

1. INTRODUCTION

1.1 Authority

This manual has been developed with the assistance of Deloitte & Touche (D&T) and issued by the Board of Directors, of **African Technology Policy Studies Network (ATPS)** Limited. Compliance with the systems and procedures contained in this manual is mandatory for all **ATPS** employees.

1.2 Purpose of this Manual

This manual outlines the accounting and financial control procedures and policies of ATPS. They are designed to ensure:

- Lines and levels of authority are clearly defined, communicated and understood.
- Transactions are correctly recorded in the amount of detail required.
- The Organisation's assets and income are accounted for and controlled.
- The Organisation's expenditure and liabilities are incurred only when necessary and in accordance with pre-determined estimates.

1.3 Scope and Structure of the Manual

1.3.1 This manual deals with ATPS's policy, systems, procedures and controls in the entire accounting function and covers the following areas:

- accounting policies, procedures and control,
- type and manner of record maintenance, and
- reporting requirements.

1.3.2 This manual is divided into sections, sub-sections and sub-sub-sections. The sections deal with major aspects of the accounting function i.e. chart of accounts, petty cash, receipts, payments, payroll, accounting for external donor funds, general ledger and financial reports.

1.3.3 Within each section, there are sub-sections which cover:

- ATPS' policy and administration
- Procedures and control

1.3.4 For ease of reference, sub-sub-sections are used.

1.4 Issue, Revision and Maintenance

- 1.4.1 The **Finance and Administration Manager** is responsible for the control and the distribution of the manual. Any employee who requires a manual submits a written request to the **Finance and Administration Manager** who authorises the issue.
- 1.4.2 The **Finance and Administration Manager** pre-numbers all copies of this manual in sequential order prior to issue and maintains a register of manual holders, which records:
- the number of the manuals issued;
 - the name of the holder;
 - the designation, department and section of the holder;
 - the date issued; and
 - the date returned.
- 1.4.3 Changes to the manual can be initiated by any member of staff, by approaching his/her head of department. All proposed changes must be submitted to the **Finance and Administration Manager** for approval using the Manual Amendment Proposal Form (see Figure 1.1).
- 1.4.4 The **Finance and Administration Manager** will determine whether or not the proposed amendment should be approved, rejected or deferred. In the latter two cases, a note would be made on the form, which is then filed.
- 1.4.5 For approved amendments, the **Finance and Administration Manager** then implements the changes and prepares the revised pages for distribution to all copyholders. All amendments are identified by a unique number printed at the bottom of the revised pages along with the date of issue and the date of compliance.
- 1.4.6 On 30th June each year, the **Finance and Administration Manager** issues a list of amendments made during the previous twelve months to all copy holders. This enables manual holders to check that they have an up to date version of the manual.
- 1.4.7 Any amendments, which the manual holder does not have, must be requested in writing from the **Finance and Administration Manager** immediately.
- 1.4.8 A manual holder is responsible for keeping the manual in good order, and for updating it promptly when amendments are issued.
- 1.4.9 A manual may not be split up and pages distributed to other staff.

Amendment Reference:	Section __ (A) __	Subsection __ (B) __	Paragraph __ (C) __
Proposed Amendment			

Amendment Objectives			

Proposer's details: (E)			
Name	_____	Designation	_____
Dept / Unit	_____	Signature	_____
<u>Head of Department (F)</u>		Signature	_____ Date: _____
<input type="checkbox"/> Recommended			
<u>Finance and Administration Manager (G)</u>			
<input type="checkbox"/>	Approved	Signature _____ Date _____	
<input type="checkbox"/>	Deferred		
<input type="checkbox"/>	Rejected	Amendment No. _____ (H) _____	
<u>Executive Director (I)</u>			
<input type="checkbox"/>	Approved	Signature _____ Date _____	
<input type="checkbox"/>	Deferred		
<input type="checkbox"/>	Rejected		

FIGURE 1.1 MANUAL AMENDMENT PROPOSAL FORM

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TITLE OF FORM :	MANUAL AMENDMENT FORM
COMPLETED BY :	MANUAL HOLDERS
PURPOSE OF THE FORM :	TO DOCUMENT PROPOSED AMENDMENTS FOR APPROVAL
<u>KEY INSTRUCTIONS</u>	
A	Enter the section number of the manual to which the amendment refers.
B	Enter the subsection number of the manual to which the amendment refers.
C	Enter the paragraph number of the manual to which the amendment refers.
D	Write details of proposed amendment and its objectives.
E	Enter details of the person making the proposal.
F	Tick to indicate that proposal is recommended by the Head of Department.
G	Tick to indicate that proposal is approved / deferred / rejected by the Finance and Administration Manager
H	The Finance and Administration Manager inserts amendment reference number after the Executive Director's final approval.
I	The Executive Director ticks to indicate whether approved / deferred / rejected.

FIGURE 1.1: MANUAL AMENDMENT PROPOSAL FORM
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- 1.4.10 A manual holder may permit parts of the manual to be photocopied (with the express authority of the Finance and Administration Manager) under the following circumstances:
- Staff training - All photocopies should be collected at the end of the session by the instructor and returned to the **Finance and Administration Manager**.
 - for distribution to subordinates who may require any part of the manual to assist them in their day-to-day duties. The manual holder is responsible for ensuring that the subordinates are advised of any changes to that section of the manual and for destroying outdated photocopies.
- 1.4.11 When a manual holder leaves ATPS, the manual must be returned to the **Finance and Administration Manager**. It is the responsibility of the manual holder's Department Head to ensure that this is done.

2. THE ORGANISATION

2.1 Background

2.1.1 ATPS was established in 1993 as a network of multi-disciplinary researchers from fifteen countries in sub-Saharan Africa, with a vision to become a centre of excellence and brokerage between science and technology policy researchers and technology policymakers and implementers.

2.1.2 International Development Research Centre (IDRC) and Carnegie Corporation of New York jointly fund ATPS

2.2 The Finance Function – Current Situation

2.2.1 The Finance Department is headed by the **Finance and Administration Manager** who is responsible for all the financial, administration and IT issues of ATPS

2.2.2 The structure of the Finance Department is illustrated in Figure 2.2 below:

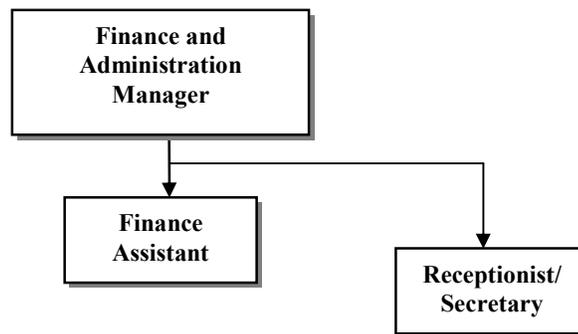


FIGURE 2.2 Finance Organogram

2.2.3 The **Finance and Administration Manager** oversees the overall activities of the Finance department and prepares the payroll for ATPS.

2.2.4 The **Receptionist/Secretary** co-ordinates all petty cash transactions for ATPS including petty cash disbursements and also serves as the storekeeper for general office supplies.

2.2.5 Currently, ATPS's Finance department is not computerised.

2.3 Financing

2.3.1 ATPS's receives funding primarily from donors specifically the International Development Research Centre (IDRC) and Carnegie Corporation of New York. However, it is expected that the number of donors will increase in the medium-long term.

3. CHART OF ACCOUNTS

3.1 Policy and Administration

3.1.1 It is the policy of **ATPS** that:

- All transactions are classified and recorded in **ATPS's** books under the appropriate categories;
- Any changes to the chart of accounts are documented and approved by the **Finance and Administration Manager**;
- There is an up to date list of chart of accounts and their descriptions for reference purposes; and
- There is a regular review of the chart of accounts to ensure that all reporting requirements are being met.

3.1.2 **ATPS'** accounting system is tailored to meet both internal and donor reporting requirements. Where specified by grant agreement, additional reports will be supplied. In such instances, **ATPS** maintains separate records including:

- petty cash book;
- bank cash book; and
- bank account.

3.1.3 These records also serve as sources of information required for internal decision making.

3.1.4 This section:

- gives an overview of the system which makes up the accounting function
- describes the rationale behind the chart of accounts
- sets out the account codes list, together with their descriptions, and
- lays out procedures for opening or amending an account code

3.2 Account Codes Structure

3.2.1 A chart of accounts illustrates the various headings under which a Organisation's transactions are classified, analysed and recorded. Not only does it create a simple and straightforward recording of process, but a well-constructed chart of accounts also provides standard account heads for budgeting and budgetary control purposes.

- 3.2.2 The **ATPS** Accounts codes are 7 digit numeric starting from 0000/000 to 9999/999. The main classification formats are shown below:

CODE	DESCRIPTION
XX00/000	Cost Centre
00XX/000	Donor
0000/XXX	GL Account

- 3.2.3 The first three digits represent either the General Ledger account code or the relevant balance sheet entries code. The second level represents a specific category of income or expenditure code. In some cases, it will refer to the code allocated to a specific grant.
- 3.2.4 A sample of **ATPS'** Chart of Accounts is enclosed in Appendix I.
- 3.2.5 For reporting purposes, transactions are reported in Kenya Shillings and where they were undertaken in a different currency, the closing rate method of reporting is used.

3.3 Account Codes Maintenance

- 3.3.1 Changes to the chart of accounts are processed through the formal procedures described below. This ensures proper documentation and also maintains an audit trail of any changes.
- 3.3.2 After identifying the need for it, any member of staff suggests amendments to, deletion, or the opening of a new account.
- 3.3.3 With the current system, account codes may be changed by “exporting” the Chart of Accounts to Excel, making the changes then importing the worksheet back into Pastel.
- 3.3.4 The staff member enters his proposal on the Manual Amendment Proposal Form, Figure 1.1. Instructions on how to complete the form are given at the bottom of the form under the heading “KEY : INSTRUCTIONS”.
- 3.3.5 The form is submitted to the **Finance and Administration Manager** who evaluates the need for the proposed change. The **Finance and Administration Manager** either approves, defers, or rejects the proposal. If accepted, the manual is amended according to the procedures set out in the paragraphs 1.4.3 to 1.4.7.
- 3.3.6 In addition, the **Finance and Administration Manager** completes the Account Codes Maintenance Form. See Figure 3.1.
- 3.3.7 The **Finance and Administration Manager** issues an updated accounts code list to all Accounts staff at the end of the month whenever an account code change is effected.
- 3.3.8 To match expenditure to the respective donor and grant, cost codes will be used. These will be standardised so that they can accrue or related expenditure and facilitate both donor reporting and monitoring of grants. Pastel 5.0 has the relevant features to do this and assist in tracking expenditure.

TITLE OF FORM :	ACCOUNT CODE MAINTENANCE FORM
COMPLETED BY :	FINANCE AND ADMINISTRATION MANAGER
PURPOSE OF THE FORM :	TO DOCUMENT PROPOSAL AND ACCOUNT CODE DETAILS, FOR AMENDMENT OF, DELETION OF OPENING OF AN ACCOUNT
<u>KEY</u>	<u>INSTRUCTIONS</u>
A	The Finance and Administration Manager enters account code list details.
B	The Finance and Administration Manager indicates whether the account is a balance sheet or income and expenditure statement item.
C	The Finance and Administration Manager enters the account code category as well as its description.
D	The Finance and Administration Manager enters the account code update type, i.e. whether account code categories are being added, deleted or amended
E	The Finance and Administration Manager prepares, signs and dates the form to authenticate the whole process, and approves for the Accountant to effect the changes in the general ledger.
F	The Accountant , once the ledger system is computerised, effects the changes, signs and dates to confirm this.
G	The Finance and Administration Manager checks and confirms by signing, that the change has been effected.

FIGURE 2.1 ACCOUNT CODES MAINTENANCE FORM
Sheet 2 of 2

4. PETTY CASH

4.1 Policy and Administration

4.1.1 ATPS' accounting policy with respect to petty cash provides that:

- Petty cash is operated on an imprest basis, which amounts to a float of KES10,000;
- Petty cash payments are made only where authority has been given by the **Finance and Administration Manager** or the **Executive Director** in the absence of the **Finance and Administration Manager**;
- No cheques are cashed by employees out of petty cash; and
- Reimbursement is made only after accounting has been done for all petty cash drawn.

4.1.2 Petty cash is maintained to permit the office to pay minor amounts immediately without having to apply for a cheque voucher every time a small amount of money is required.

4.1.3 The petty cash is maintained on an imprest system whereby the petty cash holder is advanced a float of a fund amount, which is always replenished. The total amount spent is accounted for using vouchers and receipts, where possible, but does not exceed the float amount.

4.1.4 The petty cash holder keeps petty cash securely locked up in the petty cash box at all times. Petty cash funds should be kept separately from cash received.

4.1.5 Ideally, the petty cash holder should not have access to the accounting records or the chequebook other than the Cash Requisition Forms and the petty cashbooks.

4.1.6 The Petty cashbooks will be reviewed periodically by the **Accountant** and the **Finance and Administration Manager** will from time to time conduct surprise cash counts to ensure funds are not misused and proper records are maintained.

4.1.7 For the time being, the **Secretary** of the Finance and Administration Manager is the best placed to act as the petty cash holder and disburse payments. However, the **Finance and Administration Manager** will at his discretion and with the consent of the **Executive Director**, appoint a more suitable person.

4.2 Procedures and Control

4.2.1 For all payments made through the petty cash fund, the petty cash holder prepares a Cash Requisition Form attaching the invoices, cash sales, e.t.c.

4.2.2 The maximum amount payable from the petty cash fund for a single request is US\$ 3,000.

4.2.3 The **Finance and Administration Manager** checks the Cash Requisition Form to confirm the accuracy of the details indicated, then signs it as evidence of approval.

4.2.4 The petty cash holder then makes the payment ensuring that the person receiving the money signs the Cash Requisition Form. The petty cash holder then files in numerical sequence with the supporting documents stamped "PAID".

- 4.2.5 The petty cash holder enters the Cash Requisition Form amount in the petty cash book and analyses it under the appropriate expense column.
- 4.2.6 When the fund is utilised to about US\$.2,500 a replenishment is requested. The Accountant makes an analysis of the payments made under the various codes, and then prepares a cheque voucher and a cheque for the total cash paid out.
- 4.2.7 The cheque voucher and supporting documents together with the cheque are presented to the **Finance and Administration Manager** who will then carry out final checks and sign his approval on the cheque voucher.
- 4.2.8 The cheque is signed by the cheque signatories and cashed by the petty cash holder.
- 4.2.9 The amount paid out is posted to the petty cash book under the “receipts” column together with other relevant details i.e. date, cheque number, e.t.c., and filed in the respective petty cash box file.
- 4.2.10 **Finance and Administration Manager** will conduct random petty cash counts and counter sign in the petty cash book where the actual cash balance and the book balance agree.

5. RECEIPTS

5.1 Policy and Administration

5.1.1 ATPS' bank and receipts policy is that:

- All cash transactions involving the bank account are correctly posted to the cashbooks on a daily basis.
- Bank reconciliations are prepared monthly and reconciling items are followed up and cleared as soon as possible.
- The cash book analysis is sufficiently detailed to enable appropriate analysis of receipts.
- Cash is safeguarded at all times.

5.1.2 The following are ATPS' objectives with regard to cash and receipts:

- To have independent accountability of cash handling, which is limited to one specified individual.
- Cash receipts are properly accounted for and banked intact.
- No loss of funds occurs and, in the event of this happening, controls are in place to minimise the loss.
- Cash flow inputs into the planning and budgeting process are accurate.
- Cash is utilised and managed efficiently and effectively
- To meet both internal and donor reporting requirements.

5.1.3 Bank transactions involve receipts and payments. Besides the cashbook, bank transactions affect other balance sheet and income / expenditure accounts.

5.1.4 The procedures documented in this section will be for the recording of both cash and cheque receipts in the Accounting system.

5.1.5 ATPS receipts can be classified into 3 categories:-

- 1) Donor Grants
- 2) Surrender of Imprest
- 3) Other Receipts

5.1.6 This section will document receipts under the above categories.

5.2 Donor Grants

- 5.2.1 Receipts from the donors are usually evidenced by bank credit advice and sometimes by cheques.
- 5.2.2 The **Finance and Administration Manager** indicates the account codes and authorises the **Accountant** to issue a receipt.
- 5.2.3 The **Accountant** posts the receipt into the relevant Bank Account. If the grant is to be expended for longer than a year, it a note “deferred grants” is made in the relevant account.
- 5.2.4 The **Accountant** confirms from the bank statement that the bank has posted the credit advice amount on to the bank statement, on the date of the advice.
- 5.2.5 The documents are then filed in the bank reconciliation box file.

5.3 Surrender of Imprest.

- 5.3.1 Imprests are taken for out-of-town travel. Payments are normally disbursed by cheque and then subsequently accounted for at the end of the journey.
- 5.3.2 Procedures followed for disbursement of travel imprest are covered in section 6. On return, the staff member completes the Imprest Accounting Form in which he accounts for the money spent by attaching receipts.
- 5.3.3 The Imprest Accounting Form is verified by the **Accountant** and approved by the **Finance and Administration Manager**.
- 5.3.4 The unspent imprest is surrendered together with the Imprest Accounting Form to the **Accountant** who issues a Cash Receipt. The cash receipt is in quadruplicate. The original is given to the staff member; the first copy sent to the **Finance and Administration Manager**, the second copy attached to the Imprest Accounting Form and the book copy retained by the **Accountant**.
- 5.3.5 When the **Accountant** banks the money, the banking slip obtained from the bank will be attached to the second copy of the receipt and filed in a hard box file
- 5.3.6 On receiving the Imprest documents from the **Accountant** posts the receipts under the heading “travel imprest” in the cashbook.
- 5.3.7 The documents are then filed in hard box files together with the original documents for application of imprest.

5.4 Other Receipts

- 5.4.1 Other receipts for **ATPS** will include medical insurance reimbursements, visitor’s charges, publications, refunds on advances e.t.c.
- 5.4.2 The **Receptionist** will forward any cheques received to the **Accountant**.
- 5.4.3 The **Accountant** issues a Cash Receipt. The cash receipt is in quadruplicate. The original is forwarded to the **Receptionist** for despatch to the cheque drawer; the first copy forwarded to the **Finance and Administration Manager**; the **Accountant** retains the

second copy and the book copy.

- 5.4.4 When the **Accountant** banks the money, the banking slip obtained from the bank will be attached to the second copy of the receipt and filed in a box file.
- 5.4.5 The **Accountant** posts the receipts under the appropriate column in the cashbook.
- 5.4.6 The documents are then filed in the bank reconciliation box file.

5.5 Reserve fund

- 5.5.1 A reserve fund will be maintained to cater for periods when there is a reduced inflow of funds and hence ensure that projects currently being undertaken can be sustained.
- 5.5.2 These funds for the period they are not in use will be invested in government securities or other equally low risk bank investment options. The investment decision will lie with the Board. However, the Finance Manager will act as the Investment advisor and administrator of the investments undertaken.

5.6 Banking operations

- 5.6.1 For the purposes of its transactions and to reduce its foreign exchange risk exposure, ATPS will maintain two accounts, a US dollar account and a Kenya shilling account. Donor payments to ATPS shall be made directly to the US dollar account. This is also intended to facilitate the tracking of payments.
- 5.6.2 All monies payable to ATPS will be banked latest the next business day.

6. PROCUREMENT

6.1 Policy and Administration

6.1.1 ATPS' policy on purchases is to ensure that all procurement occurs within the stipulated policies, budget provisions and by tender, where applicable.

6.1.2 The **Finance and Administration Manager** is responsible for most of the procurement of goods and services that are consumed or utilised by ATPS.

6.2 Ordering and Receiving Procedures

6.2.1 The procurement procedures start with the completion of a Requisition Form being completed by the user department. The Department Head then approves it.

6.2.2 The level of authority for acquisition will be determined at the beginning of the year and approved by the Board of Directors. Expenditure approval will be in accordance with the prescribed procurement schedule that will be available from the **Finance and Administration Manager**.

6.2.3 For daily use, current price lists for the appointed suppliers should be kept on hand.

6.2.4 A -numbered Local Purchase Order will be raised from the accounting in duplicate. The original copy goes to the supplier, the duplicate copy to the Finance and Administration department.

6.2.5 The Local Purchase Order is signed by two of the three official signatories, depending on the signatory level of authority, and despatched to the supplier.

6.2.6 ATPS' policy on purchases will be subject to authorisation limits available from the **Finance and Administration Manager** upon request. These will be agreed upon on an annual basis by the Executive Director and in the case of large amounts, by the Board.

6.2.7 When the goods are delivered, the **Receptionist** verifies the Delivery Note against the invoice and the goods with respect to the quantity, price and condition of the goods.

6.2.8 The invoice, Finance Department's copy of Local Purchase Order and Delivery Note are attached together to enhance preparation of cheque by the Finance department.

6.2.9 Tendering Procedures:

7. PAYMENTS

7.1 Policy and Administration

7.1.1 ATPS' policy on payments are:

- Transactions are appropriately authorised and payments are only made on the basis of approved supporting documents.
- The cash book analysis is sufficiently detailed to enable appropriate analysis of payments.
- Payments are made at the appropriate time without incurring financial losses.

7.1.2 **ATPS' objective with regard to payment is to ensure that only necessary and authorised expenditure is paid for.**

7.1.3 **ATPS makes payments on demand or due date if the latter is indicated on the invoice.**

7.1.4 **Bank transactions involve receipts and payments. Besides the cashbook, bank transactions affect other balance sheet and income/expenditure accounts.**

7.1.5 **The procedures documented in this section will be for the recording of cheque payments in the Accounting system. Payment procedures are the same for all cash transactions, except for additional procedures in purchases through tendering.**

7.1.6 **ATPS payments can be classified into 5 categories:-**

- 1) Issue of Imprest
- 2) Suppliers' invoices & other disbursements
 - (a) Management & Technical Expenses
 - (b) Creditors
- 3) Research & Dissemination Expenses
- 4) Evaluation & Consultancy Payments
- 5) Grant Payments

7.1.7 **The following section will document ATPS payments under the above categories.**

7.2 Issue of Imprest

7.2.1 **Imprests are taken for out-of-town travel. Payments are normally disbursed by cheque and then subsequently accounted for at the end of the journey.**

7.2.2 **Imprest is requested through the Finance and Administration Manager by the requester completing an Imprest Form.**

7.2.3 **The Imprest Requisition Form includes estimated costs of fuelling (if using an ATPS vehicle) and per diems. If an ATPS vehicle is to be used, in addition to the Imprest Requisition Form, a Transport Requisition Form is completed.**

7.2.4 **The Finance and Administration Manager signs the Imprest Requisition Form as a sign of approval and the documents are forwarded to the Accountant.**

- 7.2.5 The **Accountant** prepares a cheque voucher and a cheque after establishing authority justifying the preparation of the cheque voucher.
- 7.2.6 The **Accountant** passes the cheque voucher, cheque and attachments to the **Finance and Administration Manager** to authorise for payment after stamping and dating all the supporting documents with a “PAID” rubber stamp.
- 7.2.7 The cheque is signed by the cheque signatories and returned to the **Finance and Administration Manager** who then passes it to the **Accountant** for despatch.
- 7.2.8 The records the cheque in the cheque despatch register in ascending cheque number sequence before despatching it to the supplier or payee. If the cheque is collected, the person collecting the cheque writes his/her name and signs.
- 7.2.9 The **Accountant** posts the amounts in the and files the supporting documents in the “payments” file according to cashbook and cheque number order.

7.3 Supplier Invoices and Other Disbursements

- 7.3.1 These include payment for:
- (a) Management & Technical Expenses
 - (b) Creditors
- 7.3.2 The **Accountant** attaches to the supplier invoice, the delivery note and the Local Purchase Order, where applicable, and checks the invoice for correctness of quantities, price and delivery. If a supplier statement is available, s/he reconfirms the invoice against it.
- 7.3.3 The **Accountant** prepares a cheque voucher and a cheque for each payee after establishing authority justifying the preparation of the cheque voucher.
- 7.3.4 The **Accountant** passes the cheque voucher, cheque and attachments to the **Finance and Administration Manager** after authorising for payment after stamping and dating all the supporting documents with a “PAID” rubber stamp.
- 7.3.5 The **Finance and Administration Manager** reviews the invoices to:
- confirm agreement with the voucher’s correctness and accuracy
 - authorise payment by signing the voucher, and
 - pass them to the **Executive Director** or another signatory for signing.
- 7.3.6 Any two of the following signatories signs the cheque voucher and the cheque: **Executive Director, Finance and Administration Manager** and any other managerial employee appointed by the Executive Director.
- 7.3.7 The signed cheque is returned to the **Finance and Administration Manager** who then passes it to the **Accountant** for despatch.
- 7.3.8 The **Accountant** records the cheque in the cheques despatch register in ascending cheque number sequence before despatching it to the supplier or payee. If the cheque is collected, the person collecting the cheque writes his/her name in the register and signs.
- 7.3.9 The **Accountant** posts the amounts in the system and files the supporting documents in the “payments” file according to cashbook and cheque number order.

7.3.10 Where a cheque is cancelled, the **Accountant** enters the cheque number in the cashbook sequentially and the cheque leaf is retained in the chequebook.

7.4 Research and Dissemination Expenses

7.4.1 In the case of research and dissemination expenses, a request for payment will be made which will be compared to the budget drawn up at the time of contracting. This budget will have been reviewed and approved by the Project Manager in advance.

7.4.2 The Finance and Administration Manager will then make out a payment to the respective researcher or institution with the transaction being posted through the system.

7.5 Evaluation and Consultancy Payments

7.5.1 The Finance and Administration Manager will review contract documents ensuring that the terms and conditions of payment are followed. They will also confirm that the invoice amount agrees with the amount indicated in the contract.

7.5.2 The Finance Director will also have to consult the Program Manager or Research Co-ordinator to ensure that the services have been delivered or are currently being supplied.

7.5.3 A cheque will then be written to the respective consultant.

7.6 Grant Payments

7.6.1 Payments of grants will be made after the procedures laid out in the Administration Manual for administration of grants have been followed. Grants will only be payable after appropriate approval by the Program Manager and after review of the grant agreement.

8. STORES

8.1 Policies and Objectives

8.1.1 The stores procedures are aimed to ensure that:

- Materials meant for **ATPS** are budgeted for and rightfully acquired;
- Materials do not enter or leave the store without appropriate documentation;
- The store is kept under lock and key to prevent unauthorised people from gaining access.

8.1.2 Items kept in the store are usually stationery and other items for use in the office environment.

8.1.3 Procedures for ordering of stores items are documented in section 6 of this document, which deals with all procurement procedures. This section will deal only with the stores maintenance and the issuance of stock items.

8.2 Stores Maintenance

8.2.1 All stock items records are maintained on stock cards, which are kept in trays in the stores. The cards bear details of the item including description, quantities received and given out and quantity balance. The **Receptionist/Secretary** maintains these records and issues all stocks requisitioned.

8.2.2 The **Accountant** monitors the quantity of stock items and based on experience, places orders for replenishment when the stock level becomes low.

8.2.3 The store is kept under lock and key and the key maintained by the **Accountant**. Fixed hours for issue of stores items are kept, usually on Wednesday afternoon. However, if an item is required urgently at any other time, the **Receptionist** will issue it.

8.2.4 The annual stock taking exercise is in December. It is carried out in the presence of the **Accountant**. However, the **Finance and Administration Manager** carries out surprise stock takes.

8.3 Issue of Items From The Store

8.3.1 The requester fills in a Stores Requisition Form indicating the items required and the quantities.

8.3.2 The requester signs the Stores Requisition Form and the **Finance and Administration Manager** authorises it.

8.3.3 The **Accountant**, issues the item, and indicates on the Stores Requisition Form "Quantity Issued". He then signs the Stores Requisition Form.

- 8.3.4 The requester makes a copy of the Stores Requisition Form and leaves the original with the **Accountant**.
- 8.3.5 The **Receptionist** updates the stock card for the issued items.

9. FIXED ASSETS

9.1 Policy and Administration

9.1.1 **ATPS'** objectives in relation to the fixed assets are to:

- Place the responsibility to safeguard each asset to a specific member of staff;
- Ensure that assets are properly protected against damage;
- Maintain proper description and classification to facilitate proper charge for depreciation;
- Maintain adequate and accurate records of an assets repair and maintenance costs to provide the Organisation with the information for decision making regarding its usage.

9.1.2 The criteria to be used in determining whether an item should be treated as fixed asset or not includes the following:

- The estimated useful life of the asset should span over one year.
- Usage of the asset should be seen to contribute to the operational capability of **ATPS**.

9.1.3 Acquisitions must be planned for in advance through capital budgets.

9.1.4 The **Finance and Administration Manager** will organise a physical verification of the fixed assets. The year-end physical verification must be done in the presence of external auditors.

9.2 Acquisition

9.2.1 Requisitions for fixed assets are originated from the user departments through departmental heads and submitted to the board for approval.

9.2.2 Once the board approves the purchase, quotations are invited from at least three suppliers. The tender committee, set up by the Board, selects the supplier with the best offer.

9.2.3 A Local Purchase Order is prepared in triplicate. The white copy is issued to the supplier, yellow copy for Finance and Administration department and pink copy retained as a book copy.

9.2.4 On receipt of the item, the **Finance and Administration Manager** verifies the Local Purchase Order against delivery note and invoice. If there are inconsistencies, a follow-up is made.

9.2.5 The invoice, Local Purchase Order and delivery note are attached together and a payment voucher and a cheque prepared. The voucher and the cheque should be signed by two signatories.

9.2.6 **ATPS** should maintain a fixed assets register. After paying for the asset, the accountant will enter the following information in the fixed asset register:

- Type of the asset
- Date of purchase
- Location
- Acquisition cost
- Depreciation Rate/Useful life
- Date of sale if applicable

9.2.7 Details of the asset of the same type should be entered in a common register especially for the small items such as calculators, chairs, tables and other items of furniture and equipment.

9.3 Repairs

9.3.1 Repairs will be processed in the same way as other operating expenses. The repairs will be expensed or capitalised based on the following criteria:

- If the repairs enhance productivity capacity; and
- the enhanced productivity benefit more than one accounting period, then the repairs should be capitalised.

9.4 Depreciation

9.4.1 The accountant will add up depreciation charge for assets in the same category and pass the following journal entry in the journal book:

Dr.	Depreciation costs	xx
Cr.	Provision for depreciation	xx

9.4.2 The journal should then be submitted to the **Finance and Administration Manager** for approval.

9.4.3 After posting the depreciation journal entry, the accountant prepares the fixed asset movement schedule using the fixed assets accounts and their respective provision for depreciation accounts.

9.5 Depreciation Policy

9.5.1 Depreciation is computed on the reducing balance basis at the following rates:

- Motor vehicles (25%)
- Furniture, fittings and office equipment (12.5%)
- Computer equipment (30%)

10. PAYROLL

10.1 Policies and Objective

10.1.1 The payroll procedures are meant to ensure that:

- ATPS' procedures relating to personnel are adhered to.
- There is proper authorisation to incur payroll costs.
- Payroll costs are properly accounted for.
- Statutory and other deductions are accounted for and remitted within the specified deadlines.

10.2 Preparation Procedures

10.2.1 The payroll is prepared by the **Accountant** using a computerised payroll system. All **ATPS** employees are included in the payroll except for any casual employees.

10.2.2 Salaries are paid through bank transfer.

10.2.3 The payroll shows details about each employee, that is, gross pay, statutory deduction, other deductions and the net pay.

10.2.4 After individual payroll details are completed, a monthly payroll summary analysis is prepared and forwarded to the **Finance and Administration Manager** .

10.2.5 A sample of the payroll summary is shown below:

Gross pay as per payroll	xx
Gross Pay	xx
Deductions:	
P.A.Y.E	xx
N.S.S.F	xx
N.H.I.F	xx
Pension	xx
Other Deductions (to be specified)	xx
	xx
Net Pay	xx

- 10.2.6 The **Accountant**, after approval of the payroll summary by the **Finance and Administration Manager**, prepares a cheque voucher and a cheque for the net pay.
- 10.2.7 The **Accountant** prepares cheque vouchers and cheques for the various local authority deductions as per the payroll summary analysis.
- 10.2.8 The **Accountant** passes the cheque voucher, cheque and attachments to the **Finance and Administration Manager** to authorise for payment after stamping and dating all the supporting documents with a "PAID" rubber stamp.
- 10.2.9 The cheque is signed by the cheque signatories and returned to the Finance and Administration Manager who despatches it to ATPS' main bank account. The Finance and Administration Manager attaches to the cheque, a list showing a breakdown of amounts to be paid to each employee at their respective bank accounts.
- 10.2.10 The **Accountant** posts the amounts in the cash book, debiting the gross salary to the salaries and wages account, and files the supporting documents in the "payments" file according to cash book and cheque number order.

10.3 Statutory Deductions

- 10.3.1 The statutory deductions should be paid by the due date to avoid penalties. These dates are as follows:

- P.A.Y.E 9th of the following month
- N.S.S.F 14th “
- N.H.I.F 14th “

Pay as You Earn (PAYE)

- 10.3.2 Deductions are computed according to the specified rates contained in the P.A.Y.E tax tables provided by the Income Tax Department. The tax obtained should then be reduced by the amount of relief that each individual is entitled to.
- 10.3.3 A copy of the monthly deductions of PAYE credit slip is lodged in the bank with the amount of the tax. At the end of the year, the Organisation is required to furnish the following details by the 28th of February of the next year:
- Taxation deduction card for each employee, showing the tax deducted from his/her salary by month.
 - P.A.Y.E supporting list showing the total tax deducted from employees for the whole year.
 - Certificate of pay and tax issued to every employee-confirming amount of PAYE that has been deducted from his/her salary.

National Social Security Fund (N.S.S.F)

- 10.3.4 Deductions are computed at 5% of the employee's basic pay, subject to a maximum contribution of Kshs. 80 per month. The employer makes a contribution equal to the employee's contribution.

National Hospital Insurance Fund (N.H.I.F)

- 10.3.5 The standard contributions are specified in the tables provided by N.H.I.F. Contributions are only payable by persons whose incomes are as stated by N.H.I.F. authorities from time to time. The amount payable ranges between Kshs. 30 and Kshs. 320 per month.
- 10.3.6 Each employee has a membership card, which is obtained upon application. Each month the card is stamped for the amount of the member's contribution. Stamps are obtained from N.H.I.F.
- 10.3.7 The N.H.I.F card is retained by the Organisation until year-end, when it is surrendered to N.H.I.F accompanied by a surrender form. During the year the card may be surrendered to an individual who becomes hospitalised or when the individual leaves employment.

11. MONTHLY CLOSING REQUIREMENTS

11.1 Policy and Administration

11.1.1 ATPS' policy on monthly closing procedures is that:

- The accounting books are closed and balanced every month;
- Bank accounts are reconciled monthly;
- Any issues arising from above are cleared up before the end of the following period as specified.

11.1.2 The procedures described in this section are meant to ensure that:

- A systematic approach is followed in effecting period end closing procedures to ensure accuracy and completeness.
- Proper period-end cut-off of transactions is effected and adjustments are made for all completed transactions so as to incorporate them in the financial statements.
- That appropriate documentary evidence is created to support all period end adjustments to enable verification of such amounts.
- The procedures described in this section are applied at the close of the business on the last day of the period or before the commencement of business in the subsequent period.

11.1.3 The **Accountant** makes postings to each account monthly from the books of prime entry i.e. bank cashbooks, petty cashbooks. Debit entries come from grand totals for receipts in respective cashbooks and credit entries representing payments grand totals.

11.1.4 Postings to these accounts are done monthly when the cash and petty cashbooks are totalled, cash journals raised and other ledger postings done. The procedures for these are set out in the following sub-sections.

11.2 Journal Entries

11.2.1 A journal entry is intended for correction of posting errors, adjustments and those transactions that do not go through the cashbook.

11.2.2 A Journal entry is made in the journal book whenever any of the above transactions is effected. The journal entry should give full explanation of the nature of the transaction. The journal book is then submitted to the **Finance and Administration Manager** for approval.

11.2.3 Journal entries are posted by the **Accountant** immediately after approval. Appropriate supporting documentation should be filed in a box file to show the necessary workings.

11.2.4 Adjusting and error correction journal entries arise during reconciliation exercises, e.g. bank and fund control accounts. Bank reconciliation is covered in the next sub-section.

11.2.5 Transactions that do not go through the cashbooks include:

- Accruals and month -end (or year-end) provisions
- Apportionment of revenue grants
- Depreciation

Accruals and provisions

- 11.2.6 Income and expense accrual and provisions require to be made at the end of the period for income and expenses expected. The purpose of accruals is to achieve appropriate matching of grant revenues with related expenses.
- 11.2.7 Purchases and expenses are accounted for when they are paid. Accruals are required where supplier invoices are on hand at the end of the period but are still unpaid. These may also be made when invoices are expected and are not yet received. The purpose of accruals is to achieve recording of expenses in the correct period.
- 11.2.8 The **Accountant** prepares a list of all unpaid suppliers invoices and submits a journal entry together with the listing to the **Finance and Administration Manager** for approval for the total amount.

Revenue Grant Apportionment

- 11.2.9 Revenue grants require apportionment where the donor provides funding covering more than one financial period. The purpose of apportionment is to achieve appropriate matching of grant revenues with related expenses.
- 11.2.10 Cash received for revenue grants is initially credited to Deferred grants through the cashbook. At month end, the amount of grants utilised is transferred to Revenue Grants by journal entries as follows:

Dr.	Deferred Grants	XX
Cr.	Revenue Grants	XX

- 11.2.11 The **Finance and Administration Manager** will add up depreciation charge for assets in the same category and pass the following journal entry:

Dr.	Depreciation costs	xx
Cr.	Provision for depreciation	xx

11.3 Bank Reconciliation

- 11.3.1 At the end of each month, the **Accountant** reconciles the cashbooks against the respective bank statements

11.3.2 The **Accountant:**

- 1) Ticks off on each cash book and its bank statement, transaction entries that have been cleared with the bank
- 2) Effects the posting of items that appear on the bank statement but are not yet posted in the cashbook. This is done by preparing a journal entry in the journal books. The

journal book is submitted to the **Finance and Administration Manager** who reviews and authorises the journal entry.

- 3) Totals up all the cash book columns, with appropriate page “carry forward” and “brought forward” amounts. He does a cross cast for each page. This confirms that the grand “total amount” agrees with the sum of all the analysis column totals.
- 4) Identifies the outstanding items i.e. those remaining unticked on both the cashbook as well as the bank statement.
- 5) Prepares the reconciliation statement as follows:

Balance as per bank statement	xx
<u>Add:</u> Uncleared debits on bank statement	xx
Deposits on cashbook not credited by bank	xx
<u>Less:</u> Unpresented cheques	(xx)
Uncleared credits on bank statement	(xx)
Balance as per Cash Book	(xx)

The reconciled cash book balance must agree with the bank statement balance, otherwise, any differences are investigated immediately and corrected.

- 11.3.3 The **Finance and Administration Manager** reviews the reconciliation statement and initials the statement to confirm this.
- 11.3.4 The **Finance and Administration Manager** follows up on items, which have been outstanding on the bank reconciliation statements for more than two months. The same is done for unusual items appearing on the bank statement but not originating from the cashbook. All bank statements are retained in a file for future reference. Copies of all deposit slips are also retained in the same file.

12. FINANCIAL REPORTS

12.1 Policy and Administration

12.1.1 ATPS' policy is aimed at ensuring that:

- The Organisation prepares timely
 - ◊ monthly management reports;
 - ◊ monthly trial balance;
 - ◊ year end financial statements and reports within two months after the year end; and
 - ◊ donor reports as and when required
- Management runs the Organisation efficiently through effective monitoring and control systems.

12.1.2 The reports to be produced and their frequency are as follows:

REPORT TITLE	FREQUENCY
Trial Balance	Monthly
Income and Expenditure Statement	Monthly
Balance Sheet	Monthly
Cashflow Statement	Quarterly
Donor reports	As required

12.1.3 Pastel will easily produce Donor Reports if these are designed as some of the desired output report.

12.1.4 ATPS' financial year runs from January 1 to December 31.

12.2 Trial Balance

12.2.1 To facilitate the extraction of monthly transaction balances, the trial balance schedule has year-to-date totals for 'this month' and 'last month'. The difference shows the incremental amounts which represent transactions for the current month

12.2.2 At the end of each month, the **Accountant** prepares the:

- cash journals;
- provisions journals;
- accrual journals; and

- correction journals.
- 12.2.3 The **Finance and Administration Manager** totals all the debt entries, then all the credit entries in each account. By calculating the difference between the two totals, obtains the month's closing balance for the account.
- 12.2.4 The **Accountant** enters the closing balance in pencil in the ledger account, after the last entry of the month. If the account has a debit closing balance, the pencil entry is made in the credit column of the ledger. The opposite is done when the closing balance is a credit.
- 12.2.5 **The Accountant** prepares the balancing schedule for each control account as follows:
- a) Prepares a detailed listing schedule of all the subsidiary accounts balances then calculates a grand total for the schedule.
 - b) Extracts the control account balance from the spreadsheet;
 - d) Determines the difference between the two accounts, investigates and corrects any errors identified.
 - e) Prepares any correction journal entries arising from the control account balancing exercise and identifies any accounts with outstanding reconciliation differences.
- 12.2.6 The **Accountant** then passes the journal entries to the **Finance and Administration Manager**.
- 12.2.7 The **Finance and Administration Manager** checks and authorises the correction journal entries and guides the **Accountant** on further actions to be taken to resolve the outstanding reconciliation differences.
- 12.2.8 The **Finance and Administration Manager** rules off each ledger account and carries the closing balance forward, which becomes the next month's opening balance. This is done before posting any entries for the following month.
- 12.2.9 The **Finance and Administration Manager** extracts the closing balances and enters them in the trial balance schedule. He/she casts the trial balance schedule, establishes whether the debit column total balances with the credit column total and resolves any balancing differences.
- 12.2.10 The **Accountant** and the **Finance and Administration Manager** together resolve any trial balance schedules, which are out of balance and finalise.

12.3 Income and Expenditure Account

- 12.3.1 The income and expenditure account is prepared monthly in the form prescribed for **ATPS'** published accounts while meeting the requirements stipulated in the **International Accounting Standards**.

12.4 Balance Sheet

12.4.1 The balance sheet is prepared monthly in the form prescribed for **International Accounting Standards**. The balance sheet should include notes to the financial statements, including Fixed Assets Summary Movement Schedule.

12.5 Cashflow Statement

12.5.1 This statement is prepared on a quarterly basis and at the end of each year in the form prescribed by the **International Accounting Standards**.

13. BUDGETARY CONTROL

13.1 Budget Preparation

- 13.1.1 The annual budget is prepared at the beginning of the year and presented to the Board of Directors in February or March.
- 13.1.2 The various department heads prepare individual departmental budgets and submit them to the **Finance and Administration Manager** for review and consolidation.
- 13.1.3 The proposed budgets are deliberated in a budget meeting attended by the heads of department, **Finance and Administration Manager** and the **Executive Director**.
- 13.1.4 The **Finance and Administration Manager** consolidates the amended departmental budgets to produce an overall annual ATPS budget. This budget is then submitted to donors after approval by the Board.

13.2 Management Information Reports

- 13.2.1 At the end of each month, the **Accountant** prepares monthly budget reports for each department.
- 13.2.2 The budget report compares actual results with the budgeted amounts. The variance is indicated and an explanation for difference enclosed under the remark column.
- 13.2.3 The monthly budget report is presented by the **Finance and Administration Manager** at the monthly management meetings, which are attended by the Managers.
- 13.2.4 The budget reports relating to the branches are later forwarded to the respective branches.

13.3 Auditing

- 13.4 The Board will appoint auditors whose role will be to give an independent opinion on the Financial Statements when reporting to the ATPS, Board.

14. REPORTING RESPONSIBILITIES AND PAPER TRAILS

Finance and Administration Manager

Responsibilities	Documents
<ul style="list-style-type: none"> • Controlling the distribution and amendment of the Finance Policies and Procedures Manual 	Finance Policies and Procedures Manual
<ul style="list-style-type: none"> • Efficient operation of an imprest petty cash system 	Petty Cash vouchers and Petty Cash Book
<ul style="list-style-type: none"> • Ensure adequate cash and cheque receiving controls 	Receipts, Bank Deposit Slips, Bank Statements, Bank Reconciliation Statements
<ul style="list-style-type: none"> • Oversee and co-ordinate purchasing procedures • Approve purchases 	Purchase requisition, LPO, Cheque
<ul style="list-style-type: none"> • Authorisation and control of all payments 	Imprest Requisition Form, Cheques and Cheque vouchers
<ul style="list-style-type: none"> • Approval of stock requisitions from the store and from suppliers • Surprise stock takes 	Stores Requisition Form,
<ul style="list-style-type: none"> • Ensure proper controls are in place to safeguard the assets of the institution • Approve purchases of fixed assets 	Fixed Assets Register, LPO
<ul style="list-style-type: none"> • Approve the payroll summary and co-ordinate the payment of salaries and payroll taxes 	Payroll summary, Tax return forms
<ul style="list-style-type: none"> • Periodic reporting on the financial position of ATPS 	Income and Expenditure Statements, Balance Sheet, Cashflow Statement, Bank Reconciliation Statement
<ul style="list-style-type: none"> • Periodic evaluation of financial performance 	Budget reports

Finance Assistant

Responsibilities	Documents
<ul style="list-style-type: none"> • Periodic reviews of Petty Cash Books 	Petty Cash Book, Receipts,
<ul style="list-style-type: none"> • Documentation of all receipts 	Receipts, Cash Book, Bank Statements
<ul style="list-style-type: none"> • Banking of cash and cheque deposits 	Cash and Cheque Deposit slips, Imprest Accounting Form
<ul style="list-style-type: none"> • Documentation of all payments made 	Imprest Requisition Form, LPO, Supplier's Invoice, Delivery Note, Cash Book
<ul style="list-style-type: none"> • Monitoring of stock levels • Places orders for replenishment • Supervision of annual stock take 	Store Ledger Cards, Local Purchase Order
<ul style="list-style-type: none"> • Maintenance of fixed assets records 	Fixed Assets Register, LPO, GL
<ul style="list-style-type: none"> • Preparation of payroll documents and of the related tax documents 	Tax Return forms, Payroll Summary
<ul style="list-style-type: none"> • Preparation of periodic financial reports 	Income and Expenditure Statement, Balance Sheet Statement, Cashflow Statement, Bank Reconciliation Statement, Trial Balance
<ul style="list-style-type: none"> • Preparation of budget reports 	Budget reports

Receptionist/Secretary

Responsibilities	Documents
<ul style="list-style-type: none">• Disbursement of Petty Cash• Replenishment of Petty Cash	Petty Cash vouchers and Petty Cash Book, Receipts
<ul style="list-style-type: none">• Issue of office supplies from the stores	Stores Requisition Form, Stock Ledger Cards

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APPENDIX I: CHART OF ACCOUNTS

CODE	DESCRIPTION	TYPE
100/000	Expenditure	Exp.
101/000	Air Fares/Taxes	Exp.
105/000	Subsistence/Accommodation	Exp.
110/000	Per Diem	Exp.
115/000	Other Travel Expenses	Exp.
120/000	Honoraria	Exp.
125/000	Equipment Hire	Exp.
130/000	Photocopying and Binding	Exp.
135/000	Courier	Exp.
140/000	Stationery & Supplies	Exp.
145/000	Hospitality	Exp.
150/000	Communication (Tel/Fax)	Exp.
155/000	Other Expenses (Rapoteur, bank charges)	Exp.
160/000	Temporary Help	Exp.
165/000	Editing	Exp.
170/000	Design & Typesetting	Exp.
175/000	Printing & Stationery	Exp.
180/000	Distribution	Exp.
185/000	Payroll Accounts (Salaries & Wages)	Exp.
190/000	Staff Benefits	Exp.
195/000	Relocation	Exp.
200/000	Medical	Exp.
205/000	Website updating	Exp.
210/000	Website hosting	Exp.
215/000	Employee Salaries & Benefits	Exp.
500/000	Fixed Assets	Assets
501/000	Acc. Depn	Assets
505/000	Motor Vehicle	Assets
510/000	Accumulated Depreciation- Motor Vehicles	Assets
515/000	Computer Equipment	Assets
520/000	Accumulated Depreciation- Computer Equipment	Assets
525/000	Furniture & Fittings	Assets
530/000	Accumulated Depreciation-Furniture	Assets
535/000	Office Equipment	Assets
540/000	Accumulated Depreciation- Office Equipment	Assets
600/000	Current Assets	Assets
605/000	CitiBank N.A. Ksh Account	Assets
610/000	CitiBank N.A. USD Account	Assets
615/000	Petty Cash	Assets
620/000	Deposit Account	Assets
700/000	Revenue	Rev.
705/000	IDRC	Rev.
710/000	Carnegie Corporation	Rev.
715/000	Rockefeller Foundation	Rev.

720/000	Other Contributions	Rev.
800/000	Liabilities	Liab.
900/000	FUNDS	Capital
905/000	Donor designated operations Funds	Capital
910/000	General Funds	Capital
915/000	General Reserves	Capital
999/999	Suspense Account	-

AFRICAN TECHNOLOGY POLICY STUDIES NETWORKS

PAYMENT VOUCHER

A/C	Details	Shs.	Cts

Cheque No.....A/c.....

Prepared by.....Checked by.....

Designation.....Designation.....

Approved by.....

Designation.....

APPENDIX I: ATPS CHART OF ACCOUNTS

APPENDIX II: SAMPLE DOCUMENTS

AFRICAN TECHNOLOGY POLICY STUDIES NETWORKS

LOCAL PURCHASE ORDER

No. XX

Date-----

To

Please supply the material described below.

Item/service	Quantity	RF No.	Cost	Discount	Net cost

Checked by _____

Approved by _____