

**CAPACITY ENHANCEMENT AND COMMUNITY SUPPORT
(CAPECS)**

**FINANCIAL MANAGEMENT
POLICY MANUAL**

April, 2021

The financial management and policy manual of CAPECS has been developed for the benefit of all employees. Its object is to assist employees understand the basis of financial management with respect to funds in accordance with conditions set for compliance by CAPECS. This manual is to serve as a guide for transferring basic skills and knowledge to employees on operation of funds of CAPECS.

It serves as a reference document for the day-to-day transaction of CAPECS. It also serves as a means of harmonizing, recording and reporting procedures of the use of CAPECS funds. Finally, the manual is purposed to ensure that project accounting objectives of CAPECS are met; thus provide accurate records of activities, contain relevant control measures in order to protect assets of CAPECS and to generate timely financial information to enable CAPECS to take swift and effective managerial decisions.

ACCOUNTING AND ADMINISTRATIVE PROCEDURES

This as a guide will assist CAPECS in carrying out project decisions on various stages of our programs, i.e. request processing, general practice of procedure, operation and maintenance, workshop and conference management, operations and cost management, personnel management etc.

Accounts

The Finance Director shall submit an account of resources entrusted to his/her care annually. He/she shall also give other information as may be appropriate to indicate the current financial position and shall maintain such accounts and records as are necessary to report to the Executive Director and the Board of Directors.

Maintaining the Accounts

The Financial Director shall maintain financial accounts in the form prescribed and shall follow the framework and procedures, in this manual which would permit accurate and timely financial reporting in all activities to the Director and the Board of Directors.

Main Accounts

The main accounts of CAPECS shall consist of:

- Budget allocation
- Cash receipts
- Disbursements
- Unliquidated obligations and
- Balances available

General ledger accounts for CAPECS accounts showing expenditure, cash at bank, recoverables and other assets, payables and other liabilities.

Retention and Destruction of Records

The accounting and other financial records and all supporting documents shall be retained for ten (10) years or such periods after which on the authority of the Board of Directors, such records or documents may be destroyed.

Basis of Accounts

All financial transactions shall be accounted for in accordance with this manual.

Unit of Accounts

The accounts of CAPECS shall be presented in the local currency (¢) for disbursement, unless otherwise stated for the purpose of projects funded by donors. CAPECS should maintain a copy of all supporting documentation including their proper authorization.

Routine Safety Measures of Accounting

These consist of routine safety measures and record keeping, required in order to prevent misappropriation and professional mistakes from recording in the course of receipt, custody and disbursement of project funds

Safety Measures

The Finance Officer is to ensure that, the accounting documents, property and records are properly protected against theft, loss, destruction and unauthorized access.

Procedure for Handling Cheques

The Finance Officer should adopt the following measures in handling cheques. The Finance Officer must ensure that:

- All CAPECS's banks provide serial numbered cheque books.
- Cheque issued to payee, who is the supplier of goods and/or services, is evidenced by supporting documentation.
- In case of *lost cheques*, the Finance Officer is requested to issue a letter to the bank stopping payment of the lost cheque. It should be noted that the request to stop payments should include the date of issue of cheque, payee and amount involved.

Upon receipt of the bank's confirmation that it has halted payment of the cheque and of a signed letter of indemnity from the payee, the following measures must be taken:

- a) The Disbursement Voucher (DV), against which the lost cheque was originally issued, should be cancelled
 - b) A replacement cheque for the same amount should be issued by preparing a new DV.
- In case of a ***mutilated cheque***, it will be returned and the same procedure for a lost cheque as described above, should be applied.
NB: In this case, neither a stop payment order nor letter of indemnity needs to be issued. The mutilated cheque must be attached to 'cancelled DV' and filed.
 - A ***void cheque***: when errors are made during the preparation of a cheque it is referred to as 'void' therefore, great care must be exercised in the preparation of cheques.
 - **Uncashed Cheques**: if for any reason a cheque is returned 'uncashed' by the payee, such cheque must be considered as 'void'. The original entry should be reversed and the cheque cancelled.
 - Any **Outstanding cheques** for the period of two (2) months or more must be followed up by the drawer. If upon investigations, it transpires that the cheque is missing, then the cheque must be stopped. However, if the cheque is found, but cannot be honoured by the bank because of the expired date or some imperfection, it must be returned by the payee, cancelled and replaced with a new cheque. The cancelled cheque must be attached to the disbursement voucher.
 - The stock of cheque book must be controlled by a register in which receipts issued must be recorded.
 - Only one cheque book must be used at any time for each bank account and spare cheque books must be kept in the safe custody of the Finance Officer.
 - All cheques must be accented for, and any mutilated or void cheques must be attached to the DV and noted separately on the list of cheques, at the end of the month.
 - There should be no alterations on cheques. If a mistake is recognized in the cheque, it should be cancelled and replaced with a new cheque. Authorized signatories should ensure that these instructions are adhered to.
 - All cheques due to be released will be recorded in a cheque register book before they are released to the recipient.

Bank Statement

Immediately after the preceding month, arrangements must be made with the bank to provide a statement showing the following:

1. Opening balance at the beginning of the preceding month
2. Daily transactions and
3. Closing balance at the end of the preceding month

AUTHORIZATION OFFICER

The Finance Officer of CAPECS shall exercise the power or perform duties in respect of which the expression is used and as allowed in this manual and shall more specifically perform the following duties:

- Sign LPOs to authorize purchase and ensure procurement of goods, and services if done in accordance with the procedures specified in this manual
- Ensure that all procurement transactions are efficiently done to fit the needs of CAPECS
- Approve and sign all LPOs and contracts for purchases authorized in these procedures and as allowed in the approved budget.

SOURCES OF FUNDING

Receipt of Funds

For all money paid to CAPECS by cash, cheque, money order, bank transfers, etc an official receipt must be issued to the payer.

Banking of all Revenue Collected

All funds collected by CAPECS should be receipted and banked intact not later than twenty four hours after collection and should not be used for petty cash imprest. Petty cash imprest should be drawn directly from the bank using a PV.

Contributions to CAPECS by Development Partners

All contributions and donations to CAPECS by cash shall be entered into CAPECS books as revenue but would only be used for the purpose indicated by the Development Partner, where so indicated, donations in kind in the form of goods or materials and other assets would be accounted for in the same way as if they were procured by CAPECS. Such funds will be accounted for separately. There shall be no mingling of funds.

Disbursement of Funds

This is money paid out. Payments are made against procurement of goods and services or as an advance towards the cost of activities yet to be undertaken.

Policy

- a) Funds shall only be disbursed for eligible expenditure after the relevant source documents have been reviewed and a PV prepared, recommended and authorized/approved for release.
- b) All payments should be covered by a budget
- c) The Finance Officer for CAPECS has the authority to commit CAPECS financially. The Finance Officer must recommend all expenditure to the Director or Programs Coordinator where budgets have been agreed and/or approved by the donor (in the case of donor projects) money so transferred for the execution of the various activities.

Procedure for Payment of Money

- a) Inspection and acceptance of goods and works and services.
Prior to any acceptance and payment being made for contracted goods, works, and services. Finance Officer of CAPECS shall inspect and certify that the goods, work and services are carried out properly in accordance with conditions of contract, specifications and terms of reference. When management staff lacks the expertise to make the inspection and issue the certificate, CAPECS may hire an organization or consultant to assist in this function.
- b) After the acceptance of activity/project, the Finance Officer completes a request for release of funds.
- c) PV is raised and certified by the Finance Officer and subsequently authorized

Relevant Ledgers

- 1. Cash book (bank and petty cash)
- 2. Fund ledger
- 3. expenditure analysis ledger
- 4. stock ledger

Certificate Of Honour

All advances taken must be retired with receipts as far as possible. For example where payments are made in respect to per diem, transport, rent for hire of space or equipments, fee to resource persons, radio announcements, etc, these must be receipted. However, there are some activities for which receipts may not be issued, eg taxi fare, purchase of certain items (vegetables etc). in this situation the officer retiring the advance will complete a certificate of honour and attach as a retirement receipt.

Reconciliation Statements

Cash Reconciliation

Cash reconciliation statement is prepared to agree physical cash count to the imprest cashbook balance. At the end of the month, the Finance Officer prepares cash reconciliation statements as follows:

- a) Find difference between closing, physical cash and closing cash balance per imprest cash book.
- b) Check for:
 - i. Transfers from bank to cash omitted
 - ii. Retirement or other receipts received but omitted
- c) Check for:
 - i. Expenses paid for but not recorded
 - ii. Other errors in imprest books
- d) Report any unexplained difference to the Director for necessary action.

Bank Reconciliation

Bank reconciliation statement prepared by the Finance Officer is to agree with the balance in the imprest cash book and to the balance on the bank statement. Bank reconciliation statement shall be prepared every month and supported with bank statements.

Procedure

To prepare a bank reconciliation statement, first adjust the bank cashbook with interest and income and charges etc. check for the following:

- a) Difference between updated bank cashbook balance and bank statement balance as at the end of the month.
- b) Unpresented and uncredited cheques by tracing payments and lodgments from cash book to bank statement.
- c) Other errors in the imprest cash book or bank statement

Procurement Procedures and Methods

Procurement

Eligibility and Ineligibility Expenses

Eligible expenditure is that expenditure that *qualifies* for funding under a particular fund. Ineligible expenditure is that which *does not qualify* for funding under a particular fund

Procedure

Procurement shall be in accordance with the approved implementation plan and budget included in the project format prepare or may be attached to a financing agreement between CAPECS and a donor. These guidelines shall govern and apply to procurement of eligible goods and services for and on behalf of CAPECS, unless specific instructions to follow different procedures are inserted by a donor in a donor funded project format.

These guidelines have been designed with some basic considerations or guiding principles in mind. The procedures should:

- Normally provide for the supply of goods and services on the basis of competitive bidding.
- Be transparent, in order to allow adequate competition between suppliers and facilitate social control in the selection of suppliers and consultants, and the use of funds
- Be simple enough as to be understood and operated by the staff of CAPECS
- Use simple, standardized documentation, and
- Balance risk control/management with effective considerations.

Procurement of Goods

The method of procurement will vary depending on the types of goods to be procured and the estimated amounts of the contract sum involved.

- a) When the estimated amount of the contract is lower than GH¢ 500 direct contracting may be used. Direct contracting means that CAPECS representatives will select a supplier familiar to them, agree on a price with the supplier and award the contract for this negotiated price. In this case a competitive method of bidding cannot be used or is not practical.
- b) When the amount is equal to or more than GH¢ 500 local shopping should be used. CAPECS representatives should send invitations to bid up to a minimum of three possible bidders that CAPECS has selected; the contract may be awarded to the lowest evaluated bidder on the basis of criteria mentioned in the invitation to bid.

In cases where a particular dealer in items of CAPECS's interest maintains a low or moderate price and has been chosen as a designated customer of CAPECS one invoice is enough for the purchase of such items.

Service (Consultants)

In most cases, services (consultants) will consist of the recruitment by CAPECS of temporary personnel to carry out activities (such as fund raising etc). CAPECS should prepare terms of reference clearly stating the scope of the assignments, and the required qualification and experience. CAPECS should invite proposals from a short list of potential candidates and to select the persons or firms the most qualified and experience for the assignments. However, CAPECS should have great flexibility to recruit persons that they are familiar with and that they trust; in any event, individual contracts are likely to be for very small amounts. For practical reasons, direct contracting for services could be the rule rather the exception.

- a) When the estimated amount of the contract is lower than GH¢ 500, direct contracting is acceptable
- b) When the estimated amount of the contract is equal to or more than GH¢ 500, CAPECS will have to follow the recruitment procedures.

Conflict of Interest

In order to avoid conflict of interest on the part of the beneficiaries, employees of CAPECS responsible for the management of CAPECS's projects cannot be selected as suppliers for the implementation of the project. Members of their families, enterprises managed by them and by members of their families are also excluded.

Information

Information on procurement processes and results, particularly awards of contracts, should be widely disseminated to all the members of CAPECS and the general public through circulars, announcements and publications.

Monitoring and Auditing

Financial Monitoring

Monitoring which covers both implementation and completion phases consist of **testing, periodic review, inspection and auditing.**

The principles governing the financial monitoring report are:

- They should provide information with respect to whether funds disbursed are being used for the intended purpose
 - Project implementation is on track and
 - Budgeted cost will not be exceeded.
- Financial information should be linked with information on physical output.
- Project monitoring should be cost effective:
 - Duplicate or parallel monitoring systems should be avoided.
 - Requirements for financial and procurement monitoring should be obliged.
 - Common reporting and monitoring arrangements should be agreed with each other donor involved in a project.

Auditing

Effective 2021 CAPECS shall have their financial statements audited by External Auditors each year.

External Audit-Ex Post Audit

The Finance Officer must within one month of the end of each financial year complete books of accounts in readiness for External Audit. The External Audit must submit to CAPECS an audit report within two months of audit. The external auditor must be provided, in a timely manner, with all required information and documents by the Finance Officer to ensure completion of the audit report in time. The external auditor shall be appointed by the CAPECS Director.

Objectives of External Audits

The core objective of external auditors is to obtain sufficient information to enable them express a professional opinion on the financial statements. In addition to this, they will ascertain whether

- Funds released have been used for the purposes for which they were provided with due attention to efficiency, economy and transparency.
- Sufficient supporting documents, records and books exist for all expenditure.
- Goods and services financed have been procured with prescribed methods and procedures.
- Effective internal controls have been maintained to safeguard assets and ensure that irregularities and fraud does not occur.

Scope of External Audits

The external audit will normally cover the following and any other issues the external auditor decides to look at:

- Compliance with procedural manuals, custody of value books and other assets
- Receipt of funds – fund ledger, official receipts, and correspondence
- Payments – cash books, payment vouchers, supporting documents and authorization
- Bank – checking entries and balancing of bank cash books, checking regularity and accuracy of bank reconciliation statements
- Cash – Checking entries and balancing of cash books, checking physical cash on hand and comparing with cash book balance
- Procurements – compliance with procedures and thresholds, accuracy of calculations, remittance of tax, SSF and other deductions
- Stock records
- Fixed assets – register, identification marks, physical verification and insurance
- Liabilities – Authority (LPO), receipt of value (delivery notes) and suppliers statements
- Reports – accuracy and competence, confirmation of whether reports submitted to Management of CAPECS agree with the records and reflect the situation on ground.

Audit Reports

The external auditors will issue a report

1) Auditor's Report

This will contain the auditor's opinion as to whether

- a. Proper books have been kept
- b. They obtained all the information they required
- c. The financial statements are in agreement with the books
- d. Funds have been used for their intended purposes
- e. The financial statements present a true and fair view of the results of operations during the year and state of affairs of CAPECS as at the end of the year.
- f. This report will be addressed to the Board of Directors of CAPECS and its management.