
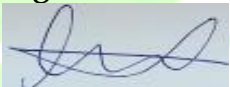
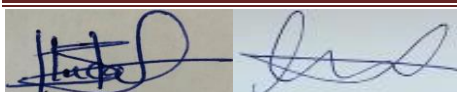




## FINANCIAL AND ACCOUNTING POLICIES AND PROCEDURES MANUAL

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<b>Endorsed by</b>	<b>Chair AfyaPlus Board of Directors.</b> Dr. Hussein Mohamed (PHD)	<b>Signature:</b> 

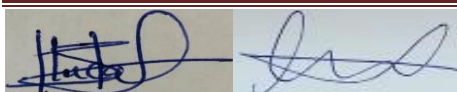
AFYA PLUS



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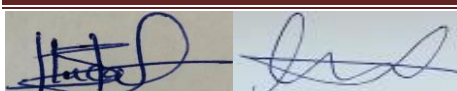
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**AFYA PLUS**



# CHAPTER ONE

## INTRODUCTION

### 1.1 AfyaPlus Organization's Financial System

AfyaPlus Organization is a nonprofit, non-governmental organization with neither political nor religious affiliation formed with keen focusing on women and children social-economic rights. In so doing, AfyaPlus Organization works on two main thematic areas: **(1) Water Sanitation and Hygiene (2) Nutrition (3) Women empowerment.** AfyaPlus Organization would like to develop and implement sound financial systems that comply with internationally accepted accounting standards generally applicable to not for profit organizations.

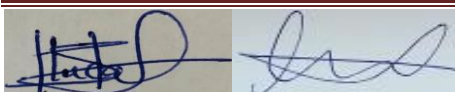
The AfyaPlus Organization's financial system encompasses all the personnel, resources, systems and activities that work together to carry out in an effective manner the financial and accounting functions of the Organization. This manual seeks to streamline the functions of all the elements within this system to ensure that all the activities of the Organization are carried out in a systematic manner so as to safeguard and add value to assets as well as facilitate and enhance financial reporting.

The implementation of sound financial and accounting systems is therefore designed in such a way as to ensure that:

- a) All transactions are executed only upon proper approval and authorization;
- b) Only valid transactions are recorded accurately to permit preparation of financial statements that conform to generally accepted international accounting standards, and
- c) All assets are safeguarded in a healthy control environment.

### 1.2 Purpose of this Manual

- a) The key purpose of designing this accounting policies and procedures manual is to provide guidelines to all staff at AfyaPlus Organization, particularly the Finance and Accounting staff for the orderly execution of their respective responsibilities for the purpose of preparing the Organization's financial statements.
- b) These guidelines provide sets of operating and reporting financial standards and



practices that comply with internationally accepted accounting standards, including the International Financial Reporting Standards (IFRS).



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- c) The manual aims to set out the basic framework of systems that will provide adequate levels of internal controls including budgetary control.
- d) The manual also aims at ensuring and promoting the principles of accountability and transparency generally referred to as good corporate governance code.

### 1.3 Authority of the Manual

- a) In developing this manual, consideration was given to all applicable International Accounting Standards.
- b) The manual also has the **approval of the Executive Director** and the full authority of the **Board members**. Failure to comply with any policies and procedures contained in this manual may render an employee liable to disciplinary action. A plea of ignorance will not be acceptable as an excuse for non-compliance.
- c) If for any reason a given policy or procedure cannot be implemented, it would be incumbent upon the responsible official to notify the immediate senior in writing detailing the circumstances and submitting an alternative policy or procedure for the approval of the Executive Director, who shall either endorse or reject the exception and the procedure to be valid as a replacement.

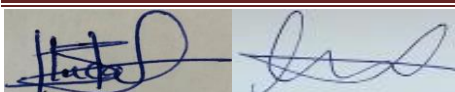
### 1.4 Scope of the Manual

This manual is intended to cover all aspects of the control environment of the financial system of the AfyaPlus Organization mainly on **Comprehensive child protection system and gender equality**. It seeks to touch on all areas of the system that instills order, direction and focus for efficient and effective performance at all levels of management.

The first chapter introduces the entire work, outlining its purpose and objectives, as well as emphasizes the necessity for updates and revision.

Chapter Two sets forth the guiding principles, detailing the relevant concepts and conventions of the financial system.

The remaining chapters set out the policies and procedures framework for all aspects of the system. They establish points of reference for all the areas of the system consisting of cash and treasury management, expenditure control management, plant property and equipment, procurement and inventory management, payroll management, grants and sub grantee management, budgeting and budgetary





control, financial reporting and audit framework.



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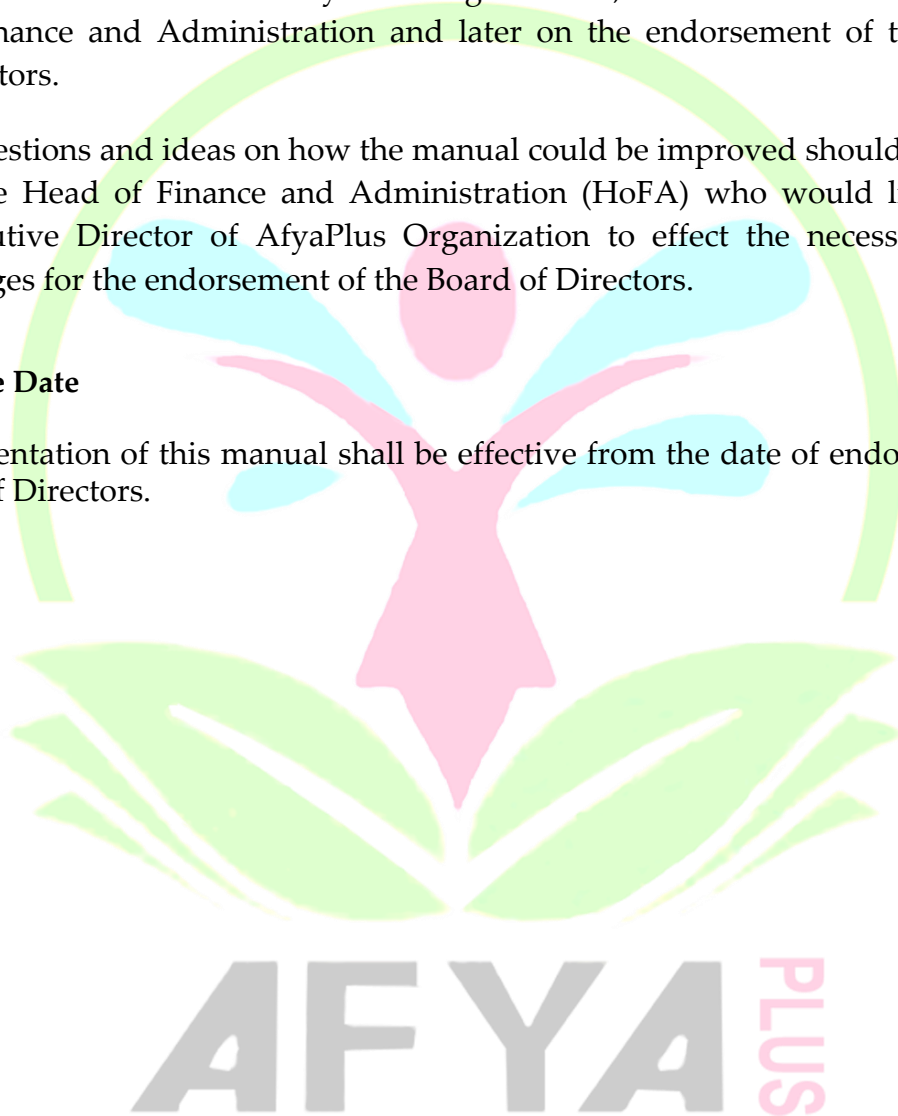


## 1.5 Updates and Revision

- a) This is a living manual that will continuously be adapted and aligned to the environment in which the Organization operates. The manual shall therefore be revised annually by AfyaPlus Organization management, with the approval of the Executive Director of AfyaPlus Organization, based on advice from the Head of Finance and Administration and later on the endorsement of the Board of Directors.
- b) Suggestions and ideas on how the manual could be improved should be forwarded to the Head of Finance and Administration (HoFA) who would liaise with the Executive Director of AfyaPlus Organization to effect the necessary identified changes for the endorsement of the Board of Directors.

## 1.6 Effective Date

Implementation of this manual shall be effective from the date of endorsement by the Board of Directors.



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## CHAPTER TWO GENERAL GUIDING PRINCIPLES

### 2.1 Accounting Method

It is the policy of AfyaPlus Organization to apply the accrual basis of accounting for the entity wide financial statements during the financial years. This basis recognizes income when earned and expenses when incurred.

### 2.2 Foreign Currency Transactions

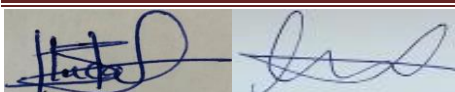
- a) It is the policy of AfyaPlus Organization that all transactions in foreign currency are translated into Tanzania Shillings at the rate of exchange prevailing on the transaction date.
- b) Year-end balances in foreign currency are translated into Tanzania Shillings at the year-end exchange rate.

### 2.3 Revenue Recognition

- a) It is the policy of AfyaPlus Organization that grants are recognized as revenue upon receipt of the funds into AfyaPlus Organization Bank account or upon fulfillment of the requirements agreed on in writing with each Donor Agency.
- b) Grants represent support with donor-imposed conditions and could be restricted or unrestricted. Unrestricted grants are received in support of agreed research and development agenda and for general administration.
- c) Restricted grants are received in support of specified projects or activities mutually agreed upon between the AfyaPlus Organization and donors.

### 2.4 Prudence Principle

- a) Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated and liabilities or expenses are not understated.
- b) **The prudence concept states that revenue and income are not anticipated but are recognized by inclusion in the income statements only when realized in the form of cash or other assets or when the ultimate cash realization can be assessed with a reasonable degree of certainty.**



- c) All known liabilities are provided for whether their amounts are known with certainty or are a best estimate in the light of the information available.

## **2.5 Historical Cost Principle**

- a) The financial statements of AfyaPlus Organization would be prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS).
- b) Historical cost implies that the carrying value of assets is based on their purchase price. Where the historical cost convention is departed from, this should be stated in the accounting policies, specifying the nature of departure.
- c) However, grants in kind received by AfyaPlus Organization such as fixed assets or services received from donors should be recorded at the fair values of the asset on the date of the transaction or actual fees paid by donors for such services, respectively.

## **2.6 Going Concern**

- a) The Financial statements shall be prepared on the assumption that AfyaPlus Organization is a going concern and would continue in operation into the foreseeable future.
- b) It is assumed that the institution has neither the intention nor the need to liquidate or curtail materially the scale of its activities unless there is an intention to liquidate the entity.
- c) If the intention to liquidate the entity exists, the financial statements may have to be prepared on different basis and, if so, the basis used shall be disclosed.

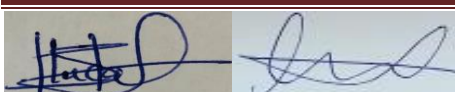
## **2.7 Consistency**

The consistency concept explains the fact that there shall be consistency in the methods and bases for the treatment of similar accounting variables:

- a) Within each accounting period and
- b) From one accounting period to another.

## **2.8 Fair Value Principle**

- a) Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties.



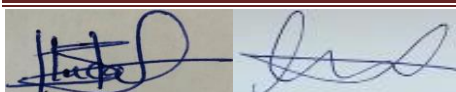
b) Prevailing market prices are also used to determine fair value.

## 2.9 Disclosure Principle

This requires the presentation of sufficient information to permit the reader to reach an informed understanding of the financial statements.

## 2.10 Accounting policies

- a) Accounting policies are the specific basis judged by AfyaPlus Organization to be most appropriate to its circumstances and adopted for the purposes of preparing financial statements.
- b) Accounting policies applied would be based on International Financial Reporting Standards. In the absence of an International Financial Reporting Standard that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is reliable and relevant to the decision-making needs of users, in that the financial statements:
  - (i) Represent faithfully the financial position, financial performance and cash flows of the entity;
  - (ii) Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
  - (iii) Are free from bias;
  - (iv) Are prudent; and
  - (v) Complete in all material respects.
- c) Where circumstances permit more than one accounting basis, the choice of policy can significantly affect AfyaPlus Organization's reported results and financial position. Management shall therefore ensure that:
  - (i) The view presented can be properly appreciated by clarifying the policies followed in dealing with significant items.
  - (ii) The choice and disclosure of accounting policies are carefully made to promote the appreciation by users of the Organization's financial statements.



## CHAPTER THREE

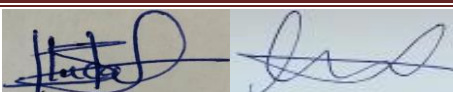
### CASH AND ACCOUNT MANAGEMENT

#### 3.1 Authorized Signatories

- a) It is the policy of AfyaPlus Organization to have two authorizing signatories for all payments; among the three signatories.
- b) The Signatories of the AfyaPlus Organization are the Executive Director, Head of Programs (HOP) and the Head of Finance and Administration (HOFA).
- c) For the purpose of online transaction on the AfyaPlus Organization accounts that offer online services, initiation of transactions shall be done by either the HOP or the HOFA and authorized by the Executive Director.
- d) To ensure the principle of check and balance, the Executive Director shall not have the authority to initiate any transaction while the HOP and/ HOFA shall not have the authority to authorize any initiated payments.
- e) No officer shall issue and sign a payment document such as a cheque in a situation where s/he is the direct beneficiary. In such circumstances, the payment must always be signed by any other signatory authorized to do so.

#### 3.2 Managing Bank Accounts

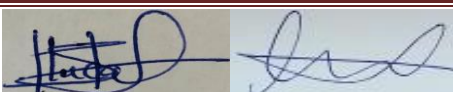
- a) The decision to open or close any bank account shall be authorized by the HOFA and approved by the Executive Director.
- b) All the bank accounts shall be reconciled monthly by the accountant and reviewed and approved by the HOFA of AfyaPlus Organization.
- c) Bank reconciliations should be prepared and reviewed within 7 working days after the end of the month.
- d) No AfyaPlus Organization representatives are allowed or authorized to secure loans, overdrafts, or to incur deficits in their operations.
- e) AfyaPlus Organization bank accounts are specifically intended for official AfyaPlus Organization transactions and should not be used for deposit or payment of personal items.
- f) Control of Bank Cheques:



- (i) Unused cheque books shall be safeguarded in a safe or otherwise under lock and key held by the Head of Finance and a register shall be maintained to record issues.
- (ii) All cheque books must be signed for by the receiving officer.
- (iii) The Head of Finance shall check all new cheque books to ensure that all cheque leaves are intact when received from the banks.
- (iv) All cheque books and leaves must be issued in numerical order.
- (v) Cheques shall be drawn only after the voucher and the supporting documents have been properly prepared by the Accountant and duly approved.
- (vi) Signed cheques that have not been distributed will be safeguarded under lock.
- (vii) Under no circumstances will blank cheques be signed.
- (viii) Voided Cheques:
  - It is the policy of AfyaPlus Organization to maintain voided cheques register and document every cheque that has been voided regardless of the reason.
  - If voided cheques are physically available, they will be stamped "VOID" and filed with the canceled cheques for that month or stapled to the chequebook counterfoil.
- (ix) Outstanding Cheques (Over 4 months old)
  - It is the policy of AfyaPlus Organization to call or write to the payee and inquire whether cheque was received or not.
  - If the cheque is lost AfyaPlus Organization will issue an immediate stop payment and consider issuing a replacement cheque upon verification by the bank that the cheque has not been cashed.
  - If the cheque has been cashed the AfyaPlus Organization shall initiate investigation to probe the matter to the bottom and take immediate correcting control measures to prevent recurrence.

### 3.3 Bank Reconciliation Statements

- a) It is the policy of AfyaPlus Organization to have bank reconciliation statements prepared monthly.
- b) The Accountant will prepare bank reconciliation statements;
- c) The completed bank reconciliation statements and documentation of voided cheques shall be reviewed by the HOFA;

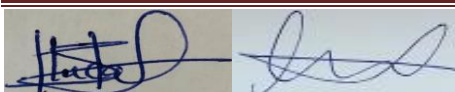




- d) The reconciled statements shall be reviewed by the HOP and approved by the Executive Director.

### 3.4 Guidelines for Preparing Bank Reconciliation Statements

- a) Bank reconciliation statements shall be prepared within 7 working days after the end of the month.
- b) The ending date of the bank ledger and the bank statement should be the same.
- c) Ideally, the bank reconciliation should be prepared by someone who does not authorize disbursements.
- d) The HOFA or HOP should review the reconciliation. The Executive Director will approve the reconciliation statement.
- e) The bank reconciliation should include a copy of the balance per the accounting records (the ledger balance) and a copy of the bank statement when it is presented to the HOFA for review and endorsement.
- f) All cheques not cashed after 4 months (120 days) from the date of issue should be investigated by the HOFA. With the consent of the HOFA, stale cheques should be written off immediately they become invalid.
- g) Any unexplained difference between the bank statement and the accounting records should be promptly investigated by the Accountant with the express approval of the Executive Director.
- h) Where the reconciling item requires an adjustment to the accounting records, a journal voucher should be used, and the reference for the subsequent adjustment should be noted on the reconciliation.
- i) Where the bank has made an error, documentation should be obtained from the bank giving the explanation and the adjusting entry made. Copies of this notice should be attached to the bank reconciliation.
- j) The reconciliation must contain complete descriptions of the reconciling items:
- (i) Copy of the General Ledger page showing the cash book balance

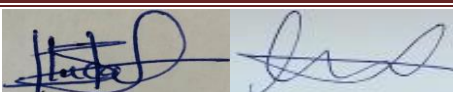




- (ii) Complete list of outstanding cheques, including dates.
  - (iii) Copy of the summary of deposits and record of all transfers.
  - (iv) The original bank statements.
  - (v) Any other documentations and working papers.
- k) Bank statements covering a financial year should be filed together with the bank reconciliation statement.

### 3.5 Petty Cash Management

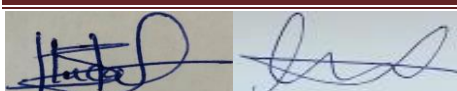
- a) It is the policy of AfyaPlus Organization to operate an imprest system that shall be under the responsibility of the Accountant.
- b) It is the policy that there is no at all any amount of cash to be held in the office to reduce the risk of fraud or theft.
- c) The office utilities shall be managed by a special bank account that is opened for the purpose of handling all petty cash transactions at AfyaPlus Organization.
- d) The maximum day-transaction of the petty cash from the bank account shall not exceed TZS. 500,000 or as may be approved by the Executive Director.
- e) In any event, the expenditure in the bank petty cash account shall not be exceeded without the express written authority of the Executive Director of AfyaPlus Organization.
- f) All expenditures from the bank petty cash account must be paid directly to the receiver using an online/internet banking system, evidenced by a directly printed proof of such payment (service provider);
- g) All individual petty cash vouchers shall be fully attached with all the source documents creating it and must be properly checked and approved before recording it into the accounting system.
- h) Any claimant of petty cash shall endorse the relevant section of the voucher to confirm receipt.
- i) Petty cash should be used only for small payments
- j) No single claim shall exceed TZS. 500,000.



- k) Cash receipts should only be deposited into petty cash if the amount does not exceed the individual petty cash transaction limit and the established petty cash limit is not surpassed.

### 3.6 Receipts

- a) Receipts by the AfyaPlus Organization consist mainly of contribution from its staff (members), fund rising during different events and direct transfers from the Donor Agencies' bank accounts into the AfyaPlus Organization's bank account.
- b) All funds received shall be receipted and banked daily. No payment shall be made using the funds unbanked.
- c) On receipt of the mail of any amounts paid into the accounts office, the Accountant shall take the following actions:
- (i) Endorse cheques and other negotiable documents with the Organization's name and bank account.
  - (ii) Ensure that the name, details and date have been entered correctly. Postdated cheques, and cheques which have different amounts entered in words and figures will be referred to drawer for amendments.
  - (iii) Issue a formal receipt.
  - (iv) The Accountant shall input transactions into batches in the cash receipts book and send batch input summaries to the HOFA for verification.
  - (v) Each cash receipt form will be numbered sequentially, completed in duplicate and contained within a bound receipt book.
    - The top copy shall be handed or dispatched to the payer.



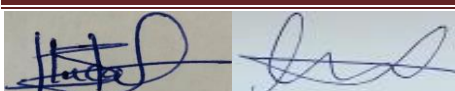
- The second copy shall remain in the receipt book. If for any reason a receipt is cancelled or not usable, the original must be firmly fixed to the receipt book.
  - Unused receipts books shall be held under lock and key held by the HOFA who will be responsible for issuing them to the Accountant.
- (vi) All receipts issued shall be checked against deposits by the Accountant for completeness of banking of cash receipts.
- (vii) Direct credit transfers to the Organization's bank accounts should be recorded from the bank statement.
- d) It is the policy of AfyaPlus Organization to bank all cash and cheque receipts intact.
- e) The daily record and receipted bank deposit slips shall be checked by the accountant to postings into the cashbooks and filed in a chronological order.
- f) All donor receipts shall be authorized by the HOFA and approved by the Executive Director before posting by the Accountant.

### 3.7 Investment Management

- a) It is the policy of AfyaPlus Organization to adopt sound investment management principles and practices that seek to ensure that the financial assets of the Organization are prudently invested in risk free securities to bring optimum returns to enhance their values at any point in time.
- b) Realistic and scientific assessment of the financial inflows and commitments should be carefully employed to project the net cash flows from the short to the medium term to prevent any possible shortage of funds that results to operational inefficiencies.

### 3.8 Prepayments

The AfyaPlus Organization can pay for the expenses in advance such as Rent, Rates and other utilities shall. All expired portions of the amount pre-paid shall be expensed by passing a Journal Voucher to the appropriate account. The unexpired portion shall be carried to the Statement of Financial Position and classified under Prepayments in current assets.



### 3.9 Cash flow statement

The following definitions shall apply in the preparation of the statement of cash flows of AfyaPlus Organization in their annual financial reports:

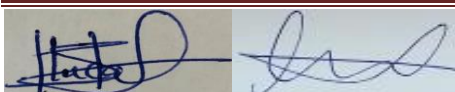
- a) **Cash and cash equivalents** shall comprise cash on hand, current bank balances and short-term deposits that can be converted to cash immediately.
- b) **Operating activities** shall include all transactions and other events that are not investing or financing activities. They shall include but not limited to the following:
  - (i) Cash receipts from member's contributions;
  - (ii) Cash receipts from events through fund raising;
  - (iii) Cash receipts from grants or transfers and other appropriations made by donors;
  - (iv) Cash payments to other entities to finance their operations (not including loans);
  - (v) Cash payments to suppliers for goods and services;
- c) **Investing activities** shall consist of those activities relating to the acquisition, holding, and disposal of fixed assets and investments. Investments shall include securities not falling within the definition of cash.
  - (i) Cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalized development costs and self-constructed property, plant and equipment;
  - (ii) Cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;

### 3.10 Accounting Entries

#### a) When Payments are made

Dr: Asset, Expense, supplier's Account

Cr: Bank, Main Cash, Petty Cash Account



**b) When receipts or deposits are made**

Dr: Bank, Main Cash, Petty Cash Account

Cr: Investment Income, Staff debtor or Donor's Account, etc.

**c) When a reconciliation reveals that a debit on bank statement did not appear in the cash book**

Dr: Bank charges, Creditor's Account, etc.

Cr: Bank Account

**d) When a reconciliation reveals that a credit on bank statement did not appear in the cash book**

Dr: Bank Account

Cr: Bank Interest, Investment Income, Donor's Account, etc

**e) When cheques deposited are dishonored**

Dr: Payer's Account

Cr: Bank Account

**f) When investments are made**

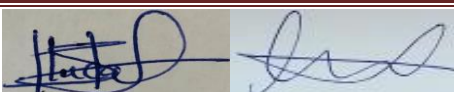
Dr: Investments Account

Cr: Bank Account

**g) When investments are redeemed**

Dr: Bank Account

Cr: Investments Account



**h) Expenses are prepaid**

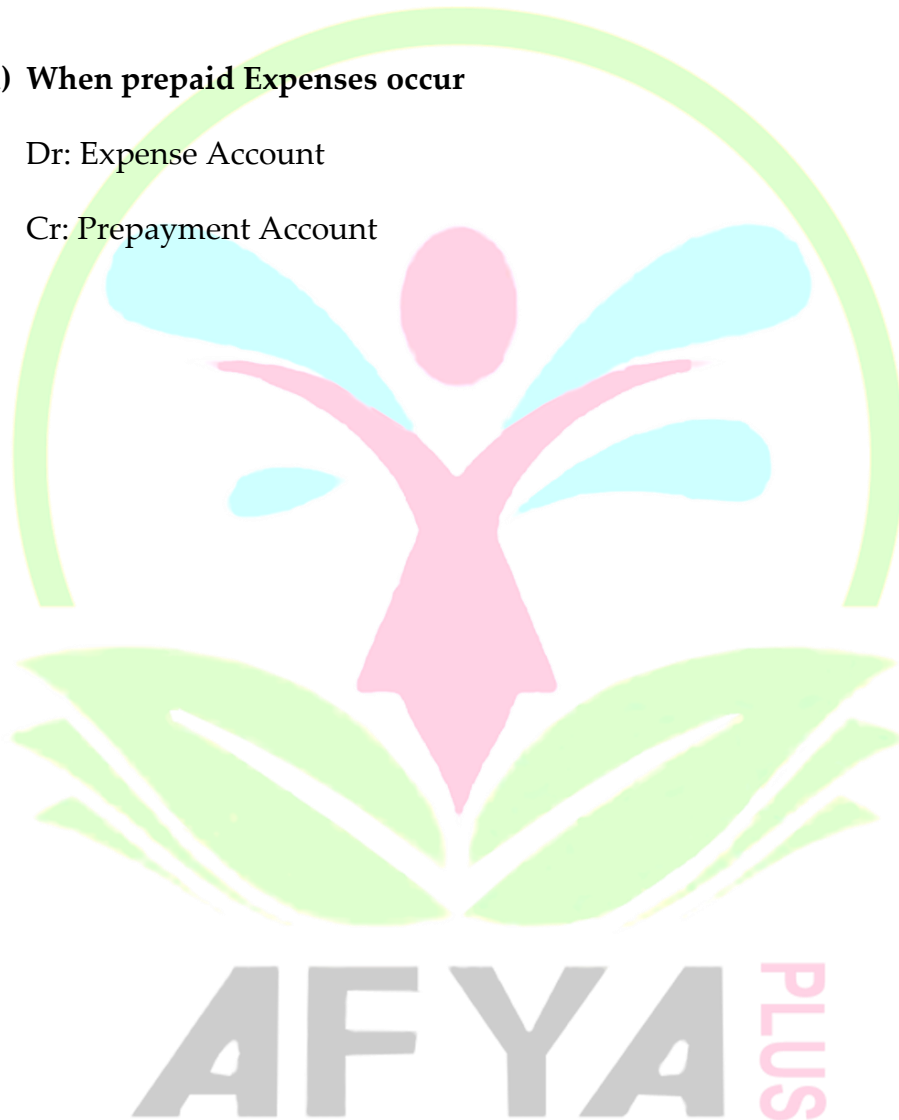
Dr: Prepayment Account

Cr: Bank or Cash Account

**i) When prepaid Expenses occur**

Dr: Expense Account

Cr: Prepayment Account





## CHAPTER FOUR

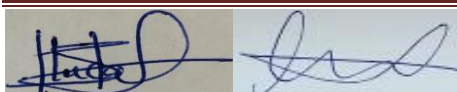
### EXPENDITURE CONTROL MANAGEMENT

This section sets out the procedures for all forms of expenditure by the AfyaPlus Organization for the purpose of acquiring fixed assets, procuring items of stock, incurring an expense or engaging in a contract for the benefit of the organization either in the short or the long term.

#### 4.1 General Expenditure Control Policies and Procedures

It is the policy of AfyaPlus Organization to strictly follow the following procedures for all forms of expenditure.

- a) All procurements shall follow the procurement policies and procedures of AfyaPlus Organization.
- b) A Requisition shall be raised for all requests for funds for any expenditure whether capital or revenue.
- c) A requisition can be in form of Letter (Requisition Letter) or a designed Requisition form by the AfyaPlus Organization.
- d) All Requisition shall be requested by a specific responsible official in an organization, addressed to the Executive Director for approval and authorization.
- e) The approved and authorized request shall be addressed to the Accountant for checking of validity of supporting documents attached with the request and starting payment process.
- f) A Payment Voucher shall be raised by Accountant for all approved Requisition referred to in part (c) above.
- g) The Payment Voucher shall be duly authorized and approved by the Executive Director after the HOFA and Accounting examining all the attachments and assuring themselves of their relevance, quality, validity, accuracy, completeness, and whether the items in question have been budgeted for and funds are available.
- h) If vouchers submitted for payment are not approved, they will not be processed and will be returned to the relevant staff for rechecking and approval.





- i) The payment voucher should be stamped with the word “PAID” upon payments
- j) Any single expenditure amount of a value of TZS 50,000,000/= or above (or its equivalent in foreign currency) must be authorized by the chairperson or assistant chairperson of the AfyaPlus Organization board of directors.

#### 4.2 Payment by Cheque

- a) Once payment vouchers have been approved, a cheque will be prepared.
- b) All cheque payments will comply with all the control procedures outlined under part 4.1 above.
- c) The cheque number will be entered in the appropriate space on the payment voucher form.

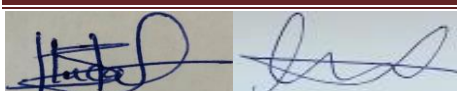
#### 4.3 Payment by Cash

- a) Conventionally, cash payments are not encouraged except for minor payments which are catered for by petty cash.
- b) Where any major payment is required to be made by cash in urgency, an open cheque shall instead be written in the name of the beneficiary.
- c) In cases where a group of people is to be paid in cash, it shall be the policy of AfyaPlus Organization to write an open cheque in the name of the HOFA to effect such payment.
- d) In cases such as under part (c) above, there shall be attached to the payment voucher a detailed list of beneficiaries, the amount per beneficiary and signature acknowledging receipt of payment.
- e) All Payments by cash will comply with all the control procedures outlined under part 4.1 above.

#### 4.4 Accounting Entries

##### a) Payment by cheque:

Dr: Supplier/Expense/Asset Account



Cr: Specific Bank Account



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**b) Payment by cash**

Dr: Supplier/Expense/Asset Account

Cr: Cash/Petty Cash



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## CHAPTER FIVE

### PROPERTY, PLANT AND EQUIPMENT

#### 5.1 General Policy Guidelines

- a) This section sets out procedures that seek to ensure that Fixed Assets of AfyaPlus Organization are acquired, recorded, utilized, or disposed-off within appropriate levels of authorization and approval. The main focus is to safeguard and account for assets.
- b) Fixed Assets shall include movable and immovable assets.
- c) Capitalization of Assets.

It is the policy of AfyaPlus Organization that all its fixed assets are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

#### 5.2 Acquisition

The AfyaPlus Organization shall procure any fixed asset provided that:

- a) It complies with its Procurement Policy.
- b) It complies with section 4.1 of this manual.
- c) It falls within the ambit of the AfyaPlus Organization's eligible expenditure
- d) It has been provided for in the Annual Budget.
- e) There is availability of funds for the purpose.
- f) The transaction has been approved by the Executive Director.
- g) It is the policy of AfyaPlus Organization to register all acquired fixed assets in the name of AfyaPlus Organization.
- h) It is the policy to assign all fixed assets with special identification numbers. They shall also be clearly labeled as AfyaPlus Organization.

#### 5.3 Recording

- a) All fixed assets acquired by the Organization must be properly recorded in the Ledger Accounts with the approved valid vouchers duly attached.

- b) A Fixed Assets Register shall be maintained to keep track of all properties owned by the AfyaPlus Organization.
- c) The register shall have columns for the following;
  - (i) Date of acquisition
  - (ii) Name of the Asset
  - (iii) Identification number of the asset
  - (iv) Cost of the Asset
  - (v) Depreciation rate
  - (vi) Accumulated depreciation
  - (vii) Depreciation charge for the year
  - (viii) Book value of the asset
  - (ix) Description or remarks column
- d) Assets shall be grouped into their various categories or classes in the Register.

#### 5.4 Custody

It is the policy of AfyaPlus Organization to:

- a) Maintain and keep all of its assets in good physical condition at all times.
- b) Keep all of its assets at secure physical location.
- c) Distinctively identify all of its assets.
- d) Use its Assets only for the benefit of the Organization.
- e) Make the assets available at all times for inspection by all authorized persons.
- f) Conduct physical asset counts on a quarterly basis.

## 5.5 Depreciation of Fixed Assets

- a) It is the policy of AfyaPlus Organization that depreciation of all of its fixed assets is calculated on a straight line basis at rates estimated to write off the cost of each asset over the estimated term of its useful life.
- b) Fully depreciated fixed assets will remain on the organization's statement of financial position until they are disposed off or otherwise deemed worthless.
- c) Assets shall be capitalized in accordance with the organization's capitalization policy.
- d) It is the policy of AfyaPlus Organization to apply the following rates of depreciation on its various assets:
  - (i) Computer and Office Equipment 25%
  - (ii) Furniture and Fittings 20%
- e) It is the policy of AfyaPlus Organization that a full year's depreciation is charged in the year of acquisition. No depreciation is to be charged in the year of disposal.

## 5.6 Disposal

It is the policy of AfyaPlus Organization not to dispose off any of its fixed assets unless they have:

- a) To be disposed off as scrap.
- b) Become too costly to maintain.
- c) Become obsolete.
- d) Fully depreciated.
- e) Been approved by the Executive Director in conformity with this policy.
- f) Been approved by the Board of Directors for assets with original purchase price in excess of TZS 10,000,000.

## **CHAPTER SIX**

### **PROCUREMENT AND INVENTORY MANAGEMENT**

#### **6.1 Procurement Policy Guidelines**

As the policy of AfyaPlus Organization, no item shall be procured unless;

- a) It has the approval of the Executive Director.
- b) It has been provided for in the approved annual budget or project budget for particular funds.
- c) Funds are available for it at the time of the procurement.
- d) It is beneficially required to further the interests of the Organization.
- e) It has been made from the most favorable supplier.
- f) It is done with the highest professional, ethical, moral and legal standards within the spirit of the prudent person principle.
- g) It reflects fairness in the spending of the Organization's resources.

#### **6.2 Purchase Requisition Form**

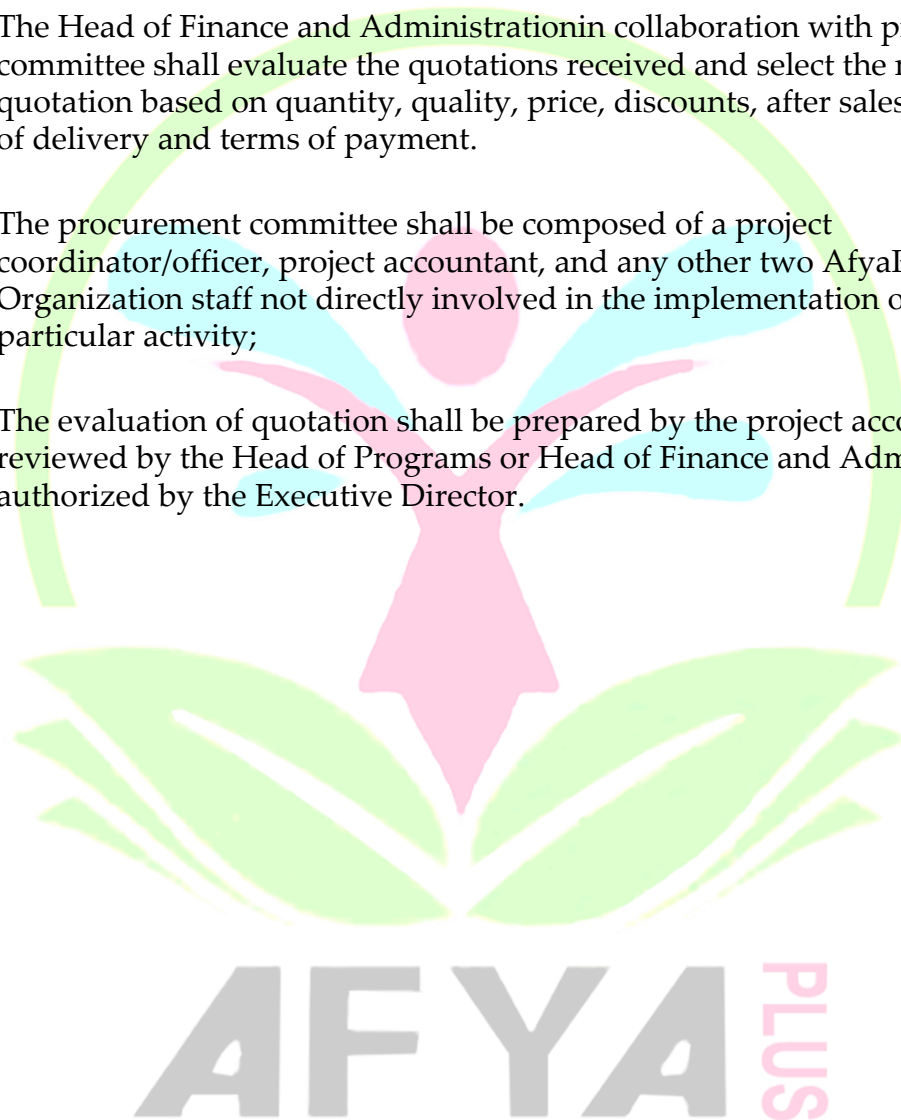
- a) A Purchase Requisition Form shall be completed by a staff of AfyaPlus Organization.
- b) The Requisition forms shall be serially arranged and kept in the custody of the Head of Finance and Administration who shall assist staff to complete it whenever the need arises.
- c) The request shall be prepared by an accountant, reviewed by the Head of Finance and Administration or Head of Programs and authorized by Executive Director.

#### **6.3 Price Quotation Form**





- a) On completion of the Purchase Requisition Form, the Accountant or (as instructed by) the Head of Finance and Administration shall make enquiries and solicit for quotations or Pro forma invoices from at least three suppliers if the value of the item or service to be procured is **TZS 500,000 or more**.
- b) The Head of Finance and Administration in collaboration with procurement committee shall evaluate the quotations received and select the most suitable quotation based on quantity, quality, price, discounts, after sales service, terms of delivery and terms of payment.
- c) The procurement committee shall be composed of a project coordinator/officer, project accountant, and any other two AfyaPlus Organization staff not directly involved in the implementation of the particular activity;
- d) The evaluation of quotation shall be prepared by the project accountant, reviewed by the Head of Programs or Head of Finance and Administration and authorized by the Executive Director.



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#### 6.4 Purchase Order

- a) The purchase order shall be raised after the selection of qualified supplier is done.
- b) The purchase order shall be prepared by the accountant, reviewed by the Head of Programs or Head of Finance and Administration and authorized by the Executive Director.
- c) The purchase Order shall be made out in three copies and distributed as follows.
  - (i) The original copy shall be sent to the Supplier for their records.
  - (ii) The second copy shall be stamped received by the supplier and returned to the Organization for the documentation of the finance department.
  - (iii) The forth copy shall be retained in the Purchase Order book/file.

#### 6.5 Goods Received Note

- a) The goods together with the supplier's Invoice and Delivery Note shall be received at the premises of the AfyaPlus Organization.
- b) The goods shall be inspected by the project accountant to ensure they match with the order before they are received into stock with a Goods Received Note.

#### 6.6 Payment for Goods and Services

- a) The Accountant shall raise a Payment Voucher based on the terms of payment.
- b) The payment voucher shall be reviewed by HOP or HOFA and authorized by the Executive Director.
- c) The Cheque shall be signed by the two authorized signatories.
- d) An online financial transaction shall be initiated by the HOP or HOFA and authorized by the Executive Director.



## 6.7 Controls over Acquired Assets

- a) The responsibility of control of assets is vested with the HOFA. HOFA shall maintain tally cards for all inventory and fixed assets register for all assets acquired by the Organization.
- b) S/He shall keep in safe custody all Fixed Assets and relevant documents regarding the purchase, ownership (registration documents), insurance policies, etc of all fixed assets.
- c) The use of the Organization's assets should be properly recorded and approved before use.
- d) No staff shall take the Organization's computers and other similar assets home without the appropriate authority and approval to do so.
- e) Assets shall be adequately maintained at all times.

## 6.8 Stores and Inventory Management procedures

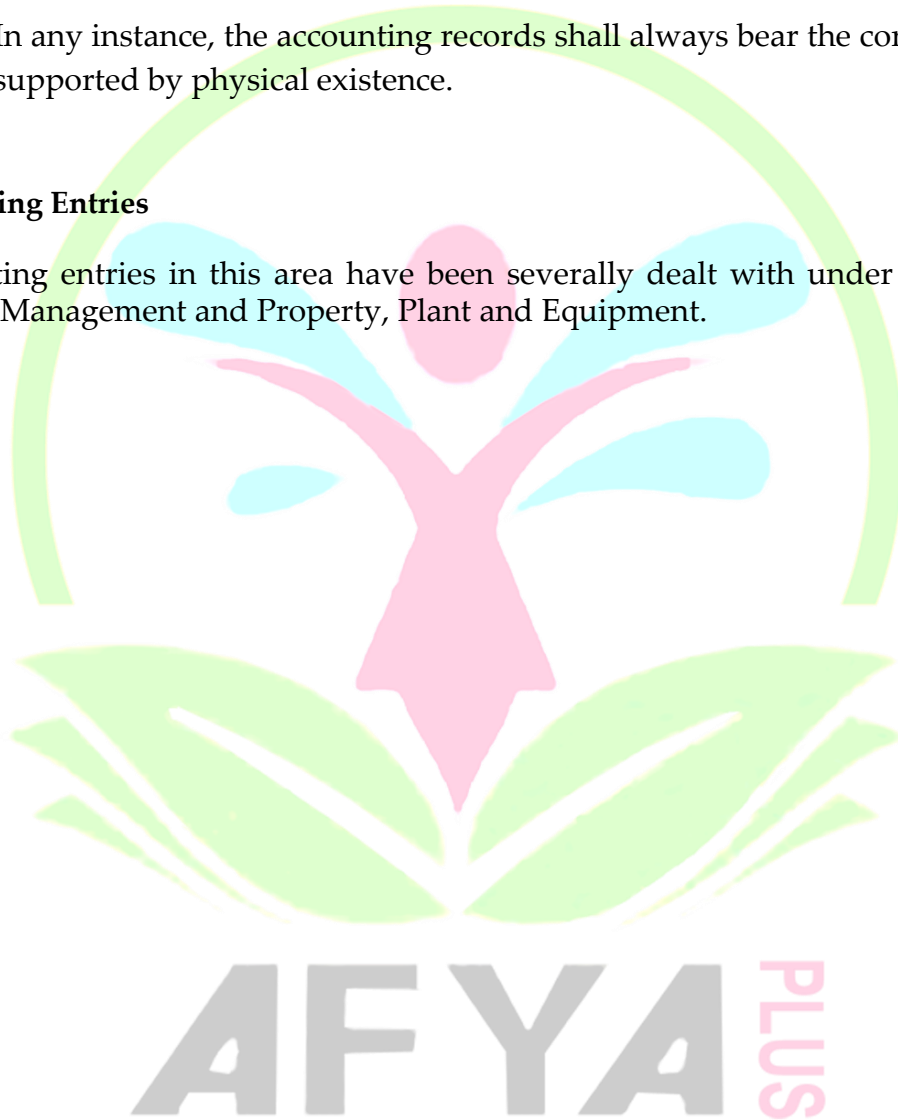
- a) When goods have been delivered at the AfyaPlus Organization offices, the HOP and the HOFA shall verify and certify the correctness of the goods received with respect to the specifications of the purchase order.
- b) The HOFA shall enter the quantity and value of goods received into the stores ledger and into the fixed assets register.
- c) Tally cards shall be maintained to record all receipts and issues of goods into stock.
- d) All users shall raise a stores requisition form and hand it over to the HOFA for their requisitions.
- e) The HOFA shall issue the goods and the recipient shall sign the tally card as an acknowledgement of receipt of the goods.
- f) The HOFA will then record into the ledger the quantity and value of goods issued. The stores ledger must at any time show the date, recipient; goods received, issued and balance.
- g) Physical stock taking shall be done at least quarterly by the HOFA.



- h) Actual stock count shall be compared and reconciled with the stores ledger records.
- i) All discrepancies shall be thoroughly investigated and corrective action promptly taken.
- j) In any instance, the accounting records shall always bear the correct amounts supported by physical existence.

## 6.9 Accounting Entries

Accounting entries in this area have been severally dealt with under Expenditure Control Management and Property, Plant and Equipment.



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## CHAPTER SEVEN

### PAYROLL MANAGEMENT

#### 7.1 Preparation of Payroll

- a) The Accountant shall prepare a Payroll on a monthly basis before the 25<sup>th</sup> of every month, either in Excel or by the use of any payroll software that is to be authorized and approved by the Executive Director.
- b) The payroll shall be prepared monthly by:
  - (i) Multiplying the attendance hours by employee's rates of pay, to give gross pay for hourly paid employees;
  - (ii) Using the monthly rates applicable for all other employees;
  - (iii) Calculating pay-related statutory deductions from published tables in accordance with regulations contained in Terms and Conditions of Service including advances, loan repayments and other items as shown on individual employee's record;
  - (iv) Calculating the relevant allowances as prescribed in the Terms and Conditions of Service and adding overtime where applicable;
- c) Payroll Deductions:
  - (i) Income tax (PAYE) shall be deducted from staff salaries, where applicable, and shall be paid to Commissioner for Domestic Revenue not later than 7<sup>th</sup> day of the subsequent month. Current tax rates obtained from the TRA shall be the only applicable rates for PAYE computation.
  - (ii) For all applicable employees, 10% and 10% of their basic salary shall be deducted as contributions from the employee and the employer respectively and paid to the Social Security Fund not later than 7<sup>th</sup> day of the Subsequent month.
  - (iii) A Percentage of the basic salaries of employees for any funds that management and staff have agreed to contribute to such as pension funds or provident funds shall also be deducted for that course.
  - (iv) Where a staff has taken a salary advance, there shall be appropriate deductions to that effect before payment of his/her salary.



- d) The payroll shall have columns for the following:
- (i) Staff Name.
  - (ii) Staff Social Security Fund Number.
  - (iii) Staff monthly Basic Salary.
  - (iv) Staff 10% Social Security Fund Contribution, where applicable.
  - (v) Staff monthly PAYE tax.
  - (vi) Percentage of Pension/Provident Fund Contribution.
  - (vii) Staff net salary.
  - (viii) And any other legal statutory deductions.
- e) Schedules for Income Tax, Social Security Fund, staff loans and Pension/Provident Funds shall also be prepared as part of the Excel payroll file.
- f) Any changes in payroll must be done in writing and approved by the Executive Director.
- g) The payroll shall be reviewed by the HOFA and approved by the Executive Director.

## 7.2 Payment of Salaries

- a) Payroll payment vouchers shall be reviewed by the HOFA and approved by the Executive Director.
- b) Staff salaries shall be paid between 25th and the last day of every month.
- c) Wherever practicable payment of salaries shall be done by direct bank transfers on the basis of the details submitted by members of staff to the Accountant by using an Internet banking system.
- d) The Accountant shall write a covering letter to the respective banks authorizing transfer from the AfyaPlus Organization's bank account to the respective bank accounts of staff. The covering letter shall be signed by the authorized signatories to the Bank Accounts.



- e) Where staff members do not have bank accounts, payments shall be made by open cheques written in the names of the employees concerned.



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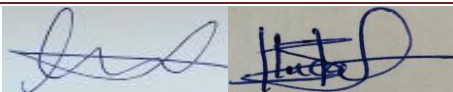
- f) The Accountant shall prepare monthly pay slips for all staff.

### 7.3 Salary Advance

- a) The policy of AfyaPlus Organization shall allow for advance payment of up to 50% staff's net salary before the end of the month.
- b) The policy shall permit staff to apply for salary advance only after they have been in employment for a minimum of three months.
- c) Full recovery shall be made as a payroll deduction for the same month in which the advance was given.
- d) The application for salary advance shall be addressed to the Accountant who shall make his recommendations on the matter for the consideration of the Executive Director.
- e) The application shall be attached to a payment voucher that shall be reviewed by the HOFA and approved by the Executive Director on tangible grounds.

### 7.4 Staff Loans

- a) Upon availability of funds, the policy shall permit Staff to apply for loan only after they have been in employment for a minimum of one year.
- b) Staff loan shall not exceed 25% of the staff's basic annual salary.
- c) To maintain the value for money of the loan, it shall attract an interest of 10% reducing balance method.
- d) Full recovery shall be made by equal monthly payroll deductions for a period not exceeding 12 months. The deductions shall begin from the month following the one in which the loan was granted.
- e) The Executive Director shall consult with HOFA to evaluate the default risk for loan application and also state the financial status of AfyaPlus Organization and shall approve such a loan where AfyaPlus Organization is in good financial standing.
- f) The application for loan shall be addressed to the HOFA who shall make his recommendations on the matter for the consideration of the Executive Director.



- g) The application shall be attached to a payment voucher that shall be authorized by the HOFA and approved by the Executive Director on tangible grounds.

## 7.5 Accounting Entries

**a) Payment Vouchers (individual) for the payroll:**

ACCOUNT NAME	DR	CR
	TZS	TZS
Wages & Salaries Control	xxxxxxx	
Bank Accounts		xxxxxxx
TOTAL	xxxxxxx	xxxxxxx

**b) For Salary advances**

Dr: Salaries and Wages Control Account

Cr: Bank Account

**c) For Staff Loans,**

Dr: Staff Loan Account

Cr: Bank Account

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## CHAPTER EIGHT

### GRANTS AND SUB-GRANTEE MANAGEMENT

#### 8.1 Administration of Grants

- a) AfyaPlus Organization receives funds from various donor/funding organizations to finance various activities that benefit marginalized women and children in Tanzania.
- b) The donor/funder funds shall be administered in an economic, efficient and effective manner by the officers in charge of such projects.
- c) The donor/funder funds administrative process shall include timely feedback to the donors of details of projects funded by them.
- d) Donor/funder funds shall only be utilized in accordance with the provisions of the grant agreement.
- e) As part of the annual budget, grants shall be included in the annual estimates in the following manner:
  - (i) Donor/funder grants shall be budgeted for committed in signed agreements and where they can be expected to be received during the year with a high degree of certainty, the HOFA shall review all signed agreements to confirm the existence and the value of the grants included in the budget.
  - (ii) In the event that an agreement is unsigned, or in a signed agreement with a high degree of uncertainty of receipts of grants, the HOFA will remove the related expenditure from the budget.

#### 8.2 Mode of Receiving Grants

- a) The Funder/Donor transfers the Grant direct to the AfyaPlus Organization's Bank account.
- b) The Funder/Donor issues a cheque in the name of the AfyaPlus Organization.

#### 8.3 Contributions Acknowledgment

- a) It is the policy of AfyaPlus Organization to send letters or notes on AfyaPlus Organization's letterhead acknowledging all contributions,



regardless of the amount.

- b) The letters will indicate the foreign currency amount contributed and the local currency equivalent, where necessary.

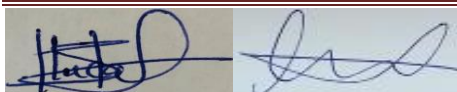


## 8.4 Grant Agreements

Ensuring compliance with terms and conditions of donor/grant financing agreements starts with ensuring that a donor/grant financing agreement aligns with AfyaPlus Organization financial policy and procedures.

- a) The Executive Director would be ultimately responsible for ensuring that the organization consents to and complies with all financing agreements with donors/funders.
- b) The grants committee (consisting of the HOP and HOFA) shall review the donor/funder procedures and advise the Executive Director on its acceptability.
- c) The Executive Director would upon receipt of the advice from the Grants Committee make a decision.
- d) The Executive Director shall authorize a Grant agreement only after due clearance by the Grants committee and evidence on this clearance retained on file as a control procedure and for audit purposes; and
- e) Compliance
  - (i) The Management of AfyaPlus Organization shall ensure that all donor/funder funds are utilized according to the terms and conditions of the grant agreement. This shall include:
    - Application of funds in accordance with the approved budget.
    - Compliance with procurement procedures.
    - Compliance with disbursement and payment procedures including claims and other retirement of funds.
    - Compliance with reporting procedures for donors among others.
  - (ii) The HOFA shall review compliance of all projects and donor procedures and advice the Executive Director where exceptions are noted.

**8.5 Grants utilization:** The grants utilization shall be guided by the rates and amounts that are authorized and listed in this manual. Such rates are as stipulated below to be used during field visits, trainings within the districts or wards:



### A. TRANSPORT ALLOWANCE: WITHIN THE DISTRICT

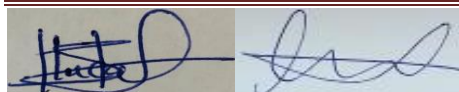
RECEIVER	RATE/workday/field
Local Government Authorities (LGAs) Officers, LGA's committees, representatives and agents from LGAs (District, ward, mtaa)	60,000.00
Civil Society Organizations (CSO) residing within the district	40,000.00
Beneficiaries (women, teachers, parents etc)	30,000.00
Religious Leaders/ Traditional Leaders	30,000.00
Ward Counselors (Madiwani)	60,000.00
AfyaPlus Organization staff	40,000.00

### B. TRANSPORT ALLOWANCE: OUT OF THE DISTRICT BUT WITHIN THE REGION

RECEIVER	RATE/workday/field
Local Government Authorities (LGAs) Officers, LGA's committees, representatives and agents from LGAs	60,000.00
Civil Society Organizations (CSO) residing within the district	40,000.00
Religious Leaders/ Traditional Leaders	50,000.00
Ward Counselors (Madiwani)	50,000.00
AfyaPlus Organization staff	40,000.00

### C. PER DIEMS: OUT OF REGION FOR A NIGHT OUT OF WORK STATION

RECEIVER	RATE/workday/field/day
Allowance for accommodation, meals and communication	120,000.00
Government Officials (Central Government from Region offices, Ministries and Government agencies)	120,000.00
Religious Leaders/ Traditional Leaders	120,000.00
Drivers of Government officials	80,000.00
Baby nanny (for participants with infants)	60,000.00
AfyaPlus Organization staff	120,000.00



#### **D. GROUND AND AIR TRANSPORT: OUT OF REGION FOR A NIGHT OUT OF WORK STATION**

<b>RECEIVER</b>	<b>RATE</b>
Bus Transports	As provided in SUMATRA guidelines
Taxi (Flat rate)	20,000
Air transport	As provided for by the service provider (economic class)
On transit costs	10,000.00

**8.6** The rates provided for in 8.5 (A-D) shall be applicable together with below provisions

- a. All participants/beneficiaries/AfyaPlus Organization staff must sign in a form to acknowledge receipt of funds.
- b. Per diems need no stipulations of expenditures and proof of receipts during retirement.
- c. Participants with infants must prove the age of an infant by attaching the true copy of a birth certificate or clinic card from a government hospital bearing names of the particular infant in the documents and handle them to the accountant or project officer;
- d. An infant in this manual is any child who is of an age of 2years or below who is a biological child of the mother;
- e. All air transport must be authorized by the Executive Director;
- f. On transit charges will be recovered only for travellers/participants/AfyaPlus Organization staff who spend more than 7 consecutive hours on transit;
- g. The per diems for travellers/participants/AfyaPlus Organization staff shall only be paid if the travellers/participants/AfyaPlus Organization staff shall spend a night out of their duty stations/resident region.

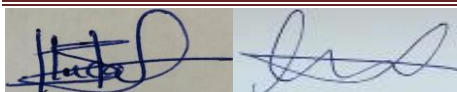
#### **8.7 Sub-Grantee Management**

AfyaPlus Organization would provide the needed support for Sub-grantees.

- a) Financial management

Sub-grantees would adhere to the following guidelines;

- (i) ccordance of financing/grants agreement.
- (ii) Implement disbursement operations in accordance with the grant





agreement by ensuring that appropriate documentation is retained.

- (iii) Produce monthly cash flow forecast for the three following months to ensure that the sub-grantee operations does not run short of cash disbursements. The monthly cash flow shall be authorized by the Head of Finance.
- (iv) Safeguards funds and other resources of the sub-grantee.
- (v) Operate special accounts in accordance with the requirements of opening bank accounts as detailed in the manual.
- (vi) Maintain cash book and provide timely report.

b) Procurements

All procurement activities such as planning, preparation of standard bidding documents, procurements of goods and services would be handled by the AfyaPlus Organization unless otherwise authorized.

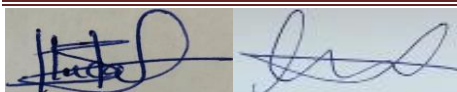
c) Monitoring and Evaluation Reports

Each Sub-grantee will be responsible for reporting on the project. The following minimum project monitoring, physical and financial reports will be produced by the Sub-grantee, unless otherwise specified in the sub-grant contract;

(i) Quarterly Reports

- Discussion of Project Progress.
- Physical monitored indicators progress report against planned outputs.
- Financial results against approved budgets.
- Procurement progress reports against planned procurements.
- Outlook/prospects for the next quarter

(ii) Annual Project Progress report



The Project management unit would complete an annual substantive project progress report that will comprise the following;

- Discussion of project progress
- Physical monitored indicators progress report against planned outputs
- Financial results against approved budgets (use of funds by project activities)
- Procurement progress reports against planned procurements
- Annual work plan schedule of the following financial year;
  - The detailed work plan will be attached to the annual progress report.
  - The work schedule shall include the procurement plan.

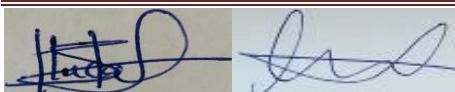
#### 8.8 Accounting Entries

When an advice is received from our bankers, the following entries shall be made:

Dr: Bank Account and

Cr: Name of Grant

AFYA PLUS



## CHAPTER NINE

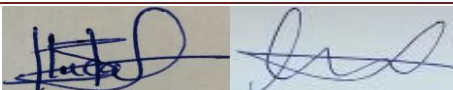
### BUDGETING AND BUDGETARY CONTROL

#### 9.1 Introduction

- a) Budgetary control is the practice of regularly comparing actual results against expected results.
- b) The most important method of budgetary control is variance analysis, which involves comparison of actual results achieved during a period with the budget.
- c) The difference between actual results and expected results are called variances and these are used to provide a guideline for control action by management.
- d) Effective budgetary control requires robust, reliable and relevant financial management reporting systems, which should be able to communicate the results of management action on a timely basis.

#### 9.2 Responsibilities

- a) The administration of budgetary control shall be the responsibility of the Executive Director.
- b) However the detailed work of communicating variance information and co-ordinating control efforts shall be the responsibility of the HOFA.
- c) The HOFA shall be responsible for generating monthly reports, analyzing between actual and budget to date, not later than 14 days after the end of the relevant month.
- d) The HOFA shall receive comments from the Executive Director on the variances within 7 days of receiving the reports from the HOFA.
- e) The Executive Director shall endorse appropriately agreed control action on the variances.
- f) The HOFA shall ensure that approved control action is implemented within the agreed timeframe.



### 9.3 Budgets, a tool for Budgetary Control

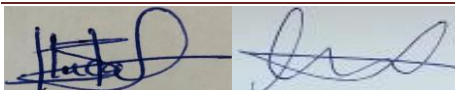
- a) For the purpose of budgetary control, the annual master budget shall be prepared on a monthly /quarterly basis
- b) All operational overheads expenses shall be apportioned equally, unless particular items of expenditure are known with certainty for specific periods.
- c) Direct operational expenses shall be apportioned between monthly and quarterly periods based on timing of each activity in accordance with the approved work plan.
- d) Capital expenditure budget shall also be apportioned between monthly and quarterly periods based on the anticipated time of purchase of the asset.
- e) Grants, donations, interest and sundry income shall be budgeted for the months in which they are expected to be received.

### 9.4 Computation and reporting of variances

- a) Computation and reporting of variances shall be carried out in conjunction with the production of monthly management accounts.
- b) The reporting format for variances is similar to the budget preparation formats.
- c) In order to ensure uniformity, presentation of periodic management accounts shall follow the annual financial statements reporting format.

### 9.5 Investigation of variances

- a) All significant variances shall be investigated to enable remedial control measures to be implemented.
- b) Recommended remedial measures that are agreed with the AfyaPlus Organization's staff shall be approved by the Executive Director and form part of the budgetary control process of AfyaPlus Organization.



## CHAPTER TEN

### FINANCIAL REPORTING

#### 10.1 Purpose of Reporting

The purpose of reporting is to provide a consistent reporting of financial information to stakeholders;

- (a) It is the policy of the AfyaPlus Organization to report on its financial operations and condition fully and forthrightly, on a regular basis, promptly, and following the accounting principles it has adopted. Further, it is the policy of the AfyaPlus Organization to present financial information in a form that is useful to its stakeholders.
- (b) Financial information is to be provided on a timely basis using a consistent format.

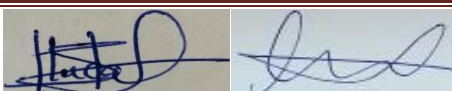
#### 10.2 Objective of reporting Financial Statement

The Financial Statements accomplish the objectives of reporting in the following manner:

- a) Providing information about the sources, allocation and uses of financial resources.
- b) Providing information about how the entity financed its activities and met its cash requirements.
- c) Providing information that is useful in evaluating the AfyaPlus Organization's ability to finance its activities and to meet its liabilities and commitments.
- d) Providing information about the financial condition of the AfyaPlus Organization and changes in it.
- e) Providing aggregate information useful in evaluating the AfyaPlus Organization's performance in terms of service costs, efficiency and accomplishments.

#### 10.3 Responsibilities

- (a) The preparation and presentation of the Financial Statements is the responsibility of the HOFA. The HOFA and Executive Director will have the responsibility for final review and approval of them. Financial Statements must be approved by the Executive Director before disclosing them.



- (b) The Financial Statements are to be prepared in accordance with the International Financial Reporting Standards (IFRS).

#### 10.4 Monthly and Annual Reporting

The following is a list of the reporting types required in a financial package:

**a) Monthly Closing**

- The Financial Department shall close books on a monthly basis, no later than seven business days following the end of the month.
- The HoFA shall make sure that all saved transactions were posted before the start of the closing process.

**b) Year End Closing**

- Year-end closing shall be no later than 30 days after the end of the financial year.
- The Treasurer shall review the valuation of account balances based on estimates before the closing process take place.
- Each account shall be examined, with the balance verified with reference to supporting schedules.

#### 10.5 Qualitative Characteristics of IFRS Financial Statements

These are the attributes that make the information provided in the financial statements useful to users. The principal qualitative characteristics are;

**a) Objectivity**

Financial accounting system must be based on actual, verifiable events and should be reported in an unbiased manner.

**b) Relevance**

Financial accounting statements must provide relevant information, which is responsive to the audience's information needs.



**c) Reliability**

In order for financial accounting statements to be reliable, some assurance must exist that the statements do in fact represents what they purport to represent

**d) Comparability**

The conduct of comparative analyses between accounting periods constitutes one of the major characteristics assumed for the audience of financial accounting. Comparability calls for like events to be reported in the same manner. When a change is made, its nature, effect and justification must be explained.

**e) Entity concept**

Financial accounting statements and records pertain to specifically defined business entity. The entity concept directs that the accounting records reflect only the activities of the business.

**f) Unit of measurement**

The common denominator is money. The reporting currency is the US dollar and subject to management review.

**g) Materiality**

The concept states that any amount or transaction that has significant effect on the financial statements should be recorded and reported correctly.

**h) Accounting period**

The financial accounting process provides information about the economic activities of AfyaPlus Organization for the specified time periods. For example month, quarter or year.

## 10.6 Notes and Supplementary Schedules

- (a) The Financial Statements shall contain notes and supplementary schedules and other information to make them meaningful to the end-users.
- (b) The Financial Statements shall contain additional information that is relevant to the needs of users about the material risks and uncertainties affecting the organization and any obligations not recognized in the balance sheet, for example



contingent liabilities.

## 10.7 True and Fair View

- (a) The monthly and annual financial statements of AfyaPlus Organization shall give a true and fair view of the state of the organization's affairs and the income and expenditure for each financial period.
- (b) The Head of Finance is responsible for ensuring that the monthly and annual financial statements are prepared in this manner. AfyaPlus Organization shall apply the accounting assumptions and concepts described in this section on the appropriate IFRS, which would then result in a true and fair view of the financial statements prepared.
- (c) Any material non-compliance (including any deviations from an IFRS) and the effect of any such non-compliance shall be disclosed in the financial statements as notes and reported to the Board.

## 10.8 Financial Control

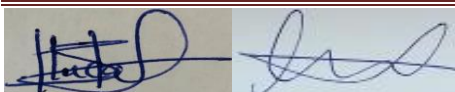
AfyaPlus Organization shall maintain the highest levels of financial control both at the Organization and for Sub-grantees. In order to ensure the high levels of financial control, the finance department will ensure the finance regulations, policies and procedures detailed in this manual are operating effectively.

## 10.9 Specific Donor/Funder Financial Reporting

- a) As mentioned in this manual, AfyaPlus Organization has adopted IFRS for the preparation of the entity wide financial statements. However, to enable AfyaPlus Organization comply with specific donor reporting guidelines that are principally on cash basis, it would prepare all specific donor reports.

AfyaPlus Organization would prepare and present the cash basis financial statements to include the following components:

- i) A statement of cash receipts and payments that recognizes all cash receipts, cash payments and cash balances.
- ii) Accounting policies and explanatory notes.



b) Information to be presented in the Statement of Cash Receipts and Payments:

The statement of cash receipts and payments should present the following amounts for the reporting period:

- i) Total cash receipts of the entity showing separately a sub-classification of total cash receipts using a classification basis appropriate to the entity's operations;
- ii) Total cash payments of the entity showing separately a sub classification of total cash payments using a classification basis appropriate to the entity's operations; and
- iii) Beginning and closing cash balances.

Total cash receipts and total cash payments, and cash receipts and cash payments for each sub-classification of cash receipt and payment, would be reported on a gross basis.

#### 10.10 Set of Financial Statements

A complete set of Financial Statements includes the following components:

**a) Statement of Financial Position**

Statement of financial position is a financial statement that reports an organization's assets and the liabilities against them and net assets at a set date noted on the statement (Also called the balance sheet).

**b) Statement of Financial Performance**

Statement of Financial Performance is a financial statement that reports the results of an organization's business operations (revenue and expenses) for a set period, usually one year (Also called an Earnings Report, Income Statement, Statement of Income, and Statement of Operations).

**c) Statement of Cash Flow**

Cash flow statement is a financial statement that reports the flow of cash in and out of the organization for a set period, usually one year. It reports the operating activities, investing activities and financing activities of the organization.

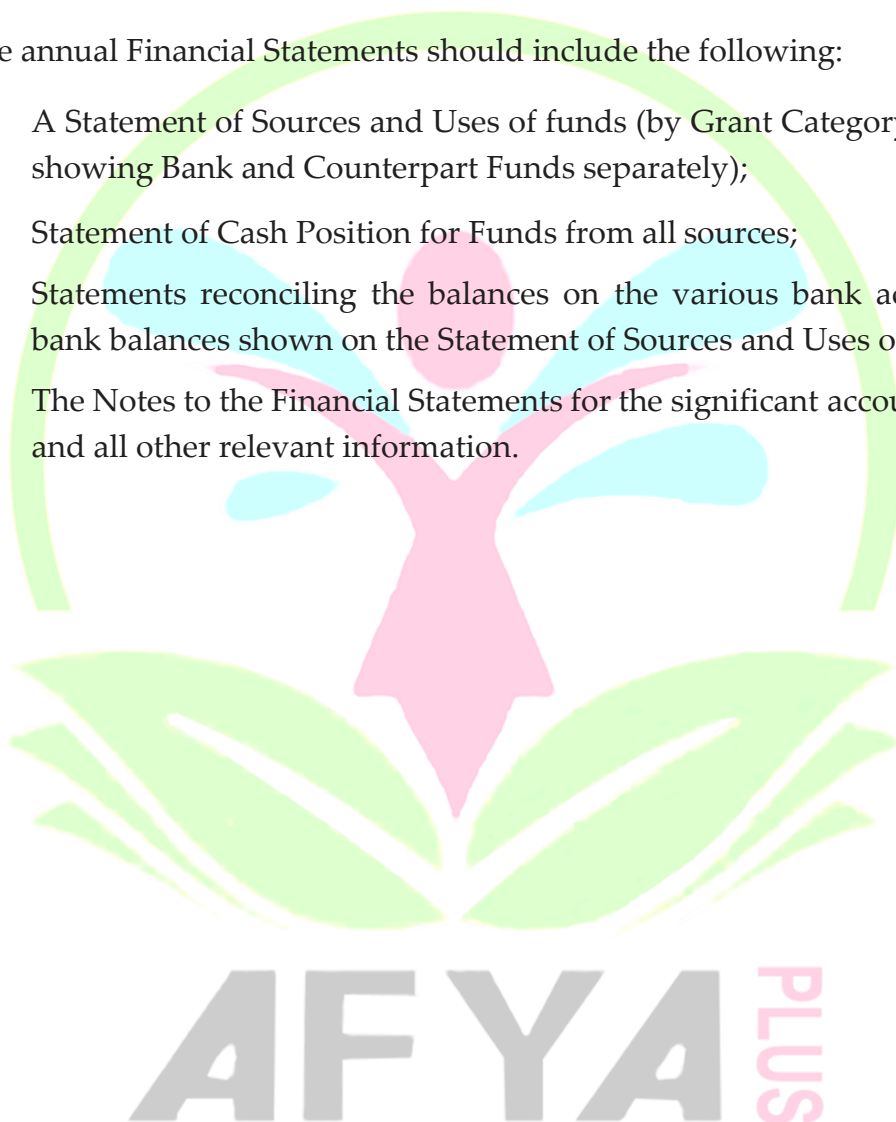
**d) Statement of Changes in Net Assets/Equity**

Statement of Changes in net assets/equity is a financial statement that reports the changes and movements that took place on net assets last year ending balance.

**e) Accounting Policies and Notes to the Financial Statements**

The annual Financial Statements should include the following:

- A Statement of Sources and Uses of funds (by Grant Category / by Activity showing Bank and Counterpart Funds separately);
- Statement of Cash Position for Funds from all sources;
- Statements reconciling the balances on the various bank accounts to the bank balances shown on the Statement of Sources and Uses of funds;
- The Notes to the Financial Statements for the significant accounting policies and all other relevant information.



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## CHAPTER ELEVEN

### AUDIT FRAMEWORK

#### 11.1 Audit of Grants

- a) At the end of the grant period a financial statement shall be prepared and submitted to the Funders/Donors based on the Funders/Donors Financial Statement format after an independent external audit.
- b) The AfyaPlus Organization's financial statements shall be audited annually by an independent external Auditor appointed by the AfyaPlus Organization management, approved by the Board of Directors.
- c) The appointed auditor shall examine the internal controls of the AfyaPlus Organization as set by the AfyaPlus Organization management to assure themselves of the accuracy and reliability of the records in safeguarding the assets of the AfyaPlus Organization.
- d) Following this examination the Auditor shall issue a report that shall draw the attention of AfyaPlus Organization to the weakness, if any, that have come to their notice. The auditor shall also make recommendations as to how to rectify the weakness detected.
- e) The main objective of the audit shall be to provide an independent opinion as to whether or not the AfyaPlus Organization's financial statements show a true and fair view of the state of affairs of the AfyaPlus Organization.
- f) It shall be the duty of the Accountant to prepare the financial statement necessary for audit.
- g) He shall also be responsible for making available all documents and information requested by the Auditor for the purpose of the Audit.
- h) The AfyaPlus Organization shall ensure that the auditors audit the AfyaPlus Organization accounts at the end of each year.
- i) The auditors shall be required to submit to the AfyaPlus Organization certified true copies of the following audited reports.
  - Audited reports for all grants received in foreign currencies.
  - Consolidated audited report for all grants in local currencies.
  - Consolidated audited report for all grants in foreign currencies.
  - Audit report of the financial statement as a whole.

- Management letter.
- j) The signed audited accounts shall be attached with management's responses to all issues raised in the letter of weakness before any report could be submitted to interested parties.
- k) After the audit of grants, AfyaPlus Organization shall keep all documents pertaining to all audited grants for at least 7 years.



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