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ACCOUNTING AND FINANCE PROCEDURES MANUAL

JUMBO FISH FARM LIMITED

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ACCOUNTING AND FINANCE PROCEDURES MANUAL

CHAPTER 1 - INTRODUCTION TO THE PROCEDURES MANUAL

The Jumbo Fish Farm Accounting Manual has been produced in order to provide guidance on best practice in accounting and financial management. Due to the size of JFF and nature of its operations as well as those of its affiliates, simple and straightforward procedures have been developed in this manual.

The purpose of this manual is to document in a simplified form JFF's accounting systems and internal controls. This manual will provide guidance on how financial transactions will be treated and ensure consistent applications of this treatment.

The principles and suggested procedures in the manual reflect systems currently in operation, or being implemented by JFF and those expected to be adopted by its affiliates.

This manual has been designed to suit specifically the accounting and financial management practices at JFF, but its general principles and essential features are, however, applicable to all projects, whatever their size.

The manual has been prepared by taking into account GAAPs, IAS and provisions of the JFF's Constitution. More importantly the manual has taken into account the reporting requirements of the v donor funding the JFF operations.

As circumstances and requirements change the guide will need to be regularly reviewed and updated to take into account new developments in the accountancy profession and especially that operations of JFF are being computerised.

CHAPTER 2 - GLOSSARY OF TERMS

The terms defined below are commonly used accounting terms, most of which are used in this guide.

Where necessary more detailed explanations are provided in the text.

Account	A personal or impersonal record of one or more business transactions to enable a balance to be determined at any moment in time.
Accountancy	The process of analysing, classifying and recording transactions and operations in terms of time, quantity and monetary values.
Accounting Period	The period for which final accounts are customarily prepared.
Accounting System	The day-to-day method by which transactions are recorded and ultimately appear in the financial statements.
Accrual	The accounting treatment of a transaction whose actual value can only be ascertained after the close of an accounting period, where all or part of the transaction relates to that accounting period, such a transaction is brought into books of accounts by 'accruing'.
Advice Note	Note accompanying the delivery of goods or services ordered (sometimes known as dispatch or delivery note).

Age Analysis	Usually used on a schedule of Sales Ledger balances to indicate the age of the balance (e.g. one month old, two months, over six months, etc)
Amortisation	The writing off against profits of the loss in value of certain fixed or intangible assets where such loss is occasioned by the passage of time e.g. Leasehold property (see Depreciation).
Analyse	The process of classifying and aggregating similar types of transaction under common headings.
Asset	Goods, resources and property of all kinds belonging to a company or to an individual, which are used in the business.
Audit	An examination by an independent, qualified expert (the auditor) of the accounts and supporting records prepared by a company's management and the accounting principles and policies underlying them.
Auditor	A duly qualified person who conducts the audit.
Balance (noun)	The net difference between the debit and credit sides on an account.
Balance (verb)	To total the debits and credits in a ledger account and to enter, as a balance, the difference between the two.
Balancing the books	The periodical closing up and adjusting of all accounts in the ledger, in order to ascertain the profit or loss made during the period under consideration.
Bank reconciliation	A statement explaining the difference between the balance of an account reported by a bank by way of a bank statement and the general ledger balance (see reconciliation statement).
Book-Keeping	The technique of keeping accounts – of recording in a regular, concise and accurate manner the business transactions of an entity in a set of books kept for the purpose.
Books of Accounts	A set of books, which record the business transactions of a firm, company, entity etc (see bookkeeping).
Books of prime entry	Books into which transactions are initially recorded according to their type. e.g. cashbook, petty cash book, Bought (Purchases) Day book, Sales Day book
Bought Day Book	A book of prime entry, used to list, analyse and summarise all purchases and services obtained on credit. (See Books of prime entry)
Bought Ledger	A book of account, which records the personal side of all credit purchases of goods or services.

Capital	The money supplied by the proprietors of a business in order to acquire the resources (Assets) with which to operate the business.
Cash Book	A book in which an account (record) is kept of all receipts and payments of money, by cash or cheque.
Cast (verb)	To add up a column of figures.
Close off	To transfer to the Profit and Loss Account in Nominal Ledger from each account concerned, the amount itemised in the published Profit and Loss Account, so as to leave as balances only those, which are included on the Balance Sheet.
Contra	The matching of debits with credits or the offsetting of one balance against the other.
Credit (noun)	An entry on the right hand side of a ledger account.
Credit Note	Document sent to a person, firm, etc, stating that his account is credited (reduced) with the amount stated (e.g. when goods are returned by that person, firm etc. or an allowance is made to that person, firm etc.)
Creditor	One to whom money is owed for goods, services, etc
Current Assets	That group of assets in cash or near cash state (e.g. Cash, debtors, stock).
Debit (Noun)	An entry on the left hand side of a ledger account.
Debit (Verb)	To ‘debit’ an account to make an entry on the left hand side.
Debit Note	Document sent to a person, company etc. stating that his account is debited (increased) with the amount stated (e.g. as a result of price hikes, or invoice initially undercast)
Debtor	One who owes money for goods, services supplied.
Depreciation	The measure of the estimated loss in money value of a fixed asset owing to use, obsolescence or passage of time (see Amortisation).
Discount	An allowance deducted from an invoice price, account etc.
Double entry	Method of book-keeping in which two entries are made debit and credit for each transaction in order to record the two aspects which every transaction has and to provide a means of providing the entries by balancing the ledgers in which each transaction is recorded.
Entry	The record of a transaction in a book of account.
Final Accounts	The Profit and Loss Account and Balance Sheet as agreed by the proprietor of the business.

Fixed Asset	An asset which is in permanent use within a business (e.g. Land, Buildings, furniture, plant, machinery, etc)
Gross	A total before any deductions.
Gross up	The calculation of a gross figure from a net figure by adding back deductions.
Impersonal Accounts	Accounts not dealing with persons but with other things such as 'real or property accounts' (e.g. Cash, rates, discounts, etc).
Impersonal Ledger	See Nominal Ledger.
Imprest System	Method by which a fixed amount is advanced and the expenditure for the amount at the end of the month or period reimbursed, so that the monthly or periodic balance remains the same. Frequently used for petty cash floats.
Intangible Assets	Asset, which is neither fixed nor current yet, possesses a value (e.g. Goodwill, Investment).
Inventory	The Stock-in-trade and work in progress of a business.
Invoice	A document showing the character, quantity, price, terms, nature of delivery and other particulars of goods sold or services rendered.
Journal	Literally, the book containing an account of each day's transactions.
Ledger	A collection of accounts The principal book of accounts in which the entries from all the other books are summarised divided into Cash Book, Bought Ledger, Sales Ledger and Nominal Ledger.
Ledger account	A record in the ledger showing one of the two aspects of each transaction or group of transactions (see also 'Account').
Liabilities	A term denoting the combined debts owed by a firm, company etc.
Liquidity	The excess of cash or near cash assets over current liabilities.
Lodgement	A payment into the bank or the credit of a specified account.
Materiality	The consideration of the significance of an amount in relation to the context in which it is placed. In relation to accounts, an amount is not material if its effect on the accounts would not distort the overall truth and fairness of the view they give.
Net	The amount of any charge or cost after all deductions has been made.

Netting off	See ‘contra’
Nominal Accounts	Accounts for the income and expenses of a business (see ‘impersonal accounts’)
Nominal Ledgers	Otherwise known as the Impersonal or General Ledger. The ledger, which contains impersonal, accounts (see ‘impersonal accounts’).
Personal Account	An Account showing transactions with a particular person, firm or company as distinct from a nominal account.
Petty Cash Book	A book subsidiary to the Cashbook, in which are recorded all small cash payments.
Posting	The transfer of entries from the books of prime entry to their separate accounts in the ledgers.
Prepayment	A payment made in the current accounting period of which part or all relates to a future period.
Profit and Loss Account	A summary account of all revenue and expense accounts, showing as its balance, the profit (or loss) for the period under consideration.
Provisions	Amounts written off or retained out of profits to provide for depreciation, renewals or diminution in value of assets, or retained to provide for any known liability of which the amount cannot presently be determined with accuracy.
Reconciliation	A statement showing the process whereby the balances of two accounts, independently written up in respect of the same transactions, which show an apparent discrepancy, are brought into agreement. The most common reconciliation statement is that used to bring into agreement with the General Ledger Bank account balance and Bank Statement balance (see “bank reconciliation”).
Reconcile (verb)	To ascertain the precise components of the difference between two related figures produced independently of each other.
Revenue	Income received from any source.
Sales Day Book	A book of prime entry used to list, analyse and summarize all the invoices for credit sales transactions.
Sales Ledger	A book of account, which records the personal side of all sales on credit, of goods or services.
Schedule	A detailed list of items, on a properly headed working paper, totalled to agree with the figure that is being analysed or supported and crossreferenced.

CHAPTER 3 - ACCOUNTING POLICIES

A Principal Accounting Policies

The Financial statements are prepared in accordance with the historical cost convention as modified by the inclusion of certain assets at valuation. The following is a summary of the important accounting policies used by JFF.

B Fixed Assets

Fixed assets are stated in the balance sheet at cost or valuation less accumulated depreciation. At any time, the threshold for capitalisation should be the local equivalent of Kes 5,000.00, including all costs incidental to the purchase of the same asset. Any single fixed asset acquired with a value less than Kes 5,000.00 should be expensed to the Income and Expenditure account in the year of acquisition. However, all assets less than Kes 5,000.00 should be entered in the JFF inventory file for accountability.

C Depreciation

Depreciation is calculated on a straight-line basis to write off the cost or valuation of fixed assets over the expected useful lives at the following annual rates:-

Buildings	-	2%;
Furniture & Fittings,	-	20%;
Equipment and vehicles	-	25%
Motor vehicles	-	33.3%

Full depreciation will be charged in the year of acquisition and no depreciation will be charged in the year of disposal. Should the policy of a donor be different from above, the donor's policy will take precedent over the straight line basis to write off the cost of the fixed asset.

D Translation in Foreign Exchange

Assets and liabilities denominated in foreign currencies are translated into Kenyan Shilling at the average or mid-point rates of exchange ruling at the balance sheet date. All gains and losses arising on the translation are dealt within the receipts and payments statement in the period in which they arise.

E Recognition of Income Grants

Grants received for meeting operational expenses are released to the income and expenditure account in the year in which such grants are received. Grants received for investment in property, plant and equipment are treated as capital grants and amortised to the income and expenditure account over the life of the asset concerned.

Currencies

The financial statements are expressed in Kenya Shillings. Transactions made in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Profits and losses on foreign currency translation are taken to the income and expenditure account in the year in which they arise

F Inventory/Stock

Inventories are stated at the lower of cost and estimated net realisable value. In general, cost is determined on an average basis and includes transport and handling costs. Estimated net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation. Provision is made for slow-moving, obsolete and defective inventories.

CHAPTER 4 - OVERVIEW OF THE FINANCE AND ACCOUNTING DEPARTMENT

4.1 Financial Records

Financial records include all source documents (budgets, invoices, vouchers, bank statements, credit advice, journals, cheques, receipts and any other documents which serve as evidence of financial transactions).

4.2 General Responsibilities

The organization requires all of its employees to abide by the foregoing standards of ethical behavior in their dealings with its suppliers, consultants, sub grantees, subcontractors, and government. Employees of the organization should not solicit for any funds, gifts or any favours from a prospective vendor, sub grantee or any other business partner. Attached as Appendix 1 to the Manual is the organizations ethics policy which ALL staff are required to sign on an annual basis. (Copies of the signed ethics statements will be kept within personnel files).

Staff are also required to report any violations of these standards to the Executive Director and Board Finance Subcommittee.

The Executive Director has overall authority and oversight of all funds.

4.3 Finance and Accounting Responsibilities

4.3.1 Finance /Operations Manager

Please note: In absence of a designated Finance/Operations Manager, the Organization may subcontract out with a licensed Accounting Firm for financial management assistance and if these services are subcontracted, all of the duties specified below will apply to the responsibilities of the subcontracted firm / individual.

Primary function

- Ensure that the financial system runs properly in order to process financial information and generate accurate reports.
- Ensure that internal controls are enhanced and maintained at an acceptable level,
- Manage risks affecting the organizations assets and make sure risks are maintained at a lower level.

- Ensure that financial policies, procedures and donor compliance requirements are adhered to expected standards
- Ensure that internal and external financial reports are prepared and disseminated within deadlines
- Ensure there is enough cash on hand and vendors are paid promptly - Responsible for all aspects of cash management including:
- Monitoring receivables, billing staff and collection of debt and managing prepayments.
- Lead, direct, mentor/coach, appraise and supervise the other finance staff
- Provide budget analysis and feedback to the Executive Director on a regular basis

4.3.2 Bookkeeper / Admin Assistant

Primary function

- Ensure that payment package is complete and accurate before processing.
- Ensure that charge codes are in agreement with Program Managers' approval and the organizations chart of accounts.
- Ensure that vendors/Suppliers, Staff and Sub-recipients' cheques are prepared and paid on time.
- Maintain petty cash ledger and prepare petty cash replenishment.
- Prepare cash receipt voucher for cash collected and deposited to bank account.
- Ensure that copy of cash receipt and bank deposit must be attached with the Cash Receipt voucher.
- Ensure that the Petty cash replenishment is prepared the moment the paid cash is 90% of the cash float.
- Prepare cash and check deposit slip and give it to the agent for banking on a daily basis.
- Cash collected from staff travel advances and other receipts must be banked within the next business day. .
- Ensure that all cash at hand must be locked in a safe overnight and on weekends.
- Maintain safe ledger and keep the first key of the safe.
- Work closely with Administrative officer on physical counting of assets, stocks and property.
- Prepare a stock count report on a monthly basis - Manage the asset register - Prepare cash receipt vouchers.
- Retrieve documents needed for Audits
- Ensure that soft copy and hard copy month end closing packages are filed properly and done within the due dates
- Ensure that data is posted on a daily basis, and that the financial information is processed accurately and reliable reports are generated timely
- Ensure that internal financial reports are generated accurately and disseminated timely.
- Perform systems analysis to identify any irregularities (such as wrong posting) and propose immediate corrective actions to the finance manager

4.4 Internal controls

Internal accounting control consists of the plan of the organization, procedures and records to assure the reliability of financial reporting as well as safeguard the assets of the organization.

An effective internal control structure includes a series of checks-and-balances required for the appropriate recording and authorization of transactions and ensures that access to assets is limited to authorized personnel. Each transaction should be divided into component tasks completed by different staff members in order to increase the likelihood of detecting unintentional errors and prevent misappropriation of the organizations assets.

As an example, the person who approves vouchers for payment should not prepare or sign cheques.

The following chart includes other examples of the appropriate segregation of duties:

Finance Officer who	**Should Not**
*Prepares vouchers	*Approve Vouchers
*Prepares Cheques	*Sign Cheques
*Has access to Blank Cheques	*Post Payments
*Receives Cash	*Bank or deposit the cash receipts at the bank
*Is responsible for the physical security of Assets	*Perform the physical inventory of Assets
*Prepares Bank Deposits	*Reconcile Bank Accounts
*Prepares payroll	*Distributes payroll payments
*Maintains Driver Logs	*Monitor Fuel Usage

The following four basic tests of completeness, validity, accuracy and maintenance should be consistently applied to all transactions

4.5 Completeness

Each element of a transaction must be documented, approved and recorded. For example: A cash payment to a worker requires the signature of the worker or other proof as evidence of payment.

4.6 Validity

Is the disbursement made to a verifiable vendor or employee?
Is there such tangible proof, such as a vendor’s receipt, purchased item, to confirm that the item was received or the services performed?

4.7 Accuracy

Is the amount recorded as received or disbursed correct?
Are all relevant charges recorded?

4.8 Maintenance

After a payment has been approved for payment and recorded, it should be impossible to make changes, such as addition of a zero to the amount or changing the payee name, or in deed using the same documents for other double payments. All documents after use must be stamped PAID to avoid re-use.

Close supervision by the Finance / Operations Manager and oversight by the Executive Director are vital to ensure that control systems are working and that weaknesses are identified and corrected.

CHAPTER 5 - RECEIPTING PROCEDURES

1 Objective of a Receipting System

The objective of a receipting system is to ensure that all funds donated/collected are fully accounted for in financial records and reported to the donor.

2 Main strategies to Achieve the Objective

In order to ensure that funds are fully accounted for in financial records, the following strategies will be applied:

a) effective control of accounting documents (receipt books, cheque books). A receipt book will be serially numbered and have three copies. Original goes to the payer, the second copy is filed in Accounts department while the book copy remains as a permanent record.

   A receipt is a proof of payment and payer should obtain one.

b) Due to the size of the organisation, Accounts Assistant will receive all monies and will issue a receipt for all funds received and reconcile all funds received with amounts to be banked the following day at the end of each day.

c) Strictly all receipts issued will be recorded and analysed in the cash books for onward posting to the ledgers at the end of each month.

d) All bank transfers (direct credits) will immediately be recorded in the cash book. Prompt recording and analysis of receipts in the cash book shows up at the earliest point the levels of funds received and allows spot check of cash on hand.

e) All documents will be systematically filed in box files and made readily available for any prompt audit.

The Accountant will be fully responsible for this receipting system and will therefore do the bank reconciliation to separate the duties to show transparency of the system.

f) All receipt books will be recorded in a Register kept by the Accountant. Only the Accountant will be responsible for the issuance of the receipt book for use. The Register will show:

i) serial numbers of each receipt book; ii) date when receipt book received from the printer; iii) name and signature of staff entering the new receipt books into the Register; iv) date the receipt book issued for use; and v) name and signature of staff requisitioning the receipt book for use.

A specimen Receipt is shown at **Appendix I**.

Separate receipt books should be kept for each currency of funds.

Appendix I – Specimen Receipt

JUMBO FISH FARM

CASH RECEIPT

Date:_______/_______/_________

Amount: KES____________________

Chq No. _________________________

____

Amount in Words: ____

Received From:_________________________________

Internal Department (Or Business Address): _________________________________

Purpose: ____

____

Grant/ Account Code: ______________________

Received By :____________________ Signature:_____________Date:___________

Verified By :____________________ Signature:_____________Date:___________

Payers Name :____________________ Signature:_____________Date:__________

CHAPTER 6 - PROCUREMENT PROCEDURES

1 Objective of Procurement Procedures

The objective of a procurement procedure is to ensure that the procurement of goods and services is and can be seen to be properly authorised and obtain best value for goods or services and facilitate efficient accountability of funds and transparency.

To facilitate efficient procurement, each division should prepare a quarterly procurement requirement, which should be presented to the Executive Director.

2 Strategies to Achieve the Procurement Procedures

a) The Head of the user division will fill in a Requisition form to the Executive Director requesting for goods/ services to be purchased.

b) For purchases beyond Kes 50,000.00 in value per item, quotations will be required. Quotations should not include a percentage charge of profit. All profit must be written into the item charges. The Executive Director will liaise with the head of the user division to exactly find out what is required and thereby go out to collect quotations from suppliers. At least three quotations are recommended for transparency and ensuring the right quality of goods/ services is obtained.

c) The Procurement officer will attach to the analysis of purchase alternatives to determine which would be the most economical and practicable procurement of the three quotations and send the details to the Accountant. The E Director will scrutinise the price and the quality of the goods/services and make the recommendation. It is preferable to purchase at lowest price but with highest quality. The Accountant and the head of the unit will scrutinise the quotations, compare them to the quarterly procurement requirements and verify them before they are finally sent for further processing.

d) For purchases over Kes 50,000.00, once the purchase requisition is approved, a Purchase Order signed by the Accountant will be raised to the supplier for the supply of goods as specified in the Purchase Order. The Purchase Order should have conditions, which have to be fullfilled by the supplier as the goods/services are delivered. Purchase orders for items costing less than Kes 50,000.00 may be raised at the discretion of the accountant, or at the direction of the Executive Director. This is suggested particularly for items of a technical nature, or for items ordered by phone without direct sight of the item.

e) Upon receipt of Purchase Order, the supplier will deliver the goods/services, with a signed and correct invoice, which will be inspected for quality, and quantities as specified in the purchase order. If the goods meet the specifications on the Purchase Order, they will be accepted in stores and goods received note (GRN) issued to confirm receipt of the goods.

f) For maintenance work, the same procedure will be applied on a job requisition form.

g) Small purchases may be made from Petty Cash and directly issued to the user division up to a maximum of Kes 5,000.00

2. Strategies to Achieve the Procurement Procedures (Continued)

i) The Procurement officer will be responsible for procurement but will be supervised by the Accountant.

j) The major documents normally to be used in the procurement will be:

  a) Purchase Requisition (Appendix II);

  b) Job Requisition (Appendix III); and

  c) Purchase Order (Appendix IV)

Appendix II - Purchase Requisition

Purchase Requisition

Date: ………………………………… Department: ………………………………………..

Reason for purchase ………………………………………………………………………

…………………………………………………………………………………………………
…………………………………………………………………………………………………
Supplier: ………………………………… Proforma No:………………………………………

Items to be purchased

Qty	**Description**	**Unit Price**	**Total**

Note: Please attach at least three quotations

Prepared by: …………………………………………………….….. Date: …………………

(Executive Officer)

Checked by: …………………………………………………….. Date: …………………

(Accountant)

Approved by: ……………………………………………………. Date: …………………

(Executive Director or Program Director)

Appendix III - Job Requisition

Job Requisition

Date:…………………………………………Account Code………………………………………

Financial Year/Project No./Phase No…………………………………………

Department where job is require: ……………………………………………………………

Type of job required: ………………………………………………………………………..

……………………………………………………………………………………………………

Supplier:

……………………………………………………………………………………………………

Cost of the Job (to be approved) K……………………………………………………

Prepared by: …………………………………………………….….. Date: …………………

(Admin Assistant)

Checked by: …………………………………………………….. Date: …………………

(Accountant)

Approved by: ……………………………………………………. Date: ……………

(Program Director)

Appendix IV - Purchase Order

LOCAL PURCHASE ORDER

TO:……………………………………

DATE:…………………………………

ADDRESS:…………………………… **S/N- JFF:………………………………..**

……………………………………………

QTY	DESCRIPTION OF GOODS	RATE/UNIT PRICE	AMOUN T K	N
		TOTAL: K		

Conditions:

1. Any goods found to be defective, inferior in quality, in excess of quantity order will be rejected and returned at your own risk and expenses.
2. Undue delay in delivery shall entitle us to cancel the Order
3. Subsequent alterations in prices and/or specifications of goods will not be accepted unless notified and accepted.
4. This Order is valid only when signed by all signatories and for 30 days.
5. Payment upon completion on order.

PREPARED BY:…………………… **REVIEWED BY**:…

SUPERVISOR'S SIGN:……………… **APPROVED BY**: …………………………..

DISTRIBUTION

Original: Customer

Duplicate: Accounts

Triplicate: Book copy

CHAPTER 7 - PAYMENT PROCEDURES

1 Objectives of Payment Procedures

The objectives of a good payment procedure is to ensure that disbursement of money is and can be proved to be legitimate and transparent and in accordance with the budget.

2 Strategies to Achieve a Good Payment Procedure

The following strategies will be applied to achieve this objective:

a) All payments will be authorised by the Executive Director. When an invoice is received, it will be matched with the purchased order and checked for calculations and depending on the correctness, a payment voucher will be raised. The Accountant will ensure that all procedures and checks have been followed and all supporting documents attached before a payment voucher is sent to the Executive Director for final authorisation.

b) Payment Voucher **(Appendix V)**

c) Payments will be posted promptly to the cash book and to the general ledger.

d) Paid vouchers represent an essential means of supporting and explaining a payment as well as evidence that the necessary approval was given and procedures followed before making a payment and that voucher number and order are available for future reference.

There are two types of paid voucher, as follows:

i) Fully acquitted.

These vouchers have all the necessary supporting documents.

ii) Not adequately acquitted

These are those vouchers, which lack some of the necessary supporting documents mentioned above. They should be kept and filed separately from the fully acquitted vouchers and reviewed frequently to ensure that, in due course, all are fully acquitted and filed.

e) Additional documentary evidence will be required under d (ii) above for such expenditure as workshop allowance, training allowance and field visits. Some of the evidence needed will include:

i) *workshop allowance* – signed attendance list, showing amount paid to each participant, names and National Identification Card number (ID)/ Passport number of each participant;

ii) *training allowance* – name of training institute, rate per period and amount paid to the candidate, duration of the course and ID/ Passport number of the candidate; and

2. Strategies to Achieve a Good Payment Procedure (continued)

(iii) *field visits* – authorised signature of the field visit by the ED, amount paid, name and National Identity Card number (ID)/ Passport number of the traveller. It is recommended that the amount be given to the officer travelling as a travel advance to be accounted for on return.

All vouchers should be filed sequentially and kept in a secure location.

The removal of payment vouchers from their files and the office in which they are kept should be discouraged at all times. If it is necessary for a payment voucher to be taken away it should be signed for in a register.

An additional safeguard is to only allow whole files to be taken and not individual vouchers.

According to the Financial Regulations, payment vouchers must be preserved for a period of six years, or until audited, or in a court case, until the case has been settled, if this is later than six years.

3 Cheque Issuing

Cheques should not be written until the payment voucher has been authorised. The cheque should be entered in the cashbook at the time that it is drawn.

The cheque should not be drawn unless the cash book indicates that funds are available to meet it. It is illegal to make payments if funds are not available.

After the cheques have been signed they should be entered in the cheque register which is maintained in cheque number order with columns, showing the name of the payee, the amount, date drawn, name and signature of person collecting it.

The drawn cheque should be sent for signing with the payment voucher and the supporting documents.

In order to minimize risk of fraud, cheques must be issued as “Non-transferable.” Open cheques (to be cashed at counter) must be used only to authorized cashing agents,

Under no circumstances should signatories sign off on blank cheques. If signatories will be away from office for longer period, a temporary signatory will be appointed. Temporary signatories must be removed as soon as the permanent signatory resumes office and correspondence must be kept in the project’s bank file.

No post-dated cheques must be issued.

Blank Cheques will be kept in a secure location and not with or by signatories

There are two panels of cheque signatories:

a) The Chairman -

b) The Executive Director

c) 1 Baord member
-

All supporting documents attached to the payment voucher i.e. Invoices, Purchase Order, Purchase Requisition, Delivery Notes, Goods received Notes etc must be stamped "**PAID**

Appendix V - Payment Voucher

Payment Voucher

JUMBO FISH FARM

AMOUNT **O/S AMOUNT**

PAYMENT REQUEST VOUCHER

CURRENCY

MODE OF PAYMENT: **Cash_______** **Cheque_________** **Manager's Cheque________**
Bank transfer_______

PAY TO :

DELIVERY INSTRUCTIONS:

NATURE OF PAYMENT:

ACCOUNT CODING (To be completed by request Originator)

Description	Amount	Account	Other code
TOTAL			

INTERNAL CONTROL **APPROVALS**

Originator	Date:
Accountant/Budget Analyst	Date:

Executive Director	**Date:**

CHAPTER 8 – STORES PROCEDURES

1 Objective of Good Stores Procedure

The objective of a good stores procedure is to facilitate the storage and provision of stores items to the projects and ensure that stores items are properly stocked and used in the most cost effective manner.

2 Strategies to Achieve the objective

a) Proper authorisation of usage of stores
b) Proper documentation and recording

Proper authorisation of usage of stores

When stores are purchased such as stationery, office teas etc, they should be entered on a stock card maintained by the Administrative Assistant or stores officer (Appendix VI). A Goods Received Note must be raised for all items received and a Stores Issue Note for all items issued out.

This is maintained to keep record of stores items coming in and going out for use.

The features of a stock sheet will include the columns for date, reference, and stock coming in, stock going out and the balance. Each stock item will have its own stock sheet.

Before any stock is issued the Accountant with delegated authority from the Executive Director should sign the stores requisition and upon that authority the Administrative Assistant or Stores Officer will issue the stores and enter on the stock sheet going out and balance off the stock sheet.

a) Proper documentation and recording

Stores requisitions and stock sheets are properly kept and entries promptly recorded so that the stock levels/usage is monitored and maintained. A further monitoring register is maintained in the photocopying room and the printing room to monitor the usage of stationery.

b) Stock verification procedures

On a daily basis, at the close of the day, the Stores Officer should verify each line of stores item, balance and sign off the physical stores to the book balance.

At the end of the month, the Accountant should physically count the stores in the presence of the Executive Officer. The Executive Officer can delegate this function to the Stores Officer.

The Accountant could delegate this function to one of his accounting officers. Any discrepancy between the physical stores and book values should be investigated and a report submitted to the Executive Director.

Only the Executive Director should authorise any write off. The Executive Director should prepare a report to the Board on all stores written off in the year

At the end of the year, the Accountant should make arrangements to have the external auditors attend the annual stock take.

Appendix VI - Stock Sheet

Stock Sheet
Item:……..…………………………………………………………………
Stock Sheet Number……………………………………………….

Date	Position of Verifier	Name	Position	Reference	In	Out	Balance

Grant Number, if applicable e.g. Donor/Financial Year/Project No./Phase No………………
Account Code Number……………………………………………………………………..

NB: **The stock verifier should enter the date of the last stock take in the appropriate row**

CHAPTER 9 - CASH BOOK MAINTENANCE

1 Objective of Cash Book Maintenance

A cash book is a book in which cash and bank transactions are recorded and analysed logically in order to establish what the current cash position is, so that management knows if the cash available is sufficient to meet immediate and future needs.

Bank accounts cannot do this because they are not up to date. They do not contain all of the payments made since there will be unpresented cheques, bank. They do not always contain all the deposits made since it can take time for them to be processed.

The cash book acts as a major posting source for the ledgers and is the farm of the organisation's accounts. It provides an independent record for verification of bank balances and a permanent, historical record for reference. A permanent record is needed for both internal and external audit purposes.

2 Essential Features of a Cash Book Required to Meet These Objectives

a) A cash book must provide easily determined, accurate and current balances at any given time.

b) Separate cash book for each bank account.

c) Easy reference to source documents

d) Sufficient detail to facilitate reconciliation.

e) Enable postings to the ledger accounts

f) The size of the cash book must be manageable and at the same time give sufficient analysis of receipts and payments.

3 Receipts

Total receipts for the day should be entered each day and balanced in readiness for the cashier the following day. All receipts, including direct credits or other transfers through the bank will be entered in the cash receipts column, whether or not the receipt is in the form of cash or cheques.

4 Payments

Cheque payments are immediately entered on their being drawn (not when they given out). They are entered in the bank payments column and the payment voucher number and cheque numbers entered.

5 Separate cash Book for each Bank Account

A separate cash book for each bank account will give the level of funds in each account. This will enable you to form an opinion whether to issue a cheque on a particular bank or not.

By including both receipts and payments in the same cash book relating to one bank account, a running balance can be maintained and the bank columns reflect the transactions shown on the bank statement, making the verification of balances much easier.

6 Easy Reference to Source Documents

The cash book records bank and cash transactions. Each of these is supported by receipts and payments documentation, which validates the individual transactions and explains their nature in detail. The cash book must enable transactions to be traced back to the source documents for future reference in disputes, auditing or management queries. The cash book allows this by including two reference columns:

a) Payment Voucher/Receipt Number

All payments must have a payment voucher. The payment voucher will carry full details of the nature of the payment and the authorities, which allowed it to be made, together with full supporting documents.

Receipts, including direct credits through the bank support all moneys received. All receipts are entered in the cash book, which then link back to the individual receipts issued by the accounts department to the payer.

b) Cheque and Receipt Numbers

All cheques and receipts are entered in the cash book, in sequential order, whether or not they have been cancelled. The cheque/receipt number column also gives a sequential check to ensure that all cheques/receipts issued have been recorded.

If one wishes to know why a specific cheque was issued, one can trace the payment voucher through the cheque number entered in the cash book and the payment voucher number entered in the next column.

7 Sufficient Detail to Facilitate Reconciliation

An essential element of control over bank balances is through the reconciliation of the cash book balance with the bank statement. To this extent, cheque payments are individually recorded in the cash book.

Receipts are also entered individually so that there is one entry in the cash book for receipt. A breakdown of receipts being deposited (Receipt numbers) must be indicated on the deposit slip. **DEPOSIT SLIPS SHOULD BE USED TO UPDATE THE CASH BOOKS/LEDGER.**

Direct charges and credits should also be entered in the cash book in the same form as they are shown in the bank statement. A journal voucher will be used for this purpose.

8 Enable Postings to the Ledger Accounts

The bulk of postings to the general ledger are made from the cash book. This should be done regularly with the accounting software currently being Quickbooks Accounting System .

Transfers between bank accounts will be analyzed through an interbank flowthrough account.

10 Cancellation of Cheques

Cheques can be cancelled before or after they have been entered in the cashbook.

Cheques, which are spoilt, are cancelled and retained. An entry is made in the cashbook with the word "CANCELLED" in the details column and no value entered. The cancelled cheques are clearly marked as cancelled and retained in the cheque book.

Cheques that have been issued and then need to be cancelled are reversed in the cash book. In this case a journal voucher will be raised to reverse the original entry.

11 Ruling Off

At the end of each month, bank and Petty Cash reconciliations must be done to ensure that the passed on balances into the following months are reconciled to easily determine accuracy of current balances.

How do we know if the information in the cashbook is accurate?

Checking that it balances picks up the simplest forms of errors in recording in the cashbook. Balancing the cashbook may be defined as "proving the completeness of the analysis and the arithmetical accuracy of the cash book".

3. Proving the accuracy of the analysis

All receipts and payments in the cashbook must either be balanced by equal amounts in the case of contra entries, or by the amount in the receipts and payments analysis columns.

It must be remembered that these checks will only prove the arithmetical accuracy and completeness of the analysis of entries made in the cashbook. It will not pick up errors such as:

a) The wrong amount being entered in the cash book

b) A transaction being omitted

c) A transaction being entered which relates to another bank account.

These types of errors are discovered by the verification of balances dealt with in the next section.

4. Verification of Balances

In the previous section we proved that whilst the balancing checks proved the arithmetical accuracy and completeness of analysis of the entries made in the cashbook, they do not prove the completeness or accuracy of the information entered.

Verification of the Bank Balance – Bank Reconciliation

The bank balance is verified by comparing it with the bank statement balance. Unfortunately the figures are normally not the same.

Does it mean that one or both is incorrect? No, not necessarily. The entries may be correct but not the same in both because either the bank or the organization does not yet know about particular transactions. The identification and investigation of these different entries and the verification of the bank balance is a procedure known as bank reconciliation.

The bank reconciliation is essentially a simple operation if carried out logically and carefully. The essential documents to carry out reconciliation are:

a) An up to date cashbook.

b) The bank statement for the month of the reconciliation.

c) The bank reconciliation for the previous month.

The technique then is to go through the bank statement agreeing the entries thereon to the cash book, and the previous bank reconciliation, clearly marking in all three documents the items that match.

Where differences have been identified in the previous month's reconciliation as requiring action in the cash book, check that these have been done in this month and clearly mark the cash book and previous month's reconciliation accordingly.

Any items remaining unmarked in the three documents are the reconciling items, which will explain the difference between the bank statement and cashbook balance.

These differences fall into a number of categories, the most common of which are:

a) **unpresented cheques**. These are payment cheques, which are in the cashbook but not on the bank statement. This will normally be because the payee has not yet presented them to our bank for payment. These do not require any corrective action unless they are more than six months old.

If they are more than six months old they are no longer valid and known as "stale". If a cheque has remained unpresented for more than six months from the date of drawing it is cancelled in the cashbook and written back to the respective expenditure code.

b) **uncredited deposits** are amounts, which we have deposited in the bank and are therefore shown as banking in the cashbook but have not yet been credited on the bank statement. If these remain uncredited for more than three days after the date of deposit, and are not country cheques, then the bank must be contacted immediately to find out what has happened to them.

c) **direct charges** and credits are amounts charged or credited to our account by the bank without our prior knowledge, or without cheques or deposits being made by us.

The bank will normally supply debit or credit notes to explain these items. If approved they will be entered in the cashbook. Where there is no voucher to explain them, the bank must be contacted for an explanation and no entry will be made in the cashbook until this has been satisfactorily been explained.

d) **dishonoured cheques**, which we have not been previously informed, and are therefore not in the cashbook, may be revealed by the bank statement. These should be adjusted for in the following month's cashbook.

e) **Amounts differ**. It may be that the amounts of entries differ between the cashbook and the bank statement. This may be because of incorrect recording by the bank or us or under or over banking. Supporting documentation should be checked to ascertain the source of the error. Where the error is ours a correcting entry is put through the cashbook where the mistake was made by the bank they must be contacted immediately.

There are many other possible different types of errors, such as the bank charging or crediting the wrong account, but the above are the most common.

The suggested format for bank reconciliation's is as follows:

BANK ACCOUNT NAME:…………………………………………….

BANK RECONCILIATION AS AT DD/MM/YY

Balance per cash book x,xxx,xxx
Add back: Unpresented cheques xxx,xxx
Less: Uncredited deposits xxx,xxx
Less: Bank charges not yet entered in the cash book x,xxx
Add: Direct deposits not yet entered in the cash book xxx,xxx Adjusted cashbook balance xxx,xxx

Balance per Bank Statement x,xxx,xxx

Prepared by: Signature Position Reviewed by:

Signature Position Approved by:

Signature Position

On date

Grant Number, if applicable e.g. Donor/Financial Year/Project No./Phase No……………………………
Account Code Number………………………………………………………………………………

It is recommended that an Accounts Assistant writes up cheques and enters them in the cash book and someone else should prepare the bank reconciliation. The Accountant then should review and the Executive Director approve the reconciliations immediately they are completed.

Schedules detailing the items included in the totals shown on the reconciliation must be attached. These details will be needed next month for checking to the bank statement to see whether they have now been cleared.

Important points to remember about reconciliations are:

a) they must be completed as soon as the bank statements are received. The bank should be able to provide a bank statement within three days of the month's end.

b) all items appearing on the bank reconciliation will appear on the next month unless they have been matched to entries in the cash book or bank statement in between.

c) the cash book is ruled off, balanced and the balances carried forward into the new month on the first day of the month. It is not left open for adjustments to be made from the bank statement. If this is done there will not be a current balance for the days it is delayed.

Adjustments arising from the bank statement are entered in the cashbook in the month in which the bank reconciliation is performed.

d) ensure that the bank balance in the cashbook has been arithmetically proven before starting the bank reconciliation. There is nothing more annoying than, after checking the reconciliation several times, finding that the cash book balance is arithmetically incorrect!

CHAPTER 10 - GENERAL LEDGER MAINTENANCE

1 Definition of a General Ledger

A general ledger is a full set of individual accounts, which contains up to date information on all accounting aspects of all transactions that affect the specified entity.

An account may be defined as: " a record of a group of transactions which are of a similar nature for which the collective value provides a piece of information of use to the entity".

A transaction may be defined as an exchange of values between two entities.

2 Objective of a General Ledger

A general ledger is maintained in order to provide a permanent record of the transactions of an entity, which will facilitate the production of up to date financial information.

3 Strategies to meet the Objective

In order to meet the above objective the following strategies are used:

a) appropriate procedures for the recording of transactions.

b) appropriate design of the ledger.

c) appropriate coding structure.

d) use of the accumulated fund.

e) balancing the ledger.

These strategies will be dealt with below in the various sections.

4 Appropriate procedures for the recording of transaction

a) double entry bookkeeping.

A transaction was defined above as "an exchange of values between two entities".

The transaction will have an agreed value placed on it and this value can be associated with each aspect individually, for example, if we buy Kes 10,000 of fuel for our vehicle we part with cash of Kes 10,000 worth of fuel.

Therefore, it can be said that for each transaction we are involved in there are two aspects and these aspects are equal in value and opposite in effect.

4 **Appropriate procedures for the recording of transaction**

a) double entry bookkeeping.(continued)

In order to have information on what has happened with our finances we need to record both aspects of every transaction that has affected us. By implication this means that a system of entering each transaction in our accounting records is required, and the system is given the title of "Double Entry Bookkeeping."

As is stated above, the two aspects of a transaction are opposite in nature. As a result the double entry bookkeeping systems records the "gaining" or "receiving" aspect separately from the "parting" or giving aspect. The gaining aspect is known as a debit and the parting aspects as a credit. By convention debits are recorded on the left and credits on the right.

Double Entry Bookkeeping

Left Hand Side Debit	Right Hand Side Credit
Receiving or gaining aspect	Parting or giving aspect
Fuel worth Kes 10,000	Cash paid Kes 10,000

Since each aspect of transaction has an equal value, by recording them as debits and credits in this way it can be seen that the total of debits will always equal the total of credits, no matter how many transactions there are. Imagine a simple set of balancing scales, no matter how many transactions you might place on the scale if the debits and credits are equal; the scale will stay in balance.

Posting from the Cash Book

Transactions are initially recorded in the cashbook of the Quickbooks Accounting System which automatically updates the respective general ledger accounts. This is the major posting source for Transactions to the general ledger.

The steps required in posting from the cashbook to the general ledger are as follows:

a) rule off and balance the cash book;

b) verify the balances and reconciling to the bank statement;

c) enter the Journal Voucher (JV) expense amounts for posting to the bank accounts and ledger accounts; and

d) record the general ledger account codes on the Journal Vouchers against each amount posted.

An example of a journal voucher is attached as **Appendix VII**. This embodies the following essential features:

Essential Features	**Reasons**
A clear description of the purpose of the journal	So that anyone looking at the ledger in future is clearly able to understand what has happened
Total debits must be authorized by a senior officer	So that the ledger remains in balance
The JV must be authorized by a senior officer	To ensure that only appropriate adjustments are made to the ledger
The various account titles and descriptions must be clearly shown	To ensure that an entry is properly posted to the ledgers
It must be numbered and dated, and kept in a box, or lever arch file in numerical order	To allow easy reference back from the ledger to account and to facilitate safe storage

In order to avoid the possibility of not posting some transactions, it is recommended that the general ledger account codes be indicated next to each amount posted.

It can be seen from the above that only one side of the transaction is being posted to general ledger accounts. The giving or receiving of value has been accounted for but not the payment or receipt of money.

This is because the cash and bank columns in the cash book are general ledger accounts themselves, thus completing the double entry and ensuring that the total of the debits equals the total of the credits.

If there is doubt about whether a particular item should be posted as a debit or a credit in the general ledger, always refer back to the cashbook. It is a debit or a credit in the cashbook? The posting to the general ledger account will be the opposite.

It should be remembered that in the cash book:

Payments are credits

Receipts are Debits

Reports from the General Ledgers

Examples of reports that are generated from the General Ledger include:

a) income and expenditure statement;

b) balance sheet;

c) source and application of funds;

d) fixed assets schedule;

e) debtors aging analysis

f) inventory and creditors statement position

Appendix VII - Journal Voucher

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Journal Voucher

Transaction Date

Journal Voucher #

Description:____

G Ledger Account #	Funding Source	Dept	DEBITS		CREDITS	
		TOTALS				

Prepared by: Reviewed by: Approved by:

5 Appropriate Design of the Ledger

In order to meet the purposes for which the general ledger is intended each account must be maintained with certain features. Some accounts have their own special features, for example the cashbook. However, most of the accounts need the same type of information and therefore the same type of features. These are:

Essential Features of a General Ledger	
Title	So that it is known what the information relates to
Separate pages for each individual account	So that we can easily keep similar items together
Balance	So that the total (or net) value of the transactions on the account can easily be identified
Amount, in separate debit and credit columns	So that the arithmetic of the account is made easier and the nature of the transaction can be readily identified; So that the value of transactions is evidenced
Up to date	So that any information extracted is of maximum possible use
Transaction dates	To help trace supporting documentation
Narrative of transactions	To help understand what has been happening on the account and to aid tracing supporting documentation so that we can trace the source of the entry
Reference	So that we can trace the source of the entry
Folio number and/or account code	So that indexing the ledger and cross references to it from other records are made easy

It is felt most appropriate to keep the ledger in a loose-leaf file, so that busy accounts, which may spread over more than one page, are kept together rather than having to refer forward to extension pages.

Journal vouchers will use the date that they are posted to the ledger.

The description should describe the source document. It is not enough to merely state cashbook, the name of the cashbook, should be specified.

The reference should be the cashbook folio number, where the amount posted can be identified (normally the ruled off total), or the journal voucher number.

6 Appropriate Coding Structure

Introduction

One of the purposes of general ledger accounts is to group together the transactions of an organization in such a way as to allow the preparation of financial information, which meets the needs of its users.

Account codes are attached to accounts to simplify the description of the account and to provide a logical structure to the order of accounts within the ledger. This is often referred to as the chart of accounts.

The essential feature to the chart of accounts is that it fits the needs of an organization and reflects its activities.

It is often assumed that the chart of accounts must be the same as the budget lines of income and expenditure. This is necessary so that we are consistent, as we want to be able to compare budgeted income and expenditure with the actual.

Again, it is only necessary that they are consistent and facilitate the extraction of monthly receipts and payments accounts.

User Needs

Before starting to set out a chart of accounts it is important to first identify the users of the financial records and information and what their needs are. The finance department should not attempt to decide what information the director of engineering needs, It should, however, help the user to define her or his needs by explaining what is possible.

Manageability

The chart of accounts should be manageable. An appropriate chart of accounts must be established. An appropriate chart of accounts is one that leads to a general ledger that is easily manageable by one officer, giving timely information, which meets user defined needs.

Accountability

The chart of accounts should facilitate the allocation of responsibility to managers for the control of expenditure and the collection of revenue.

To this end, a chart of accounts that includes departmental cost centers allows the grouping of transactions, which are under the control of a particular departmental head.

Consistency with Budgeting

Whilst the chart of accounts will not necessarily be the same as the budget lines, it must be consistent with it and allow the easy comparison of budget with actual. It will normally be the case that the chart of accounts will be organized in a similar manner to the budget as far as the income and expenditure accounts are concerned but will include control and clearing accounts, and may be subdivided further than the formal budget.

Flexibility

The chart of accounts should be formulated in such a way that it is adaptable to changing circumstances, leaving room for new accounts and cost centers.

Known and Understood by all

The chart of accounts is not merely a finance department tool but used throughout the organization. As such, user departments should not only be fully involved in its preparation but also trained in its use.

7 Use of the Accumulated Fund

When you are establishing a General Ledger for the first time you must start off with the initial entries in balance. Normally you will have some cash, which can be identified, and this will be an initial debit entry. If you have an initial overdraft at the bank, this will be a credit entry. We therefore need to make equal and opposite entries somewhere in our general ledger.

The totals will then balance off as the accumulated fund control account

However, we must recognize that the control we have with this approach is over the totals. It is no guarantee that the individual accounts in the subsidiary ledger are completely accurate. Control accounts do not identify the errors indicated in the table below:

Errors Not Detected by Control Accounts		
Name of Error	**Description of Error**	**Example of Error**
Omission	A transaction is left out of both the control account and the subsidiary ledger	An imprest advance that was analyzed to the wrong column in the cash book and has been posted to the wrong account in the general ledger

Misposting	A transaction has been recorded in the general ledger but has been posted to the wrong account in the subsidiary ledger	Mr. John Doe repays his loan but it is posted to the account of Mr. Smith
Compensating	Two or more errors are made which compensate for each other	An amount is posted to the control account incorrectly, but the balance on a
		subsidiary account is also recorded incorrectly for the same error value

The money available in essence belongs to the organization and represents funds that have accumulated over time. For this reason we simply call it the 'Accumulated Fund'. For commercial concerns it is value of the capital and accumulated reserved the concern has built up, it is likely to be given different names such as capital and reserves, but is, in effect, the same thing.

To get these opening entries into the general ledger we would raise a journal voucher simply establish an opening trial balance.

When the general ledger is first set up the opening accumulated fund will normally be equal to the total of the opening cash and bank balances.

When control and deduction accounts are set up the opening balances should be calculated from a list of personal accounts (for control accounts) or an agreed balance. A journal will then be prepared debiting. (if balance owed to the council, normally the case with advances, loans or impress control accounts) or crediting (if balance owed by the organization normally the case with deduction accounts) the control or deduction account, and making an equal and opposite entry in the accumulated fund. This journal is only required when a control or deduction account is first set up.

After setting up the ledger and the control/deductions accounts the balance on the accumulated fund should remain the same until the end of the year.

At the beginning of the New Year, the balances on the control and deduction accounts, and the cashbooks are automatically brought forward. The opening accumulated fund for the new year will then be the total of these brought forward balances, thus ensuring that the new year's ledger starts in balance, the total debits equaling the total credits.

The accumulated fund brought forward can be proven as representing the balance on the accumulated fund at the beginning of the previous year plus the surplus on the receipts and payments account for the year.

8 Balancing the Ledger

Throughout this chapter there are references to keeping entries in balance because of the equal and opposite nature of aspects of a transaction. Once all the bookkeeping has been done we want to know that our recording has been done accurately. Ensuring total accuracy is very difficult, but we can take some important steps to prevent some types of errors.

One of these steps is to extract a ‘Trial Balance’. As the name suggests, a trial balance puts the general ledger to the test: ‘Is it in balance?

We do this by simply listing the balances on every account in the general ledger, putting the debit balances in one column (left) and the credit balance in another column (right). If, when both columns are added up, they come to the same figure then the general ledger is in balance. If they do not agree it indicates that something has not been done correctly and must be identified.

Possibilities for things that might be wrong and the action required are:

Why the Trial Balance might not balance	
Reason	**Action**
The trial balance has not been added up correctly	Check the addition of the trial balance
A balance is missing from the trial balance	Check all balances have been listed
A balance is in the wrong column in the trial balance	Check all balances are in the correct debit or credit column
An account in the general ledger has not been added up correctly and the balance recorded is incorrect	Check all additions and balances in general ledger
Postings to the general ledger are not correct	Check all postings, including journals for accuracy of amount and correct debit and credit
Postings to the general ledger have been omitted	Check cash book to ensure that all payments and receipts have been posted.

8. Balancing the Ledger

When we have our trial balance in balance we know that the double entry for recorded transactions is complete and that the arithmetic is accurate. We therefore know that certain aspects of our recording can be relied upon and have some confidence that the information we will produce from the general ledger, such as the receipts and payments accounts for the organization will be accurate.

However, we only have some confidence. The fact that our general ledger is in balance does not prove complete accuracy. Some types of error will not be detected by ensuring the general ledger is balanced, for example:

Errors a Balanced General Ledger does not detect	
Type of Error	**Description**
Errors of Omission	Entries that are completely omitted from the general ledger, i.e. both debit and credit
Errors of Commission	When the value of a transaction is recorded incorrectly in both the debit and the credit entries
Errors of Principle	When one side of the transaction is posted to the wrong account in the ledger
Compensation errors	Where there are two errors, which affect both the debit and credit side equally, or one side with an equal value but opposite arithmetic direction.

The trial balance must be drawn out and balanced immediately after the postings are completed for each month but before the receipts and payments account is prepared. In JFF's computerized accounting package, this is automatically generated.

The general ledger is central to the accounting system of the organization and will draw its entries from all the procedures in the organization. Almost all the accounting procedures will refer to the general ledger.

CHAPTER 11 - ACCOUNTING FOR IMPREST

1 Definition of Imprest

An imprest is an amount of money advanced for a specific short-term purpose which must be accounted for immediately that purpose has been satisfied. It is given to an officer rather than direct payment to supplier.

2 Objective of Imprest Procedures

To ensure that all amounts advanced for specific short term purposes are properly authorized, and promptly accounted for on completion of the activity.

3 Main Strategies to Achieve the Objective

In order to meet this objective the following strategies are recommended:

a) control over the issue of imprest

b) appropriate retirement procedures

c) prompt and accurate accounting

d) control to ensure prompt retirement

These strategies are used as the main headings in the sections that follow:

No person shall be issued with imprest when there is another imprest outstanding in her/his name.

It is important that all expenditure is accounted for promptly and properly in full, and that an imprest should be retired immediately its purpose has been fuJFFilled. Consequently an individual should never have more than one imprest outstanding against her/his name at one time.

4 Appropriate Retirement Procedures

Imprest must be accounted for within 5 working days upon completion of the activity for which it was issued. This process is known as retirement.

There are three possible outcomes of the imprest:

a) the imprest amount has been fully spent on the intended purpose

b) the imprest amount has only been partially spent on the intended purpose leaving a balance to be returned

c) the imprest holder has incurred more expense that the amount of the imprest and is due an additional payment

In all of these cases the retirement is through an imprest retirement form, the purpose of which is to summarize the expenditure incurred against the original imprest and the necessary approvals to the way that it has been utilized. An imprest Retirement Form is shown at **Appendix VII.**

4. Appropriate Retirement Procedures

It is recommended that, in all cases, the impress retirement (or the Employee Expense) form is attached to a payment voucher and processed through the payment procedures.

Where the imprest is retired in full the payment voucher amount payable will be nil and the coding of the expenditure will be balanced.

The accuracy of the recording is tested through the reconciliation of the impress ledger to the control account and the verification checks in the cash book and general ledger systems.

In the sections above it was noted that an imprest is an advance to an individual for a specific purpose, which must be accounted for on satisfactory completion of the activity.

Imprest holders may be reluctant to retire an Imprest promptly, either because they owe a balance on it, or because they can't be bothered to. If the above systems are in place then the information is available to indicate those that have outstanding impress and action can be taken to encourage their retirement.

The procedures to encourage this may include:

a) **Only one imprest outstanding at any time**

No imprest to be awarded if there is an existing one outstanding. Whilst this is a financial regulation its enforcement encourages the retirement of existing ones.

b) **Deduction from salary**

If a special imprest is not retired promptly, it should become a priority for payment from the next month's salary, if possible being deducted in total.

If an imprest is being recovered from salary, no further imprest should be authorized until full recovery has been made.

5 Meaningful Reporting

With the systems above in place the organization will have the necessary sources to provide meaningful management information on the special imprest outstanding at any one time.

Imprest Retirement Form

Appendix VIII - Imprest Retirement Form

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EXPENSE CLAIM FORM

NAME:…………………………………………………………………………………….   **DATE;**………………………………………………………………………

PURPOSE OF EXPENDITURE:………..

………..

DATE	REC / REF	EXPENDITURE DESCRIPTION	EXCH RATE	AMOUNT	PROJ. CODE (Class)	A/C CODE (Budget Line)	LOCATION	OTHER (State)

Employee Sign:______________________________

(A) **Total Expend**(See Receipts attached)			
(B) Imprest Taken			
(C) Amount Claimed / (Refund)			

Reviewed By: ______________________________

Approved By: ______________________________

.

1. Attach travel report and the approved travel advance form.
2. Attach support receipts (taxi, Accommodation etc).
3. The supporting receipts and other documentation should be pasted to an expense category on A4 paper (Do not mix when pasting)
4. The pasted documents must have reference Numbers indicating receipt or reference no on the expense claim form.
5. Supports or receipts submitted should be original copies and no alterations will be expected and accepted.
6. The Expense claim form should be submitted within 5 days after the trip or activity.
7. Personal Expenses and incidentals are not reimbursable.
8. Account and project codes are obtainable from the Accountant or refer to the Chart of Accounts form Executive office Notice Board

JUMBO FISH FARM

CHAPTER 12 - PETTY CASH PROCEDURES

The objective of petty cash imprest is to maintain a float to meet small cash payments and will be maintained on a reimbursable basis.

When a need to use petty cash arises the Petty cash holder will raise a petty cash voucher giving full details and attaching the appropriate documentation, before it is sent to the Accountant for approval.

Petty Cash float is limited to a maximum of Kes 50,000.00
.

Petty Cash Control

When the float is exhausted up to 90% an expenditure report is prepared and a reimbursement effected. The Accountant will check the expenditure report before it is sent for reimbursement and goes in the payment procedures already dealt with.

The Accountant or the Executive Officer should institute surprise spot checks on petty cash in a month. At the end of the month, the Accountant, in the presence of the Executive Officer (or the Executive Director in his absence) will count the petty cash and certify the balance. Both the petty cashier and the verifier should complete the petty Cash Certificate Form **Appendix IX** and this should be forwarded to the Accountant.

The Accountant will review the form and take appropriate action.

Procedures must describe the:

- petty cash location – The Petty cash fund must be kept in a locked safe and access to the safe must be limited to the Accounts Assistant

- roles and responsibilities of staff involved in the custodianship
  The Accounts Assistant is the custodian of the cash and will only issue it out upon the availing of an approved cash advance slip approved by the Executive Director from the respective employee, who will then proceed to purchase the requested for item. In the absence of the Executive Director, he/she can delegate this approval to the Executive Officer or the Accountant

- preparing petty cash voucher
  On the return to the Accounts Assistants office, the employee will produce a receipt whose value and description will be used to prepare a serially numbered petty cash voucher. This will have to be forwarded for all the necessary reviews and approvals by the Executive Director

- The maximum amount - Petty cash fund is set to make cash available for small payments. It’s recommended that a single payment from petty cash should not exceed Kes 5,000.00. Any payment in excess of this limit must be paid by cheques.

Petty cash funds must not be maintained in foreign currency.

All petty cash payments must be made only for approved/authorized payments using a prenumbered petty cash slip and must be supported by evidence for payment, such as customer invoices and payee signatures.

The petty cashier must record all payments on a petty cash register. The petty cash register is a multi-column worksheet that captures information on the date of payment, the purpose of payment & payee, amount paid and running balance of the petty cash fund.

The petty cashier must reconcile the Petty cash fund on a weekly basis and present the petty cash log to the Executive Officer. The cash in the petty cashbox, plus the sum of payments must be agreed to the petty fund ceiling on a weekly basis and on a monthly basis the Accountant will perform a petty cash spot check.

Whenever there is a change of responsibility, cash count must be performed and an official handover of cash and documents must be made. A third person must witness and sign the handover process. All supporting documents, i.e. petty cash slip as well as the invoice must be cancelled with a "PAID" stamp soon after a petty cash payment is processed.

Appendix IX – Petty Cash Certificate Form

Office: **Currency:**

Date of Count:

PETTY CASH COUNT FORM

Time of Count: ______________________

COUNT OF CASH ON HAND				
Denomination			Quantity	Amount
		x		
		x		
		x		
		x		
		x		
		x		
		x		
Total petty cash on hand:				
Add:				
Vouchers (see attached list)				
Combined Total:				
Petty Cash Imprest Balance:				
Difference:				-
Comments:				

Counted by:

Observed by:

Approved by:

JUMBO FISH FARM

PETTY CASH / JOURNAL - VOUCHER

VOUCHER #..

Payee	Date

Details	Amount		A/C Code	Class	Job
TOTAL:					

Checked by: ....

Authorized By: ....

Paid By: ....

Received By: ....

CHAPTER 13 - EMPLOYEE CONTRACTS, TIMESHEETS AND PAYROLL

All employees associated with the organization must have valid contracts on file. Contracts must outline the terms of employment, termination, compensation and benefits and must be signed by the employee and an authorized representative from the organization to be valid. Contracts for employees working less than full time must indicate how pro-rated time is calculated. All changes to employment under the grant must be communicated in writing. Prior written approval from the respective funder is required for the hiring of staff not expressly included in the grant agreement and all promotions, raises or changes to employment contracts.

Employees are required to fill out timesheets for compensation. Timesheets must be signed by the employee and approved by his/her supervisor to be valid.

Timesheets must be submitted to the Accountant at a prescribed time, not later than the 25th of the month to allow for entry into the accounting system.

The Accountant must generate a summary payroll report at month end indicating the gross to net salary payment to each employee. Each payroll item must be listed separately [i.e. gross salary, payroll taxes, other deduction, net payroll]. The payroll summary report must be signed by the Accountant and approved by the Executive Director to be valid.

Individual payroll vouchers or other proof of payment to each employee must be attached to the payroll summary report. The report must include the Employee's Name, Payment Date, Period Covered, Gross Salary, Payroll Taxes and other deductions, and Net Pay and must be signed by the employee, the Accountant and the Executive Director to be valid.

Time sheet template attached
Salary sheet template attached

Time & Leave Record

Pay Period Ending:

Employee Name

Employee Number:

Employee Signature

Supervisor Signature

Employee Time Notes

I CERTIFY THAT THE INFORMATION PROVIDED IS TRUE AND CORRECT. Time sheets are to be completed and signed in ink correctly and accurately, signed by the supervisor and submitted to the executive office. And failure to submit time sheets on time will result

Day	Date	Total Hours Worked	Leave Hours	Leave Code Use codes below	NPI	FF	AJWS	SJFF	GEN. ADMIN.
Sunday		0							
Monday		0							
Tuesday		0							
Wednesday		0							
Thursday		0							
Friday		0							
Saturday		0							
Sunday		0							
Monday		0							
Tuesday		0							
Wednesday		0							
Thursday		0							
Friday		0							
Saturday		0							
Sunday		0							
		0							
		0							
		0							
		0							
		0							
		0							
		0							
		0							
		0							
		0							
Total Hours		0	0		0	0	0	0	0
Total %									

Leave Codes

A Annual Leave

H Public Holiday

S Sick Leave

Summary of Total Hours

Total Hours Worked

Annual Leave

Holidays

X	Other (maternity leave, paternity, compassionate, study leave)	Sick Other Total Hours
Employee Comments:		

Appendix 9: Salary Sheet/Labor Distribution Sheet

SALARY SHEET

Office: .... Currency: .... Month:

Name	Gross Pay	Allowances			eductions			Other	Net Pay	Funder Allocation (Based on T/S)		
					Tax					% Funder 1	% Funder 2	% Funder 3

Prepared By: ______________________ Reviewed By: ______________________ Authorised By: ______________________

Date: ______________________ Date: ______________________ Date: ______________________

CHAPTER 14 SALARY ADVANCES/LOANS

1 Definition of a Salary Advance

An amount of money not yet earned by an employee but paid to an employee in advance, which is subsequently deducted from pay by the end of the month.

Salary advance will be restricted to the maximum of one month salary.

The Network will only make salary advances in exceptional circumstances in line with staff policies being worked out and approved by the Board.

No salary advance will be paid out of donor funds planned for a specific project or activity where the donor provides funds for salary.

2 Objective of a Salary Advance System

The objective of a system for salary advance is to ensure that all money paid to its employees by way of any advance is appropriately authorized, recorded, subsequently recovered in full.

3 Main Strategies to Achieve the Objective

In order to meet this objective the following strategies are utilized:

a) appropriate documentation

b) appropriate authorization of salary advances

c) effective recording of money lent

d) effective procedures for recovery

The Salary Advance General Ledger Control Account

The format of the salary advance general ledger control account is as for other general ledger accounts.

The Personal Accounts (Salary Advances Ledger)

The salary advance personal accounts are a record of the amounts advanced to, and repaid by, an individual, showing the up to date balance owing by each officer.

6 **Appropriate Authorization of Salary Advances**

Recommendation of the Accountant

The recommendation of the Accountant is evidence that s/he has scrutinized the application documentation, interviewed the applicant and is satisfied that the application is genuine and meets the criteria. After the favourable recommendation of the Accountant, the salary advance must then be approved first by the immediate supervisor of the applicant and then by the Executive Director.

7 **Appropriate Authorization of Salary Advances (continued)**

Recommendation of Finance Department

Finance Department will indicate all outstanding amounts owing and make recommendation before the form is sent to the Executive Director for final approval.

The Accountant signs to indicate that the documentation is correct and that s/he is satisfied that the application meets the criteria. S/he will have critically examined the financial positions of the applicant as shown on the form and is satisfied with it before final approval.

8 **Effective Recording of Money Advanced**

Once a salary advance application has been approved it will be attached to a payment voucher and go through the normal approval authorization process for payments.

Advances when granted will involve cash book entry. This should be analyzed in the expenditure analysis and be posted in total to the salary advances control account.

There should be separate ledgers for staff loans and salary advances, with its own control account in the general ledger.

Payments should be entered in the salary advances ledger on the day that they are made. The information should be obtained from the cashbook, probably with reference to the application form.

Payroll deductions must be posted to the personal ledgers promptly, i.e. as soon as practical after the payroll is prepared. It should be possible to do this prior to the month end if the payroll is ready in time for prompt payment. In this way the record of the amount outstanding from each individual will be kept fully up to date.

The salary advances ledger balances should be listed at the end of each month and the total agreed to the balance on the salary advances general ledger control account. Refer to the chapter on general ledger maintenance.

The payroll section must have clear procedures for regularly recovering salary advances repayments from employees.

APPLICATION FOR SALARY ADVANCE/LOAN

Part I

(To be completed by Applicant)

Full Name:……..

Department:…………………………………………………… Post/Designation:…………………………….

Salary:…………………………………………………………. Amount required:……………

Suggested Period of Repayment:………………………………………………………………

Reason or Requesting Salary Advance/Loan:………………………………………………
………………………………………………………………………………………………
Signature:……………………………………………………. Date:…………………………

Part II

(To be completed by the Departmental Head)

The foregoing application is recommended/not recommended

Comments:………………………………………………………………………………………

Signature:…………………………………………………. Date:…………………………….

Part III
(To be completed by the Finance Department)

Applicant last got salary advance on……………………………………………………..for the purpose of…………………………………….
Current finance commitment i)………………………………………………….
ii)…………………………………………………
iii)…………………………………………………

Total:………………………………………………

Total monthly deductions Kes …………………………………………………………………

Signature of Finance Officer:……………………………………………….. Date:……………

Comments (Accountant)……………………………………………………………
……………………………………………………………………………………..
Signature:………………………………………………………….. Date:………

Part IV
(Network Coordinator Approval)

Application approved or rejected:…………………………………………………

Amount Approved:…………………………… Approved period of Repayment………

Condition if any……………………………………………………
Signature:…………………………………………………… Date:…………………………………………….

Copies to: Accounts Department

Personal File

Grant Number, if applicable e.g. Donor/Financial Year/Project No./Phase No.……………………………..
Account Code Number………………………………………………………………………………………..

CHAPTER 15 - BUDGETARY CONTROL PROCEDURES

1 Overview

Budgetary control will be based on the workplans formulated at the beginning of the year. Formulation of the workplans should be a rigorous and participative exercise, which will involve all the stakeholders.

2 Procedures

A bottom-up, zero-based procedure of developing workplans

a) the user group/section meet to discuss the activities to be embarked on in the following year. At this point no values are attached to the activities. Each activity should be given a specific number or code and will be regarded as a separate budget line;

b) values are then attached to these activities. No previous year's outstanding expenditure should be included. The group should attempt to be as accurate as possible in attaching values to each activity.

c) once the workplan for the year is compiled, the group should break it into 6 months and then quarterly periods. Each period should include ***milestones*** to be achieved

d) the completed workplans will then be submitted to the Executive Director and approved by the Board of Directors. It is recommended that the workplan is further analysed in a group setting, e.g. a workshop, including the following stakeholders:

i) representative of the group/section; ii)
management; and
iii) representative of the respective donor

e) All approved work plans and milestones will be consolidated into a document for presentation to respective donors for funding. The approved workplan will form the control device against which actual expenditure will be compared. No overruns will be allowed unless sanctioned by the Baord of Director respective donor.

CHAPTER 16 - PROCEDURES FOR SAFEGUARDING FIXED ASSETS/INVENTORY

1 Overview

The assets of the farm should be protected against the following:

a) loss of value;

b) theft; and

c) misuse;

2 Procedure

Each asset of the farm should be under the custody of a specific responsible officer. For fixed assets, a Fixed Assets Register will be maintained, which should be reconciled on a monthly basis to the General Ledger. The Accountant will be responsible for fixed assets register

The fixed assets register will contain the following minimum details on each fixed asset:

a) A description of the assets;

b) Serial number, model number and JFF number

c) Source of the asset;

d) date of purchase;

e) Location and condition of the asset:

f) purchase price/valuation;

g) Cost of the assets:

h) depreciation rate; and

i) accumulated depreciation and net book value

Each fixed asset should be labelled with a unique identification code number, which will be its sort code in the fixed asset register

A physical verification exercise should be conducted of all fixed assets of JFF at least every financial year. The physical verification exercise should be completed prior to scheduling the annual financial audit. The physical verification should include the following:

a) physical count;

b) assessment of condition; and

c) assessment of physical security of the assets, e.g. ease of access to the assets through keys/locks, passwords, immobilising gadgets etc.

A logbook should be maintained for each asset, which will record the users and rate of usage of the asset. Adequate Insurance covers on each asset, preferable Comprehensive cover on vehicles should be obtained.

Disposal (sales, donation, damage, etc.) of fixed assets must be in accordance with grant agreements where applicable. All evidence pertaining to the disposal (such as approvals, sales/donation agreements, delivery notes, etc) will be kept on file for any future audit or financial review.

Disposed fixed assets must be cancelled (not removed) from the fixed assets register and transferred to the record or file of disposed property. All disposal correspondences, approvals and modes of disposals (sales, donation, scrapping, etc) and evidences of disposal, such as sales/donation agreements, delivery notes, etc must exist in the disposed fixed assets file.

Appendix: Fixed Assets Register Template

Number	Acquisition Date	Make	Description	Supplier	Serial Number	Master Acq. Cost (All Items)	Non Exp Inventory Kes (>5000)	Non Exp Inventory ($kes1000><kes5000)	Non Exp Inventory (kes100><kes1000)	Funder	User/ Location	Condition	Disposition Date	In Use/ Donated Sold etc	

N

by: Prepared

Date:

______________________ __________

Checked by:

Date:

______________________ __________

______________________ __________

by: Approved

Date:

CHAPTER 17 - PROCEDURES FOR CONTROL OVER LIABILITIES

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1 Overview

At any point, JFF should be in a position to know its outstanding liabilities. This can only be possible through maintenance of a reliable recording keeping system.

2 Procedures

A Commitment Register will be kept in which all the liabilities committed but not yet settled or funded are recorded. The details in the Commitment Ledger should be reconciled or referred to the Workplans for the financial period.

In addition to the Commitment Ledger, an Inward Invoice Register will be maintained so that all invoices received by JFF are tracked. These will be filed in Supplier sequence showing date received, amount of invoice, goods/service received and credit period allowed/ date due for payment.

CHAPTER 18 - PROCEDURES FOR PERIODIC FINANCIAL REPORTING

1 Overview

The reporting procedures for the farm will reflect the specific requirements of each donor and what constitutes general accepted accounting practice. The formats and the timeliness of the financial reports will depend on the donor requirements and the external auditors of the farm.

2 Type of Reports

The minimum reports which will be produced on a monthly basis will include:

a) income and expenditure statement - On a monthly basis the accountant will provide a variance analysis per funder to the Executive Director and corrective action taken where necessary
b) balance sheet; and
c) cash analysis report;
d) Bank reconciliation

3 Procedures

The procedures for financial reporting will follow the normal accounting practice in the accounting function of any organization:

a) General ledgers will be closed at agreed dates at the end of the month;

b) The Accountant will circulate a comprehensive checklist for the periodic/year end closing procedures to include completion of: · imprest retirement – date;
   - petty cash certificate forms;
   - stocktake and fixed assets verification counts;
   - bank reconciliations;

c) A Trial Balances will be extracted and from this the various financial reports will be extracted in the agreed formats;

d) The Accountant will be responsible for ensuring that the figures reflected in the reports reflect the underlying accounting records and are in formats accepted to the users of these statements for decision making.

e) The Executive Director should sign off the financial reports before they are submitted to the relevant users. Once submitted, the Accountant should seek feedback from the relevant users of these reports e.g. the donors.

CHAPTER 19 - RESTRICTIVE USE OF FUNDS

1. **Overview**

Almost all Cooperating Partners (donors) attach specific conditions and restrictions to the use of Funds they provide to a beneficiary organization.

2. It is the organizations responsibility to ensure that costs by Jumbo Fish Farmare:

- **Reasonable:** meaning that the costs which are generally recognized as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business.
- **Allocable:** meaning that the costs are incurred specifically for the award and
- **Allowable:** meaning that the costs conform to any limitations in the award.

3. **Type of Expenses disallowable**

The following are the type of items of expenditure not allowable from donor funds. The list is not exhaustive:

a) alcoholic beverages;

b) bad debts;

c) contingencies;

d) contributions or donations;

e) goods or services for personal use interest;

f) lobbying;

g) loss on other sponsored agreements or contracts; and

h) entertainment.

3. **Procedures**

The management of JFF must orient and sensitize all JFF employees about the restrictive use of donor funds so that at the time the member of staff is advanced funds to carry out JFF activities, the member of staff is aware of what she/he can or cannot spend the funds on.

Periodically, preferably, at the end of the months, the Accountant should voucher all expenditure to isolate expenditure that is disallowable; and

The disallowable expenditure must be debited to the account of the JFF staff that incurred the expenditure

CHAPTER 20 - RECORDS RETENTION

1. **Overview**

Records and documents generated and received by JFF must be retained for a specified period to comply with:

a) statutory and regulatory requirements; and

b) ease of retrieval for further use in JFF.

2. **Types of Documents**

The following are some of the documents:

a) financial records;

b) supporting Documents; and

c) statistical records and all other records pertinent to an award.

d) Employees records and files

The only exceptions are the following:

a) if any litigation claim or audit is started before the expiration of the six year period, the records shall be retained until all litigations, claims, or audit findings involving the records has been resolved and final action taken; and

3 **Procedures**

a) the records and documents shall be retained for a period of six years from the date of submission of the final expenditure report or for awards that are renewable, quarterly or annually, from the date of the submission of the quarterly or annual financial report;

b) records will be kept in hard copy or electronically, and sensitive financial records will be stored both on site and with off site back-up;

c) records that are to be disposed will be burned or shredded, depending on the form of storage; and

d) the records must be kept in a safe environment.