SEEDS OF PEACE AFRICA [SOPA] INTERNATIONAL

FINANCIAL MANAGEMENT MANUAL

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I. INTRODUCTION

The purpose of the Finance Manual is to set out SOPA's principles, policies and practices on issues that affect the "business" of Seeds Of Peace Africa [SOPA] International.

The principles are the concepts which SOPA has adopted for undertaking its various activities;

The policies are the reasons why we do things the way in which we do; and

The practices are how we do things on a day to day basis. An Important companion document is the SOPA AUTHORIZATION LEVELS policy.

Strong financial management and accountability to donors requires accurate, timely and reliable financial data and sound financial procedures. In carrying out their duties, all managers are responsible for considering the financial implications of their actions – for managing the resources entrusted to them in a cost-effective way. Managers and financial staff are charged with establishing and communicating the standards, processes and procedures contained in this document.

All staff is responsible to address any instances of potential non-compliance. Wherever it is difficult or not practical to meet a specific standard or follow a procedure contained in this manual, prior approval of non-compliance is required from the Board Chairman.

2. KEY FINANCIAL PRINCIPLES

2.1 Financial Principles
- Accounting Standards
  SOPA is incorporated in Kenya and its standards of accounting and reporting are largely described by International Accounting Standards.
- Taxation
  It is a principle of the organization to pay correctly assessed tax and duty in the countries in which it operates as required by the statutes of the countries of operation.
- Currency
  SOPA will adopt the currency of the country in which it operates.
- Bribery
  It is an offence for SOPA, its associates and staff, to receive bribes. SOPA offices are a corruption free zone.

2.2 Practices And Procedures

2.2.1 Annual Planning Process
The financial year of SOPA starts in June as per the constitution. SOPA shall balance the costs of its plans with its expected income. The planning process is as follows:
- In April each year, each program and department makes its tactical plans for the following year.
- These plans are passed to the finance department and translated into financial plans.

- All program and department plans are collated by the finance department to provide an overall view of the forecast finances for SOPA in respect of the coming year.
- Comparison is made of total net costs needed and expected income and requests for changes are made such that anticipated income matches anticipated costs.
- The revised financial plan is submitted to the Board of SOPA for consideration and approval.

2.2.2 Program Finances
- Each program shall develop a plan for the management of its finances to manage its activities.
- As a minimum, the Program Coordinator, Finance Officer and Programmes Director will form the planning finance management team. This team is responsible for ensuring that all required information is made available to the Finance Officer in a timely manner in order that the financial report is produced at the end of each month.

2.2.3 Surpluses and Deficits
- It is accepted that the original budget is an estimate of what might happen financially during the year. However actual activities and events may deviate from the original plans.
- If a surplus is forecast, the program finance management team will analyze the source of the surplus and agree the use to which it may be put.
- Similarly if a deficit is forecast, it will be agreed by this team on what activities to defer and/or discontinue to cover the deficit.

2.2.4 Financial reports
The following pages are mandatory in program financial reports:
- A monthly report of the results achieved for the month compared to the original plan for the month.
- A report of the activity for the period from 1st June to the current month end (up to year end) compared to the original budget or revised forecast for that period.
- An analysis of the actual monthly income and expenditure for the year to date and forecasts to the end of the financial year, revised from the original budget to reflect the latest known facts, and totaled to give a revised forecast of the income and expenditure for the year and the result anticipated.
- A Balance sheet.
- Extraordinary reports as may be required by donor partners or contractual obligations.

2.2.5 Timing of the financial reports
- The financial reports outlined above should be ready by the 5th of the following month at the latest.
- Returns by the program officers by 25th of every month.

The following are key principles of financial management that underlie the specific standards, processes and procedures included in this document.

2.3. Internal Control
Internal control consists of the organizational procedures and records to safeguard assets and assure the reliability of financial reporting. An effective internal structure includes a series of checks-and-balances required for the appropriate authorization and recording of transactions, and ensures that access to assets is limited to authorized personnel.

2.4. Segregation of Duties
Segregation of duties is a core element of internal control. Each transaction should be divided into component tasks completed by different staff members in order to increase the likelihood of detecting unintentional errors and prevent misappropriation of assets.

For example:

The Person Who…………………………………………………..	Should Not
Prepares Vouchers……………………………………………	Approve Vouchers
Prepares Cheques……………………………………………..	Post Payments
Signs Cheques…………………………………………………	Have Access to Blank Cheques
Receives Cash…………………………………………………	Record Cash Receipts
Prepares Bank Deposits or Records Cash Receipts……….	Reconcile Bank Accounts
Manages Procurement………………………………………..	Perform Stock Control
Prepares Payroll………………………………………………	Distribute Payroll Payments
Maintains Vehicle Log Books…………………………………	Monitor Fuel Usage

2.5 Audit, Disclosure and Corrective Action
The standards and procedures in this document will be subject to both internal and external audit. When deviations from these policies have been identified, these should be fully disclosed along with corrective action taken.

3. KEY FINANCIAL ROLES AND RESPONSIBILITIES

Programmes Diretcor	Overall responsibility for the efficient and effective use of the organization's funds and assets to achieve SOPA's objectives in compliance with donor's rules and regulations and local laws. • Reports to the Board of Directors.
Finance Officer	Assist the Programmes Director and all staff and partners in understanding and complying with financial policies and procedures. The Finance Officer is responsible for finance and accounting. • Reports to the Programmes Director.
Office Manager	Coordinates and ensures the smooth functioning of the day to day administrative activities of SOPA; Reports to the Programmes Director

4. BANKING

Controls surrounding banking ensure proper and consistent procedures for handling of funds entrusted with the organization. Funds should be made available for SOPA's work while minimizing the risks of loss, fraud or misappropriation.

4.1 Bank Accounts

a. Bank accounts shall be for the purpose of operating SOPA's financial transactions only.

b. No other unofficial bank account(s) shall be opened or operated in the name of SOPA by any individual.

c. Any dormant bank accounts must be closed as soon as possible.

d. For SOPA's security, all instructions to the bank shall be signed by any two people, both of whom should be board members

e. The Finance Officer or anyone with physical control of cheques cannot be signatories. Cheque signatories should not have access to cheque books.

f. The Finance officer should ensure the proper safekeeping of all documents related to the bank account (Bank statements, cheque books, transfer slip etc) and ensure that information is up to date.

g. Due to the wording of the mandates given to banks in Kenya for the change of a cheque signatory, all such changes must be confirmed by the SOPA Board of Directors.

h. Each transaction into or out of any bank account or cash float must be separately recorded in the books of accounts and no set off is to be made.

i. A minimum bank balance is to be kept to avoid bank charges and no overdrafts are allowed.

4.2 Bank Reconciliation

- SOPA finance department must receive a statement of transactions in each bank account every month.
- The transaction on the statements must be reconciled with SOPA's finance records every month and the reconciliation documented and filed for examination by the auditors.
- Any difference noted during the reconciliation process should be reviewed and the finance records brought into line with the bank statement where appropriate.
- The reconciliation must be documented to show the details of:
  - Amounts banked and not shown on the statement (include the date when it was banked).
  - Payments made not shown in the statement (include the date when the cheque (for example) was written).
    Note: transactions identified in the statement (such as bank charges and interest) must be processed into the accounting system and therefore will not need to be shown on the reconciliation.

> ***Note:*** *if the bank statement is received more than a day or two after end of the month there is no need to delay the other month end procedures. Additional entries can be processed in the following month. There is no need to wait.*

- The monthly bank reconciliation for each bank account must be reviewed every month and signed by the Programmes Director.
- The review must check that the:
  - o Bank balance agrees with the original bank statement issued by the bank.
  - o Reasons why any amounts banked have not appeared on the bank statement.
  - o Reasons why any cheques written have not been cleared (and consider cancelling them if necessary).

The reviewing Manager must sign the bank reconciliation record sheet to confirm that this action has been completed.

4.3 Currency Conversion

a. Where foreign currency accounts are held, conversion to local currency should only be carried out on an as-needs basis.

b. Currency conversion shall be made through banks in which SOPA has accounts OR a forex bureau as approved and negotiated by the Board of Directors.

c. SOPA and its staff members shall not speculate in the organization's currency dealings.

5. EXPENDITURE

5.1 Authorization and Approval

a. The signing of documentation is evidence of authorization to spend or approval of expenditure. The signature is interpreted as verification that the signatory has read and reviewed the supporting documentation and agreed to its content.

b. If authorization is in email form, this is to be printed and attached to the documentation. **Verbal approval alone is not sufficient.**

5.2 Authorization to Spend

a. All expenditure must be preceded by an authorization. Employees cannot authorize their own expenditure, nor can individuals who report to them, either directly or functionally.

5.3 Approval of Payment

a. Processing an expenditure or payment, whether by cash, cheque, or bank transfer, must only be made only on the basis of proper approval of supporting documentation attached to the corresponding invoice.

5.4 Supporting Documentation

a. Receipts are an integral part for all payments. If a receipt is not available, the payment will be disallowed. For suppliers in remote areas who may not have receipts, SOPA's cash payment vouchers may be used as proof of payment and the supplier should sign on it. This should only be the case when a receipt is not available. If the details on a receipt are in the local language, they must be translated sufficiently to English so that the goods and services are identifiable.

b. Mobile phone scratch cards are not acceptable as proof of purchase. They must be supported by valid receipts.

c. All receipts must be stamped "PAID" across the receipt at the time of payment is made.

5.5 Forms of Payment

For control purposes the methods of payments are: 1) Bank Transfer 2) Cheque 3) Cash.

5.5.1 Bank Transfer

Payments in excess of KES 1,000,000 are to be made by bank transfer. Requests for bank transfer payments shall be made by the Finance Officer who is responsible for providing all the necessary details required for processing the payment.

5.5.2 Cheque payments

a. Finance Officer must ensure that sufficient funds will be available when cheques are issued. No blank cheque should ever be signed because an individual with signing authority is going to be absent from the office.

b. All the supporting documents for each payment must be attached to the payment voucher. These will include an invoice/contract copy, LPO, delivery note in case of goods purchase, and/or any other acceptable document.

d. A cheque payment voucher must be raised for each cheque payment.

e. A cheque payment voucher must be initialed by 2 staff (Office manager and Finance Officer) and 1 board member before a cheque is signed.

5.5.3 Petty Cash

a. The amount of, and purpose for, the cash float should be reviewed every 3 months or more often to ensure that it is still necessary, adequate for the purpose intended and not excessive.

b. The Finance Officer must physically count the cash:
   - o At the end of day when cash has been withdrawn from the bank
   - o On the last day of each month
   - o At an unscheduled day and time at least once a month

c. Petty Cash is intended for the payment or reimbursement of small value items such as small stationery items, cleaning supplies, tea/coffee, local travel etc. where it is not efficient or cost

effective to process payment through other means. It is NOT intended for expenditure on program activities or for travel advances.

d. SOPA uses the Imprest System for petty cash funds, with expenditures documented using the PETTY CASH EXPENSE REPORT.

e. Request for the replenishment of petty cash by the Office Manager is to be after the PETTY CASH EXPENSE REPORT has been prepared. The Office Manager should submit this report to the Finance Officer when petty cash replenishment is needed or before the end of month, whichever occurs first.

5.6 Expenses Incurred on Behalf of Partner Organisations

a. With the approval of the Programmes Director, expenditure may be incurred by SOPA on behalf of partner organisation(s).

b. Such expenditure should be charged to the relevant program expense account with copies of the documentation being forwarded to the partners for their records.

6. STAFF ADVANCES

6.1 Salary Advance

   a. In principle, SOPA shall not give staff advances. However in circumstances of dire need, the staff may apply for a salary advance and provide proof of need.Employees must complete a SALARY ADVANCE REQUEST FORM in duplicate, with a copy retained in the employee's personnel file.

   b. Approval of staff advances is by the Programmes Director and authorisation by the Chairman.

   c. Staff advances shall be limited to one month's salary, net of statutory deductions and are recoverable in the same month's payroll.

   d. No salary advance can be paid if any other advances, such as program activity advances, have not been accounted for and returned in a timely manner based on the respective advance policy.

6.2 Advance for Program Activity

   a. An advance for program activity can only be paid to staff after EXPENDITURE REQUEST FORM has been authorized by the Programmes Director.

   b. For travel advances, an employee shall complete the TRAVEL AUTHORIZATION FORM and a PER DIEM REQUEST FORM to be approved by the Programmes Director with a copy submitted to the Finance Officer for disbursement of funds. International Travel must be approved by the Board Chairman.

   c. If an advance is being taken to pass to another person (e.g. in a remote location), the recipient must sign a receipt. Staff advances are to be charged to Staff Advance Accounts in the General Ledger and never to expenditure. Expenditure can only be cleared from Staff Advance Accounts upon return of funds, and/or submission of approved expenditure report or a receipt that confirms transfer.

   d. If the activity for which an advance has been issued is cancelled, the authorization to spend is also deemed to be cancelled and the advance should be returned as soon as possible. In remote areas or special circumstance where there is concurrent activity the advance may be applied to another activity but this requires formal, prior approval.

   e. Spending of an advance on expenditure other than that for which prior approval has been given is strictly prohibited.

   f. Upon completion of activity or purchase, staff should return any cash balance to the Office Manager immediately upon return to office with a full expenditure report.

   g. An expenditure accountability report with all supporting documentation must be submitted within one week of completion of activity or by the 25th day of the month when the cash was advanced, whichever comes earlier. Once the expense report is authorized by the Programmes Director, the Finance Officer settles up with the employee by issuing a cheque or collecting the difference between the total expense amount and the amount of the advance.

6.3 Expense Reporting

a. After completion of the trip, a TRAVEL AND PER DIEM EXPENSE REPORT must be used for submitting expense reports and claims for reimbursement. Employees must retain and submit all receipts related to travel expenditures as proof of travel.

b. Foreign Currency exchange slips(s) for all currency exchanged during the trip must be attached to the expense claim form.

c.   A separate worksheet must be used for claims in each currency. A worksheet cannot contain claims in more than one currency. The expense report form is to be authorized by the appropriate manager and will then be reviewed by the Finance Officer. The Finance Officer should process the expense report on a timely basis while exercising due diligence in reviewing the documentation. Payments are to be made by cheque. Under no circumstances, should the Finance Officer be pressured for immediate or cash settlement.

7. SAFEKEEPING OF FINANCIAL RECORDS

7.1 Cash Received

a. All incoming cash and cheques should be received by the Office Manager.

> This procedure refers to cash received by the Office Manager and is separate from the petty cash procedures.

b. A pre-numbered receipt book should be maintained to record all cash or cheques received. A copy of the receipt should be given to the person giving the cash, a copy is attached to the receipt voucher for accounting and a carbon copy should remain in the book. The receipt book should be signed by the Office Manager.

c. Received cash and cheques should be banked as promptly as possible. Received cash should be banked immediately and shall not be held for transfer to petty cash or any other purpose.

7.2 Office Safe

a. A safe is to be maintained in the Finance office and be used to keep cheque books, important documents and cash amounts withdrawn from the bank. This safe can be used to hold a lockbox containing the petty cash but the Office Manager must retain the key to the lockbox since the Finance Officer is prohibited from access to petty cash.

7.3 Accounting Records

a. The Finance Officer will attach the documentation related to financial transactions to a cover sheet or VOUCHER as part of the accounting process. These vouchers include: Petty Cash Voucher, Cheque Payment Voucher and Cash Receipt Voucher. These vouchers along with Journal Vouchers (accounting transactions) comprise the manual financial records.

b. These records are to be neatly stored in separate files with clear marking so that they can be easily cross-referenced to electronic records. Once financial documents are accounted (attached to vouchers) they become the sole responsibility of the finance staff. These records should be maintained in a locked office or store accessible only to or through the Finance team.

7.4 Financial Record Retention

a. Financial Records must be retained for a minimum of seven years. Records include, but are not limited to, all accounting, bank, payroll and tax documents. Instances where the original receipts were transferred to a donor partner the Finance office must also retain the copies of the same records for the same period of time. Once the retention period has expired, records should be destroyed by shredding or by some other means that will render them unreadable.

8. PROCUREMENT

For low value items that are not suitable for any of the processes described below, the verifier and authorizer of the purchase should exercise due diligence as to the reasonableness of the expense.

In all circumstances, the employee requesting the goods or services initiates a procurement process by completing the PURCHASE REQUISITION FORM

8.1 Key Concepts

Specification	The user-defined or technical criteria of the need to be met by the goods or service. By definition, a specification sets limits on the purchase.
Best Value for Money	Optimization of whole-life costs and quality needed to meet SOPA's requirements, while taking into consideration available resources. Factors may be cost-related (price, maintenance, upgrade, storage, disposal) or non-cost-related (quality, delivery timeline, competence, reliability, donor compliance).
Bulk Purchase	Involves forecasting for high value or frequently purchased goods or services to obtain the lowest unit per cost.
Transparency	Processing of quotations should involve more than one person. Information on the specifications should be available to all possible competitors. It also means that the basis of awarding of tenders should be as logical and fair as possible, in accordance with best practices, and within applicable laws.
Conflict of Interest	A conflict of interest occurs when an employee's private interests interfere or appear to interfere with the proper performance of professional functions. SOPA staff are prohibited from any involvement in a procurement action with a supplier in which they have a financial interest. In cases where a conflict of interest could occur, such conflict should be reported to the procurement committee who shall review the facts and decide whether the staff member should carry out the procurement activity.

There are three main procurement processes at SOPA. The table below lists these types with examples of the sorts of goods or services that would normally be procured using that process.

Sealed Bid	*Vehicles, Motor Cycles, Generators, Office Furniture, Office Equipment.*
Preferred Supplier	*Office Supplies, IT Supplies, Sports Equipment, Refreshments, Vehicle and Office Maintenance.*
Technical Services/Consultancy	*IT or Accounting Systems support, renovations, program evaluations, Workshop facilitations.*

Each of these types of procurement is described below.

8.1.1 Sealed bid Process

Responsibilities

Procurement Committee	Purchase Requisition Approver
• The final decision rests with the Procurement Committee. • This committee should thus have an unimpeded right to assess possible bidders and decide on the merits of each.	• That the goods or service are required for approved activities, the items specifications are clearly identified, funds are available, and amounts do not exceed the budget line item amount. • Accuracy of accounting information, including appropriateness of Project , Account, and Account code • Selection of the Procurement Committee members • Prior to the issuance of the Purchase Order, reviewing the recommendation and ensuring that the supplier selection is reasonable, is the most beneficial to the goals and objectives, and that procurement systems have been followed. This includes the assurance that all bids (as applicable) are attached, and that the process has been as transparent as possible.

Step 1 – Purchase Requisition (Internal)
The Purchase Requestor fills out and submits a PURCHASE REQUISITION FORM to the Office Manager for appropriate level of authorization based on the AUTHORIZATION LEVELS POLICY. These limits apply to the anticipated total value of the purchase/contracts, and not individual items.

Step 2 – Formation of Purchase Committee
The Programmes Director appoints a Purchase Committee with at least three members. The Committee must include one Program staff, one Finance / Administration staff and one other staff. This may include the original requestor, logistician, driver or any other staff person. Each member of the committee must have the knowledge, technical understanding, ability and/or professional judgment to make good recommendations.

Step 3 – Specification
The Procurement Committee reviews the PURCHASE REQUISITION FORM and, based on research and discussion with the requestor, determines the detailed specifications for goods or services. These will include timing of the delivery, payment schedule, etc. In the case of unusual or extraordinary purchase requisitions for goods and services that require technical expertise to evaluate (IT, Program evaluation) a board member should be consulted. It may be necessary to procure a technical consultancy (see below).

Step 4 – Supplier Sourcing
The Procurement Committee sources potential suppliers and maintains a Sealed Bid Tracking Sheet. Sourcing also includes assessment of the suitability of potential suppliers in terms of:
* Required goods, materials and/or services to meet specifications.
* Credit terms and form of payment are acceptable.
* Reliability and technical resources.
* Size and/or location of operation.
* Reputation among other customers for quality, reliability, customer service and support.

A minimum of three suppliers should be identified. In instances where a sufficient number of suppliers are not available, fewer suppliers can be contacted with justification noted on the SUMMARY OF BID ANALYSIS. In this case, the procurement may be made directly from a firm or source without going

through the bidding process provided the Purchase Requisition Approver shall consider and approve the justification, and proposed purchase order price and conditions.

Step 5 - Request for Quotation
The Procurement Committee prepares the same letter and quotation specifications for all agreed suppliers simultaneously. The request for quotation should include the following:

- Detailed specification of product(s) or service
- If samples of goods are required for the evaluation, the number, size and other detail
- Request for validity date for quotation
- Request for delivery of sealed quotation via mail, delivery or scanned email to Purchase Requisition Approver. If a sealed quotation is to be picked up, this must be done by a staff member who is not a member of the Purchase Committee.
- Deadline for submission of bid
- Explanation of how the bids will be evaluated
- Statement that SOPA is not bound to accept the lowest or any tender.

Step 6 - Sealed Bid Analysis
As the suppliers return their quotations, they should be kept in the sealed envelope in a locked area by the Purchase Requisition Approver until the bid closing date. The Office Manager will provide the supplier with a bid receipt which documents the receipt of the bid (including samples of goods if received).

As soon as practical after the closing of the deadline, the Purchase Committee will meet to open bids. Quotations are to be opened in the presence of the entire Purchase Committee. Each member will initial and date each envelope and the individual quotations in the presence of each other.

General guidance for Bid Analysis

Lowest Bidder - When at least 3 bids have been requested and 2 bids received, which indicate the minimum requirement for competition, and the lowest bid is accepted, this is sufficient justification for awarding the contract to the lowest bidder.

Non-Selection of Lowest Bidder - In some instances the quotation preferred is not the lowest among the bids received. Such a determination may be based on the supplier's ability to perform successfully under the terms and conditions of a proposed procurement, quality issues, speed of delivery, credit facilities, etc. Selection of such a supplier may occur with reasons documented on the analysis form. If the lowest bidder is not selected, clearly and fully document the reasons in respect of each of the lower bidders.

At this stage, the Procurement Committee will analyze the quotations, complete the SUMMARY OF BID ANALYSIS FORM and agree on a recommendation.

Step 7 - Recommendation
After a recommendation has been agreed, the Procurement Committee compiles the documentation and submits it to the Purchase Requisition Approver for review and approval.

Where the procurement Committee determines that the prices in the quotations are inflated, it may carry out further negotiations with one or all of the bidders. The rationale must be included in the Bid Analysis form.

The documentation includes the PURCHASE REQUISITION FORM, request for quotation and specifications, the list of suppliers invited to quote, quotations and Sealed Bid Analysis.

Step 8 - Purchase Order Preparation
Purchase Orders must be in triplicate and numbered. One copy is for the supplier, one for the PO file and one retained in the finance office.

A PO cannot be altered or modified after it is approved. If a PO change is required after it has been approved, void it and create a new PO. If a PO is voided for any reason, mark clearly as "cancelled" or "voided", and keep in PO file.

Approval of a Purchase Order is as per the SOPA AUTHORIZATION LEVELS POLICY.

Step 9 - Payment
All documentation related to the purchase should be attached to a PAYMENT VOUCHER FORM for authorization and then passed to the Finance Officer. Payment is made against a final invoice AND NOT the proforma invoice. A proper invoice will show the name and address of the supplier and the buyer, the items purchased and the quantity, the unit and total price, the date, the invoice number, and will be signed by the supplier.

8.1.2 Preferred Suppliers

Once one or more Preferred Supplier is identified, authorized purchases can be made without obtaining quotations.

A Preferred Supplier Agreement may be established with a supplier for the supply of goods or services for a period of time, not to exceed one year. If a supplier is performing well, the period can be extended, with justification.

Selection of Preferred Supplier

As the amount of procurement over the length of the agreement period can be high, Preferred Suppliers are to be competitively sourced through a sealed bid process as described above. Additional selection criteria may include: financial strength of the supplier and timely deliveries. Once a preferred supplier has been selected, an agreement may be prepared.

Ordering from a Preferred Supplier

If the price of the item or service is known, a PURCHASE ORDER is prepared and authorized and sent to the preferred supplier. If the price of the item or service is unknown, the preferred supplier is requested to provide a Proforma Invoice or quote. Once the Proforma Invoice or quote is received, the Purchase Order is prepared, authorized and sent to the preferred supplier. Following the delivery or pick up of the goods or services and receipt of an invoice, the documents are sent to Finance for payment.

> SOPA programs and operations require certain goods or services on an ongoing basis, such as:
>
> - Stationery/ Office Supplies
> - Hotel/Conference Venues
> - Travel Agent
> - Computer Equipment and Supplies
> - General Repair and Maintenance
> - Printing / Photocopying
> - Refreshments
> - Vehicle Maintenance
> - Computer Repairs and Maintenance
> -
> - Sports Equipment
>
> For efficiency, it is recommended that Preferred Suppliers are identified in these cases.

Management and Oversight

The management of Preferred Supplier relationships is the responsibility of the Office Manager. The performance of the Preferred Supplier should be routinely monitored to ensure:

- Prices are reasonable and generally correspond to market rates.
- Quality of goods and services are good.
- Delivery of goods and services are per the agreement and there are no delays in receipt.
- Invoicing is accurate and timely and contractual terms and conditions are met.

Oversight of Preferred Supplier performance is the responsibility of the Procurement Committee. If a supplier fails to perform, a recommendation to cancel the agreement is made and approved by the Procurement Committee responsible for the original recommendation.

The Procurement Committee should undertake a formal review of a supplier's performance annually and make a recommendation on extension of the agreement with, or designation of a Preferred Supplier. All recommendations are to be approved by the Procurement Committee.

8.1.3 Retention of Technical Services/Consultancy

A consultant contract is a contractual arrangement between SOPA and an individual or organization for a defined service over a defined period of time. In a general sense, the consultant provides a service and "sells" the result of their work to SOPA. Examples of services that SOPA is likely to procure include external evaluators, IT support services and workshop facilitators.

Step 1 - Specification

The justification for procuring the services of a consultant, including:

- Terms of Reference including background, objectives, tasks, outputs,
- Number of days and time frame, including start and end date
- A fee range in local currency or foreign currency as appropriate. Any incidental costs that may be covered as part of the consultancy are to be noted, e.g. transportation, air tickets, lodging, etc.

Step 2 - Selection

Selection of Consultant should be based on competitive quotes based on experience, ability to perform, knowledge of SOPA activities, consultant Resume/CV, recommendation, etc. The selection criteria must be transparent and documented.

Step 3 - Contracting

After approval of the request, the requester will prepare a Consultant Agreement including:

- A clear terms of reference with agreed outputs
- duration of the contract and termination clause
- maximum contract value
- Fees and allowable expenditure
- payment arrangements

The Programmes Director and the consultant will sign a Consultant Agreement. A Purchase Order must also be filled out which states in the description section "Per the attached Consultant Agreement" with the total value of the payment.

Step 4 - Payment

The initial advance to the consultant should not exceed 30% of the contract value

At the conclusion of the consultancy, the consultant must submit a signed invoice with breakdown of services provided and cost including fees and expenses. If the consultant produced a report, a photocopy of the report cover and table of contents (or summary page) should be attached to the invoice.

9. FIXED ASSETS AND PROGRAM EQUIPMENT

The purpose of the chapter is to provide adequate controls over SOPA property, equipment and supplies and the operational direction for responsible staff to ensure compliance, consistency, and transparency throughout the property management. Safeguarding of SOPA property is a priority for all employees who have managerial, operational, or custodial control of such property. However, all SOPA employees are expected to comply with the procedures outlined in this section.

> Fixed Assets is defined as items with a useful life of more than one year and a value in excess of KES 20,000.
>
> Program Equipment refers to items such as sports equipment, cameras etc., that are routinely purchased, stored and used by SOPA and its partners.

9.1 Segregation of Duties

a. Segregation of duties is an essential part of the property management process and reduces the risk of both erroneous and inappropriate actions, whether deliberate or unintentional. The Programmes Director must ensure that an individual will not have control over more than one of the following three functions:

- Maintenance of property/equipment register
- Receipt, custody and management of property stores including transfers
- (Sole) Decision-making/authorization of what and where to buy

b. It is recognized that maintaining segregation of duties may be challenging for a small office which may have limited staffing. At a minimum, management should ensure that the property functions are adequately separated among employees involved. When the three functions cannot be separated, adequate compensating controls must be implemented to mitigate risks of error or fraud.

9.2 Property Management

9.2.1 Registration and Identification

a. SOPA must maintain a hard bound FIXED ASSETS REGISTER that contains a complete listing of all fixed assets. All items of more than KES 20,000 value with a useful life of at least one year are to be recorded.

b. The information recorded should include a description of the property, date of acquisition, purchase order number, invoice number and date, name and address of supplier, purchase amount and where the property is located. A corresponding Excel soft copy listing of fixed assets and equipment must be kept up to date at all times so that it can be shared whenever required.

c. The employee receiving the property will verify the quantity, quantity, and condition of each item and compare it to the delivery documentation. The employee who receives the property prepares a Goods Received Note in triplicate which provides sufficient information for addition to the Fixed Assets Register. The original document is attached to finance documentation related to the procurement, and copies are retained by the receiving unit and one as supporting documentation to the property register.

d. A Fixed Asset Identification number is affixed to the asset. The number should be placed in a visible location on the item.

9.2.2 Property Transfer & Disposal

a. Staff members must sign for custody of valuable property items (e.g. laptop, camera).

b. All movements of assets must be accounted for to ensure an audit trail.

c. A list of property that has reached its useful life should be prepared and recommended for disposal. The list should include information from the Property Register. Due to the risks to the organization, disposals of property must have the same level of authorization as the original purchase and a Procurement Committee may be formed to make recommendations on disposal.

d. Disposal of all property must be in a manner consistent with donor regulations and local law, as well as SOPA's interests. Prior to the disposal of any item, a review of donor contractual agreement obligations will be undertaken. The review is critical as obligations with donors may have specific rules governing disposal and/or local law and tax issues may have implications for SOPA.

9.3 Theft

a. While it is difficult to prevent 100% against theft, there is a clear expectation that SOPA staff and partners will be proactive in guarding physical resources.

b. In instances of theft, a full report must be filed with the police. A copy of the report must be submitted to SOPA Board Chairman. If for any reason it is not possible to procure a police report, notify the Board Chairman immediately.

c. SOPA will then investigate, in coordination with the police or other third parties as necessary. SOPA reserves the right to require all or partial repayment of project funds stolen from the responsible parties based on the outcome of any investigation.

9.4 Security Guards

a. Recognized and professional security companies are to be contracted for provision of security services wherever possible. Only if no professional security company exists, may individuals be hired.

10.   VEHICLES AND FLEET MANAGEMENT

The SOPA "Fleet" includes all motorized items; vehicles as well as generators and motor cycles. It concerns items with engines that consume fuel and require routine maintenance.

Responsibilities

Office Manager	Drivers
• Primary responsibility for all aspects of vehicle administration including scheduling, registration, repair, driver conduct, vehicle insurance and accident prevention. • Maintenance of fleet records including accident/incident reports, insurance papers, vehicle registration papers, maintenance logbooks and checklists and fuel reconciliation. • Scheduling of routine maintenance and annual service of fleet.	• Ensure their license is up to date and on their person at all times. • Follow the rules of the road and drive with the utmost care and attention. • Making sure the car is in a good condition, including preventative checks and cleanliness. • Ensure log book is completed and signed after every journey. • Calculate the mileages properly at the beginning and end of every month and ensuring a full tank at the beginning and end of each month.

Each item in the fleet must be listed in the Fixed Assets Register. A Maintenance Logbook must be maintained for each motorized unit in the SOPA fleet (Vehicle, Motor cycle, etc).

10.1 Vehicle Logbook and Fuel Cost Allocation

Responsibilities

Driver	Office Manager	Finance Officer
• Ensures that the logbook is completed daily	• Check the logbooks at least weekly for accuracy and correctness of entries • Prepare the Fuel Allocation Workbook and attach photocopy of relevant logbook page(s)	• Analyze the Vehicle Mileage Analysis calculations for reasonability, • Allocate costs to respective accounts e.g. activity or personal.

a.   Vehicle logbooks must have the details of the trip date, time of departure and arrival, mileage reading at start and close of each trip, destination and purpose of trip (including activity code), and passenger's signature.

b.   In order to perform fuel reconciliation it must be ascertained that logbooks are filled out appropriately. A Vehicle Mileage Analysis workbook is to be prepared on a monthly basis and reported to the Finance Officer.

c.   Vehicle use must be charged to the relevant project and activities documented in the log book

d.   Vehicle Fuel and maintenance cost should be allocated and charged to the relevant project and activities documented in the log book at the end of each month on an actual basis usage calculated from the log books.

10.2 Personal Usage of Vehicles

a. Vehicles, whether purchased or hired by SOPA, are first and foremost for program activities. Personal use of vehicles is allowed under limited circumstances and must never override the needs of the program. Vehicles should be considered a shared resource and are not for the exclusive use of any one employee.

b. SOPA vehicles (either owned by SOPA or rented) are not individual properties and no staff or volunteer will drive a SOPA vehicle during office hours for personal errands.

c. Personal use MUST be approved by Programmes Director, who is responsible for allocating the personal use of vehicles after working hours.

d. Personal use must be documented in the log book and the concerned employee must reimburse the project with the personal usage charge at the Personal Usage Rate per KM calculated on a monthly basis in the Fuel Allocation Workbook.

e. All staff and partners of SOPA will pay KES   /km for personal use to compensate for the wear and tear of the vehicle. For employees who have mileage entitlements in their employment contracts, the above mentioned regulation applies for every additional mileage over their entitlement.

10.3 Vehicle Purchase

Vehicle Procurement is to be performed using the sealed bid process as outlined in Section 8.1.1 of this Manual. Additional criteria to be considered when procuring a vehicle are:

- Operating Conditions where the vehicle will mainly be used: in town or city, tarmac roads, long distances on good roads, on 'bush' roads with poor conditions, in the 'bush' etc. is required.
- What will be transported in the vehicle: large or small numbers of people, goods/materials and people, mainly goods and equipment, large loads of goods?
- What class of a vehicle is the most appropriate in terms of existing 'fleet': safety and reliability; laws and regulations; spare parts, servicing, maintenance; fuel types

10.4 Vehicle Registration

a. Once the vehicle has been purchased engrave the license plate number on windows, indicators, mirrors, door handles and any other parts that can be easily stolen. This will deter criminals as the parts are easily identifiable.

b. A file should be made out for each vehicle owned or leased by SOPA. The file should include the vehicle identification, shipping documents, accident reports, insurance documentation, copies of Vehicle License and Registration, taxation papers, etc. Using this system ensures each vehicle has a 'history', so that when the vehicle is disposed of by selling, donating, relocation, all the necessary documentation will then move with the vehicle.

10.5 Vehicle Insurance

a. SOPA arranges for comprehensive insurance which generally costs a percentage of the vehicle price per year. Where SOPA vehicles are to be used in other countries, they are to be insured according to the respective country's legislation.

b. All drivers must familiarize themselves with the conditions and restrictions of the insurance policy before driving the vehicle.

10.6 Vehicle Rental

a. Vehicle rental must follow proper procurement procedures. Rental vehicle must have valid registrations and 3rd party insurance.

b. No vehicle may be rented from a staff member or volunteer. Using the vehicles of staff members for official purposes will not be accepted except in the case of an emergency and with prior approval.

10.7 Drivers

a. Whenever possible, local drivers should be used for driving SOPA vehicles, as they best know the roads, local driving conditions and habits.

b. The recruitment of drivers must include work references, recommendations, and a practical driving test both in town on normal roads and off-road tracks if required. A qualified driver of no less than five (5) years experience of road and off-road driving must evaluate the suitability of newly hired staff members to drive.

c. All personnel driving SOPA vehicles must possess a valid driver's license. It is the responsibility of the driver to ensure that the license is kept current. A photocopy of every authorized driver's Driving Permit/License must be kept in their personal HR file.

d. A copy of Insurance and Vehicle registration documents must be kept in the vehicle at all times.

e. Drivers should not, under any circumstances, violate traffic laws. Any driver who violates a traffic law or laws shall be responsible for paying the consequent fines, making court appearances, etc. and SOPA is not liable.

f. Drunk-driving is strictly prohibited. Drivers found to be under the influence of alcohol when on duty shall be dismissed immediately.

10.8 Accidents

In the case of an accident involving a SOPA vehicle, the following procedures shall be followed:

a. The driver of the vehicle or senior SOPA staff in the vehicle is responsible to report the accident immediately to the Police and the Programmes Director. Assistance will be dispatched to the scene immediately.

b. First priority are wounded people, whether or not they are passengers in the SOPA vehicle, other vehicle(s) involved (irrespective of whether the driver was at fault or not) or pedestrians.

c. The SOPA vehicle involved in the accident must stay at the scene of the accident until the police arrives and instructs otherwise. Only in very extreme situations, such as accidents in remote locations, should the vehicle be moved.

d. The driver (and any passengers) must fill out an accident report, complete with a diagram of the scene, and hand it (or e-mail) to the Programmes Director within twenty four (24) hours. DO NOT ADMIT LIABILITY FOR THE ACCIDENT. Let the authorities determine liability.

e. Arrange for the vehicle to undergo examination at the earliest convenience by a qualified motor engineer / garage and obtain a written report.

f. Upon receipt of report, the Programmes Director shall immediately take necessary steps to inform the Insurance Company.

g. Follow up with the necessary repairs is within the framework of SOPA's procurement procedure.

10.9 Motorcycles

Motorcycles are exceptionally dangerous so special care must be taken when riding one. International staff and volunteers are NOT allowed to ride motorcycles at any time.

Safety and Security procedures include:

- All riders and passengers must wear helmets properly fastened and appropriate safety gear.
- Drivers must not pick up unauthorized passengers. Motorbikes must be used for official purposes only.
- All motorbikes must be parked in a sheltered secure location at the end of each day.
- Motorbikes can only be used after working hours for work related trips with the appropriate approval by the Programmes Director.
- Motor bikes are not to be driven within locations with heavy traffic.

11. PAYROLL

The following payroll procedures are intended to ensure all employees are paid according to their contracts, payments and salary advances to employees are properly accounted for, and statutory deductions are remitted to the appropriate authorities.

11.1 Payroll

a. The payroll calculation should be reviewed and authorized by the Office Manager, Finance Officer, and Programmes Director before any payments are made.

b. Local regulations concerning statutory deductions from salary must be adhered to and the appropriate remittances made to the authorities before the due date. Salaries for local hires must comply with local labor laws. In each country legal advice must be sought in order to ensure compliance.

c. All local employees' salary should be fixed in local currency. It is against policy to pay local employees in any other currency except local currency.

APPENDIX A.

GLOSSARY OF FORMS

CHAPTER	FORMS
EXPENDITURE	Petty Cash Expense Report
STAFF ADVANCES	Salary Advance Form
TRAVEL	Travel Authorization Form
	Expenditure Request Form
	Travel and Per Diem Expense Report
PROCUREMENT	Purchase Order
	Purchase Requisition Form
	Receiving Document
	Sealed Bid Tracking Sheet
	Summary of Bid Analysis Form
FIXED ASSETS, PROGRAM EQUIPMENT AND STORES	Equipment Register Template
	Fixed Assets Register Template
	Material Delivery Note
VEHICLES AND FLEET MANAGEMENT	Vehicle Log Book Template
	Fuel Allocation Workbook

APPENDIX B.

ACCOUNT CODE STRUCTURE

The account code structure design determines how SOPA records the financial information of programs and activities. The structure and codes takes into account budgeting, accounting, and reporting requirements allowing staff and management to make well-informed decisions and meeting all donor and external reporting requirements.

SOPA follows a uniform Account Code structure and Account Code Glossary for all its operations. This enables analysis of revenues and expenditures on a "like basis" across Programs and Regions. The Account Code structure comprises of the following:

Account Code	Nature
1-1000	Balance Sheet - Current Assets
1-2000	Balance Sheet – Non-current Assets
2-1000	Balance Sheet – Current Liabilities
2-2000	Balance Sheet – Non-current Liabilities
3-1000	Net Assets
4-1000	Income - Restricted
4-2000	Income – Unrestricted
4-3000	Income - Other
5-1000	Expenditure – Administrative Costs
5-2000	Expenditure –Program Activity Costs
5-3000	Expenditure – Other Operating Expenses