



Finance and Accounting Policy

Executive Summary

Urunji Child-Care Trust was founded in 2006 to eradicate extreme poverty and malnutrition among orphaned and vulnerable children in Malawi. The Trust achieves its aims by partnering with both local and international organizations, government agencies, religious organizations, individuals and other stakeholders.

This policy governs the way financial resources of the Trust shall be received, spent and accounted for by the Trust, beneficiaries and sub-grantees.

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Urunji Child-Care Trust
P.O. Box 30977
Lilongwe 3
MALAWI

Telephone: +265-111-740184
Tel/Fax: +265-1-753187

Email: info@urunjichildcare.org
Website: www.urunjichildcare.org

Abbreviations Used:

ATM	:	Auto-Teller Machine
CDV	:	Cheque Disbursement Voucher
CFAR	:	Consolidated Fixed Assets Register
CP	:	Cash Payment
ED	:	Executive Director – <i>a.k.a</i> ‘Director’
FM	:	Finance Manager
FY	:	Financial Year
MWK	:	Malawi Kwacha
OMT	:	Operational Management Team <i>a.k.a</i> ‘Management Team’
PR	:	Payment Request
PIN	:	Personal Identification Number
UCCT	:	Urunji Child-Care Trust – commonly called ‘UCCT’ or ‘Urunji’
US \$:	United States Dollar

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Budgeting and Financial Transactions

Any organization, individual or agency providing financial assistance shall not be engaged in day-to-day activities of the Trust. They shall however have the right to access financial information, budgets and verify transactions. They shall also be entitled to view audited and ordinary financial statements of the Trust as need arises. Financial reports shall be prepared at least weekly but shall be available to partners and/or donors quarterly.

There shall be a master budget outlining all the envisioned expenses of the Trust and this shall be approved by the Board of Trustees at an Annual General Meeting or an extraordinary meeting. The budget shall be prepared by the finance team in consultation with the Executive Director (ED) and Operational Management Team.

Any correspondence with beneficiaries, partners or stakeholders pertaining to the financials of Urunji Child-Care Trust shall be copied to the ED either as hard copies or by email – whichever is convenient.

Any funds received or donated by UCCT shall be attached to an activity and the Trust shall ensure that budgets are adhered to. In the event that budgets are not adhered to either due to foreign exchange fluctuations, the Trust shall notify the donor in writing.

No funds received shall be used to provide transport, accommodation, meals and any other expenses incurred by the donor unless:

- The partnership agreement clearly provides for this expense and it is budgeted for accordingly;
- The Trust is informed in advance of this expense and we respond in the affirmative;
- Such an expense is authorized by a minimum of 2 representatives of the donor.
- Such an expense will be fully reimbursed including associated bank charges within a specified time frame;
- Such an expense will not impact the activities of the Trust.

Any person handling petty cash shall not be a signatory to the bank account(s) of the Trust. This shall also apply to any person writing and keeping cheques. No partner, volunteer or non-finance member of staff shall write cheques or make payments.

Donors shall inform the Trust in writing within 48 hours any transfer they would have made to ensure proper follow up and allocation of the funds to the Trust.

Protecting Financial Resources of the Trust

The Trust shall maintain stringent internal controls to ensure financial and material resources are not abused or stolen. This shall also ensure adherence to the budget.

Internal Controls and Lines of Responsibility

Any employee of the Trust shall ensure that:

- Any payment shall be pre-authorized. No abrupt payments shall be honoured. All payments shall be recorded in indelible ink. No financial transaction and/or record shall be recorded in pencil. Cash payments shall be as with bank payments substantiated by a receipt. In cases where a receipt is not obtainable, UCCT staff shall request the vendor to sign or apply their fingerprint impression on the 'Payment for Non-Receipted Items' voucher. Such payments shall only be made in the presence of another UCCT staff and s/he shall counter-sign as a witness. These payments shall not exceed an equivalent of US \$300 or MWK 120,000 whichever is lower.
- All payments shall be clearly stated and supporting documentation shall be attached. This shall include invoices, memos, delivery notes, local purchase orders and other authorized documentation.
- All payments shall be made against a budget line and shall only be sanctioned by a 'Payment Request' form which shall be completed by at least 3 people including the Executive Director. This document shall bear a unique number series and shall be photocopied. The copies shall be deposited in the Executive Director's safe.
- Any computer storing financial information for the Trust shall be secured with a valid anti-virus programme, a password; and shall also be physically protected from intrusion. Backups to these files shall be deposited with the Executive Director and shall also be kept away from the office premises preferably in a strong room paid for by the Trust or a reliable bank/institution offering such services.
- Employees who encounter a shortage shall pay the resources or funds owing the Trust in full. This shall include deduction from their salary or other benefits.
- Employees found to show habitual shortages of cash shall be reassigned to other duties or where necessary be discharged from employment at the earliest opportunity.
- All cheques issued shall be signed by a minimum of 2 signatories and shall be photocopied before being paid.
- Payments to well-established organizations shall only be made by cheque unless authorized by the Executive Director under a valid reason.
- Any transaction above US\$100 shall be made by cheque.
- Any lump-sum payment of \$200 and above shall require at least 2 quotations.
- Any payment above \$2000 shall require the authorization of a procurement committee and shall be substantiated by at least quotations.

- Any transaction above US \$40,000 shall require advertising in the print media for competitive bidding of suppliers. Notwithstanding this provision, the Management of the Trust may at times post advertisements in the press for payments/purchases below this threshold if it is deemed that this will encourage quality, integrity and will harness the efficiency of the Trust.

Handling of Cash

Any cash resource belonging to the Trust shall be kept in a lockable cash box which shall always be locked in a safe. An official receipt shall immediately be issued by the accountant/bookkeeper for any cash received. The receipt book shall bear triplicate copies which shall be distributed as follows:

- Original copy shall be issued to the payer;
- A duplicate shall be submitted to the Executive Director;
- A book copy shall be retained in the book and shall be locked in the safe at all times.

Petty cash kept in the office at any given time shall not exceed an equivalent of US \$1,000 or MWK300,000 whichever amount is lower. Staff collecting cash from the bank shall vary routes and times to the bank to create an added layer of safety.

A mandatory 'cash count' shall be enforceable and shall be conducted without prior notice to the bookkeeper. This shall be done at least once a week and the findings shall be recorded in indelible ink and registered with the Executive Director or his/her proxy.

Any cash exceeding US \$1,000 or equivalent shall only be transported in a vehicle whose doors shall be locked and windows closed. No person shall be informed of the intention to transfer the funds except the person(s) directly involved in the transfer of the money. The Trust shall at all costs ensure that the practice of transporting large sums of money is avoided at all costs. The Trust shall where possible engage armed escort to transport money in cases where it is imperative that such sums be transported and there are no other viable options available. Funds and resources transported under such conditions shall be fully ensured under the comprehensive insurance policy and that Management of the Trust shall ensure that the terms set out by the insurance firm do not put the Trust at a disadvantage in case of any eventuality.

Operation of Bank Accounts

Cheques shall be prepared by a full-time paid staff of the Trust and s/he shall not be a signatory to the accounts. All cheques and loose cash shall be securely kept in a lockable cashbox locked in a fire-proof safe in the UCCT office.

- All cheque payments shall be supported by a Cheque Disbursement Voucher (CDV) and shall be logged both manually and in a book-keeping software package.
- No unauthorized person shall have access to the online portal of the UCCT bank account. The number of persons having the login details shall be limited to two and they shall all be authorized signatories.
- The online portal shall be blocked from accepting any transactions except viewing and printing bank statements.
- Bank statements shall be obtained at least monthly and shall be filed accordingly in a clearly labeled file.
- Cheques shall not be prepared outside the finance office.
- All cheques shall be photocopied and the copies shall be attached to the CDV and supporting documents.
- All cheques shall be signed by at least 2 persons one of whom shall be the Executive Director. The Trust shall maintain co-signatories not exceeding 4 persons. However the co-signatories shall not jointly authorize a cheque payment. The Trust shall inform all her banking partners of this arrangement.

The Trust shall maintain few bank accounts as much as possible to reduce risks and to ensure that accountability is effective. In cases where a donor demands a special account be opened for a particular project, the Trust shall enforce all the policies contained herein on that account.

As much as possible the Trust shall refrain from having accounts that demand an Auto-Teller Machine card. In cases where it is extremely needed or mandatory that such a card should be obtained by the Trust, the Finance Manager shall ensure that:

- No transaction is made on that card without prior written authorization of the Executive Director.
- Only one person shall have the secret PIN code for an ATM card.
- The card shall have a limit of \$200 or MWK 80,000 per day whichever is lower.
- Any authorized person handling the card signs for it when collecting it.
- The card is immediately returned to the custody of the ED after use.
- A bank statement relating to the card is obtained within 24 hours of being used.

Making Payments

Salaries of members of staff shall be paid near their place of work and the Trust shall ensure that salaries are paid by cheque or a bank transfer as much as possible. Cash payment of salaries shall be discouraged as much as possible. Further to the clause above:

- No salaries shall be paid near a market, a bar or entertainment center.
- Salaries shall only be paid once a month and in arrears vis-à-vis no staff shall collect a salary for the following month.

- Finance staff shall prepare a pay slip in duplicate and staff shall sign both slips and retain one for their records. The pay slip shall clearly give a breakdown of total emoluments and deductions including statutory contributions payable.

Authorized Deductions

The Trust shall deduct or withhold any amount payable to staff if one of the following conditions is met:

- The Executive Director or a member of the Operational Management Team believes that the person receiving such money owes the Trust any amount;
- When a salary or any other payment owed to an employee was overpaid;
- An amount equal to any shortage of money arising through the negligence or dishonesty, not amounting to a criminal offence, of an employee whose contract of service provides specifically for his/her being entrusted with the receipt, custody and payment of money;
- That a member of staff or any recipient of such funds is suspected to be filing a false claim;
- A reasonable amount for any willful damage done to, or loss of, any item belonging to the Trust. This shall include any property lawfully in the possession or custody of the employee;
- Any amount payable to the tax authorities or any authorized institution including loans to banks, pension scheme and others.

All payments shall be made in the finance office at the Head Office or a designated field office. Where a payment is required to be made outside the finance office, the employee entrusted with such a payment shall assume liability of the funds and it shall be regarded as a salary advance. The Trust shall deduct the equivalent amount in full if the staff loses the financial resources or fails to provide authentic documentation even if it is believed that the expense was made.

Financial Reports

The Trust shall at all times maintain Financial Statements which shall be updated at least weekly by a suitably qualified finance person. Any report shall indicate a minimum of the following:

- The period which is being accounted for;
- Total funds received;
- Total funds spent;
- A summary outlining the cost centers associated with the payments made;
- Gifts in kind received;
- A detailed cash reconciliation and cash at hand;
- A detailed Bank reconciliation and bank balance as at the date of preparing the accounts.

Financial reports shall be bound and the Finance Manager shall ensure that they do not contain factual errors or any omissions. All financial reports shall be signed by the Accountant preparing them, Finance Manager and approved by the Executive Director.

Expenditure Analysis

At the end of every FY, the Accountant shall in consultation with the Finance Manager prepare an expenditure analysis outlining the expenses incurred in the FY and projections of the following FY. This shall include the following information at the least:

- A chart of accounts
- Graphs
- Multi-year analysis of the project.

Audit

All programmes belonging to the Trust shall be audited once a year by an external audit firm which shall be selected by the Operational Management Team and approved by the Board of Trustees.

Internal Audit

As the Urunji work expands and more resources are realized, the Trust shall employ a person or person who shall execute the duties of an Internal Auditor. This position shall demand a suitably qualified person having the highest and proven level of integrity and maturity. Internal audit shall be done spontaneously and without prior notice as much as possible.

External Audit

External audit shall be sanctioned by the Executive Director after a Financial Year. The Trust shall ensure that audit fees are incorporated in initial budgeting as much as possible. The Trust shall ensure that the audit is done within the first quarter of a new FY.

Asset Management and Protection

Any asset belonging to the Trust shall ONLY be used for official purposes. All fixed asset belonging to the Trust shall bear an asset registration number affixed/written in indelible ink and a clearly visible asset sticker. The asset sticker shall either be the official logo or an easily identifiable inscription bearing the name 'Urunji Child-Care Trust.'

The Head Office shall maintain a Consolidated Fixed Assets Register (CFAR) outlining every asset belonging to the Trust country wide, its serial number, internal asset number and the purchase price. The Finance Manager shall ensure that an annual foreign currency

indicator is compiled together with the CFAR of the particular Financial Year. The current Financial Year of the Trust is from January to December.

Every UCCT office or establishment shall have their Fixed Assets Register displayed on the wall, kept on file locally and the original copy shall be retained by the Executive Director.

All assets shall not be moved from their designated office unless authorized by the Executive Director in writing. Smaller assets such as cameras and portable devices shall be locked up in a safe when not in use and shall always be signed for by any employee requesting to use them. To avoid employees, interns or volunteers accidentally or willfully exchanging UCCT assets with theirs, the Trust custodian of such devices shall ensure that serial numbers are verified and the condition of the item checked as the employee returns the same.

Risk Management and Control

The Finance Manager, Accountant and any member of staff shall ensure that they timely advise the Executive Director any matters relating to risk management. The FM shall ensure that all necessary steps are taken to mitigate risk. Such steps shall include:

Emergency Reserve

The Trust shall at all times maintain an emergency fund to ensure that core activities continue to be conducted for at least 3 months in the event that funding is not received for various reasons some of which being:

- Delays suffered by the donor in disbursing funds.
- Legislation that has just been passed that demands action that can not be carried out within a reasonable time to unblock the flow of funds.
- Evacuation of staff and international partners in the event of war, terror or an act of God.
- Treatment of at-risk or registered children who do not have medical insurance.
- Settlement of unforeseen expenses.
- Repatriation or separation of an employee either as payment in lieu of notice to protect the interests of the Trust.
- Terminal benefits.

Internal Borrowing

There may be times when one account is low on funds demanding that funds be borrowed from another. Such internal borrowing shall only be effected when:

- Failure to make such a transaction may put the Trust in disrepute or that the Trust may suffer financial or material loss resulting in an omission;
- A donor associated to that account has authorized such a transaction and that the funds will be reimbursed in full.
- The funds borrowed will be reimbursed within 21 days.

- The transaction is dully co-authorized by the Executive Director and a Board Member.

The Trust shall where possible refrain from engaging donors who request that an activity be conducted on borrowed funds which they shall reimburse afterwards.

Salary Advances and Staff Loans

The Trust shall not offer loans to any member of staff and shall ensure that salary advances are only paid to staff if any of these conditions is met:

- In emergency circumstances such as death of a closest relative, sickness not covered under the normal medical insurance to cite but two.
- The advance given to the employee does not exceed two-thirds of the salary due to them at any given time.
- It is believed beyond reasonable doubt that the employee has exhausted all other channels of sourcing the funds needed.
- The said advance will be paid back in a single installment within the same month.
- All statutory contributions and taxes payable are calculated accordingly and that there will be sufficient funds from the balance owing to that employee to cover those deductions.

Compliance with Local Legislation

UCCT shall at all times comply with any local legislation and shall endeavour to update partners and/or donors of any new legislation or changes to existing legislation that may impact the work of the Trust. This shall include but is not limited to:

- Timely payment of statutory taxes and charges;
- Keeping any information pertaining to the same in accordance with prevailing legislation;
- Not engaging in fraud, falsification of accounts or illegitimate activities;
- Making financial information available to tax and regulating authorities;
- Deducting any payments from staff, suppliers or contractors in form of levies and withholding taxes and remitting them to the relevant authority within a reasonable time-frame.

Receiving Commission from Vendors

It is common that many traders give commission to people who purchase items from them. This behaviour is strongly rejected by the Trust as it encourages canvassing and may tempt staff or persons involved with the Trust to settle for lesser quality products to enable them receive the commission. Any staff found to be engaging in this malpractice shall be dismissed from employment immediately and the immediate supervisor shall

report this matter to the Executive Director and the Anti-Corruption Bureau within 48 hrs. Any commission a supplier wants to give shall always be received by the Trust in the form of a discount or a gift which shall be logged in the fixed assets Register. If the commission is in form of cash, the funds shall be deposited in the Trust's bank account and an official receipt shall be issued.

Any employee or person working for the Trust shall not request a material gift or solicit funds or request a bribe from beneficiaries. All forms shall be made available free of charge.

In circumstances where the Trust requires vendors, contractors or any other firms to provide a service under competitive bidding, the tender documents shall be sold to prospective suppliers and an official receipt shall be issued. The funds shall be fully accounted for to ensure that the Trust fully recovers the material and financial resources invested in producing such documents.

Period End Procedures

A cash count shall be made on the last working day of the Financial Year. The Finance Manager shall ensure that any cash in hand exceeding US \$50 or MWK 20,000 (whichever is higher) is banked accordingly and that deposit slips are filed accordingly. The FM shall inform the Executive Director within 8 working hours of any deviation from this policy.
