

SECURE THE FUTURE™

NGO Financial Management Pocket Guide

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Your Road to Financial Management Systems

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Bristol-Myers Squibb Foundation
Community Outreach And Education Fund



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Foreword

When Bristol-Myers Squibb Foundation launched Secure the Future™ Community Outreach and Education Fund in 1999, it committed itself not just to giving financial support to established institutions. It committed itself to giving support to all those organisations and institutions that were pushing the frontiers and thinking out of the box to find new, effective approaches to tackling the HIV/AIDS pandemic.

In doing this, the Foundation and Secure the Future™ had to acknowledge that some of the innovative ideas were not always to be found in solid, mature organisations that had tried and tested ways of doing business. They can also be found in the heart of communities, in villages that cannot even be easily located on the map, among young people who are still excited by the challenges of being young and in those community formations that have always given themselves selflessly to uplifting their neighbours.

We at Secure the Future™ did not want to exclude these meaningful contributions because of their seeming lack of formal structure and capacity. However, we also needed to balance this with responsible funding.

Achieving this necessary balance lay in one of the objectives of Secure the Future™: *“To build capacity of individuals and communities to find solutions that are relevant to their own resource-limited settings but can be replicable in other similar settings.”*



We interpret this as going beyond the technical skills of providing HIV/AIDS services but also to building strong institutions that can sustain their activities.

Early on the Bristol-Myers Squibb Foundation teamed with PricewaterhouseCoopers to help us in strengthening the management and financial systems of the organisations with which we were partnering. Our collective lessons, learned in Southern and Eastern Africa, led us to compile this Pocket Guide. It also reflects what we have learnt from our partner organisations.

It is not a bible, or the ultimate answer, but we hope it provides a guide that can literally be kept in one's pocket for quick reference to proper financial policies.

We hope you find it useful.

Phangisile Mtshali

Director: Bristol-Myers Squibb Foundation

Community Outreach and Education Fund, Secure the Future™

Please note that all the terms that are in bold are explained in the Glossary of Terms on page 65.

Chapter 1

Policy & Procedures Manual



Chapter 2

Accounting Policies

Accounting policies and procedures manual

1.1 Accounting policy and procedure manual

One of the initial steps of a non-profit organisation (NPOs) should be to establish an accounting policy and procedure manual. An accounting policy and procedure manual documents the policies and procedures an organisation should use to record and monitor financial transactions. Documentation of accounting policies and procedures is important because it provides clarity regarding internal processes. In addition, it can be helpful to newcomers of a NPO while improving their financial management skills. Its purpose is to help NPOs:

- Record all financial transactions
- Monitor and control expenditures
- Satisfy statutory reporting requirements
- Ensure timely and accurate financial and management reporting to donors and grant-makers

In general, this manual should outline the areas covered in the following section (1.2). An effort has been made to simplify these procedures to make it easier for you to develop your own accounting policies and procedures manual. As your organisation grows in terms of level of activity and number of donors, it will be necessary to update your procedure manual accordingly.

1.2 Overview of procedures available

This Pocket Guide contains the following policies and procedures which should be part of your organisation's procedures manual:

Pocket Guide section	Description
2.	Accounting Policies
3.	Summary of Procedures
4.	General Ledger
5.	Cash Management and Disbursements
6.	Budgeting and Budgetary Control
7.	Fixed Assets
8.	Travel
9.	Procurement of Goods and Services
10.	Reporting Requirements
11.	Payroll
12.	Branch Accounting
13.	Corporate Governance
14.	Computer Information Systems (CIS)



2.1 Accounting convention

The accounts of the grant recipient should be prepared under the historical cost convention. The day-to-day transactions should be recorded at the monetary value of the goods or services or fair market value of the donated services.

2.2 Income

Income represents grants from donor, members' subscriptions and interest received from bank deposits and on investments. Grants, cash donations and interest received from bank deposits and investments are recognised as income in the period in which they are received.

2.3 Expenditure

Expenditure represents expenses incurred directly for programme activities. These are recognised when payments are made (ie, when cheque or cash is disbursed or paid).

2.4 Taxation

No provision is made for taxation payable as it is expected that the grant recipient will be properly registered, and therefore, be exempted from any taxation.

2.5 Currency of account

The accounts of the grant recipient should be created to reflect the budget line items of the approved programme budget. In addition, the accounts should be recorded in

the currency of the grant or as agreed by the grant-maker. For example, Bristol-Myers Squibb Foundation makes grant payments in the currency of the donor's recorded contract (ie, the currency of the country where the grant will be carried out).

2.6 Main office/local offices

Where the grant recipient has multiple projects or field offices as part of one grant, local bank accounts should be introduced. The main office should bear overall responsibility for distribution of funds to local offices or projects. The transfer of funds to the local office should be made according to the programme budget, project milestones and should be sufficient to meet the project requirements. This is necessary to avoid large amounts of currency in local office bank accounts. The main office should monitor and ensure proper expenditure accountability by the local office. In addition, the main office should also consolidate expenses incurred at the local office level for reporting purposes.

Chapter 3

Summary of Procedures

Purpose and objectives of the accounting system

The objectives of the grant recipient's accounting system are:

- To record and classify all transactions accurately and completely
- To maintain a complete record of all:
 - **Revenue** received
 - **Expenditure** incurred
 - **Assets** owned
 - **Liabilities** due to third parties
- To report to donors on all required financial information

Process descriptions

General ledger Post monthly transactions of revenue, grants received, expenditure on project activity and other transactions relating to assets and liabilities.

Preparation of accounts.

Cash books Record transactions on the grant recipient bank accounts and record receipts of petty cash from the bank and petty cash expenditure.

Budget and expenditure Record budget and actual expenditure by budget code on a monthly and cumulative basis.

Fixed assets Maintain manual records of all assets.

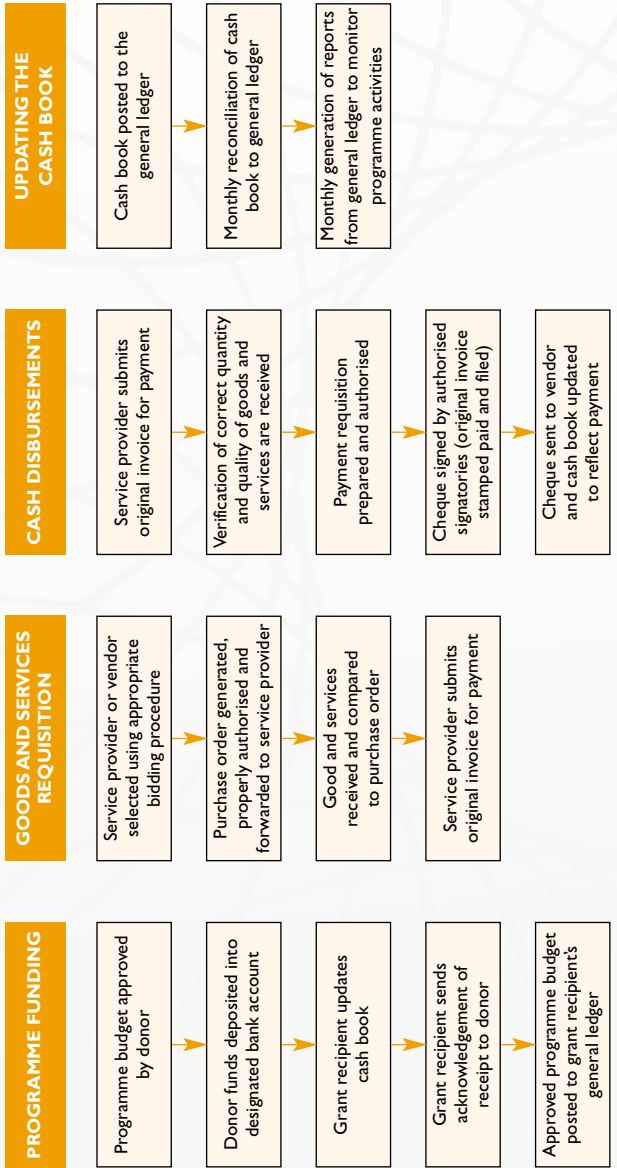
Travel Record transactions relating to travel.

Procurement Record transactions relating to procurement of goods and services.

Payroll Record transactions relating to compensation of employees (eg, salaries, gratuities and incentives).

Reporting Prepare monthly, quarterly and/or annual reports.

Interface description



Chapter 4

General Ledger

Purpose of general ledger procedures

The General Ledger Accounting System is designed to improve the timeliness and quality of information available to grant recipient management. Financial information includes information on assets, liabilities, revenue, funding and expenses.

The Director/Finance Officer is responsible for producing all final general ledger outputs. Among the principal responsibilities are:

- Receipt and coding of all source information into the general ledger
- Verification and input of the information related to expenses, budget, funding, revenue, assets and liabilities
- Production and distribution of general ledger reports to budget holders and other interested parties

The source of data for the general ledger system is the other sub-systems: budgeting, fixed assets, cash and payroll systems. This data should be used in the preparation of management and financial reports.

The general ledger should have separate accounts for each budget line for each of the donors. This will make the preparation of donor specific financial statements easy.

The monthly postings to the general ledger are cash based. If the organisation is to account on an accruals basis, year-end accruals for creditors, debtors and prepayments should be recorded to convert the accounts to an accruals basis.

General ledger procedures

This consists of the following activities:

Monthly

- Record expenditure by project activities
- Record other payments not relating to projects
- Record grants and other income received during the month.
- Extract monthly **trial balance**
- Identify and record (pass) **journal entries** for accrued charges and prepayments (if required)
- Prepare end of year **trial balance**
- Reverse year-end accruals after close of financial year. This is required to avoid overstatement of expenses.

Chapter 5

Cash Management and Disbursements

5.1 Purpose of cash management and disbursements

The purpose of cash procedures is to ensure that:

- All cash received is properly accounted for
- All cash received is deposited intact in the respective bank accounts. Ideally, a separate bank account should be opened for each donor. If this is not possible, then a separate cost code within the general ledger should be maintained
- There is separation of responsibility of handling the cash/cheques and that of recording
- All cash transactions are properly captured by the general ledger system
- All payments are properly verified and approved prior to payment
- All creditor payments are made by cheque
- All vouchers and supporting documentation are properly stamped "paid" before cheques are despatched
- Proper and timely **bank reconciliations** are prepared and independently reviewed. The key steps in preparing a bank reconciliation are:

5.1.1 Compare the bank statement and the cash book balance.

Tick off all items which are in both records. Check the bank statement itself also for accuracy of additions.

For the unmarked items:

5.1.2 Record all bank charges into the cash book.

5.1.3 Identify and record in the cash book any other debits on the bank statement which are not in the cash book. Record these debits in the cash book.

5.1.4 Identify any credits on the bank statement that have not been recorded on the cash book. Adjust the cash book by recording these items in the cash book.

5.1.5 All reconciling items should be examined for genuineness and any unusual items investigated.

5.1.6 On completion of the above, prepare a reconciliation as follows:

Balance per bank statement

Less: Unpresented cheques

Add: Outstanding lodgements (eg, deposits in transit)

Cash book balance.

5.1.7 Present the bank reconciliation to the Financial Director for review and approval.

5.1.8 File the approved bank reconciliation in a “reconciliations” file. Prepare bank reconciliations on a monthly basis.

5.2 Donor requirements

The grant recipient should only incur expenses and charge donor grants if the payments are reasonable, allocable and allowable. The following is an explanation of these terms:

a. *Reasonable*: Costs that are generally recognised as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business to carry out the grant.

b. *Allocable costs*: Costs that are incurred specifically for the grant may be charged to a line item within the approved grant budget. A cost must be beneficial to an award, directly or indirectly. Generally, this means that a cost must be incurred in order to perform the work of the award; or it must be incurred in a way that benefits the award or other activities of the grantee institution. There are, however, certain types of institutional costs that are restricted from being charged to a particular award because they provide so little benefit to the award.

c. *Allowable costs*: Shall mean those costs that conform to any limitations of the grant. To be allowable under the general standards a cost must:

- Be necessary for the performance of the grant agreement
- Be net or less any applicable credits such as purchase discounts, rebates, etc
- Conform to any limitations or exclusions in the award
- Be treated in the same fashion as costs incurred by the grantee with non-donor funds
- Be determined in accordance with generally accepted accounting principles applicable to the type of grantee
- Not be included as a charge to other projects/ programmes in the current or prior period
- Be adequately documented

Chapter 6

Budgeting and Budgetary Control

6.1 Purpose of budgeting and budgetary control procedures

The purpose of budgeting and budgetary control procedures is to:

- Prepare annual and/or operational budgets
- To record daily expenditure by the grant recipient budget code
- To record cumulative expenditure to date by budget code
- To compare and monitor cumulative expenditure by budget code to the original (or revised) budget allocations from donors

These procedures should satisfy the requirements of the donors funding the grant recipient.

Information from the budget book can be used in the budget-monitoring sheet for reporting and also for assisting in controlling expenditure.

Ideally, the budget book should be maintained on a computer spreadsheet. This makes it easy to update and amend. However, the budget book may be maintained and updated manually. Each budget line should be on a separate page.

Budget and expenditure procedures

Principal activities that should be performed:

1. Prepare annual work programme and budget.
2. Prepare operational budgets.
3. Record the original (or revised) budget for the financial year.
4. Post daily expenditure to the budget book, record cumulative expenditure and monitor remaining budget.
5. Obtain donor approval in advance for revisions of budgets.

6.2 Donor requirements

The grant recipient should report deviations from budget and programme plans and request prior approvals for budget and programme plan revisions. Approvals are usually required by donors for each of the following reasons:

- a. Change in the scope or the objective of the project or programme (even if there is no associated budget revision requiring prior written approval).
- b. Change in key management personnel specified in the application or grant agreement.
- c. The approved Project Director increases or reduces his or her time devoted to the project by more than 25% or is absent from the day-to-day operations of the project for more than three months in one year.
- d. The need for additional donor funds.
- e. The transfer of amounts budgeted for indirect costs to absorb increases in direct costs or vice versa.
- f. Transfer of funds allotted for training allowances to other categories of expenses.
- g. The inclusion of costs prohibited by the grant agreement. Such costs may include, but are not limited to advertising, bad debts, contingencies, entertainment, fines, penalties, interest, fund-raising, investment management costs, lobbying, losses on other awards and first-class airfare.

The grant recipient should notify donors if funds are transferred between budget lines and the cumulative transfers are expected to exceed 10% of the total budget.

When fund-raising from multiple donors, the grant recipient should notify specific donors in writing when the amount of donor funds is expected to exceed the grant recipient needs by more than US\$5 000 (or other pre-agreed amount) or 5% of the grant, whichever is higher. This notification shall not be required if an application for additional funding is submitted for a continuation award. This process ensures that funds from more than one donor are not applied for the same project or expense.

The grant recipient should not spend the funds until guidance is given by the donor on how to utilise the excess funds.

Chapter 7

Fixed Assets

7.1 Purpose of fixed asset procedures

The purpose of fixed asset procedures is to ensure:

- Grant recipient's assets are safeguarded by recording their details and monitoring their location and condition
- All movements of fixed assets are accounted for in the general ledger

These procedures provide guidance for introducing a manual fixed asset register and updating it for additions and disposals, as well as recording movements of assets in the general ledger.

7.2 Fixed assets and depreciation

Fixed assets are defined as tangible assets, which have been acquired either through purchase or donation with the intention of being used on a continuing basis for a period exceeding one year. All assets whose price exceeds ZAR5 000 should be included in the grant recipient's fixed asset register. Assets under this value should be monitored but do not require inclusion in the fixed asset register.

To facilitate proper financial and management control, fixed assets have been grouped into five categories:

Asset class	Asset description
1	Motor Vehicles (MV)
2	Office Equipment (OE)
3	Office Furniture and Fittings (OF)
4	Computer Equipment (CE)
5	Leasehold Improvements (LI)

Fixed assets should be recorded at cost of purchase price or market value for donated assets.

7.3 Fixed asset tag numbers

The tag numbers for the office equipment, furniture and fittings and computer equipment should be based on the asset class. An easy way of recording in the fixed asset register is to use a three-digit tag number in the format of the following example: BMS/OE/015. BMS designates the donor. The digits OE indicates the asset category (Office Equipment) while the last three digits represent the asset number in chronological order. For motor vehicles, the registration number should be sufficient for identification purposes.

7.4 Fixed asset procedures

Principal activities that should be performed:

1. Record opening balances of existing fixed assets in the **asset register** (either at cost for asset purchases or fair market value for asset donations).
2. Update the asset register for additions in the month of purchase or donation.
3. Update the asset register for disposals in the month of disposal.
4. Record additions and disposals of fixed assets in the general ledger.
5. Where applicable, compute and record **depreciation**.
6. To have an effective fixed asset register, the following steps should be followed:
 - Prepare a listing of fixed assets donated by each donor during the year
 - Prepare a listing of fixed assets purchased by the grant recipient during the year
 - Verify existence of each item on the lists above by performing a physical inventory count

- Assess the condition of the assets and their location
- Assign asset tag numbers or a suitable reference number to each asset

7. To create an asset register, record individual assets in the register by entering the following headings:

Name and description – Record the name and description of the asset.

Cost – Original purchase price or fair value donated.

Supplier – Record the source of the asset.

Purchase reference – Provide a reference to the procurement/ payment documents.

Date of purchase – Record the date of purchase.

Location – Record the present location of the asset through inspection.

Condition – Record the present condition of the asset (excellent, good, fair and poor).

Asset number – Record the asset number (tag number) where numbers are being assigned.

8. Extract a list of opening asset values posted to the manual fixed asset register and check that the totals agree with the initial listings.
9. The Project or Programme Administrator should update the fixed asset register as follows:
 - Perform an annual physical inventory count to confirm the existence and condition of the fixed assets
 - Record any fixed asset additions
 - Record any fixed asset disposals
 - Remove fully depreciated or obsolete assets from the fixed asset register

Chapter 8

Travel

8.1 Purpose of travel procedures

The purpose of travel procedures is to ensure that:

- All travel, international or otherwise is adequately planned for in advance
- All travel expenses are for properly authorised travel on official business and are incurred at the correct rates
- All travel advances are properly and completely accounted for before they are expensed
- All donor requirements relating to international travel are adhered to

Travel procedures

There are three (3) principle activities:

- Preparation of proposed itinerary for planned travel
- Authorisation of travel application form
- Accounting for travel advances

8.2 Donor requirements

Prior approval for any intended travel must be obtained. The grant recipient should advance/reimburse employees/consultants for any pre-authorised expenses incurred in travelling on authorised travel, on official business. The amount advanced/reimbursed should be based on the rates advised from time to time by the Director. The rates should be based on cost of travel, accommodation, etc, in the specific location.

Donor funds used to sponsor international travel shall be undertaken on International Airlines.

All international air travel shall be economy class. For donor sponsored travel, any use of first-class or business class travel has to be specifically approved by the donor.

The grant recipient should ensure that for donors with specific travel requirements, these requirements are in the grant agreement. The Administrator should ensure that these specific requirements are adhered to before any payments for travel are made.

Chapter 9

Procurement of Goods and Services

9.1 Purpose of procurement of goods and services procedures

The purpose of procurement procedures is to ensure that:

- Procurements are made to the maximum extent possible on a practical, open and freely competitive basis
- The grant recipient obtains the maximum value for money on all its procurements of goods and services
- Procured goods and services are delivered in the correct quantity and quality and in a timely manner

9.2 Donor requirements

The guiding principles to be followed in procurement of goods and services are as follows:

1. *Competitive bidding*: The essence of this principle is that all persons have an unimpeded opportunity to bid and win. The market should be defined as broadly as possible.
2. *Transparency*: Processing of tenders should involve more than one person. Information on the job to be done should be readily available to all possible competitors. It also means that the basis of awarding of tenders should be as logical and fair as possible.
3. *Supremacy of the tender committee*: The final decision rests with the tender committee. This committee should thus have an unimpeded right to assess possible bidders and decide on the merits of each. If a tender committee does not exist, the organisation should designate a person responsible for procurement decisions and all decisions should be documented (minuted) to justify the rationale. There is a need for the grant recipient to have a general disclaimer not to be bound by any tender.

Persons/Parties excluded from competing for contracts

1. No employee, officer or agent or relative of the grant recipient should participate in the selection, award or administration of a contract if a real or apparent conflict of interest would be involved.

The standards of conduct governing performance of officers, agents or employees engaged in administration of contracts and any disciplinary action to be taken against them if in violation of these standards should be enumerated in the staff rules and regulations.

2. No contractor involved in developing or drafting specification requirements, statements of work or request for proposal should be considered for such procurement.
3. The Administrator should review the grant agreements to ensure the donor regulations on the persons to be excluded from competing for contracts are effectively excluded.

Procurements should be carried out using one of the following:

a. Tendering

All goods and services valued at ZAR50 000 (or other agreed amount) and over should be procured by tendering. The tender must include complete, clear and accurate information on:

- Responsibilities of contractor/specifications of tasks/ type of service required

- Minimum qualifications and experience required
- Terms of service
- Identification of the grant recipient as the originator, giving full details of where and by when (date and time of bid closing) the offer must be submitted
- Time frame for the proposed order, from issue of order to final delivery

b. Quotations

Goods and services valued at more than ZAR2 000 but less than ZAR50 000 should be procured through quotations. The procedures are as follows:

- Obtain a list of known suppliers for the required goods or services
- Obtain quotations from at least three different suppliers from the list above
- Fill in the Comparative Quotation Chart (CQC) to analyse and document justification for recommending a particular vendor
- In compiling the CQC above, in addition to prices, other factors such as reliability, previous satisfactory performance with the grant recipient, quality products/services and delivery schedules should be considered. Goods and services valued at less than ZAR2 000 should be purchased after obtaining the approval of the Director. The grant recipient should develop a list of reliable suppliers to expedite future purchases

Chapter 10

Reporting Requirements

Procurement procedures

Before tendering is done, the Director should determine the need for procurement based on the budgeted activities/procurement. Tenders should only be invited for significant budgeted procurements. Where an unbudgeted major procurement is to be made, prior approval should be sought from the donors.

After confirmation that the proposed procurement is within the budget, the following activities should be carried out:

- Invitation of tenders/quotations
- Consideration and awarding of tenders/quotations
- Signing of contract
- Monitoring of contract performance

10.1 Purpose of reporting requirement procedures

The purpose of the reporting requirement procedures is to define the type, content and frequency of reports.

The grant recipient may be required to prepare the following types of reports:

- Financial and programme reports to management and board of directors
- Financial and programme reports to donors
- Statutory reports (eg, annual audited accounts)

Reports may be prepared monthly, quarterly, semi-annually and/or annually depending on the needs of each category of users.

The following section explains the reporting requirements for BMS Foundation – Community Outreach and Education Fund as an example. It is important to note that following the same type of reporting, the grant recipient will meet the requirements of many donors. However, the Director/Finance Officer should always refer to the grant agreements to ensure that the reporting requirements of each specific donor are complied with.

10.2 Donor reporting requirements

Quarterly financial reports: Financial status report

Assuming that the grant recipient will receive periodic instalments from donors the following requirements should be complied with:

- a. Periodic instalments should be limited to the minimum amounts needed to meet current disbursement needs and should be scheduled so that the funds are available to the grant recipient as close as administratively feasible to the actual disbursements by the grant recipient for programme costs.

- b. Funds of one donor should not be commingled with recipient owned funds or controlled funds. The grant recipient should deposit all donor grant payments in a separate bank account and then make all disbursements for goods and services from this account.
- c. Each quarter (or half-yearly if so agreed), after the initial grant payment, the grant recipient shall submit financial reports to the donor including:
 - Cumulative detailed report on disbursements by approved total budget line item showing the disbursements for the current quarter separately, and also the cumulative expenditure to reporting date
 - A cash flow statement and bank reconciliation
 - A certificate (statement) dated and signed by the Programme Director, Programme Manager and/or Accounting Officer of the organisation receiving the funding
- d. This report should be prepared quarterly or bi-annually and a final report is required at the completion of the grant or co-operative agreement.

Annual reports and audit requirements

- a. The grant recipient is subject to the audit requirements as indicated in the grant agreements. Furthermore, the grant recipient should ensure the organisation complies with statutory audit requirements.
- b. For the audit to be carried out, the grant recipient may be required to prepare annual accounts for the whole organisation. The grant recipient should select an independent auditor. The audit shall be a financial audit performed in accordance with Generally

Accepted Auditing Standards of the local country and shall determine whether the grant funds have been used in accordance with the grant agreement.

- c. The audit report should be submitted to donors within 30 days after the completion of the audit, but the audit should be completed no later than 12 months after the close of the grant recipient's fiscal year. The donor will review the audit report to determine whether it complies with the audit requirements of the grant agreement.
- d. The grant recipient should prepare annual financial statements within 90 days after the end of the financial year.

Performance (narrative) reports

- a. The grant recipient is responsible for monitoring the performance under grants and co-operative agreements and, where appropriate, ensure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved. This review shall be made for each programme, function or activity of each grant as set forth in the grant agreement.
- b. Donors should prescribe the frequency with which the performance reports are required. Reports are normally required half-yearly or annually. Annual reports are usually due 90 calendar days after the grant year. Quarterly reports should be due 30 days after the reporting period. The final performance reports are due 90 calendar days after the expiration or termination of the award.
- c. Performance reports shall generally contain, for each

award, brief information on each of the following:

- A comparison of actual accomplishments with the goals and objectives established for the period. Whenever appropriate, and the output of programmes or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs
 - Reasons why established goals were not met
 - Other pertinent information including when appropriate, analysis and explanation of cost overruns or high unit costs
 - Lessons learnt during the reporting period
- d. The grant recipient should submit the original and two copies of the performance reports.
 - e. The grant recipient should immediately notify donors of developments that have a significant impact on the award-supported activities. Also, notification should be given in the case of problems, delays, or adverse conditions which materially impair the ability to meet the objectives of the award. This notification should include a statement of the action taken or contemplated, to resolve the situation immediately.

Summary of reporting procedures

- Preparation of quarterly financial reports to donors/ management
- Preparation of annual financial reports to donors/ management
- Preparation of final financial reports for each grant
- Preparation of quarterly, annual and final performance reports

Chapter 11

Payroll

11.1 Purpose of payroll

The purpose of payroll procedures is to ensure that:

- Employees are paid in accordance with letters of appointment
- Payments to employees are properly accounted for
- Statutory and voluntary deductions are properly accounted for and remitted to the appropriate authorities
- Salary advances are properly accounted for and recovered from salaries

11.2 Payroll procedures

The payroll procedures are described below under the following headings:

1. Personal payroll records
2. Salary advances
3. Preparation of payroll
4. Part-time employees
5. Payments and accounting entries
6. Incentives

Detailed instructions for payroll preparation

1. Personal payroll records
 - The Programme Director should prepare a personal payroll record for each employee

- This information should serve as a guideline for developing permanent record of standard data to be included in the monthly payroll for each person. The main sources of information are:
 - Engagement letters
 - Discharges
 - Promotion notifications
 - Notification of changes in basic pay
 - Leave entitlement
 - Disciplinary actions
- The Programme Administrator should maintain a personal record for each employee
- The Administrator should regularly check the payroll data and verify information against the personal payroll records

2. Salary advances

- The procedure for the preparation of salary advances should be as follows:
 - List of names is prepared for all employees wishing to draw salary advances
 - The list is passed to the Administrator for approval
 - A cheque is prepared for the total amount to be paid
 - Payment is made by the cashier to the employee who should sign against their names on the list as evidence of receipt

Note: Salary advances should be restricted to a reasonable percentage of the employee's monthly. This percentage should be within a reasonable range, which is predetermined by management.

- When an employee requests for an advance, the employee should complete a Request for Salary Advance form in duplicate by filling in the following details:
 - Date
 - Name of employee receiving advance
 - Section/Area
 - Reasons for the advance
 - Amount of the advance
 - Employee signature
- Salary advances should be approved by the Programme Director or Chief Financial Officer
- After obtaining the necessary approval, the copies are distributed as follows:
 - Original to accounts department:
 - To effect salary advance to employee
 - To update the salary advance register
 - Duplicate to be provided to the employee as receipt

3. Preparation of payroll

- The payroll should comprise of an individual salary slip, individual payroll and a payroll analysis sheet
- In preparing the monthly payroll, the following procedures should apply for each employee:
 - Basic pay should be entered
 - Entry should be made for any allowances
 - Salary-related employee deductions (PAYE, medical aid and pension contributions) should be calculated from published tables and other records, and the employee's contribution entered in the relevant column on the payroll

- Any repayment of advances should be entered
- The total of all deductions should be calculated and entered and this amount deducted from the gross pay to give the net amount payable to the employee
- A list of employees receiving their salaries through the bank should be prepared. Details of employees' bank accounts, and amounts to be credited should be provided to the bank together with a cheque for the total amount

4. Part-time employees

- The Director should be responsible for hiring part-time employees. Hiring part-time employees should depend on the programme for the year and there should be a budget for the service
- Upon recruitment, the Administrator should maintain a register of all the part-time employees together with the number of hours worked each period. The source of information for the register should be claim forms signed by the Programme Officer/Administrator
- Claim forms should be completed by the part-time employees and submitted to the Programme Officer/Administrator who checks and approves them

5. Payments and accounting entries

- A payment voucher should be prepared for the net pay as per the payroll summary sheet and the amount debited to Salaries Control Account and credited to cash
- At the same time, from the payroll summary sheet, a journal voucher should be prepared to update the books of accounts

6. Incentives

- Incentive schemes should be formalised and documented in the policies and procedures manual. The incentive strategies should be widely communicated and equitably applied
- Incentives should only be paid once earned or achieved. Incentives should not be paid in advance

Chapter 12

Branch Accounting

(Applicable where one organisation serves as lead recipient, fundraises centrally for national activities, or is part of a network or consortium)

12.1 Purpose of branch accounting

The purpose of branch accounting procedures is to ensure that:

- Branch office expenditure is paid for promptly to avoid unnecessary delays
- Branch office expenditure is fully captured for inclusion in the grant recipient's financial records
- Accounting documents for branch expenditure are accumulated, and promptly submitted to Head Office for consolidation
- Branch expenditure is properly accounted for

Standing imprest

The standing imprest procedures are described below under the following main headings:

1. Size of **float**
2. Disbursement of floats to area offices
3. Drawings (Withdrawals??)
4. Reimbursement
5. Unretired imprest

1. Size of float

- The Director in consultation with the Administrator establishes the size of the float for each branch. The size of the float should be based on the following criteria:
 - Size of the branch or sub-recipient and average expenditure per month
 - Projects and activities planned for that branch during the year

- Communication logistics
- Average time required for branch to communicate with Head Office bearing in mind postage delays, head office review and remittance procedures
- After establishing the size of the float, the Administrator prepares a timetable for each area showing amount of disbursements and expected date of retirements. The timetable is kept by the Branch Accountant as a control device to follow up on unretired imprests

2. Disbursements of floats to area offices

- At the beginning of the year (or grant), the Head Office sends to the branch or sub-recipient an opening float, which should be thrice the size of the monthly approved float. The amount is sent to the branch through the imprest bank account. A letter containing the details of the amount transferred is sent to the branch for follow up and record keeping
- The bank, on receiving the remittance will also advise the branch by a bank advice, which is filed along with the notification from Head Office
- On receipt of funds from Head Office, the branch records the transfer in the receipt column of the cash book
- Subsequent disbursements from Head Office to the branches should be based on a reimbursement system

3. Withdrawals

- The Branch Accountant draws money from the bank from time to time, depending on the branch cash requirements. Every drawing is recorded in the payment column of the cash book

- It should be understood that the funds sent to the branch office are to cover all the projects within the branch
- Each co-ordinator will write his/her work plan and give it to the Branch Accountant who will then submit it to Head Office for review and approval
- The funds given at a particular moment will be equivalent to cover the activity to be done for that time period. The balance of the money should remain under the control of the Branch Accountant
- Coordinators write requests for funds to the Branch Accountant

4. Reimbursement

- The coordinators have to account for this money before another request for funds is approved
- On receiving these retirements from the coordinators, the Branch Accountant compiles the report to be verified by the Administrator at the Headquarter Office in order to claim reimbursement
- On receipt of the retirement, the Branch Accountant should review and clear any abnormal items with the Head of Programmes
- If there are no items to be cleared in a particular branch, the Branch Accountant should prepare a journal voucher to account for the expenditure and a payment voucher for reimbursing the Headquarter Office. The journal and payment vouchers are passed to the Administrator for review
- After review, the Administrator should issue a journal voucher and number and pass the documents to the Director for written approval and authority to transfer funds to the branch upon the Treasurer's approval

Chapter 13

Corporate Governance

- The voucher should then be returned to the Branch Accountant who updates the subsidiary branch ledger and files the journal voucher in the monthly journal voucher file for posting to the general ledger at the end of the month
 - Retired imprest documents should be filed serially in the respective branch records
5. Unretired imprest
- The Regional Coordinator should follow up unretired imprests and report this to the Administrator
 - The Branch Accountant should assist the branches in carrying out monthly reconciliations and investigating differences if any. The reconciled branch balances form the supporting schedules for cash balances when preparing year-end financial statements

13.1 Purpose of corporate governance

The purpose of establishing **corporate governance policies and principles** is to:

- Define the organisation's objectives and strategies and the means to implement them
- Ensure needs of all stakeholders are met
- Set clear principles regarding standards of conduct
- Provide a risk management framework

13.2 Corporate governance policy

The Board of Directors/Trustees of the grant recipient is responsible for the organisation's corporate governance, and sets the corporate governance policy. The policy should consist of various directions regarding the board, its committees and management's functions and responsibilities.

13.3 Board and Directors/Trustees

The organisation should have a unitary board that can both lead and control the organisation. It should comprise directors with diverse backgrounds, skills and experience. The board should also have a charter setting out its responsibilities. The board should:

- Appoint the Chief Executive Officer/Executive Director
- Provide strategic direction and identify key risk areas
- Enforce internal control policies and procedures
- Determine the appropriate remuneration levels of Directors (and Executives)
- Comply with all relevant laws, regulations, donor requirements and codes of conduct
- Hire external auditors to review/monitor the accounting and reporting systems in order to provide comfort that all donor funds for which the grant recipient is contractually liable are safeguarded
- Ensure that the systems of internal control are functioning effectively

- Provide open and timely communication to all relevant stakeholders

13.4 Meetings

- The directors of the grant recipient should meet on a regular basis, and preferably at least quarterly
- Minutes of the directors' meetings should be circulated timeously. The chairperson of the board should sign the minutes
- An annual general meeting should be held within no more than nine months of the year-end. The audited financial statements should be presented at the meeting

13.5 Code of ethics

The grant recipient should engage its stakeholders in determining the organisation's standards of ethical behaviour. It should demonstrate its commitment to organisational integrity by codifying its standards in a code of ethics and:

- Create systems and procedures to introduce, monitor and enforce its ethical code
- Assign high level individuals to oversee compliance with the ethical code
- Assess the integrity of new appointees in selection and promotion procedures
- exercise due care in delegating discretionary authority;
- Communicate with, and train, all employees regarding organisational values, standards and compliance procedures
- Provide, monitor and audit safe systems for reporting of unethical or risky behaviour
- Enforce appropriate discipline with consistency
- Respond to offences and prevent recurrence

The grant recipient should strongly consider its dealings with individuals or entities not demonstrating its same level of commitment to organisational integrity.

Chapter 14

Computer Information Systems (CIS)

14.1 Purpose of computer information systems procedures

The purpose of computer information systems procedures is to ensure that:

- An appropriate information system is used by the organisation
- There is no unauthorised access to the organisation's computer systems
- The organisation has adequate disaster recovery plans for its computerised information
- The organisation's information is accumulated, processed and reported on accurately and in a cost-effective manner
- Personnel have adequate knowledge of the computer systems being used by the organisation

14.2 Computer software issues

- A decision must be made as to whether a vendor will be required to design and write a programme for the organisation or a system will be purchased off the shelf. In either case the tendering or procurement procedures, as appropriate, set out elsewhere in this document must be followed. In making this decision, the CIS needs of the organisation should be carefully considered
- The software used should be able to report by cost code or budget line in order to make the reports comparable to approved budgets
- The software should be configured to generate meaningful reports such as reports to donors, annual financial statements and any other report relevant for the organisation's operations, with minimum human intervention

14.3 Computer information systems procedures

The following procedures should be followed in order to meet the abovementioned objectives:

- Back ups of information should be carried out on a daily basis. Weekly backup copies should be stored off site to ensure their safety in the event that files at the processing location are destroyed
- An anti-virus software should be loaded
- All systems should be password protected to restricted unauthorised access and to ensure the integrity of information processed and passwords should be changed on a periodic basis
- Personnel should be given the required training to properly use the systems and derive maximum benefits from it
- Access to computer information should be restricted to appropriate staff

Appendix I

List of Examples of Forms

<i>Description</i>	<i>Reference</i>
1. Bank Reconciliation Statement	CB 1
2. Claim/Accounting for Advances Form	CB 2
3. Payment Voucher (Pre-numbered)	CB 3
4. Budget Book	BB 1
5. Fixed Asset Register	FA 1
6. Travel/Local Purchase Order (Pre-numbered)	TR 1
7. Consultants Appraisal Form	PR 1
8. Comparative Quotation Chart (CQC)	PR 2
9. Contract of Service with Individual(s)	PR 3

**BRISTOL-MYERS SQUIBB FOUNDATION INC (BMS)
GRANT RECIPIENT**

(THE GRANT RECIPIENT)
BANK RECONCILIATION

091

NAME OF ACCOUNT _____

MONTH _____ YEAR _____

Bank Reconcile File
Date

Balance per Bank Statement (YTD)(\$)

Nil

Deposits made but not shown on statement and Bank
entries for per account number _____

Total _____

Less

Dishonoured Cheques
in per schedule number _____

Bank Refunds per Reconciliation

Interest per Cash Book Entries

Nil

Deposits made but not shown cash book
as per Bank Statement number _____

Total _____

Less Bank charges per Schedule number _____

Account Cash Book Balance

Prepared by:	Signature	Date
Approved:	Signature	
Authorised by:	Signature	

**BRISTOL-MYERS SQUIBB FOUNDATION INC (BMS)
GRANT RECIPIENT**

(THE GRANT RECIPIENT)
RESPONSIBILITY FOR EXPENSES
TRACKED BY: _____
MONTH: _____

CLARIBANT'S NAME
PROGRAMME _____

CBS

DATE	DETAILS		TRAVELLED EXPENSES							Number BMS)	Total		
	Classified	Sub-classified	Travel	Meals	Inc. Fuel/Pan	Other (state)	Entertainment	Printing	Telephone			ZAR	ZAR

NOTE: 1. Give short details of purpose of claim. 2. If costs are too high, please give this on a separate page & attach it to the claim.
2. For reimbursements, give names of persons who incurred. 3. All receipts must be attached to the claim.
CLARIBANT'S SIGNATURE _____ PROJECT OFFICER _____ CHECKED BY: _____ APPROVED BY: Director
Programme Officer _____ Administrator

**BRISTOL-MYERS SQUIBB FOUNDATION INC (BMS)
GRANT RECIPIENT**

(THE GRANT RECIPIENT'S)
PAYMENT VOUCHER

CBS

BANK CHECK/NO:		DATE:	BOUNDER NO:
PAYEE NAME AND ADDRESS:		BANK ACCOUNT NO: (CURRENCY)	
PARTICULARS OF PAYMENT DESCRIPTION		AMOUNT	
		LOCAL	USE
AUTHORITY		TOTAL	
AMOUNT IN WORDS:			
DATE:		PAYMENT RECEIVER	
Certified: Name: _____ Signature: _____ Address: _____ Approved by: Name: _____ Signature: _____ Date: _____		Signature of Payee: _____ Date: _____	
DIVISION	ACCOUNT NO.	DR	CR
		\$	\$

**BRISTOL-MYERS SQUIBB FOUNDATION INC (BMS)
GRANT RECIPIENT**

(THE GRANT RECIPIENT'S)
BUDGET BOOK

CBS

Month: _____ Year: _____

Approved Budget: _____

New Budget: _____

Change in Budget: _____

Total Budget: _____

Date	Description	Project	Reference	Amount	Budget Balance
		Balance Carried Forward			

BRISTOL-MYERS SQUIBB FOUNDATION INC (BMS)
GRANT RECIPIENT

FBI

(THE GRANT RECIPIENT)
FIXED ASSETS REGISTER

Name and Function of Asset: _____ Date: _____

Budget Line Description, Supplier and Purchase Reference: _____

Asset Category: _____

Control by: _____

Tag Number: _____ Date of Purchase: _____

Code	Payment Voucher	Value	Leased

BRISTOL-MYERS SQUIBB FOUNDATION INC (BMS)
GRANT RECIPIENT

TBI

LOCAL PURCHASE ORDER

ORDER NO:

(THE GRANT RECIPIENT)

TO: _____

PLEASE SUPPLY THE FOLLOWING GOODS/SERVICES BY: _____ DATE _____

ITEM	A/C CODE	DETAILS	QUANTITY	UNIT PRICE	AMOUNT
			EA	EA	EA
TOTAL:					

GOODS REQUESTED BY (PROJECT): _____

REQUESTION NUMBER: _____

INVOICE NO: _____

PREPARED BY: _____

DELIVERY IN (S) IN: _____

AS PURCHASED BY: _____

PRICE VERIFIED BY: _____

SIGNATURE: _____

SIGNATURE: _____

An invoice and a delivery note bearing above Order No. must be sent if the line goods are shipped.

**BRISTOL-MYERS SQUIBB FOUNDATION INC (BMS)
GRANT RECIPIENT**

(THE GRANT RECIPIENT)
CONSULTANTS APPRAISAL FORM PH1

NAME OF CONSULTANT

QUALITY CRITERIA	POINTS	SCORE
Level of education	10	
Professional qualifications	20	
Experience – (in number of years)	10	
Relevance of experience	30	
Performance in previous ECN assignments	10	
Other qualities	10	
Total points	100	Total Score

Prepared by	(Inscription)	Signature	1/04
Authorized by	(Address/bank)		
	(Director)		

**BRISTOL-MYERS SQUIBB FOUNDATION INC (BMS)
GRANT RECIPIENT**

(THE GRANT RECIPIENT)
COMPARATIVE QUOTATION CHART PH2

NUMBER	DESCRIPTION	REFERENCE	VERSION 1	VERSION 2	VERSION 3	VERSION 4	VERSION 5	REMARKS

Recommendation & basis of recommendation: _____

Prepared by: _____ Date: _____

Approved by: _____ Date: _____

Appendix 2

Glossary of Terms

BRISTOL-MYERS SQUIBB FOUNDATION INC (BMS)
GRANT RECIPIENT

(THE GRANT RECIPIENT)
CONTRACT OF SERVICE WITH INDIVIDUAL(S) PR 3

PROGRAMME:	FUND:
------------	-------

Contract entered between "THE GRANT RECIPIENT" and _____

Address: _____

Hereinafter referred to as Consultant

Identification (ID) _____

TERMS OF REFERENCE: The consultant shall carry out the following functions:

DURATION OF CONTRACT: This contract shall commence on _____ day of _____ 20____
and expire on the satisfactory completion of the functions described above but no later than the _____
day of _____ 20____ unless sooner terminated under the terms of this contract.

CONSIDERATION: Upon satisfactory completion of this contract and certification thereof, "THE GRANT
RECIPIENT" shall pay the Consultant a sum of ZAR _____
in words _____

PHASE:	AMOUNT (IN ZAR):

Proposed by Programme Officer

Name: _____ Approved by or for Director

Signature: _____ Name: _____

Date: _____ Signature: _____

Date: _____

I acknowledge that I have read the contract

Name: _____ Signature: _____ Date: _____

Payments	ZAR	Received (date)	Signature
1st Instalment	_____	_____	_____
2nd Instalment	_____	_____	_____
Final Instalment	_____	_____	_____
Total paid	_____	_____	_____

Assets

Resources controlled by an organisation, and in which it has ownership rights such as cash, inventory and fixed assets.

Audit

The process of verifying the correctness of a set of accounts using detailed checks of transactions totals, broad tests on account values as well as reviewing internal control.

Bank reconciliation

The reconciliation of the balance on the cash book to the balance on the bank statement.

Budget

A budget is a statement of estimated expected expenditure for the organisation for a given period.

Cash accounting

Under the cash basis of accounting, receipts and payments are recognised only when cash is received or paid. The cash basis of accounting is often used in the preparation of financial statements for donor funded organisations.

Cash books

A cash book is a ledger (record book) that records all the cash transactions (ie, cash received and payments made by the organisation).

Depreciation

The annual write-off of a portion of the cost of fixed assets over the expected useful life of the asset.

Expenditure

Expenses incurred by the organisation which are payable either by cheque or cash.

Fixed assets

Fixed assets are those assets (items of value) which are acquired for continuous use in the business, and not for conversion into cash (trading). The life of such assets should extend beyond one year such as buildings, office equipment and furniture, computers, motor vehicles, etc.

Fixed asset register

This is a record of all the fixed assets owned by the organisation.

Float

Amount of cash kept in petty cash.

General ledger

A summary of all transactions grouped into different accounts or budget line items. The totals on the general ledger are posted to the trial balance.

Imprest system

The imprest system is a method of maintaining cash or petty cash, whereby the cashier starts with a fixed sum, and at each reconciling period given cash or a cheque for the exact amount of the disbursements made, thus restoring the balance to the original figure. Documentation supporting the disbursements should be properly authorised and maintained.

Journal entry

The chronological, day-to-day recording of business transactions of an organisation such as cash receipts and cash disbursements.

King code on good corporate governance

This is the generally accepted code on good corporate governance in South Africa. It lays out minimum standards that boards of organisations should comply with. While it has no legal basis, it is widely accepted and used in South Africa. The code was set up primarily for larger corporate organisations but its principles are applicable for all organisations.

Payroll

A record of salaries and benefits paid to all staff members of an organisation.

Petty cash

A small amount of cash kept for paying small expenses.

Trial balance

A summary of income received and expenditure incurred for the organisation for a particular period. The trial balance is drawn up from the general ledger. The financial statements of an organisation are derived from the trial balance.

Liabilities

All debts incurred and owed by the organisation.

Revenue

All monies received by the organisation such as grants, investment income, interest income and cash donations.

