

EDUCATION FOR SUSTAINABLE DEVELOPMENT

Finance and Administrative Manual

January 2015

I.INTRODUCTION

1.1 General

Purpose of guideline

Education for sustainable Development is an Ethiopian Residents Charity established in March 2007.ESD was re-registered under the registration number 0259.ESD's field of operation focuses on the four major thematic areas which include preschool education ,primary education ,primary support, women livelihood and vocational skills training for school dropout youth.

In the absence of proper guidance, different staff of the organization may arbitrarily treat common financial issues. In such a situation, if there is a set of financial guidelines that can be commonly used by the staff and financial personnel, the possible difference of opinion may be reduced. It is believed that, a good financial manual can play a role of a continuous trainer for the staff and financial personnel and may help removing such difference in opinion among them. It can also play as a guide/reference book for accountants, management and other users as well.

Keeping in view these aspects, this manual has been prepared. This is a ready hand book but not ever static, rather its sections/sub-sections should get changed / modified to cope up with the changing of policies/procedures from time to time. This manual is called "ESD Finance and Administrative Manual".

1.2 Use of the manual

This Manual is to be used for one or more of the following purposes:

- As statements of financial policy, pertinent to specific areas of administrative and program activity.
- As guidelines to financial personnel in establishing standards and limits for the performance of given functions/tasks.
- As operating instructions/instruments to employees responsible for the implementation of policies/decisions and the execution of specific tasks relating to accounts.
- As method of establishing and maintaining systematic recording and control of actual performance.

This manual includes certain mandatory rules (which are indicated in this typeface) e.g. maximum cash balances to be held in the office, or the maximum size of an advance to a member of staff.

The remainder of the manual details minimum acceptable systems and procedures, together with explanations, and is in normal text.

1.3 Reasons for financial control

The Financial control helps the Management of the Charity to ensure that ESD is properly administered. The Organization has a duty to produce true and fair annual accounts in order to satisfy the requirements of Members and Ethiopian commercial and Charity proclamations.

The financial control also helps to ensure that the organization is followed, using all resources to achieve best value for money and thus to maximize the fund of organization. The emphasis should be on obtaining good value for money and producing work of an excellent quality, and not wasting resources.

1.4 Communication of irregularities

It is vital that any financial issue that could give rise to concern is communicated immediately to Finance & admin of ESD.

Any shortfalls, accusations, irregularities, missing assets, potential problems with projects or disciplinary issues with staff and so on must be reported. This is not an exhaustive listing, and it is preferable to report a small issue than ignore it.

It is necessary to inform to ESD of any issues for concern to ensure that it can pass on the information to the finance department if this is appropriate. The staffs are legally responsible for request of money and approving the annual plan and are liable if things go wrong. Therefore they need to know the extent of any possible risk at the earliest opportunity so they can take appropriate action. This is particularly important where there may be loss of assets or reputation. If they do not hear of a potential problem until it has escalated into a large problem then it is normally much more difficult to manage.

Normally, ESD finance department and program person are the persons responsible for communicating these issues to staff.

1.5 Risk management

1.5.1 Risk can be defined as ‘any event or action that may adversely affect the organization to achieve its business objectives and execute its strategies’. Therefore risk is not confined to finances, but can include all areas, for example:

- Strategic (not meeting strategic objectives)
- Operational (failing to meet liquidity needed to execute activities planned)
- Financial (not maximizing returns by investing reserves poorly, or losing money)
- Regulatory (not meeting regulatory requirements)
- Empowerment (managers and employees are not properly led, and do not have the right resources, training and information to make effective decisions, or are given incentives to do the wrong things.
- Information processing/technology risk (IT is not efficient, produces misleading information or is not reliable)
- Integrity (risk of fraud, illegal or unauthorized acts)

The system of Internal controls is one of the ways that risk can manage for the company. It is the responsibility of the governing body to assess risk regularly and ensure that strategies are in place to minimize the effect of any risks.

Risks may be

- external like change in legislation, credit being refused, a fire at office and project filed , economic conditions which affect donation terms and conditions
- internal like Fraud, theft, Inadequate internal controls, Key staff leaving

The risk identification process can start with reviewing the objectives of the organization and asking

- What risks would prevent us from meeting these objectives?
- What would be the effect of the risk
- What controls could we adopt to minimize key risks to an acceptable level?

Normally potential risks are identified, maybe by a brainstorm within chairman of the board and staff, and they are classified on a grid depending on

- a) how likely they are and

b) How big the impact would be.

When risks are identified, a decision needs to be made about how to treat them, for example:

- Minimize the impact (e.g. improve internal controls)
- Accept the risk because nothing can be done (e.g. natural disaster)
- Transfer the risk by use of insurance
- Reduce the risk (e.g. extra security)
- Monitor the risk

The first risks to address and minimize are those that are both likely and will have a big impact, these are ‘critical’ risks. Each risk must be allocated a person responsible for reviewing the risk, and mitigating its effect.

Projects should be encouraged to consider their risks, and minimize them in the same way.

It is the responsibility of management at all levels, to identify risks to the organization, categorize them and [to] minimize them. The list of risks that have been identified include a wide variety of things such as security, fraud, losing key staff, theft of coffee, poor budget management, politics and civil unrest, changes in commercial law, natural disasters and so on.

When risks have been identified they are categorized in terms of:

- Likelihood of event happening and
- Risk of loss in terms of monetary value

For example reputation management may be seen as very risky because it would be easy to damage our reputation with our loan officer, and the potential loss could be very high, in contrast ‘changes in commercial law’ are unlikely to happen in the near future, and their financial effect is not expected to be high, so this would be seen as low risk.

The aim of risk management is to consider and assess key risks, and then put in controls where necessary (see examples below) to reduce the likelihood of events happening, and reduce the monetary

effect of those events. Particular attention must be paid to events with the most potentially damaging effect and which are most likely to happen.

Risk management includes the following aspects:

- Effective monitoring, control and forecasting systems
- A clear management structure
- Insurance cover where appropriate (xxx site , vehicles and machineries)
- Back up for critical resources
- Internal audit function which can target areas of greatest risk
- Contingency planning identifying key responsible people to follow an action plan in the event of various crises.

ESD must analyze the risks and produce an action plan to identify, control and minimize those risks, recording this in a risk register.

The risk register must contain a statement categorizing key risks in the country program in terms of monetary loss (minimum and maximum) and likelihood of the event happening (high, medium or low), together with proposed action to be taken to mitigate these losses. The risk register must be updated and reviewed each year by the ESD and is reviewed by the members' when completing the checklist.

1.6 Ethical Conduct-

Refer to Organization HR policy

1.7 Internal controls

These are the controls (financial, budgetary and physical) set up by management in order to carry out the business of the organization in an orderly and efficient way, ensure adherence to management policies, safeguard the assets, and secure as far as possible the completeness and accuracy of the records.

There are various internal controls:

1.7.1 Organisational:

A diagram should be drawn up of the organization structure, specifying responsibilities, reporting lines and controls. Job descriptions should also be written. This allows assessment of the management and reporting structure.

1.7.2 Authorisation and approval:

All transactions should be authorized by an appropriate person to whom that responsibility has been delegated. The limits for the authorizations should be specified. Delegation of duties must only be to the most appropriate staff in a location, for example cheque signing and authorization of expenditure should be by accountant and Executive Director/Coordinator.

1.7.3 Physical:

Procedures and security of assets should be achieved by limiting access to unauthorized persons. This will include physical security of assets such as computer hardware and stock, vehicles, server, as well as access to assets via documentation e.g. Goods Requisition Books or office rubber stamps.

1.7.4 Segregation of duties:

A transaction should be split so that parts of it are performed by different staff. For example, the Coordinator /Executive Director may authorize the purchase of materials from local market, purchase committee/delegate may obtain cash from the accountant to purchase it, the accountant records the expenditure in the cash books, and the accountant reviews the cash books. This reduces the risk of internal manipulation or error and increases the times that the transaction is checked. In summary, the authorization and execution of a duty and the custody of assets should be performed by different people.

1.7.5 Personnel:

There must be procedures to ensure that staff are qualified, selected properly and trained.

Selection procedures should ensure the competency and integrity of staff, and there should be an appraisal system to monitor this.

1.7.6 Arithmetical and accounting:

Controls within the finance department should ensure that transactions are authorized, correctly recorded and accurately processed. This may include the arithmetical accuracy of the records, the maintenance and checking of totals and reconciliation.

1.7.7 Supervision:

Day to day transactions should be supervised and checked by the Accountant to ensure accuracy and completeness.

1.7.8 Management:

Management controls are outside the daily routine, for example review of management accounts, and taking action based on them.

1.8 Value for money

1.9.1 ESD has a duty to report to board to ensure that all resources are used in a cost effective way.

Value for money can be described as economy, efficiency and effectiveness:

1. Economy- minimizing the cost of resources for an activity having regard to the appropriate quality
2. Efficiency- the relationship between outputs and the resources used to produce them. An efficient activity maximizes output for a given input or minimizes input to a given output, but ensures that the output is of an appropriate quality
3. Effectiveness- The extent to which objectives have been achieved, and the relationship between the intended impacts and actual impacts of the activity.

Note that Value for money does not necessarily mean the cheapest, but must take into consideration the quality, delivery, service, how long it will last, and appropriateness and profit.

ESD is a NGO and so it is important to select goods and services of an appropriate standard for service. Bearing in mind that we all have a responsibility to save costs.

2. Petty Cash Management

2.1. Petty cash float system

2.1.1. Petty cash is a fund kept in safe box for small disbursements. Petty cash is established at the beginning of the operation or period. We keep it to a reasonable minimum amount to avoid

foreseen and unforeseen risks. The maximum amount that we would keep is the upper petty cash limit (petty cash float) and the minimum amount to which replenishment would be done is the lower limit.

- 2.1.2. The petty cash float and the minimum level is has been determined by the Management Team. The management team has approved the amount of float to be 3,000.00 birr for all projects and head office. This amount will be replenished when 80% of the cash has been utilized. This can be amended whenever the transaction demands or any justifiable reasons are raised from projects or head office .
- 2.1.3. As payments are effected from petty cash fund, the float amount will be diminished and at determined minimum level, the maximum level will be maintained by transferring money from bank to the cash box on regular bases. This practice is replenishment of petty cash. In addition to the period of reaching the minimum level, replenishment should also be done at the end of every month and in the following month full amount of petty cash will be maintained.
- 2.1.4. A petty cashier should be assigned in written to handle a petty cash fund. An arrangement should be done with petty cashier to have guarantee for the maximum amount of cash he/she would handle.
- 2.1.5. No other fund shall be mixed with petty cash. The cashier should not keep his/her or any other fund along with petty cash.
- 2.1.6. All payments from petty cash should be made via petty cash payment voucher. The responsible officer should approve before any payment.

2.2.A petty cashier should keep a petty cash payment register book (cash book- excel sheet).

- 2.1.7. The amount of petty cash float will depend on the following:
 - volume of small disbursements; the higher the volume, the larger the float amount would be
 - remoteness of the project office from bank service for replenishment
 - the security available to keep petty cash in the office
 - The arrangements could be revised from time to time taking in to consideration those conditions stated above.

2.3.Cash security

- 2.3.1. The organization's cash should be kept in bank
- 2.3.2. The organization's cash should be kept in safe box (or at least in a safe locked drawer)
- 2.3.3. Petty cashier or one member of the staff is made responsible for the cash and fill a guarantee form for the maximum amount he/she holds

- 2.3.4. Keeping large amount of cash is risky and cash transactions are more difficult to keep track of. To reduce this risk it is better to effect payments in cheque or transfers and keep petty cash to the most possible minimum level.
- 2.3.5. The organization will make available some amount of cash as petty cash indemnity fund for petty cashiers to reduce their probable loss at a time of payment and change. The amount and way of utilizing indemnity fund will be determined by the management.

2.4.Procedures on petty cash replenishment

- 2.4.1. Make sure that a minimum level is reached (20%) , (if it is at the end of the month, there is no need to reach minimum level)
- 2.4.2. Prepare list of expenditure since last replenishment (if it is for first time, since established or if it is at end of the month, just the expenditure amount available). Petty cash payments, payment vouchers with accompanying documents, should be summarized and analyzed.
- 2.4.3. Count cash in safe box (petty cashier with Accountant). The cash count certificate shall contain the details of notes and coins on hand.
- 2.4.4. Prepare balance per cash book
- 2.4.5. Reconcile the book balance with actual cash count
- 2.4.6. A cheque is raised to withdraw funds from the bank accounts and authorized by attaching supporting docs

2.5.Petty cash reconciliation

- 2.5.1. Reconciliation of petty cash is a process of checking the equality of book balance and cash counts. This includes verifying the list of expenditures, counting of cash in the safe box and checking the equality of book balance with amount of cash in safe box (See Appendix 1).
- 2.5.2. Petty cash reconciliation should be done in certain intervals for safety purpose and will be done at a time of any replenishment.
- 2.5.3. One reconciliation is used for every cash count and all reconciling items are clearly explained
- 2.5.4. At least two people should be present to count the cash and both parties must sign a petty cash form to verify the amount.
- 2.5.5. The petty cash reconciliation will be verified by accountant and approved by ESD in monthly bases.
- 2.5.6. Petty cash checks and signs the reconciliation as evidence of review. Explanation is sought about any un-reconciled amount

2.6.Procedures on petty cash reconciliation

- 2.6.1. Prepare list of expenditure and income since the beginning of the month
- 2.6.2. Check the list is supported with payment/receipt vouchers and supporting docs
- 2.6.3. Count cash in the safe box
- 2.6.4. Prepare balance per cash book
- 2.6.5. Reconcile the book balance with actual cash count
- 2.6.6. If there is a difference, justify with petty cashier
- 2.6.7. Get signed the reconciliation and related docs

3. Bank Account Management

3.1. Opening of Bank Accounts

- 3.1.1. A written permission of board is required to open a Bank Account in the name the organization. It is the responsibility of Accountant to open and close bank accounts in the name the organization.
- 3.1.2. The organization shall apply to the bank to open bank account in project areas and at Addis Ababa .Signatories shall go to the bank and give their specimen signatures.

3.2. Assigning bank signature and change

- 3.2.1. There should be at least one bank Account (based on the request and nature of the fund it is possible to open extra bank accounts)
- 3.2.2. Signatories should never sign blank cheques.

3.3. Closing Bank Accounts

- 3.3.1. ESD closes the bank accounts when project are ended /completed and donor withdraws its support for the given projects. However, ESD will close the bank accounts with approval from the Board of Director to control the bank account transactions.
- 3.3.2. ESD will close idle bank accounts when there is not transaction in the account. But ESD should check all pending payments from the bank account to be closed. If there is a cash before closing , the case will be transferred to the head office account with the approval of the Executive Director
- 3.3.3. The Accountant obtains a copy of the final bank statement showing that the account has been closed and sent to the EXECUTIVE DIRECTOR.
- 3.3.4. Any cheques outstanding in the cheque book are struck through (void) so that they cannot be used and the cheque books stored in a safe place with all the other accounting records

3.4. Bank payments and deposits

- 3.4.1. Cheques shall be kept in safe place with finance section.
- 3.4.2. Cheques will be signed by authorized signatories.
- 3.4.3. Bank payments could be in a form of cheque, bank transfer letter or draft. If payment is effected by bank transfer letter/draft, bank transfer slips should be secured from the bank.
- 3.4.4. Payment authorizations form shall be filled and approved before Cheque payment vouchers are prepared and payment is affected. Payment vouchers are pre numbered and are prepared in two copies (See Appendix 28).
- 3.4.5. All payments should be done following payment procedures stated on section 4.

3.4.6. If an error is made in writing a cheque, write “VOID” on the face of the cheque and attach the cancelled cheque to the cheque stub.

3.4.7. Bank deposits can take a form of cash, cheque, draft or telegraphic/mail transfers.

3.4.8. For all types of deposits, deposit slip should be obtained from the bank. Transfer advices should be received from buyers, chairman of the board, bank or any other body who instruct the deposit or transfer so that the nature of the deposit can be known and the correct accounting action can be taken.

4. Staff Working Advance (SWA) Management

It is to manage SWA in such a way that would facilitate optimal utilization of advance and timely and efficient way of settling it. SWA should only be given for organization staff for payments he/she will effect in the field directly related to his/her trip.

4.1 SW Advance processing

4.1.1 Initiation of SWA request:

SWA can be requested only by organization staff, if there is a need to provide SWA for non organization staff there should be special arrangement including an agreement and provision of guarantee.

- SWA request should be filled and signed by the staff to initiate request.
- The reason for requesting SWA should be clearly stated with amounts.
- SWA shall be given for staff that would travel to the field for official duty and staff executes payment at the project sites or head office on behalf of the cashier.
- Reasonable amount of SWA should be requested to cover his/her and related cost of the trip.
- SWA shall be given only to staff concerned with the payment process.
- Payments that could be handled by secretary cashier/Admi & finance officer directly from petty cash or bank should not be given as advance.
- SWA related to vehicle running: fuel, oil, minor maintenance costs, DSA for projects should be requested by ESD and driver.

3.1.2 SWA for suppliers, projects and consultants

3.1.2.1 Advance to supplier, contractor, /service provider

Generally Organization will not pay any advances to the supplier. However, if there is no other alternative to procure the required good, advance can be allowed up based on agreement.

- The supplier shall submit requisition for the advance in writing;
- Any advances given to the supplier/ service provider should be incorporated in the Purchase

Order/ contract/ commitment/ terms of reference etc;

- The advances will be adjusted at the time of receiving the goods and services satisfactorily or at the time of refund of the advance.

3.1.2.2 Request for cash transfer for projects

- Projects can raise cash transfer request from the total operation budget of the project based on detail breakdown in line with the operational plan.
- Request for cash transfer from project coordinators must be signed, reviewed and approved by the Program coordination and Finance office
- The cash transfer takes place when individual projects submit progressive quarter reports to the head office. Each project should submit the utilized and unutilized fund amount during the quarter period.
- In the process of cash transfer request, the head office will deduct the unutilized fund of the previous quarter from the recent request.
- An additional amount can be disbursed to the project as “buffer” depending on the time lag to send the fund to the project’s bank account and on the number of the area offices where the project needs to transfer the fund. EXECUTIVE DIRECTOR’s approval is required to fix the buffer amount.
- The balance in software must be agreed to the balance shown in the return from the project each time a return is posted onto the system.
- The balance held by the project must be reconciled to the balance shown in the projects books on quarterly basis, for example to the cash book or the bank statement if the organization funds are kept in a separate account, and the amount held must be reviewed to see if it is excessive with respect to the expected expenditure.
- At any point of time the advance balance as per project’s book must be the same as per Company’s books of account. This must be checked on quarterly basis. The differences, if any, must be reconciled and necessary adjustments must be made within the next quarter.
- Head office and Project accountants must review the cash balances monthly and investigate instances where advances have not been accounted for over a reasonable time.

3.1.2.3 Advances for consultants

- As per the TOR and work contract partial payment can be made according to the progress of

the work.

3.1.2 Verification of advance:

- No SWA will be given unless verified by Admi & finance officer for existence of outstanding SWA and availability of budget.

3.1.3 Authorization of advance:

- SWA should be authorized by the program coordination Office
- Authorization of SWA for running costs such as fuel, periderm, stationeries could be handled by Admi & Finance Officer, with proper delegation of authority from project coordinator and accountant

3.1.3 Recoding SW Advance

- When SWA is paid out it would be recorded as suspense on payment voucher and pass with monthly accounts and noted on log sheet.

3.2 SWA Settlement

3.2.1 Approval and Verification of SWA Settlement:

- SWA should be settled with standard settlement form (See Appendix).
- The budget holder will approve taking in to consideration the nature, legality of expenditure and availability of related budget.
- If the SWA holder expend out of the intended operation, have a problem on its legality and/or utilized above existing available budget, SWA holder should bring the matter to ESD and project finance officer with adequate explanation. The ESD and accountant will review the settlement in light of existing rules and procedures. If it could not be settled, it is the responsibility of SWA holder to bear the cost by himself.
- It is the responsibility of budget holder to approve or reject additional amounts presented for settlement above the initial SWA provided.

3.2.2 Period of settlement

- SWA should be settled with in the office originally provided.
- SWA should be settled within five (5) days after the completion of the activity or return to office, whichever is earlier.
- Any unsettled SWA with the above stated period shall automatically be deducted from salary at end of the month. The employee need not necessarily consulted for the reduction.

4. Payments

4.1 Initiation of payment request

- If there is a need for an item the staff in need should fill store requisition (SR).
- If the item requested is in the store, there is no need to process purchase; just get approved the SR by an authorized personnel and collect.
- If there is no item in store the purchasing process continues.
- Purchasing process will be initiated by:
 - Checking the availability of a budget
 - Correctly coding the budge line
 - Correctly filling the quality, type, brand, any other specification available.
- If service is sought, request forms for repair and maintenance is filled and presented for approval.
- If the service is consultancy or related professional duties, Term of reference, invitation letter, decision statement showing the selection procedures, technical & financial proposal submission forms etc should be presented.
- The approval is made by respective authoritative body or delegate on project and head office level checking the completeness of the above information.
- SR is prepared in two copies.
- After SR is completed and approved will pass to store man or alternate to prepare purchase requisition/order and pass to the purchaser or alternate to effect procurement.

4.2 Mode/ways of effecting payments

- Payments can be done from petty cash, by cheque, a letter transfer or CPO.
- Distinguishing the levels of petty cash payment from cheque should be done taking in to consideration.
 - Availability of banking service
 - The amount and frequency of small disbursements
 - Distance of the bank from office for regular replenishment.
 - The situation of security and safety to keep the required petty cash in safe box

4.7 Authorization Levels

There is an established authorization/approval limit for payment authorization. It is presented in the following summary table:

Payment levels	Authorized staff	Secondary approval	Remark
1. Up to Birr 50,000.00 NB: this doesn't include salary payments for staff	Assigned staff on project level can authorize.	Assigned staff on project area	It is forbidden to duplicate check payments in broken amount for one purpose. The principal remains constant at all levels
2. above Birr 50,00 for major purchases and fund transfers	It is important to get confirmation or approval from (head office) prior to signing	Assigned staff on project area can proceed the process after they got written confirmation either in email or fax	

4.8 Segregation of duties

- Any organization is set up in such a way the duty of one will be checked and verified by the other.
- This enables to avoid carrying the entire activity (from beginning to end) by a single person in which case it is difficult to ascertain its fairness and legality.
- This is the internal control, management and financial, that would help the management to keep track of the operation of the organization.
- Usually initiation of payment, verification, approval and effecting payment should be handled by different people at various levels.

The ESD and accountant ensure that the following procedures are carried out by different people:

- Initiation and authorization/approval of payment
- Authorization/approval and purchase of goods
- Collecting offers/Proforma invoice and final selection of competitors
- selecting new suppliers and paying suppliers
- preparing reports and reviewing reports
- receiving income and recording income

4.9 Payment documentation

4.9.1 Store/Purchase requisition (S/PR)

- Store/Purchase requisition will be filled, approved and documented to initiate purchase or reception from store.
- One of the approved copies of Store/Purchase Requisition will pass to store man or alternate to prepare purchase order and the purchaser (or staff processing the purchase).
- It is prepared in three copies 1st for the supplier 2nd retained the book until delivery is made/invoice is received and 3rd retained on the book.

4.9.2 Purchase order (PO)

- Purchase order form will be filled and approved by accountant and it would be documented when the purchasing process is completed along with other supporting

4.9.3 Vendor Invoices/Receipts

All documentation from the vendor must include the following information:

Vendor name: The name of the vendor should be clearly indicated. It is preferred that all receipts be made on pre-printed receipt from the vendor. If it is not possible to obtain a pre-printed receipt, the receipt must indicate the full name and address of the vendor with the vendor signature or a organization receipt in absence of formal receipt could be used when it is impossible to get receipt at all and all information should be filled (See Appendix 34). A stamp from the vendor should be requested as a substitute whenever possible.

Description: A clear description of the good or service being purchased needs to be stated. Terms that could describe a variety of items (for example, “supplies”, “labor”, etc) cannot be used. The receipt should describe fully the item/service.

Amount paid: All payments are made in Ethiopian Birr (ETB) except few cases in which payments are made to suppliers/service providers out of Ethiopia. The exact amount of particular goods/service must be clearly stated, if possible both in number and words. If multiple items or services are being paid for, the receipt must itemize each expense accordingly.

Date paid: The date for which the goods/service was obtained must be on the receipt.

Signature: The signature, or stamp, of the vendor providing the receipt must be given.

4.9.4 Form to be used in absence of formal invoice or receipts

- There is a printed form with organization on it to be used in areas or conditions where we could find no formal invoice or receipt. This form should be completely filled so that all information would be available to account for the expenditure.

4.9.5 Goods Receiving Notes (GRN)

As soon as the good arrives, the people in charge of stock carry out the following:

- Checks the good received match the description in the purchase order/requisition
- Prepare good receiving note (GRN) and distribute the copies as stated
- Complete a stock card to book stock in to the store.

4.9.6 Other forms used to effect payment

- Other forms could be used to effect payments. This primarily depends on the nature of payment and amount of description needed. Those documents are: Payment authority, per diem pay sheet, Temporary or casual laborers pay sheet etc.

4.9.8 Payment Voucher / Receipt Voucher

Tips to ensure cash payment documentation is sufficient

1. always try to get a receipt which has either the name and address of the shop on it or a rubber stamp detailing the same
2. always get written confirmation from the client to write the name of the Company or delegated person to whom cash is transferred or check is to be prepared
3. always ensure the receipt has a date on it
4. no alterations to the figures can be accepted unless the client has signed against the changed figure to show it is valid

4.10 Different payment

4.10.1 Per Diem (See Appendix 1 & 2)

Per Diem is paid to refund/reimburse the cost of an employee when he/she travels out of his/her duty station. It is a subsistence that covers cost of food and accommodation while in the field.

Here is a summary of per diem rates per day to be utilized by Ethiopia country office.

- a) For international travels, the per diem will be determined by the management depending on the country of travel.
- b) A staff member authorized to travel for ESD's business shall be paid daily allowance/ per diem / at the rate of birr 200.00 (two hundred birr) per day if the staff travels outside the operational area and back within a day.
- c) A staff member authorized to travel for ESD's business shall be paid daily allowance/ Per diem / at the rate of birr 400.00 (four hundred birr) (Including bed) per day if the staff travels and stays overnight outside the operational area in which he/she is working.
- d) Overnight stay is not allowed in the operational areas unless it is approved by authorized personnel. In this case, the staff will be paid birr 150.00 (one hundred fifty birr)
- e) Full day stay of staff within the project area for organizational business shall be paid daily allowance of birr 100.00 (one hundred birr). But the staff is expected to file field visit TOR and field report to the coordination office or head office.
- f) Full day stay of partners (Zone and District partners, teachers, principals, supervisors and facilitators) within the project area for organizational business shall be paid daily allowance of birr 150.00 (one hundred fifty birr)
- g) Overnight stay of partners (Zone and District partners, teachers, principals, supervisors and facilitators) within the project area for organizational business shall be paid daily allowance of birr 220.00 (Two hundred twenty birr).
- h) Full day stay of Community members (PTA, ECCE, KETB and other local administration members) within the project area for organizational business shall be paid daily allowance of birr 100.00 (one hundred birr).
- i) Full day stay of SHG members within the project area for organizational business shall be paid daily allowance of birr 75.00 (Seventy five birr)

- j) ESD shall cover all accommodation and travel costs of students within the project area for organizational business and no any financial payment effected to students. But if ESD organizes events and other occasions, students may get prizes and material supports in kind.
- k) If a staff facilitates or moderates a training on weekends, she/he shall be paid Birr 150.00 (one hundred fifty birr). But if the trainings are organized on working days, i.e. from Monday to Friday there will not be payment for the staff who facilitates the training.
- l) If a staff delivers a training on weekends, or other project sites, she/he shall be paid Birr 250.00 (Two hundred fifty birr). But if the trainings are organized on working days, i.e. from Monday to Friday there will not be payment for the staff who delivers the training. The trainer staff shall submit the training material/manual before the training and training reports to the project coordination office and head office.
- m) On duty business transport expenses, when no official transport is provided by ESD, will be reimbursed upon presentation of official receipt.
- n) If a staff delivers a training on weekends to project sites and stays overnight, she/he shall be paid Birr 300.00 (Three hundred birr). But the trainer staff shall submit the training material/manual before the training and training reports to the project coordination office and head office.
- o) If a government partner staff member/expert delivers a training to project targets, she/he shall be paid Birr 300.00 (Three hundred birr) per day.
- p) If a local college/university instructors delivers a training to project targets, he/she shall be paid birr 500.00 (five hundred birr) per day and birr 400.00 will be paid if the trainer prepare and submit training manual.
- q) If training shall be delivered by an external consultant or professional or consultant firm, the payment will be negotiated and approved by the head office.
- r) If the government stakeholders/signatories staff conducts a monitoring visit to the project sites, he/she will be paid birr 150.00.

4.10.1.1 Documentation of per diem payments

- For organization staff per diem settlement form (See Appendix 6 & 7) should be filled, checked by accountant and approved by nearest boss.
- For external staffs that provide service as resource person, field synopsis/report and if applicable agreements/contracts, profile (CV, recommendations ...) etc should be attached.

- For external staffs who participate in training/workshop/exchange visit etc attendance sheet, payment sheet etc should be attached.

4.10.1.2 Procedures to be followed in processing per diem payments for organization staff:

If a member of staff requests a per diem the accountant performs the following:

1. Complete per diem claim/settlement form
2. Verify/check the settlement is filled correctly and all necessary supporting docs are attached and also ensure availability of budget existence of the trip within work plan
3. Get approval from the coordinator or Executive director
4. Accountant completes payment authorization and payment voucher including:
 - Account code to be charged
 - Reason for per diem
 - This is signed by the staff member's line manager as approval.

4.10.2 Consultancy and Facilitation service payments

- Consultancy, facilitation or related professional duties are treated with the same rules and procedures as procurement.
- If the service is consultancy or related professional duties, Term of reference, invitation letter, decision statement showing the selection procedures, technical & financial proposal submission forms etc. should be presented.
- Facilitation services will be treated the same way as above.

4.10.3 Salary

i. Payroll set up

- Salary is prepared at the Project site and Addis office. All information relevant to salary calculation should be forwarded to Administration and finance and Accountant. This information should include all relevant data for salary calculations.
- The accountant shall refer to the staff charter and subsequent correspondence from the administration when preparing payroll. Once included in the payroll sheet, the accountant shall prepare salary to that employee every month unless the Administration section advises his status.
- Some salary payments could be made at projects for temporary and causal workers with written approval from Admin and Finance .

A payroll listing is prepared on a monthly basis by the accountant to show all of the following Salary entries:

- *Gross Salary*
- *Tax to be deducted*

Employee and Employer Social Security

- *Employee and Employer pension contribution*
- *Other deductions (loan repayments, merry go round, all of which is clearly explained)*
- *Net Salary to be paid*

A payroll file is established to include:

- payroll listing for each month
- all back up documentation relating to any salary/benefit review or other adjustments made to someone's contracted salary for the month
- Additional documentation should be kept for those joining or leaving the organization (e.g for a starter - a copy of the contract stating the Salary level; for a leaver - copies of statement letters from the pension scheme, loans schemes etc.)
- The accountant is given this file to perform monthly review and authorization of payroll

ii. Processing payroll

Processing payroll includes:

- *Accountant/FM prepares the payroll listing above including any adjustments for the month (starters/leavers etc.)*
- *Accountant raises electronic funds transfer instruction/cheques*
- *Payroll calculations and all backing documentation are placed on payroll file and passed to EXECUTIVE DIRECTOR*
- *ESD reviews payroll listing and salary file to ensure entries are reasonable*
- *ESD signs the payroll listing as payment authorization*
- *ESD checks electronic funds transfer instruction/cheques raised against the payroll listing and if correct signs the bank instruction/cheques*
- *Payroll is recorded in salary control account and bank payments listing*

Salary payments in cash to employees

iii. Tax/loans/pension payments

Cheques/ Electronic funds transfers for payments related to salary payments to third parties (e.g. for loans, pension, tax) are prepared and recorded in the same way as the general cheques/electronic funds transfers procedure listed above.

iv. Salary control account

As a result of the complexity of salary payments and the timing differences between the calculation of tax, social security and pensions which relates to the month and the actual payment of these liabilities, a **salary control account is necessary** to keep track of its salary payments.

Salary control account

- *Salary control account is maintained recording ALL amounts shown on the payroll listing*
- *Salary control account reconciliation is prepared on a monthly basis by the accountant who signs & dates it as 'Preparer'*
- *The control account balance should be zero once payments are made to the various authorities/organizations for PAYE, social security, pensions etc.*
- *any un-reconciled amounts are investigated, documented and cleared out*
- *ESD review this reconciliation and sign & date as 'reviewer'*

How do I review the salary control account?

- *Check the salary amount is accurate.*
- *Check there is adequate explanation/authorization for any adjustments made*
- *Check any unpaid balance has been fully explained by the accountant*
- *Check difference between the unpaid balance carried forward and the total cheques yet to be paid is zero. If not, the accountant has more work to do as the account is not reconciled*

v. Staff salary paid in advance

Advance payment of salary is only granted in accordance with guidelines set out in the HR policy /staff charter. All transactions relating to such payments are authorized by the Coordinator /Executive Director and accountant for using debtor account.

vi. Staff loans

Staff loans are not permitted except in exceptional circumstances and only on approval by the EXECUTIVE DIRECTOR.

vii. Staff timesheets

Timesheets are required to prove to that the staff member has worked that time on the company.

Timesheets are kept so that staff time can be charged accordingly.

Staff timesheets

- *timesheet is completed on a monthly basis (see See Appendix ----)*
- *timesheet is signed by the staff member to verify the information is correct*
- *reviewed and signed by the delegated person to verify the time spent*
- *Delegated person is responsible for collecting timesheets and charging the time to the agreements with the organization.*

4.10.4 Disbursement / Payments to projects, intermediaries

Memorandum of Understanding for Projects/intermediaries

ESD ensures that before any activity commences with the Project/intermediary, there is an agreement signed by both parties (usually referred to as a Memorandum of Understanding) that states clearly what activities would be carried out and what funds will be available to the Project/intermediary and legally binds them to account for ALL amounts advanced to them within a certain period (see Section 4.16.2.1) with adequate backing documentation.

Where Organization passes funds to another party to spend on its behalf controls are required to ensure expenditure of those funds is monitored adequately. This is really the subject of a separate manual and will only be addressed briefly here.

Information only

In some cases, a separate manual has already been written relating to grants made to another organization as there are many considerations to be made.

4.10.4.1 Disbursement of funds to projects, intermediaries

The basic rules are:

- Project makes formal cash request (similar to the organization cash request)
- Checking that amount requested has a budget to back it up and is within the agreed funding available
- Funds are transferred to project bank account using normal organization payment procedures
- Project should send written confirmation of receipt of funds
- Payment is recorded as a fund transferred (i.e. the project 'owes' organization the money until they have properly accounted for it)

4.10.4.2 Requirements for projects/intermediaries to account for funds disbursed

- Projects are bind by memorandum of understanding, project agreement or sub contract to follow and implement the agreed procedures.
- Projects should inform organization any outstanding occurrence that might affect the agreement prior to executing/effecting any of the planned activities/payments.

4.10.4.3 Timeframe for reporting by project/intermediary

Timeframe for reporting by project/intermediary

ESD agrees with the Projects/intermediaries a timeframe within which they must account for the funds received. This should be included in the formal MOU. In some cases this will be by the project/intermediary providing monthly expenditure reports. In other cases, when the amounts given are not given on a regular basis a reasonable period is agreed (e.g. one month).

4.10.4.4 Financial Reports provided by project/intermediary

The following is provided by the project/intermediary (these requirements are included in the MOU signed by Organization and project/intermediary)

- Reconciliation of funds received less expenditure to date and the current balance of funds held
- Detailed expenditure listing (according to agreed budget and reporting format)
- Copy backing documentation for expenditure

4.10.4.5 Accounting for project/intermediary expenditure

How ESD accounts for this expenditure will depend on the nature of the agreement with the project/intermediary.

1. If funds have been given to an organization to manage and co-ordinate a range of xxx activities then this may be defined as one line of expenditure called '**grants made**' .
2. If funds have been given to an organization to carry out a specific activity on the project (e.g. arranging training to out growers) then the expenditure is recognized line by line as Organization actual expenditure.
3. Even if the funds given to the project/intermediary are a 'grant made' we may still need to report of the detailed transactions. Therefore, it is important that the project/intermediary provide detailed expenditure reports so that we can properly report the detailed expenditure to **head office**

4.10.4.6 Provisions for non-recoverable debts with Projects/intermediaries

There is no excuse for a project/intermediary NOT to account for ALL funds advanced to them by providing sufficient detail of expenditure and backing documentation to organization . Action is required as follows:

The ESD writes to project/intermediary to request return of funds outstanding

- ESD writes to project/intermediary to request return of funds outstanding
- ESD writes to threaten legal action if funds are not returned/accounted for
- ESD weighs up the cost of legal action against the value of the debt involved.
- Accountant to be informed of potential bad debt /additional cost of legal advice
- To ensure we have protection in law it is very important to make sure we have a signed MOU with the intermediary setting out our expectations.

The Project/intermediary should be placed on a list of organizations that should not be used in future

5. Recording Transactions

Transactions are recorded in monthly financial reports and special journals. Organization has complete chart of accounts compatible with Peachtree accounting various codes are used to record transactions. It comprises account code, activity code, component code, debtor/creditor code etc.

5.1 Coding structure

ESD coding structure mainly depends on the chart of accounts that fit the accounting system, peachtree Accounting system. Peachtree coding system can be classified in to two, basic Account code and Transaction code. The first basic account code is used to classify accounts in entire chart of accounts and will be followed by transaction codes (T0 to T?) that enable further analysis of the basic account code

The SUN coding structure is as follows (See Appendix 50):

- 4 digit numeric basic **account code**
- T0 Transaction code to define the PROJECT (**project code**)
- T1 Transaction code to define the PROJECT COMPONENT (**component code**)
- T2 Transaction code to define where the expenditure takes place (xxx , Addis)
- T3 Transaction code to define which staff member is taking loan/advance (**staff code**)
- T4 Transaction code to show name of debtor or creditor

5.1 Recording monthly financial reports

The primary source of data is monthly financial reports and special journals that summarize and link the donor reports to source documents. Those monthly financial reports are prepared with vision excel format (spread sheet) which is compatible with Peachtree system.

5.2.1 Monthly Petty cash report

It is a report that presents the activity of the petty cash fund with in the month. It comprises: payments, receipts (import & export), cash count and petty cash reconciliation.

5.2.1.1 Payment sheet (See Appendix)

- in payment sheet all expenditure are listed in a raw against information requirements of columns.
- the individual payment vouchers are debited in rows sequentially against credit of the last row total, this is shown in the debit/credit column
- the excel vision form should be filled correctly and completely so that it would be imported to the system

5.2.1.3 Cash count (See Appendix)

- This sheet consists cash count with details of denominations
- It would be counted and signed by petty cashier, accountant

5.2.1.4 Reconciliation table (See Appendix 43)

- This table verifies the correctness of cash book balance with actual cash count. It is a control and monitoring system for the management of petty cash.
- This table consist total/summary value of payment, receipt and cash counts.
- Reconciliation of petty cash is a process of checking the equality of book balance and cash counts. This includes verifying the list of expenditures, counting of cash in the safe box and checking the equality of book balance with amount of cash in safe box.
- Petty cash reconciliation should be done in certain intervals for safety purpose and will be done at a time of any replenishment.

5.2.2 Monthly Bank report

It is a report that presents the activity of organization bank account with in the month. It comprises: payments, receipts (import & export), bank statement and reconciliation.

5.2.2.1 Payment sheet (See Appendix 46)

- in payment sheet all expenditure are listed in a raw against information requirements of columns.
- the individual payment vouchers are debited in rows sequentially against credit of the last row total, this is shown in the debit/credit column

- the excel vision form should be filled correctly and completely so that it would be imported to the system

5.2.2.2 Receipts

- Receipts include excess cash from SWA returned/deposited, fund transfer from head office . This are all new to the system should be imported. Collections such as transfers from country office are internal transfers and are not new to the system and would not be imported.

5.2.2.3 Bank statement

- It is a report produced by bank to show the monthly movement of funds in Organization account, comprising beginning and ending balances.
- It would be one info for bank reconciliation

5.2.2.4 Reconciliation table (See Appendix 49)

- This table verifies the correctness of Bank book balance with Bank statement. It is a control and monitoring system for the management of bank account.
- This table consist total/summary value of payment, receipt and bank balance on bank statement.
- Reconciliation of bank account is a process of checking the equality of bank book balance and bank report. This includes verifying the list of expenditures, matching payments with bank statement and checking the equality of bank book balance with balance of bank statement.

5.2.3 Recording in special Journal voucher

- There are few transactions need to be recorded by journal entries as we can not see them on either monthly petty cash or bank report.
- Those items include non cash items such as staff working advance settlements, project account settlements, project recharges.

5.2 Accounting system / Cash and accruals accounting /

There are two accounting systems: cash and accrual base accounting systems. In cash bases income is recorded only if received and expenses recognized when paid. In accrual bases, income is recorded when earned and expenses are recorded when procurement or service is received irrespective of the time of payment. Selection of the accounting system determines how and what you report.

ESD is using fund accounting principle with modified cash base system. The cash base is modified in such a way that some of the expenses may be recorded not only if paid but also when accrued and expenses may be recognized not only when received but when agreed.

5.3.1 What is accrued expenditure/accrued income?

Accountant information only To 'accrue' for an amount of income or expenditure is to record the income/expenditure in the accounts before the actual movement of cash (i.e. a receipt or a payment) has taken place. This is done to record transactions which are certain (i.e. an agreement is in place for a someone to pay ESD or for ESD to pay someone)

What is an accrual?

Example - the ESD has signed a contract with a consultant to carry out work and the work has already been carried out but this has not yet been paid for. In this case XXX Compay has entered into an agreement to pay an amount of money, the work has been done so ESD owes the consultant for it. Even if the payment has not been made we need to record in the accounts the fact that this expenditure has been agreed. To do this is to raise an 'accrual'.

5.3.2 What is prepaid expenditure/deferred income?

What is a Prepayment?

To enter a prepayment in your accounts is to account for the situation where cash has been paid upfront for a something that won't be received/ used until the next accounting period.

5.3.3 When are accruals/prepayments adjustments made?

The accountant informs the ESD of any accruals/prepayments required

- When donor reports are due (expenditure only)
- When year-end accounts are being prepared/closed for audit (i.e. July - June)
- When the project phase out
 - Accrual recording format is used to account for the accrued amount. (See Appendix 25)

6. Income

6.1 General description and treatment of income

- Income for ESD is money or fund collected from donors etc. It also includes collections from sales organization products, used materials, personal usage of organs vehicle, and unspent part of advance taken.
- Income could be received in cash (usually small amount), by check, by electronic transfer.
- Income would be collected at project level (usually small amount of returns and sales of used materials) or at Addis.
- “, for detailed note see section 5.2.1.2 and 5.2.2.2

- Sometimes we may record deferred income, for detailed information Income is collected by an official receipt printed with logo of the organization and sequentially numbered.
- All collections should be approved by Admin and Finance / coordinator.

6.2 Cash flow forecasts

A project cash flow forecast is required to inform head office of on an approximate basis how much needs and when. This allows ESD to plan cash management on an organizational basis. The forecast is based on:

- How much you intend to spend according to your budget
- When you intend to spend these amounts
- How much income that you'll receive directly from donors and when you'll receive it.

The monthly cash flow forecast is based on the monthly budget included in the Organization annual budget. This could be revised in quarterly when a forecast to the end of the year is prepared as part of the budget planning for the following year.

Income is recorded when ESD actually receives cash.

7. Budgets and plan

7.1 Types of Budgets

There are three types of budget we need to produce:

- The **organization project budget** which puts all the organization budgets together into one working budget for the whole project.
- **Organization annual budget**
- **Donor budgets**, which are prepared as part of a project proposal submitted to donors. The donor budget is agreed in a contract which LEGALLY binds ESD to spend money according to the budget lines agreed. This budget shows the amount the donors are prepared to fund for each budget line. **It is increasingly difficult to move funds from one line to another. Therefore when it is prepared at proposal stage it is extremely important that the budget is accurate and realistic.**

All 3 of these budgets have to tie in with each other – we spend money according to the annual budget but have to report that expenditure against the donor budget.

7.2 ESD Project Budget preparation

ESD project budget is prepared with organization format consisting summary budget template and detailed budget notes.

7.2.1 ESD project budget preparation

ESD proposals should include:

- Summary Budget template (See Appendix 67) in local currency
- Detailed Budget Notes /detailed annual budget/ (See Appendix 66)

Budget must be based on the log frame of activities and monthly work.

7.2.2 What costs should I include in the budget?

Once you have a clear idea of the activities that you want to carry out you can break down the different costs associated with carrying out these activities. For example:

- **direct costs** (staff costs, equipment, materials, transport, accommodation, technical input from Country office/London etc)
- **support costs** (cost of running the project base including support staff, rent, utilities, contribution to London staff and/or Country office support staff)
- **project monitoring costs** (project reviews/evaluations, monitoring & supervision and audit costs)

You should use the Budget Checklist (See Appendix 3) to help ensure that all possible project costs have been included in the project budget.

7.2.3 How do I calculate the cost?

The following sources of information can help you in costing an item:

- Your knowledge/experience of the cost of working in an area
- Previous year's actual costs on the project
- Actual costs incurred by a similar companies
- Quotes obtained from suppliers (e.g. for equipment, workshop facilitators etc.)

7.2.4.Detailed budget notes

The detailed budget notes may not be sent to the donors but are essential for internal management purposes especially in preparation of annual budget. The rule is that the budget reader should always be able to establish how a particular line in a budget is calculated by looking at the budget and the budget notes. The budget itself is kept as simple as possible and all the details is set out in the budget notes.

Budget notes are provided for EVERY budget line, showing exactly how the amount required was calculated. **Lump sums are not acceptable.** Some examples are:

- Staff costs details; the job title, its position on the approved salary scale, the monthly salary, any benefits and the value of each benefit.
- Vehicle running costs; the fuel requirement, itemized spares and maintenance (tyres, service costs, etc).

- Each piece of equipment (computers, furniture, etc) is described and costed.

7.2.5 Dates and File Names

Every budget document should always show the preparation date, the file name and the author of the document to avoid any confusion.

7.3 Organization Annual Budget preparation

Preparation of Annual Budget will be based on Project consolidated budgets. That means Annual budget is part of the entire period of the project and except the first year it is part of the balance allocated to the current year.

There is a format for Annual budget preparation which usually amended every year.

At present Annual budget have the following parts:

- Income to project end
- Project life time budget
- Project balance
- Work plan
- Salary details
- Detailed Annual budget / budget note
- Summary of annual budget
- Aggregate monthly budget in total and by donors

It should be observed that **organization annual budget** is part of **organization Total Project budget** that means if a Project Budget is prepared, say for four years, it is the total budget of that project for four years based on fund/budget from available donors. It is just to break down this four year budget in to yearly budgets when you prepare annual budget.

Therefore in preparation of annual budget our source is entire period Project Budget and Donor budgets.

From those sources and cumulative expenditures to present period we will take:

- What fund is pledged by donors(total income) and what is received and what remains to be received
- Donor budgets and amount reported to them to present(donor balance)
- What was available as consolidated project budget (total project budget) and what is spent(cumulative expenditure) and then what remains(available budget)
- Detailed budget note of activities to be carried with in the budget year (which is part of the activity to be carried in the entire period)

Usually, a note specifying steps to be followed and consisting standard costs and exchange rates is given every year in ways of preparing annual budgets and there is also training to introduce plan & budget preparation models to new staff and build and enhance capacity of the existing staff.

Procedures of using cost, currency and exchange rate are the same as pointed above in the case of preparing total project budget.

7.4 Preparing budgets for donor proposals

7.4.1 Introduction

The donor proposal budget is extremely important, as it will form part of the contract that legally binds ESD to spend funds on the specified budget lines. The donor budget is the first budget prepared and it would be a base for organization annual budget and consolidated project budget.

7.4.2 Donor budget format

This is really the subject of a whole new separate manual, and therefore won't be discussed in detail here. **The donor application guidelines have to be carefully studied before any proposal budget is submitted.**

A few tips are as follows:

7.4.2.1 Simple, summary budgets

Donor budgets are kept as simple and summarized as the donor allows:

- Less than a page long if possible
- Detailed expenditure lines are NOT shown

The benefits of simple and summarized donor budgets are:

- Reporting against the budget is easier
- the need to revise budgets because of over or under expenditure on certain lines is less likely

7.4.2.2 Budget notes

For each donor proposal budget prepared you need to have a set of **internal budget notes to explain how the donor budget ties into the overall budget.** These notes are essential so that the financial donor reports can be prepared using the same assumptions and presentational changes as used in preparing the donor budget.

7.4.2.3 Exchange rates

Wherever possible:

- donor budgets should never be prepared in local currencies
- donor budgets are prepared in sterling
- donors are requested to agree to their project contribution in a hard currency (preferably sterling)

7.4.2.4 Donor budget approval

Donor proposal budgets are always approved before sending to the donor:

- reviewed by the Organization Advisors (2)
- approved by ESD)

7.4.2.5 Donor contracts

- Donor contracts can only be signed by the Organization ESD unless particular circumstances make this impossible in which case formal authorization is given in writing by the ESD and or Chairman of the board.
- Any member of staff signing an agreement without such authorization will be subject to disciplinary proceedings. The ESD will consult with the chairman of the board before authorization and signing the contract.

8. Fixed Asset and Stock

- Fixed asset is defined as any non-consumable asset having service life of more than a year and monetary value of more than Birr 1000. All such asset will be registered on fixed asset registration book and will appear on inventory.
- Non consumable assets mat would serve more than a year but with monetary value of less than birr 1000 will not be as fixed asset registered and will not appear an inventory sheet separately for follow up purpose.

8.1 Fixed asset register

A fixed asset register is established to ensure proper control over asset and will include:

- Description of asset, date of purchase, supplier details, Asset number, serial number, Location person allocated responsibility for the asset, purchase price
- The description should be detailed as much as possible, containing name, type, brand, make
- Serial number should be given to all fixed assets with organization coding arrangement
- A fixed asset file should also be maintained which include all the backup documentation of each asset. For example a copy invoice, quotations, disposal receipt, disposal advertisement

- Once an asset is disposed of all the relevant documentation (such as original receipt) is clearly marked Disposed with a date and buyer details. When an asset is disposed it is marked so in the register.

8.2 Insurance of fixed asset

The ESD is responsible for ensuring that all assets are adequate insured to protect the project from theft or accidental damage.

8.3 Inventory of fixed Assets

- In June and December of each year a fixed asset inventory check is carried out
- In the inventory process
 - Accountant (other than the person responsible for the asset register) visit project site
 - This person creates a list of the major assets giving details (description, asset number, serial number, location)
 - Person who created the list should sign it to verify it
 - The Accountant and the FM compare this list to the fixed asset register to check all assets on the register still exist and to check the register correctly includes all the major assets
 - Register is updated to include any assets that have been mistakenly excluded
 - The ESD is informed if assets on the register cannot be located and an investigation carried out to locate them.

N.B. The accountant and FM should decide whether the bi-annual asset inventory check just includes assets which cost more than Birr 100. If the project has large numbers of assets which cost below Birr 100, they may decide to put such assets on the inventory list even though they won't appear on the fixed asset register.

8.4 Disposal of fixed assets

Assets are only disposed of if they are no longer in serviceable condition or repair is not economical. If the assets to be disposed are fit for use but are no longer needed by the project, the FM provides the ESD with a reasonable explanation of why the assets need to be disposed. Based on proclamation of 621/2009 and directives an ESD will inform to CSA to take an action for the disposal assets, hence the organization(ESD) will wait the response of CSA. DIRECTOR informs the chairman of the board through yearly meeting.

8.4.1 Recording asset disposals

The **receipt** of any disposal proceeds is **recorded** in the monthly **cash or bank books**. Fixed asset register is updated (as per Section 3.11.2):

Even if the asset was disposed of and no money received, the details of the disposal are still being recorded.

8.4.2 Fixed asset register

Any disposal is recorded in the fixed asset register.

8.5 Transfer of assets to other projects or organizations

If assets are to be transferred to other organizations a formal written agreement should be made between them and organization which includes:

A list of all the assets transferred including:

- the date of original acquisition
- the original purchase price
- the donor funds with which the assets were purchased
- the description of the asset including model number
- the chassis, engine, registration and or serial number
- estimated current value
- A clear statement as to who is responsible for paying any taxes and duties relating to the transfer
- A list of the documentation to be included with the transfer (e.g. log books etc)
- A clear statement as to who is responsible for any insurances and licenses of the assets after the date of transfer.

If such transfer is to community, transfer list containing the above information shall be prepared confirming the receipt of the item by community

8.6.1 Insurance and licences

ESD ensures that all insurance and licenses relating to the asset are cancelled on the date of disposal.

8.6.2 Taxes and duties on disposal

In case taxes and duties payable on the sale of an asset, the account shall pay accordingly. The accountant makes sure it is made clear before the sale whether the vendee or vendor is responsible for payment of these taxes and duty.

Any disposal should be recorded in the fixed asset register

8.7 Stock

- All stock is stored in a secure area and access is restricted to authorized personnel
- One specified staff member is made responsible for all stock
- If the quantities of all goods involved are significant a separate storekeeper is employed

8.7.1 Goods in

Goods are booked in to the stock room as soon as they arrive using a bin/stock card.

8.7.2 Goods out

When a member of staff requires an item of stock they approach the storekeeper who will collect the items required and update the relevant bin/stock card.

8.7.3 Stock-takes

A full count of stock is carried out at least annually by 2 people; one to count, one to verify. They complete stock count sheets detailing the description of stock and the number of items held.

Consideration is given to stock that is of no further use to the organization (e.g. returned 'old' spare parts). This stock is cleared out; selling what is possible for scrap or other uses.

9. Vehicles and machineries Management

9.1 Fleet management

- One person (ESD or FM) is charged with responsibility for monitoring all aspects of vehicle management (hereon the 'Fleet Manager'). This includes:
- Ensuring insurance/road duty charges are paid
- Ensuring compliance with repairs & maintenance procedures
- Monitoring repairs and maintenance costs by vehicle
- Monitoring fuel consumption by vehicle
- Ensuring the drivers are completing the vehicle log book
- Monitoring personal usage and ensuring it is recorded properly and the deductions made from payroll
- Preparing a quarterly report to the ESD covering the above. Such information will assist in making decisions regarding when to replace vehicles and which vehicles to replace first.

9.2 Log books

The FM is responsible for ensuring that all important vehicle documentation (log book, registration documents etc) is kept in a safe place throughout the life of the project

In addition to the external log book, each driver is responsible for updating the Organization log book for any ESD vehicle he/she drives. This includes information on maintenance & servicing, mileage and personal usage. These are available for review at any time by the Fleet Manager.

9.3 Vehicle maintenance & servicing

The following procedures are followed to give assurance of financial control in what is traditionally a high risk area:

Vehicle maintenance & servicing

- When a vehicle needs a service or maintenance work, the driver raises a vehicle maintenance request form (VMR).
- The approved mechanic is called out to look at the vehicle. The mechanic details the work required on the request form. The mechanic and driver both sign the on the request.
- The VMR is passed to the Administrator who raises a Purchase Order for the parts required using the information on the request.
- The VMR and PO are passed to the ESD or FM (according to authority levels) for authorization BEFORE the work is carried out
- The Administrator sends the top copy of the PO to the approved supplier for spare parts (usual purchasing procedure as per section 7.22)
- Once the spare parts are received they are booked into stock and then issued to the driver for the vehicle to be taken to the mechanic to actually carry out the work required (usual stock procedures as per the Stock – Section 8.7)

9.4 Approved suppliers for vehicle spare parts

- Only an approved vehicle parts supplier is used for vehicle spare parts.
- Smaller items needed for servicing, such as diesel filters, engine oil and bulbs are also purchased with the approved supplier using their credit terms. Drivers try not to buy such materials with cash. When a driver is aware such items will be required shortly he raises a Purchase Order Form. When the goods are received they will be booked into stock and the driver will sign to release them.
- An estimate of the usage of such items is made over a quarterly basis so that the Administrator can order in bulk to obtain the items at a better rate and make the process more efficient

9.5 Tyre changes

The Fleet Manager keeps a tyre number register to record the reference numbers of the tyres on the vehicles.

The Fleet Manager ensures that when tyres are changed the old tyres are booked back into stock.

The tyre numbers should match those recorded in the vehicle Log book and tyre register.

9.6 Vehicle breakdowns

- If a vehicle breaks down on the road the driver is given authority to call a mechanic to get the vehicle operating to get it back to the office. Any replaced parts (e.g. a flat or burst tyre) are brought back to the office with the vehicle and are booked in to stock.
- The driver ensures the mechanic signs a form giving details of the organization they work for, contact details, confirmation of services given and the cost. (See Appendix 31). Spare copies of these forms are kept in the vehicle ready for use.
- The incident is noted in the log book and the Fleet Manager informed

9.7 Personal usage

- Personal usage of the vehicles is allowed in accordance with the Staff Charter
- Any personal usage is first authorized by the EXECUTIVE DIRECTOR
- The mileage of the vehicle is entered by the driver at the point the vehicle is handed over to the staff member
- The mileage of the vehicle is entered by the driver at the point the vehicle is handed back. The member of staff who used the vehicle signs the log book next to the mileage record to confirm the details
- The Fleet Manager prepares a monthly summary of personal usage and passes it to the Accountant to calculate deductions from that person's salary as per the rates given in the staff charter
- The Fleet Manager ensures that the insurance covers personal usage.

The accountant checks whether there is a personal tax implication of allowing personal usage of vehicles and adjusts tax calculations according

Section TWO: PROCUREMENT PROCEDURES

2.1 POLICY

ESD purchases materials, goods and services to support its activities. Goods and services will be purchased not for stocking but, for direct use. However, minimum stock will be maintained for fast moving items. All procurement transactions should be planned in advance and carried out as per procurement procedures set here under and the **Finance Procedures Manual**. Procurement transactions should promote free competition whenever possible.

The objective of any procurement is to get a good quality item/service with a minimum reasonable price and efficiency.

2.2 Special requirements

Procurement procedures in this manual do not supersede purchasing regulations of donor agreement for specific funding in case the organization access donation.

2.3 Procurement Plan

- Each staff shall complete and submit a procurement plan at least before two weeks for the following quarter for items to be purchased (See Appendix ----). If changes occur in the project activity the requester shall revise the procurement plan as soon as possible before procurement for the quarter begins.
- Each staff should raise purchase requisition following the procurement plan.

2.4 Request for procurement

- When goods or services are required, a store requisition should be filled and passed to ESDor delegate for check and approval.
- If the requested item is available in store, it would be issued directly to the requester otherwise a purchase requisition should be filled referring the original store requisition. The purchasing officer will get a Purchase Requisition to process purchases as per the procurement procedures stated below in section -----.
- Sufficient and exhaustive description should be given about the item/service to be procured, this would include detailed explanations consisting in formations such as unit, type, brand, model, capacity, country of origin, validity date, delivery date etc
- The purchaser should review the purchase request, and determine if the information contained provides sufficient specification to complete the proposed purchase. If the specification is inadequate he/she should ask further information or clarification from the requester.

2.5 Levels of procurement and selection procedures

2.5.1 Criteria for selection of a quotation are:

ESD will take the following factors in its procurement activities:

- price,
- quality
- Quantity
- durability
- reliability of supplier and after sale service
- Availability of goods/parts & timing of delivery of goods or services.

Specifically, quotations /offers from suppliers must be reviewed in light of completeness, correctness and competitiveness on the following factors:

- Is the description of the item complete? (technical specifications)
- Do the price clearly stated in applicable currency? Is it inclusive or exclusive of all relevant taxes? (if applicable)
- Is warranty period indicated? (if applicable)
- Do we have adequate service back up in case of break down or for spare parts?
- Is the supplier known or has reputation?
- Is period of validity indicated? Is it acceptable? (if applicable)

2.6 Direct purchases

- Direct purchases are arranged to avoid routine and repeated documentation work for small size purchases/procurements.
- Direct purchases shouldn't replace planned purchases, that is, all procurements should be planned and should be made within reasonable time.
- In direct purchases the requester is not expected to fill store requisition, purchase requisition or purchase order instead fill incidental purchase form (See Appendix) and get approval from ESD or delegate
- For direct purchases at project level from Birr 500 to Birr 1000 and is allowable only for unforeseen and emergency conditions.

2.7 Purchase from standard suppliers

- ESD shall invite short listed suppliers to quote their price for standard supply such as stationeries, tires and service of rental vehicles.

- Short listing as well as selection of standard supplies shall be made by the purchase committee.
- An agreement would be signed with the suppliers and regular monitoring should be done whether procurement is being done as per the agreement.

2.8 Purchase from sole Agents

- If there is sole agents for supply of goods and services, it is advisable to procure from them as they present competitive price, genuine quality, reliability etc. e.g. for Toyota spare parts from MOENCO and HAGBIS .

2.9 Emergency Purchase

- Emergency purchase may be required in order to support project activities to meet unexpected and emergency circumstances that call for immediate action.
- Emergency purchases may refer to all levels and shall be made without following formal procurement procedure (competitive bids).
- Emergency purchases should be done only after getting ESDapproval.
- If emergency purchase is required a purchase request should be raised and written justification approved by the ESDhas to be attached. The items/services will be purchased direct by the purchaser and representative of the requester. Both shall sign on the invoices to ensure that purchase was made as per the needs of the requester.

2.5.2 Summary of Levels of procurement and selection procedures

Level of procurement (Birr)	Procedure of procurement	Staff to be involved in selection	Selection procedure	Remark
1. up to Birr 2,000.00	Direct purchase	To be approved by Coordinator or Admin and Finance	No	Project office has the mandate to approve it If the item is for one time event/ service for the project
2. from 2,001.00 to 300,000.00 (this amount of purchase is only for purchase of items for the program)	Purchase with single Performa /price quotation	To be approved by the Coordinator	Yes	It must be ascertained that projects have submitted their own purchase request to the head office. If the total submitted is more than 2,001.00 birr and less than 300,000.00 birr then the purchase committee will undertake the procedures
3. from 2,001.00 to 600,000.00 (this amount of tender is is only for Capital Expenditures program)	Purchase with local advertisement on the project office area which will be in air for 10 days	To be approved by Executive Director	Yes	It must be ascertained that projects have submitted their own capital expenditure budget request for the head office for approvable and the purchase committee will undertake the procedures

4. Above 500,000,00 for purchase of items and above 600,000.00 for Capital Expenditures	Competitive purchase with bid announcement through media	To be approved by Executive Director	Yes	- Invite potential suppliers with set criteria to evaluate and select supplier showing the process on analysis table and get signed
5.Special purchase from single supplier/soleagent, GOV	Restricted Negotiated purchase	Coordinator /Executive Director	NO	Only if a single supplier is available A staff processing the purchase should justify the existence of only one supplier by memo
6 Standard suppliers	Competitive	Executive Director	Yes	follow Closed tender (restricted competitive purchase) procedure

2.10 Credit Purchase

- Credit purchase shall be made from suppliers the organization has established an agreement for the supply of defined items or services within certain period.
- All credit purchases should be approved by ESD and should follow standard procurement procedure.

2.11 Approved supplier lists

- Wherever possible, a list of approved suppliers is established, especially for on-going costs such as vehicle spare parts, mechanics, and stationery and computer supplies.
- Establishing a relationship with specified suppliers presents the opportunity for discounts and special deals and credit accounts can be set up so all purchases are invoiced rather than paid in cash. Management could have also some assurance of the quality of the goods.

2.12 Procurement if there is only single supplier

- When three or more quotations are requested and only one offer/bid is available, the purchasing officer should report the same in writing. He should 'get out of stock' stamp from suppliers who couldn't provide their quotes. The purchase / tender committee shall evaluate it and present decision statement on whether to continue looking for other suppliers or to just do the procurement from the existing one.
- If a requester prefers a specific brand like agricultural tools, camping materials etc. the purchase committee shall take in to account the need of the requester and, purchase can be made accordingly.

2.13 Selection procedure of Consultancy/Facilitation services

2.13.1 Bases of selections

- consultancy service is considered most specialized service provision

- It depends on individual caliber and experience
- Selection of consultants depends on
 - special nature of the assignment – related similar previous experience
 - Quality and reliability of work required
 - The time frame and availability of the consultant with in it
 - Writing skills: proposal, reports, manuals
 - Experience and recognition at national and international levels
 - Previous performance with the organization
 - Daily cost verses budget

2.13.2 Selection procedures

a. Negotiated tender - for highly specialized piece of work

- Single supplier/consultant/facilitator
- It is warranted by particular nature of the assignment
- Have the TOR, CV and contract agreement with a consultant
- Prepare agreement/contract and get approval from EXECUTIVE DIRECTOR.
- Document the whole process and pass to finance section for payment.

b. Restricted tender – for less generalized work that could be carried out by some consultant

- Invite at least three known consultants by a letter or through appropriate media.
- Collect TOR, financial offer and technical specification and other relevant docs (if applicable) of candidates.
- Short list if the offers are large in number
- Set clear criterion to evaluate and select the most appropriate candidate
- Document the process including minute of selection process and pass to finance section for payment.

c. Open tender – for more general work that could be done by any consultant

- give maximum publicity through appropriate media
- all interested consultants may submit their quotation
- depending on the amount of fund required and the period of completion, it could follow restricted tender procedure stated above if approved by EXECUTIVE DIRECTOR
- Collect TOR, financial offer and technical specification and other relevant docs (if applicable) of candidates.

- set clear criterion to evaluate and select
- follow open tender procedure
- Document the process including minute of selection process and pass to finance section for payment.

2.14 Purchase Committee

- 2.14.1 The organization shall form purchase committees. Members of the committee at Addis are ESD accountant and delegate of the chairman of the board.
- 2.14.2 The committees shall open and evaluate price quotations as indicated in restricted tender procedures above.
- 2.14.3 The ESD is responsible for calling meetings and ensuring that all documents are made available for the committee.
- 2.14.4 For the purpose of check and balance price quotations should not be collected by a member of procurement committee.
- 2.14.5 The committee shall establish and regularly update suppliers list who would quote price for routine and restricted purchases.
- 2.14.6 The procurement unit shall identify sources of potential suppliers and develop a master supplier list of suppliers that meet the following criteria.
- a. Financial strength of the supplier (If prepayments are to be made).
 - b. Reputation among customers for quality and customer service.
 - c. Competitive price
 - d. Availability of items in large quantities
 - e. Credit terms if required.

2.15 Tender committee and Procedures

- 2.15.1 Purchase committees execute this task too.

2.16 Procedures in Restricted Tender

- 2.16.1 Invite at least three participants with procurement notice or request for expression of interest.
- 2.16.2 Offer participants with dossier containing detailed description of the item /service required and tender procedure (with specific date, hour and minute of closer/submission and opening tender).
- 2.16.3 The description/specifications should be first consulted with chairperson of the committee and concerned PC before invitation is made.

- 2.16.4 Staffs who deliver the tender shall produce proof receipt of delivery and it would be copied for the tender file.
- 2.16.5 Collect Proforma/offers in wax sealed envelops that would be kept in sealed box up to specific date and minute of opening.
- 2.16.6 Short list from potential suppliers.
- 2.16.7 Set clear criterion to evaluate and select from short list.
- 2.16.8 Review and select the best supplier by purchase committee and present recommendation.
- 2.16.9 Technical advice may be consulted.
- 2.16.10 Secretary to the committee takes minutes of the proceedings and decision made by the committee.
- 2.16.11 All members of the committee should participate fully in the whole process.

2.17 Procedures in Open Tender

- 2.17.2 Invite participants by procurement notice giving maximum publicity in appropriate media.
- 2.17.2 Offer participants with dossier containing detailed description of the item /service required and tender procedure (with specific date, hour and minute of closer /submission and opening tender).
- 2.17.3 The description/specifications should be first consulted with chairperson of the committee and concerned ESD before invitation is made.
- 2.17.4 Adequate period must be given to bidders to be able to respond.
- 2.17.5 Collect expression of interest and offers in wax sealed envelops that would be kept in sealed box up to specific date, hour and minute of opening. The key of which is kept in Finance safe.
- 2.17.6 On the closing day of the tender, the box is sealed by the tendering committee.
- 2.17.7 Each open tender should be given a tender number while opening.
- 2.17.8 Review and select the best supplier by tender committee and present recommendation.
- 2.17.9 Technical advice may be consulted.
- 2.17.10 All documentation on the tender is filed in the tender under the tender number.
- 2.17.11 Secretary to the committee takes minutes of the proceedings and decision made by the committee.
- 2.17.12 All members of the committee should participate fully in the whole process.
- 2.17.13 Offer the bid to the selected supplier and write a letter of regret to unsuccessful bidders.

2.18 Procedures to be followed in preparing tender dossier

- 2.18.1 Prepare general and specific conditions, instructions, specifications, TOR etc

2.18.2 Set clear criterion

3.18.3 State clearly dead line for submission of tender, and where and when the tender would be opened.

2.18.4 Period during which the tender are binding

2.18.4 Procedures in which tender are submitted: on hand, in box, in copies etc

2.19 Detailed procedures to be adhered to by tender committee in selection

The tendering committee follows up procedures set below.

- a. Tender box is signed and sealed by all committee members.
 - b. Companies tendering are allowed to be present at the tender opening session.
 - c. The tender file is brought to the meeting containing invitation to tender or tender document.
 - d. At the time of opening tender a register form should be established to document and analyze the process.
 - e. All offers of tender are opened and numbered in front of the tender committee. Each bid is signed by all members of the committee.
 - f. Offers shall be read comparing with the details of the tender to the invitation. Any inconsistencies are noted and serious departures from the invitation to tender will render the tender null and void.
 - g. Secretary to the committee takes minutes of the proceedings and decision made by the committee.
 - h. A letter of offer to the selected supplier is written. The letter should include the specifications of the tender.
 - i. The supplier responds with a letter of acceptance or by signing on the copy of the letter of offer.
 - j. If the selected bidder fails accepting the offer or rejected by some reasons, the second choice is selected and offered the bid. If the second choice fails it is declared null and re-tendering takes place.
 - k. Tender shall be closed once the offer is agreed. A buyer and seller contract is signed by the ESD or delegate.
 - l. Unsuccessful bidders are informed in writing.
 - m. Tender proceeds file is kept centrally.

2.20 Documenting the selection process

- A minute should be produced showing the whole selection process and attaching all accompanying docs

- Analysis table shall be prepared for all available quotes that would show participants offers as per set criteria or standard specification
- A written decision statement shall be included at bottom of the analysis table detailing the reason for the selection of a particular supplier and further information on the quotes not available in writing.
- This decision statement reads as follows:

2.21 Technical Evaluation

2.21.1 While purchasing computers, generator, pesticide drug, electrical equipments, high tech equipments etc technical evaluation should be made by a specialist in the field. On receiving the items from the supplier inspection should also be made against the specification by the same specialist.

2.22.2 A supplier should be asked to include period of guarantee in a quotation of computers and electronic equipments etc on quoting price.

2.22 Ordering

2.22.1 Ordering goods/services

- When procurement is initiated by filling store requisition and the item is not in the store, purchase requisition will be prepared to collect Performa invoices/suppliers offer. After selecting best supplier, purchase order will be filled with unit, quantity, price and all other necessary specification to the supplier.
- Purchase order should be filled by store man and approved by Administrator/Admin & Finance officer.
- Purchase order should be filled for all purchases above direct purchase levels.
- The PO form is approved according to specified authorization levels as agreed by the ESDand. This person considers whether there are sufficient funds remaining on that particular budget line before they approve the order.
- There are 3 copies Purchase Order (PO) form, with the organization logo and office address details printed on it (to ensure it is valid). Once approved:
 - copy 1 is sent to the supplier.
 - copy 2 is retained in the book until the Delivery is made/invoice is received (see below).
 - copy 3 is always retained in the book to ensure a complete set of Purchase Orders in number sequence is maintained.

2.22.2 Receipt of goods

As soon as the goods arrive, the person in charge of stock carries out the following:

- Checks the goods received match the description in the Purchase Order (if applicable)
- Completes a stock card (See Appendix 13) to book stock into stock room.

2.23 Advance payment

As a rule advance payment should be avoided. However, in rare circumstances if advance should be paid a supplier should sign an obligation for orders like printing, special job orders etc. For large sum of advance payment the supplier should present to organization a bank or insurance guarantee equivalent to the amount of advance payment.

2.24 Procurement Status Report

- The purchaser shall keep a register to track a status of any purchase requested.
- The procurement status of the previous month should be reported to the requester with in 15 days of the next month.

Education for Sustainable Development

FUND MONITORING AND CHECKLIST

2014

SUB GRANTTES' SITE VISIT GUIDE

Back ground:

ESD wants to make sure that the effective and efficiency utilization of funds for the intended purpose of ESD projects. ESD undertake this assignment together with other consortia members. For the implementing projects ESD want to measure value chain development for each union. To meet this objective ESD assigned a consultancy firm for Grant fund monitoring that can control the financial performance through monthly monitoring

GOAL OF GFM

Grant Fund monitoring is the continuous follow up financial reports and documentation to confirm completion of required tasks and the goals are:

- Ensure expenditures are incurred according to approved budget
- Ensure compliance with funder terms and conditions and internal organizational policy
- Providing technical assistance and capacity building when needed
- Avoid problems, maintain good relations, achieve RESULTS

Components of MONTORING

- Financial oversight – financial reports, advances, adherence to cost principles
- Compliance oversight – sub award terms and conditions, prior approvals, timesheets

How do we monitor subs and ensure successful outcomes?

- Follow up on recommendations from assessment
- Collecting and analyzing of financial report and records
- Documenting and communicating results achieved to ESD.

Assumptions:

- Grant fund monitoring will be conducted per partner each month
- 1# day is required for two partners excluding travel days.
- GFM findings and report will be retained at A.H Associate Audit and ESD
- ESD will follow the implementation of corrective actions related compliance area.
- A.H Associate Audit will follow the implementation of corrective actions at Sub Grantee level.

1.9 Checklist:

The checklist has been developed to guide those who conduct Monitoring of ESD fund as part of their responsibilities. The check list attempts to guide the supervisor as to the minimalist elements that need to be monitored during regular sub award monitoring.

1.10 Procedure

1. Brief the objective and process of the Monitoring for the SUB GRANTEE
2. Conduct the Monitoring based on the checklist below
3. Conduct financial recording and reporting training and orientation for sub grantees
4. Provide on-the-spot feedback
5. Prepare and submit written report for ESD after **three days** of completion of the Monitoring

Project Title: _____		Date of Monitoring: _____
Implementing	SUB	GRANTEE:
_____		Reporting Period : -----
Project Site: Region _____ Town _____		
Person(s) Contacted at the point of Monitoring		
Name	Position	Contact Address (Tel. No. & Email)
1.		
2.		
3.		

Financial and Compliance Monitoring

I. PRE-VISIT

1) A.H Associate staff who will be conducting the site visit should review the following documents prior to the visit.

- Sub award agreement and any amendments
- Monitoring plan
- Recent narrative reports
- Recent financial reports
- Recent site visit reports
- Discuss with ESD for any concerns regarding the Sub Grantee

2) Communication:

- Submit detail monthly travel plan for ESD's review and logistics arrangement
- Confirm availability of SUB GRANTEE staff.

II. DURING THE VISIT

1) Verification of key documentation and information

- Ask for an organizational update such as staff changes, changes in organizational structure. These changes may affect the implementation of SUB GRANTEE activities.
- Perform the required procedures as per the detailed checklist.
- Ask the SUB GRANTEE's capacity building requirements to help plan future capacity building activities.

2) Follow up on previous reports

- Check the status of previous site visit reports done by G&C team, internal audit and any other ESD-PROJECTS staff and document the results. This will help for further verification and plan capacity building activities.

III. AFTER THE VISIT

1) Site Visit Report

Prepare a report indicating the major findings and recommendations as discussed and agreed with the SUB GRANTEE. Share information with relevant ESD staff in the program, G&C, internal audit and finance teams.

CHECKLIST FOR VERIFICATION OF DOCUMENTS

Financial recording and reporting

Objective

To ensure that sound accounting system exists to correctly capture accounting transactions and to prepare reports.

No.	Procedure	Procedure performed? YES/No/N/A	Remark
1	The SUB GRANTEE uses manual or automated accounting system.		
2	The set up of the accounting system to correctly record the accounting transaction.		
3	Financial reports are prepared from the accounting records and not direct from the documents.		
4	Chart of accounts clearly separate account codes into cash, bank, receivables, payables, income for separate projects, expenditures for separate projects.		
5	Income and expense codes are set up in such a way that income and expenditure for different project are clearly differentiated in the accounting records.		
6	The accounting records are up to date.		
7	Accountant has a good understanding of accounting standards		
8	The relevant grant documents such as sub-grant agreements, modifications, and monthly financial and activity reports, correspondences are properly filed.		
9	The accounting documents are systematically filed and can be easily located.		
10	The latest external audit report is properly filed and the recommendations are addressed.		
11	The board meets as per the plan and addresses the decisions made.		

Payroll and personnel file

Objective

To ensure that payroll is computed correctly.

To ensure that salary is paid for the time worked by employees.

To ensure that salary expense is as per the budget and project agreements.

To ascertain that the organization has met all the necessary legal requirements regarding employees.

Select a sample of payroll and check the following:

No.	Procedure	Procedure performed? YES/No/N/A	Remark
1	Payroll is computed correctly-deductions, net pay and totals are correctly computed.		
2	Payroll tax is correctly computed as per the income tax law.		
3	Various staff members who are engaged in preparing, reviewing and approving the payroll sign in their respective places on the payroll sheet.		
4	All employees signed the payroll to confirm receipt of salary.		
5	Any unclaimed salaries are collected through cash receipt voucher.		
6	Voucher agrees with the total net salary and check is prepared for the net pay only.		
7	Payroll tax is settled to the Revenue and Customs Authority within thirty days after the end of the month.		
8	All employees paid have prepared and submitted time sheet.		
9	The time sheet is signed by the employee and approved by the supervisor.		
10	Time sheet mentions project codes and the salary charged to ESD-PROJECTS agrees with project code mentioned on the time sheet.		
11	Salary charged to ESD-PROJECTS is as per the budget and project agreement and in accordance with the agreed LOE. No employee's salaries other than those mentioned on the project agreement and budget should be charged to		

	ESD-PROJECTS .		
12	Personnel files are sequentially numbered.		
13	All personnel files are appropriately safeguarded kept with a responsible individual and made available up on authorization only.		
	Personnel files at a minimum contain:		
14	employment contract		
15	Job description		
16	Educational certificates		
17	Work experience testimonials		
18	Photograph of the employee		
19	Termination letter from previous employer		
20	Key personnel hold the required qualification and experience for the job.		
21	For new employees, salary is computed starting from the date of employment.		
22	For terminated employees, salary was not paid after the date of termination.		
	Perform any additional procedures necessary to achieve the objective of the audit.		

Procurements

Objective

To ensure that value for money is achieved during procurements.

To ensure that procurements are made as per project agreements and are budgeted for.

To ensure that procurements are made as per the procurement policy of the sub partner and these policies comply with donor and ESD policies.

To ensure that procured goods are appropriately received and used.

Check the following:

No.	Procedure	Procedure performed? YES/No/N/A	Remark

1	Check that authority limits of responsible officials of departments/sections and at all levels of the structure are clearly defined.		
2	Duties in the procurement process are segregated so that requesting, approving, procuring and receiving functions are performed by different individuals.		
3	There is a procurement committee ,ask for the authorization letter for establishment of the committee and check that members are selected from different departments on the basis of a criteria that would promote Accountability and transparency.		
	Select a sample of procurement and check the following:		
4	The procurement was included in the budget and project agreement.		
5	The procurement complies with the respective donor rules and regulations.		
6	Purchase requisition was raised and approved as per the authority limit.		
7	The procurement was made following the established procedures and thresholds regarding direct procurement and competitive procurement.		
8	All the necessary procurement documents such as purchase order, bid announcement, bid analysis, suppliers invoice, contract etc are available.		
9	The cash paid agreed with the invoice.		
10	The appropriate withholding tax is deducted.		
11	The payment was correctly coded to ESD-PROJECTS project code and the expense, withholding tax and VAT are correctly recorded in accounting records.		
12	Goods are received through Goods Receiving Voucher.		
13	For goods that seem to be overpriced, perform an assessment of the market to determine reasonableness.		
	Perform any additional procedures necessary to achieve the objective of the audit.		

Fixed Assets Management

Objective

To ensure that fixed assets are properly received, appropriately managed and safeguarded.

Check the following:

No.	Procedure	Procedure performed? YES/No/N/A	Remark
1	Fixed assets register is maintained by somebody independent individual that the custodian.		
	Fixed assets register contains all the necessary information such as:		
2	Type/ classification of asset.		
3	Date of purchase		
4	Cost		
5	Tag no.		
6	Funder		
7	Custodian		
8	Select a sample of assets and check that they are received through GRN.		
9	Fixed assets count is done at least once in a year.		
10	Check that tag no. is affixed on the fixed assets.		
11	Select a sample of assets from the register and check physical existence.		
12	Check that logbook is maintained for vehicles.		
8	Perform any additional procedures necessary to achieve the objective of the audit.		

Inventory Management

Objective

To ensure that inventory are received through the necessary documents and properly stored and issued to the right beneficiaries.

Check the following:

No.	Procedure	Procedure performed? YES/No/N/A	Remark
1	Check that the sub partner has a storekeeper.		
2	Check that independent store records are maintained other than the store.		
3	Select a sample of stock records and check the following:		

	The stock cards are arithmetically correct.		
	Stock receipts are supported by Goods Receiving Vouchers and the reference is written on the stock card.		
	Stock issues are supported by Goods Issue Notes and the reference is written on the stock card.		
	Stock issues are appropriately requested and approved in accordance with the authority limit.		
	Check that distributions of stock are supported by distribution lists, which are approved and signed by beneficiaries.		
4	Select a sample of stock cards and perform stock count and agree with the stock card.		
5	Check whether periodic stock count is made by the sub partner and reconciled with stock cards.		
6	Select a sample of stock reports and agree with the stock cards.		
7	Check that stock reports are signed by the preparer and approved by responsible official.		
8	Perform any additional procedures necessary to achieve the objective of the audit.		

Per diem

Objective

To ensure that per diem are paid in accordance with project agreement and are budget for.

To ensure that per diem payments comply with donor and ESD rules and regulations.

To ensure that per diem is correctly charged to ESD.

Check the following:

No.	Procedure	Procedure performed? YES/No/N/A	Remark
1	Ask whether the sub partner has per diem policy and check whether these agree with ESD and donor rules and regulations.		
2	Select a sample of per diem payments and check the following.		
	The per diem was requested using the		

	appropriate per diem request form and approved by responsible individual as per the authority limit.		
	The purpose of the trip was for ESD-PROJECTS project and complies with the project agreement.		
	The per diem was budget for.		
	The per diem rate used agrees with the sub partner per diem policies and ESD and donor policies.		
	The per diem settlement was appropriately approved.		
	All the necessary documents such as hotel receipts and other incidental expenses are attached.		
	Trip report is prepared and approved by the traveler's supervisor.		
	Excess money is immediately returned back.		
3	Check from the accounting records for any long outstanding per diem advances and enquire the reason. If they are unlikely to be settled recommend actions such as deducting from salary.		
4	Check correct coding and recording of per diem payments in the accounting records.		
5	Perform any additional procedures necessary to achieve the objective of the audit.		

Training and workshop

Objective

To ensure that training and workshop payments are in accordance with project agreement and are budget for.

To insure that the correct targets are the participants of trainings and workshops.

Check the following:

No.	Procedure	Procedure performed? YES/No/N/A	Remark
1	Ask whether the sub partner has per diem policy for training and workshop participants and check whether these agree with ESD and donor rules and regulations.		
2	Select a sample of training and workshop payments and check the following:		
	That the event was planned and budgeted for.		
	Detailed budget request was made by the training coordinator and approved.		
	Wherever possible participants have brought letters from their respective institutions.		
	Registration sheet is prepared and relevant data such as name, address, institutions, positions are filled by the attendants themselves.		
	Attendance sheets are filled everyday by the attendants themselves.		
	No attendant sign on behalf of other attendants.		
	Attendance sheets are approved.		
	Check that the per diem payment sheet is approved.		
	Check that no attendant that does not appear on the registration and attendance sheet is paid per diem.		
	Check that all the necessary invoices and receipts are available for costs such as hall rent, hotel accommodation, transportation and other costs.		
3	Check the correct coding and posting to the accounting records.		
4	Verify that the information contained on operational reports regarding training and workshops agree with the payment documents.		
5	Perform any additional procedures necessary to achieve the objective of the audit.		

Cash management

Objective

To ensure that cash on hand is properly safeguarded.

To ensure that there exists sound cash management system.

To ensure that cash at bank is properly recorded and reconciled.

No.	Procedure	Procedure performed? YES/No/N/A	Remark
1	Check that authority limits of responsible officials of departments/sections and at all levels of the structure are clearly defined.		
2	Check whether the sub partner has a cashier and that the duties of handling cash, approving payments and record keeping are segregated.		
3	For the cash on hand:		
	Check if appropriate system of petty cash is used - that there is a float for the petty cash and there is a threshold for making payments through cash.		
	Check that the cashier has safe box to keep the cash on hand.		
4	Select a sample of petty cash replenishments and check that:		
	The replenishment is as per the float.		
	All the payments are under the threshold.		
	All the petty cash payment vouchers are signed by the cashier and approved as per the authority limit by someone who is not involved in cash handling and recording.		
	All the payment vouchers are supported by appropriate supporting documents.		
	All the payment vouchers and supporting documents are stamped "PAID".		
	Check was prepared for the net amount of replenishment.		
	All the payment vouchers are correctly coded and posted to the accounting records.		

5	Check that all collections are deposited to bank on time and intact.		
6	Check that cash receipt voucher is issued for all collections.		
7	Check whether the sub partner undertakes cash count periodically.		
8	Perform cash count and agree with the records.		
9	For the bank account		
	Check that separate bank account is maintained for ESD-PROJECTS project.		
	Check that the bank account is operated by more than one signatory.		
	Check that monies transferred from ESD appear on the bank accounts, cash receipt vouchers are prepared and these are correctly recorded in the accounting records.		
	Check that bank statements are monthly collected from the bank.		
	Check that bank reconciliations are prepared monthly.		
	Check the bank reconciliations are signed by the preparer and approved.		
10	Check the bank reconciliation for the following:		
	The cash balance as per bank and cash balance as per book agree with the bank statement and the accounting records respectively.		
	Check that outstanding checks and deposits do not appear on the bank statement.		
	Check if outstanding checks and deposits are cleared in subsequent months.		
	Check that there are no outstanding checks dated more than six months. If so, recommend reversal of these payments.		
	Check for correctness of any other reconciling items.		
11	Check that cheque books are appropriately safeguarded.		
12	Check that blank cheques are not signed.		

13	Check that all the necessary information is filled on the check stub.		
14	Perform any additional procedures necessary to achieve the objective of the audit.		

Budgetary control

Objective
To ensure that there exists strong budgetary control mechanism to make sure that all payments are made according to budget.

No.	Procedure	Procedure performed? YES/No/N/A	Remark
1	Check that the accounting system captures the budget for the project.		
2	Check that all payments are checked for budget availability before being effected and this is indicated on the payment documents such as purchase requests, payrolls, payment vouchers, per diem requests, advance requests etc.		
3	Check that there is a perpetual recording system of budget Vs actual and the remaining budget is continuously computed.		
4	Select a sample of payments from the accounting records and check against the budget.		
5	Check that the payment vouchers and supporting documents clearly indicate the project from which the payment is made so that no expense is paid by ESD-PROJECTS funds that was not budgeted.		
6	Check that the sub partner has a mechanism to ensure that payments are correctly charged to the respective project.		
7	Check that there exists a reasonable basis for allocating common costs to different projects.		
8	Perform any additional procedures necessary to achieve the objective of the audit.		

1.11

Name of Monitoring team member(s):		
Name	Position	Organization

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CASH RECEIPT VOUCHER

No

Date

Recipient /Sup-Recipient:

Received From:

Purpose:

Amount in Figures

Amount in Words

Cash

Cheque No:

Received By (Name)

Signature _____ Date

Account No	Amount	
	Dr	Cr

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CHEQUE PAYMENT VOUCHER

No.

Date:

Recipient /Sup-Recipient:

Paid To:

Purpose:

Amount in Figure:

Amount in Words:

Bank Account No. _____

Cheque No

Prepared By (Name) _____ Approved By (Name)

Signature _____ Date

Received by (Name) _____ Authorized By (Name)

Signature _____ Date

Account Code	Amount	
	Dr.	Cr.

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PETTY CASH PAYMENT VOUCHER

No.

Date:

Recipient /Sup-Recipient:

Paid To:

Purpose:

Amount in Figure:

Amount in Words:

Prepared By (Name) _____ Signature _____ Date

Checked By (Name) _____ Signature _____ Date

Approved By (Name) _____ Signature _____ Date

Received by (Name) _____ Signature _____ Date

Paying Cashier (Name) _____ Signature _____ Date

Account No.	Amount	
	Dr.	Cr.

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TRAVEL AUTHORIZATION AND TRAVEL ADVANCE

PAYMENT VOUCHER

Recipient /Sup-Recipient

Implementing Agency:

I. TO BE FILLEDNOUT BY TRAVELLER

1. TRAVELORDER NO. _____ DATE:
2. EMPLOYEE TRAVELING: _____ I.D.NO. _____ PER DIEM RATE:
3. DEPARTMENT: _____ ACCOUNT NO:
4. GOING FROM: _____ DATE _____ TO: _____ DATE:
5. COMING FROM: _____ DATE _____ TO: _____ DATE:
6. MODE OF TRNSPORTATION: AGENCY’S VEHIC _____ PROPERTY NO: _____ PLATE NO:
BUS TRAIN AIR PLANE OTHER
7. PURPOSE OF TRAVEL:
8. DURATION OF TRAVEL: _____ PER DIEM RATE: _____ ADVENCE REQRSTED:
9. AUTHORIZED BY: _____ TITLE: _____ SIGNATURE:
10. APPROVED BY: _____ TITLE: _____ SIGNATURE:

II. FO ACCOUNTS DIVISION USE ONLY

VOUCHER NO.

11. AMOUNT OF TRAVEL ADVANCEAPPROVED BIRR:
12. PAYMENT APPROVED BY: _____ DATE _____ SIGNATURE:
13. RECEIVED BY: _____ SIGNATURE _____ DATE:
14. PAID BY: _____ SIGNATURE _____ DATE:

III. GENERAL NOTE

15. OFFICETHIS FORM MAY SERVE AS TRAVL ADVENCE PAYMENT VOUCHER.
16. EMPLOYEE IS REQUIRED TO CLER HIS LIABILITIES AS SOON AS HE RETURNS TO HIS OFFICE
17. THE INSTRUCTION AT THE BACK OF THIS PAGE SHOULD BE RESPECTED.

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TRAVEL REPORT VOUCHER

Recipient /sub-recipient

IMPLEMENTING AGENCY:

LOCATION: _____ PROJECT NO. _____

1. TRAVEL ORDER NO _____ DATED _____
2. EMPLOYEE'S NAME: _____ I.D.NO. _____ SALARY _____
3. DEPARTMENT: _____ ACCOUNT NO: _____
4. PERIOD:- FROM: _____ DATE _____ TO _____ DATE _____
5. PURPOSE OF TRAVEL _____
6. ACCOUNT NO TO BE TRAVEL: _____

DEPARTURE		ARRIVAL		No.of Nights 5	Perdiem full DSA Rate 100% 6	Partial Perdiem Rate				TOTAL EXPENSE 11
Place 1	Date 2	Place 3	Date 4			Breakfast 10% 7	Lunch 25% 8	Dinner 25% 9	Room 40% 10	
Total -----										

I certify that the above information is true and correct to the best of my knowledge

Signature of Traveler

Signature of Dept./Service Head

Approved By

Perdiem

Fuel/Transport Cost

Other Payments

Total Amount Payable

Advance paid

Net payable to traveler

To be refunded by the traveler Birr _____ Receipt No. _____ Date _____

Prepared by _____ Checked by _____

For Drivers Only – kilometer reading when travel started

- kilometer reading when travel completed

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STOCK CARD

No.

Date:

Recipient /Sup-Recipient:

Item Code _____ Item Description _____ Identification or part No.

Alternate identification No. _____ Unit of measure _____ Reorder Point _____ Max

Min _____ Location

Date	Reference		Quantity		Balance	Unit price		Amount					
	GRN No	SIV No	Received	Issued		Birr	C	Received		Issued		Balance	
								Birr	C	Birr	C	Birr	C

