



OPERATIONS MANUAL

Volume 01

-
- **Grants Solicitation**
 - **Financial Management and Internal Audit**
-

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ACRONYMS

AF	Advance Form
AHRU	Administration & Human Resource Unit
ASARECA	Association for Strengthening Agricultural Research in Eastern and Central Africa
BoD	Board of Directors
CAADP	Comprehensive African Agriculture Development Programme
CGS	Competitive Grant Scheme
CGIAR	Consultative Group on International Agricultural Research
CoA	Chart of Accounts
COMESA	Common Market for Eastern and Southern Africa
DPs	Development Partners
DSA	Daily Subsistence Allowance
EBS	Electronic Banking system
ECA	Eastern and Central Africa
ES	Executive Secretary
EFT	Electronic Funds Transfer
ES	Executive Secretariat
EU	European Union
FAR	Fixed Assets Register
FU	Finance Unit
GA	General Assembly
GL	General Ledger
HoA	Head of Administration
HoF	Head of Finance
IA	Internal Auditor
ICU	Information and Communication Unit
JV	Journal Voucher
MC	Management Committee
MDTF	Multi-Donor Trust Fund

M & E	Monitoring & Evaluation Unit
NARI	National Agricultural Research Institute (Eritrea)
NARO	National Agricultural Research Organization - (Uganda)
NARES	National Agricultural Research and Extension Services
NGO	Non Government Organisation
NPPs	Networks, Programmes and Projects
NRM	Natural Resources Management
NSSF	National Social Security Fund
OM	Operations Manual
OP	Operational Plan
PA	Programme Assistant
PAAP	Policy Analysis and Advocacy Programme
PAYE	Pay As You Earn
PCO	Procurement and Contracting officer
PCV	Petty Cash Voucher
PMU	Programme Management Unit
PPU	Programme Planning Unit
PRF	Purchase Requisition Form
PV	Payment Vouchers
SAA	Senior Administrative Assistant
SA	Senior Accountant
TAC	Technical Advisory Committee
ToR	Terms of Reference
UGX	Uganda Shillings
USD	United States Dollar
WB	World Bank
YTD	Year to date

ASARECA COVERAGE





SECTION 1

INTRODUCTION

I.1 Background

The Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA) is a sub-regional not-for-profit Association. It was formally established in 1994 by ten member States represented by their National Agricultural Research Institutes (NARIs) following the approval of the Framework for Action (FFA) for Agricultural Research in Eastern and Central Africa by the Special Programme for Africa Agricultural Research (SPAAR).

The original ten member States included Burundi, represented by Institut des Sciences Agronomiques du Burundi (ISABU); Democratic Republic of Congo, represented by Institut National pour l'étude et la Recherche Agronomique (INERA); Eritrea, represented by the National Agricultural Research Institute (NARI); Ethiopia, represented by Ethiopian Institute of Agricultural Research (EIAR); Madagascar, represented by Centre national de recherche appliqué au Développement Rural (CERADERU/FOFIFA); Rwanda, represented by Institut des Sciences Agronomiques du Rwanda (ISAR); Sudan, represented by Agricultural Research Corporation (ARC); Tanzania, represented by Department of Research and Development (DRD); and Uganda, represented by the National Agricultural Research Organization (NARO). Subsequently, South Sudan joined ASARECA during the General Assembly convened in December 2011, while the Republic of the Congo (RoC) joined the Association in 2019, bringing the total membership to 12.

The founding members acted on the realization that there is a need to:

- i. Promote efficiency through attainment of economies of scale and scope by pooling together and sharing resources for tackling common constraints;
- ii. Create common pools of knowledge to avoid duplication and repetition; and
- iii. Facilitate technology and information spill-overs and spill-ins among member countries

The Headquarters of ASARECA is in Entebbe, Uganda and is governed by the Headquarters agreement with the Government of the Republic of Uganda. The map below shows the countries where ASARECA operates:

The strategic direction and focus of ASARECA over the last two decades was shaped by several documents that include (i) ASARECA Long Term Strategic Plan of 1997; (ii) the Networks, Programmes and Projects Strategic Plans; (iii) the Second ASARECA Strategic Plan- 2007-2016; (iv) the ASARECA Operational Plan One - 2008-2013; (v) Research Programmes and Units Strategic Plans; and (vi) the ASARECA Operational Plan Two - 2014-2018. These planning documents, taken together, define the main phases of ASARECA's evolution over the last two decades. The achievements, challenges and lessons learnt during the implementation of these strategic documents were taken into account in the formulation of the new strategic direction that ASARECA should take to address the emerging AR4D challenges in the next decade.

The agricultural research for development (AR4D) environment in which ASARECA was formed has changed dramatically over its 20-year existence. Because of these changes plus the fact that the second ASARECA Strategic Plan was coming to an end in 2016, the ASARECA Board of Directors and Management made a strategic decision to re-examine its focus and niche in the crowded agricultural research landscape. As part of this process, ASARECA has developed a ten-year ASARECA Strategy and Results Framework (A-SRF) for the period 2019-2028. The 10 year A-SRF shall be operationalized through two Medium Term Operational Plans each covering a period of five years. Given this arrangement, therefore, ASARECA has developed this first Medium Term Operational Plan (MTOPI) covering the period 2019-2023.

ASARECA's Vision, Mission, and priority programmes and thematic interventions have been defined in its Operational Plans (OP1, 2008-2013; OP2, 2014-2018; MTOPI, 2019-2023), in line with its 10-years Strategic Plan (2008-2018) and A-SRF 2019-2028. While OP 2 called for increased support to technology dissemination and commercialization;

MTOPI 1 focuses on delivering on ASARECA's redefined Mandate and Value Proposition by performing a higher level facilitative, supportive, coordination and advocacy role to enhance sustainable agricultural transformation, sustained economic growth and inclusive development in the ECA sub region. ASARECA hopes to achieve this by supporting the attainment of economies of scale through identification of regional research priorities and opportunities; continuously undertaking strategic visioning processes for the sub-region's AR4D; commissioning, brokering and managing strategic research partnerships to address identified regional priorities in the most effective, efficient and synergistic ways; nurturing pathways for on-time delivery, spill over and scaling up of regional agricultural research results to deliver agricultural outcomes and impact; mobilizing, allocating and managing regional AR4D investments to support generation of regional agricultural research public goods and services; monitoring and evaluating returns on AR4D investment and repackaging lessons and best practices to inform decision making processes and action.

1.2 Vision, Mission and Core Values

ASARECA is strategically positioned to contribute significantly to the development and implementation of the national, regional and continental frameworks. In particular, ASARECA has committed to provide technical support in the development and implementation of (i) the National Agricultural and Food Security Investment Plans (NAFSIPs) of the ECA Member States; (ii) the CAADP 10-year Results Framework and the complementary African Union Malabo Declaration on Accelerated African Agricultural Growth and Transformation (A3GT); (iii) the agricultural sector and related strategies of the relevant Regional Economic Communities; (iv) the Science, Technology and Innovation Strategy for Africa (STISA); (v) the Science Agenda for Agriculture in Africa (S3A); (vi) the Feed the Future Strategy; (vii) the Technologies for African Agricultural Transformation (TAAT) programme; (viii) the African Agricultural Research Programme (AARP); (ix) the framework for Sustainable Agricultural Mechanization in Africa (SAMA); and (xi) Sustainable Development Goals (SDGs). These commitments therefore shape ASARECA's Vision, Mission and Core Values

Vision

ASARECA's guiding vision requires the Association and its stakeholders and partners to stretch their future expectations, aspirations and performance is to see "A transformed ECA agricultural sector supporting improved livelihoods, sustained economic growth and inclusive development".

Mission

The mission statement highlights that the fundamental purpose and business of the repositioned ASARECA is "To contribute to increased productivity, commercialization and competitiveness of the ECA agricultural sector through strengthening, catalyzing and coordinating agricultural research for development in the ECA sub region".

Core Values

The guiding Core Values that ASARECA and its stakeholders and partners hold in common and put into practice while performing their functional obligations include Inclusivity, Accountability, Transparency, Transformative, Sustainability, Subsidiarity and Integrity.

1.3 Thematic Areas of Focus

Given the Mission, Mandate and Value Proposition, ASARECA has identified four thematic areas of focus that are integrally linked and, therefore, spill over and reinforce one another. The thematic areas of focus were arrived at through rationalization of the identified critical strategic issues and the core functions that were derived from extensive consultations with ASARECA stakeholders and partners and in consideration of the available and emerging opportunities in its operating environment.

The four ASARECA thematic areas of focus include:

- i. Transformative Capacity Strengthening and Integration.
- ii. Agricultural Transformation Technologies and Innovations.
- iii. Enabling Policy Environment, Functional Markets and Transformative Institutions.
- iv. Knowledge and Information Management.

I.4 Strategic Results

In order to deliver on the four thematic areas, ASARECA has formulated four corresponding strategic results/ intermediate outcomes that include:

- i. Strengthened and integrated capacities and competencies to support agricultural transformation in the ECA sub region.
- ii. Enhanced support for development and scaling up of agricultural transformation technologies, innovations and management practices.
- iii. Enhanced support and advocacy for establishment of enabling policy environment, functional markets and transformative institutions and institutional arrangements.
- iv. Improved management and access to reliable and up-to-date knowledge and information for informed decision making and action.

Goal/Impact

“Enhanced contribution to increased productivity, commercialization and competitiveness of the ECA agricultural sector”.

I.5 Objectives and Functions of ASARECA

ASARECA will achieve the above key results through the performance of the following core functions:

1. Develop a shared vision and sub-regional goals;
2. Empower end-users of the programs of the Association to ensure their meaningful participation in developing priorities, agricultural research, training, extension and education;
3. Coordinate collective action at the sub-regional level on agricultural research, training, extension and education;
4. Contribute to the development of appropriate knowledge, methodologies, information and technologies;
5. Facilitate the transfer of knowledge, information and technology;
6. Mobilize and allocate resources for agricultural research, training and education;
7. Strengthen capacity for agricultural research extension and agricultural training and education for development;
8. Facilitate the efficient operation of National Agricultural Research Systems at the national level;
9. Facilitate sharing of research outputs and benefits among National Agricultural Research Systems;
10. Enhance the sub-regional reputation of the Association and its members in regional and international fora;
11. Work towards the conservation of natural resources and the adoption of improved methods of agricultural production;
12. Work towards the adoption of sub-regional policies with respect to agricultural commodity arrangements; and
13. Undertake such other activities that shall further the objectives of the Association as the members shall from time to time decide

I.6 Operational Mode

ASARECA is operating in a theme-based approach to enhance regional networking by bringing and working together with agricultural research communities from NARIs, Universities, Farmer Organizations, IARCs, NGOs, Private Sector and agricultural research extension advisory service providers to achieve demand driven and result oriented agricultural research in the ECA sub-region.

ASARECA has developed its latest 5-year Medium Term Operational Plan I (MTOPI) (2019-2023) to implement its Strategy and Results Framework (2019 - 2028) which outlines the direction that ASARECA intends to deliver over the next ten years.

The MTOPI and ASRF have been approved and the Secretariat has subsequently revised and updated its Operations Manual (OM) to ensure prudent and efficient utilization of funds from its Members and Development partners by applying uniform and consistent policies and procedures in its daily operations. This is the manual that has been developed to implement the Strategy and Medium Term Operational Plan.

1.7 Governance and Management

As stipulated in its Constitution, ASARECA has instituted the following Governance and Management structure with defined roles and responsibilities to achieve the ASARECA overall objectives and effectively deliver on MTOPI 1.

1.7.1 Governance

a) General Assembly

The top governance organ of ASARECA is the General Assembly (GA). The membership of the GA represents all the sub-regional stakeholders registered under a Member's Register. It serves as the oversight organ to which the BoD is responsible. It reviews the strategies, priorities and assesses progress on the research and development programmes of the Association. The GA also performs all other acts that may be deemed necessary and suitable to achieve the ASARECA's mission.

b) Board of Directors (BoD)

The ASARECA Board of Directors (BoD) is responsible for the stewardship and strategic leadership of ASARECA Secretariat. In addition the Board reviews and guides ASARECA's strategy, operations policies, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and overseeing ongoing programs, major capital expenditures, acquisitions and disposals. It also approves the constitution, governance manual, policies, strategy, programs, budgets, financial statements, audit reports, agreements, contracts, protocols, bye-laws, membership fees and new members with the exception of the founding members of ASARECA and all policies.

The recently reconstituted ASARECA Board of Directors comprise of representatives of categories from the Regional Economic Communities (1), the Consultative Group for International Agricultural Research (CGIAR) (1), National Agricultural Research Institutes (NARIs) (5) and Sector Representatives (5): Higher Education, Farmer Organisations, Private Sector, Extension services and Non-Governmental Organisations) and Development Partners (1). These categories bring the total number of Board members to 13 as recommended by the White Paper (of which 12 are voting members). The BoD has five standing committees to which it delegates specific responsibilities. The standing committees are the: Executive Committee, Programmes Committee, Finance Committee, Audit Committee, and Nominations and Governance Committee. The BoD may also create ad hoc committees as needed.

c) Internal Auditor

The Internal Auditor functionally reports to the BoD Audit Committee, and administratively to the Executive Secretary (ES). He/she plays a critical role in advising management in the areas of internal control, risk management and anti-fraud & corruption and contributes to the fulfilment of ASARECA's corporate goal and objectives. The internal auditor also reviews the financial management arrangements of the sub grantees funded through ASARECA to facilitate smooth operations and mitigate any risks.

1.7.2 Management

As of June 10, 2015, the BoD approved a short-term organizational structure until such time that a study on the vision, mission and objectives of ASARECA is completed and approved by the BoD. The Secretariat will continue to be responsible for the day to day operations of ASARECA and the following will constitute the management of the ASARECA Secretariat.

a) The Executive Secretary (ES)

The Executive Secretary (ES) heads the Secretariat and is responsible for ensuring the efficient functioning of the Secretariat and reports to the Board of Directors. The ES will be responsible for advocacy, resource mobilization and managing strategic partnerships within and outside the ASARECA region. He or she is the Chief Executive Officer and spokesperson for ASARECA.

b) Theme Leaders

ASARECA shall have four thematic areas that are well aligned to the major ongoing regional and continental initiatives. These thematic areas include: (i) Transformative Capacity Strengthening and Integration; (ii) Agricultural Transformation Technologies and Innovations; (iii) Enabling Policy Environment; Functional Markets and Transformative Institutions; and (iv) Knowledge and Information Management. These thematic areas are integrally linked rather than stand-alone entities. The theme leaders are responsible for assisting the national programmes, especially the NARIs to develop, implement and monitor projects and programs; coordination AR4D activities and initiatives in the sub-region; catalysing networking activities; monitor the process of implementation, and coordinate reporting against indicators and milestones.

c) Special Initiatives

This unit will house programs and projects that are fully funded and brought under the umbrella of ASARECA for general supervision and coordination purposes. Activities and projects that ASARECA is contracted to implement using its staff and facilities will be handled by the respective thematic units.

d) Fiduciary Management

This unit will have the following teams.

i. Financial Management Team

The Financial Management team is responsible for the overall day to day financial management that includes; budgeting and accounting, collections and disbursements, financial reporting and coordinating the annual external audit process. The team also develops and advises on appropriate financial management systems and procedures.

ii. Procurement and Contracting Team

The Procurement and Contracting Team is responsible for the procurement and contracting activities of ASARECA and puts in place procurement policies and procedures that are in line with the procurement section of this Operations Manual.

e) Human Resource Management and Administration Team

The team is responsible for general administration and human resource management; updating HR and administrative policies and procedures such as recruitment; developing and updating job descriptions; ensuring ASARECA's organisational structure is aligned to ASARECA's strategy; managing salary scales, performance evaluations, welfare services and industrial relations

1.8 Financing

ASARECA receives assistance to finance its operations and programmes from contributions of member country institutions and international development partners.



SECTION 2

PURPOSE OF THE MANUAL

Policy Objectives

To ensure that:

1. The various operations of ASARECA (financial, human resources, sub granting, procurement and administration) and donor guidelines are harmonised;
2. Guidance is provided to all staff on how to conduct the operations of ASARECA;
3. The controls which have to be put in place are adequately described;
4. The operations of ASARECA are carried out in accordance with approved policies and procedures;
5. The business and Operations processes of ASARECA are adequately described to guarantee continuity of operations;
6. The roles and responsibilities of the various stakeholders of ASARECA in its operations are clearly understood;
7. There is a reference document for auditors, consultants, donors and other stakeholders who may wish to understand ASARECA's systems.

Policy Statement

All staff of ASARECA shall follow the policies and procedures as prescribed in this Operations Manual.

Documents

- The Key document to guide staff on how to conduct the operations of ASARECA shall be the *ASARECA Operations Manual*
- During the implementation of the operations plan, staff shall regularly consult the specific donor¹guidelines and procedures as provided for in the grant agreement with the respective donor²
- For avoidance of doubt, where the operations manual conflict with the grant agreement, the provisions under the grant agreement shall take precedence.

Responsibility

- The **Board of Directors** is responsible for approving the Manual before it is implemented.
- The **Executive Secretary** is responsible for developing and ensuring compliance with the manual. However, she/he may delegate this to any other staff.
- All staff have a responsibility to comply with the policies, procedures and guidelines as provided for in this Operations Manual.

¹ With reference to MDTF funding the donor shall be taken to be World Bank. In all respects where there is a contradiction in procedures, the World Bank guidelines shall prevail. Staff shall also refer to the Grant agreement with the World Bank and the MDTF program document.

² The World Bank is a Grant Administrator and the Grant Agreement defines the relationship between the Bank and ASARECA in the administration of Grants and Sub-grants. The Bank has the responsibility of carrying out reviews and giving clearances and no objections, as well as approvals. The stipulations in the Agreement take precedence to what is described in this section of the OM.

The nature of the Operations manual

- a. The operations of ASARECA may be subject to change. In order to reflect the way ASARECA interacts with a changing environment, this *Operations manual* shall have to be periodically (at least annually) reviewed and updated in order to ensure that it remains relevant;
- b. It is the responsibility of the Executive Secretary to ensure that the *policies & procedures* in the manual correctly describe the operations and adequate controls are in place;
- c. The management committee appointed by the Executive Secretary shall review the manual annually to identify sections that require updating; and
- d. All changes to this manual shall be carried out in line with the procedures set out under **Version Control**.

Key Control Processes

1. The **Executive Secretary** and all **staff** of ASARECA shall refer to the *Operations Manual* when conducting transactions of ASARECA.
2. The *Operations Manual* shall be reviewed regularly; preferably annually by the **Management Committee** to ensure that the procedures remain relevant to the operations of ASARECA.

Policy Objectives

To ensure that:

1. All parties are aware of the applicable policies & procedures that have been issued;
2. All parties refer to the same version of the Operations Manual issued; and
3. All policies & procedures are updated in a prescribed manner.

Policy Statement

All staff of ASARECA shall follow the policies and procedures as prescribed in the most up to date and approved version of the Operations Manual of ASARECA.

Responsibility

- **Executive Secretary**- advises all staff on changes in the manual and has control over issue of the Operations manual.
- **All staff** - Ensure they refer to the appropriate version of the manual

Reviewing and updating of the manual

This manual shall be reviewed continuously to ensure that it is up to date with the prevailing circumstances and necessary amendments effected. Amendments to the manual shall be made following the procedures below:

1. The Executive Secretary shall appoint a Management Committee (**MC**) representing all Theme leaders and Heads of Units to review the manual annually. The membership of the Management Committee shall comprise all Theme//Unit Heads as listed in the distribution list.
2. The **Management Committee** chaired by the Executive Secretary or his appointed executive shall identify the sections of the manual that require amending after consultation with the person responsible for the respective section of the Operations Manual and document the proposed amendment.

Note: The **Management Committee (MC)** shall also identify the need to revise the entire manual.

3. Amendments to the manual may also be identified by all users who shall submit a *written request* to the person responsible for the respective section of the Operations Manual for review and submission to the Chairperson of the **MC**.
4. The *written request* shall include the following minimum information:
 - i. The section to be amended;
 - ii. The proposed amendments;
 - iii. Purpose/Reason for the proposed amendment; and
 - iv. The signature of the requester of the amendment.
5. All **procedural amendments** once deliberated and cleared by the **MC** shall be submitted to the **Executive Secretary** for approval.
6. All **policy** amendments once deliberated and cleared by the **MC** shall be submitted by the Executive Secretary to the **Bod** for approval.

7. Once the amendments have been approved, the existing version of the manual shall be updated by the responsible persons of the respective sections and the new version distributed to the Theme//Unit Heads as per the Distribution List

Note: Only the revised sections shall be distributed and a full manual shall only be distributed if the amendment(s) approved is (are) significant to the entire document.

8. The master copy of the approved amendment shall be kept by the **Executive Secretary**.

Key Control Processes

1. This Operations manual or specific sections shall be updated and re-issued when a policy and/or procedure is introduced or amended.
2. Every user shall refer to the version control section to ensure that they are using the most recent and same version of the Operations manual.

Introduction

This section of the financial management policies and procedures outlines the various levels before approval of a transaction or event is granted within ASARECA. The levels of authority outline the people that:

- Are responsible for originating a transaction
- Must be informed after the transaction
- Must be consulted before the transaction
- Must agree with the decision
- Are responsible for approval

Policy Objectives

To ensure that levels of authority:

1. Exist in all key working areas to provide guidance to staff while transacting on behalf of ASARECA.
2. Are adhered to by all employees; and
3. Exist to provide guidance to staff on the various activities of ASARECA are reviewed and updated on a regular basis.

Policy Statement

No person shall authorise a transaction or an event on behalf of ASARECA for which he/she has no authority and/or delegation of authority. All delegation of authority shall be conducted in writing with a copy to the immediate supervisor of the person delegating authority.

Documents

The following are the key documents that shall be used to guide staff on the levels of authority at ASARECA:

- The Constitution of ASARECA
- Grant agreements executed with donors
- Memorandum of Understanding executed with donors
- MDTF programme document
- The ASARECA operations manual

Responsibility

- Board of Directors
- Executive Secretary(ES)
- Head of Finance
- All staff

Procedures

1. A Management Committee appointed by the Executive Secretary shall review and amend, where necessary, appropriate limits of authority.
2. The **Executive Secretary** shall confirm that the limits proposed by the **Management Committee** are reasonable in relation to:
 - a. The current financial position of ASARECA including the total funding to the organisation;
 - b. Existing/planned budgets for individual projects under each theme and the consolidated budget of ASARECA;
 - c. Existing control structure under each unit of ASARECA;
 - d. Other funding agencies requirements if any;
 - e. Prior experience regarding transaction flows. This should ensure that limits are relevant to the existing volume of transactions; and
 - f. Future prospects of ASARECA.
3. The **Board of Directors** shall authorise the authority limits and the **Executive Secretary** shall communicate the **BoD** approval to **all staff**.

Appendices

Appendix 2.2a: Approvals frame work

Appendix 2.2b: Detailed authority limits

Appendix 2.2c: Detailed Approval Limits

Appendix 2.2a – ASARECA Approvals Framework

A: Final approval, B: Must agree, C: Must be consulted (before), D: Must be informed (after), E: Originates

TRANSACTION/EVENT	Donor	Board of Directors	Executive Secretary	Head of Finance	Head of Administration	Procurement Officer	Theme leaders and Heads of units
Grants Agreement with donors		A	B	C			E
Programme of work		A	B	C			E
Sub-Grant Agreements			A	B		B	E
Annual budgets and work plans – ASARECA		A	B	C	D	D	E
Annual programme budgets and work plans for Sub-grantees		A	B	B			E
Assets transfers within ASARECA			C/A	C	A/E	D	B/E
DISPOSAL/SCRAPPING OF ASSETS							
All disposals – donor funded	C	A	B	B	E	D	
Other disposals		A	B	B	E	D	
CONSULTANTS							
Contracting			A	B		C	E
EXPENDITURE							
Budgeted capital expenditure			A	B	E	C	E
Unbudgeted Operating, Project expenditure							
- >US\$100,000		A	B	B	E		E
- < US\$100,000		D	A	B	E	C	E
FINANCIAL REPORTING							
Progress financial reports from Sub-grantees				A			B
Progress narrative reports from Sub-grantees				D		D	A
External Audited reports from Sub-grantees			C	A		D	C
Periodic Financial management reports –Internal			D	E	D	D	D
Audited Annual Financial statements - ASARECA	D	A	B	B/E	D	D	D
Audited Financial statements to donors	A	D	B	B/E	D	D	D

TRANSACTION/EVENT	Donor	Board of Directors	Executive Secretary	Head of Finance	Head of Administration	Procurement Officer	Theme leaders and Heads of units
Un-Audited Financial statements to donors			D	A/E		D	D
Technical Progress reports – ASARECA (Biannually)	D	A	B	C			E
End of project Reports	D	D	B	C	D	D	E
INSURANCE			A	B	E	D	D
LITIGATION		A	B/E	C	C	C	C
PURCHASE REQUISITIONS				B/E	B/E	B/E	A/E
PURCHASE TENDERS							
Purchase orders <U\$2,500			C	C	A	E	C
Purchase orders > U\$2,500 – U\$10,000			C	C	A	E	C
Purchase orders >U\$10,000			A	C	C	E	C
PERSONNEL							
Staffing structure		A	B/E				
Staff Establishment		A	B	C	C	E	C/E
Staff Appointment		A	A/B	B/E	B/E	E	C/E
Staff Termination		A	B	D	E		
			A/B	D	E		
Salary scale adjustments		A	B/E	D			
Salary merit increases		A	B	B	E		
EXPENSE CLAIMS		D	A	B	B/E	E	E
ASARECA staff							
Head of Finance			A/B	A			B
Executive Secretary				A			

Note: A signatory should never authorize the payment of items in respect of which he/she is the beneficiary for example personal expenses claims, personal allowances, ex-gratia payments, periodic salary increases or bonus payments. In case one is in doubt, they have the obligation to seek clarification/confirmation from the immediate supervisor or the relevant budget holder or the person who authorised the activity.

Appendix 2.2b – Detailed Authority Limits Guide

DESCRIPTION		RESPONSIBILITY/ LIMITS
A	PAYROLL	
1.	Staffing structure	Board of Directors
2.	Staff establishment	Executive Secretary
3.	Casual workers/Temporary <ul style="list-style-type: none"> • Hiring • Rates • Salary adjustments 	Head of Administration Head of Administration Head of Administration
4.	Permanent Staff: (> 2 year) <ul style="list-style-type: none"> • Hiring - Executive Secretary • Hiring - Regional staff • Hiring Head of Finance • Hiring - National staff • Salary Scale & Revision • Salary adjustments 	Board of Directors Executive Secretary Executive Secretary Executive Secretary Board of Directors/ES Executive Secretary
5.	Payroll	Head of Finance approves
6.	Leave approval	Supervisor recommends, HoA approves
B	AUTHORITY TO DRIVE/USE ASARECA CARS	
1.	Vehicle use	Head of Administration
2.	Fuel allocation	Head of Administration
3.	Vehicle maintenance	Head of Administration
C	BUDGETS	
1.	Project budgets	Theme leaders and Unit Heads prepare, Head of Finance checks, ES approves
2.	Consolidated budget	Head of Finance prepares, BoD approves
3.	Monitoring of project budgets	Budget holders
4.	Monitoring of the Operations & Capital budget	Budget holders
5.	Controlling expenditure to comply with budget	Head of Finance
D	ACCOUNTING VOUCHERS APPROVAL	HEAD OF FINANCE
E	PURCHASES OF GOODS & SERVICES	
1.	Purchase requisition	Requestor
2.	Purchase requisition Authorisation	Budget holders
3.	Tenders/quotations	Procurement & Contracting Officer
4.	LPOs/FPOs	Procurement & Contracting Officer

DESCRIPTION		RESPONSIBILITY/ LIMITS
5.	Receipt, custody & issue of goods	Head of Human Resource and Administration
6.	Stores requisition	Head of Human Resource and Administration
7.	Insurance of items	Head of Human Resource and Administration
9.	Monitoring stock & re-order levels	Head of Human Resource and Administration
10.	Monthly stores stock reconciliation and accountability	Head of Human Resource and Administration approves
F. PAYMENT FOR GOODS & SERVICES		
1.	Petty cash (Imprest) – General	Head of Human Resource and Administration
2.	Theme/Unit petty cash	Budget Holder
3.	Petty cash payments	Administrative Assistant/Petty cash holder
4.	Approve invoices & requests for payment	Head of Finance
5.	Authorised signatories for EFT payments	Should comply with the agreed on bank mandate (Refer to appendix AF-2)
6.	Disbursements	Head of Finance
G. ACCOUNTABILITY FOR ADVANCES		
1.	Responsibility for the preparation of accountabilities and obtaining proper supporting records e.g. receipts, reports etc	Individual who obtained the advance
2.	Petty cash accountabilities	Petty cash holder
3.	Reviewing and certifying of accountabilities	Head of Finance
4.	Submission of accountabilities to the finance unit	Budget Holder
5.	Monitoring outstanding accountability	Head of Finance
6.	Approval of the accountabilities	Head of Finance
H. ACCOUNTABILITY FOR ADVANCES FROM SUB-GRANTEES		
1.	Responsibility for the preparation of accountabilities and obtaining proper documents	Sub-grantees
2.	Reviewing and certifying of accountabilities	Head of Finance
3.	Follow-up and Submission of accountabilities to the finance unit	Budget Holders
4.	Monitoring outstanding accountability	Head of Finance
5.	Approval of the accountabilities	Head of Finance

Appendix 2.2c – Detailed Approval Limits on Disbursements

RANK	AMOUNT
Executive Secretary	No limit
Head of Finance	No limit
Theme leaders	US\$100,000
Head of Administration	US\$100,000
Senior Accountant	US\$25,000
Accountant	US\$25,000
Project Accountant	US\$25,000



SECTION 3

GRANT SOLICITATION



Policy objective

To ensure that:

1. Adequate funds are raised to support ASARECA research for development activities;
2. All funding obtained is for activities that meet the strategic objectives of ASARECA;
3. A Grant Agreement/Contract is executed with the respective development partners for all funding secured;
4. The roles and responsibilities for the various parties under the Grant Agreement/Contract are clearly defined;
5. The various development partners under all Grant Agreements/Contracts are clearly identified;
6. Terms and conditions for contribution are clearly outlined;
7. Description of resources and the conditions for disbursement of funds under the Grant Agreement are clearly outlined; and
8. The programme and the period for the programme to be funded under the Grant Agreement are defined.

Policy Statement

1. A Grant Agreement/Contract shall be signed between ASARECA and each development partner clearly outlining the terms and conditions that shall be adhered to by all the parties.
2. All staff of ASARECA shall adhere to the terms and conditions outlined in the Grant Agreements/Contracts.

Documents

The following are the key documents that shall apply with respect to the process of grant solicitation and funds management:

- ASARECA Strategic Plan (2008 – 2017)
- ASARECA Operational Plan II
- ASARECA Resource Mobilisation Strategy
- Programme/Project proposals
- Grant Agreement/Contracts with development partners
- Memorandum of understanding with development partners where applicable
- Sub grant contracts
- Reports

Responsibility

The following staff have responsibilities in the grant solicitation and funds management process

- Executive Secretary (ES)
- Head of Financial Management Unit
- Head of Administration and Human Resource
- Theme Leaders, and Heads of Units

Rationale for grant solicitation

1. ASARECA is projected to play a critical role in agricultural transformation in Eastern and Central Africa as a think tank, knowledge and information hub, and learning centre. ASARECA is therefore committed to working efficiently and effectively to enhance the competitiveness of agricultural systems in the sub-region. This calls for strong partnerships at all levels. In the global context the ASARECA mission links into the Millennium Development Goals and other UN initiatives. Similarly at regional level, ASARECA in collaboration with COMESA is committed to the implementation of the African Union's New Partnerships for African Development (AU-NEPAD) Comprehensive African Agriculture Development Programme (CAADP) Pillar IV in line with the principles of the Framework for African Agriculture Productivity (FAAP) developed by the Forum for Agricultural Research in Africa (FARA). ASARECA is also contributing to CAADP Pillars 1, 2 and 3. ASARECA is therefore geared to adding value at regional level through collective action.

2. Principally, ASARECA implements its agenda through National Agricultural Research and Extension Systems (NARES). However to facilitate delivery of its expanded mandate (agricultural research, education, farmer empowerment, and extension), ASARECA collaborates also with International Agricultural Research Centres (IARCs) and other appropriate regional institutions like RUFORUM, AFAAS, and ANAFE, ASARECA also maintains close links with the other Sub-Regional Organisations (SROs) under the umbrella of FARA
3. ASARECA's focus is on solving agricultural research for development issues to attain economic growth, food and nutrition security, eradicate poverty through the development of efficient, effective and sustainable agriculture as well as contribute to ecological restoration and sustainability. This is expected to contribute improved livelihoods of the ECA population.
4. Improved capacity and collaboration among NARES will assist in the transformation of agriculture from subsistence farming to efficient and sustainable modern agriculture. There will be increased benefits from intra-regional and inter-regional trade. Bearing in mind that there are millions of vulnerable populations whose asset base is very low, ASARECA will also promote the establishment of social safety nets for such populations who are mainly women and the youth. The region as a whole will be seen as attractive to investors in both agricultural science and technology and research for development.
5. ASARECA will facilitate the NARES in their goal of becoming centers of excellence spearheading generation and transfer of improved and appropriate technologies and methodologies in collaboration with its partners and clients in the quest for sustainable agricultural development.
6. Therefore the purpose of grant solicitation is to facilitate the mobilization of adequate resources to (i) support ASARECA's key result areas and related activities, (ii) support operations at the ASARECA Secretariat and (iii) fund activities that support the vision and goal of ASARECA and (iv) facilitate the establishment of the knowledge and information hub. This strategy is founded on ASARECA's organizational setup as a sub-regional agency with the mandate to guide, and support agricultural transformation in the ECA agricultural sub-sector. Through the fund, ASARECA will position itself as a sub-regional think-tank, knowledge and information hub, as well as a learning centre on how to truly transform the agricultural sector.

Procedures

1. The Executive Secretary in close cooperation with the, Head of Financial Management Unit, Theme Leaders, and Heads of Units shall have the responsibility of identifying strategic programme/project activities that can be managed and implemented by ASARECA with funding from various development partners. These activities need to meet the strategic objectives of ASARECA and the Operational Plan II and shall be approved by the BoD.
2. Identified research for development proposal(s) for addressing any of the Thematic strategic interventions shall be prepared in a participatory and multi-disciplinary manner and submitted to the Head of Financial Management Unit and Executive Secretary for review and clearance. In addition for compliance, units dealing with Monitoring Evaluation and Learning (ME & L); Environmental and Social Safeguards (ESS), and Gender Mainstreaming shall also clear all proposals. Once the proposal is cleared, it is then submitted to the Executive Secretary for approval and submission to the BoD for final approval.
3. The approved proposal shall then be submitted to the potential donor and negotiations shall be entered into between the donors who are anticipated to provide funding support to ASARECA. These shall involve the potential donors, Executive Secretary, Theme Leaders and relevant Unit Heads, and the Head of Finance. Among other elements the following should be considered during the negotiations:

- i. The relevance of the project to be funded;
 - ii. The various funders to the respective project;
 - iii. Contributions by the different funders to the respective project and funding modality
 - iv. Terms and conditions of grants under the Grant Agreement;
 - v. Roles and responsibilities of the parties to the Grant Agreement;
 - vi. Timeframe for the Grant Agreement
 - vii. Expected results
4. Once the negotiations have been finalised, ASARECA shall request for a draft Grant Agreement from the respective donor or ASARECA shall submit a draft Grant Agreement to the prospective donors for review. Preparation of the Grant Agreement will involve the Theme Leaders and Heads of Units.
5. The draft Grant Agreement/contract shall include the following, but not necessarily limited to:
 - i. The project to be funded;
 - ii. The Specific terms and conditions under the Grant Agreement/contract;
 - iii. Roles and responsibilities of the parties to the Grant Agreement;
 - iv. Level of contributions under the Grant Agreement;
 - v. General conditions or clauses to the Grant Agreement;
 - vi. Timelines.
6. The relevant revisions from the potential donors and ASARECA shall be made to the draft Grant Agreement and once agreed upon; the final Grant Agreement shall be prepared and signed by the donor(s) and the Executive Secretary on behalf of ASARECA.
7. The **Executive Secretary** shall avail the original signed Grant Agreement to the **Head of Administration and Human Resource** for filing and copies to the Head of Financial Management Unit and the respective Theme Leaders or Unit Head.
8. The **Head of Financial Management Unit** shall then update the accounting system by creating a ledger account for the donor, update the budget and communicate to concerned budget holders as appropriate.
9. Request for funds from donors shall be initiated through submission of a letter of request (withdrawal application) to the relevant donor which shall meet the terms and conditions as outlined in the Grant Agreement. For detailed procedures on requesting for funds refer to section **4.9.1 – Requests for funds**.
10. The Executive Secretary in liaison with the respective Theme Leader, Heads of Units and the procurement and contracting officer shall be responsible for monitoring the effective and completion dates of the respective Grant Agreements.
11. In the event that the programme is not completed within the timeframe outlined in the original Grant Agreement, an extension to the Grant Agreement shall be sought from the donor.

Key Control Processes

1. A Grant Agreement shall be prepared for each programme/project to be implemented with each donor.
2. A final Grant Agreement shall be signed by the Executive Secretary or the Designate on behalf of ASARECA
3. Activities shall be undertaken within the time frame provided in the Grant Agreement
4. The expected results should be clearly stated.



SECTION 4

FINANCIAL
MANAGEMENT

Introduction

This Financial Management section of the Operations manual has been updated to incorporate recent changes at ASARECA and best international practices in accounting and finance.

Policy objective

To ensure that:

1. The financial management policies and procedures are explained to and understood by all staff;
2. The financial activities are carried out in accordance with the policies and procedures outlined in this manual;
3. The roles and responsibilities of the various stakeholders of ASARECA in the matters of financial management are clearly understood; and
4. There is a reference document for auditors, consultants, donors and other stakeholders who may wish to understand ASARECA's financial management systems.

Policy Statement

All staff shall follow and consistently apply the policies and procedures regarding financial management as prescribed in this Operations manual.

Documents

The Key document to guide staff in the financial management matters shall be the ASARECA *Operations Manual*.

Responsibility

The following have responsibilities in the application of the policies and procedures for financial management

- BoD
- Executive Secretary
- Head of Finance
- All staff

Scope

The sub sections covered in this section of the manual include:

- Accounting policies
- Chart of accounts
- Roles and responsibilities
- Donor fund management
- Budgeting
- Bank accounts management
- Receipts
- Disbursements
- Accountability for advances
- Fixed assets records systems
- General ledger
- Reporting
- Internal audit
- External Audit

- Risk management
- Anti fraud

Procedures

1. The ASARECA Operations manual shall be a live document that will regularly be reviewed to identify procedures to be amended to reflect the way it interacts with a changing environment.
2. It is the responsibility of all **users** to ensure that the *policies & procedures* under finance management correctly describe their operations, and ensure that adequate controls are in place.

Key Control Processes

1. The **Executive Secretary** and **staff** of ASARECA shall refer to the *financial management section in this manual* when conducting transactions that are likely to have a financial implication on ASARECA.
2. The procedures for *Financial Management* shall be reviewed regularly; preferably annually by the **Head of Finance** to ensure that the procedures remain relevant to the operations of the Secretariat.

Policy objective

To ensure that:

1. The roles and responsibilities of the various key staff with responsibilities for financial management are adequately explained; and
2. The activities in the finance unit are carried out in a transparent manner and in accordance with the outlined roles and responsibilities.

Policy Statement

All ASARECA staff shall carry out their activities in accordance with their roles and responsibilities.

Documents

The following are the key documents that shall be used to guide staff with financial responsibility on their respective roles and responsibilities with respect to financial management:

- *ASARECA -Operations Manual*
- Memorandum of understanding with donors
- Donor grant agreements
- Sub-Grant Agreements
- MDTF programme document
- Staff Contracts

Responsibility

- Executive Secretary
- Head of Finance
- All finance unit staff

Roles and responsibilities

1. The Executive Secretary (ES)

The ED is the overall leader of ASARECA and is responsible for the overall financial management of ASARECA including, but not limited to, being one of the principal signatories to all bank accounts operated by ASARECA. The ED shall report and is answerable to the Board of Directors.

2. The Head of Finance

The Head of Finance is the head of the finance unit and is responsible for the day-to-day financial management of ASARECA, ensures the full functioning of the finance unit and supervises the finance staff under him/her. He/She shall be one of the principal signatories to all ASARECA Bank Accounts. The Head of Finance shall be responsible for preparation and review of all financial reports before they are submitted to the ED and donors. The Head of Finance shall also approve payments in respect of administrative costs, capital expenditures and programme expenditures and the related accountabilities, that shall first be checked and cleared by the theme leaders and Heads of Units, and verified by the Senior Accountant.

3. The Senior Accountant

The Senior Accountant shall be responsible for keeping proper books of accounts, maintaining of the automated accounting system and posting of transactions into the general ledger after approval by the Head of Finance. He/She shall report to the Head of Finance and shall ensure that all the necessary financial support documents are attached before effecting payments; appropriately coded vouchers are raised and verify the transactions. The Senior Accountant shall also be responsible for the review of accountabilities for advance payments, preparation of the financial reports and keep track of reporting deadlines. He/She will supervise the staff in the accounts on a daily basis and conduct fixed assets physical verification in liaison with Administration unit. The Senior Accountant shall also co-sign cheques and EFT payments for the level of amount specified in this manual, provided that the transactions and codings are verified by other finance unit staff authorized to verify transactions. He/she shall also perform any other duties as assigned by the Head of Finance.

4. Project Accountant

The Project Accountant shall be responsible for the monitoring and supervision of sub-grantee projects. He/she will also be responsible for carrying out reconciliations of all Bank Accounts and preparing the monthly payrolls. He/She shall report to the Head of Finance and shall ensure that all the necessary support documents are attached to the reconciliations and payrolls. The Project Accountant shall also be responsible for the review of accountabilities for advance payments, preparation of the financial reports. He/she shall also perform any other duties as assigned by the Head of Finance.

5. Accountant

The Accountant shall primarily be responsible for cash management i.e. safe custody of cash/cheque collections, deposits to and withdrawals from the bank accounts. In addition, he/she shall process payments, prepare the payroll, payments, prepare bank reconciliation statements and deputize the Senior Accountant for verifying and posting transactions to the Accounting system. He/She shall carry out analysis of travel claims, sub-grant returns and any other claims. He/she shall also perform any other duties as assigned by the Head of Finance.

6. Assistant Accountant

The Assistant Accountant shall be responsible for processing of payments, participate in the payroll preparation and bank accounts reconciliations of assigned bank accounts, periodic generation of the required financial reports; and assist theme Leaders and Heads of units in preparation of specific and annual budgets. He/she shall primarily be responsible for reviewing accountability of sub-grantees, providing monthly budget performance reports to Theme Leaders or Heads of units and perform any other duties as assigned by the Head of Finance.

7. Accounts Assistant

The Accounts Assistant shall be responsible for processing payments, payroll preparation, preparation of the assigned bank account reconciliations, processing payments for casual workers, cash/cheque collections, deposits and withdrawals to and from the bank and data entry. The Accounting Assistant shall also act as the custodian of the safe and be responsible for petty cash management. He/she shall also perform any other duties as assigned by the Head of Finance.

Key Control Processes

1. The **Executive Secretary** and **staff** shall continuously refer to the *Operations Manual* when conducting transactions that are likely to have a financial implication on ASARECA.
2. The Head of Finance shall plan all financial requirements to ensure continuity in service delivery.
3. The Executive Secretary and all staff shall refer to the job descriptions and responsibilities as outlined in their respective contracts of employment

Policy Objectives

To ensure that:

1. ASARECA's accounting policies are formalised and are inline with the International Financial Reporting Standards (IFRS)³, the requirements of the donors and the applicable laws; and
2. Staffs are aware of the policies that are applicable to the preparation of the financial statements of ASARECA.

Policy Statement

The accounting policies adopted by ASARECA shall be applied consistently over time.

Documents

The following are the key documents that shall apply in the application of the accounting policies at ASARECA:

- International Financial Reporting Standards (IFRSs)
- World Bank financial regulations and guidelines
- Other donors financial regulations and guidelines (where applicable)
- Grant agreement with the donor⁴
- Memorandum of Understanding with the donor

Responsibility

- Executive Secretary
- Head of Finance
- Senior Accountant

Accounting Policies:

Accounting policies are the specific principles, bases, conventions, rules and practices in preparing and presenting the financial statements. These accounting policies shall be applied consistently through out the year and shall be followed when preparing financial statements of ASARECA.

1. General accounting policy

The financial statements shall be prepared in accordance with International Financial Reporting Standards. The specific accounting policies to guide financial and accounting transactions of ASARECA are:

2. Reporting currency

The reporting currency is the United States Dollar (US\$).

3. Reporting Period

The reporting period for the preparation of financial statements is the financial year which runs from 1 January to 31 December.

³ ASARECA is non profit and non governmental organisation, IFRSs best practices will apply.

⁴ With Reference to MDTF funding, the donor means the World Bank

4. Basis of accounting

- a. The Financial Statements shall comply with the International Financial Reporting Standards.
- b. The accruals basis of accounting shall be used consistently during the year except for donor agreements that require application on a cash basis. Under the accrual basis of accounting, ASARECA recognizes revenue and costs, as they are earned or incurred (and not as money is received or paid) and recorded in the financial statements of the periods to which they relate. Fixed assets are depreciated over their useful lives applying depreciation rates in accordance with generally accepted accounting practices.
- c. Under the cash basis of accounting, revenue is recognized when received and expenditure is recognized when payment is made. Similarly, payments for assets [property, plant and equipments] are expensed and thus depreciated 100% in the year they are paid for.

5. Income recognition

- a. Restricted grants attached to specific projects and programmes are recognized as income when actually expended and the unspent portion is deferred as donors' payable for the future year depending on the duration of the project or activity. Income for a specific project/ programme support shall be matched to the actual total expenditure of that project/programme including a percentage of the Operations costs of the Secretariat. The grant recognised as income shall be equal to the actual expenditure incurred in a given financial year.
- b. Core grants (unrestricted) are recognized as income from donors when the amount is confirmed by donors or when the funds are received. Income shall be recognised in the period to which it relates. Any excess of income over expenditure arising from unrestricted grant shall be transferred to the Operating Fund balance account as part of ASARECA reserve fund.
- c. Other incomes are recognised as income at the time of receipt. Such income includes incomes generated by providing services to third parties, interest earned from the Secretariat's fund in the Banks, discounts received from the service providers, administrative overhead charges on special projects, proceeds from the sale of the ASARECA's properties and any other miscellaneous items.

6. Expenditure recognition

Expenditure comprises of costs incurred directly for the activities of ASARECA and shall be recognized when incurred and not when actual payments are made except where a donor agreement requires a cash basis of accounting.

7. Foreign currency translations

- a. ASARECA's financial statements shall be presented in US Dollars. Transactions denominated in currencies, other than the US Dollar, shall be translated to US Dollars using the bank exchange rate ruling at the time of the transaction.
- b. Grants received in currencies other than United States Dollars shall be recorded at bank exchange rates in effect at the time the grant is received. Assets and liabilities at the year end shall be translated at the bank closing rate prevailing at year end.

8. Cash and Bank balances

Cash and cash equivalents comprise cash in hand and bank balances. Overdrafts shall be disclosed separately.

9. Receivables

Receivables shall be carried at original historical cost less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end.

Receivables fall into three major categories: Receivable from donors, receivable from member institutions (NARIs) and other receivables.

- a. **Receivables from donors** are contributions and grants, which donors have obligated to pay and required conditions have been fulfilled by ASARECA, but remain uncollected at the end of the financial year.
- b. **Receivables from Member Institutions (NARIs)** are membership fees that have not been paid by the Member Institutions to the Secretariat by the end of the financial year-end.
- c. **Other Receivables** are advances or collectable debts that include advances to staff, advance payments to suppliers, project sub-grantees or any other third parties during a reasonably short period of time, usually one year.
 - All accounts receivable shall be maintained at a minimum at any one time and shall be cleared within the next financial year.
 - All account receivables shall be disclosed as a separate line item on the balance sheet and individual debtors account shall be kept in **Debtors List** with specific identification or analysis codes
 - All funds disbursed to project sub grantees shall be treated as advances until accountability has been submitted and accepted by ASARECA.
 - Advances to staff of ASARECA to carry out various programme activities shall be considered as advances until accountability has been submitted and accepted as complete.

10. Stocks

ASARECA does not recognise any stocks in the books of accounts. All purchases of consumable items shall be for consumption in one financial year and shall be expensed at the time of purchase. However, ASARECA shall keep records of all stock items and shall monitor effective utilization of the items.

11. Prepayments & Deposits

Prepayments are payments effected for actual benefits of future operating period and shall be disclosed as a separate line item in the balance sheet as a component of the current assets.

Deposits are payments made to benefit from contracted services and that shall be refunded after termination or fulfilling contractual obligations (such as, rental deposit, utility deposits, etc). Deposits are treated as current assets in the balance sheet together with prepayments.

12. Property, plant and equipment

- a. All purchases of items that are capital in nature will be expensed upon payment as capital expenditure in the year of acquisitions. However, for items with a value of US\$ 1,000 and above a simultaneously entry will be passed to record such items in the balance sheet as fixed assets with the corresponding contra entries (credit) to the investment in fixed asset account under fund balance account.
- Dr Fixed asset expenditure - Expense account
 - Cr Bank/cash

(To record purchase of items of assets of value \$1000 and above)

- Dr Asset Account
- Cr Investment in fixed assets

(To record such assets into the B/S account)

- b. The value of fixed asset net of used-up value (depreciation) shall be disclosed in the balance sheet for memorandum purposes. The corresponding contra shall be reported in the investment in fixed assets account net or used-up value (depreciation) under the capital reserve fund account.
- Dr Investment in fixed assets
 - Cr Capital reserve fund

(To amortise the asset value over the estimated useful life)

- Dr Accumulated operating surplus
- Cr Asset Account

(To write of the use-up value of the asset and transfer similar value to fixed asset replacement fund)

- c. A fixed assets register of all the capital items shall be maintained and shall be updated with every purchase and disposal of assets.
- d. Used up value (depreciation) of fixed assets shall be calculated on a straight line basis at annual rates estimated to write-off the value of each asset over the term of its expected useful life. The annual rates used are:

Building	30 years	3.33%
Motor Vehicles	7 years	14.29%
Computers & Printers	3 Years	33.33%
Office equipment	4 years	25.00%
Office Furniture	8 years	12.50 %

13. Software

All Software shall be expensed in the period of purchase.

14. Accounts Payable

Accounts payables are funds, services and/or materials received from third parties who are entitled to repayment of equivalent amounts to what they have provided to ASARECA. The accounts payable shall be categorised as follows:

- Accounts Payable - Donors;
- Accounts Payable - Others;
- Accruals and Provisions

i. Accounts Payable

Donors includes grants received from donors during the year but unexpended at year end. These include the following:

- a. Donations received in advance for operations and projects yet to start; and
- b. Unexpended grant balances that are either refundable to donors for completed projects or deferred grant funds for on-going projects whose durations are extended to the next financial year.

ii. Accounts Payable

Others represents benefits of employees that require reimbursement and amounts due to third parties for services they rendered or materials they supplied for which payments have not been made.

iii. Accruals and Provisions

These include the following:

- a. Accruals represent amounts due at the year-end as a result of services already received but for which payment has not been made.
- b. Provisions are estimates of amounts due for services already received, but the exact cost of which is unknown.

15. Staff Pension, Social Security Scheme, & Severance Pay

- a. **Social Security Scheme:** ASARECA shall contribute to Pension as a defined contribution scheme for its employees and in accordance with the Ugandan national law. For nationally recruited staff, ASARECA's pension contribution paid to NSSF shall be expensed on monthly basis as part of staff benefit costs and reported in the Statement of Income and Expenditure in the year to which they relate. For internationally recruited staff, ASARECA's pension contribution shall be expensed on a monthly basis and accrued/credited to each staff personal pension account, and reported in the financial position (Balance sheet) as part of Accruals & Provisions account.
- b. **Severance Pay:** ASARECA shall pay severance to assist staff to resettle in their new endeavours after having completed their service with ASARECA. Severance pay shall be paid to any staff who will have served a minimum period of 6 months on a continuous basis. Severance pay is computed on the basis of one (1) month's basic salary at the last salary level staff is getting for each completed year of service, up-to a maximum of 6 months basic salary. Staff severance pay is expensed and accrued annually, and credited to each staff personal account. It is reported in the financial position (Balance sheet) as part of Accruals & Provisions account. For administrative purposes severance pay shall be paid as the staff exists service from ASARECA.

16. Fund Balance

Fund balance is a balance sheet account that represents the difference between the total value of assets and the total value of liabilities in the statement of financial position (balance sheet) of ASARECA.

ASARECA's fund balance shall comprise of the capital reserve fund and the accumulated operating surplus.

a. The capital reserve fund consists of the following:

- i. **Capital Fund** that represents funds reserved for future replacement and/or acquisition of fixed assets. The capital fund account is financed annually with funds from the operating surplus fund that are equivalent to the used-up value of fixed assets (i.e. depreciation charge for the year) for the financial year. Any gains from the disposal of fixed assets shall also be credited to the capital fund account. This is done by Dr accumulated operating surplus and Cr the respective assets
- ii. **Investment in Fixed Assets** – This is the contra account for the value of fixed assets acquired by the Secretariat. All fixed asset additions in the financial year shall be recorded as a contra entry to the investment in fixed assets account for memorandum purposes. The fixed asset disposals and/or the used-up portion of the asset values (depreciation charge for the year) shall be deducted from the investment in fixed assets account

b. Accumulated Operating Fund

Represents the accumulated excess of earned income over expenditure at the end of the financial year less the used up value of assets or depreciation amount reserved for future replacement and or/ acquisition of assets. Operating fund is derived from the Secretariat earned income from operations comprising of interest income, overhead income, discount & other miscellaneous income and exchange gains/losses net of any non-donor funded expenditure. Excess of income from donor funds over donor funded expenditure shall not be charged to Operating fund account, but to donor's payable account and maybe included in the Balance Sheet as differed income for multi-year projects. An amount equivalent to the used-up value of fixed assets (i.e. depreciated amount of fixed Assets) for the financial year will be transferred to fund the capital reserve fund and written off the respective fixed assets. The amount transferred will be used to fund asset replacement as the "capital reserve fund"

17. Reserve Fund Holding Policy

ASARECA "**Reserve Fund**" interchangeably referred to as "**Reserve**", "**Net Asset**" or "**Fund Balance**" is the residual value after all assets and liabilities of ASARECA are netted off. It represents the operational surplus that has accumulated year on year after netting off the Secretariat earned incomes (other than donor funds) against actual expenditure other than donor funded expenditure.

a. Background to the Reserve Fund Policy:

- i. The beginning of the establishment of ASARECA's reserve fund links with the concept of promoting sustainable financing mechanism for Sub-regional Organizations (SRO's). One mechanism for promoting sustainable financing that was advocated widely was the establishment of Endowment Fund for SROs. This was promoted by all Development Partners until a policy change took place regarding contributing funds towards the establishment of Endowment Funds for SRO's. Although a policy change has taken place with regard to establishing an Endowment Fund for SRO's, ASARECA has continued to appreciate the concept of sustainable financing and thus has established and sustained a reserve fund to contribute towards promote sustainable financing mechanism.

- ii. In the current financial instability and challenges associated to it, a reasonable level of reserve fund is a requirement for ASARECA to enable it to deliver on its Operational Plan, respond to the sub-regional agricultural development agenda, and function optimally within a changing and challenging environment. The reserve fund is also established and sustained as part of ASARECA's financial risk management strategy.
- iii. This policy helps guide the ASARECA Board of Directors and Management to help establish and monitor the reserve fund as well as provide guidelines on its management and use.

b. Responsibilities:

- i. The ASARECA Board of Directors (BoD) is entirely responsible for establishing and approving the level and variations of the reserve fund.
- ii. The BoD has also the responsibility to designate or earmark the reserve fund for financing targeted investments or essential core activities, such as Capital Investment funds, Institutional Development Funds, etc.
- iii. The ASARECA Secretariat management shall play a role in advising the BoD to determine the acceptable minimum and maximum range of reserve fund for ASARECA, and proposes budget for financing out of the reserve fund to targeted investments. The management also ensures that actual expenditure incurred are in line with the budget level earmarked and approved by the BoD, and that the expected level of reserve can actually be achieved.

c. Purpose & Use of the Reserve Fund (Net Asset):

The Reserve fund (net asset) of ASARECA shall be used for the following as deemed necessary and approved by the BoD:

- i. Pre-financing sub-grant projects in the event of fund release delays from project donors and also be used as bridging fund in case of delays in starting projects approved by Development Partners and the Board.
- ii. To make up for short falls due to changes in donor decisions;
- iii. Offset gaps in funding on strategic initiatives;
- iv. Provide cover for research and organisational financial risks;
- v. Provide for contingent liabilities; and
- vi. Finance fixed assets to protect the Secretariat's assets.
- vii. Complement donor resources on strategically important projects;
- viii. Finance key activities without which the rest of the research could not take place;
- ix. Invest in a new ideas of research;

d. Basis for Determining the Level of Reserve Fund:

- i. Although challenging to precisely determine the ideal level for some of the risks, the level of Reserve fund (net asset) shall at a minimum be based on the following:
 - A percentage of the estimated cost to bring key project to completion should the funder default;
 - Estimated shortfall in case of major currency variations over the next 3-4 years;
 - A percentage of estimated investment in key strategic objectives;
 - A set minimum to cover any potential unforeseeable risks;
 - Projected fixed assets replacement fund
 - Contingent part of staff severance pay for existing staff;
 - A reasonable amount that can lead the ASARECA Core Secretariat to stability in case of any adverse eventualities with a minimum of 6 months operational costs, as it has no fall back mechanism.

- ii. The level of pre-financing ASARECA has to do to ensure uninterrupted of on-going projects whenever delay occurs in release of funds from donors
- iii. The reserve fund should be invested in banks and earn interest to counter deterioration of the value of its reserve fund due to inflation as well as enable ASARECA to build on its reserve fund to be invested as outlined above.
- iv. Limitation should be exercised on decrease of reserve fund to safeguard and ensure that the reserve fund is not depleted too quickly even if the minimum level of reserve fund has not been reached yet.

e. Delegated Authorization levels for Use of the Reserve Fund (Net Asset):

In the circumstances of urgent needs (e.g. staff repatriation or other pressing needs in cases of crises or natural calamities), the ASARECA Board of Directors has delegated the Executive Secretary and the Chairman of the Board to use funds from Reserve Fund as follows:

- i. The Executive Secretary is authorized to directly use up to a maximum level of **US\$ 150,000** for any urgent and pressing needs of the Secretariat and report to the Board on the utilization of the fund in the subsequent meeting of Board; and
- ii. The Chairman of the Board is also delegated to directly authorize the Executive Secretary to use out of the reserve fund to a maximum amount of **US\$ 250,000** in cases of pressing needs by the Secretariat, which shall later be reported to the Board.
- iii. Use of Reserve Fund over **US\$ 250,000** requires the approval of the Executive Board in an emergency situation or the full Board under normal circumstances.

Key Control Processes

1. An periodic review of the accounting policies shall be conducted by the Head of Finance and any proposed changes shall be approved by the Board of Directors.
2. The Reserve fund (Net Asset) level of ASARECA shall be determined and financing for designated investments are approved by the Board of Directors.

Policy Objectives

To ensure that;

1. ASARECA follows a uniform system for classification of transactions across its financial operations in order to ensure the production of consistent and clear financial information for its users and other stakeholders; and
2. All transactions and events of ASARECA are processed and coded in line with the approved Chart of Accounts (CoA).

Policy Statement

All staff of ASARECA shall comply with the Chart of Accounts when coding transactions and financial statements shall be prepared following the major classifications in the Chart of Accounts.

Responsibility

- Head of Finance
- All Finance unit staff

General principles

The chart of accounts provides detailed and systematic classification of operating and capital expenditure elements which will facilitate budget formulation and comparability to actual expenditure. The following are the procedures to be followed regarding the chart of accounts;

1. The CoA shall be updated centrally by the **Head of Finance** as the need arises. The ultimate responsibility for consistently applying the CoA rests with all **Finance staff**. The chart of accounts shall exhibit a logical framework to the compilation and presentation of financial transactions in the accounting system of ASARECA.
2. Additions or deletions of an account code from the standard chart of accounts shall only be done by the **Head of Finance**. Any request for addition or deletion shall first be communicated and agreed with the **Head of Finance**.
3. In no circumstances shall new codes be introduced without the approval of the **Head of Finance**.
4. All budget/cost centres, donors and projects shall be assigned with identification or analysis codes that shall be reflected as part of the chart of accounts. If there is no suitable code, an application shall be made to the Head of Finance for new codes. The detailed chart of accounts is outlined in **Appendix 4.4.a, b and c**.

Key Control Processes

1. It is the responsibility of the Head of Finance to keep all staff informed of new codes introduced in the CoA.
2. On a day to day basis, the Senior Accountant shall check the accounts and confirm to the Head of Finance that all the financial transactions of ASARECA are coded and processed in line with the approved chart of accounts through payment and journal vouchers verification mechanisms.
3. Additions and deletions of cods to the chart of accounts shall only be performed by the Head of Finance.
4. A master file of approved and amended version of the chart of accounts shall be maintained by the Head of Finance.

Appendix- 4.4.a ASARECA Chart of Accounts & Analysis Codes Structure

Account Code	Lookup Code	Account Name	Account Type	Bal F/Open	A/c Status	T0 – Management units/CC	T1 -Proj/Activity	T2-Domors	T3-Staff	T4-P/R
10000	=====	ASSETS=====	B	B	C					
11000	=====	CURRENT ASSETS=====	B	B	C					
11100	=====	CASH ON HAND=====	B	B	C					
11101	PETTY	Petty Cash Imprest (UGX)	B	B						
11102	PETTY	Petty Cash Imprest (USD)	B	B						
11103	CASH	Cash Collections In Transit	B	B						
11200	=====	CASH IN BANKS=====	B	B	C					
11201	CITIBANK CA	Citibank (UG) Current A/C (UGX)	B	B						
11202	CITIBANK CA	Citibank (UG) Current A/C (USD)	B	B						
11203	CITIBANK TD	Citibank (UG) T/Deposit (USD)	B	B						
11204	CITIBANK NY	Citibank (UG) REDSO C/a (USD)	B	B						
11205	CITIBANK NY	Citibank (NY) Current A/C (USD)	B	B						
11206	CITIBANK NY	Citibank (NY) T/Deposit (USD)	B	B						
11207	STANDARD	Stan Chart-Current A/C (USD)	B	B						
11208	STANDARD	Stan Chart-T/Deposit A/C (USD)	B	B						
11210	STANDARD	Stan Chart A/C - CGS (EUR)	B	B						
11211	STANDARD	Stan Chart A/C -General (EUR)	B	B						
11212	STANDARD	Stan Chart-T/Deposit A/C (EUR)	B	B						
11213	BARCLAYS	Barclays Bank–Current A/ (USD)	B	B						
11214	BARCLAYS	Barclays Bank–Current A/C(UGX)	B	B						
11215	CITIBANK UG	Citibank (UG) FARA/AfDB C/A(USD)	B	B						
11216			B	B						
11217	CITIBANK UG	Citibank (UG)-WB/MDTF C/A (USD)	B	B						
11290	=====	CLEARING/BRIDGE =====	B	B	C					
11291	CLEARINGBR	Clearing/Brdg-InterBank Transfer	B	B						
11300	=====	RECEIVABLES =====	B	B	C					
11310	=====	DONORS RECEIVABLE =====	B	B	C					
11311	MEMBER	Member Institutions	B	B				Y		
11312	DONORS	Other Donors	B	B		Y	Y	Y		
11320	=====	STAFF RECEIVABLE =====	B	B	C					
11321	BUSINESS	Business Advance	B	B		Y	Y	Y	Y	
11322	PERSONAL	Personal Advance	B	B					Y	
11330	=====	OTHER RECEIVABLES =====	B	B	C					
11331	COMMITTEE	Committee of Directors	B	B						

Account Code	Lookup Code	Account Name	Account Type	Bal F/Open	A/c Status	T0 – Management units/CC	T1-Proj/Activity	T2-Domors	T3-Staff	T4-P/R
I 1332	CONSULTANTS	Consultants/Associates	B	B						
I 1333	SUNDRY	Sundry Receivable	B	B						Y
I 1334	SUBGRANT	Sub-Grant Advances	B	B						Y
I 1335	CGS	Biotechnology CGS Adv - USAID	B	B		Y	Y	Y		Y
I 1336	CGS	CGS Management CG Adv – EU	B	B		Y	Y	Y		Y
I 1337	AGROGIO	AGROBIO Project Adv - USAID	B	B		Y	Y	Y		Y
I 1338	STAPLES	Staple Crops Project Adv - USAID	B	B		Y				
I 1339	UPSCALING	UpscalingDONATAProjAdv-FARA	B	B		Y				
I 1340	AGROBIO	AGROBIO Projects Adv - MDTF	B	B		Y				
I 1341	PAAP	PAAP Projects Advance - USAID	B	B		Y				
I 1342	STAPLES	Staples Projects Advance - MDTF	B	B		Y				
I 1343	NON-STAPLES	Non-Staples Projects Adv - MDTF	B	B		Y				
I 1344	LIVESTOCK	Livestock Projects Adv – MDTF	B	B		Y				
I 1345	NRM	NRM Projects Advance – MDTF	B	B		Y				
I 1346	PAAP	PAAP Projects Advance – MDTF	B	B		Y				
I 1347	UPSCALING	UpScaling Projects Adv - MDTF	B	B		Y				
I 1400	=====	INVENTORIES=====	B	B	C					
I 1401	OFFICE	Office Stationery & Printing	B	B						
I 1402	COMPUTER	Computer Supplies	B	B						
I 1403	OTHER	Other Material Supplies	B	B						
I 1600	=====	DEPOSITS & PREPAYMENTS==	B	B	C					
I 1610	=====	DEPOSITS=====	B	B	C					
I 1611	COMMUNICAT	Communications	B	B						
I 1612	UTILITIES	Utilities	B	B						
I 1613	OFFICE	Office Rent	B	B						
I 1614	OTHERS	Others	B	B						
I 1650	=====	PREPAYMENTS=====	B	B	C					
I 1651	INSURANCE	Insurance/Health Services	B	B						
I 1652	OFFICE	Office Rent	B	B						
I 1653	SUBSCRIPTION	Subscriptions	B	B						
I 1654	OTHERS	Others	B	B						
I 2000	=====	FIXED ASSETS=====	B	B	C					
I 2100	=====	BUILDINGS=====	B	B	C					
I 2101			B	B						
I 2102			B	B						
I 2200	=====	RESEARCH EQUIPMENT===	B	B	C					

Account Code	Lookup Code	Account Name	Account Type	Bal F/Open	A/c Status	T0 – Management units/CC	T1-Proj/Activity	T2-Domors	T3-Staff	T4-P/R
12201	FIELD	Field Research Equipment	B	B						
12202	LABORATORY	Laboratory Equipment	B	B						
12300	=====	MOTOR VEHICLES=====	B	B	C					
12301	4 W/D	4 W/D Vehicles/Mini Buses	B	B						
12302	SEDAN	Sedan/Saloon	B	B						
12303	MOTOR	Motor Cycles	B	B						
12400	=====	EQUIPMENT=====	B	B	C					
12401	MAIN	Main Frames/Desktop & Monitors	B	B						
12402	PRINTERS	Printers	B	B						
12403	LAPTOPS	Laptops	B	B						
12404	COMMUNICAT	Communication Equipment	B	B						
12405	OTHERS	Others Office Equipment	B	B						
12500	=====	FURNITURE & FIXTURES	B	B	C					
12501	OFFICE	Office Furn./Fixtures	B	B						
12502	HOUSE	House Furn./ Fixtures	B	B						
20000	=====	LIABILITIES=====	B	B	C					
21000	=====	PAYABLE ACCOUNTS=====	B	B	C					
21100	=====	DONORS PAYABLE=====	B	B	C					
21101	MEMBER	Member Institutions	B	B					Y	
21102	OTHER	Other Donors Payable	B	B					Y	
21200	=====	ACCOUNTS PAYABLE=====	B	B	C					
21201	SALARIES	Salaries/Wages Payable	B	B						
21202	TAX	Tax Payable	B	B						
21203	NSSF	NSSF Contribution Payable	B	B						
21204	RENTAL	Rental Payable	B	B						
21205	INSURANCE	Insurance Payable	B	B						
21206	RETENTION	Retention Payable	B	B						
21207	COMMITMENT	Grant-End Commitments	B	B						
21300	=====	SUPPLIERS & OTHERS PAYABLE								
21301	SUBGRANT	Sub-Grants Payable	B	B						Y
21302	COMPETITIVE	Competitive Grants Payable	B	B						Y
21310	OTHER	Other Suppliers	B	B						Y
21400	=====	ACCRUALS & PROVISIONS=====	B	B	C					
21410	=====	ACCRUALS=====	B	B	C					

Account Code	Lookup Code	Account Name	Account Type	Bal F/Open	A/c Status	T0 – Management units/CC	T1-Proj/Activity	T2-Domors	T3-Staff	T4-P/R
21411	ACCRUED	Accrued Expenses	B	B						
21412	ACCRUED	Accrued Staff Gratuities	B	B					Y	
21413	ACCRUED	Accrued Staff Leave Balance	B	B					Y	
21414	ACCRUED	Accrued Staff Home Leave Travel	B	B					Y	
21415	SEVERANCE	Accrued Staff Severance Pay	B	B					Y	
21420	=====	Provisions=====	B	B	C					
21421	COMMUNICAT	Communications	B	B						
21422	UTILITIES	Utilities	B	B						
21423	OTHER	Other Expenses	B	B						
21430	YEAR-END	Year-End Commitments	B	B						Y
30000	=====	FUND BALANCES=====	B	B	C					
31100	INVESTMENT	Investment in Fixed Assets	B	B						
31200	CAPITAL	Capital Reserve Fund	B	B						
31300			B	B						
31400	COMPETITIV	Competitive Grant Fund	B	B						
31500	OPERATING	Operating Surplus/Deficit Fund	B	B						
40000	=====	REVENUES=====	P	B	C					
41000	=====	GRANTS & DONATIONS===	P	B	C					
41100	MEMBER	Member Institutions Contributions	P	B		Y	Y	Y		
41200	INTERNATION	International Donations	P	B		Y	Y	Y		
41300	OTHER	Other Contributions/Grants	P	B		Y	Y	Y		
42000	=====	INTEREST EARNED =====	P	B	C					
42100	CITIBANK UG	Citibank (UG) - Time Deposit	P	B		Y	Y	Y		
42200	CITIBANK NY	Citibank (NY) - Time Deposit	P	B		Y	Y	Y		
42300	STANDARD	Stan Chart - Time Deposit	P	B		Y	Y	Y		
42400	NILE	Nile Bank - Time Deposit	P	B		Y	Y	Y		
43000	=====	OTHER INCOME=====	P	B	C					
43100	SERVICES	Services	P	B		Y	Y	Y		
43200	SALES	Sales Proceeds	P	B		Y	Y	Y		
43300	OVERHEAD	Overhead Income	P	B		Y	Y	Y		
43400	DISCOUNTS	Discounts	P	B		Y	Y	Y		
43500	MISCELLANEOUS	Miscellaneous Income	P	B		Y	Y	Y		
43600	EXCHANGE	Exchange Gain/Loss	P	B		Y	Y	Y		

Account Code	Lookup Code	Account Name	Account Type	Bal F/Open	A/c Status	T0 – Management units/CC	T1-Proj/Activity	T2-Domors	T3-Staff	T4-P/R
50000	=====	EXPENDITURE=====	P	B	C					
51000	=====	PERSONNEL EXPENDITURE	P	B	C					
51100	=====	REGIONAL STAFF SALARIES	P	B	C					
51101	BASIC	Basic Salaries	P	B		Y	Y	Y		
51102	HOUSING	Housing/Security Allowance	P	B		Y	Y	Y		
51103	MEDICAL	Medical Allowance	P	B		Y	Y	Y		
51104	EDUCATION	Education Allowance	P	B		Y	Y	Y		
51105	TRANSPORT	Transport Allowance	P	B		Y	Y	Y		
51106	GRATUITY	Gratuity/Social Security Allow.	P	B		Y	Y	Y		
51107	HOME	Home Leave Travel	P	B		Y	Y	Y		
51108	SEVERANCE	Severance Pay	P	B		Y	Y	Y		
51200	=====	NATIONAL STAFF SALARIES	P	B	C					
51201	BASIC	Basic Salaries	P	B		Y	Y	Y		
51202	HOUSING	Housing Allowance	P	B		Y	Y	Y		
51203	MEDICAL	Medical Allowance	P	B		Y	Y	Y		
51204	EDUCATION	Education Allowance	P	B		Y	Y	Y		
51205	TRANSPORT	Transport Allowance	P	B		Y	Y	Y		
51206	GRATUITY	Gratuity/Social Security Allow.	P	B		Y	Y	Y		
51207	SEVERANCE	Severance Pay	P	B		Y	Y	Y		
52000	=====	SERVICES COST=====	P	B	C					
52001	CASUAL	Casual & Temp. Employee wages	P	B		Y	Y	Y		
52100	=====	CONSULTANCY=====	P	B	C					
52101	FEES	Fees & Honorarium	P	B		Y	Y	Y		
52102	TRAVEL	Travel Expenses	P	B		Y	Y	Y		
52103	PER DIEM	Per diem & Accommodation	P	B		Y	Y	Y		
52104	OTHER	Other Expenses	P	B		Y	Y	Y		
52200	=====	WORKSHOPS/MEETINGS=====	P	B	C					
52201	TRAVEL	Travel Exp. (Air Tickets & Luggage)	P	B		Y	Y	Y		
52202	PER DIEM	Per diem & Accommodation	P	B		Y	Y	Y		
52203	TRANSIT	Other Travel (Visa, Tax, etc)	P	B		Y	Y	Y		
52204	OTHER	Other Meeting Services & Exp	P	B		Y	Y	Y		
52300	=====	COLLABORATIVE PROG. SUPPORT	P	B	C					
52301	SUB-GRANTS	Sub-Grants	P	B		Y	Y	Y		

Account Code	Lookup Code	Account Name	Account Type	Bal F/Open	A/c Status	T0 – Management units/CC	T1-Proj/Activity	T2-Domors	T3-Staff	T4-P/R
52302	COMPETITIVE	Competitive Grants	P	B		Y	Y	Y		
52303	AWARDS	Awards	P	B		Y	Y	Y		
52304	OTHER	Other Grants	P	B		Y	Y	Y		
52400	=====	OTHER SERVICES=====	P	B	C					
52401	AUDIT	Audit Fees	P	B		Y	Y	Y		
52402	LEGAL	Legal Fees	P	B		Y	Y	Y		
52403	OTHER	Other Professional/Admin. Fees	P	B		Y	Y	Y		
53000	=====	MATERIAL SUPPLIES=====	P	B	C					
53001	CONTROLLAB	Controllable Material Supplies	P	B		Y	Y	Y		
53002	STATIONERY	Stationery Supplies & Printing	P	B		Y	Y	Y		
53003	COMPUTER	Computer Supplies	P	B		Y	Y	Y		
53004	BOOKS	Books & Periodicals	P	B		Y	Y	Y		
53005	CLEANING	Cleaning & Office Supplies	P	B		Y	Y	Y		
53006	MISCELLANEOUS	Miscellaneous Supplies	P	B		Y	Y	Y		
54000	=====	GENERAL EXPENSES=====	P	B	C					
54100	=====	RENTAL EXPENSES=====	P	B	C					
54101	OFFICE	Office Rental	P	B		Y	Y	Y		
54102	EQUIPMENT	Equipment Rental	P	B		Y	Y	Y		
54103	OTHER	Other Rentals	P	B		Y	Y	Y		
54200	=====	REPAIR & MAINTENANCE=	P	B	C					
54201	BUILDING	Building Repair & Maintenance	P	B		Y	Y	Y		
54202	EQUIPMENT	Equipment Repair & Maintenance	P	B		Y	Y	Y		
54203	OTHER	Other Repairs & Maintenance	P	B		Y	Y	Y		
54300	=====	VEHICLE RUNNING EXP===	P	B	C					
54301	FUEL	Fuel & Lubricants	P	B		Y	Y	Y		
54302	SPARE	Spare Parts & Repairing	P	B		Y	Y	Y		
54303	INSURANCE	Insurance & Taxes	P	B		Y	Y	Y		
54304	RENTAL	Rental Charges	P	B		Y	Y	Y		
54400	=====	UTILITIES=====	P	B	C					
54401	ELECTRICITY	Electricity & Gas	P	B		Y	Y	Y		
54402	WATER	Water	P	B		Y	Y	Y		
54500	=====	COMMUNICATIONS=====	P	B	C					
54501	POSTAGE	Postage	P	B		Y	Y	Y		
54502	TELEPHONE	Telephone/Fax	P	B		Y	Y	Y		
54503	E-MAIL	E-Mail	P	B		Y	Y	Y		
54504	COURIER	Courier Services	P	B		Y	Y	Y		

Account Code	Lookup Code	Account Name	Account Type	Bal F/Open	A/c Status	T0 – Management units/CC	T1-Proj/Activity	T2-Domors	T3-Staff	T4-P/R
54600	=====	FINANCIAL CHARGES=====	P	B	C					
54601	BANK	Bank Charges	P	B		Y	Y	Y		
54602	EXCHANGE	Exchange Losses	P	B		Y	Y	Y		
54700	=====	MISCELLANEOUS EXPENSES	P	B	C					
54701	INSURANCE	Property Insurance	P	B		Y	Y	Y		
54702	SHIPPING	Shipping & Clearing Expenses	P	B		Y	Y	Y		
54703	PRINTING	Printing & Publishing Expenses	P	B		Y	Y	Y		
54704	RECRUITMENT	Recruitment Expenses	P	B		Y	Y	Y		
54705	OTHER	Other Expenses	P	B		Y	Y	Y		
55000	=====	TRAVEL EXPENSES=====	P	B	C					
55100	=====	LOCAL MISSION TRAVEL==	P	B	C					
55101	AIR TICKETS	Air Tickets/Bus/Taxi Fare	P	B		Y	Y	Y		
55102	PER DIEM	Per diem & Accommodation (DSA)	P	B		Y	Y	Y		
55103	OTHER	Other Travel Expenses	P	B		Y	Y	Y		
55200	=====	INTERN. MISSION TRAVEL=	P	B	C					
55201	AIR TICKETS	Air Tickets & Luggage Charges	P	B		Y	Y	Y		
55202	PER DIEM	Per diem & Accommodation (DSA)	P	B		Y	Y	Y		
55203	OTHER	Other Travel Expenses	P	B		Y	Y	Y		
55204	INITIAL	Initial Appoint./Repat Travel Exps	P	B		Y	Y	Y		
56000	=====	CAPITAL EXPENDITURE====	P	B	C					
56100	BUILDING	Building/ Real Estate	P	B		Y	Y	Y		
56200	RESEARCH	Research & Laboratory Equip	P	B		Y	Y	Y		
56300	MOTOR	Motor Vehicles	P	B		Y	Y	Y		
56400	COMPUTER	Computer Equipment & Printers	P	B		Y	Y	Y		
56500	OFFICE	Communication Equipment	P	B		Y	Y	Y		
56600	OFFICE	Office Furniture, Fixtures & Equip	P	B		Y	Y	Y		
56700	HOUSE	House Furniture, Equip & Fixtures	P	B		Y	Y	Y		
90000	=====	OTHERS=====	P	B	C					
99998	OPERATING	Operating Surplus/Deficit -Current	P	B						
99999	BUDGET	Budget Control	P	B						

Account Types

P = Profit & Loss (Income & Expenditure) C = Creditor
 B = Balance Sheet M = Memo
 D = Debtor T = Client

Appendix 4.4.b Cost Centres and Transaction Analysis Codes

New			
Units/ Cost Centres			
T0	Code	Lookup	Description
	A00	ASARECA	ASARECA All
	B00	=====	Secretariat Core Management=====
	B11	BoD	Board of Directors
	B12	ES	Executive Secretary's Office
	B13	FM	Financial Management Unit
	B14	ADMIN	Administration & HRD Unit
	B15	CPR	Communication & Public Relations Unit
	B16	PRC	Procurement & Contracting Unit
	B17	ICT	Information and Communication Technology Unit
	B20	IA	Internal Audit Unit
	B30	=====	Programme Management & Support=====
	B3		Monitoring, Evaluation Unit
	B3		
	B35	PARTNERSHIPS	Partnerships & Capacity Building
		EAAPP	East African Agricultural Productivity Unit
	B18	GDR	Gender Mainstreaming Unit
	B19	ESS	Environmental and Social Safeguards
	C00	=====	Research Programmes=====
	C11	STC	
	C12	HVNSC	High Value Non-Staples Crops Research Programme
	C13	LFP	Livestock & Fisheries Research Programme
	C14	AGROBIO	Agro-diversity and Biotechnology Programme
	C15	NRM	NRM and Forestry Research Programme
	C16	PAAP	Policy Analysis and Advocacy Programme
	C17	KMUS	Knowledge Management and Up-Scaling & Programme
	G10	EAPGREN	Plant Genetic Resources Network for ECA (EAPGREN)

4.4.c ASARECA Donors Code (Donors Analysis Codes)

New Codes (Revenue)	T2 Code	DONORS	
		Lookup	Description
	000	CORE	Core
	100	=====	Member Institutions=====
41100	101	ISABU	ISABU – Burundi
41100	102	INERA	INERA – D. R. Congo
41100	103	NARI	NARI – Eritrea
41100	104	EARO	EAIR – Ethiopia
41100	105	KARI	KARI – Kenya
41100	106	FOFIFA	FOFIFA – Madagascar
41100	107	ISAR	ISAR – Rwanda
41100	108	ARC	ARC – Sudan
41100	109	DRD	DRD – Tanzania
41100	110	NARO	NARO – Uganda
41100	111	MoAF/GoSS	MoAF/GoSS – South Sudan
	200	=====	International Donors=====
41200	201	WORLD	World Bank-MDTF
41200	202	USAID	USAID/AFR – SD
41200	203	IDRC	IDRC
41200	204	EU	EU
41200	205	CTA	CTA
41200	206	USAID	USAID/REDSO – ESA
41200	207	SIDA	SIDA – Sweden
41200	208	SDC	SDC – Switzerland
41200	209	AFDB	AfDB
41200	210	DANIDA	DANIDA – Denmark
41200	211	FAO	FAO
41200	212	GTA	GTZ
41200	213	MSU	Michigan State University (MSU)
41200	214		Christian Bonte-Friedheim
41200	215	CIAT	CIAT
41200	216	IFAD	IFAD
41200	217	CORNELL	Cornell University (ABSPII)
41200	218	FARA	Forum for Agri. Res. in Africa (FARA)
41200	219	IPGRI	Biodiversity International
41200	220	DFID	Department for Intern'l Dev't - UK
41200	221	HARVEST PLUS	Harvest Plus – CGIAR Bio-fortification CP

New Codes (Revenue)	T2 Code	DONORS	
41200	222	USAID	USAID-East Africa – Phase-II
41200	223	CIDA	CIDA Fund throu FARA
41200	224	IFPRI	Inter'n Food Policy Research Institute
41200	230	USDA	USDA – Goats Project
41200	231	BMGF	Bill and Mellinda Gates Foundation (BMGF)
41200	232	CIMMYT	CIMMYT
41200	233	CORAF	CORAF/WECARD
41300	299	OTHER	Other Donors

Policy objective

To ensure that:

1. Receipts from donors are properly booked and accounted for;
2. Donor funds are spent in accordance with the terms and conditions of the Grant Agreement; and
3. Funding from the donors is prudently and efficiently utilised for the intended purpose.

Policy Statement

1. All Grant funds from donors must be confirmed and/or received before ASARECA commences spending on activities.
2. All funds from donors shall be properly utilised on planned activities and in accordance with the terms and conditions outlined in the Grant Agreements with the respective donor.

Documents

The following are the key documents that shall be used to guide the process of grants management:

- Grant Agreements
- Periodic financial management reports
- Technical Progress reports

Responsibility

- Executive Secretary
- Head of Finance(HoF)
- Theme Leaders/Heads of Units

Procedures

1. ASARECA shall ensure receipt of funds or commitments from donors before starting spending and entering any commitments.
2. All funds at the secretariat shall be managed by the Finance Unit in accordance with laid down procedures in this operations manual and the grant agreement with donors.
3. Procedures of request for funds as detailed in section **4.8** of this manual shall be followed.
4. ASARECA shall open designated bank accounts for donor funds as applicable to ensure smooth management of the donor funds and the accounts shall be operated following the procedures detailed in section **4.7** of this manual. The ES and HoF shall be responsible for proper maintenance of the donor specific bank accounts.
5. Upon receipt of funds from the donor, the **Head of Finance** shall review the grant agreement, ascertain the purpose of the funding and act accordingly. The funds may be used to support projects or operational costs of the Secretariat and programme management units such as rent, communication cost, salaries, other supportive activities, etc.
6. The **HoF** shall put in place measures to maintain proper financial records and books necessary for the operation of the donor accounts and shall ensure availability of these records as and when the donor needs to look at them.
7. The **HoF** shall be responsible for approving and disbursing all documented expenses and cash advances following the procedures detailed under sections **4.9.1** to **4.9.6** of this Operational manual.

8. The **Executive Secretary** shall ensure all other procedures set forth in this manual and in the donor agreement are followed and complied to.
9. ASARECA shall submit periodic financial and technical progress reports to the respective donor in accordance with the grant agreement.
10. At the completion of the project/programme, but before the closure date⁵ of the donor grant, the **HoF** shall ensure that all commitments to and from third parties are settled and arrangements for closure have been made. No expenditure shall be incurred or payment made after the completion date of a project/programme unless such expenditure/payment has been specifically agreed to with the donor prior to the grant closure date.
11. All essential expenditure that are intended to bring the project to completion and grant closure to a logical conclusion must be committed before the project completion date and paid out before the grant closure date. Such expenditure may include audit fees, stakeholders' project appraisal meeting and project evaluation costs and shall be treated as project/programme expenditure provided such expenditure are budgeted for and agreed upon with the donor before grant closure date.
12. When the circumstances under 11 above are envisaged, a commitment accrual (escrow) account shall be opened to charge the accrued expenditure of audit fees, final workshop and/or project evaluation costs. Such accrual account of commitments shall be paid out and closed by the end of the grant closure date.
13. Funds that shall remain unspent by the closure date of the grant agreement shall be returned to the donor.
14. All assets that shall have been acquired for a specific project/programme (including those acquired by sub grantees) shall remain as property of ASARECA, after completion of the project/programme. Such assets/property shall be managed under procedures outlined under section, **5.4 to 5.6** and **6.7** (Disposal procedures) in this manual.

Key Control Processes

1. A Grant Agreement/contract shall be signed with the respective donor for each programme/project being implemented.
2. Funding received from a particular donor shall be kept and managed in a designated bank account as applicable.
3. Periodic *financial* and *technical Progress reports* shall be prepared by ASARECA and submitted to respective donor in accordance with the Grant agreement.
4. All activities funded by ASARECA shall be audited.

⁵ Project completion date is the last day of donor funded project, while grant closure date is normally 2-3 months after the completion date of a project.

Policy Objectives

To ensure:

1. That budget and activity work plans that facilitate allocation of resources according to ASARECA activity priorities are developed;
2. Budgetary control and discipline in financial management;
3. Goal congruence among all units/themes/;
4. Timely and accurate preparation and submission of work plans and budgets;
5. Regular monitoring of budget performance;
6. Timely generation of budget information and monitoring reports; and
7. That the reporting requirements of the various stakeholders are met.

Policy Statement

1. ASARECA shall ensure that funds are either received or commitments confirmed from donors before formulating annual budgets.
2. The actual formulation of budgets shall be undertaken based on ASARECA's Operational Plan, activity priorities and available financial resources and shall be inline with the grant agreements.
3. ASARECA's system of budget & budgetary control shall ensure that timely preparation and submission of budgetary performance reports is achieved to facilitate effective budget performance and monitoring.

Documents

The following are the key documents that shall be used to guide the process of budget preparation and monitoring:

- Budget requests/proposals
- Grant Agreements
- Sub-Grant Agreements/contracts
- Budget templates
- Work plans
- Strategic plan
- Operational plan
- Budget performance analysis reports

Responsibility

- Executive Secretary (ES)
- Head of Finance
- Theme Leaders/Heads of Units
- Senior Accountant
- Sub grantees

Procedures

Section A: Budget Preparation & Approval Processes:

The basic approach to budgeting shall take into account the following:

1. Work plans for the themes/units and/or projects shall be prepared before commencing the budgeting process;
2. Availability of funding for the planned theme/unit and/or project activities, Operation costs and capital expenditure (Grants must either be pledged or confirmed); and

3. Allocating money to project activities and themes or units to the extent of available funds and confirmed pledges.

Theme/ Unit/ Project Budgets Preparation & Approval:

1. The Theme Leaders and Heads of Units shall prepare and submit proposed work plans and budgets for Operating expenditure, project expenditure and capital expenditure for their respective themes/units/projects. The work plans and budgets shall take into account the set objectives and outputs of each programme/project.
2. The work plans and budgets shall be submitted as budget requests/proposals to the Head of Finance for review **before the end of September** each year (refer Timeline Table below).
3. The budgets for each theme/unit/project for each year shall be based on the objectives and policy guidelines as set out in the Strategic plan and the Operational plan.
4. The following shall be considered during the preparation of proposed work plans and annual budget for each theme/unit/project.
 - i. The strategies and detailed work plans to meet the set objectives shall be formulated.
 - ii. The budgets shall be set in accordance with the objectives, goals and targets as outlined in the Strategic and Operational plans.
 - iii. Costs shall then be estimated for the intended activities in the agreed *work plans* for the year.
5. The **Head of Finance** shall receive the budget requests/proposals and discuss the proposed work plans and budgets with the respective Theme Leaders or Heads of Units to:
 - i. Ensure that the *work plans* and *budgets* are consistent with the respective theme/unit/project objectives as outlined in the Strategic plan and the Operational plan
 - ii. Check and ensure that the budgets for each theme/unit/project have been prepared within the set parameters and agree to the work plans.
 - iii. Provide technical support to all the Budget holders in preparation & compiling the budgets.
 - iv. Evaluate and prioritise the budgeted activities against the available funding sources.
 - v. Seek explanations and clarifications from Theme Leaders//Heads of Units.
 - vi. Revise the *work plans* and *budgets* in line with the respective themes/units/project's requirements and available resources.
6. The budgetary process of resource allocation to themes, units or projects activities shall be consistent with the expenditure as classified in the chart of accounts for operating and capital budget.
7. The **Head of Finance** shall be responsible for the preparation of the budget for the Operating expenditure and capital expenditure for overall ASARECA. The budget for Operating expenditure shall consist of estimated recurrent expenditures which include expenses to be incurred and materials to be consumed within the budget year by budget/cost centre. The budget for Operating expenditure shall be divided into the following categories;
 - i. **Personnel costs** shall include the full cost of regional staff, regional collaborative programme scientists and national support staff

- ii. **Service costs** covering professional service costs such as audit, legal and administrative fees.
 - iii. **Material costs** shall include the full cost of material supplies for field activities and office operations such as stationery, printing materials, computer software & supplies, cleaning materials etc.
 - iv. **General expenses** consist of general and miscellaneous research and office running costs including rentals, repairs, utilities, communications and vehicle running expenses.
 - v. **Capital expenses** represent tangible assets whose benefits accrue for a period of more than one year. Examples of these include buildings, equipment, vehicles and furniture valued at US\$ 1,000 and above.
8. In addition to project budgets, the Theme Leaders/Heads of Units shall be responsible for determining the following costs and afterwards submit to the Head of Finance;
 - i. **Service costs** covers expenditure for other personnel e.g. consultants, casual labour etc, conference and training costs, data and laboratory analysis costs and professional service costs such as audit, legal and administrative fees.
 - ii. **Travel cost** shall include the full costs of planned local and international travels, consisting of air tickets, accommodation, per diems etc
9. The Head of Finance shall then compile the budgets for theme/project expenditure, Operating and capital expenditure into the consolidated annual budget and submit this to the Executive Secretary for review and endorsement. The consolidated budget shall be submitted for final approval by the Board of Directors (BoD) at its annual meeting usually held in late fourth quarter each year.
10. Upon approval by the Board of Directors, the Head of Finance shall communicate the approved budgets to all Theme Leaders/Unit Heads before the beginning of the financial year, and passes to the Senior Accountant to capture the budget on to the accounting system.
11. The Senior Accountant shall input the approved budget into the accounting system based on the relevant account and analysis codes, such as expenditure, budget/cost centre, donor and project codes for budgetary monitoring and control purposes.
12. Once the annual budget is approved, budget reallocations e.g. from operating expenditure to capital expenditure or from project to operating expenditure are not allowed unless a written justification is submitted to and approved by the **Executive Secretary and/or Head of Finance**, provided that the anticipated actual expenditure does not exceed the total annual approved budget of a given cost centre or programme/project.
13. Additional budget request over and above the already approved budget shall only be approved by the **Board of Directors** through the Executive Secretary, taking into account availability of funds.

Projects Budget Preparations (Implemented by Sub-Grantees):

1. The respective Sub-grantee shall submit their proposed detailed work plans and budgets to **Theme leaders/ Heads of Units** before the end of the third quarter to be timely included in the respective programme/unit annual budget.

2. The **Theme Leaders//Heads of Units** shall receive the proposed *work plans* and *budgets* and perform the following:
 - i. Ensure that the *work plans* and *budgets* are consistent with the objectives of the approved project activities to be implemented by the respective Sub-grantees and are in conformity with Sub-Grant Agreements/contracts.
 - ii. Check and ensure that the budgets submitted by the Sub-grantees have been prepared within the set parameters and agree to the work plans.
 - iii. Evaluate and prioritise the budgeted activities.
 - iv. Seek explanations and clarifications from the Sub-grantees.
 - v. Revise the *work plans* and *budgets* in line with the respective Sub-grantee's requirements and resources.
 - vi. Approve the work plans and budgets, and incorporate into the theme/unit budgets.

NB: The Theme Leaders/Heads of Units shall endorse the budgets as evidence that budgets have been reviewed, and keep records for subsequent reviews.

3. The **Theme Leaders/Heads of Units** shall not take longer than 2 weeks to review and approve the respective budgets from the Sub-grantees and incorporate into their theme/unit budgets.
4. Upon finalizing the work plans and budgets, the **Theme Leaders/Heads of Units** shall submit their theme/unit budgets to the Finance Unit and the **Senior Accountant**-shall further perform the following verifications;
 - i. Check the arithmetical accuracy of the budgets and confirm value for money.
 - ii. Check and ensure that the budgets for the projects are in accordance with the donors' grant agreement with ASARECA and agree with the work plans.
5. Once the **Senior Accountant**/ Project Accountant has checked, the budget shall be submitted to the Head of Finance who shall incorporate to the overall ASARECA budget.
6. The **Head of Finance** shall also forward the project budgets of all themes/units to the **Executive Secretary** for his review and endorsement before finalizing and presenting the annual consolidated budget to the Executive Secretary.

Section B: Budget Revisions

1. The **Head of Finance** shall hold quarterly meetings with the Theme Leaders/Heads of Units to review the budget performance and if necessary for budget re-allocations within the approved budget.
2. The following shall be considered when reviewing the budgets;

- i. Whether there are any changes in the objectives, goals and targets that were originally set;
 - ii. Whether there are any changes in the previous requirements and available resources.
3. Once the revisions have been agreed on, the budgets shall be updated with the revisions and submitted together with the budget performance report to the **Executive Secretary** for review and approval.
4. If the revised budget is substantial and deviates from what the BoD approved, approval for the revised budget shall be sought from the **BoD** through the **Executive Secretary**.
5. Upon approval, the revised budget shall be distributed to the **Theme Leaders/Heads of Units** by the **Head of Finance**.
6. The **Senior Accountant** shall then update the accounting system with the revised budgets.

Section C: Budget Monitoring and Reporting

1. All Theme Leaders/Heads of Units shall monitor the utilization/consumption of their budget and ensure that expenditures incurred are in line with the agreed activities in the work plans and that there are adequate funds to pay for these.
2. The **Senior Accountant/ Project Accountant** shall prepare *budget performance analysis reports* for each cost center on a quarterly basis comparing actual expenditure against the budget while providing financial analysis and budget commentary. These shall be submitted to respective Theme Leaders/Heads of Units to facilitate budget monitoring and evaluation.
3. The *budget monitoring reports/budget performance analysis reports* shall be submitted by the **Senior Accountant/ Project Accountant** to the respective Theme leaders/Heads of Units by the 15th day following the quarter under review.
4. The **Senior Accountant/ Project Accountant** shall also prepare a consolidated budget performance report and submit for review and approval by the **Head of Finance**, who shall then submit to the **Executive Secretary** with copy to all management units.

The timelines in the Table below will be observed:

Timelines for Annual Budget Preparation:

Timing	Prepared by	To who
Mid(15) September	Finance distributes Budget Templates with Zero draft for operational and activity costs	Budget Holders
Last week (20 - 30) of September	In consultation with their team & partners, Budget Holders finalize their projects and activities budget and submit	Head of Finance
1 – 30 October	Head of Finance to review the budget in consultation with each budget holder, and prepare consolidated and balanced budget in conformity with the secured funding	a) Budget Holders b) Management Meeting c) Executive Secretary
1st week (1- 7) of November	Head of Finance issues the final consolidated budget and submits	Executive Secretary
10 - 15 November	ES circulates the annual draft budget together with the Annual Work Plan	Donors & Board Members
Last week of November to Mid December	ES & Head of Finance tables the annual consolidated and balanced budget for final approval	Board of Directors Meeting

Key Control Processes

1. Every Theme Leaders/Head of Unit has the responsibility to prepare and submit an annual budget for their respective theme/unit/project in time for inclusion in the consolidated annual ASARECA budget.
2. A consolidated budget shall be approved by the Bod before the commencement of the year being budgeted for.
3. The **Head of Finance** shall ensure that quarterly budget monitoring reports/budget performance analysis reports are produced and circulated to the Executive Secretary and all Theme Leaders/Heads of Units.
4. All annual budgets shall be prepared and reviewed by the **Head of Finance**, cleared by the **Executive Secretary**, and approved by the **Board of Directors**.
5. The authority to reallocate budgeted funds is vested in the **Executive Secretary**. However, this can be delegated to the **Head of Finance**. Additional request over and above the already approved budget **shall only be approved** by the **Board of Directors**.

Policy Objectives

To ensure that:

1. Opening and closure of bank accounts are jointly signed by the **Executive Secretary and the Head of Finance**.
2. A separate cash book is maintained for each bank account and reconciliation statements shall be prepared on a monthly basis.
3. All non reconciling items are identified, investigated and properly adjusted for in the books of account.

Policy Statement

All staff shall comply with the following general principles:

1. A bank account shall only be opened or closed with the joint authorisation of the Executive Secretary and the Head of Finance.
2. Monthly bank reconciliation statements for all bank accounts shall be prepared by the 7th day of the following month and shall be reviewed by Senior Accountant and approved by the Head of Finance.

Documents

The following are the key documents that shall be used to guide the process of bank accounts management:

- Bank signatories mandate
- General rules for Electronic Banking Payment Systems
- Bank account statements
- Bank account reconciliation statements
- Cash books
- Cheque Books

Responsibility

- Executive Secretary
- Head of Finance
- Head of Administration
- Senior Accountant
- Accountant
- Senior Technical Officer – M & E
- All finance unit staff

Procedures

ASARECA shall open and maintain foreign and local currency bank accounts to facilitate its operations.

A. Bank Account Signatories:

1. All bank accounts shall only be operated with joint signatures of authorized signatories drawn from the list of signatories in **Category "A"**, **Category "B"**, **Category "C"** and **Category "D"** as shown in Appendix 4.7a: ASARECA Authorized Bank Signatories.
2. The Executive Secretary and the Head of Finance are mandated jointly by the BoD to jointly open and/or close the ASARECA Bank Accounts.

B: Opening and closure of bank accounts:

1. The **Head of Finance** shall submit a request to the Executive Secretary for approval to either open or close a bank account. The request shall indicate the following information:
 - a. Reason for opening or closing the account;
 - b. Proposed signatories;
 - c. The Name and Branch of the bank;
 - d. Nature of account; and
 - e. Proposed account title.
2. Upon approval of the request, the **Head of Finance** shall prepare and submit a letter to the bank for opening or closure of a bank account. The letter shall be signed by both the Head of Finance and the Executive Secretary and shall include the names and specimen signatures of the other authorized signatories.
3. Once confirmation received for the newly opened bank account and cleared by the **Head of Finance**, the **Senior Accountant** shall capture the details of the bank account into the Accounting system and the **designated Accountant** shall open and maintain a separate cash/bank book for the new the bank account.

C: Bank reconciliation statements:

1. The designated **Accountants (Project Accountant, Accountant, Assistant Accountant and Accounts Assistant)** shall prepare monthly *bank reconciliation statements* for all bank accounts for which they are responsible.
2. The designated Accountant shall carry out the following when preparing the bank reconciliations;
 - a. **Unpresented cheques :**
 - i. Follow up un-presented cheques for subsequent clearance;
 - ii. Prepare a list of all *stale cheques* and submit to the Head of Finance for review and decision.
 - iii. Investigate and upon approval reverse all stale cheques, if any.

b. Uncredited Deposits/Deposits in Transit

- i. Uncredited deposits or deposits in transit are cash transfers or cheque receipts deposited in bank accounts, but uncredited in ASARECA accounts by banks.
- ii. The designated Accountant shall reconcile receipts in the cashbook against those in the bank statement on a monthly basis (weekly for accounts where internet based banking is applied), investigate and identify uncredited deposits or deposits in transit).

c. Direct Credits

- i. Direct credits may represent remittances of funds by donors or others or earned interest that are directly credited to ASARECA bank accounts.
- ii. The designated Accountant shall reconcile all receipts in the cashbook against those in the bank statements directly credited by banks on weekly basis to identify and compile a list for review by the Senior Accountant and raise the relevant accounting entries for approval by the Head of Finance.
- iii. The designated Accountant shall check, identify all bank interest credited to bank accounts and submit to the Senior Accountant for review and Head of Finance for approval before the relevant entries are passed.

d. Direct Debits/Charges:

- i. The direct debits/ charges shall be identified and verified by the designated Accountant who shall then raise the relevant entries upon review by the Senior Accountant and approval by the Head of Finance for posting into the Accounting system. These may represent the following:
 - Standing payment orders (e.g. suppliers' payments)
 - Standing transfer payment orders (e.g. staff salary); and
 - Direct bank charges or commissions.
2. The designated Accountant shall then submit the *bank reconciliation statements* for review by the **Senior Accountant** by the **7th day** following the month end.
3. The *bank reconciliation statements* shall be checked by the **Senior Accountant** and submitted to the **Head of Finance** for approval by the **10th day** following the month end.

D: The Electronic Banking System (EBS)/Electronic Fund Transfer (EFT):

General Rules and Guidelines for EBS Users:

1. The Head of Finance and the Executive Secretary are authorized security managers for electronic banking system and are responsible for the following:
 - Appoint Signatories and System Users.
 - Create, delete or modify User functional access profiles.
 - Enable and disable Signatories & Users identifications.
 - Create, delete or modify customer managed Libraries.
 - Complete, amend and/or supplement EFT system implementation forms and other forms as may be deemed necessary by Banks from time to time.
 - Notify Banks when it is suspected that security has been compromised.
2. The **Head of Finance** shall issue a copy of the general rules and guidelines to each electronic banking system user to guide them when using the electronic banking system.
3. Each user shall ensure that the general rules and guidelines provided to them are adhered to and shall be kept confidential.
4. The user shall immediately notify the Bank, the ES and/or the HoF if he/she becomes aware that his/her identification code or password has become disclosed to any other person.
5. Each user shall be liable for any direct or consequential loss arising from use of his/her identification code or password by any other person.
6. All users shall ensure that their passwords are changed immediately upon receipt from the Bank, and further ensure that their password are changed at least every 30 days or as recommended by the Bank.
7. The User shall ensure that his/her password is not disclosed to any other person and that the password shall be strictly controlled and used only by him/her.
8. All users shall ensure safe use and maintenance of the software and hardware provided by the Bank and ASARECA.

9. All users shall indemnify and hold ASARECA harmless at all times from all losses, damage, costs, claim or proceedings that they may suffer directly or indirectly while using the electronic banking system.

System Access Authorized Users and Mandates

Access to the Electronic Banking System (EBS)/Electronic Funds Transfer (EFT) shall only be exercised by the authorized users as listed in the table below.

1. The following are the current Authorized Users’ Functional Access Profiles and Amount Authorization Limits to the Electronic Funds Transfer (EFT):

Level of Authorization	Authorized Users & Signatories	Amount Limits
Input & Modifying	<ul style="list-style-type: none"> • Accounts Assistant • Assistant Accountant • Accountant • Project Accountant 	<ul style="list-style-type: none"> • No Limit • No Limit • No Limit • No Limit
Verifying Payments	<ul style="list-style-type: none"> • Senior Accountant • Accountant • Project Accountant 	<ul style="list-style-type: none"> • No Limit • No Limit • No Limit
1st Level Authorization	<ul style="list-style-type: none"> • Senior Accountant • Accountant • Project Accountant • Head of Finance • Theme leaders 	<ul style="list-style-type: none"> • US\$ 25,000 Maximum • US\$ 25,000 Maximum • US\$ 25,000 Maximum • No Limit • US\$ 100,000 Maximum
2nd Level Authorization	<ul style="list-style-type: none"> • Head of Administration • Senior Technical Officer - M & E • Executive Secretary 	<ul style="list-style-type: none"> • US\$ 100,000 Maximum • US\$ 50,000 Maximum • No Limit
Release Authorization	<ul style="list-style-type: none"> • Head of Finance • Senior Accountant • Head of Administration • Executive Secretary 	<ul style="list-style-type: none"> • No Limit • US\$ 25,000 Maximum • US\$ 100,000 Maximum • No Limit

Any of the authorized inputers indicated above can input and modify data in the EBS. The user who inputs the data shall always print the transaction initiation report, stamp it and sign this accordingly. The stamp shall contain the following elements to enable other authorised users sign on the transaction initiation report:

ASARECA Electronic Payment		
Payment signed by	Signature	Date
Transaction capturer		
Verifier		
1 st Authorizer		
2 nd Authorizer		
Releaser		

2. The user that captures the data shall then forward the transaction initiation report together with the support documents to the appropriate authorized verifier as indicated in the table above
3. The data that is captured shall be verified by an independent authorized verifier who will also sign the transaction initiation report and forward it together with the support documents to an independent authorized 1st Level Authorisation officer as indicated in the table above.
4. The 1st level authorisation officer shall undertake the 1st level authorization of the payments subject to the amount limit of the authorization level as indicated in the table above, and forward the transaction initiation report together with the support documents to the 2nd level authorisation officer for final Authorisation.
5. The 2nd level authorizing officer shall undertake the 2nd level authorization of the payments subject to the amount limit of the authorization level as indicated in the table above, and forward the signed transaction report to the respective releasing officers.
6. The following rules apply to all users and authorizers for processing payment transactions:
 - a. Authorized users designated both as an Inputer and Verifier can either input transactions or verify transactions, but are not allowed to do both;
 - b. Users designated as both Verifier and 1st Level Authorizers can not verify and at the same time authorize transactions, but can only verify or authorize;
 - a. Users designated as both 1st Level Authorizers and 2nd Level Authorizers can only authorize as the 1st Level or the 2nd Level, but cannot authorize at both levels for any payment transaction.

E: Cheque book security

The following precautions shall be exercised over the security of cheque books:

- a. Cheques shall **Never** be pre-signed, but shall be signed only after details of the payee and payment amount have been completed and submitted to authorized signatories with support documents;
- b. Cheques shall be used/issued following their serial numbers/sequence and shall be recorded both in the cheque register and bank books;
- c. For each bank account, only one cheque book shall be in use at any one time;
- d. Soiled or “void” cheques shall be retained in the cheque stubs and fully used stubs shall be kept by the **Head of Finance**; and
 - a. All cheque books not in use shall be kept in a safe by the **Head of Finance**.

Key Control Processes

1. The **BoD** shall approve all the authorised signatories to ASARECA bank accounts.
2. The **Head of Finance** shall approve and sign off all bank reconciliations prepared on a monthly basis.
3. The correspondences for opening and closing of bank accounts shall be kept by the Head of Finance.
4. All electronic banking system users shall keep their passwords and identification codes confidential.
5. All correspondences with respect to appointment and change of authorized signatories shall be kept by the Head of Finance.

APPENDIX 4.7a: ASARECA AUTHORISED BANK SIGNATORIES

a. For all bank accounts of the Secretariat, the following personnel are joint signatories for release and movement of funds as per the conditions and restrictions stipulated under (b)

Category-A Signatories	Authorized Amount Limits
i. Head of Finance	No Limit
ii. Executive Secretary	No Limit
Category-B Signatories	
i. Head of Administration	US\$ 100,000 Maximum
ii. Theme leaders	US\$ 100,000 Maximum
Category-C Signatories	
i. Senior Technical officer - Monitoring & Evaluation	US\$ 50,000 Maximum
Category-D Signatories	
i. Senior Accountant	US\$ 25,000 Maximum
ii. Accountant	US\$ 25,000 Maximum
iii. Project Accountant	US\$ 25,000 Maximum

b. Conditions and restrictions

- i. The Signatories under Category-A are the only ASARECA authorized signatories that can open and/or close bank accounts for ASARECA operations.
- ii. Signatories under Category-A can sign jointly for any amount. They can also jointly sign individually with signatories from either Category-B or C. The Executive Secretary can also jointly sign with Category-D, however the Head of Finance can not sign with Category-D signatories.
- iii. Category-B signatories can sign with any one of the signatories from Category-A and D to a maximum amount of US\$ 100,000 or equivalent in other currencies. Category-B signatories cannot sign together nor sign with Category-C signatories.
- iv. Category-C signatories serve as relief or alternate signatory during the absence of signatories under Category-B and can sign jointly to a maximum amount of US\$ 50,000 or equivalent in other currencies. Category - C signatories can not sign together nor sign with signatories from Category-B.
- v. Category-D signatories serve as a relief or alternate signatory to the Head of Finance to a maximum amount of US\$ 25,000 or equivalent in other currencies. Category-D signatories can co-sign with all signatories except with the Head of Finance A (i), and can not sign together.
- vi. In all cases, all payments have to be checked, approved and signed by the Head of Finance or in his/her absence by his/her authorized designate.
- vii. For transfer payments between ASARECA Bank accounts or inter-account transfers, signatories under Category-B and C can co-sign with Category-A signatories with no amount limits.

c. The Board of Directors can however amend or change and/or delegate additional signatories as deemed necessary and appropriate.

Policy Objectives

To ensure:

1. Request for funds are adequately supported and submitted to the respective donor in a timely manner;
2. All fund receipts from donors are recorded accurately and promptly in the books of account;
3. All other cash receipts and cash advance refunds are recorded accurately in the books of account; and
4. That there is timely acknowledgment of receipt of funds from the various sources.

Policy Statement

All requests for funds shall be submitted timely by the Head of Finance to the donors and members and all funds received from the various sources shall be separately recorded accurately and timely.

Documents

The following are the key documents that shall be used to guide the process of requesting and receipt of funds:

- Grant Agreements
- Relevant budgets and work plans
- Cash flow forecasts/Financial plans
- Withdrawal applications/Fund request letter
- Acknowledgment of Fund Receipts
- Cash books
- Bank statements & Reconciliation statements
- Monthly reconciliation statement of funding sources and applications or uses.

Responsibility

- Head of Finance
- Senior Accountant
- Theme Leaders/ Heads of Units
- Programme Assistants
- Accountant
- Assistant Accountant

Procedures

1. ASARECA shall open and maintain foreign currency accounts for receiving all incoming funds in foreign currency from donors.
2. The **Head of Finance** in liaison with the **Theme Leaders/Heads of Units** shall prepare and submit a withdrawal application/fund request letter to the donor in accordance with the terms and conditions in the Grant Agreement with the respective donor.
3. All the withdrawal applications/fund request letters shall indicate the relevant ASARECA bank account details to which the funds shall be remitted.
4. Funds that are received by direct transfer to bank accounts shall be verified by the **Senior Accountant** against the withdrawal application/letter of request or the grant agreement to ensure that the correct amount has been credited to the bank account.

5. Funds that are received from cash refunds with respect to unspent business advances shall be received by the respective **Accountant** together with accountability documents and banked to the relevant bank accounts the following working day by the Accountant.
6. All funds received from donors shall be acknowledged by issuing letters of acknowledgment. A serially numbered official receipt shall be used to acknowledge cash refunds from business advances.

NB: All staff shall ensure that they collect cash receipt for any money paid or refunded to Finance from the respective Accountant.

7. The respective **Accountant** shall raise a serially numbered *coding slip/journal voucher* for the various funds that are received and credited to the bank for posting of the receipts into the general ledger and submit to the **Senior Accountant** for review and to the **Head of Finance** for approval.
8. The **Senior Accountant** shall verify and sign the *coding slip/journal voucher* for completeness and accuracy and submit to the **Head of Finance** for approval.
9. Upon approval of the *coding slip/journal voucher* by the **Head of Finance**, the **Senior Accountant** shall post the transaction entries and update the relevant ledger accounts in the accounting system with details of the approved *coding slip/journal voucher*.

Key Control Processes

1. All withdrawal applications/request for funds shall be submitted periodically and receipt of funds shall be acknowledged promptly once funds have been credited to the bank account. An official receipt shall be issued for cash refunds by staff.
1. A bank credit advice shall be obtained from the bank by the Senior Accountant to verify and confirm the amount sent by the donor.
2. Bank reconciliations for all bank accounts shall be prepared by designated **Accountants**, reviewed by the **Senior Accountant** and approved by the **Head of Finance** on a monthly basis.
3. All cash receipts shall be banked by the respective **Accountant** promptly or the following working day.

Policy Objectives

To ensure that:

1. All payments are duly authorised by responsible officers in compliance with the levels of authority;
2. All payments are budgeted for and fully supported by valid documents;
3. All payments comply with negotiated terms and due dates; and
4. Payments are timely processed and accurately recorded.

Policy Statement

All staff members shall comply with the following general principles:

1. All payments shall be made for the operations and activities of ASARECA and responsible staff shall ensure that there is value for money; and
2. All payments shall be duly authorised against availability of funds and approved budgets.

Documents

The following are the key documents that shall be used to guide staff during the disbursements process;

- The purchase requisition form
- Advance request form
- Invoices, Professional fee notes, demand notes etc...
- Local and Foreign purchase order(LPOs/FPOs)
- Goods received note (GRN)
- Payment vouchers
- Transaction initiation report
- Delivery Notes
- Petty cash replenishment schedules
- Signed Sub-Grant Agreements/contracts
- Service Contracts/agreements with consultants
- Minutes, agreements etc.
- Contracts, certificate of completion for works, etc.
- Reports from consultants
- Financial accountabilities from Sub-grantees

Responsibility

- Executive Secretary
- Head of Finance
- Senior Accountant
- Authorized Signatories
- Budget holders
- All Accountants
- All staff

General guidelines

1. Payment Requisitions shall include but not be limited to the following:
 - a. Disbursements to Sub-grantees

- b. Payments for consultancy and professional services
 - c. Payments for goods and services (including but not limited to stationery, transport, repairs & maintenance etc...)
 - d. Payment for procurement of major items, works
 - e. Request for funds for staff travel (including the charter of flights)
 - f. Business advances for approved/planned workshops
 - g. Payment for office running costs (e.g. rent, utilities, fuel advances etc.)
 - h. Petty cash replenishments
1. Payment for transactions denominated in foreign currencies shall be made from the respective foreign currency accounts. ASARECA shall also maintain a local currency account (Operations account) to facilitate the payment of transactions emanating from the local currency (Uganda Shilling).
 2. All payments to third parties in excess of Uganda Shillings One hundred fifty thousand (UGX 150,000) shall be made by cheque or by bank electronic funds transfer (EFT).
 3. All payments for invoices from suppliers, service providers and sub-grantees shall be made by cheque or by bank electronic funds transfer (EFT).

Procedures

A. Requisition for Payments

1. The user/requester shall prepare a *payment requisition* with details of payment and attach the relevant support documents e.g. a copy of the Sub-Grant Agreement, workshop budget schedule, approved mission travel, etc. duly cleared by budget holders.
2. All payment requesters **must** indicate on their requisitions the, project and funding sources.
3. The *payment requisition* and the relevant support documents shall then be submitted to the **Head of Finance** for approval. The requisition together with the support documents shall be reviewed and approved by the Head of Finance who shall approve the requisition by appending his/her signature and date.
4. For planned theme/unit activities such as workshops, meetings, staff duty travels, etc., the payment requisitions shall be prepared and submitted at least **5 working days** before the date funds are required.
5. If the payment requisitions are complete and all requirements are met including *name of budget centre, project name or code, funding sources, etc.*, the Finance Unit shall ensure that payments are made within the 5 working days.
6. The approved *requisition* shall be forwarded to the **Senior Accountant** who shall further forward to respective Accountants to process payment.
7. The respective **Accountant** shall be responsible for checking the *payment requisition* to ensure that it is supported by adequate supporting documents e.g. invoice, purchase order, delivery note, goods received note (GRN), fee note, final reports from consultants, Sub-grant agreement (*for disbursements to Sub-grantees*), financial accountabilities from Sub-grantees and that the expenditure is budgeted for and requisition clearly identifies the chargeable theme/unit, project and funding source.

8. The **Accountant** shall ensure that the *payment requisition* has been authorised by the relevant **Theme leader/Head of Unit** and approved by the **Head of Finance**. The **Accountant** shall also confirm that there are no outstanding and due accountabilities from staff members submitting the requisitions for payment of business advances.

NB: In the event that there are outstanding and due accountabilities, it shall be brought to the attention of the **Head of Finance** for his appropriate decision.

9. For payment requests to external consultants, the **Accountant** shall obtain confirmation from the relevant **Theme Leader/Head of unit** that all work has been completed in accordance with the contract.

NB: Under no circumstances shall payment be made to consultants without confirmation of deliverables

10. And certification of completion by the contracting authority. (*Refer to section 6.5 for detailed procedures for contracting consultants*).
11. For payment requests to Sub-grantees, the **Accountant** shall ensure that financial accountability and other reporting requirements have been completed and supported satisfactorily. The contract reference number, the theme/unit, project and the funding source must be quoted on the requisition. For disbursement request to sub-grantee, copy of the duly signed Sub-grant agreement/contract shall always be attached.
12. The **Accountant** shall only raise a *payment voucher* based on the details indicated on the requisition and only if all the relevant support documents are provided and attached and there are adequate funds to effect the payment. The rejected payment requisition shall be immediately returned to the requestor indicating the reasons for the rejection.

B. Procedures for bank payments

1. The Accountant shall enter the payment details on the requisition into the Accounting System and a system generated *payment voucher* raised with details of the relevant accounts codes and titles to be debited and credited, the costs for each account, source of funding and theme/unit/project. The payment voucher shall be held in the system pending approval by the Head of Finance.
2. A copy of the *payment voucher* shall then be printed and sent together with the support documents to the **Senior Accountant** for review and the **Head of Finance** for approval.
3. Upon approval, the *Payment Voucher* shall be passed to the relevant **Accountant** for preparation of cheques if applicable or for capturing the bank and other details into the EFT system to facilitate an electronic funds transfer. The Accountant shall check the documents and confirm that the information therein is the same as what was posted into the Accounting system before inputting the data into the EFT system.
4. For detailed procedures on bank payments refer to **Ref 4.7 - Bank Accounts Management**
5. Once the cheque has been signed or the transfer made, the *payment voucher* and all supporting documents shall be stamped "PAID" to avoid representation of documents.
6. The **Senior Accountant** shall update the cash book and relevant ledger accounts in the Accounting system.

The payments shall be analysed according to the type of expenditure. The payment voucher together with the support documents shall then be filed by the Accountant.

Key control processes

1. All payments shall be released to beneficiaries promptly and acknowledgment of receipts obtained immediately;
2. Payments shall be made based on duly approved payment vouchers that are supported by original documents; and
3. Bank reconciliation statements shall be prepared monthly by 7th of the following month.

Policy Objectives

To ensure that:

1. Petty cash is utilised for the intended purpose and is accounted for properly;
2. Petty cash is replenished appropriately and timely;
3. Petty cash is reconciled daily; and
4. Petty cash requisitions are duly approved in compliance with the levels of authority.

Policy Statement

All staff members shall comply with the following general principles:

1. Petty cash shall be used to settle small payments not exceeding UGX150,000.
2. Petty cash imprest fund level shall be established based on justified needs for transactions and frequency of periodic replenishment levels.
3. The main petty cash float for the Secretariat shall currently be maintained at UGX 1,000,000.
4. Petty cash replenishments shall be made upon utilization of at least 75% of the fund and accountability of actual expenditure incurred from petty cash fund.
5. In no circumstances shall petty cash funds be lent out or be borrowed from other sources to make petty cash payments.

Documents

The following are the key documents that shall be used to guide staff during the process for petty cash management;

- Petty cash book
- Petty cash requisition
- Petty cash reconciliation statements
- Cash count certificate
- Petty cash replenishment requisition
- Payment voucher
- Petty cash payment voucher

Responsibility

- Head of Finance
- Budget holder
- Administrative Assistant/Petty cash holder

Procedures

A: Petty cash management

1. An imprest system shall be established at ASARECA to meet the immediate cash needs requiring small amounts of cash for purchases and service payments. The amount of the float for the main petty cash float shall be UGX 1,000,000.
2. The approval of the new float shall be given by the Head of Finance.
3. The replenishment level of the petty cash float shall be upon utilization of at least 75% of the fund and accountability of actual expenditure incurred from petty cash fund.

4. The maximum limit for individual payments out of this float shall be UGX 150,000.
5. A petty cash imprest float can also be maintained by Themes and/or Units at a level that shall be determined based on needs of Theme or Unit in consultation with the Head of Finance.
6. The **Administrative Assistant** of the ASARECA secretariat and the designated **Administrative Assistants** for respective themes/units/cost centers are responsible for maintenance of petty cash. The petty cash shall be kept separate from all other cash resources and can only be issued from the petty cash box/safe.
7. Access to the petty cash till/safe shall be restricted to the respective **Administrative Assistant**.
8. Petty cash payments shall only be paid after submission and approval of a duly approved *petty cash voucher* containing the following information:
 - a. Reason for the claim;
 - b. Original supporting documentation (including invoices, receipts as applicable);
 - c. Payee;
 - d. Amount of petty cash in words and numerals; and
 - e. Signatures of the payee, preparer, person checking and approving authority.
9. At the theme/unit/cost center level, the petty cash payments shall be approved by the Theme leader/Head of Unit and for the Secretariat general petty cash by the Head of Administration.
10. The **Administrative Assistants** shall maintain respective *petty cash books* that include the following
 - a. The opening balance;
 - b. All replenished amounts received;
 - c. List of payments made (basing on duly approved serially numbered petty cash vouchers); and
 - d. The daily closing balance.

Note: Petty cash book maintained in an electronic spreadsheet shall be printed and filed every at every replenishment.

11. At the end of every day, the **Petty Cash Holder** shall count the cash on hand and ensures it reconciles with the balance in the *petty cash book*.
12. Monthly petty cash counts shall be performed by designated staff by the Head of Finance and the results of the count are documented in a cash count certificate.
13. The Head of Finance shall appoint a senior and independent staff to carry out surprise cash counts at any time and deemed necessary.
14. Reconciliations of the cash on hand with the cashbook balance shall be carried out by the **designated staff** at the time of the cash count. Any differences arising shall be investigated & reported to the **Head of Finance** for appropriate action.

B: Petty cash replenishment

1. Replenishment of petty shall be based on the actual expenditure submitted by petty cash holder when at least 75% of the petty cash fund has been utilized.
2. The **Petty cash holders** (*Administrative Assistants*) shall prepare and submit the *petty cash replenishment requisitions* (Appendix 4.9.2a) together with the reconciliations and original support documents to the designated **Accountant** for checking.
3. **In no circumstances shall cash be borrowed from other sources to make petty cash payments or petty cash fund lend out as advances.**
4. The designated **Accountant** shall check the petty cash requisition for accuracy and process payment vouchers before submitting to the **Senior Accountant** for review and the **Head of Finance** for final approval.
5. The Accountant shall draw the cash from the bank and make payment to the petty cash holder (*Administrative Assistants*) who will then acknowledge receipt by signing on the payment voucher.
6. After payment is approved and cheque is issued, the petty cash transactions shall be posted by the Senior Accountant to the GL.

Key Control Processes

1. The designated **Accountant** shall ensure that no petty cash is replenished without adequate accountability supported by petty cash replenishment statement and original source documents.
2. Monthly petty cash counts shall be performed for all petty cash funds.
3. Surprise cash counts shall be conducted by an independent official.
4. Surprise cash counts shall be conducted by a senior and independent staff at any time and as deemed necessary by the Head of Finance.

Policy Objectives

To ensure that:

1. All business advances are processed and recorded accurately;
2. Business advances are only drawn to meet the operational needs of ASARECA; and
3. All business advances are fully accounted for immediately after completion of the purpose for which they were disbursed.

Policy Statement

All staff shall to comply with the following general principles:

1. Business advances shall only be requested and drawn to support the activities and operations of ASARECA.
2. All business advances shall be fully accounted for immediately after completion of the purpose for which they were disbursed.

Documents

The following are the key documents that shall be used to guide staff during the disbursement of business advances;

- Advance Request form/Letter
- Work plans
- Detailed budgets
- Advance ledger Accounts
- Approved rates for daily subsistence allowance (DSA)
- Payment vouchers
- Accountability source documents

Responsibility

- Head of Finance (HoF)
- Senior Accountant
- Accountant
- Assistant Accountant
- Theme Leaders//Heads of Units
- All staff

Procedures

1. Business advances shall be paid to staff for expenditure to be incurred for activities of ASARECA that shall include staff per diem (daily subsistence allowances), workshop costs such as venue hire, participant transport refund, accommodation and per diem (for meals & extras), stationery costs, etc.
2. All business advances shall be accounted for in full supported by original accountability documents and the unspent cash balance, if any.
3. Business advances shall be drawn against an *Advance Request Form (ARF)*, to which the relevant supporting documents such as approved activity plan and budget must be attached. The *Advance Request form* shall be authorised by the respective *theme leader/head of unit* or *designate*. The completed advance request form shall then be forwarded to the Head of Finance for final approval and processing. If the *ARF* relates to the Head of Finance the **Executive Secretary** shall approve the request.

4. The *Advance request form* shall provide the following information:
 - a. Reason for the business advance and details of the cost centre, *project name or code*, the *funding source*, the person requesting the advance and the amount.
 - b. For duty travels: duration of the trip or itinerary, the rate of daily subsistence allowance, and for Workshops: the list and number of participants, their arrival and departure dates, and the applicable DSA rate for room accommodation and meals & extras per person per night in accordance with the prevailing UN DSA rate for that period.
5. Before an advance is processed, the designated **Accountants** shall perform the following:
 - a. Review the *advance ledger accounts* to ensure that the person drawing the advance has no outstanding advances. No advance shall be given to a person who has not fully accounted for the previous advances where the activity has been completed and the time for submission of accountability has lapsed, which is **5 working days** after completion of the activity and return to office.
 - b. Ensure that the advance requested for is authorised by the Theme Leader/Head of Unit or Head of Finance;
 - c. Confirm that amount requested does not include funds for components to be paid or already paid directly by ASARECA such as flight ticket costs and consultants' fees. If these are included, the request shall be adjusted accordingly.
 - d. Confirm availability of funds for the proposed activities.
5. The advance form shall then be forwarded to the Head of Finance for approval.
6. The approved *Advance Request Form* together with the relevant supporting documents shall be forwarded to the designated **Accountant** for preparation of a *payment voucher* and cheque/EFT processing as applicable.
7. The procedures for payments under **Ref 4.9.1 - Payments** shall be followed.
8. Once the cheques have been signed or the EFT has been approved, the *payment transactions* shall be posted into the appropriate ledger accounts in the Accounting system.
9. All business advances that are paid by cash shall be insured to minimise the risk of loss as part of money insurance.
10. Refer to **Ref. 4.10 - Accountability** for detailed procedures on accountability for the business advance.

Key control processes

1. Business advances shall be authorised by the respective Theme Leader/Head of unit. Final approval shall given by the Head of Finance
2. The staff member who draws the advance shall be liable for proper accountability of the advance in full within 5 working days after completion of the respective activities or return to office.
3. Monthly review of the *aged advances listing* shall be produced by the respective designated Accountant and the report forwarded to Head of Finance.
4. *Monthly statements for unaccounted for fund advances of each staff* shall be prepared by the Senior Accountant and submitted to the Head of Finance to authorise recovery from salary. The affected staff shall be informed before the recovery of the relevant advance is effected.
5. Business advances shall be accounted for and fully retired within 5 working days, and under no circumstances be carried over to another financial year.
6. Any business or travel advance balances not refunded by staff are recovered from salary

Policy Objectives

To ensure that:

1. Travel advances are only paid for authorized duty travels and operations of ASARECA;
2. Travel advances are paid according to the ASARECA official rates;
3. Travel advances are processed, recorded and accounted for accurately and promptly; and
4. All travel advances are accounted for fully immediately after completion of the travel.

Policy Statement

All staff shall comply with the following general principle:

1. Travel advances shall be processed and paid according to the ASARECA official rates, which is based on the UN ICSC rates, and shall only be drawn for purposes of the implementation of the Strategic plan and Operational plan of ASARECA. Any deviations from the approved rates must be approved by the Executive Secretary.
2. Travel fund advances provided by ASARECA are meant to cover actual living costs of staff away from home/duty station.
3. All travel advances shall be accounted for in full, supported by original accountability documents and the unspent cash balance, if any.

Documents

The following are the key documents that shall be used to guide staff during the disbursement of travel advances;

- Travel requisition form
- Travel expense report
- Official per diem/DSA rates
- Cash payment voucher
- Foreign exchange slips
- Work plans
- Detailed budgets
- Approved rates for subsistence allowances (per diem rates & other rates)

Responsibility

- Executive Secretary
- Head of Finance
- Senior Accountant
- Theme Leaders/ Heads of Units/Budget holders
- All staff

Daily Subsistence Allowance (DSA) guidelines

- i. ASARECA applies the standard DSA rates of the ICSC of the United Nations for all international duty travel. The allowances paid shall be in accordance with ICSC of the United Nations for all international duty travels. All staff are encouraged to access the UN website <http://icsc.un.org> and accessing data by region and by country) to acquire the DSA rates before submission of the travel requisition forms.

- ii. The DSA paid to staff or sponsored individuals classified into two major components as follows:
 - Room Accommodation (RoM) component which include room rental at a hotel for overnight stay,
 - Meals & other Extras (MoEs) component to cover all meals, laundry, personal telephone and any other out-of-pocket expenses.
- iii. DSA for hotel room accommodation and MoEs shall be paid as advance only if overnight stay away from home for duty travel is necessary for carrying out ASARECA activities and the amount advanced shall not exceed the standard official rate.
- iv. ASARECA shall pay or refund to staff or sponsored individual on the basis of the DSA in the UN published rate and the traveller shall neither be required to submit hotel nor MoEs receipts.
- v. During meetings where ASARECA directly pays for room and breakfast while a common/working lunch is provided, ASARECA shall pay to the participants 85% of the MoE as per the Official UN DSA rate for the location. For cases, where accommodation and all meals (full board) are covered directly from ASARECA, then ASARECA shall pay 10% of the full DSA to cater for incidentals, e.g., laundry.
- vi. ASARECA shall not refund for late check-out of room accommodation unless the check-out is after 16:00 hours and due to unavailability of alternative flight before 17:00 hours.
- vii. Overnight stay and claim in excess of originally approved travel days/nights shall not be allowed unless prior approval was obtained from the person who approved the original travel request.
- viii. Procurement of services and/or materials/goods shall not be permitted from the travel fund advance unless additional advance for such purchases was approved at the time of travel request.
- ix. DSA policy applies to all ASARECA employees as well as to travellers invited and sponsored by ASARECA.
- x. ASARECA shall not be liable to pay or refund for any travel costs that are associated to staff travel sponsored by other third parties.
- xi. To cover for home country transportation or airport transfers, ASARECA shall reimburse transport costs on the basis of actual expenses or through mileage not exceeding 1/3 of the fuel cost per kilometre multiplied by the kilometres covered. Mileage claim for using institutional vehicles can not be refunded unless an evidence letter for charging the cost to the participant from the institution is availed. In addition, ASARECA refunds for domestic flights.

Travel guidelines

1. Mission/Duty travel is categorized as International or Local travel by employees or invited personnel for ASARECA official business.
2. International travel refers to a travel outside the country of the duty station while local travel is travel within the country of the duty station.

Travel Approval Process

1. A travel requester (*traveller*) requesting for mission travel shall complete a *travel requisition form* which

- clearly specifies the following:
- a. Purpose of the travel;
 - b. Dates of the travel;
 - c. Detail itinerary for the entire trip that include departure and arrival dates at each destinations;
 - d. Estimate of the DSA required ;
 - e. Funding source name or code;
 - f. Budget/Cost Centre name or code;
 - g. Project name or code & Associated results;
 - h. For workshops, the approved rate per person and the date of commencement and ending of the visit;
 - i. Authorisation and approval of the trip/travel.
2. The *travel requisition form* shall be submitted to the budget holder supervisor of the travel requester for authorization or in case of Theme Leaders/Unit Heads to the Executive Secretary as applicable for final approval, at least **Four working days** before the travel date to secure flight and advance funds.
 3. Upon approval, the *travel requisition form* shall be submitted to the finance unit for processing.
 4. The respective Accountant shall perform the following:
 - a. Confirm availability of funds for the proposed activities;
 - b. Check the completed form for accuracy and ensure that it is consistent with the approved work plan/budget;
 - c. Confirm that all previous advances to the requester have been cleared;
 - d. Re-calculate and determine the appropriate DSA based on the detailed itinerary;
 - e. Initiate the purchase of air ticket (where applicable).
 6. The *travel requisition form* together with the relevant supporting documents shall then be forwarded to the **Accountant** for review and the **Head of Finance** for approval.
 7. Upon receipt of the approved *travel requisition form* together with the supporting documents, the designated **Accountant** shall prepare a *payment voucher* and payment cheques or EFT.
 8. The procedures for **Payments** under **Ref 4.9.1 – Payments** shall then be followed.
 9. The payment for travel shall be treated as an advance until the travel is completed and the advance is accounted for.
 10. Additional travel advance will not be paid to a traveller with unaccounted for advance of previous travel. All travel advances must be accounted for before any new travel advance is requested.

Purchase of Air Ticket

1. The process of purchasing travel tickets shall follow the travel request itinerary authorized by the budget holder or supervisor as the case may be, and approved by the Head of Finance.
2. Upon receipt of the approved *travel request form*, the **Administrative Officer** shall make inquiries from airline ticket offices for alternative and competitive price quotations of fares and place an order for the most direct route and economy fare preferably excursion fare whenever available and applicable.
3. ASARECA allows only **Economy Class** travel to staff and any other ASARECA sponsored travellers.

Travel Expense Reporting (Accountability)

1. Travel advances shall be accounted for using the standard *Travel Expense Report* document.
2. Accountability shall be submitted within five (5) working days after return from the travel.
3. All travel expense claims should be adequately supported with payment receipts/bills for allowable expenses such as visa charges, ticket change, taxi fares (international taxi hire), used original air tickets stubs, boarding passes and currency exchange slips. Travellers, however, are not required to submit their paid bills for hotel accommodation and MoEs since this is covered by the DSA
4. For any expenses claim originated in currencies, other than the US Dollars, the traveller shall be required to attach currency exchange slip from bank or hotel in order to justify the exchange rate applied for refund.
5. *Travellers* are not required to produce receipts for costs incurred for MoEs and Hotel accommodation. But the *traveller* is required to submit the used stub of the air ticket together with boarding passes attached to the travel expense report.
6. The respective **Accountant** shall review the *travel expense report* against the approved *travel requisition* and submit this to the Head of Finance for approval. The travel expense must be approved before the accountability is retired.
7. The relevant accounting entries shall be made in the Accounting system to the relevant travel expense account and the advance cleared from the travellers advance account.

Workshop Transportation Claims by Participants:

Transport costs to and from the workshop venue incurred by invited participants will be reimbursed on presentation of taxi fare receipts or a mileage invoice from the participant's organisation. In case of claim for mileage invoice from participant's organization, the refund shall only be made to the organization by bank transfer. In case of Mileage claims for travel covering 40 kms and above by participants using their personal vehicles, ASARECA shall refund using ASARECA's approved mileage rate, which is 1/3 of the fuel cost per kilometre multiplied by the total kilometre covered. Mileage claim for using institutional vehicles cannot be refunded unless an evidence letter for charging the cost to the participant from the institution is availed.

Transportation Claims by ASARECA staff

Travel to and from Airport within Uganda (Home of ASARECA Secretariat)

In order to facilitate the ASARECA staff for smooth airport transfers and minimize the request for transportation by office vehicles, ASARECA shall apply a standard rate for local airport transfers to and from Entebbe airport as follows. The following are one way rates.

- a. US\$ 30 for each airport transfer from Entebbe town and its environs, up to a radius of 20Km.
- b. US\$ 50 for each airport transfer from Kampala Central.
- c. US\$ 55 for each airport transfer from areas outside the central Kampala area, such as Wakiso, Seeta, Mukono, etcetra, ect.

Back to Office Report (BTOR)

For sharing of information and follow up of all duty and sponsored travels, except travels to participate on ASARECA organized workshops, ASARECA requires a back to office report (BTOR)

All ASARECA staff authorized to travel for duty or on sponsored invitations shall be required to submit a Back to Office Report to the Executive Secretary with the copy to the Head of Finance attached together with the travel expenses report.

Main features of a Back to Office Report (BTOR)

The back to office report shall at a minimum contain and describe the following, as applicable:

1. The key Objectives of the travel
2. The Time table of the mission
3. A list of persons met including their address and contacts
4. Detailed mission findings
5. Field Photos (where applicable)
6. Agreed action plan and way forward
7. Approval by the theme leader/unit head

Key control processes

1. Duly approved official UN DSA rates shall be used when making payments for staff duty travels.
2. All advance payments for travel expenses shall be accounted for within **5 working days** of return from mission/duty travel, and under no circumstances be carried over to another financial year.
3. Unaccounted for travel advances and balances shall be recovered from staff salary.
4. Travel fund advances provided by ASARECA are meant to cover actual living costs of staff away from home/duty station.
5. All staff must submit back-to-office (BTO) report on completion of international/regional duty travels, except those of support travels such as financial and admin logistical support travels.

Policy Objectives

To ensure that:

1. Payroll is only prepared for bona fide employees of ASARECA;
2. Payroll data is accurate, reliable, and all salary deductions are computed properly and accurately;
3. The payroll is approved and authorised by the responsible staff of ASARECA before payments are effected;
4. All overtime has been properly approved; and
5. All legal/statutory and any other deductions are remitted to the appropriate authorities in time.

Policy Statement

All staff members shall comply with the following general principles:

1. The payroll shall be reviewed and approved before payment of salaries, regular allowances and benefits and payments shall only be made to bona fide employees of ASARECA.
2. Payment of salaries, allowances and benefits shall be made through bank accounts that are provided by employees in writing.

Documents

The following are the key documents that shall be used to guide staff during payroll processing:

- The Payroll
- Communication of changes in remuneration
- Staff grading scales and schedule of applicable remuneration;
- Appointment letters
- NSSF schedule
- PAYE schedule
- Overtime sheet
- Schedule for business advance deductions (Business advances not accounted for)
- Payslips
- Payment vouchers

Responsibility

- Head of Finance
- Senior Accountant
- Head of Administration
- Accountants

Procedures

1. The **Head of Administration** is responsible for maintaining *personnel records* for all employees including the staff member's bank details to which their salaries shall be credited.
2. The designated **Accountant** shall prepare a monthly payroll by the 23rd day of each month.
3. It is the responsibility of the **Head of Administration** to inform the Finance Unit of the changes to the standing information to the payroll for each month by the 10th of every month. Some of the changes may include, appointments, dismissals, resignations, salary review resulting from increase/decreases, and any other authorised changes.

4. All non permanent changes to the payroll shall only be made by the designated **Accountant** after approval by the Head of Finance or the Executive Secretary. Such changes may include, non permanent allowances, overtime payable, recoveries from salaries for unaccounted for advances and salary advances.
5. The Theme Leaders/respective heads of units have the responsibility of ensuring that a request for overtime is approved beforehand. *Overtime claim forms* shall be completed by employees on a monthly basis by the **10th day** of the following month and paid one month in arrears. The total monthly overtime pay for each individual **should not exceed 25% of the monthly salary**.
6. The designated **Accountant** shall prepare the monthly payroll for the regional staff and national staff by the 23rd day of each month that shall clearly indicate:
 - a. Gross pay (Including basic pay, allowances payable, overtime payable)
 - b. NSSF deductions
 - c. PAYE deductions
 - d. Net pay due to employees
 - e. Salary advances to be recovered
 - f. Other recoveries e.g. personal air ticket, etc.
 - g. Telephone costs to be recovered
 - h. Net amount payable to employees
7. A copy of each month *payroll* shall be printed and submitted to the **Senior Accountant** for review and the **Head of Finance** for approval.
8. Upon approval, the designated **Accountant** shall prepare the *payment vouchers* and bank transfers using the EFT system. The procedures for EFT payments under Ref 4.7 shall be followed.
9. The **Head of Finance** shall ensure that the salaries are paid by the **25th day** of each month.
10. Remittances for PAYE and NSSF shall be made **not later than the 15th day of the following month**. The procedures for payments under **Ref 4.9.1 – Payments** shall be followed.
11. The **Senior Accountant** shall send out *payslips* to all employees once payment of salaries is effected. The *payslip* shall indicate the following:
 - a. The basic salary, other employee benefits, salary arrears, overtime pay, if any, for the month and gross pay.
 - b. Statutory deductions like PAYE and NSSF.
 - c. Non-statutory deductions like telephone deductions, business advance deductions and salary advances recoveries.
 - d. The net pay.

12. Any complaints by employees regarding the payslip's information shall be addressed to the Head of Finance and Head of Administration as applicable and resolved immediately.
13. The **Senior Accountant** shall check and ensure the payroll transactions are accurately and timely posted to the General ledger every month.

Key control processes

1. All payroll changes shall be properly authorised by the Executive Secretary and documented;
2. Payment of salaries, allowances and benefits shall be made through bank accounts that are provided by employees in writing.
3. The monthly payroll is prepared by the designated **Accountant**, reviewed by the **Senior Accountant** and approved by the **Head of Finance** prior to processing of payment;
4. The approved *Payroll transactions* are accurately and timely posted to the general ledger every month by the **Senior Accountant**; and
5. The Head of Administration shall maintain copies of the approved monthly payrolls.

Policy Objectives

To ensure that;

1. All salary advances are duly authorised by responsible officers of ASARECA;
2. There is timely processing of advances and that these are accurately recorded; and
3. There is timely recovery of salary advances.

Policy Statement

All staff members shall comply with the following general principles:

1. All salary advance payments shall be duly authorised and correctly recorded in ASARECA's books of account.
2. Recovery of salary advances shall commence at the end of the month following the payment of the advance and shall be fully recovered by the end of the financial year. No advances shall be carried over to the next financial year.

Documents

The following are the key documents that shall be used to guide staff during the disbursement of payroll advances;

- Salary/Allowances advance request form
- Memo from staff requesting for advance
- Advance ledger accounts
- Aged advances listing
- Payment vouchers

Responsibility

- Head of Finance
- Senior Accountant
- Head of Administration
- Accountant
- Assistant Accountant
- All staff

Procedures

1. Salary advances are payments made to staff from their salaries before they are earned.
2. Staff members shall submit a request of the advance on a *salary advance request form* to the **HoA** for recommendation. The salary advance shall not exceed the limits set under the Human Resource section of this manual.
3. The salary advance request form shall be submitted to the Finance Unit for approval and processing. The designated **Accountant** shall check the approved amount on the *advance request form* to ensure that the net pay is within the allowed limits and ensure that there are no outstanding advances. No further advances shall be paid until all previous advances have been recovered.
4. Once the checking is done, the **Accountant** shall prepare the *payment voucher* and *cheques or bank transfers* as applicable.
5. The procedures for **Payments** under **Ref 4.9.1 – Payments** shall then be followed.

6. The updated summary of the outstanding salary advances shall be provided by the **Senior Accountant** by mid of each month to the designated **Accountant** for payroll recovery.
7. All salary and housing advances shall be recovered in three equal monthly installments after the month when the advance was paid and fully recovered by the end of the financial year.
8. ASARECA donor funds shall not be used to make loans to staff. The Head of Finance shall provide guidance to staff to avoid salary advances being considered as loans.

Key control processes

1. Salary advances shall be recommended by the HoA and approved by the Head of Finance.
2. All salary advances shall be recovered through the payroll
3. No further advances shall be paid until all previous advances have been recovered or accounted for.

Policy Objectives

To ensure that:

1. All advances are promptly accounted for;
2. All advances are used for the purposes they were requested for and for the operations and activities of ASARECA; and
3. There is an effective system for monitoring all advances.

Policy Statement

All staff shall comply with the following general principles:

1. Theme Leaders/Heads of Units shall review accountabilities before submission to the Finance Unit and the Head of Finance shall give the final approval to all accountabilities; and
2. All advances shall be fully accounted for promptly and cleared within the stipulated time or else shall be recovered automatically from the relevant staff salary through the payroll.

Documents

The following are the key documents that shall be used to guide staff during the process of accountability of advances;

- Accountability vouchers
- Financial accountability reports
- Copy of the business advance request form
- Original invoices and receipts
- Minutes of meetings
- Attendance registers for workshop participants
- Activity reports
- Currency exchange slips

Responsibility

- Head of Finance
- Budget holders
- Senior Accountant
- Accountant/ Project Accountant
- Assistant Accountant
- Accounting Assistant
- Sub-grantees
- All staff

Procedures

A: Accountability for Business Advances

1. The **individual staff** to whom the funds were advanced shall prepare and submit to the Finance Unit the accountability in full **within 5 working days** after completion of the activity. All accountabilities shall be supported by appropriate original documents e.g. receipts, attendance register for workshops and cash receipt acknowledgment for perdiems, transport refunds or other claim, the relevant reports, etc.
2. The relevant **Theme Leader/Head of Unit** shall review the *accountability* to ensure that the accountability

submitted is complete and adequate in all respects and is supported by adequate documentation necessary to retire the advance. He/She shall authorize the accountability or return to the staff concerned where the accountability is not satisfactory. Satisfactory accountability shall then be submitted to the Finance Unit.

3. The designated **Accountant** shall check and verify the completeness of the *accountability* before submission to the **Senior Accountant** for review and the **Head of Finance** for final approval.
4. In case of unspent amount balances, the designated **Accountant** shall confirm that the amount is fully returned and issue a receipt to the staff who submitted the accountability. The cash receipt shall form part of the accountability.
5. Upon approval of the accountability, the designated **Accountant** shall prepare the *journal vouchers* and enter the relevant entries into the Accounting system. The *accountability* together with the *journal vouchers* shall be reviewed and posted by the **Senior Accountant** after approval by the **Head of Finance**.

B: Accountability for Sub-grantees

1. A **Sub-grantee** shall prepare and submit accountability for the advance that was taken from ASARECA within 20 days after the end of the contract or after end of each reporting quarter, whichever is applicable.
2. An accountability constituting a *financial accountability report* or *financial reports* supported, if are requirements, by appropriate original documents or certified copies of receipts, attendance registers for workshops and receipt acknowledgment for per diems, transport refunds or other claim refunds, the relevant reports, and any other document relevant to the accountability shall be submitted by the sub grantee to the respective theme leader/head of unit. Once the verification of the accountability is completed, and if necessary, the original documents may be returned to the respective sub grantee.
3. The **Theme Leader/Head of Unit** shall verify that the activity was undertaken and confirm accountability..
4. The designated **Accountant** shall review the *accountability* to ensure that the accountability submitted is complete and adequate to retire the advance and submit to the **Head of Finance** for final approval.
5. Upon approval of the accountability, the designated **Accountant** shall prepare *journal vouchers* and enter the relevant entries into the Accounting system. The *accountability* together with the *journal vouchers* shall be reviewed and posted by the **Senior Accountant** after approval by the **Head of Finance**.

Time Limit

1. The **individual staff** member shall prepare and submit full *accountability report* within **5 working days** after the time of completion of the activity or workshop.
2. The **Sub-grantee** shall prepare and submit a full *accountability report* within **20 days** after the end of the contract/sub-grant agreement or after end of each reporting quarter whichever is applicable.
3. *Accountability reports* originating within ASARECA once submitted to the relevant **Theme Leader/Head of Unit** shall be reviewed within **3 working days** and accountability reports from Sub-grantees shall be reviewed within **4 working days**.
4. The designated **Accountant** shall ensure that the *accountabilities* are reviewed within **5 working days** and forwarded to the **Head of Finance** for final approval.
5. The **Senior Accountant** shall post the accountability transactions and update the relevant ledger accounts in the Accounting system after the **Head of Finance** has approved the accountabilities and sign off the journal vouchers.

Failure to submit accountability by ASARECA Staff

1. The *individual staff* that is advanced funds shall be personally responsible for accounting for the funds received.
2. If the *accountability* is not submitted by the individual staff within the specified timeframe, the funds advanced shall be recovered from the individual staff member's salary without further notice.
3. When an advance not accounted for cannot be recovered from one month's salary of the defaulting staff, a disciplinary action shall be taken. (Refer to HR section for detailed procedures on disciplinary action).
4. No further advances shall be made to a defaulting staff until complete and adequate accountability has been submitted for previous advances.

Failure to submit accountability – Sub-grantees

1. The Head of the sub grantee institution shall be personally responsible for accounting for all the funding received from ASARECA.
2. No further funds shall be advanced to the Sub-grantee if the accountability for previous advances has not been submitted. In an attempt to obtain accountability from a defaulting sub grantee, a letter of reminder shall be sent first by the **Head of Finance** and finally by the **Executive Secretary** to the Sub-grantee in respect of any outstanding accountabilities.
3. Where the defaulting sub grantee does not heed to the demands in 21 above, ASARECA shall take steps to recover the funds advanced. Where the sub grantee contract is silent the law shall take its course.

C: Accountability monitoring and reporting

1. The **Senior Accountant** shall circulate to the **Head of Finance** and **Theme Leaders/Heads of Units** monthly *accountability reports* showing a list of all pending *accountabilities* from staff and Sub-grantees.
2. All **Theme Leaders/Heads of Units** shall monitor the utilization/spending of their budget and ensure that individuals who drew advances have utilized them on approved activities and reports have been prepared and regularly submitted as part of the accountability.
3. The *monthly accountability reports* shall be forwarded to management for review in the management meetings. All queries raised by management should be resolved before approval of the monthly accountability report by the **Head of Finance**.

Key Control Processes

1. The designated **Accountant** shall maintain advance ledger accounts to monitor retirement of *accountability*.
2. The Head of Finance shall submit *monthly accountability reports* to management for review.
3. Violations of accountability procedures shall be brought to the attention of the **Head of Finance** and **Executive Secretary** for action.

Policy Objectives

To ensure:

1. All fixed asset acquisitions, disposals and changes are authorised and are accurately recorded;
2. A fixed assets register is maintained and regularly updated with all fixed asset acquisitions and disposals; and
3. All tangible and fixed assets are individually identified, physically verified and regularly accounted for.
4. All records are disposed reviewed and disposed off a manner that ensures confidentiality and compliance donor policies and best practices.

Policy Statement

The Head of Finance shall ensure that the fixed assets register is regularly updated with all fixed asset acquisitions and disposals.

Documents

The following are the key documents that shall be used to guide staff during the process of fixed asset recording:

- Fixed asset register (FAR)
- Purchase requisitions
- Purchase orders
- Invoices
- Goods receiving notes
- Payment vouchers
- Receipts
- Fixed asset disposal forms

Responsibility

- Head of Finance
- Internal Auditor
- Senior Accountant
- Accountant
- Assistant Accountant
- Accounting Assistant
- Head of Administration
- Procurement and Contracting Officer

Procedures

1. A *fixed asset register* shall be maintained by the **Senior Accountant** to record all the fixed assets of ASARECA. The *FAR* shall contain the following essential reference components:
 - a. date of acquisition;
 - b. payment voucher reference;
 - c. asset description & serial numbers;
 - d. original value/cost;
 - e. asset identification/tag number;
 - f. funding sources of the asset;
 - g. location & custodian of assets
 - h. depreciation;
 - i. net book value;
 - j. condition of asset;

- k. date of sale;
 - l. state of insurance.
2. All new fixed asset additions shall be posted to the relevant ledger accounts in the Accounting system by the Senior Accountant using duly approved documentation such as payment or journal vouchers and the relevant support documents. The Fixed assets register shall also be updated with all asset acquisitions.
3. On disposal of fixed assets, appropriate accounting entries shall be passed in the general ledger and on the Fixed Asset register reflecting the following:
 - a. Date of disposal;
 - b. Proceeds from disposal;
 - c. Gain or loss from disposal;
 - d. Buyer's name and addresses; and,
 - e. Purpose of disposal.

NB. The terms and condition in donor agreements with regard to asset disposal and revenue recognition shall be complied with.

4. Gain/loss on disposal of assets shall be credited or debited in the general ledger to the Gain/Loss on disposal of assets account. Any gains/loss from the disposal of fixed assets shall ultimately be transferred to the capital fund account.
5. A physical verification of all assets shall be performed annually by the Finance Unit in collaboration with the Internal Auditor and the results of this verification reconciled to the FAR and GL accounts.
6. A *physical asset verification report* shall be prepared by the designated Accountant highlighting the following:
 - a. Listing of assets verified;
 - b. Condition of the assets; and
 - c. Any exceptions or findings.
7. The *physical asset verification report* shall be submitted to the **Head of Finance** who shall decide on the appropriate action regarding the exceptions and findings. Such action may include the investigation of any unexplained discrepancies.

Key Control Processes

1. The **Senior Accountant** shall ensure the assets register is updated on a regular basis so as to take into account the periodic additions and disposals.
2. ALL fixed assets shall be tagged and engraved for ease of identification.
3. Quarterly review of the fixed assets register shall be carried out by the Senior Accountant.
4. A physical verification of assets shall be undertaken at least once a year.

Policy Objectives

To ensure:

1. Data is captured into the general ledger accurately and timely; and
2. Provision of reliable financial information to all users.

Policy Statement

All staff shall comply with the following general principles:

Proper books of accounts and records shall be kept that provide an accurate financial position and performance of ASARECA.

Documents

The following are the key documents that shall be used to guide the Finance staff in the maintenance of the general ledger:

- Chart of Accounts
- Analysis Codes (Cost Centres, Projects & Donor lists)
- Trial balance
- Ledger Accounts
- Management accounts
- Cash books
- All vouchers

Responsibility

- Head of Finance
- Senior Accountant
- Accountant
- Assistant Accountant
- Accounting Assistant

Procedures

1. Cut-off dates and deadlines

- a. The cut – off date for the month-end for management accounts shall be the last calendar day of each month. If this falls on a Saturday, Sunday or public holiday it shall be the last weekday preceding the aforementioned.
- b. All the *GL postings* shall be finalised by the 10th day of the following month.

2. Reporting formats

- a. The Senior Accountant shall ensure that monthly management accounts are prepared in the prescribed formats as provided by the Head of Finance.

3. Month-end file

- a. The Assistant Accountants shall maintain a file for each end of month transaction activity report for designated bank accounts.
- b. All general ledger balances shall be supported by a schedule/reconciliation detailing how the balance is made up with comparatives of the previous month.
- c. The file shall be reviewed by the Senior Accountant.

4. Accruals

- a. All invoices received but not yet paid for shall be accrued, except where a specific agreement with the donor requires cash basis of accounting.
- b. All costs shall be accurately allocated to the various themes/cost centres, projects and funding sources or donors.
- c. All accruals shall be cleared when the actual payment is effected in the following month.
- d. A detailed listing of all accruals made shall be prepared on monthly basis by the Senior Accountant to determine actual balances in comparison with the ledger balances.

5. Cash and bank

- a. Bank reconciliation statements shall be prepared, reviewed and approved in accordance with the procedures for bank accounts management under Ref 4.7 - Bank Accounts Management.
- b. Petty cash counts and reconciliations shall be performed as required under Ref 4.9.2- Petty Cash Management.
- c. The Senior Accountant shall ensure that all cheques issued and funds received are processed through the cashbook by following normal cut-off procedures.
- d. The designated Accountant shall carry out weekly analysis of the bank statements, and ensure that unrecorded receipts and direct debits are posted into the cash book.
- e. All entries to the cash book and postings to the general ledger shall be reviewed by the Senior Accountant.

6. Advances

- a. All advances shall be posted into the general ledger timely.
- b. The Assistant Accountants shall prepare journal voucher (JV) to post recoveries and cash refunds made during the month to the general ledger.
- c. A JV for unaccounted for business advances shall be prepared to deduct the amounts from the salary of the responsible staff.

7. Accounts payable

- a. All accrued invoices and payments shall be posted into the general ledger timely.
- b. The designated Accountant shall reconcile the individual creditors' accounts against the supplier statements & creditors control account.

8. The trial balance

- a. The designated Accountant shall review the trial balance to identify unusual/unexpected balances.
- b. The **Senior Accountant** shall review the trial balance and ensure that all GL account balances are accurate and that any other underlying schedules required are completed and submitted to the Head of Finance for review and approval.
- c. Once all bank accounts are checked and reconciled, the trial balance shall be extracted, printed and filed on the month-end file for review by the Head of Finance.

General ledger processing

- a. Posting to the general ledger shall be made after:
 - Transactions are processed by the designated accountant into the Accounting System;
 - The transactions shall be checked and verified by the Senior Accountant and approved by the Head of Finance.

- b. The entries shall be posted to the General ledger on the basis of a duly approved payment voucher or journal voucher and the relevant support documents.
- c. The Senior Accountant shall check the accuracy of the codes, cost centres, and source of funding indicated on the payment voucher and make the necessary corrections before submitting to the Head of Finance for approval.
- d. Only transactions approved by the Head of Finance shall be posted to the general ledger.
- e. Posting of approved transactions to the general ledger shall be done before the close of a working day.
- f. Posting of the transactions to the general ledger shall be done in United States Dollars based on currency exchange rates ruling at the time of the transaction. Losses incurred due to exchange rates on the project funds shall be treated as project implementation costs and negotiated as such with the development partners.
- g. Journal listing of all posted transactions shall be extracted by each account and journal class and filed to serve as the audit trail during the annual review.
- h. The Consolidated Trial Balance shall be the basis for preparing the draft financial statements.
- i. Creation and/or deletion of the accounts shall be approved by the Head of Finance.
- j. Journal vouchers shall be prepared, printed & signed by the designated accountant, reviewed & signed by the Senior Accountant and approved by the Head of Finance.
- k. Data entries shall be captured into the accounting system by the designated Accountant when processing payment and journal vouchers and posted by the Senior Accountant after approval by the Head of Finance.
- l. The payment and journal vouchers shall be serially numbered for each journal class or bank.

Key Control Processes

1. All transactions shall be posted to the general ledger on the basis of duly approved Payment vouchers and Journal vouchers.
2. The Senior Accountant shall prepare periodic financial reports and submit to the Head of Finance for approval and distribution.
3. The general ledger account balances shall be properly supported with relevant schedules or reconciliations such as fixed assets register, bank reconciliation statements, debtors listing, etc.

Policy Objectives

To ensure:

1. That there is an effective mechanism for timely and reliable reporting to all stakeholders of ASARECA;
2. That financial reports comply with applicable regulatory framework such as IFRSs and other regulations and guidelines issued under the law;
3. The stakeholders of ASARECA obtain the financial information they need from time to time; and
4. That financial reports or information are used as a regular communication medium in ASARECA for effective planning and budgeting, monitoring, and decision making at all levels.

Policy Statement

All staff members shall comply with the following general principles:

1. The ASARECA financial year shall follow the calendar year from 1st January to 31st December;
2. The financial statements and any financial information shall be extracted from the books of account of ASARECA, and from such other sources as may be necessary; and
3. Periodic financial performance reports shall be prepared and produced to guide management decisions.

Documents

The following are the key documents that shall be used to guide staff during the process for reporting;

- Annual and Periodic Financial Statements
- International Financial Reporting Standards.
- The general ledger
- The trial balance
- Financial reports from the Sub-grantees
- Accounting records of ASARECA
- Budget performance report

Responsibility

- Executive Secretary
- Head of Finance
- Senior Accountant
- Accountant
- Assistant Accountant
- Accounting Assistant
- All staff

Procedures

I. General Principle

- a. The Secretariat shall maintain its books of account in accordance with the established regulations, accounting polices in this Operations Manual and the applicable regulatory framework (IFRS).
- b. The financial statements shall be prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS).
- c. ASARECA shall prepare its financial statements under the accruals basis of accounting, except for some specific donor agreements that require application of the cash basis of accounting.

2. Cut-off

The month-end reporting of financial performance to management shall be the last working day of the calendar month.

3. Reporting formats

- a. The *monthly management accounts, quarterly reports, biannual reports and annual reports*, shall be prepared in the prescribed formats as provided by the Head of Finance.
- b. The Theme **Management Unit** shall provide a standard technical reporting format to sub grantees.

4. Schedule of reporting at ASARECA:

Report	Timing	Prepared by	To who
Monthly Budget Performance reports	With in 20 days after end each month	Senior Accountant	Budget Holders
Quarterly financial reports	With in 20 days after end of each quarter	Head of Finance	ED, Board Audit & Finance Committee, Management team & Donors
Biannual technical reports	Within one month after end of each half year	Executive Secretary in collaboration with Theme Leaders/Heads of Units	ED, Board Programme Committee, Donors & Management team
Annual progress technical reports	Within one month after end of every year	Executive Secretary in collaboration with Theme Leaders/Heads of Units	ED, Board Programme Committee, Donors & Management team
Annual progress financial reports	Within one month after end of every financial year	Head of Finance	ED, Board Audit & Finance Committee, Management team & Donors
Annual Audited financial reports	Within 3-months after end of every financial year	Head of Finance	ED, Board Audit & Finance Committee, Management team & Donors
Annual report of ASARECA	Within 3 months after end of every year	Executive Secretary	Board of Directors, Donors

5. The Financial reports prepared by ASARECA shall include:

- a. Annual financial statements showing:
 - Statement of financial position (Balance Sheet)
 - Statement of revenue and Expenditure
 - Statement for changes in Reserve Funds
 - Cash flow statement
 - Notes to the financial statements (including significant accounting policies followed in the period)
 - Programme expenditure and funding sources - summary by donors
- b. Trial Balance
- c. Outstanding payments/commitments
- d. Programme/project expenditure reports
- e. Quarterly budget performance reports

ASARECA shall report on a quarterly basis however, adhoc financial reports shall be prepared as and when required.

6. Monthly Financial Reports

At the end of each month the **Senior Accountant** shall prepare and submit to the Budget Holders within 20 days after end a month the following:

- a. Budget performance reports (Budget/Expenditure Comparison)
- b. Staff business and personal accounts listing

7. Quarterly Financial Reports

- a. Quarterly financial reports for each project shall be prepared by the Senior Accountant and submitted to the Head of Finance for approval and consolidation.
- b. The **Head of Finance** shall prepare and submit a quarterly consolidated financial report to the Executive Secretary, the Audit & Finance Committee of the Board and Donors if applicable within 20 days after end of each quarter. The report shall include but not limited to the following:-
 - Management accounts
 - Budget performance progress reports (Budget/Expenditure Comparison).

8. Bi-annual Technical Progress Reports

Technical progress reports shall be prepared by the **Theme Leaders/Heads of Units** and submitted the Executive Secretary, the Programme Committee of the Board of Directors and Donors if applicable within one month after end of each calendar semester.

9. Annual Reports

A) Annual General Report

An annual general report shall be prepared and submitted to the Board of Directors (and every 2 years to General Assembly) within 4 months after the end of the financial year. The report shall cover qualitative as well as quantitative factors likely to affect future performance of ASARECA and shall contain the following:-

- a. An operating and financial review, an extensive report on the grants, finances of the association with an explanation of its performance in the last financial year.
- b. A report by the board on the steps that have been taken to ensure that the members of the board develop an understanding of the objectives and goals of the Association.
- c. A report by the Board of Directors on the proceeding and recommendations of the business committee.
- d. A statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management.
- e. The names of the chairman of the board, the deputy chairman (if one has been appointed), the Executive Secretary, the senior independent director and the chairmen and members of the nomination, audit and remuneration committees.
- f. A statement from the board as to how an evaluation of the directors was carried out.
- g. The number of meetings of the board and those of committees and individual attendance by directors.
- h. The significant commitments of the chairman of the board and any changes to them during the year,

how performance evaluation of the board, its committees and its directors has been conducted.

- i. The steps the board has taken to ensure that members of the board develop an understanding of the objectives of the Association and the views of the member states.
- j. A separate section describing the work of the nomination committee, including the process it has used in relation to board appointments and an explanation if neither external search consultancy nor open advertising has been used in the appointment of a chairman.
- k. An explanation from the directors of their responsibility for preparing the accounts and a statement by the auditors about their reporting responsibilities.
- l. A statement from the directors that the affairs of ASARECA are properly managed and that the association is a going concern, with supporting assumptions or qualifications as necessary.
- m. A report that the board has conducted a review of the effectiveness of the association's system of internal controls.
- n. Where the board does not accept the audit committee's recommendation on the appointment, reappointment or removal of an external auditor, a statement from the audit committee explaining the recommendation and the reasons why the board has taken a different position.
- o. An explanation of how if the auditor provides non audit services, auditor objectivity and independence is safeguarded.
- p. A directors' report which should contain:-
 - Director's responsibility to report fairly;
 - An auditor's report on the financial statements;
 - That adequate accounting records have been kept, internal control and risk management;
 - That consistent and appropriate accounting policies and prudent judgment have been applied;
 - That accounting standards were followed with departures quantified and explained;
- q. A report by the chairman of the board and by the Executive Secretary summarizing the association's performance in the previous year.
- r. A statement on the association's record with regard to environmental or social responsibility matters.
- s. The board charter itemizing the responsibilities of the board.
- t. Disclosure of the membership of the remuneration, nomination and audit committees, number of meetings held by the committees and a description of their work.
- u. A statement on the terms of reference of all the committees of the board
- v. A statement on the risk management policies and systems in place and their effectiveness thus far.

- w. A report on the internal audit systems and explanation on how the effectiveness of processes and systems is tested.
- x. A list of current member states and names of any new members that have since joined the association and those suspended.
- y. A statement of the remuneration philosophy and a declaration of the individual director's remuneration and bonuses paid out in the proceeding year. The remunerations shall be reviewed extensively by the General Assembly and remunerations for the next year shall be subject to the approval of the General Assembly.

B) Annual Financial Statements

The Head of Finance shall prepare annual financial statements within 3-months after the end of each financial year, which shall be subject to audit by external auditors. The audited financial statements shall include but not limited to:

1. Report of Directors
2. Statement of Management Representation
3. Independent Auditors report
4. Statement of financial position
5. Statement of revenue and expenditure
6. Statement of changes in Reserve Funds
7. Cash flow statements
8. Notes to the financial statements
9. Management information schedules

Key Control Processes

1. The **Head of Finance** shall prepare and submit the relevant reports (quarterly, biannual, annual) within the specified time schedule.
2. The **Head of Finance** shall sign off the periodic and annual *financial reports* and approved by the **Executive Secretary**.
3. All adjustments agreed with the external auditors shall be incorporated in the general ledger and final financial statements drawn.

Policy Objectives

To ensure that;

1. Effective internal audit reviews are established and maintained by ASARECA;
2. The role and function of the internal auditor are explained; and
3. The regulatory environment for internal audit reviews is adequately explained.

Policy Statement

All staff members are to comply with the following general principles:

1. The internal auditor shall functionally report to the BoD and administratively to the ED;
2. The internal auditor shall provide a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal controls, and governance processes at ASARECA.

Documents

The following are the key documents that shall be used to guide the internal audit reviews;

- Internal Audit manual
- ASARECA Internal Audit Charter
- International Professional Practices Framework, issued by (IIA)
- ASARECA Governance Manual
- ASARECA Constitution
- Internal Audit programmes
- Internal audit plan
- Approved work plans
- ASARECA Operations Manual
- The ASARECA Chart of Accounts
- Accounting records of ASARECA
- All reports of ASARECA

Responsibility

- BoD
- Audit and Finance Committee
- Executive Secretary
- Internal Auditor

General definition of Internal Auditing

Concept of Internal Auditing

The Institute of Internal Auditors defines Internal Auditing as “an **independent** objective assurance and **consulting activity** designed to **add value** and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of **risk management, control** and **governance processes**.”

“Internal Control” means a set of systems/policies/guidelines/procedures operated by an organisation to ensure that financial and other records are reliable and complete. The objective of internal control system is to ensure that management adhere to policies and procedures for orderly and efficient conduct of the business, proper recording and safeguarding of assets and resources.

Responsibilities for the Internal Audit function

The Internal Auditor shall have the following responsibilities:

1. Audit of the process used to identify measure, classify, and report financial and operating information to ensure its integrity and conformance to generally accepted accounting principles.
2. Review the processes and systems in place for compliance.
3. Determine the degree of compliance with those policies, plans, procedures, laws and regulations which have or could have a significant impact on operations and reports of ASARECA.
4. Assess the economy and efficiency with which the resources of ASARECA are employed and assets are safeguarded.
5. Determine whether ASARECA's objectives, goals, associated control procedures are effective and efficiently attained.
6. Assess compliance with established standards of business ethics and the procedures for reporting violations or probable violations of organisation policies.
7. Work with staff of ASARECA to ensure there is compliance with established set procedures and guidelines.
8. Provide an independent report on all internal control processes and advise on the procedures to mitigate the risks.
9. Ensure that results from internal audit work are properly communicated to the appropriate management or staff in the form of written reports, consultation, and advice or through, any other appropriate means.

Ethics and Professional Conduct of an Internal Auditor

Professionally and ethically, the internal auditor should;

- Be objective in all dealings
- Behave with integrity and honesty.
- Carry out their work with due skill and care
- Ensure that he keeps all information learnt/got confidential.

Internal Audit Process

Stages in the Internal Audit Methodology

- Establish the Audit Objectives and Auditee Expectations
- Undertake Enterprise Risk Assessments
- Audit Plan
- Execution
- Communicate Results

Establishing the Audit Objectives and Auditee Expectations

Auditors develop a mutual understanding of the scope of their internal audit services among the executive management and the Audit Committee. Based on that understanding and auditor's perception of the work needed, the internal auditor will determine the objectives of the audit (i.e., intended audit accomplishments). Objectives will be in enough detail to guide the audit program development. This understanding helps in determining the criteria for assessing the related risks, and the value to be delivered through the provision of internal audit services. Auditors also gain an understanding of the relationship protocols, management's views on audit coverage and cycling, and other information critical to the success of the engagement.

Steps in establishing audit objectives and Auditee expectations

- Arrange an Auditees' Expectations Meeting.
- Develop the Audit Objectives and Auditee Expectations.
- Develop the Risk Assessment Criteria.
- Communicate Audit Objectives and Expectations Results to Auditees

Preparing for the Expectations Meeting

- Identify the internal audit team and the Auditee liaison person
- Discuss and agree the role of the Auditees liaison, including identifying available dates and location for the meeting
- Obtain, review, and analyse background information by obtaining a copy of the relevant legislation (laws, directives, and internal regulations), guidelines, organisational chart, definition of the posts, delegation of powers, etc.
- Perform a preliminary review of the accounting environment, the chart of accounts, the computer systems (the safety and storage of data) to ascertain the reliability and regularity of accounting and financial data:
- Assign roles and responsibilities among the internal audit team.
- Confirm attendees and mail correspondence to Auditee participants

Information that should be documented in the working papers

At this stage, the following information should be maintained in our working papers:

- Background information obtained about Auditee or organisation
- Institution's organization chart
- Institution's strategic plan
- Correspondence sent to Auditee participants

Developing Audit Objectives and Establishing Auditee Expectations

Expectations meetings should periodically be conducted with the organization's key decision makers to discuss and agree upon the engagement's relationship objectives and protocols.

Issues to be examined in the meeting

1. ASARECA's strategic objectives
2. Desired internal audit focus and value criteria
3. Risk coverage
4. Strategic objectives
5. Internal audit focus
6. Critical and major processes of the organization
7. Organizational structure and alignment with processes
8. Audit coverage expectations
9. Relationship protocols
10. Role of the internal audit liaison
11. Distribution and format of audit reports
12. Measurement and communication of value
13. Receipt of feedback on internal audit services
14. Overall Audit Objectives

Information to be documented in the working papers

- Auditee's strategic objectives
- Agreed-upon internal audit focus
- Role of the internal audit liaison
- All agreed-upon engagement protocols

Developing the Risk Assessment Criteria

This process consists of the following steps:

- Determine the assessment ratings to be used for the Auditee. The ratings can be High, Moderate or Low.
- Determine the risk factors against which to assess organizational risks. The factors could be determined by asking executive management questions such as: "With respect to the agreed-upon business objectives, at a high level, how would the existence of a risk manifest itself, e.g., financial cost/lost opportunity, reputation damage?"
- Consider both the likelihood and the impact of the risk.
- Determine and agree upon the specific characteristics of the likelihood and impact of a risk.
- Analyze and detail the respective impacts that would fall within the high, moderate or low categories.
- Where appropriate repeat this analysis for likelihood, i.e., how could the likelihood of the risk be measured and indicate this likelihood within the high, moderate or low scale.
- Document the characteristics in a table form.

Example of Risk Assessment Criteria

Risk Factor	High	Moderate	Low
Financial Impact	Adverse impact on actual revenues or actual costs >UGX 50M <ul style="list-style-type: none"> External audit qualification on the report and accounts 	Adverse impact on actual revenues or actual costs of UGX 10 – 50M <ul style="list-style-type: none"> External audit management letter contains significant issues 	Adverse impact on actual revenues or actual costs of <UGX 10M <ul style="list-style-type: none"> External audit raises some isolated findings
Reputation	Serious failure to comply with legal or regulatory requirements <ul style="list-style-type: none"> Instances of bad publicity/ reputation damaged to a national audience 	Failure to comply with legal or regulatory requirements in some instances <ul style="list-style-type: none"> Instances of bad publicity/ reputation damaged to regional audience 	Failure to comply with legal or regulatory requirements in non-serious and isolated cases <ul style="list-style-type: none"> Instances of bad publicity/ reputation damaged to local audience
Technology	System enhancement or implemented without major functionality <ul style="list-style-type: none"> Loss of systems leading to severe or ongoing business disruption (over 1 day) Management information used in key decision makings inaccurate 	System enhancement or implemented without some functionality <ul style="list-style-type: none"> Loss or disruption to systems leading to significant business disruption (up to 1 day) Management information used for reporting purposes is inaccurate 	Minor delays in implementation of new/ enhanced systems <ul style="list-style-type: none"> Loss to systems leading to business disruption (up to 1 hour) Delays in availability of general management information
Likelihood	Highly Likely <ul style="list-style-type: none"> Systematic On-going 	<ul style="list-style-type: none"> Possible Occasional 	<ul style="list-style-type: none"> Unlikely

Information to be documented in the working papers

The final agreed-upon Risk Assessment Criteria should be included in our working papers.

Communicating Overall Audit Objectives Expectations Results to Auditees

The information agreed upon at developing expectations meeting is crucial to the overall success of the internal audit engagement. To capture the agreements reached during the meeting, provide the attendees with a key deliverable from the meeting, a communication of all issues agreed on.

Information to be documented in the working papers

The communication sent to the Auditees about the agreed upon expectations and audit objectives should be included in the working papers.

Risk Assessment

Risks are events, actions, or inactions that could cause the business objectives not to be achieved. To mitigate and manage these risks, an organization typically implements controls and other risk management activities. Risk assessment is the identification and analysis of risks to the achievement of the ASARECA's established objectives. Risk assessment provides a guideline for facilitating a high-level assessment of financial and compliance risks and to identify internal controls to manage those risks.

Parties responsible for risk assessment

Management has the responsibility of identifying, assessing, and managing risk.

Internal audit has the role of:

- Facilitating the identification and assessment of risk and,
- Monitoring how well risks are actually being managed by the entity.

Importance of risk assessment

It enables the auditor to:

- Identify, assess, and document the risks and related risk management activities that exist within the organization's processes and across its key organizational components (geographic locations, service lines, or functional units)
- Provide the primary focus for allocating audit resources in the Audit Plan process

Major steps in risk assessment process:

- Planning the Risk Assessment
- Understanding the Auditee's Entity
- Mapping Major Processes to the Internal Audit Focus
- Identifying Risks and Related High-Level Controls
- Assessing Risks
- Agreeing on and Report the Risk Assessment

Planning the risk assessment

The objective of planning the Risk Assessment is to give the engagement team clarity and structure in order to complete the work successfully and efficiently.

The Risk Assessment builds on the information obtained during the Co-Develop Expectations process.

How it is done

- Review engagement objectives, team member roles and responsibilities, and timelines
- Determine advance preparation requirements (if applicable) and documentation methods
- Determine the final output from the Risk Assessment (e.g., presentation to management and the Audit Committee)

Preparing the preliminary plan

A team or individual should be given the responsibility of:

- Gathering existing knowledge about the Auditee and engagement
- Developing a preliminary work-plan for the Risk Assessment.

Understanding the Auditee's Business

Understanding the Auditee's business is the necessary first step in performing the Risk Assessment.

Determinants of the level of analysis to be done

- The nature,
- Scope, and
- Size of the engagement will drive how much analysis should be undertaken to understand the auditee's business.

How to understand the business

- Assess ASARECA's control environment
- Confirm and review the ASARECA's overall objectives and critical success factors for achieving the objectives, recognizing that an organization will have implicit objectives in addition to those explicitly stated
- Identify how the organization is structured (by process and function) and begin to understand how the business objectives and internal audit focus are related to the processes

- Identify both internal and external influences that affect the organization's business objectives, internal audit focus, and critical success factors
- Identify the significant risks inherent in the achievement of the business objectives and critical success factors
- Identify which process owners to meet with in order to complete the Risk Assessment
- Understand the auditee's information technology environment
- Understand the auditee's existing risk management process and reporting structures

Assessing the Control Environment

Control environment refers to management's explicit and implicit control consciousness and attitude.

Internal Auditors should use a control environment questionnaire to develop an understanding of the auditee's control environment. The questionnaire consists of questions that may indicate risks that should be further evaluated or areas that might require additional audit procedures.

Issues examined by the questionnaire

- Management's control consciousness and operating style.
- Integrity and ethical values.
- Corporate governance arrangements.
- Organizational structure and assignment of authority and responsibility.
- Human resource policies, practices, and commitment to competence.

Developing and Confirming Your Understanding of the Processes

Arrange Meetings with the Key Department Heads to:

- Confirm the business objectives and identify critical success factors
- Identify Key Performance Indicators (KPIs)
- Identify and understand stakeholders and any external factors and how they influence the process
- Identify any high-level risks that exist
- Discuss any relevant IT issues
- Understand departmental strategic objectives

Critical success factors and key performance indicators

- For each objective, identify and discuss the critical success factors and how these relate to the major processes.
- Identify the key performance indicators used to measure the critical success factors.
- Determine how they are used by management to monitor the effectiveness of the process.
- Determine the different factors (internal or external) facing the key processes in place.
- Analyse the influence of each factor on the process.

Examples of factors affecting key processes

1. Stakeholder Influences. Examples include shareholders, debtors, employees, customers, and suppliers.
2. External Factors. These include political and economic trends, market conditions, legal and regulatory framework, competitors, technological change, and social change.
3. Information Technology (IT) and Human Resources (HR). Assess how IT and HR enables the key processes.

Understanding the IT environment

- Understand the implications and extent to which technology, as it relates to the attainment of the business objectives, enables each process.
- Technology should be considered as an integral part of the Risk Assessment process.
- The identification and subsequent assessment of IT risks should be performed in conjunction with the other risks to the organization.
- Determine how IT supports the key processes.

Key questions to consider

- Is the organization's strategy heavily IT enabled?
- What is the IT infrastructure?
- What is the IT change environment?
- What is the appropriate size of the IT department and budget?
- How best is it to use service bureaus (e.g., ADP, and/or consultants and vendors)?

Information to be documented in the working papers

The following should be maintained in the working papers:

- The auditor's assessment of the control environment and any identified risk factors.
- Appropriate notes to document the characteristics of the key processes.

Linking Internal Audit Focus to Key and Critical Processes

The principal objective of this step is to enable available internal audit resources to be efficiently allocated to those processes that significantly affect the strategic objectives or other concerns, which are the agreed-upon focus of the auditor's internal audit services.

Information to be maintained in the working papers

- A matrix to analyze which processes are relevant to the internal audit focus
- Documentation of the relative importance of each process, including the rationale for this as agreed on with management.
- A matrix to analyze which processes are relevant to business objectives (if this mapping is performed)

Identifying Risks and Related High-Level Controls

The objective of this process is to provide adequate guidance to the identification of the significant risks as influenced by the internal audit focus (e.g., business objectives) and to determine, at a high level, the controls over these risks.

Issues to discuss with the Auditee

1. The purpose and objective(s) of the process and the critical success factors which management has identified.
2. The beginning, end, key inputs, key outputs, key transformations and the sub-processes.
3. The impact of information technology on the process.

Important questions to be asked by the internal auditor

- What could go wrong?
- How could ASARECA fail as an entity?
- What must go right for ASARECA to succeed?
- Where ASARECA most vulnerable?
- What assets does ASARECA need to protect?

- Does ASARECA have liquid assets or assets with alternative uses?
- How could someone steal from the department?
- How could someone disrupt operations?
- On what information do we rely most?
- On what do we spend the most money?
- What decisions require the most judgment?
- What activities are most complex?
- What activities are regulated?
- Where is our greatest legal exposure?

It is important that risk identification be comprehensive at the departmental level and the activity-level for operations, financial reporting and compliance objectives. Internal and external factors must be considered.

Significant risks that exist in the process

Performing an analytical review of the process being audited is important. Such a review will help to provide an indication of the health of the process.

Typically, trend analysis is the most appropriate form of analytical review during the Risk Assessment. Capturing, acquiring, and analyzing data is time-consuming and generally considered appropriate for the Execution process only.

Questions to help identify significant risks

- What must go right in order for the process to achieve its objectives?
- What could go wrong with the process that would prevent the entity objectives from being achieved?
- How does IT or human resources enable the process and what significant risks exist as a result of these enablers?
- Is the process designed to be properly responsive to public and environmental forces (i.e., stakeholder influences or external factors)?
- *Does the process contain any inherent conditions that may result in a financial or other loss? (e.g., the risks of theft of cash/goods that exists within retailing environment).*

Information to be maintained in the working papers

- Process characteristics for the key process.
- A list of risks and associated controls agreed upon with management.

Assessing Risks

Risk is defined as “any event, action, or inaction that hinders ASARECA’s achievement of its business (explicit and implicit) objectives.” Risk has two attributes: **cause** and **effect**.

Issues to consider when assessing risks

- The **likelihood** of the cause occurring.
- The resulting **impact** of the risk (e.g., on revenue, reputation, reporting).
- Initial assessment of risk.
- Initial evaluation of high-level controls, assuming that controls can mitigate the likelihood and/or impact of the risk occurring.
- The predetermined scale (e.g., high, moderate, or low) to use. This should be discussed with the Auditee.

- The relevant time period. A risk may have a small impact if it occurs once, but if it could occur frequently during the year, consider what the cumulative impact would be.
- The factors that influence the risk (e.g., people, process, or technology).

Questions to use when evaluating high level controls

- Do the high-level controls appear effective or ineffective at mitigating the likelihood of the risk identified within the process?
- Are there several controls in place to mitigate the risk that result in process inefficiencies?
- Do the high-level controls appear effective or ineffective at mitigating the impact of the risk?

Information to maintain in the working papers

- Documentation of the likelihood and importance of risks, as agreed upon with management.
- Risk assessment rationale for risks, processes, and auditable units agreed upon with management.
- Rationale for initial evaluation of high-level controls.

Reporting and Agreeing on the Risk Assessment

The engagement team must present the results of the risk assessment along with the audit plan to the audit committee. This allows the audit committee to readily see that the audit resources are allocated to those areas that significantly affect the internal audit focus and business objectives of the organization.

Information to maintain in the working papers

Formalized agreement of the risk assessment (e.g. copies of minutes of audit committee or executive meeting.)

Annual audit plan

The annual audit plan is prepared based on the risk assessment and is presented in the standardized format established by the Internal Auditor. At the beginning of the financial year, the internal audit department presents the annual audit plan to the audit committee for approval.

Components of the audit plan

- List of audit assignments.
- Estimated hours for each audit assignment.
- Objective of each audit project.
- Type of review (internal control, financial, compliance).
- Priority (high, medium, low) and reason for the priority.
- Resources required
- Expected timing of each assignment
- Budgeted hours.

Developing an audit program

- The audit program details each of the audit steps to be performed during the course of the review.
- The Internal Auditor or his designee should approve the audit program prior to beginning the audit work. Any adjustments should also first be approved by him.
- As evidence of work performed, each of the steps in the program should be cross-referenced to the corresponding work paper.
- Upon completion of each audit step, the auditor should initial the audit program in the appropriate box indicating its completeness. In some cases (when not readily apparent), the reason for the audit step should be included in the audit program.

Identify resource needs and estimate hours to execute procedures

Using the proposed audit strategy as a basis, identify resource needs and estimate the respective amount of hours required to perform the work for each of the selected processes and areas. This is achieved by allocating available hours to each of the selected processes and areas based on the significance of the risk, complexity of the process, impact on internal audit focus and the audit procedures expected to be performed.

Financial budget

The Internal Audit unit shall prepare a budget that will be reviewed by the Audit Committee and incorporated into the entity's budget estimates.

Reviewing the audit plan to determine its consistency with management's expectations

Upon completing the audit plan, the Internal Auditor should review the Plan and consider the following questions:

- Is the audit plan consistent with ASARECA's audit coverage expectations?
- Is the audit plan consistent with ASARECA's view of cycling audits?
- Is the audit plan within the budgetary expectations of management?
- Do significant gaps in risk coverage exist and has this been appropriately communicated?
- Do we or the Auditee have the resources necessary to perform the audit plan?
- Are all expectations and coverage issues noted during the co-develop expectations process appropriately considered in the audit plan?

Coordinating the Audit Plan

Once the Internal Auditor has developed the audit plan, the next step is to begin to review the schedules of available resources and assign resources to processes and areas based on their individual skill sets. This allows the engagement team to be ready, upon approval of the audit plan, to execute the plan as resources are preliminary scheduled. If management or the audit committee should have changes to the audit plan, the engagement team can easily revisit the engagement project plan to accommodate the modification by shuffling resources.

Agreeing to the Audit Plan

The engagement team present the preliminary audit plan to management and the audit committee in accordance with the established protocols communicated in the co-develop expectations process. The audit plan outlines the following:

- Risk assessment results
- Listing of potential audits
- Timing

It is important for the engagement team to follow all change request protocols to ensure the proper allocation of resources.

Information to be maintained in the working papers

- A copy of the audit plan
- A copy of the executive management and audit committee meeting minutes, documenting approval of the audit plan as presented or other appropriate documentation showing approval
- Documentation of any points that Auditee personnel have asked you to consider for future audits so that you can revisit them when you update your audit plan

Audit Execution

Designing Tests of Control

This is necessary when conducting a systems audit or when, after the preliminary stage, the auditor believes it will be feasible to conduct a system based audit as opposed to a substantive approach. The auditor is seeking evidence of the operation of control procedures, for example, the checking of a travel claims, which should be prepared in accordance with the financial management procedures. When planning substantive tests, the auditor may use the sample size of 40 tests of control as part of a representative substantive sample, as long as the evidence from the tests of control clearly provides substantive evidence.

Instances when tests of control can be designed

- When the system design has been documented, evaluated and found to meet the audit control objectives;
- When the control operations to be tested are separately listed on the audit working papers.

The Internal Auditor may use any of the following when designing tests of control

- Inquiry. It is the cheapest form of testing and the least reliable.
- Observation,
- Inspection and
- Re-performance

In planning tests of control, evidence is required about the satisfactory operation of the control.

Items to include when recording the program of tests of control

- The population;
- The population size;
- The sample size;
- The method of sample selection.

For as long as the system remains the same, the compliance-testing plan can be re-used from year to year.

Preliminary audit work

The internal auditor should prepare for the audit visit before commencing the audit. This provides time for review of the previous years' reports and papers and such research and information gathering as is necessary to ensure that the team will be ready to start as soon as they arrive on site. Typical procedures, which should be included in that process, are listed below:

Familiarisation

- Obtain an understanding of the control environment.
- Obtain copies of all standard financial documents relating to this area;
- Prepare a record of the accounting records in use;
- Obtain an understanding of the financial regulations that relate to ASARECA's operations.

NB: If possible, most of the familiarisation tasks should be made easier by the maintenance of permanent files of information so this task might be incorporated within a single procedure: "Review and update permanent file"

Analytical Review

- Compare current year's actual income and expenditure, line by line, with the current year's budget;
- Compare current year's actual income and expenditure, line by line, with previous year's expenditure;
- For all income and expenditure heads, compare monthly income and expenditure during the current year. Other analytical techniques include:

Ratios

- Ratios can be calculated using financial or non-financial information or mixture of both.
- Using his/her knowledge of ASARECA, the auditor should establish the various relationships between different items of information and examine how they change overtime.
- Care should be taken to ensure that the correct relationships between figures have been established.

Examination of trends

The examination of trends may be seen as an extension of the time comparison over a period of years and may be valid for ratios as well as specific account figures. Observed trends must be critically examined. Relatively small changes from year to year may generate little interest but, over a period of years their cumulative effect may be significant. As with the other procedures, the information selected for this type of review needs to be determined by the auditor using his/ her knowledge of ASARECA. Explanations of any abnormality must be sought by the auditor for the procedure to be effective.

Reviewing for consistency

Related elements within the financial systems should be reviewed for consistency because there may be a direct relationship between the expenditure and receipts for certain items.

Proof-in-total techniques

Proof-in-total is a predictive test used to gain assurance regarding the correct statement of a financial figure. It is often considered as a substantive test, and can be used to complement or even replace tests of detail. It is particularly useful where the expected value of a figure can be calculated based on the prior year value, and known changes to the composition of the figure. Proof-in-total involves estimating the value of a figure based on independently verified audit evidence. As a guide, if the estimate is within 3% of the actual figure, this provides reasonable audit assurance that the figure is not materially mis-stated.

Examination of management information

- Obtain a copy of any information available to the Head of Department under review for the purposes of exercising overall control;
- Confirm that it is accurate and up-to-date;
- Examine information and follow up any items, which appear to be odd. This is a re-performance test and ought to provide evidence about the exercise of control by the Head of Department based on the use of the information supplied.

Assembly of Information

- Examine all "intelligence" information filed since the last audit visit relating to allegations and current developments in the department to be audited;
- Discuss with officers in the Finance Department their impression of the performance of the Head of Department in adhering to financial regulations, specific instructions or completion of returns or other documents;

- Establish whether officials in the department of Finance have experienced problems with the department;

Carrying Out Tests of Detail and Substantive Procedures

The conduct of audit work usually follows a standardised route through the audit. Audit programs should be drafted in such a way that the timing of the work is recognised. The order of the performance of audit tests is usually;

- Pre-audit work: To highlight any specific issues which need to be examined this audit;
- Compliance tests: To form a view about the operation of control. If systems are not reliable then substantive or weakness tests will be required
- Substantive tests: To confirm the correctness of records and documents.

NB: Weakness tests should be designed specially for the circumstances discovered at the audit and should not normally stay in the audit program.

Issues for Management's Attention

a) Preparing an Issue Summary

It is prepared when risks are inappropriately controlled. It should be reviewed by the Internal Auditor, and presented to management for action.

Components of the issue summary

- **Observations:** Details of any observations that indicate the absence of control or the results of testing with regard to the appropriateness of the controls. If appropriate, the observations should also describe the criteria (i.e. standard, regulations, policy, procedure etc.), the condition (what existed) and the cause (i.e. why the observation occurred).
- **Risk:** Details of the risk that is being inadequately controlled because controls have not been implemented or are not functioning as designed. When the issue identified is a process improvement in nature, it may be appropriate to use "Implication" rather than "Risk."
- **Recommendation:** Action recommended to address the risk. Always be aware of the cost/ benefit implications of any recommendations made. If the costs of implementing controls exceed the risk, look for alternatives.
- **Management Response:** Management's response to the observation, including identifying the action to be taken to address the risk, who will take the action, and a date by which the action will be completed.

b) Reviewing the Issue Summary

The internal auditor should review it before it is sent to the Auditee. The internal Auditor should:

- Be aware of all audit issues
- Review the summaries for accuracy and adequate supporting documentation.
- Determine whether the working papers support the conclusions reached
- Ensure that the Issue Summaries are professionally written.

c) Presenting Issues to Management

The Internal Auditor should present each Issue Summary to management in person and in accordance with the agreed-upon protocol, but make sure that the recipient will be the person responsible for taking or authorizing the corrective action. Management to provide a response to the issue within a reasonably short time frame.

d) Evaluating Responses

When received, responses should be reviewed for:

- Factually inaccurate findings
- Adequate corrective action to reduce risk
- Timeliness of corrective action

When there is a disagreement regarding factual accuracy, verify the additional information that management provides and re-evaluate the risk and control. If a response is inadequate, discuss the corrective action with the responder and request the additional information needed.

The additional response should be provided by the Auditee in writing. Ultimately, if agreement cannot be reached, refer to the protocol agreed to in the Co-Develop Expectations mega process.

If management's response is not received by the agreed date, contact the Auditee to determine the reason for the delay and to determine when the response will be received. The best solution may be to arrange a meeting to discuss the action to be taken.

Information to be maintained in the working papers

The Internal Auditor's working papers should include the following:

- Analysis of the controls in place to mitigate each risk identified in major processes.
- For each identified risk, the auditor should have an Issue Summary on file containing a response from management.
- The response and details of the action the auditor take when management's response accepts the risk but indicates that management is unwilling or unable to take remedial action.

Concluding the Audit and Report

The steps taken to conclude the audit, including the preparation of the audit report, are essential elements for producing a quality audit product. The audit report is one of the Internal Auditor's most visible deliverables, providing feedback to Auditee management on the results of audit work. The report should include all the significant issues identified as a result of our audit procedures.

At the end of the fieldwork, issues from the audit are collated, reviewed, prioritized, and consolidated in the audit report. This report is published in draft form prior to holding a closing meeting with process owners, during which its contents are discussed and agreed upon.

Reviewing Working Papers

- a. Review throughout audit process
- a. Perform final working paper review
- b. Remove review comments, "to do" notes, and report drafts
- c. Look for complete documentation that supports issues and scope
- d. Look for findings that have not been recognized and reported
- e. Document ideas to improve future audits (when appropriate)
- f. Prioritize observations
- g. Rate findings
- h. Review for inappropriate language

Elements to be included in an audit report

- **Background:** a high-level description of the audit process
- **Objectives and Scope of the Audit Project:** a brief description of the scope/objectives of the audit project
- **Period:** an indication of the period covered by our procedures
- **Findings:** significant issues identified and documented throughout the audit using the issue summary
- **Recommendations:** outlines suggested actions that management should consider to address an audit finding
- **Date:** the report is dated (month, date, and year) on the day that fieldwork is substantially completed
- **Signature:** Report should be signed.

When constructing the report, the following guidelines should be used.

Cover Page

The cover should include:

- Name of department/unit/subgrantee being audited
- Process or area evaluated
- Period covered

Title

The titles and headings should be in a larger font than the text.

Table of Contents

Consider using a table of contents when the report is longer than five pages. If applicable, the index should have the same title as the cover sheet and should include a list of the headings of each section within the report.

Appendices

The Internal Auditor should consider using appendices to provide additional information that does not belong to the body of the report. It may include an overview of the risks examined, ratings definitions, etc.

Appendices should be used only when needed in order to provide the reader with required reference material.

Page Numbers

All reports should have page numbers. The report should be consecutively numbered with the first page number starting after the index.

Unresolved Issues from the Previous Audit Report

Unresolved issues from a previous audit report are treated in the same manner as other issues identified. Reference should be made to the fact that the issue was raised previously but remains outstanding.

Issuing a Draft Report

a) Prepare a Draft Report

Before issuing a final report, the Internal Auditor should prepare a draft report of detailed findings and recommendations. The draft audit report, including findings and recommendations, typically is only distributed to process owners. The final report distribution includes management and the Audit Committee. The principal reason for this is that the draft report provides a final opportunity for:

- Management to challenge the accuracy of the issues raised in the report
- The engagement team to validate the action plan to address each issue

b) Issuing the Draft Report

The draft report should be issued in accordance with the agreed-upon distribution.

c) Schedule the Closing Meeting

The closing meeting or exit conference should be held soon after completing the audit field work.

Conducting a closing meeting

a) Selecting Attendees

Members of the audit team and process owners should attend the closing meeting

b) Discuss Draft Audit Report

The Internal Auditor should discuss the draft audit report to reach agreement on each of its components. Specifically, the meeting provides an opportunity to:

- Clarify points or issues
- Resolve any misunderstandings
- Demonstrate the value we have provided
- Agree on follow-up activities

The Internal Auditor should take detailed minutes to provide evidence of management's response to the issues raised. The minutes should be kept in the working papers.

Issuing a final audit report

After the closing meeting, the Internal Auditor should incorporate any agreed changes to the draft audit report and issue it in accordance with the agreed-upon final audit distribution.

Follow up on reported audit findings

The Internal Auditor should follow up on audit findings. The nature, timing, extent, and scheduling of follow-up activities and the procedures and techniques employed are determined by the Auditee.

Communicating Results

At a minimum, executive Secretary and the Audit Committee must formally review, agree and approve the Risk Assessment and the Audit Plan prior to executing a substantial portion of the Audit Plan.

Throughout the year, the Internal Auditor must communicate the status of executing the Audit Plan and a summary of the results of audit assignments, including significant findings.

Working Papers

Working Documentation

Working documentation is a set of documents prepared/for the internal auditor in connection with the conduct of an internal audit. Working documentation consists of a constant part and a variable part. The constant part contains usual data, which are of historical and permanent nature. The variable part contains working documents relating to the current year.

The internal auditor is obliged to document things that are important as evidence supporting the auditor's opinion and documenting that the internal audit has been carried out in accordance with the auditing standards.

Working papers are stored in the following ways

1. Paper
2. Films
3. Electronic data media

Purposes & uses of audit working papers

- To provide the principal support for our audit opinion
- To facilitate the conduct of an internal audit;
- To facilitate supervision and inspection of the work of an internal auditor/Auditor;
- To record any evidence resulting from the work of an internal auditor/Auditor in support of the auditor/Auditor's opinion
- To aid us in the conduct and supervision of the engagement consistent with professional standards and firm policies and procedures
- To provide important information for subsequent audits and for potential review by third parties who may challenge the sufficiency of our work.
- Working papers may provide information for further investigation
- Review by third parties

Components of the title page of the working documentation

- Full name of the internal auditor;
- Name of the Auditee
- Subject of the internal audit;
- Department/Unit/Sub grantee being audited (Auditee);
- Time period of the internal audit;
- Reviewer
- Full names of the auditors who carried out the internal audit (where the audit is conducted by several auditors);
- Contents of the working documentation.

Principles for the Compilation of Working Documents

The Internal auditor is required to compile and maintain detailed working documentation, giving an overall picture of the internal audit performed.

In the working documentation, the internal auditor should record information on the:

- The objective of the audit

- The planning, nature, time period, and scope of the auditing/inspecting procedures,
- The results of these procedures, and
- The conclusions arising from the audit/inspection performed.
- All the data on which the opinions and judgments of the auditor are based.
- The nature, term, and scope of tests of correctness are based on the evaluation of financial management at the audited activity or department;
- The working documentation obtained, auditing/inspection procedures applied, and tests performed, provide sufficient evidence, which is an adequate basis for an opinion on the activity that is audited.

Contents of the working documentation

- Information about the legal form and organisational chart of the audited department;
- Extracts or copies of important legal documents, contracts, records, and plans;
- Information about the sector, the economic and legislative environment in which the organisation operates;
- Evidence of the fact that the internal audit was planned, including the programme of the audit and its changes;
- Evidence of the internal auditor's decision to carry out an audit and of the conclusions reached;
- Analysis of transactions and balances;
- Analysis of relations, relationships, and trends;
- Records in respect of the nature, time limit, and scope of the audit work performed;
- The name of the person who determined the auditing process, including the date;
- Details about the procedures applied during external audit, if an external audit was conducted in the organisation concerned;
- Copies of correspondence between the internal auditor and other auditors, experts, or third parties;
- Letters with statements, made by the management of the audited organisation;
- A copy of the organisation's financial statement, report of an external auditor, report on internal control.

Principles for the Preparation of Working Lists

The internal auditor should record his activities in working lists on a daily basis, according to the following principles:

- Each working list should contain the name of the area that is audited, the time limit for the audit, title – contents, name of the person who has prepared the working list, date of elaboration and the index – designation of the list;
- the working lists are to be indexed – marked with cross references enabling rapid search;
- Completed working papers shall clearly document the work of auditors. This can be achieved, for example, by writing a final evaluation of the internal audit performed (memorandum), with notes on the working list, using symbols with clear explanations on the working list;
- The overall in charge of audit needs to be able to satisfy himself/herself that work delegated by him/her has been properly performed. He/she can generally only do this by having available to him/her detailed audit working papers prepared by the audit staff who performed the work.
- The audit working papers provide, for future reference, details of problems encountered and adequate evidence of work performed and conclusions drawn there from in arriving at the audit opinion.
- Audit working papers should always be sufficiently complete and detailed for an experienced auditor with no previous connection with the audit to subsequently ascertain from them what work was performed and to support the conclusions reached.
- Working papers should be prepared as the audit proceeds so that details and problems are not omitted.

- Audit working papers should include a summary of all significant matters identified which may require the exercise of judgment, together with the auditor's conclusions thereon.
- If difficult questions of principle or judgement arise, the auditor should record the relevant information received and summarise both the management's and his conclusion.

Working papers can conveniently be split into three:

1. Permanent File

Permanent files are used for data that can reasonably be expected to be needed in audits for more than two years.

The following are typical permanent file materials:

- Law establishing ASARECA
- General information about the Auditee
- Regulations governing ASARECA
- Accounting policies and procedures
- Historical analysis of accounts
- Tax information.

2. Systems File

The systems file can be used to record the way in which the auditee's internal control and accounting systems operate. Typically, this will be in the form of flow charts recording each of the accounting areas supplemented, where necessary, by narrative notes.

3. Current files

The current file will contain all the working papers in relation to the current year's audit, and these can be quite extensive. A typical format would be as follows:

Indexing Working Papers

The objective is to make it easy for anyone to retrace the steps we took to complete the audit, and to make working papers easy to locate.

- Use the pyramid system: At the base are detailed working papers. As we proceed to the top of the pyramid, we need to continue to build a supportive base that meets our audit objective
- Each working paper should have a unique index
- An index is assigned to each audit working paper as soon after its preparation as is practical. Indexing is used to maintain consistency

Effective Working Papers should contain

- Working paper headings
- Clear and concise tick marks
- Narrative comments
- Audit conclusions
- Audit working papers should be signed-off

An Illustrative example of the general index of working papers

WP		General File
1		Internal auditor’s report
2		Exit conference & findings
3		Entrance conference/notification
4		Preliminary survey/planning memo
5		Review & supervision notes
6		Audit program
7 and Up		Evidence working papers
		Permanent File
PF 1		Organizational chart
PF 2		Applicable statutes and regulations
PF 3		Internal control information - narratives, flowcharts, questionnaires, etc
PF 4		Description of the accounting records, description of the funds, basis of accounting, etc.
PF 5		Departmental mission statement
PF 6		Department budget and other strategy documents

Detailed individual audit programs have been developed to guide the internal audit team and have been attached to the internal audit manual as an appendix. This does not form part of the OM part available with the Internal Audit Unit.

Key control processes

1. The Internal Auditor shall report directly to the audit and finance committee of the BoD and administratively to the Executive Secretary.
2. The **Internal Auditor** shall prepare and present *quarterly reports* to the **Bod** regarding the status of internal control procedures and environment of ASARECA, risks facing it and any other matters that he/she may consider necessary to bring to the attention of the management of ASARECA. Such reports shall also make recommendation to improve the internal control environment of the Secretariat.
3. All staff in Internal Audit unit shall regularly consult the Internal Audit Manual, Internal Audit Charter and IPPF issued by the IIA.

Policy Objectives

To ensure that:

1. Risks that threaten the achievement of the ASARECA objectives are identified and assessed;
2. There are effective measures and controls in place to monitor and report on the current status of risks and the effectiveness of the related controls;
3. Risks are responded to appropriately, based on the assessment made; and
4. A risk awareness culture is created through out ASARECA and that the control environment is continually improved.

Policy Statement

Risks that threaten the achievement of ASARECA strategic objectives shall be identified and managed by adopting an organisational wide risk awareness and management approach that is consistent with international best practice.

Documents

The following are the key documents that shall be used to guide the process of risk management;

- Risk reports
- Alert reports

Responsibility

- Executive Secretary
- Head of Finance
- Internal Auditor
- All staff

The Internal Auditor shall be responsible for the following:

- a. Reviewing the ASARECA's progress towards stated Operations risk objectives, goals and risk tolerances.
- b. Periodically review ASARECA's Operations risk framework and consider the loss experience, effects of external market changes, environmental factors, and the potential for Operations risks that are associated with new activities or systems;
- c. Ensure appropriate reporting to senior management and the Board of Directors.

Procedures

1. The *Internal Auditor* shall plan and conduct an annual risk awareness and management seminar that shall be attended by staff.
2. The *Internal Auditor* shall periodically assess, investigate and recommend appropriate controls in the existing and new processes to minimise the loss to ASARECA.
3. The *Internal Auditor* in liaison with the Head of Information and Communication unit shall put in place checks/controls to ensure the completeness, integrity and relevance of management information systems.

4. The *Internal Auditor* shall ensure implementation of controls as part of the risk management process.
5. The *Internal Auditor* shall liaise with the heads of units to identify the risks facing the respective units and assess the effectiveness of the related controls.
6. The *Internal Auditor* shall prepare and submit quarterly reports to the Executive Secretary, the BoD and management summarising Operations risk exposure, loss experience, internal control assessments and recommendations for managing the risks identified.
7. The *internal auditor* shall provide a report on internal controls and processes for managing risks to the BoD.

Key control processes

1. All staff shall attend an annual risk awareness training conducted by the Internal Auditor.
2. Quarterly *risk management reports* shall be generated and submitted to the Executive Secretary, the BoD and management by the Internal Auditor.
3. There shall be continuous monitoring and reporting of Operations risk by the Internal Audit function.

Policy Objectives

To ensure that:

1. There are adequate procedures for prevention, detection and management of fraud;
2. All staff of ASARECA are aware of their respective responsibilities with regard to fraud;
3. There is suitable environment for managing fraud; and
4. There are adequate protection guidelines for those reporting suspected fraud.

Policy Statement

All staff members are to comply with the following general principle:

ASARECA has a zero tolerance to fraud and corruption and staff shall act with integrity at all times.

Responsibility

- Board of Directors
- Executive Secretary
- Head of Finance
- Internal Auditor
- All staff of ASARECA.

Anti Fraud Culture

ASARECA is committed to preventing fraud and corruption from occurring and developing an anti-fraud culture. In order to achieve this, ASARECA shall:

- a. Put in place guidelines to prevent fraud;
- b. Ensure that when fraud occurs, a vigorous and prompt investigation takes place with no regard to position or length of service;
- c. Take appropriate disciplinary and legal action in all cases, where justified; and
- d. Review existing systems and procedures to prevent similar fraud.

Procedures

1. In case of deliberate misuse of funds, the Executive Secretary of ASARECA shall be informed immediately.
2. The Internal Auditor has the overall responsibility for managing risk of fraud. His/Her responsibilities include:
 - a. Developing a fraud risk profile and undertaking a regular review of the fraud risks;
 - b. Establishing effective anti-fraud procedures and fraud response plan;
 - c. Recommending the controls to prevent fraud; and
 - d. Establishing appropriate mechanisms for reporting fraud.
3. ASARECA shall put in place avenues for reporting suspicion of fraud including the guidelines for protecting whistle-blowers. All matters will be dealt with in strict confidence.
4. ASARECA shall put in place a suggestion box where staff shall report any suspicion of fraud in confidence. The internal auditor shall periodically review the information in the suggestion box and carry out an investigation.
5. Investigations regarding fraud shall be reported to the Executive Secretary for action and if such investigations relate to the Executive Secretary, a report shall be prepared directly to the BoD.

Key control processes

1. Adequate procedures for prevention, detection and management of fraud shall be established and followed by all staff of ASARECA.

2. All staff shall adhere to the anti-fraud policy.
3. ASARECA shall put in place a tool for tracking and reporting unethical conduct

Policy Objectives

To ensure that:

1. The role and scope of external Audit is clarified;
2. The legal and regulatory environment is explained; and
3. The financial statements are expeditiously audited.

Policy Statement

All staff members shall comply with the following general principles:

1. The Board of Directors shall appoint an independent external auditor to give an independent opinion on ASARECA books of account;
2. ASARECA shall not be audited by the same auditor consecutively for a period exceeding 4 years; and
3. ASARECA's books of account shall be audited by a recognised and international audit firm.

Documents

The following are the key documents that shall be used to guide external audit arrangements;

- Chart Of Accounts
- Accounting records of the ASARECA
- Cash books
- Journal vouchers
- Financial statements
- Trial balance
- Supporting schedules to all trial balance items
- Bank reconciliations for the period
- The Operations Manual
- contracts-0987

Responsibility

- Executive Secretary
- Head of Finance
- All Finance Unit staff
- Procurement and Contracting Officer
- All staff of ASARECA

Procedures

1. ASARECA's Board of Directors is responsible for appointing the external auditors. The same auditor shall not be appointed consecutively for a period exceeding 4 years.
2. The external auditors to be appointed shall be selected from internationally recognized audit firms. The procurement of external auditors shall follow the procedures regarding procurement of services under **section 6.5** of this manual.
3. The **Head of Finance** is responsible for arranging the annual financial audit review.

4. The annual audit review shall usually commence in the third week of January following the end of each financial year and be completed the latest by end of February or early March every year.
5. The **Head of Finance** shall be responsible for the preparation of the *annual financial statements that fully correspond to the trial balance* that will be availed to the external auditors on the commencement of the external audit work.
6. The **Head of Finance** shall ensure that relevant *annual financial statements* have been prepared and properly supported with all the relevant schedules before the commencement of an external audit. A set of these financial statements and the supporting schedules shall be reviewed and approved by the **Head of Finance** before commencement of the external audit exercise.
7. The **Head of Finance** and all the relevant staff of ASARECA shall provide all information and/or explanations as requested by the external auditors.
8. The **Head of Finance** shall monitor the progress of the audit to ensure that the deadline is met.
9. The **Head of Finance** shall receive a draft audit report together with the management letter from the external auditors. The draft reports shall be discussed with senior management and comments provided to the external auditors.
10. The final responses to the management letter shall be discussed and agreed with the Executive Secretary before submitting them to the external auditors.
11. The draft reports shall be finalised through discussions with the external auditors and the Head of Finance before the final report is issued and presented to the Board of Directors for approval.
12. The approved audited reports shall be signed off on behalf of the Bod by the **Head of Finance** and **Executive Secretary** and copies shall be circulated by **Head of Finance** to donors and collaborative partners.

Key control processes

1. External auditors shall be selected and appointed by the BoD for the period as deemed necessary.
2. The **Head of Finance** shall sign off all the financial statements and reports in preparation for an annual audit of ASARECA.
3. The management letter responses shall be discussed and agreed with the Executive Secretary before submission to the external auditors
4. The **Executive Secretary** shall be responsible for submitting the *audited financial statements* to the donors and other collaborative partners.
5. The **Head of Finance** shall ensure the approved and published audit reports are distributed to the Board of Directors, Donors and other Collaborative Partners annually within the specified period.

OPERATIONS MANUAL

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