term contracts for supplies of services at a specific cost. For example, JCO may give a vendor the contract for provision of office stationery at a fixed price for a fixed period. Prequalified vendors will need to submit their bids for the procurement process depending of the procurement threshold and compete for the contract of purchase or service. All contracted vendors must be prequalified vendors, whereas all prequalified suppliers are not necessarily contracted vendors.

## **PROCUREMENT PLANS**

A procurement plan is a list of procurement planned, noting the procurement timelines and procurement methods to be used. A procurement plan will be done for each Project at the onset of the implementation. Procurement planning is essential to ensure JCO gets value for money from a well implemented and documented procurement process, through bulk discounts, transport and other logistical efficiencies and time spent by procurement and finance teams due to reduced number of transactions. Procurement planning will also assist the FM to manage the Cash Flow Budget by scheduling procurement payments to periods of positive cash flow balances. A sample procurement plan is referenced as Annex 18

## **PROCUREMENT REQUESTS**

The initiator of the transaction will submit a Procurement Request. For all transactions the request should be documented in writing. An email request is encouraged as part of archiving and having backup copy important information such as the budget codes should be included in the email to be used as well as review function. Staff should always fill in the Purchase Request (PR) form. Annex 15 and this may now be shared through email. The request will indicate the goods or services needed with no ambiguity, the period needed, the estimated cost and the budget codes information. The request will not have brand or supplier names, as this may impeded the procurement process. This is highlighted in greater detail in the Procurement & Operations Manual. The requisition is used as an internal control document to segregate responsibilities such as the requester cannot be the reviewer nor approver. The request will be reviewed by the finance team and the Supervisor or their delegate.

The Finance team will review that the budget codes are correct, the arithmetic calculation is correct and that funds are available. The Supervisor or their delegate will review that the planned expenditure is in line with the Project needs. The documentation of the review by the Finance Team and / or the Supervisor should be appropriately documented. The request will then be approved according to the DOA. The approval gives the green light for the procurement process to continue.

## **REQUEST FOR BIDS**

The next step in the procurement cycle is to request for and receive bids from various vendors. Depending on the type and value of the transactions, the bids will be requested for and received in various manners. The value of the Purchase Request will inform the method of procurement to be used. JCO will use the following Procurement thresholds with regards to procurement.

Table 1: Procurement Thresholds and Request for Bids

	<b>Procurement Value (USD) or equivalent</b>	<b>Supplies</b>	<b>Services</b>	<b>Works</b>
1	Less than 500	1 bid	1 bid	1 bid
2	Between to 501 to 5,000	3 Open bids	3 Open bids	3 Open bids
3	Between to 5,001 to 50,000	3 national / international open bids	3 national / international open bids	3 national / international open bids
4	Between to 50,001 to 100,000	National and international tender	National and International tender	National and international tender
5	Greater than 100,001	National and International tender	National and International tender	National and International tender

### EVALUATION OF BIDS

The bids will be evaluated by the Procurement lead or the procurement committee depending on the value and category of items. The bids will be evaluated per the following table:

Table 2: Bid Evaluation

	<b>Procurement Value (USD) or equivalent</b>	<b>Supplies</b>	<b>Services</b>	<b>Works</b>
1	Less than 200	N/A	N/A	N/A
2	Between to 201 to 1,000	Procurement Officer	Procurement Officer	Procurement Officer
3	Between to 1,001 to 5,000	Procurement Committee	Procurement Officer	Procurement Officer
4	Between to 5,001 to 10,000	Procurement Committee	Procurement committee	Procurement Committee
5	Between to 10,001 to 100,000	Procurement Committee	Procurement Committee	Procurement Committee
6	Greater than 100,001	Procurement Committee	Procurement Committee	Procurement Committee

The procurement lead or procurement committee will make a recommendation of the best value for money. The best value for money is not necessarily the cheapest proposal. A

Technical Expert may at times be involved in the bid analysis process where technical expertise is needed. A Bid Analysis Template will be used to review the bids and document the Procurement Committee recommendation. The Bid Analysis is referred herein as Annex 19. The bid evaluation will be approved according to the DOA

**PROCUREMENT COMMITTEE**

JCO will constitute a procurement committee for oversight on procurement at different levels of procurement. The Procurement Committee will be constituted as follows:

- Procurement Officer - Secretary and permanent member
- Finance Officer - Permanent member
- Programm’s representative - Permanent member
- Technical experts as needed - temporary member

A Technical Expert may at times be involved in the bid analysis process where technical expertise is needed. The procurement committee will open and evaluate sealed bids and tenders make a recommendation of the best value for money. The best value for money is not necessarily the cheapest proposal. The secretary of the Procurement Committee will take minutes of the meeting deliberations as well keep the records filed for audit purposes. The bid evaluation will be approved according to the DOA.

**PROCUREMENT CONTRACTS**

A procurement contract will be issued based on the outcome of the bid evaluation process. The table below summarizes the contracts per the value and type of procurement process.

Table 4: Procurement Contracts

	<b>Procurement Value (USD) or equivalent</b>	<b>Supplies</b>	<b>Services</b>	<b>Works</b>
1	Less than 200	N/A	N/A	N/A
2	Between to 201 to 1,000	Receipt	Receipt	Receipt
3	Between to 1,001 to 50,000	Purchase order	Service Contract	Contract for Works
4	Between to 50,001 to 100,000	Purchase order	Service Contract	Contract for Works
5	Greater than 100,001	Purchase order and Contract Agreement	Service Contract	Contract for Works

The contracts should be signed per the DOA. Contract Agreements, Service Contracts and Contract for Works must be countersigned by the vendor, by its duly authorized agent.

**PROCUREMENT PERFORMANCE**

Procurement performance is the delivery of the goods and services and performance of the works. Payment cannot be processed unless the performance is satisfactory and per the contract terms. The performance of supplies will be evidenced by a verified and duly confirmed delivery note. The delivery note is prepared by the vendor and confirmed by a duly

authorized JCO officer who confirms the delivery of the items. The confirmation will be for quality and quantity. Damaged goods will not be accepted. Partial deliveries must sum up to the contract value and any inconsistencies adjusted for during payment. JCO cannot pay above the contracted price and quantities without a supplementary contract.

For goods delivered directly to a warehouse, to a partner or to project beneficiaries, a goods received note (GRN) will be generated by the JCO officer in charge of the receipts, and the GRN approved as appropriate per the DOA. Performance of services will be evidenced by certification of work done to the acceptable quality. If necessary, an expert may be consulted to verify the services rendered. Performance of works will be evaluated per the contract for works and paid according to the level of completion of works done certified by a technical expert. This is used mostly for construction work. After performance of the contract is verified, vendor invoices can be submitted for payment.

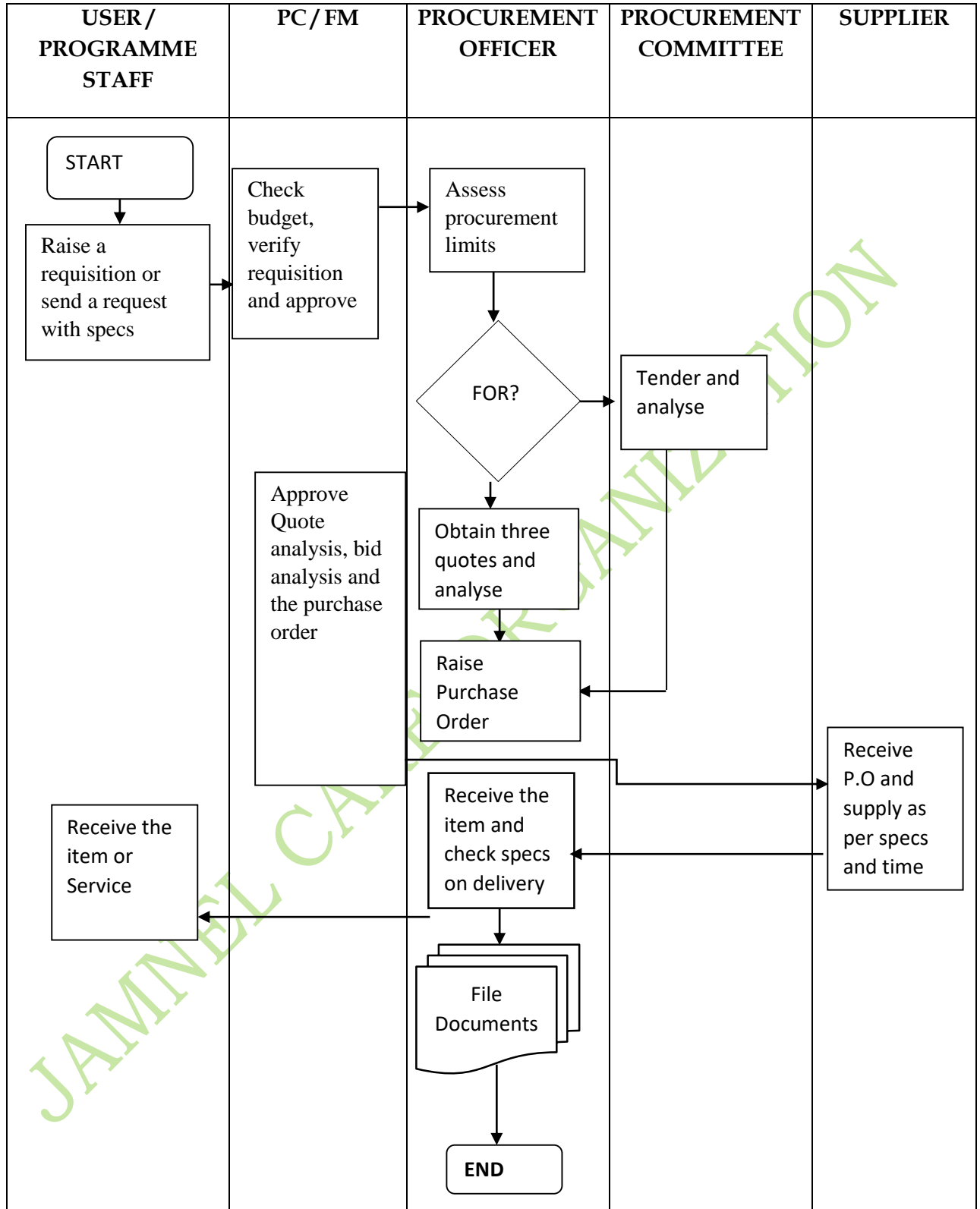
#### **PAYMENT**

Following the successful performance of the procurement contract, the vendor's invoice, delivery note / confirmation of services rendered and the support documentation to the procurement process will be provided to finance to effect payment to the vendor. The payment process is detailed in a separate section of this manual.

#### **RECORDS**

The procurement lead will submit all the original documents for the procurement process to the Finance Team to support the payment of the vendor's invoice. Copies of the procurement process including the invoice and delivery notes / certification of completion will be kept in the procurement office.

**PROCUREMENT PROCESS- MAPPING**



## PROCUREMENT PROCESS- NARRATION

- The user department or programme staff to raise a requisition for items or send a request with specs to the Finance manager who will check the budget availability and verify requisition. PM/ PD to approve the request.
- The Procurement and Logistics officer to assess procurement limits determining whether a direct purchase is required, three quotes and a bid analysis or tender committee is required and advise accordingly.
- Procurement and Logistics Officer to raise a purchase order and submit for approval by PD/PM depending on the authorization matrix and sent to the supplier as prequalified with clear terms of payments and specs of items to be delivered. The supplier has to issue an invoice. He / she will intern receive the items with a delivery note and record the items received in a GRN and sent to the user department and record in store the items received.

## RESPONSIBILITY MATRIX

ACTION	1	2	3	4	5
Raise a requisition or send a request with specs receive the item or Service	X				
Approve Quote analysis, bid analysis and the purchase order JCheck budget, verify requisition, and approve		X			
Assess procurement limits Raise Purchase Order Obtain three quotes and analyze Receive the item and check specs on delivery			X		
Tender and analyze				X	
Receive P.O and supply as per specs and time					X

## KEY

1. User / Programme Staff / Department
2. Line Manager / Program Coordinator
3. Procurement and Logistics Officer
4. Procurement Committee
5. Supplier / Vendor

## **FIXED ASSETS MANAGEMENT PROCESS**

### **VEHICLES**

Detailed explanation of use of Project vehicles is covered in the Operations Manual. However, the following controls shall be applied to motor vehicles:

- JCO or hired vehicles will only be used for JCO activities and not personal use
- All JCO Vehicles will have a unique identity in the Financial System to be able to track the costs of each vehicle.
- Where appropriate, fuel cards will be used to top up fuel, and JCO shall avoid paying for fuel in cash where possible.
- Vehicle log sheet books shall be maintained to log in journey details including the start and end mileage
- The odometer mileage reading will be indicated during Fuel purchase and this information will be included in the vehicle log sheet record.
- Costs for vehicle maintenance including vehicle service, insurance etc will be extracted from the financial records each month for the purpose of analysis

A monthly report will be prepared for each vehicle to show:

- The vehicle fuel efficiency, that is, fuel consumed over the mileage range
- The vehicle running cost, that is, total expenditure including maintenance costs attributed to the vehicle.

### **ALL OTHER ASSETS**

Assets should be protected to prevent loss, damage, or theft. JC will have the following safeguards concerning Assets

- Physical controls for access of Assets including use of locks
- Access controls through passwords for computers
- Backup and recovery procedures, i.e., off-site backup data storage for computers
- All Assets will be recorded in the Asset Register. The Asset Register is documented as Annex 17
- Movement of Assets from one location to another or change of custodianship of assets such as laptops will be documented by updating the Asset Register
- An Annual asset verification process will be performed by the Finance Team to verify the Assets against the Asset Register

Use of JCO assets for personal use should be monitored where it affects the value of the asset, such as vehicle mile books.

Assets with a nil value can still be valuable and local procedures should focus on the market value of any such asset disposed.

- Executive Director or Assets disposal Committee should approve any disposals of assets
- Terms for disposals of vehicles requires the advanced approval of the Executive Director



## CAPITALIZATION OF ASSETS

An asset will be defined and classified per the donor's rules following the source of funds procuring the asset. In the absence of such donor requirements and for JCO funded assets, an asset for the purpose of bookkeeping will be defined as "A tangible or intangible economic good with a cost value that can be reliably measured and has a future economic benefit to JCO beyond one fiscal year" The threshold for capitalizing JCO funded assets in the General Ledger is that the purchase price is equal or greater than USD 6,00 and the economic life of the assets transcends one fiscal year. Assets funded by donor projects will be depreciated 100% to the Profit and Loss (P&L) Account in the period of purchase. An "off the system asset register" will be maintained for such assets to track their depreciation and written down values.

Some donors may require Assets to be capitalized at lower values than the JCO Policy. In this case, a separate Asset Schedule will be maintained to include lower value items as per the donor's requirements.

Assets funded by JCO funds will be subjected to depreciation per the following schedule on a straight-line depreciation basis.

- Land - 0%
- Buildings - 6.67%
- Vehicles - 25%
- Equipment including computers - 33.37%
- Furniture and Fittings - 25%
- Intangible Assets (Software, Patents, Royalties etc.) - 33.37%

All assets should be bought outright if required for our work and are charged in the year of purchase for budget approval purposes (accounting treatment may differ). All asset leases require pre-approval from the Executive Director.

- All assets to be tagged using JCO code and attached to every asset by the Procurement and Logistics officer.
- Asset register is updated by the Procurement and Logistics officer showing the cost, year of purchase, allocation and the JCO code and Donor or Project. Assets Register is in QB and is updated by Procurement and Logistics Officer
- All laptops are issued to staff via allocation document that they sign received.
- Disposals of all assets are approved as per overall assets management policy of JCO.

## **ANTI- FRAUD PROCESS**

### **FRAUD DEFINITION**

JCO adopts the Institute of International Auditors definition of Fraud as follows:

Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage” A fraudulent transaction will satisfy the following criteria:

- An illegal act
- A deceitful act
- It involves concealment (including through misrepresentation of facts)
- It involves violation of trust
- It ends up securing personal or business gains or advantages
- It is not an honest mistake

JCO has a ZERO tolerance policy on Fraud. This means that staff found guilty of fraud will be disciplined accordingly up to and including summary dismissal. BOD members found guilty of Fraud will be expelled from the BOD. Partners found guilty of Fraud will have their agreement terminated and disbarred from financial engagement with JCO for a minimum period of 3 years. Suppliers found guilty of Fraud will be disbarred permanently from the list of suppliers.

### **FRAUD PREVENTION**

JC will adopt the following principles to prevent Fraud:

- All staff, suppliers, board members will be screened for fraud through SDN JCeck list <https://sanctionssearch.jc.ofac.treas.gov/>
- Raise and maintain a culture of awareness of Fraud and its impact through staff inductions and trainings on fraud
- Cultivate a culture of honesty and ethical behavior by setting the right tone at the top, from the BOD, the ED to the lowest cadre of staff.
- Identify the risk areas of fraud, document them in a register and monitor both the occurrence of this risk or emergence of other risks. With new technological advancements, the risk of fraud evolves too.
- Have effective risk management and control mechanisms, as explained in the Internal Controls chapter, monitor, and review the controls effectiveness periodically.
- Discipline staff partners and suppliers found guilty of fraud up and including the termination of their services

### **FRAUD REPORTING**

Suspected fraud should be reported directly in writing to the Executive Director or to the BOD where the suspicion claims are against the Executive Director. Suspected fraud reports should be done without malice and without prejudice. Fraud suspicions should also be reported in a timely manner. If staff are aware of fraudulent practices and they don't report them, it may be deemed that they are part and parcel of the fraud process and be disciplined accordingly. Some donors and the governing bodies may require the JCO report suspected fraud cases to them. The Executive Director and the BOD will therefore keep a Fraud register and report

suspected cases of fraud including the investigation outcome as appropriate to the donors and other governing bodies

### **FRAUD INVESTIGATION**

JCO will treat every fraud suspicion report seriously and start an investigation within 3 working days. The Executive Director and / or BOD will review the threshold of the fraud allegation and act in any of the following ways:

- Constitute a panel for internal investigation of the allegation
- Contract external investigators
- Dismiss the allegation as unsubstantiated if there is no sufficient preliminary evidence to initiate and investigation

The investigation should be done swiftly, and the outcome and recommendation reported back to the Executive Director and / or BOD for action.

JCO has an anti-fraud policy that should guide all cases of fraud.

### **FINANCIAL REPORTING PROCESS**

This section provides guidance for the procedures relating to the preparation of the different types of financial reports required by the different stakeholders. The following key principles should apply to Financial Reports:

- They should be timely
- They should be complete
- They should be accurate
- They should be prepared with the principle of consistency
- They should meet the needs of the stakeholders

Financial Reports can be categorized according to the stakeholders, Internal and External respectively. The Financial Reports for Internal Stakeholders can be consolidated as Management Accounts

### **MANAGEMENT ACCOUNTS**

The management accounts will be prepared monthly, by the 10th day of the month and discussed as an Agenda item in the SMT. The Management Accounts will include the following Schedules:

- Budget Monitoring Reports
- Balance Sheet Reports

### **BUDGET MONITORING REPORTS**

These have been discussed in detail in chapter 5 of this manual. The FM will ensure that the various budget monitoring reports are prepared on time and they have adequate commentary, that is, explanations for the variances. It is important that the PC and PM's take part in the commentary for the Project BVA's as the Finance team may not know the details of variances.

## **BALANCE SHEET REPORTS**

The FM will prepare various BS reports. The reports will be presented to the SMT with commentary to make it easier for the team to understand the figures and the impact on JCO and JCO Projects. The following reports will form part of the BS Reports

- Cash Reconciliation
- Bank Reconciliation
- Staff Advances Report
- Other Debtors Accounts Report
- Creditors Accounts Report
- Partners Accounts Report
- Donor deferred Income and liability report
- Asset Register (Quarterly)
- Audit Tracking (Quarterly)

## **EXTERNAL REPORTS**

The FM will ensure external stakeholders reports are prepared as and when necessary. Some of the external stakeholder's reports are as follows:

- Donor Financial Reports
- Government bodies returns
- Annual Financial Statements (For Audit purposes)
- Any Other Ad-hoc reports as needed.

## **AUDIT PROCESS**

An Audit is the examination of the financial records of JCO's or any of its Projects by an independent person to ascertain the accuracy of the financial information. The Independent person is referred to as an auditor.

## **TYPES OF AUDIT**

JCO will have different types of Audits as follows:

### **ANNUAL AUDIT**

An annual audit will be done every year for JCO Financial Statements. The audit will cover all income and expenditure during the JCO Financial Year. In addition, the Auditors will review and test the internal control system of JCO. The output of this audit will be the Auditors Opinion on the Financial Statements as well as a Management Letter highlighting the weaknesses noted or areas of improvement recommended for the Internal Control System. The Audit cost will be funded by JCO Funds and may well be allocated to projects if allowed by the donors. The audit report will be finalized by 31<sup>st</sup> March of the following financial year.

### **PROJECT AUDIT**

JCO will have Project Audits per the donor agreements. Project Audits cover income and expenditure of a particular project for a particular period. Project Audits will be funded 100% through donor funding. The output of this audit is a Project Audit report. JCO will request for a Management Letter for Project Audits. The FM will monitor the following Project Audit Milestones:

- Auditor Identified
- Audit TOR's Approved

- Audit Engagement signed
- Audit Commenced
- Support documents and information availed to the Auditor
- Draft Audit Reports with Management Letter Issued
- Management Letter response issued
- Final Audit Report issued
- Audit report circulated to the necessary stakeholders.

### **AUDITOR SELECTION**

The selection of the auditor will depend on the type of audit to be performed and the governing laws. The Annual Auditor will be nominated by the BOD. The Auditor will be rotated at least once every 5 years. The Project Auditor will be recruited per the donor guidelines on procurement. In the absence of such guidelines, JCO will use the Annual Auditor to perform project audits for efficiency.

### **AUDIT TRACKER**

The FM will develop and Audit Tracker to monitor the implementation of Audit recommendations. The Audit tracker will categorize the Audit Findings as Low Risk, Medium Risk and High Risk, and assign a person / office to follow up implementation of the audit recommendation. The FM will review the progress of the Audit tracker for the Project and Annual Audits and report to the Executive Director every quarter. The Audit tracker is included in this manual as Annex 23

### **INCOME RECORDING PROCESS**

NGO's have no profits at the end of any period. JC will defer all funds received from Donors and only recognize as income when equivalent expenditure has been incurred. This will always ensure that expenditures match income, but balance of fund is held in the fund account as a balance sheet item.

- Income received in FOREX to the JCO USD bank account will be converted to USD at the actual rate of receipt to the bank account.
- Income received in FOREX to a Non-USD Bank account will be recorded to the ledger at the average monthly exchange rates for the month of receipt.
- FOREX balances at the end of a reporting period will be revalued to USD for the purpose of Financial Reporting at the ruling (spot) rate

Income from different sources will be identified by using different account codes in the COA. The income will be more specifically drilled down using the analysis codes as will be explained in the next section. Income is classified as follows:

### **RESTRICTED INCOME**

This is income that has been received for specific Project and / or activities and is governed by a signed agreement restricting the use of the funds. JCO must use these funds only per the funding agreement and is not flexible to put these funds to other uses. All Project Income naturally falls into this category.

### **UN-RESTRICTED INCOME**

This is income that is flexible for use within JCO. The funder has not specified the exact purposed for the use of the funds, if it is used to deliver the mission of JCO. Income from

subscription, income from investments, bank interest, sale of JCO Assets (not funded by donors) etc. fall into this category.

Income from JCO compound offering accommodation, car hire services, and project support costs will fall under this category. JCO also receives income from crowd funding and donations from friends.

### **ARCHIVING PROCESS**

The financial documents such as PV's and their support documents are valued at the value of the transactions they represent. If a PV for a USD 5,000 transaction is lost, the donor may request a refund of USD 5,000 by an audit finding of "unsupported documents". The documents should thus be treated with uttermost level of care. Project Financial documents will be archived for a minimum of five years from the end of the project. Other Financial documents will be archived for a minimum of seven years from the transaction date. Financial transactions support Documents shall be stored safely away from agents of weather or other possible destruction.

- All financial data in QB are printed signed filed sequentially. Journals are printed, approved, and filed and the file labeled with the start of the journal number and the one that ends in the file.
- check payments are filed sequentially as per currency and file labeled as per cheque numbers. All SSP, and USD cheques are file separately in each file.
- All online transfers and RTGs are filed sequentially, and the files labelled as the start online transfer document number and the last online transfer number.
- Partner file are maintained on monthly basis with divisions of staff costs, operations, and activity costs.
- Other statutory payment files are done separately; these include payroll file, TAX file, NSSF Sacco Files and others
- Contracts file for consultants, donors and audit file are also maintained.
- Monthly finance reports are stored in the server under finance /current/finance reports
- Donor budgets and forecast are saved under budgets / finance / current in finance folder.
- External QB Data backup is maintained by FM