



UGANDA PROFESSIONAL DRIVERS NETWORK

**FINANCE POLICY & PROCEDURES
MANUAL**

Revised April 2020

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LIST OF ABBREVIATIONS

AF	-	Accountability form
ARF	-	Advance request form
BOD	-	Board of Directors
ED	-	Executive Director
FAM	-	Finance and Administration Manager
FAO	-	Finance and Administration Officer
FAR	-	Fixed Assets Register
GRN	-	Goods received note
LPO	-	Local Purchase Order
NGO	-	Non-governmental organisation
NSSF	-	National Social Security Fund
PAYE	-	Pay As You Earn
PM	-	Programme Manager
PV	-	Payment voucher
UGX	-	Uganda Shilling
UPDN	-	Uganda Professional Drivers Network
URA	-	Uganda revenue authority
VAR	-	Variance analysis report

SECTION 1: INTRODUCTION TO THE POLICY

1.1 About Uganda Professional Driver's Network (UPDN)

UPDN is an umbrella organisation for drivers' associations/organisations. UPDN is registered as a non governmental organisation under Uganda NGO Bureau, Ministry of Internal Affairs, Government of Uganda. UPDN was established in 2015 to build skills for professional development, coordination for unified voice drivers on road safety agenda and to strengthen driver organisations for better welfare their members.

Vision Statement

UPDN aspires to be a centre of excellence in development of professional driving industry in Uganda

Mission Statement

UPDN exists to professionalise driving industry in Uganda for improved road safety and welfare of drivers

1.2 Purpose of the Policy

The manual principally aims to serves as a reference to staff in performance of their duties.

Specific objectives

- a) To ensure timely, objective, accurate and complete recording and reporting of both financial and management transactions to UPDN management and stakeholders.
- b) To provide down minimum standards for internal financial controls, policies, systems and procedures for the safe custody of UPDN assets.
- c) To ensure compliance with all statutory requirements.
- d) To ensure that all payments are made for only properly approved and authorised transactions.
- e) To provide a reference for stakeholders who may wish to understand the UPDN financial system

1.3 Review of the manual

The Financial Policies and Procedures Manual shall be reviewed once every three (3) years. Board decisions made from time to time during the course of its implementation

shall however be binding and adopted as addendums to the manual. Such decisions will be added to the manual at the time of its review.

1.4 Administration of the manual

The final responsibility to execute and administer this manual lies with the Executive Director (ED). The custodian is the Finance and administration Manager (FAM). All UPDN staff involved in the direct implementation of activities should keep a copy of this manual for reference

SECTION 2: THE FINANCE POLICIES

2.1 Accounting policy

a) Basis of accounting

The periodic financial statements are prepared under the historical cost convention on receipts and payment basis.

b) Income recognition

Grants and other income shall be recognized when received

c) Capital expenditure

Expenditure on fixed assets is not capitalized but it's written off against income in the period the expenditure is incurred. A register of fixed assets is maintained for monitoring and control purposes.

d) Foreign currencies

Transactions in foreign currencies are translated into Uganda shillings at the rates ruling at the time of the transaction -actual rate.

Bank and cash balances held in foreign currencies at the period end are translated into Uganda shillings at the rate ruling at the end of the period.

2.2. Internal Financial Control policy

UPDN cash and bank funds management

- i) The organization maintains current accounts for project's implementation as appropriate and as determined by the board of directors
- ii) All UPDN grants are banked before spending
- iii) All UPDN local bankers should meet the following criteria:
 - a) Have a legal presence in Uganda
 - b) Provide timely monthly statements
 - c) Be affiliated with a stable, multinational financial institution
 - d) Have the best credit rating possible
 - e) Provide needed information and materials to UPDN's smooth running of its operations

iv) Operating bank accounts

- a) Each bank account must have at least two signatories and signing instructions to be at least two to sign
- b) Monthly bank reconciliations are made and errors reported to management and the concerned bank for correction
- c) Inter-bank transfers of funds must be adequately approved by the FAO and authorized by the ED

Cash management

i) Working advances (float)

- a) Cash advances to meet anticipated expenses, for example, travel, training expenses etc (whether from petty cash or cheque) must be approved by the respective project coordinator / department head and authorized by the respective official. Cash advances are requisitioned on the Advance Requisition form (ARF).
- b) It should only be expensed once it is accounted for.
- c) No funds shall be advanced to an officer before she/he accounts for the earlier amounts advanced in the same category.
- d) The accountability should be reviewed and approved by the respective head of program (official) before submission to finance.
- e) Any unexpended cash balances are returned to the Accounts Assistant

ii) Petty cash

- a) Petty cash should be kept in a safe by the Accounts Assistant (AA) or Administration Assistant whichever is applicable
- b) The petty cash should only be replenished to the original amount when the imprest is depleted to UGX 100,000 and after a review of the petty cash vouchers by the authorising official – Programme Manager for field offices and FAO for head office
- c) Amounts advanced to staff out of petty cash should be posted to their personal accounts until the petty cash has been accounted for.

iii) Authorization

- a) For the purposes of accounting controls, authorization refers to the signing of a document to signify approval to financially commit the organization. The signature verifies that the signatory has reviewed the document and is in agreement with the contents.
- b) It is important that segregation of duties is maintained in authorization procedures. No employee should authorize his/her own claim. Authorizing officers in management should submit their claims to a higher authorizing authority.

2.3. Fraud policy

- a) UPDN values the integrity of its staff, and expects them to act at all times in an ethical and honest manner. It does not tolerate fraud and the concealment of fraud.
- b) A staff who becomes aware of or suspects fraudulent activity must promptly report such activity to his / her supervisor(s).
- c) A staff who reports a suspicion of fraud regarding another staff or an organization in good faith will in no circumstances be threatened, intimidated, or dismissed because he or she acted in accordance with this policy.

2.4. Fixed assets policy

- a) Fixed assets may only be purchased in accordance with donor agreements and budget and with the approval of the Board of Directors.
- b) All assets must be recorded in a fixed assets register. The fixed assets register (FAR) should be updated from time to time.
- c) All high value assets should be insured comprehensively.
- d) All organization assets should be engraved with the company logo and an identification number.
- e) A physical inventory of all organization assets should be made twice a year and details must be submitted to the Finance & Admin Officer for review

2.5. Budget control policy

Budgeting is about making plans for the future, implementing those plans, and monitoring activities to see whether they conform to the plan.

UPDN develops a Strategic Plan every five years. This plan sets out what goals and objectives UPDN aims to achieve. This Strategic Plan is the fundamental basis for UPDN planning and budgeting.

An important component of effective financial management is the establishment of sound administrative financial controls to ensure the following:

- a) The funds are expended according to the plans, policies and decisions of the organisation.
- b) The resources are used according to the signed agreements between UPDN and each financial partner.
- c) The UPDN resources are used in the most efficient and cost effective manner.

2.6. Procurement policy

- i) All procurement is undertaken under provisions of the donor grant agreements and following the UPDN procedures.

- ii) Management shall constitute a procurement committee. Authorisation for a single procurement whose value exceeds UGX 5 million shall be by the BOD at a board meeting or through its finance committee. For a value below UGX 10 million, the ED must authorise.
- iii) For any procurements of value above UGX 1 million, at least three quotations from three different suppliers should be obtained before awarding the contract.
- iv) A Local Purchase Order (LPO) or a contract is written depending on the nature of the purchase.

2.7. Personnel costs policy

a) Salaries and statutory deductions

- i) Salaries paid to staff should be as per their employment letters and subsequent amendments to it.
- ii) Salaries paid should be net of all statutory deductions i.e. National Social Security Fund (NSSF), Pay As you Earn (PAYE) and recovery of other advances.
- iii) Employees' net pay is directly deposited into the employee's bank account. Employees provide the bank account information to UPDN.
- iv) The list or payment schedule is sent to the bank with instructions to transfer funds from the UPDN bank account used for payroll into the individual accounts of the employees.
- v) Statutory deductions should be deducted from all employees and remitted to the authorities on the dates specified.
- vi) Salary pay slips should be prepared and issued to staff at the end of every month.

b) Salary advances

- i) UPDN employees are eligible to draw salary advances
- ii) Staff salary advances should only be given to staff on the UPDN payroll.
- iii) Employees are allowed to request for salary advance of less or equal to 50% of their net (after PAY & NSSF) salary and not more than 50%
- iv) Advance request forms should be approved by the Programme Manager in case of field offices and by FAO at the head office
- v) Recovery of amounts advanced should be made in the same month when the advance is made.

c) Staff soft loans

UPDN does not give loans to staff but encourages formation of innovative self-help arrangements where resources can be pulled and be borrowed.

d) Perdiems

Perdiems when working at UPDN in all locations within Uganda:

Items per day	Board	Senior managers	Program Officers	Program Assistants	Support staffs
Meals	\$5	\$5	\$5	\$5	\$5
Accommodation	\$40	\$40	\$30	\$30	\$20
Transport	\$20	\$20	\$20	\$20	\$30

Note: Where donor conditions do not permit the application of this policy, the donor agreement and requirements will prevail

e) Safari Day Allowance (SDA)

Safari day allowance shall be paid for assignments far from the workplace and requiring a full day away from officer. Safari allowance payable shall be \$ 10 (to cover breakfast and lunch)

2.8 Board Facilitation

The Board shall from time to time determine and make a resolution on its facilitation for Board meetings and other Board events taking into consideration the resource market rates and by benchmarking facilitation rates for other organisations at the same level of development.

SECTION 3: FINANCIAL MANAGEMENT GUIDELINES AND PROCEDURES

3.1 Accounting procedures

The accounting and financial information of UPDN is needed by management to help in planning and controlling activities as well as making decisions.

The public, donors and members need the information to ensure that resources are properly managed, accounted for, and that the organization continues to perform efficiently and effectively. Government and tax bodies need to know whether the organization complies with its set objectives and tax policies respectively

It is therefore imperative that UPDN keeps proper records to enable the extraction of accurate financial information and accounts for analysis and interpretation by stakeholders.

a) Primary records and books maintained

These include the relevant source documents and all books of prime entry (*Journals*). UPDN maintains cashbooks for each bank account, petty cash books, other journals and the General Ledger

b) Source documents

These are physical documents, which result in disbursements or receipts. They include the original evidence of transactions such as invoices from suppliers of goods and services, payment advices, banking slips, payment vouchers, fee notes, cheque counter foil, copies of receipts vouchers, claims, request notes, agreements / contracts, etc. These documents are the starting point for the flow of accounting information and form the basis upon which records are maintained and hence financial statements extracted.

c) Cashbooks

UPDN shall maintain cashbooks and bankbooks for the day to day running of the organization.

d) Cashbook expenses

All office expenses shall be recorded in a Cash book on the basis of the source documents such as approved claims, invoices, agreements and requests.

e) Cashbook receipts

The AA raises a *receipt* in duplicate to acknowledge receipt of funds from third parties or refund of advances. The original is immediately given to the payer while the duplicate is retained in the receipt book for future reference and reconciliation.

f) Other journals

These shall be used as source documents to record transactions of the organization that do not involve the immediate movement of funds from either the main cash books or the petty cash books.

Journals are also used for correcting accounting errors and end-of-accounting-period adjustments.

g) Financial statements

The FAM shall produce monthly, quarterly and annual financial statements and ensure that they are accurate, timely and conform to the reporting requirements for management, Board of Directors, donor partners and other stakeholders.

h) Trial balance

This is a summary of all ledger balances, Debits and Credits following the Chart of Accounts. This is a pre-requisite to prepare the final accounts.

In the automated systems, trial Balance and final Accounts are self-generating once the transactions are posted.

h) Preparation of financial statements

The following Financial statements are necessary and should always be produced for management, donors and stakeholders to review:-

- The Income and Expenditure statement
- Statement of fund balance
- The Cash Flow Statement
- Management Accounts (Variance reports)
- Specific Donor requested reports

3.2 Accounting principles

In preparing accounts, finance teams shall follow standard accounting concepts and conventions.

a) The going concern concept

That the organization will continue in operation for the foreseeable future and that there is neither intention nor necessity for its liquidation or to significantly curtail the scale of its operations.

b) The consistency concept

That treatment of like items within each accounting period and from one period to the next is the same unless a change was necessary and approved. For example, principles and bases for calculating depreciation charges, accounting for assets, foreign exchange differences and the like.

c) The accruals concept

That revenues (incomes) and costs (expenditures) are recognized as they are earned or incurred (not only as money is received or paid) such that revenues earned are matched with the associated costs, in the same financial Period.

d) Accounting period

The accounting period for UPDN shall be 1st January to 31st December each year

e) Double entry

UPDN shall record all transactions using the double entry system.

f) Materiality

All material transactions shall be reflected in the reports. Materiality implies that a different decision would be made if the transaction were not disclosed.

3.2 Internal controls

A system of controls , financial and otherwise, shall be established by management in order to carry on the business of the organization in an orderly and efficient manner, ensure adherence to management policies , safeguards of the assets and secure as far as possible, the completeness and accuracy of the records.

The objective of the internal control system should be to:-

- i) Ensure that the records are complete, accurate and properly authorized.
- ii) Detect errors and fraud
- iii) Efficiency and effective utilization of resources

These can be achieved through the following key elements of controls:

- i) Plan of the organization / department
- ii) Segregation of duties
- iii) Having appropriate asset and Other policies
- iv) Appropriate authorization and approval
- v) Arithmetical and accounting controls
- vi) Capabilities of the personnel
- vii) Appropriate supervision by responsible officials
- viii) General review of the management accounts

a) Opening and operating bank accounts

Opening of bank accounts

UPDN shall maintain different local bank accounts (shillings or dollar) to cope with the requirement of the different donors. The Finance and Administration Manager in consultation with the Executive Director and the Board shall determine the commercial banks in which the accounts are to be opened.

Closing bank accounts

A bank account shall be closed when any of the following events take place:

- i) The activity for which the bank account was set up ceases / objectives accomplished;
- ii) The donors funds banked in the bank account decide to stop funding permanently;
- iii) The bank in which the account is maintained ceases to be steady/reliable;
- iv) The Board decide to close an account for any other reason.

b) Powers and procedures of signing Instruments

Each UPDN instrument with the bank shall be signed by at least two signatories with Executive Director as a principal signatory, since he/she is the steward of funds and other instruments of the organization. The other signatories to the instruments are the members of the senior management.

All cheques drawn on UPDN bank accounts paying third parties shall all be crossed and cannot be opened by the signatories. Where third parties have to be paid cash, the cheques shall be drawn in the names of the Accounts/Finance Assistant, opened and s/he shall collect cash on behalf of third parties. These cases are kept to a bare minimum.

All cheques shall be accompanied by a Payment Voucher and other support documentation on presentation to the signatories. Blank cheques cannot be signed even where they are accompanied by vouchers. Before affixing their signatures, signatories ensure

- a) That the amount per cheque tallies with the amount per payment voucher.
- b) The amounts in words are correct and also tally to the amount in figures.
- c) The cheque is dated correctly.

Any mistake on the Cheques shall be responsibility of the signatories as these may result into penalties and enormous embarrassment to UPDN.

c) Collecting Instruments from the Bank

The Finance Manager shall designate the Accounts/Finance assistant or any other person of choice to collect banking instruments from the bankers so long as they are agents to the account. These include the cheque books, Bank statements, Bank advices, Bank Confirmations, Bank instructions and others

All cheque books including those in use shall be kept by Finance and Administrative Officer in the safe, under lock and key at any one time.

d) Ceasure of powers to sign Instruments

A signatory to any UPDN account shall cease to be a signatory when one of the following events takes place:

- a) Ceases to be an officer/employee of UPDN for any reason;
- b) Is convicted of any offence for more than two weeks (this excludes minor traffic offences);
- c) The signatory becomes of unsound mind or is declared bankrupt;
- d) Becomes incapacitated through illness.

A letter to the bank, informing them of the withdrawal of the signatory will be made and copies circulated to the Board Members. The letter specifies the effective date the signature is withdrawn.

e) Stale Cheques

- a) If a cheque remains un-cashed for six months, it should be regarded as stale.
- b) The bank should be notified in writing by the accounting department and request the bank not to cash the cheque if it is presented.

- c) The stopping of the cheque should be noted in the cash book and on the payment voucher.
- d) A journal should be prepared to debit the bank and credit a liability account.
- e) Efforts should be made to contact the recipient of the cheque to discover why it remained un-cashed. If it is appropriate to replace the cheque, a new payment voucher should be completed.

f) Bank Reconciliation

An essential procedure that must be done each month for each bank account is bank reconciliation. Any errors or discrepancies made by the bank or the accounting staff can be found by completing this procedure.

The reconciliation shall be prepared by the Finance and Administration Officer. The Finance and Administration Manager upon review, shall explain in writing any differences found between the bank and book balances. The reconciliation should be signed and dated.

The ED shall review the bank reconciliation statements.

The objectives of the bank reconciliation are to ensure that;

- a) Cash books are regularly updated
- b) Reconciliation of Cash book to bank confirms funds are available
- c) Cash and bank reconciliations are certified

g) Inter Bank Transfers

This arises where payments out of one bank account have to be made but there is insufficient fund to settle obligations in the bank account. These situations are kept at the bare minimum.

Where funds have to be temporarily transferred from one account to another, a payment voucher is made from the transferring bank account, gets all the necessary approvals from the ED. A cheque is then drawn from the transferor bank account to the transferee bank account.

In recording the transaction, the transaction is treated as an interest-free loan to the transferee account, and when funds in this account improve, a payment voucher is also written to refund the money in full to the transferor account. In accounting language, the transferor account is *Credited (CR)* and the transferee account *Debited (DR)*. On repayment, the entries are reversed.

At the end of every month, the FAM analyses the inter-bank transfers to know which bank account owed how much to which bank account.

3.3 Payment policy and Procedures

Suppliers shall be issued crossed cheques. Payments out of bank accounts may be paid in the form of personal cheques drawn in favour of suppliers of goods and services, bank drafts, direct bank transfers through letters of instructions to the UPDN bankers and drawing cash from the bank accounts on behalf of the suppliers of goods and services.

a) Internal control on Payments

- i) All requisitions for payments must be duly authorized and approved by a responsible Officer.
- ii) The original documentary evidence in support of the payment should be attached to the payment voucher.
- iii) The approving authority should verify the invoice amounts before forwarding the documents to the authorising authority.
- iv) The respective officials should approve the payments.
- v) The FAO or the AA whichever applies should write out cheques to suppliers for all approved payments and forward them to the respective signatories.
- vi) Cheques must be signed by two signatories as the bank account mandate
- vii) All supporting documents should be stamped 'PAID' on issue of the Cheques to the suppliers.
- viii) A cheque register or cheque counterfoil should be maintained where all cheques issued are recorded. This will ensure that every cheque number is properly accounted for. Cancelled cheques should also be registered and left in their respective cheque books or filed in the cheque voucher payment file.
- ix) Signatories shall not sign any blank cheque leaves.
- x) Unused and signed cheques that have not been issued are kept in a safe.
- xi) The FAO shall ensure that UPDN obtains receipts from all suppliers who claim their Cheques.

b) Cancelled Cheques

Cheques are cancelled for many reasons. These include but not limited to:

- i) Mistakes arising out writing them e.g. wrongly writing amount in words, amount in words differing from those in figures;
- ii) Discovering that they are not in line with the UPDN bank mandate;

Where a Letter of Confirmation had already been sent to the bank prior to the cancellation of the cheque, another letter to the Bank is written stopping payment of that cheque.

A list of cancelled Cheques should be prepared and the end of every month for verification by Executive Director.

c) Bounced Cheques

If a cheque issued by UPDN is dishonoured / bounced by the bank they are brought back to UPDN. The FAM examines the reason(s) why the bank did not honour the payment, and if satisfied that it is a genuine reason, a reverse entry is passed and a replacement cheque is organized. On preparing the revised voucher reference is made to the cancelled cheque number, and together with the original vouchers attached as supporting documents for getting the replacement cheque and Confirmation Letters prepared.

If it is found that the bank made an error in dishonouring the cheque, the FAM demands a written apology from the bank. The payee is called and asked to re-present the cheque for payment.

The Internal checks before the cheque is signed and released should be thorough so as not to put the organization to an embarrassing position.

c) Stop payment of a cheque

If UPDN realizes that it issued the cheque in error (for example double payment), the Bank Manager is notified immediately to stop the payment. A letter is sent immediately to the bank to follow up the call. In that case, there is therefore no need of replacing the cheque.

d) Petty Cash Management

Petty Cash is used to settle small expenditures where it is not practicable or efficient to issue Cheques. Petty cash is mostly used to pay for routine office expenses such as purchase of parking tickets, office coffee and tea, working lunches and the like. It is also used to settle emergency payments of less than UGX 200,000. Any amount exceeding UGX 200,000 is paid by cheque.

To allow segregation of duties, the Finance Manager shall designate an accounts assistant to manage the petty cash.

e) Receipts

- i) All receipts should be deposited in the relevant UPDN bank accounts not later than two (2) working days following receipt.
- ii) All receipts must be supported by a UPDN official receipt and Receipt Voucher made in triplicate. The original receipt goes to the payer, the duplicate to accounts and the triplicate remains in the Receipt Book.
- iii) Staff receiving cash should not prepare Bank or Cash Reconciliation Reports if this is practical.
- iv) Transfer of funds from one donor account to another donor account must be authorized by the ED after consulting with the donor.

f) Working Advance

This refers to cash drawn by UPDN staff to carry out official UPDN duties. These advances shall include mainly:-

- a) Field / Out of country Travel Advance
- b) Advance for procurement of goods and services
- c) Advance to carry out any other UPDN Official activity

Authorizations for cash to be used for office use are the responsibility of the FAM.

When an employee is likely to incur expenses on behalf of UPDN for any reason including those mentioned above, an Advance Request Form will be completed and signed by the requestor. This form must be approved by the authorised person after having been verified by FAM

It is the responsibility of the FAM to determine the appropriate amount of the advance so that excess amounts of advances are not provided.

3.4 Accountability Procedures

The Advance is accounted for immediately on completion of the official transaction and the activity report should be attached to the accountability form with the relevant receipts. Where an officer fails to account for the advances within seven days, such an amount is posted to his/her account and treated as a deductible advance to his/her salary.

The following steps should be followed:-

- a) Accountability form (AF) (Annex 2) to be completed by the officer responsible
- b) Finance checks for accuracy and adherence to policy
- c) The report form is sent to the ED for final approval
- d) The approved report is sent back to finance for accounting action

No funds shall be advanced to an officer before she/he accounts for the earlier amounts advanced in the same category. However, you may take travel advance and other advance (like purchase) at the same time in case of emergency.

Accounting treatment for Advance

On Issue of Advance,

- Dr Advance Account (Analyzed to the specific person)
- Cr Bank / Cash

On Accountability of Advance (on exact amount advance) / Journal entry

- Debit Appropriate Expenses Accounts
- Cr Advance (Analyzed to the specific person)

On Return of unutilized advance funds / through a receipt Voucher:-

- Dr Cash / Bank
- Cr Advance (Analyzed to the specific person)

On Accountability of excess expenses (exceeding advance provided)/ via Payment Voucher

- Dr Appropriate Expense accounts
- Cr Bank / Cash

(On refund of the excess, referenced to advance voucher and accountability report)

3.5 Assets Insurance Procedures

- a) All UPDN assets with the value of UGX 2million and above shall be insured against all risks. UPDN assets include: Vehicles, motorcycles electronic equipment, cash at the office and in transit.
- b) The selected insurance companies provide the service for a period not exceeding one year, after which, the premium can be renewed.
- c) All originals of all insurance policies shall be kept by the FAM in a safe under lock and key. An Insurance Policy Register is maintained by the accounts assistant and a page kept for each policy.
- d) The Insurance Policy Register (IPR) shall be established and inspected at the beginning of every semester by the FAM and matched to the policies to ensure they agree.

- e) Where a policy is due for renewal, the insurance company shall inform in writing, at least two weeks before the expiry of the policy.
- f) Where and accident or theft occurs, the insurers shall be immediately informed in writing of the accident / theft as the case may arise. The Insurance claim form is made and sent as soon as possible but Within 5 working days after the accident.
- g) Where a refund is made, it shall be banked intact and on the account from which the asset was purchased earlier. The proceeds from the insurance claim are expected to replace the asset, and not available for other uses.
- h) If the insurer refunds repairs expenses, then the funds shall be used to reduce the expense by:-
 - Dr Bank
 - Cr Expense Accounts
- i) When the funds are paid for replacement of the asset, the original asset has to be written off (Dr Disposal Account, CR Asset).
 - On refund by the Insurer, (Dr Bank, Cr Disposal)
 - On purchase of new asset (Dr Asset, Cr Bank)

3.6 Fraud control

Fraud is defined as any dishonest act or omission that causes loss to the organization or results in an unauthorized benefit or advantage, whether to the person acting or omitting or to a third person.

Fraud includes, but is not limited to:

- i) Forgery or alteration of documentary
- ii) Misappropriation of the organization property
- iii) Deliberately altering or reporting incorrect financial or personal information;
- iv) Authorizing or receiving payment for goods or services not received or performance
- v) Authorizing or receiving payment for time not worked;
- vi) Any claim for reimbursement of expenses that are not incurred for the benefit of UPDN;
- vii) Fabrication or falsification of data, or other dishonest practices;
- viii) Bribery.

UPDN views fraud very seriously. All instances will be investigated rigorously and promptly and appropriate action will be taken.

a) Policy Procedures Guidelines

Duty to Report

- i) An individual who is aware of or suspects fraudulent activity must promptly report such activity to the supervisor.

- ii) An individual who reports a suspicion of fraud regarding another individual or the organization in good faith will in no circumstances be threatened, intimidated, or dismissed because he or she acted in accordance with this policy.

b) Management's responsibilities

The day to day responsibility for the prevention and detection of fraud rests with the management team who are responsible for:

- i) Identifying the risks to which systems, operations and procedures are exposed
- ii) Developing and maintaining effective controls to prevent and detect fraud
- iii) Ensuring that controls are being complied with.

c) Disciplinary action

In the case of proven fraud, or suspected fraud of a serious nature, management reserves the right to refer the matter to the police at the earliest possible juncture.

Notwithstanding this, and following appropriate investigations, the Executive Director shall determine whether to invoke action in accordance with established disciplinary procedures.

d) Liaison with Police & external audit

All staff will co-operate fully with any police or external audit enquiries, which may have to take precedence over any internal investigation or disciplinary process. However, wherever possible, teams will co-ordinate their enquiries to maximize the effective and efficient use of resources and information.

e) Initiation of recovery action

UPDN will take appropriate steps, including legal action if necessary, to recover any losses arising from fraud, theft or misconduct. This may include action against staff involved in the fraud or whose negligent actions contributed to the fraud.

3.7 Acquisition and disposal of assets

Fixed assets are tangible items that UPDN uses in running the programmes transactions and whose use will exceed one accounting period from the date of purchase. They include:

- i) Motor vehicles
- ii) Motor cycles
- iii) Computer and other electronic equipment
- iv) Furniture and Fixtures;

Costs and ceiling values of fixed assets

The underlying principle of the cost of an asset(s) is that it includes all the costs that are incurred in bringing the asset(s) in its present working condition and location. It is therefore not only the actual amount paid as a purchase price of the asset(s). In particular, the cost of the asset(s) includes the following:

- i) The purchase price of the asset;

- ii) Any incidental costs incurred in bringing it in its present location and working condition.
- iii) Any taxes paid including customs, registration fees in case of vehicles,
- iv) Transportation costs incurred to bring the asset(s) to the present location;
- v) Professional fees incurred in acquisition of the asset(s) e.g, the surveyor's fees, the lawyers fees and the like;

The cost of an asset does not include costs of maintaining the asset(s) or fuel needed to keep the asset(s) going.

What constitutes a true asset is cost of UGX 500,000 or more. However, other items which can be used for more than one accounting period but cost less than UGX 500,000 will have to be put in a small equipment register which may be checked from time to time but will be expensed.

a) Asset Acquisition

When a need for purchasing an asset arises, the officer requiring the assets shall justify the need to his /her supervisor and an Asset Requisition Form is filled. This is approved by ED. Once the ED is satisfied with the justification, he passes it on to the Programme Managers to procure the asset.

The original purchasing documents for assets are filed in a separate file to ease future reference and audit verification, while copies are attached to the vouchers.

b) Security of Assets

Each asset is marked/engraved with a unique identification number. The format of the identification shows the project, the type of asset, and a numerical number to show its "position" in that category of assets.

Engraving all fixed assets is done immediately the assets are acquired. Where this is not practical, the exercise is done within one week of purchase of the asset. This identification establishes the ownership of the asset as belonging to UPDN and enhances safety of the asset. It also enables UPDN to know the quality of each category of asset it owns.

Fixed assets are safely kept at UPDN. At the close of business, the office administrators ensure that all valuable assets are entered in the premises and lock all the doors leading into the offices. Officers on their part close their offices before leaving office at the close of business.

c) Asset Register

UPDN shall maintain a fixed assets register that will be managed and updated by FAO. For each asset the following details shall be maintained in the register:

- i) Date of purchase
- ii) Description of the asset (and serial number where relevant)
- iii) Cost of the asset
- iv) Accumulated Depreciation brought forward
- v) Depreciation charged during the period
- vi) Accumulated depreciation to date.

Small assets listing should also be kept for minor assets (Value less than Asset limit) but with life span of over one year. Examples may be UPS, Fans, etc. Items like tea cups are not considered assets and should be expensed on purchase.

d) Revaluation of Assets

At the moment UPDN does not have assets that require valuers like land and buildings; therefore, for the assets owned by the organization, the management team shall attach a value to be approved by the Board before disposing off.

The accounting treatment involves crediting the Revaluation Account and debiting the amounts in the respective assets accounts. The depreciation thereafter is based on the re-valued amounts.

e) Asset Depreciation

Depreciation is defined by International Accounting Standards as “the allocation of the depreciable amount of an asset over its useful life”. A depreciable amount of a depreciable asset is the historical cost or other amount substituted for historical cost less the residual value.

The depreciation method adopted by UPDN is the Straight Line Method, whereby the cost or re-valued amount of the asset is systematically charged to the accounts in equal terms over the useful life of the asset. Below are the depreciation rates used by UPDN

a) Motor Vehicles and Motor Cycles	-	20%
b) Office Equipment	-	12.5%
c) Computers and related equipment	-	33.3%
d) Furniture and Fittings	-	12.5%

Fixed assets are depreciated in order to match the cost of using them to the benefits generated for their use. Depreciation is not meant to cater for replacement of the assets, but to write them off over their useful lives. When the asset gets to a value of zero, management can re-value the asset.

f) Accounting Treatment

- Dr Depreciation account
- Cr Accumulated Depreciation (Analyzed to specific asset of category)

g) Disposal of fixed assets

Assets are disposed of in UPDN when:

- a) They are no longer required by UPDN;
- b) The project for which they were bought ceases to exist;
- c) Spoilt beyond repair i.e. the cost of repairing them exceeds, equals or nearly equals that of replacing them;
- d) The Board decides for some other reasons

The mode of disposing fixed assets in UPDN is by:

Donating to other charities within the area of operation

Any other method as the BOD may find appropriate and in line with the UPDN constitution

3.8 Planning, budgets and budgetary controls Procedures

A budget is a quantitative expression of a plan of action prepared in advance of the period to which it relates. Budgets are prepared for the organization as a whole, for departments, for functions, for financial and resources such as cash, capital expenditure, manpower and other specific programs.

The process of preparing and agreeing budgets is a means of translating the overall objectives of the organization into detailed feasible plans of action.

Hence a budget is a plan quantified in monetary terms, prepared and approved prior to a defined period of time, usually showing planned income to be generated and / or expenditure to be incurred during that period and the resources to be employed to attain a planned objective.

a) Guidelines in Budget preparation

The budgeting process shall be coordinated by the senior management team headed by the ED and FAM or designate. The budgeting process shall begin three before the end of the financial year.

The system of budgeting adopted by UPDN is Zero Based Budgeting. This is system of budgeting whereby the budgets for the current period assume that all activities start from zero and that the previous period's activities do not have any bearing with those of new period. Previous year's results are only used to predict the current year's activities.

Although under ZBB assumes a zero base, it does not mean that the previous period's records are entirely irrelevant to this year's budget. At the point of preparing the budgets the previous year's figures are scrutinized to see any trends expenditure, and this could have a bearing on the assumptions and estimates for the next year.

b) Budgetary Control Procedures

The process of comparing actual results with planned results and reporting on the variation sets a control framework which helps expenditure to be kept within agreed limits. Deviations are noted so that corrective actions can be taken.

c) Management Variance Reports

On a monthly basis, actual results are compared to the budgeted monthly figures and any discrepancies (Variances), negatives or positives, are reported to the managers that are responsible for them, so that they establish reasons for the off-budget situations. This Variance Analysis Report (VAR) – is used as a tool to monitor actual performance to budget and in cases of negative variances (where expenditure exceeds the budget), find solutions before it is too late.

Implementation of the budget is a duty of the management team. Before committing expenditure or disbursing funds, ED checks whether or not an item was budgeted for; if

yes and funds are available, ED authorises payment; if the item was not on budget, but funds are available, the FAO prepares a re-allocation request for approval by the ED before authorizing the payment. If the amount to be reallocated exceeds 10% of the budget, that matter is referred to the finance committee.

d) Expenditure approvals and use of Budgets

Approval of expenditure will ensure that all expenditure:-

- a) Is budgeted for
- b) Relates to the project
- c) Is adequately supported
- d) Relates to goods and services received by the project
- e) Approval is carried out as follows:-
- f) Annual budget approval by BOD
- g) Approval of expenditure within the UPDN management

3.9 Procurement procedures

The procurement section provides guidance and instructions to assist UPDN in managing and performing procurement activities.

All procurement transactions must result in the selection of a contractor or a vendor whose bid is responsible and is the most advantageous to UPDN's goals and objectives. Consideration must be given to such matters as vendor integrity, record of past performance, financial and/or technical resources, and the potential ability to deliver the proposed procurement in a timely manner.

a) Procurement policies

- i) All procurements should have a budget. The board however shall authorise any procurements outside the budget but within the donor agreements.
- ii) All purchase requests above UGX 20 million must be authorised by the board
- iii) All purchase requests below UGX 20 million must be authorised by the ED
- iv) Programme and / or project activities not exceeding UGX 3 million can be authorised by the Programme Managers after consultations with the ED
- v) The FAO shall be responsible for coordinating and facilitating all procurement activities.
- vi) All procurement activities must be fully and transparently documented as a way of demonstrating to the stakeholders and donors that the funds are being responsibly committed. Any deviation from policy or procedure in a purchase must be documented with a signed explanatory note on the procurement file, which shall be maintained by the FAO.
- vii) Any conflict of interest during the procurement process shall be disclosed and any gifts from suppliers that are substantial must be disclosed.
- viii) The FAO for any future reference shall maintain hard copy and electronic files.

b) Procurement process

The following steps shall be applied while undertaking procurement.

i) Purchase request:

An employee seeking to procure an item should fill the purchase request form. This form should provide clear details of the needed items/service and such details shall include:

- Item quantity
- Quality/brand
- Latest date of supply
- The estimated price
- Any other details as may be available

ii) Purchase approval

PR must be completed and appropriately approved. In case of HO, the FAO should approve, while at programme offices, the Project coordinator should approve.

iii) Purchase authorisation

Authorisation is by the Programme Manager in case of purchases at field offices, while the ED authorises for purchases at Headquarter Office.

iv) Written quotations

At least three quotations must be solicited before a final selection of the supplier is done.

v) Local purchase order (LPO)

An LPO shall be prepared for any purchase above UGX 1,000,000. The LPO is a binding agreement between UPDN and a vendor and must clearly state the obligations of the vendor, the costs of supplying the goods and/or services, and the delivery schedule. This document evidences the terms and conditions of contractual agreements. Therefore, it must be completed in such way that it gives sufficient detailed information that clearly identifies the obligations of UPDN and the vendor

vi) Cancellation of orders / contracts

In cases where the vendor fails to supply the specified items/services, UPDN has the right to cancel the order or contract on grounds of unsatisfactory performance. Such cancellation shall be done in writing, within 2 days after delivery. Therefore, strict examination and / or checking of items must be done before goods or services are received and paid for. This condition should be stated in all UPDN contracts with suppliers.

vii) Acknowledgement of goods receipt

The details of the goods received should be summarized on the Goods Received Notes (GRN). A copy of the requisition note, supplier's delivery note, and GRN should be attached to the invoice before a cheque is written out for payment. The paying staff should ensure that a receipt is obtained from the supplier as evidence of receipt of the payment.

3.10 Personnel costs

a) Payroll

The objective of the payroll is to expense the total salary payment for all employees and to disburse the net salary to each employee per the payroll schedule. All payroll information is confidential.

UPDN should expense each employee's salary amount, inclusive of tax payment and NSSF to various donors within the organization based upon contractual agreements.

When an employee's employment status changes: promotion, annual increment, transfer, new hire, separation, etc, the FAO should be notified in writing as evidence of changes effected on staff salaries. No changes in payroll can be effected for a salary without authorization from the ED.

- i) Payroll slips must be signed by each employee receiving payment via the payroll system. The slips must indicate the name of the employee, grade/level, gross salary, amount of tax deducted, NSSF deducted, other deductions effected, and the net payment.
- ii) A copy of the signed payroll slip must be kept by the Personnel / Finance Department for record keeping.
- iii) Payment of Salaries and wages must be effected via the payroll. Once the payroll is prepared, the request form is filled and forwarded to the ED for approval.
- iv) Once approved the voucher is raised and the cheque is drawn for the net salaries and for each of the deductions made. The bank is instructed in writing to disburse the amount on the cheque for net salaries to the respective recipients who are mentioned on the attached list.
- v) The Cheques for the statutory deductions are disbursed to the respective beneficiaries before the 15th day of the month to avoid penalties.

b) Preparation of the Payroll

Upon receipt of the copy of the appointment letter from the ED, the FAO includes the name of the new employee on the payroll. Where an employee has joined UPDN during a given month, the monthly pay is pro-rated according to the number of days on the month that are unexpired during that month. The formula to be used is:

Gross salary X No of days to end of month /30

The FAO shall prepare the payroll on 25th day / last week of the month of every month, including all the statutory deductions that have to be made: Pay As You Earn (PAYE), National Social Security Fund (NSSF), benefits in kind and others. The payroll also reflects any deductions made on each employee's salary such as salary advances, deduction for non-accountability of funds, fines and the like. Payments are then made on the last day of every month.

ED approves the payroll and sends the payroll to the FAO for preparing cheques.

c) Statutory Deductions (PAYE AND NSSF)

PAYE is deducted from the salary of each employee whose salary exceeds the PAYE threshold and is accordance with the Income Tax Statute. The amounts to be charged are calculated according to the Legislations in force provided by URA.

The cheque for settling PAYE is prepared by FAO immediately the payroll is approved by ED, supported by a copy of the payroll for a given month. The PAYE cheque is paid in to Uganda Revenue Authority (URA) on or before 15th day following the month of deduction.

Failure to deduct and pay over PAYE on time attracts penalties from URA. Any such penalties are traced back to the officer responsible for the delay and the amount of the penalty charged to the officer on the next payroll. It is therefore a duty of the FAM to ensure UPDN does not suffer any penalties arising out of delays in submitting the PAYE cheque on the due dates.

NSSF is deducted from employees at a rate of 5% of the gross salaries of each employee. UPDN contributes 10% of each employee's gross employee; hence a total of 15% is paid over to NSSF on or before the 15th day of the month following that of deduction.

The NSSF cheque is prepared at the same time as the salary payment and submitted on or before the due dates. Any penalties that many arise as a result of failure to submit the NSSF cheque on time are treated in the same way as above.

e) Salary Advances.

This is an advance taken by a staff for personal reasons and is recoverable through the payroll during the month. UPDN allows staff to take advance of up to 50% of ones net salary.

Accounting Treatment of Salary Advances.

All Salary Advance is recovered the month it is taken. However, when somebody is going on leave, he may be paid the following month's salary. That should be recovered in the following month's payroll.

On receipt of Advance:-

- Dr Salary Advance (analyzed to specific staff)
- Cr Cash/ Bank

On Recovery of Advance through payroll

- Dr Salary Expenses
- Cr Salary Advance Account (analyzed to specific staff)

On refund of advance by Cash / Cheque

- Dr Cash / Bank
- Cr Salary Advance (analyzed to specific staff)

The FAO records the salary payments in to the accounts using payment vouchers.

f) Staff Loans

UPDN does not give loans to staff but encourages forming an association where they can pull resources together and be able to borrow from it.

3.11 Chart of accounts

Different accounts are used to classify types of incomes, expenses, assets and liabilities. A list of all those accounts (Each with a code and Name) is called chart of accounts.

The UPDN Main Chart of Accounts is divided into five main categories:

- Income,
- Accumulated Fund,
- Liabilities and
- Expenses

a) Income / Revenues

These denote moneys/incomes that come into the organization from donor partners. On the Chart of Accounts, an *account* for each source of revenue is opened. E.g. UHAI grant to UPDN etc

b) Liabilities:

These are obligations the organization has to settle and are also divided into two categories: *current liabilities and long term liabilities*. Current liabilities are obligations that the project has to settle within one year or less. Examples include bank overdrafts (negative balances on the bank accounts), unpaid suppliers of goods and services and unpaid staff salaries and the like.

c) Capital / accumulated fund

This denotes contributions by members of UPDN and grants from donors. Capital is not repaid and it is the difference between the assets and liabilities or simply the *Net Worth*. Capital grants are represented by fixed assets and include surpluses of receipts over expenditures or the profit and loss.

At the end of a reporting period, the five broad categories are used to prepare financial statement for the stakeholders. Financial statements include the *statement of fund balance* and *the Income and Expenditure statement*

Approved by:

.....

Chairman of Board of Directors (UPDN)

Date:

SECTION4: APPENDICES

Appendix 1: Local Purchase Order (LPO)

Uganda Professional Development Network (UPDN)

Serial No:

Item no	Particulars	Quantity	Unit price	Total price
Total Order Price				

Authorized by:

Receipt of Order by Supplier

Name:.....

Name:

Signature:.....

Signature:

Date:

Date:

Appendix 2: Advance request form

Requested by (Name).....

Title.....

Signature.....

Date.....

Item	Purpose	Qty	Amount	Voucher Cheque no.
	Total			

Approved by..... Date.....

Appendix 3: Accountability form

Name..... Title.....

Date advance taken.....Accountability Date.....

Purpose.....

(Please attach receipts)

Amount Advanced			
Item	Description	Account charge to	Amount
TOTAL			
Amount due to UPDN			
Amount due to Staff			

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

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