ACCOUNTING AND FINANCE PROCEDURES MANUAL

LUAPULA FOUNDATION
MANSA, ZAMBIA

This Financial Procedures Manual has been formulated and adapted in order to comply with all requirements and procedures for accounting for USAID funds.

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CHAPTER 1 - INTRODUCTION TO THE PROCEDURES MANUAL

The Luapula Foundation (LF) Accounting Manual has been produced in order to provide guidance on best practice in accounting and financial management. Due to the size of LF and nature of its operations as well as those of its affiliates, simple and straightforward procedures have been developed in this manual.

The purpose of this manual is to document in a simplified form the Foundation’s accounting systems and internal controls. This manual will provide guidance on how financial transactions will be treated and ensure consistent applications of this treatment.

The principles and suggested procedures in the manual reflect systems currently in operation, or being implemented by LF and those expected to be adopted by its affiliates.

This manual has been designed to suit specifically the accounting and financial management practices at LF, but its general principles and essential features are, however, applicable to all projects, whatever their size.

This manual may not include all the desired principles and features of an accounting manual. All those principles and features therefore not included in this manual but applicable to member/affiliate organisations to LF, may be read in conjunction with this manual.

The manual has been prepared by taking into account GAAPs, IAS and provisions of the LF Constitution. More importantly the manual has taken into account the reporting requirements of the various donors funding the LF operations.

As circumstances and requirements change the guide will need to be regularly reviewed and updated to take into account new developments in the accountancy profession and especially that operations of LF are being computerised.

CHAPTER 2 - GLOSSARY OF TERMS

The terms defined below are commonly used accounting terms, most of which are used in this guide.

Where necessary more detailed explanations are provided in the text.

Account	A personal or impersonal record of one or more business transactions to enable a balance to be determined at any moment in time.
Accountancy	The process of analysing, classifying and recording transactions and operations in terms of time, quantity and monetary values.
Accounting Period	The period for which final accounts are customarily prepared.
Accounting System	The day-to-day method by which transactions are recorded and ultimately appear in the financial statements.
Accrual	The accounting treatment of a transaction whose actual value can only be ascertained after the close of an accounting period, where all or part of the transaction relates to that accounting period, such a transaction is brought into books of accounts by 'accruing'.
Advice Note	Note accompanying the delivery of goods or services ordered (sometimes known as dispatch or delivery note).
Age Analysis	Usually used on a schedule of Sales Ledger balances to indicate the age of the balance (e.g. one month old, two months, over six months, etc)
Amortisation	The writing off against profits of the loss in value of certain fixed or intangible assets where such loss is occasioned by the passage of time e.g. Leasehold property (see Depreciation).
Analyse	The process of classifying and aggregating similar types of transaction under common headings.
Asset	Goods, resources and property of all kinds belonging to a company or to an individual, which are used in the business.
Audit	An examination by an independent, qualified expert (the auditor) of the accounts and supporting records prepared by a company's management and the accounting principles and policies underlying them.
Auditor	A duly qualified person who conducts the audit.
Balance (noun)	The net difference between the debit and credit sides on an account.
Balance (verb)	To total the debits and credits in a ledger account and to enter, as a balance, the difference between the two.
Balancing the books	The periodical closing up and adjusting of all accounts in the ledger, in order to ascertain the profit or loss made during the period under consideration.

Bank reconciliation	A statement explaining the difference between the balance of an account reported by a bank by way of a bank statement and the general ledger balance (see reconciliation statement).
Book-Keeping	The technique of keeping accounts – of recording in a regular, concise and accurate manner the business transactions of an entity in a set of books kept for the purpose.
Books of Accounts	A set of books, which record the business transactions of a firm, company, entity etc (see bookkeeping).
Books of prime entry	Books into which transactions are initially recorded according to their type. e.g. cashbook, petty cash book, Bought (Purchases) Day book, Sales Day book
Bought Day Book	A book of prime entry, used to list, analyse and summarise all purchases and services obtained on credit. (See Books of prime entry)
Bought Ledger	A book of account, which records the personal side of all credit purchases of goods or services.
Capital	The money supplied by the proprietors of a business in order to acquire the resources (Assets) with which to operate the business.
Cash Book	A book in which an account (record) is kept of all receipts and payments of money, by cash or cheque.
Cast (verb)	To add up a column of figures.
Close off	To transfer to the Profit and Loss Account in Nominal Ledger from each account concerned, the amount itemised in the published Profit and Loss Account, so as to leave as balances only those, which are included on the Balance Sheet.
Contra	The matching of debits with credits or the offsetting of one balance against the other.
Credit (noun)	An entry on the right hand side of a ledger account.
Credit Note	Document sent to a person, firm, etc, stating that his account is credited (reduced) with the amount stated (e.g. when goods are returned by that person, firm etc. or an allowance is made to that person, firm etc.)
Creditor	One to whom money is owed for goods, services, etc
Current Assets	That group of assets in cash or near cash state (e.g. Cash, debtors, stock).
Debit (Noun)	An entry on the left hand side of a ledger account.
Debit (Verb)	To ‘debit’ an account to make an entry on the left hand side.
Debit Note	Document sent to a person, company etc. stating that his account is debited (increased) with the amount stated (e.g. as a result of price hikes, or invoice initially undercast)

Debtor	One who owes money for goods, services supplied.
Depreciation	The measure of the estimated loss in money value of a fixed asset owing to use, obsolescence or passage of time (see Amortisation).
Discount	An allowance deducted from an invoice price, account etc.
Double entry	Method of book-keeping in which two entries are made debit and credit for each transaction in order to record the two aspects which every transaction has and to provide a means of providing the entries by balancing the ledgers in which each transaction is recorded.
Entry	The record of a transaction in a book of account.
Final Accounts	The Profit and Loss Account and Balance Sheet as agreed by the proprietor of the business.
Fixed Asset	An asset which is in permanent use within a business (e.g. Land, Buildings, furniture, plant, machinery, etc)
Gross	A total before any deductions.
Gross up	The calculation of a gross figure from a net figure by adding back deductions.
Impersonal Accounts	Accounts not dealing with persons but with other things such as ‘real or property accounts’ (e.g. Cash, rates, discounts, etc).
Impersonal Ledger	See Nominal Ledger.
Imprest System	Method by which a fixed amount is advanced and the expenditure for the amount at the end of the month or period reimbursed, so that the monthly or periodic balance remains the same. Frequently used for petty cash floats.
Intangible Assets	Asset, which is neither fixed nor current yet, possesses a value (e.g. Goodwill, Investment).
Inventory	The Stock-in-trade and work in progress of a business.
Invoice	A document showing the character, quantity, price, terms, nature of delivery and other particulars of goods sold or services rendered.
Journal	Literally, the book containing an account of each day’s transactions.
Ledger	A collection of accounts The principal book of accounts in which the entries from all the other books are summarised divided into Cash Book, Bought Ledger, Sales Ledger and Nominal Ledger.
Ledger account	A record in the ledger showing one of the two aspects of each transaction or group of transactions (see also ‘Account’).

Liabilities	A term denoting the combined debts owed by a firm, company etc.
Liquidity	The excess of cash or near cash assets over current liabilities.
Lodgement	A payment into the bank or the credit of a specified account.
Materiality	The consideration of the significance of an amount in relation to the context in which it is placed. In relation to accounts, an amount is not material if its effect on the accounts would not distort the overall truth and fairness of the view they give.
Net	The amount of any charge or cost after all deductions has been made.
Netting off	See 'contra'
Nominal Accounts	Accounts for the income and expenses of a business (see 'impersonal accounts')
Nominal Ledgers	Otherwise known as the Impersonal or General Ledger. The ledger, which contains impersonal, accounts (see 'impersonal accounts').
Personal Account	An Account showing transactions with a particular person, firm or company as distinct from a nominal account.
Petty Cash Book	A book subsidiary to the Cashbook, in which are recorded all small cash payments.
Posting	The transfer of entries from the books of prime entry to their separate accounts in the ledgers.
Prepayment	A payment made in the current accounting period of which part or all relates to a future period.
Profit and Loss Account	A summary account of all revenue and expense accounts, showing as its balance, the profit (or loss) for the period under consideration.
Provisions	Amounts written off or retained out of profits to provide for depreciation, renewals or diminution in value of assets, or retained to provide for any known liability of which the amount cannot presently be determined with accuracy.
Reconciliation	A statement showing the process whereby the balances of two accounts, independently written up in respect of the same transactions, which show an apparent discrepancy, are brought into agreement. The most common reconciliation statement is that used to bring into agreement with the General Ledger Bank account balance and Bank Statement balance (see "bank reconciliation").
Reconcile (verb)	To ascertain the precise components of the difference between two related figures produced independently of each other.
Revenue	Income received from any source.
Sales Day Book	A book of prime entry used to list, analyse and summarize all the invoices

	for credit sales transactions.
Sales Ledger	A book of account, which records the personal side of all sales on credit, of goods or services.
Schedule	A detailed list of items, on a properly headed working paper, totalled to agree with the figure that is being analysed or supported and cross-referenced.

CHAPTER 3 - ACCOUNTING POLICIES

A Principal Accounting Policies

The Financial statements are prepared in accordance with the historical cost convention as modified by the inclusion of certain assets at valuation. The following is a summary of the important accounting policies used by Luapula Foundation.

B Fixed Assets

Fixed assets are stated in the balance sheet at cost or valuation less accumulated depreciation. At any time, the threshold for capitalisation should be the local equivalent of US$5000, including all costs incidental to the purchase of the same asset. Any single fixed asset acquired with a value less than US$5000 should be expensed to the Income and Expenditure account in the year of acquisition. However, all assets less than USD5000 should be entered in the LF inventory file for accountability.

C Depreciation

Depreciation is calculated on a straight-line basis to write off the cost or valuation of fixed assets over the expected useful lives at the following annual rates:-

Buildings	-	2%;
Furniture & Fittings,	-	20%;
Equipment and vehicles	-	25%
Motor vehicles	-	33.3%

Full depreciation will be charged in the year of acquisition and no depreciation will be charged in the year of disposal. Should the policy of a donor be different from above, the donor's policy will take precedent over the straight line basis to write off the cost of the fixed asset.

D Translation in Foreign Exchange

Assets and liabilities denominated in foreign currencies are translated into Zambian Kwacha at the average or mid-point rates of exchange ruling at the balance sheet date. All gains and losses arising on the translation are dealt within the receipts and payments statement in the period in which they arise.

E Inflation

Due to practical difficulties of complying with International Accounting Standards number 29 (IAS29) Accounting in Hyperinflatory Economies: its application has been deferred. The Zambia Institute of Chartered Accountants (ZICA), the Organisation responsible for regulations of accounting practice in the country, is currently considering a methodology, which will allow the accommodation of appropriate adjustments to financial statements in accordance with the spirit of IAS29. Once this methodology has been finalised and should it be appropriate, the accounting treatment used in these statements will be modified.

F Recognition of Income

Grants

Grants received for meeting operational expenses are released to the income and expenditure account in the year in which such grants are received. Grants received for investment in property, plant and equipment are treated as capital grants and amortised to the income and expenditure account over the life of the asset concerned.

Currencies

The financial statements are expressed in Zambian Kwacha. Transactions made in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Profits and losses on foreign currency translation are taken to the income and expenditure account in the year in which they arise

G Inventory/Stock

Inventories are stated at the lower of cost and estimated net realisable value. In general, cost is determined on an average basis and includes transport and handling costs. Estimated net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation. Provision is made for slow-moving, obsolete and defective inventories.

CHAPTER 4 - OVERVIEW OF THE FINANCE AND ACCOUNTING DEPARTMENT

4.1 Financial Records

Financial records include all source documents (budgets, invoices, vouchers, bank statements, credit advice, journals, cheques, receipts and any other documents which serve as evidence of financial transactions).

4.2 General Responsibilities

The organization requires all of its employees to abide by the foregoing standards of ethical behavior in their dealings with its suppliers, consultants, sub grantees, subcontractors, and government. Employees of the organization should not solicit for any funds, gifts or any favours from a prospective vendor, sub grantee or any other business partner. Attached as Appendix 1 to the Manual is the organizations ethics policy which ALL staff are required to sign on an annual basis. (Copies of the signed ethics statements will be kept within personnel files).

Staff are also required to report any violations of these standards to the Executive Director and Board Finance Subcommittee.

The Executive Director has overall authority and oversight of all funds.

4.3 Finance and Accounting Responsibilities

4.3.1 Finance /Operations Manager

Please note: In absence of a designated Finance/Operations Manager, the Organization may subcontract out with a licensed Accounting Firm for financial management assistance and if these services are subcontracted, all of the duties specified below will apply to the responsibilities of the subcontracted firm / individual.

Primary function

- Ensure that the financial system runs properly in order to process financial information and generate accurate reports.
- Ensure that internal controls are enhanced and maintained at an acceptable level,
- Manage risks affecting the organizations assets and make sure risks are maintained at a lower level.
- Ensure that financial policies, procedures and donor compliance requirements are adhered to expected standards
- Ensure that internal and external financial reports are prepared and disseminated within deadlines
- Ensure there is enough cash on hand and vendors are paid promptly
- Responsible for all aspects of cash management including:

- Monitoring receivables, billing staff and collection of debt and managing pre-payments.
- Lead, direct, mentor/coach, appraise and supervise the other finance staff
- Provide budget analysis and feedback to the Executive Director on a regular basis

4.3.2 Bookkeeper / Admin Assistant

Primary function

- Ensure that payment package is complete and accurate before processing.
- Ensure that charge codes are in agreement with Program Managers' approval and the organizations chart of accounts.
- Ensure that vendors/Suppliers, Staff and Sub-recipients' cheques are prepared and paid on time.
- Maintain petty cash ledger and prepare petty cash replenishment.
- Prepare cash receipt voucher for cash collected and deposited to bank account.
- Ensure that copy of cash receipt and bank deposit must be attached with the Cash Receipt voucher.
- Ensure that the Petty cash replenishment is prepared the moment the paid cash is 90% of the cash float.
- Prepare cash and check deposit slip and give it to the agent for banking on a daily basis.
- Cash collected from staff travel advances and other receipts must be banked within the next business day. .
- Ensure that all cash at hand must be locked in a safe overnight and on weekends.
- Maintain safe ledger and keep the first key of the safe.
- Work closely with Administrative officer on physical counting of assets, stocks and property.
- Prepare a stock count report on a monthly basis
- Manage the asset register
- Prepare cash receipt vouchers.
- Retrieve documents needed for Audits
- Ensure that soft copy and hard copy month end closing packages are filed properly and done within the due dates
- Ensure that data is posted on a daily basis, and that the financial information is processed accurately and reliable reports are generated timely
- Ensure that internal financial reports are generated accurately and disseminated timely.
- Perform systems analysis to identify any irregularities (such as wrong posting) and propose immediate corrective actions to the finance manager

4.4 Internal controls

Internal accounting control consists of the plan of the organization, procedures and records to assure the reliability of financial reporting as well as safeguard the assets of the organization.

An effective internal control structure includes a series of checks-and-balances required for the appropriate recording and authorization of transactions and ensures that access to assets is limited to authorized personnel. 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 the organizations assets.

As an example, the person who approves vouchers for payment should not prepare or sign cheques.

The following chart includes other examples of the appropriate segregation of duties:

Finance Officer who	**Should Not**
*Prepares vouchers	*Approve Vouchers
*Prepares Cheques	*Sign Cheques
*Has access to Blank Cheques	*Post Payments
*Receives Cash	*Bank or deposit the cash receipts at the bank
*Is responsible for the physical security of Assets	*Perform the physical inventory of Assets
*Prepares Bank Deposits	*Reconcile Bank Accounts
*Prepares payroll	*Distributes payroll payments
*Maintains Driver Logs	*Monitor Fuel Usage

The following four basic tests of completeness, validity, accuracy and maintenance should be consistently applied to all transactions

4.5 Completeness

Each element of a transaction must be documented, approved and recorded.
For example: A cash payment to a worker requires the signature of the worker or other proof as evidence of payment.

4.6 Validity

Is the disbursement made to a verifiable vendor or employee?
Is there such tangible proof, such as a vendor's receipt, purchased item, to confirm that the item was received or the services performed?

4.7 Accuracy

Is the amount recorded as received or disbursed correct?
Are all relevant charges recorded?

4.8 Maintenance

After a payment has been approved for payment and recorded, it should be impossible to make changes, such as addition of a zero to the amount or changing the payee name, or in deed using the same documents for other double payments. All documents after use must be stamped PAID to avoid re-use.

Close supervision by the Finance / Operations Manager and oversight by the Executive Director are vital to ensure that control systems are working and that weaknesses are identified and corrected.

CHAPTER 5 - RECEIPTING PROCEDURES

1 Objective of a Receipting System

The objective of a receipting system is to ensure that all funds donated/collected are fully accounted for in financial records and reported to the donors.

2 Main strategies to Achieve the Objective

In order to ensure that funds are fully accounted for in financial records, the following strategies will be applied:

a) effective control of accounting documents (receipt books, cheque books). A receipt book will be serially numbered and have three copies. Original goes to the payer, the second copy is filed in Accounts department while the book copy remains as a permanent record.

A receipt is a proof of payment and payer should obtain one.

b) Due to the size of the organisation, Accounts Assistant will receive all monies and will issue a receipt for all funds received and reconcile all funds received with amounts to be banked the following day at the end of each day.

c) Strictly all receipts issued will be recorded and analysed in the cash books for onward posting to the ledgers at the end of each month.

d) All bank transfers (direct credits) will immediately be recorded in the cash book. Prompt recording and analysis of receipts in the cash book shows up at the earliest point the levels of funds received and allows spot check of cash on hand.

e) All documents will be systematically filed in box files and made readily available for any prompt audit.

The Accountant will be fully responsible for this receipting system and will therefore do the bank reconciliation to separate the duties to show transparency of the system.

f) All receipt books will be recorded in a Register kept by the Accountant. Only the Accountant will be responsible for the issuance of the receipt book for use. The Register will show:

i) serial numbers of each receipt book;
ii) date when receipt book received from the printer;
iii) name and signature of staff entering the new receipt books into the Register;
iv) date the receipt book issued for use; and
v) name and signature of staff requisitioning the receipt book for use.

A specimen Receipt is shown at **Appendix I**.

Separate receipt books should be kept for each currency of funds.

Appendix I – Specimen Receipt

LUAPULA FOUNDATION

CASH RECEIPT

Date:_______/_______/________

Amount: US$/K__________________

Chq No. ________________________

Amount in Words: ____

____

Received From:_________________________________

Internal Department (Or Business Address): _________________________________

Purpose: ____

____

Grant/ Account Code: ______________________

Received By :____________________ Signature:_____________ Date:___________

Verified By :____________________ Signature:_____________ Date:___________

Payers Name :____________________ Signature:_____________ Date:__________

CHAPTER 6 - PROCUREMENT PROCEDURES (This is a brief description of procurement procedures. For details, please refer to Procurement Manual)

1 Objective of Procurement Procedures

The objective of a procurement procedure is to ensure that the procurement of goods and services is and can be seen to be properly authorised and obtain best value for goods or services and facilitate efficient accountability of funds and transparency.

To facilitate efficient procurement, each division should prepare a quarterly procurement requirement, which should be presented to the Project Director.

2 Strategies to Achieve the Procurement Procedures

a) The Head of the user division will fill in a Requisition form to the Project Manager requesting for goods/ services to be purchased.

b) For purchases beyond ZK 5,000,000 in value per item, quotations will be required. Quotations should not include a percentage charge of profit. All profit must be written into the item charges. The Project Director will liaise with the head of the user division to exactly find out what is required and thereby go out to collect quotations from suppliers. At least three quotations are recommended for transparency and ensuring the right quality of goods/ services is obtained.

c) The Project Director will attach to the analysis of purchase alternatives to determine which would be the most economical and practicable procurement of the three quotations and send the details to the Accountant. The Project Director will scrutinise the price and the quality of the goods/services and make the recommendation. It is preferable to purchase at lowest price but with highest quality. The Accountant and the head of the unit will scrutinise the quotations, compare them to the quarterly procurement requirements and verify them before they are finally sent for further processing.

d) Requests for purchase up to ZK 25,000,000 will be sent to the Executive Director for approval to purchase whereas requests for more than the above threshold will be sent to the Board for approval.

e) For purchases over ZMK 15,000,000, once the purchase requisition is approved, a Purchase Order signed by the Accountant will be raised to the supplier for the supply of goods as specified in the Purchase Order. The Purchase Order should have conditions, which have to be fulfilled by the supplier as the goods/services are delivered. Purchase orders for items costing less than ZMK15,000,000 may be raised at the discretion of the accountant, or at the direction of the Executive Director. This is suggested particularly for items of a technical nature, or for items ordered by phone without direct sight of the item.

f) Upon receipt of Purchase Order, the supplier will deliver the goods/services, with a signed and correct invoice, which will be inspected for quality, and quantities as specified in the purchase order. If the goods meet the specifications on the Purchase Order, they will be accepted in stores and goods received note (GRN) issued to confirm receipt of the goods.

g) For maintenance work, the same procedure will be applied on a job requisition form.

h) Small purchases may be made from Petty Cash and directly issued to the user division up to a maximum of K150,000-00

2. Strategies to Achieve the Procurement Procedures (Continued)

i) The Procurement officer will be responsible for procurement but will be supervised by the Accountant.

j) The major documents normally to be used in the procurement will be:

- a) Purchase Requisition (Appendix II);
- b) Job Requisition (Appendix III); and
- c) Purchase Order (Appendix IV)

Appendix II - Purchase Requisition

Purchase Requisition

Date: ………………………………… Department: ………………………………………..

Reason for purchase ……………………………………………………………………………

……………………………………………………………………………………………………….

……………………………………………………………………………………………………

Supplier: ………………………………… Proforma No:……………………………………….

Items to be purchased

Qty	**Description**	**Unit Price**	**Total**

Note: Please attach at least three quotations

Prepared by: ……………………………………………………..….. Date: …………………
(Executive Officer)

Checked by: ………………………………………………………….. Date: …………………
(Accountant)

Approved by: …………………………………………………….. Date: …………………
(Executive Director or Program Director)

Appendix III - Job Requisition

Job Requisition

Date:…………………………………………Account Code………………………………………

Donor/Financial Year/Project No./Phase No………………………………………

Department where job is require: ……………………………………………………………

Type of job required: ………………………………………………………………………..

……………………………………………………………………………………………

Supplier: ……………………………………………………………………………………………

Cost of the Job (to be approved) K……………………………………………………

Prepared by: ………………………………………………………..….. Date: …………………
(Admin Assistant)

Checked by: …………………………………………………….. Date: …………………
(Accountant)

Approved by: ………………………………………………….. Date: ……………
(Program Director)

Appendix IV - Purchase Order

LOCAL PURCHASE ORDER

TO:……………………………………

DATE:…………………………………

ADDRESS:…………………………… **S/N- LF:………………………………..**

……………………………………………

We certify that the goods or services being acquired are zero rated and are being purchased with official funds for the sole use of the project.

QTY	DESCRIPTION OF GOODS	RATE/UNIT PRICE	AMOUNT K	N
		TOTAL: K		

Conditions:

1. Any goods found to be defective, inferior in quality, in excess of quantity order will be rejected and returned at your own risk and expenses.
2. Undue delay in delivery shall entitle us to cancel the Order
3. Subsequent alterations in prices and/or specifications of goods will not be accepted unless notified and accepted.
4. This Order is valid only when signed by all signatories and for 30 days.
5. Payment upon completion on order.

PREPARED BY:…………………… **REVIEWED BY**:…

SUPERVISOR'S SIGN:……………… **APPROVED BY**: …………………………..

DISTRIBUTION

Original: Customer
Duplicate: Accounts
Triplicate: Book copy

CHAPTER 7 - PAYMENT PROCEDURES

1 Objectives of Payment Procedures

The objectives of a good payment procedure is to ensure that disbursement of money is and can be proved to be legitimate and transparent and in accordance with the budget.

2 Strategies to Achieve a Good Payment Procedure

The following strategies will be applied to achieve this objective:

a) All payments will be authorised by the Executive Director. When an invoice is received, it will be matched with the purchased order and checked for calculations and depending on the correctness, a payment voucher will be raised. The Accountant will ensure that all procedures and checks have been followed and all supporting documents attached before a payment voucher is sent to the Executive Director for final authorisation.

b) Payment Voucher **(Appendix V)**

c) Payments will be posted promptly to the cash book and to the general ledger.

d) Paid vouchers represent an essential means of supporting and explaining a payment as well as evidence that the necessary approval was given and procedures followed before making a payment and that voucher number and order are available for future reference.

There are two types of paid voucher, as follows:

i) Fully acquitted.

These vouchers have all the necessary supporting documents.

ii) Not adequately acquitted

These are those vouchers, which lack some of the necessary supporting documents mentioned above. They should be kept and filed separately from the fully acquitted vouchers and reviewed frequently to ensure that, in due course, all are fully acquitted and filed.

e) Additional documentary evidence will be required under d (ii) above for such expenditure as workshop allowance, training allowance and field visits. Some of the evidence needed will include:

(i) *workshop allowance* – signed attendance list, showing amount paid to each participant, names and National Registration Card number (NRC)/ Passport number of each participant;

(ii) *training allowance* – name of training institute, rate per period and amount paid to the candidate, duration of the course and NRC/ Passport number of the candidate; and

2. Strategies to Achieve a Good Payment Procedure (continued)

(iii) *field visits* – authorised signature of the field visit by the Programme Director, amount paid, name and National Registration Card number (NRC)/ Passport number of the traveller. It is recommended that the amount be given to the officer travelling as a travel advance to be accounted for on return.

All vouchers should be filed sequentially and kept in a secure location.

The removal of payment vouchers from their files and the office in which they are kept should be discouraged at all times. If it is necessary for a payment voucher to be taken away it should be signed for in a register.

An additional safeguard is to only allow whole files to be taken and not individual vouchers.

According to the Financial Regulations, payment vouchers must be preserved for a period of six years, or until audited, or in a court case, until the case has been settled, if this is later than six years.

3 Cheque Issuing

Cheques should not be written until the payment voucher has been authorised. The cheque should be entered in the cashbook at the time that it is drawn.

The cheque should not be drawn unless the cash book indicates that funds are available to meet it. It is illegal to make payments if funds are not available.

After the cheques have been signed they should be entered in the cheque register which is maintained in cheque number order with columns, showing the name of the payee, the amount, date drawn, name and signature of person collecting it.

The drawn cheque should be sent for signing with the payment voucher and the supporting documents.

In order to minimize risk of fraud, cheques must be issued as "Non-transferable." Open cheques (to be cashed at counter) must be used only to authorized cashing agents,

Under no circumstances should signatories sign off on blank cheques. If signatories will be away from office for longer period, a temporary signatory will be appointed. Temporary signatories must be removed as soon as the permanent signatory resumes office and correspondence must be kept in the project's bank file.

No post-dated cheques must be issued.

Blank Cheques will be kept in a secure location and not with or by signatories

There are two panels of cheque signatories:

a) The Executive Director -
The Program Officer

b) The Program Director
The Executive Officer

-

All supporting documents attached to the payment voucher i.e. Invoices, Purchase Order, Purchase Requisition, Delivery Notes, Goods received Notes etc must be stamped "**PAID**".

Appendix V - Payment Voucher

Payment Voucher

LUAPULA FOUNDATION

PAYMENT REQUEST VOUCHER

CURRENCY		AMOUNT		O/S AMOUNT	

MODE OF PAYMENT: Cash______ Cheque________ Manager's Cheque_______ Bank transfer_____

PAY TO :

DELIVERY INSTRUCTIONS:

NATURE OF PAYMENT:

ACCOUNT CODING (To be completed by request Originator)

Description	Amount	Account	Other code
TOTAL			

INTERNAL CONTROL APPROVALS

Originator	Date:
Accountant/Budget Analyst	Date:
Executive Director	Date:

CHAPTER 8 – STORES PROCEDURES

1 Objective of Good Stores Procedure

The objective of a good stores procedure is to facilitate the storage and provision of stores items to the projects and ensure that stores items are properly stocked and used in the most cost effective manner.

2 Strategies to Achieve the objective

a) Proper authorisation of usage of stores
b) Proper documentation and recording

Proper authorisation of usage of stores

When stores are purchased such as stationery, office teas etc, they should be entered on a stock card maintained by the Administrative Assistant or stores officer (Appendix VI). A Goods Received Note must be raised for all items received and a Stores Issue Note for all items issued out.

This is maintained to keep record of stores items coming in and going out for use.

The features of a stock sheet will include the columns for date, reference, and stock coming in, stock going out and the balance. Each stock item will have its own stock sheet.

Before any stock is issued the Accountant with delegated authority from the Program Director should sign the stores requisition and upon that authority the Administrative Assistant or Stores Officer will issue the stores and enter on the stock sheet going out and balance off the stock sheet.

a) Proper documentation and recording

Stores requisitions and stock sheets are properly kept and entries promptly recorded so that the stock levels/usage is monitored and maintained. A further monitoring register is maintained in the photocopying room and the printing room to monitor the usage of stationery.

b) Stock verification procedures

On a daily basis, at the close of the day, the Stores Officer should verify each line of stores item, balance and sign off the physical stores to the book balance.

At the end of the month, the Accountant should physically count the stores in the presence of the Executive Officer. The Executive Officer can delegate this function to the Stores Officer. The Accountant could delegate this function to one of his accounting officers. Any discrepancy between the physical stores and book values should be investigated and a report submitted to the Project Director.

Only the Executive Director should authorise any write off. The Executive Director should prepare a report to the Board on all stores written off in the year

At the end of the year, the Accountant should make arrangements to have the external auditors attend the annual stock take.

Appendix VI - Stock Sheet

Stock Sheet
Item:…….…………………………………………………………………
Stock Sheet Number……………………………………………….

Date	Position of Verifier	Name	Position	Reference	In	Out	Balance

Grant Number, if applicable e.g. Donor/Financial Year/Project No./Phase No.………………
Account Code Number…………………………………………………………………..

NB: **The stock verifier should enter the date of the last stock take in the appropriate row**

CHAPTER 9 - CASH BOOK MAINTENANCE

1 Objective of Cash Book Maintenance

A cash book is a book in which cash and bank transactions are recorded and analysed logically in order to establish what the current cash position is, so that management knows if the cash available is sufficient to meet immediate and future needs.

Bank accounts cannot do this because they are not up to date. They do not contain all of the payments made since there will be unpresented cheques, bank. They do not always contain all the deposits made since it can take time for them to be processed.

The cash book acts as a major posting source for the ledgers and is the foundation of the organisation's accounts. It provides an independent record for verification of bank balances and a permanent, historical record for reference. A permanent record is needed for both internal and external audit purposes.

2 Essential Features of a Cash Book Required to Meet These Objectives

a) A cash book must provide easily determined, accurate and current balances at any given time.

b) Separate cash book for each bank account.

c) Easy reference to source documents

d) Sufficient detail to facilitate reconciliation.

e) Enable postings to the ledger accounts

f) The size of the cash book must be manageable and at the same time give sufficient analysis of receipts and payments.

3 Receipts

Total receipts for the day should be entered each day and balanced in readiness for the cashier the following day. All receipts, including direct credits or other transfers through the bank will be entered in the cash receipts column, whether or not the receipt is in the form of cash or cheques.

4 Payments

Cheque payments are immediately entered on their being drawn (not when they given out). They are entered in the bank payments column and the payment voucher number and cheque numbers entered.

5 Separate cash Book for each Bank Account

A separate cash book for each bank account will give the level of funds in each account. This will enable you to form an opinion whether to issue a cheque on a particular bank or not.

By including both receipts and payments in the same cash book relating to one bank account, a running balance can be maintained and the bank columns reflect the transactions shown on the bank statement, making the verification of balances much easier.

6 Easy Reference to Source Documents

The cash book records bank and cash transactions. Each of these is supported by receipts and payments documentation, which validates the individual transactions and explains their nature in detail. The cash book must enable transactions to be traced back to the source documents for future reference in disputes, auditing or management queries. The cash book allows this by including two reference columns:

a) Payment Voucher/Receipt Number

All payments must have a payment voucher. The payment voucher will carry full details of the nature of the payment and the authorities, which allowed it to be made, together with full supporting documents.

Receipts, including direct credits through the bank support all moneys received. All receipts are entered in the cash book, which then link back to the individual receipts issued by the accounts department to the payer.

b) Cheque and Receipt Numbers

All cheques and receipts are entered in the cash book, in sequential order, whether or not they have been cancelled. The cheque/receipt number column also gives a sequential check to ensure that all cheques/receipts issued have been recorded.

If one wishes to know why a specific cheque was issued, one can trace the payment voucher through the cheque number entered in the cash book and the payment voucher number entered in the next column.

7 Sufficient Detail to Facilitate Reconciliation

An essential element of control over bank balances is through the reconciliation of the cash book balance with the bank statement. To this extent, cheque payments are individually recorded in the cash book.

Receipts are also entered individually so that there is one entry in the cash book for receipt. A breakdown of receipts being deposited (Receipt numbers) must be indicated on the deposit slip. **DEPOSIT SLIPS SHOULD BE USED TO UPDATE THE CASH BOOKS/LEDGER.**

Direct charges and credits should also be entered in the cash book in the same form as they are shown in the bank statement. A journal voucher will be used for this purpose.

8 Enable Postings to the Ledger Accounts

The bulk of postings to the general ledger are made from the cash book. This should be done regularly with the accounting software currently being Pastel Accounting System .

Transfers between bank accounts will be analyzed through an interbank flowthrough account.

10 Cancellation of Cheques

Cheques can be cancelled before or after they have been entered in the cashbook.

Cheques, which are spoilt, are cancelled and retained. An entry is made in the cashbook with the word "CANCELLED" in the details column and no value entered. The cancelled cheques are clearly marked as cancelled and retained in the cheque book.

Cheques that have been issued and then need to be cancelled are reversed in the cash book. In this case a journal voucher will be raised to reverse the original entry.

11 Ruling Off

At the end of each month, bank and Petty Cash reconciliations must be done to ensure that the passed on balances into the following months are reconciled to easily determine accuracy of current balances.

How do we know if the information in the cashbook is accurate?

Checking that it balances picks up the simplest forms of errors in recording in the cashbook. Balancing the cashbook may be defined as "proving the completeness of the analysis and the arithmetical accuracy of the cash book".

3. Proving the accuracy of the analysis

All receipts and payments in the cashbook must either be balanced by equal amounts in the case of contra entries, or by the amount in the receipts and payments analysis columns.

It must be remembered that these checks will only prove the arithmetical accuracy and completeness of the analysis of entries made in the cashbook. It will not pick up errors such as:

a) The wrong amount being entered in the cash book

b) A transaction being omitted

c) A transaction being entered which relates to another bank account.

These types of errors are discovered by the verification of balances dealt with in the next section.

4. Verification of Balances

In the previous section we proved that whilst the balancing checks proved the arithmetical accuracy and completeness of analysis of the entries made in the cashbook, they do not prove the completeness or accuracy of the information entered.

Verification of the Bank Balance – Bank Reconciliation

The bank balance is verified by comparing it with the bank statement balance. Unfortunately the figures are normally not the same.

Does it mean that one or both is incorrect? No, not necessarily. The entries may be correct but not the same in both because either the bank or the organization does not yet know about particular transactions. The identification and investigation of these different entries and the verification of the bank balance is a procedure known as bank reconciliation.

The bank reconciliation is essentially a simple operation if carried out logically and carefully. The essential documents to carry out reconciliation are:

a) An up to date cashbook.

b) The bank statement for the month of the reconciliation.

c) The bank reconciliation for the previous month.

The technique then is to go through the bank statement agreeing the entries thereon to the cash book, and the previous bank reconciliation, clearly marking in all three documents the items that match.

Where differences have been identified in the previous month's reconciliation as requiring action in the cash book, check that these have been done in this month and clearly mark the cash book and previous month's reconciliation accordingly.

Any items remaining unmarked in the three documents are the reconciling items, which will explain the difference between the bank statement and cashbook balance.

These differences fall into a number of categories, the most common of which are:

a) **unpresented cheques**. These are payment cheques, which are in the cashbook but not on the bank statement. This will normally be because the payee has not yet presented them to our bank for payment. These do not require any corrective action unless they are more than six months old.

   If they are more than six months old they are no longer valid and known as "stale". If a cheque has remained unpresented for more than six months from the date of drawing it is cancelled in the cashbook and written back to the respective expenditure code.

b) **uncredited deposits** are amounts, which we have deposited in the bank and are therefore shown as banking in the cashbook but have not yet been credited on the bank statement. If these remain uncredited for more than three days after the date of deposit, and are not country cheques, then the bank must be contacted immediately to find out what has happened to them.

c) **direct charges** and credits are amounts charged or credited to our account by the bank without our prior knowledge, or without cheques or deposits being made by us.

   The bank will normally supply debit or credit notes to explain these items. If approved they will be entered in the cashbook. Where there is no voucher to explain them, the bank must be contacted for an explanation and no entry will be made in the cashbook until this has been satisfactorily been explained.

d) **dishonoured cheques**, which we have not been previously informed, and are therefore not in the cashbook, may be revealed by the bank statement. These should be adjusted for in the following month's cashbook.

e) **Amounts differ**. It may be that the amounts of entries differ between the cashbook and the bank statement. This may be because of incorrect recording by the bank or us or under or over banking. Supporting documentation should be checked to ascertain the source of the error. Where the error is ours a correcting entry is put through the cashbook where the mistake was made by the bank they must be contacted immediately.

There are many other possible different types of errors, such as the bank charging or crediting the wrong account, but the above are the most common.

The suggested format for bank reconciliation's is as follows:

BANK ACCOUNT NAME:…………………………………………….

BANK RECONCILIATION AS AT DD/MM/YY

Balance per cash book	x,xxx,xxx
Add back: Unpresented cheques	xxx,xxx
Less: Uncredited deposits	xxx,xxx
Less: Bank charges not yet entered in the cash book	x,xxx
Add: Direct deposits not yet entered in the cash book	xxx,xxx
Adjusted cashbook balance	xxx,xxx
Balance per Bank Statement	x,xxx,xxx

Prepared by:________________Signature____________Position___________

Reviewed by:________________Signature____________Position___________

Approved by:________________ Signature___________Position___________

On date_____________________

Grant Number, if applicable e.g. Donor/Financial Year/Project No./Phase No.……………………………
Account Code Number………………………………………………………………………………

It is recommended that an Accounts Assistant writes up cheques and enters them in the cash book and someone else should prepare the bank reconciliation. The Accountant then should review and the Executive Director approve the reconciliations immediately they are completed.

Schedules detailing the items included in the totals shown on the reconciliation must be attached. These details will be needed next month for checking to the bank statement to see whether they have now been cleared.

Important points to remember about reconciliations are:

a) they must be completed as soon as the bank statements are received. The bank should be able to provide a bank statement within three days of the month's end.

b) all items appearing on the bank reconciliation will appear on the next month unless they have been matched to entries in the cash book or bank statement in between.

c) the cash book is ruled off, balanced and the balances carried forward into the new month on the first day of the month. It is not left open for adjustments to be made from the bank statement. If this is done there will not be a current balance for the days it is delayed.

Adjustments arising from the bank statement are entered in the cashbook in the month in which the bank reconciliation is performed.

d) ensure that the bank balance in the cashbook has been arithmetically proven before starting the bank reconciliation. There is nothing more annoying than, after checking the reconciliation several times, finding that the cash book balance is arithmetically incorrect!

CHAPTER 10 - GENERAL LEDGER MAINTENANCE

1 Definition of a General Ledger

A general ledger is a full set of individual accounts, which contains up to date information on all accounting aspects of all transactions that affect the specified entity.

An account may be defined as: " a record of a group of transactions which are of a similar nature for which the collective value provides a piece of information of use to the entity".

A transaction may be defined as an exchange of values between two entities.

2 Objective of a General Ledger

A general ledger is maintained in order to provide a permanent record of the transactions of an entity, which will facilitate the production of up to date financial information.

3 Strategies to meet the Objective

In order to meet the above objective the following strategies are used:

a) appropriate procedures for the recording of transactions.

b) appropriate design of the ledger.

c) appropriate coding structure.

d) use of the accumulated fund.

e) balancing the ledger.

These strategies will be dealt with below in the various sections.

4 Appropriate procedures for the recording of transaction

a) double entry bookkeeping.

A transaction was defined above as "an exchange of values between two entities".

The transaction will have an agreed value placed on it and this value can be associated with each aspect individually, for example, if we buy K10,000 of fuel for our vehicle we part with cash of K10,000 worth of fuel.

Therefore, it can be said that for each transaction we are involved in there are two aspects and these aspects are equal in value and opposite in effect.

4 Appropriate procedures for the recording of transaction

a) double entry bookkeeping.(continued)

In order to have information on what has happened with our finances we need to record both aspects of every transaction that has affected us. By implication this means that a system of entering each transaction in our accounting records is required, and the system is given the title of "Double Entry Bookkeeping."

As is stated above, the two aspects of a transaction are opposite in nature. As a result the double entry bookkeeping systems records the “gaining” or “receiving” aspect separately from the “parting” or giving aspect. The gaining aspect is known as a debit and the parting aspects as a credit. By convention debits are recorded on the left and credits on the right.

Double Entry Bookkeeping

Left Hand Side	Right Hand Side
Debit	Credit
Receiving or gaining aspect	Parting or giving aspect
Fuel worth K10,000	Cash paid K10,000

Since each aspect of transaction has an equal value, by recording them as debits and credits in this way it can be seen that the total of debits will always equal the total of credits, no matter how many transactions there are. Imagine a simple set of balancing scales, no matter how many transactions you might place on the scale if the debits and credits are equal; the scale will stay in balance.

Posting from the Cash Book

Transactions are initially recorded in the cashbook of the Pastel Accounting System which automatically updates the respective general ledger accounts. This is the major posting source for Transactions to the general ledger.

The steps required in posting from the cashbook to the general ledger are as follows:

a) rule off and balance the cash book;

b) verify the balances and reconciling to the bank statement;

c) enter the Journal Voucher (JV) expense amounts for posting to the bank accounts and ledger accounts; and

d) record the general ledger account codes on the Journal Vouchers against each amount posted.

An example of a journal voucher is attached as **Appendix VII**. This embodies the following essential features:

Essential Features	**Reasons**
A clear description of the purpose of the journal	So that anyone looking at the ledger in future is clearly able to understand what has happened
Total debits must be authorized by a senior officer	So that the ledger remains in balance
The JV must be authorized by a senior officer	To ensure that only appropriate adjustments are made to the ledger
The various account titles and descriptions must be clearly shown	To ensure that an entry is properly posted to the ledgers
It must be numbered and dated, and kept in a box, or lever arch file in numerical order	To allow easy reference back from the ledger to account and to facilitate safe storage

In order to avoid the possibility of not posting some transactions, it is recommended that the general ledger account codes be indicated next to each amount posted.

It can be seen from the above that only one side of the transaction is being posted to general ledger accounts. The giving or receiving of value has been accounted for but not the payment or receipt of money.

This is because the cash and bank columns in the cash book are general ledger accounts themselves, thus completing the double entry and ensuring that the total of the debits equals the total of the credits.

If there is doubt about whether a particular item should be posted as a debit or a credit in the general ledger, always refer back to the cashbook. It is a debit or a credit in the cashbook? The posting to the general ledger account will be the opposite.

It should be remembered that in the cash book:

Payments are credits

Receipts are Debits

Reports from the General Ledgers

Examples of reports that are generated from the General Ledger include:

a) income and expenditure statement;

b) balance sheet;

c) source and application of funds;

d) fixed assets schedule;

e) debtors aging analysis

f) inventory and creditors statement position

Appendix VII - Journal Voucher

LUAPULA FOUNDATION

Journal Voucher

Transaction Date

Journal Voucher #

Description:____
____

G Ledger Account #	Funding Source	Dept	DEBITS		CREDITS	
		TOTALS				

Prepared by: Reviewed by: Approved by:

5 Appropriate Design of the Ledger

In order to meet the purposes for which the general ledger is intended each account must be maintained with certain features. Some accounts have their own special features, for example the cashbook. However, most of the accounts need the same type of information and therefore the same type of features. These are:

Essential Features of a General Ledger	
Title	So that it is known what the information relates to
Separate pages for each individual account	So that we can easily keep similar items together
Balance	So that the total (or net) value of the transactions on the account can easily be identified
Amount, in separate debit and credit columns	So that the arithmetic of the account is made easier and the nature of the transaction can be readily identified; So that the value of transactions is evidenced
Up to date	So that any information extracted is of maximum possible use
Transaction dates	To help trace supporting documentation
Narrative of transactions	To help understand what has been happening on the account and to aid tracing supporting documentation so that we can trace the source of the entry
Reference	So that we can trace the source of the entry
Folio number and/or account code	So that indexing the ledger and cross references to it from other records are made easy

It is felt most appropriate to keep the ledger in a loose-leaf file, so that busy accounts, which may spread over more than one page, are kept together rather than having to refer forward to extension pages.

Journal vouchers will use the date that they are posted to the ledger.

The description should describe the source document. It is not enough to merely state cashbook, the name of the cashbook, should be specified.

The reference should be the cashbook folio number, where the amount posted can be identified (normally the ruled off total), or the journal voucher number.

6 Appropriate Coding Structure

Introduction

One of the purposes of general ledger accounts is to group together the transactions of an organization in such a way as to allow the preparation of financial information, which meets the needs of its users.

Account codes are attached to accounts to simplify the description of the account and to provide a logical structure to the order of accounts within the ledger. This is often referred to as the chart of accounts.

The essential feature to the chart of accounts is that it fits the needs of an organization and reflects its activities.

It is often assumed that the chart of accounts must be the same as the budget lines of income and expenditure. This is necessary so that we are consistent, as we want to be able to compare budgeted income and expenditure with the actual.

Again, it is only necessary that they are consistent and facilitate the extraction of monthly receipts and payments accounts.

User Needs

Before starting to set out a chart of accounts it is important to first identify the users of the financial records and information and what their needs are. The finance department should not attempt to decide what information the director of engineering needs, It should, however, help the user to define her or his needs by explaining what is possible.

Manageability

The chart of accounts should be manageable. An appropriate chart of accounts must be established. An appropriate chart of accounts is one that leads to a general ledger that is easily manageable by one officer, giving timely information, which meets user defined needs.

Accountability

The chart of accounts should facilitate the allocation of responsibility to managers for the control of expenditure and the collection of revenue.

To this end, a chart of accounts that includes departmental cost centers allows the grouping of transactions, which are under the control of a particular departmental head.

Consistency with Budgeting

Whilst the chart of accounts will not necessarily be the same as the budget lines, it must be consistent with it and allow the easy comparison of budget with actual. It will normally be the case that the chart of accounts will be organized in a similar manner to the budget as far as the income and expenditure accounts are concerned but will include control and clearing accounts, and may be subdivided further than the formal budget.

Flexibility

The chart of accounts should be formulated in such a way that it is adaptable to changing circumstances, leaving room for new accounts and cost centers.

Known and Understood by all

The chart of accounts is not merely a finance department tool but used throughout the organization. As such, user departments should not only be fully involved in its preparation but also trained in its use.

7 Use of the Accumulated Fund

When you are establishing a General Ledger for the first time you must start off with the initial entries in balance. Normally you will have some cash, which can be identified, and this will be an initial debit entry. If you have an initial overdraft at the bank, this will be a credit entry. We therefore need to make equal and opposite entries somewhere in our general ledger.

The totals will then balance off as the accumulated fund control account

However, we must recognize that the control we have with this approach is over the totals. It is no guarantee that the individual accounts in the subsidiary ledger are completely accurate. Control accounts do not identify the errors indicated in the table below:

Errors Not Detected by Control Accounts		
Name of Error	**Description of Error**	**Example of Error**
Omission	A transaction is left out of both the control account and the subsidiary ledger	An imprest advance that was analyzed to the wrong column in the cash book and has been posted to the wrong account in the general ledger
Misposting	A transaction has been recorded in the general ledger but has been posted to the wrong account in the subsidiary ledger	Mr. Chibale repays his loan but it is posted to the account of Mr. Chalowandya
Compensating	Two or more errors are made which compensate for each other	An amount is posted to the control account incorrectly, but the balance on a

		subsidiary account is also recorded incorrectly for the same error value

The money available in essence belongs to the organization and represents funds that have accumulated over time. For this reason we simply call it the ‘Accumulated Fund’. For commercial concerns it is value of the capital and accumulated reserved the concern has built up, it is likely to be given different names such as capital and reserves, but is, in effect, the same thing.

To get these opening entries into the general ledger we would raise a journal voucher simply establish an opening trial balance.

When the general ledger is first set up the opening accumulated fund will normally be equal to the total of the opening cash and bank balances.

When control and deduction accounts are set up the opening balances should be calculated from a list of personal accounts (for control accounts) or an agreed balance. A journal will then be prepared debiting. (if balance owed to the council, normally the case with advances, loans or impress control accounts) or crediting (if balance owed by the organization normally the case with deduction accounts) the control or deduction account, and making an equal and opposite entry in the accumulated fund. This journal is only required when a control or deduction account is first set up.

After setting up the ledger and the control/deductions accounts the balance on the accumulated fund should remain the same until the end of the year.

At the beginning of the New Year, the balances on the control and deduction accounts, and the cashbooks are automatically brought forward. The opening accumulated fund for the new year will then be the total of these brought forward balances, thus ensuring that the new year’s ledger starts in balance, the total debits equaling the total credits.

The accumulated fund brought forward can be proven as representing the balance on the accumulated fund at the beginning of the previous year plus the surplus on the receipts and payments account for the year.

If the accumulated fund balance at the beginning of the year was K4, 270,000 and the total of the general ledger receipts and payments accounts were K145,180,000 and K145,090,000 respectively, giving a surplus of K90,000, then the accumulated fund can then be proven as:

Accumulated Fund at 1/01/96	4,270,000
Surplus for 1996	90,000
Accumulated Fund at 1/01/97	5,360,000

8 Balancing the Ledger

Throughout this chapter there are references to keeping entries in balance because of the equal and opposite nature of aspects of a transaction. Once all the bookkeeping has been done we want to know that our recording has been done accurately. Ensuring total accuracy is very difficult, but we can take some important steps to prevent some types of errors.

One of these steps is to extract a 'Trial Balance'. As the name suggests, a trial balance puts the general ledger to the test: 'Is it in balance?

We do this by simply listing the balances on every account in the general ledger, putting the debit balances in one column (left) and the credit balance in another column (right). If, when both columns are added up, they come to the same figure then the general ledger is in balance. If they do not agree it indicates that something has not been done correctly and must be identified.

Possibilities for things that might be wrong and the action required are:

Why the Trial Balance might not balance	
Reason	**Action**
The trial balance has not been added up correctly	Check the addition of the trial balance
A balance is missing from the trial balance	Check all balances have been listed
A balance is in the wrong column in the trial balance	Check all balances are in the correct debit or credit column
An account in the general ledger has not been added up correctly and the balance recorded is incorrect	Check all additions and balances in general ledger
Postings to the general ledger are not correct	Check all postings, including journals for accuracy of amount and correct debit and credit
Postings to the general ledger have been omitted	Check cash book to ensure that all payments and receipts have been posted.

8. Balancing the Ledger

When we have our trial balance in balance we know that the double entry for recorded transactions is complete and that the arithmetic is accurate. We therefore know that certain aspects of our recording can be relied upon and have some confidence that the information we will produce from the general ledger, such as the receipts and payments accounts for the organization will be accurate.

However, we only have some confidence. The fact that our general ledger is in balance does not prove complete accuracy. Some types of error will not be detected by ensuring the general ledger is balanced, for example:

Errors a Balanced General Ledger does not detect	
Type of Error	**Description**
Errors of Omission	Entries that are completely omitted from the general ledger, i.e. both debit and credit
Errors of Commission	When the value of a transaction is recorded incorrectly in both the debit and the credit entries
Errors of Principle	When one side of the transaction is posted to the wrong account in the ledger
Compensation errors	Where there are two errors, which affect both the debit and credit side equally, or one side with an equal value but opposite arithmetic direction.

The trial balance must be drawn out and balanced immediately after the postings are completed for each month but before the receipts and payments account is prepared. In LF's computerized accounting package, this is automatically generated.

The general ledger is central to the accounting system of the organization and will draw its entries from all the procedures in the organization. Almost all the accounting procedures will refer to the general ledger.

CHAPTER 11 - ACCOUNTING FOR IMPREST

1 **Definition of Imprest**

An imprest is an amount of money advanced for a specific short-term purpose which must be accounted for immediately that purpose has been satisfied. It is given to an officer rather than direct payment to supplier.

2 **Objective of Imprest Procedures**

To ensure that all amounts advanced for specific short term purposes are properly authorized, and promptly accounted for on completion of the activity.

3 **Main Strategies to Achieve the Objective**

In order to meet this objective the following strategies are recommended:

a) control over the issue of imprest

b) appropriate retirement procedures

c) prompt and accurate accounting

d) control to ensure prompt retirement

These strategies are used as the main headings in the sections that follow:

No person shall be issued with imprest when there is another imprest outstanding in her/his name.

It is important that all expenditure is accounted for promptly and properly in full, and that an imprest should be retired immediately its purpose has been fulfilled. Consequently an individual should never have more than one imprest outstanding against her/his name at one time.

4 **Appropriate Retirement Procedures**

Imprest must be accounted for within 5 working days upon completion of the activity for which it was issued. This process is known as retirement.

There are three possible outcomes of the imprest:

a) the imprest amount has been fully spent on the intended purpose

b) the imprest amount has only been partially spent on the intended purpose leaving a balance to be returned

c) the imprest holder has incurred more expense that the amount of the imprest and is due an additional payment

In all of these cases the retirement is through an imprest retirement form, the purpose of which is to summarize the expenditure incurred against the original imprest and the necessary approvals to the way that it has been utilized. An imprest Retirement Form is shown at **Appendix VII.**

4. Appropriate Retirement Procedures

It is recommended that, in all cases, the impress retirement (or the Employee Expense) form is attached to a payment voucher and processed through the payment procedures.

Where the imprest is retired in full the payment voucher amount payable will be nil and the coding of the expenditure will be balanced.

The accuracy of the recording is tested through the reconciliation of the impress ledger to the control account and the verification checks in the cash book and general ledger systems.

In the sections above it was noted that an imprest is an advance to an individual for a specific purpose, which must be accounted for on satisfactory completion of the activity.

Imprest holders may be reluctant to retire an Imprest promptly, either because they owe a balance on it, or because they can't be bothered to. If the above systems are in place then the information is available to indicate those that have outstanding impress and action can be taken to encourage their retirement.

The procedures to encourage this may include:

a) **Only one imprest outstanding at any time**

No imprest to be awarded if there is an existing one outstanding. Whilst this is a financial regulation its enforcement encourages the retirement of existing ones.

b) **Deduction from salary**

If a special imprest is not retired promptly, it should become a priority for payment from the next month's salary, if possible being deducted in total.

If an imprest is being recovered from salary, no further imprest should be authorized until full recovery has been made.

5 **Meaningful Reporting**

With the systems above in place the organization will have the necessary sources to provide meaningful management information on the special imprest outstanding at any one time.

Imprest Retirement Form

Appendix VIII - Imprest Retirement Form

LUAPULA FOUNDATION

EXPENSE CLAIM FORM

NAME:……………………………………………………………………………………. DATE;…………………………………………………………………

PURPOSE OF EXPENDITURE:…….....

……..

DATE	REC / REF	EXPENDITURE DESCRIPTION	EXCH RATE	AMOUNT	PROJ. CODE (Class)	A/C CODE (Budget Line)	LOCATION	OTHER (State)
		(A) Total Expend(See Receipts attached)						
		(B) Imprest Taken						
		(C) Amount Claimed / (Refund)						

Employee Sign:___________________________

Reviewed By: ___________________________

Approved By: ___________________________.

1. Attach travel report and the approved travel advance form.
2. Attach support receipts (taxi, Accommodation etc).
3. The supporting receipts and other documentation should be pasted to an expense category on A4 paper (Do not mix when pasting)
4. The pasted documents must have reference Numbers indicating receipt or reference no on the expense claim form.
5. Supports or receipts submitted should be original copies and no alterations will be expected and accepted.
6. The Expense claim form should be submitted within 5 days after the trip or activity.
7. Personal Expenses and incidentals are not reimbursable.
8. Account and project codes are obtainable from the Accountant or refer to the Chart of Accounts form Executive office Notice Board

CHAPTER 12 - PETTY CASH PROCEDURES

The objective of petty cash imprest is to maintain a float to meet small cash payments and will be maintained on a reimbursable basis.

When a need to use petty cash arises the Petty cash holder will raise a petty cash voucher giving full details and attaching the appropriate documentation, before it is sent to the Accountant for approval.

Petty Cash float is limited to a maximum of KW1,000,000 per funder.

Petty Cash Control

When the float is exhausted up to 90% an expenditure report is prepared and a reimbursement effected. The Accountant will check the expenditure report before it is sent for reimbursement and goes in the payment procedures already dealt with.

The Accountant or the Executive Officer should institute surprise spot checks on petty cash in a month. At the end of the month, the Accountant, in the presence of the Executive Officer (or the Executive Director in his absence) will count the petty cash and certify the balance. Both the petty cashier and the verifier should complete the petty Cash Certificate Form **Appendix IX** and this should be forwarded to the Accountant.

The Accountant will review the form and take appropriate action.

Procedures must describe the:

- petty cash location – The Petty cash fund must be kept in a locked safe and access to the safe must be limited to the Accounts Assistant

- roles and responsibilities of staff involved in the custodianship
  The Accounts Assistant is the custodian of the cash and will only issue it out upon the availing of an approved cash advance slip approved by the Executive Director from the respective employee, who will then proceed to purchase the requested for item. In the absence of the Executive Director, he/she can delegate this approval to the Executive Officer or the Program Director.

- preparing petty cash voucher
  On the return to the Accounts Assistants office, the employee will produce a receipt whose value and description will be used to prepare a serially numbered petty cash voucher. This will have to be forwarded for all the necessary reviews and approvals by the Executive Director

- The maximum amount - Petty cash fund is set to make cash available for small payments. It's recommended that a single payment from petty cash should not exceed K150, 000. Any payment in excess of this limit must be paid by cheques.

Petty cash funds must not be maintained in foreign currency.

All petty cash payments must be made only for approved/authorized payments using a pre-numbered petty cash slip and must be supported by evidence for payment, such as customer invoices and payee signatures.

The petty cashier must record all payments on a petty cash register. The petty cash register is a multi-column worksheet that captures information on the date of payment, the purpose of payment & payee, amount paid and running balance of the petty cash fund.

The petty cashier must reconcile the Petty cash fund on a weekly basis and present the petty cash log to the Executive Officer. The cash in the petty cashbox, plus the sum of payments must be agreed to the petty fund ceiling on a weekly basis and on a monthly basis the Accountant will perform a petty cash spot check.

Whenever there is a change of responsibility, cash count must be performed and an official handover of cash and documents must be made. A third person must witness and sign the handover process.

All supporting documents, i.e. petty cash slip as well as the invoice must be cancelled with a "PAID" stamp soon after a petty cash payment is processed.

Appendix IX – Petty Cash Certificate Form

PETTY CASH COUNT FORM

Office: **Currency:**

Date of Count: ____________________

Time of Count: ____________________

COUNT OF CASH ON HAND				
Denomination			Quantity	Amount
		x		
		x		
		x		
		x		
		x		
		x		
		x		
Total petty cash on hand:				
Add:				
Vouchers (see attached list)				
Combined Total:				
Petty Cash Imprest Balance:				
Difference:				-
Comments:				

Counted by: ____________________

Observed by: ____________________

Approved by: ____________________

LUAPULA FOUNDATION

PETTY CASH / JOURNAL - VOUCHER

VOUCHER #...

Payee	Date

Details	Amount		A/C Code	Class	Job
TOTAL:					

Checked by: ……………………………………………….

Authorized By: ………………………………………….

Paid By: ………………………………………………….

Received By: ……………………………………………..

CHAPTER 13 - EMPLOYEE CONTRACTS, TIMESHEETS AND PAYROLL

All employees associated with the organization must have valid contracts on file. Contracts must outline the terms of employment, termination, compensation and benefits and must be signed by the employee and an authorized representative from the organization to be valid. Contracts for employees working less than full time must indicate how pro-rated time is calculated. All changes to employment under the grant must be communicated in writing. Prior written approval from the respective funder is required for the hiring of staff not expressly included in the grant agreement and all promotions, raises or changes to employment contracts.

Employees are required to fill out timesheets for compensation. Timesheets must be signed by the employee and approved by his/her supervisor to be valid.

Timesheets must be submitted to the Accountant at a prescribed time, not later than the 25th of the month to allow for entry into the accounting system.

Timesheets for split employees [i.e. employees working on different grants and other projects] must be coded appropriately. Split employees must indicate on timesheets the amount of time dedicated to each grant or program.
The Accountant must generate a summary payroll report at month end indicating the gross to net salary payment to each employee. Each payroll item must be listed separately [i.e. gross salary, payroll taxes, other deduction, net payroll]. The payroll summary report must be signed by the Accountant and approved by the Executive Director to be valid.

Individual payroll vouchers or other proof of payment to each employee must be attached to the payroll summary report. The report must include the Employee's Name, Payment Date, Period Covered, Gross Salary, Payroll Taxes and other deductions, and Net Pay allocated to the NCMI grant and must be signed by the employee, the Accountant and the Executive Director to be valid.

Time sheet template attached
Salary sheet template attached

Time & Leave Record

Pay Period Ending:

Employee Name

Employee Number:

Employee Signature

Supervisor Signature

Employee Time Notes

I CERTIFY THAT THE INFORMATION PROVIDED IS TRUE AND CORRECT. Time sheets are to be completed and signed in ink correctly and accurately, signed by the supervisor and submitted to the executive office. And failure to submit time sheets on time will result

Day	Date	Total Hours Worked	Leave Hours	Leave Code Use codes below	NPI	FF	AJWS	SLF	GEN. ADMIN.
Sunday		0							
Monday		0							
Tuesday		0							
Wednesday		0							
Thursday		0							
Friday		0							
Saturday		0							
Sunday		0							
Monday		0							
Tuesday		0							
Wednesday		0							
Thursday		0							
Friday		0							
Saturday		0							
Sunday		0							
		0							
		0							
		0							
		0							
		0							
		0							
		0							
		0							
		0							
		0							
Total Hours		0	0		0	0	0	0	0
Total %									

Leave Codes

A	Annual Leave
H	Public Holiday
S	Sick Leave
X	Other
	(maternity leave, paternity, compassionate, study leave)

Summary of Total Hours

Total Hours Worked
Annual Leave
Holidays
Sick
Other
Total Hours

Employee Comments:

Appendix 9: Salary Sheet/Labor Distribution Sheet

SALARY SHEET

Office: .... Currency: .... Month:

Name	Gross Pay	Allowances			Deductions			Other	Net Pay	Funder Allocation (Based on T/S)		
					Tax					% Funder 1	% Funder 2	% Funder 3

Prepared By: ____________________ Reviewed By: ____________________ Authorised By: ____________________

Date: ____________________ Date: ____________________ Date: ____________________

CHAPTER 14 SALARY ADVANCES/LOANS

1 Definition of a Salary Advance

An amount of money not yet earned by an employee but paid to an employee in advance, which is subsequently deducted from pay within six months of the accounting period.

Salary advance will be restricted to the maximum of one month salary.

The Network will only make salary advances in exceptional circumstances in line with staff policies being worked out and approved by the Board.

No salary advance will be paid out of donor funds planned for a specific project or activity where the donor provides funds for salary.

2 Objective of a Salary Advance System

The objective of a system for salary advance is to ensure that all money paid to its employees by way of any advance is appropriately authorized, recorded, subsequently recovered in full.

3 Main Strategies to Achieve the Objective

In order to meet this objective the following strategies are utilized:

a) appropriate documentation

b) appropriate authorization of salary advances

c) effective recording of money lent

d) effective procedures for recovery

The Salary Advance General Ledger Control Account

The format of the salary advance general ledger control account is as for other general ledger accounts.

The Personal Accounts (Salary Advances Ledger)

The salary advance personal accounts are a record of the amounts advanced to, and repaid by, an individual, showing the up to date balance owing by each officer.

6 Appropriate Authorization of Salary Advances

Recommendation of the Accountant

The recommendation of the Accountant is evidence that s/he has scrutinized the application documentation, interviewed the applicant and is satisfied that the application is genuine and meets the criteria. After the favourable recommendation of the Accountant, the salary advance must then be approved first by the immediate supervisor of the applicant and then by the Executive Director.

7 Appropriate Authorization of Salary Advances (continued)

Recommendation of Finance Department

Finance Department will indicate all outstanding amounts owing and make recommendation before the form is sent to the Executive Director for final approval.

The Accountant signs to indicate that the documentation is correct and that s/he is satisfied that the application meets the criteria. S/he will have critically examined the financial positions of the applicant as shown on the form and is satisfied with it before final approval.

8 Effective Recording of Money Advanced

Once a salary advance application has been approved it will be attached to a payment voucher and go through the normal approval authorization process for payments.

Advances when granted will involve cash book entry. This should be analyzed in the expenditure analysis and be posted in total to the salary advances control account.

There should be separate ledgers for staff loans and salary advances, with its own control account in the general ledger.

Payments should be entered in the salary advances ledger on the day that they are made. The information should be obtained from the cashbook, probably with reference to the application form.

Payroll deductions must be posted to the personal ledgers promptly, i.e. as soon as practical after the payroll is prepared. It should be possible to do this prior to the month end if the payroll is ready in time for prompt payment. In this way the record of the amount outstanding from each individual will be kept fully up to date.

The salary advances ledger balances should be listed at the end of each month and the total agreed to the balance on the salary advances general ledger control account. Refer to the chapter on general ledger maintenance.

The payroll section must have clear procedures for regularly recovering salary advances repayments from employees.

APPLICATION FOR SALARY ADVANCE/LOAN

Part I

(To be completed by Applicant)

Full Name:………………………………………………………………………………………………………..

Department:…………………………………………………… Post/Designation:…………………………….

Salary:………………………………………………………. Amount required:……………

Suggested Period of Repayment:……………………………………………………………

Reason or Requesting Salary Advance/Loan:……………………………………………
………………………………………………………………………………………………
Signature:…………………………………………………. Date:…………………………

Part II

(To be completed by the Departmental Head)

The foregoing application is recommended/not recommended

Comments:……………………………………………………………………………………

Signature:………………………………………………. Date:…………………………….

Part III
(To be completed by the Finance Department)

Applicant last got salary advance on……………………………………………………..for the purpose of…………………………………….
Current finance commitment i)………………………………………………….
ii)…………………………………………………
iii)…………………………………………………

Total:………………………………………………

Total monthly deductions K……………………………………………………………………

Signature of Finance Officer:……………………………………………….. Date:……………

Comments (Accountant)…………………………………………………………
……………………………………………………………………………………..
Signature:……………………………………………………………….. Date:………
Part IV
(Network Coordinator Approval)

Application approved or rejected:…………………………………………………

Amount Approved:…………………………… Approved period of Repayment………

Condition if any……………………………………………………

Signature:…………………………………………………… Date:…………………………………………….

Copies to: Accounts Department
Personal File

Grant Number, if applicable e.g. Donor/Financial Year/Project No./Phase No.……………………………..

Account Code Number………………………………………………………………………………………..

CHAPTER 15 - BUDGETARY CONTROL PROCEDURES

1 Overview

Budgetary control will be based on the workplans formulated at the beginning of the year. Formulation of the workplans should be a rigorous and participative exercise, which will involve all the stakeholders.

2 Procedures

A bottom-up, zero-based procedure of developing workplans

a) the user group/section meet to discuss the activities to be embarked on in the following year. At this point no values are attached to the activities. Each activity should be given a specific number or code and will be regarded as a separate budget line;

b) values are then attached to these activities. No previous year's outstanding expenditure should be included. The group should attempt to be as accurate as possible in attaching values to each activity.

c) once the workplan for the year is compiled, the group should break it into 6 months and then quarterly periods. Each period should include ***milestones*** to be achieved

d) the completed workplans will then be submitted to the Executive Director and approved by the Board of Directors. It is recommended that the workplan is further analysed in a group setting, e.g. a workshop, including the following stakeholders:

   i) representative of the group/section;
   ii) management; and
   iii) representative of the respective donor

e) All approved work plans and milestones will be consolidated into a document for presentation to respective donors for funding. The approved workplan will form the control device against which actual expenditure will be compared. No overruns will be allowed unless sanctioned by the respective donor.

CHAPTER 16 - PROCEDURES FOR SAFEGUARDING FIXED ASSETS/INVENTORY

1 Overview

The assets of the foundation should be protected against the following:

a) loss of value;

b) theft; and

c) misuse;

2 Procedure

Each asset of the foundation should be under the custody of a specific responsible officer. For fixed assets, a Fixed Assets Register will be maintained, which should be reconciled on a monthly basis to the General Ledger. The Accountant will be responsible for fixed assets register

The fixed assets register will contain the following minimum details on each fixed asset:

a) A description of the assets;

b) Serial number, model number and LF number

c) Source of the asset;

d) date of purchase;

e) Location and condition of the asset:

f) purchase price/valuation;

g) Cost of the assets:

h) depreciation rate; and

i) accumulated depreciation and net book value

Each fixed asset should be labelled with a unique identification code number, which will be its sort code in the fixed asset register

A physical verification exercise should be conducted of all fixed assets of LF at least every financial year. The physical verification exercise should be completed prior to scheduling the annual financial audit. The physical verification should include the following:

a) physical count;

b) assessment of condition; and

c) assessment of physical security of the assets, e.g. ease of access to the assets through keys/locks, passwords, immobilising gadgets etc.

A logbook should be maintained for each asset, which will record the users and rate of usage of the asset. Adequate Insurance covers on each asset, preferable Comprehensive cover on vehicles should be obtained.

Disposal (sales, donation, damage, etc.) of fixed assets must be in accordance with grant agreements where applicable. All evidence pertaining to the disposal (such as approvals, sales/donation agreements, delivery notes, etc) will be kept on file for any future audit or financial review.

Disposed fixed assets must be cancelled (not removed) from the fixed assets register and transferred to the record or file of disposed property. All disposal correspondences, approvals and modes of disposals (sales, donation, scrapping, etc) and evidences of disposal, such as sales/donation agreements, delivery notes, etc must exist in the disposed fixed assets file.

Appendix: Fixed Assets Register Template

Number	Acquisition Date	Make	Description	Supplier	Serial Number	Master Acq. Cost (All Items)	Non Exp Inventory USG (>$5000)	Non Exp Inventory ($1000>< $5000)	Non Exp Inventory ($100 >< $1000)	Funder	User/ Location	Condition	Disposition Date	In Use/ Donated Sold etc	

Prepared by: ____________________ **Date:** ________

Checked by: ____________________ **Date:** ________

Approved by: ____________________ **Date:** ________

CHAPTER 17 - PROCEDURES FOR CONTROL OVER LIABILITIES

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1 Overview

At any point, the foundation should be in a position to know its outstanding liabilities. This can only be possible through maintenance of a reliable recording keeping system.

2 Procedures

A Commitment Register will be kept in which all the liabilities committed but not yet settled or funded are recorded. The details in the Commitment Ledger should be reconciled or referred to the Workplans for the financial period.

In addition to the Commitment Ledger, an Inward Invoice Register will be maintained so that all invoices received by the foundation are tracked. These will be filed in Supplier sequence showing date received, amount of invoice, goods/service received and credit period allowed/ date due for payment.

CHAPTER 18 - PROCEDURES FOR PERIODIC FINANCIAL REPORTING

1 Overview

The reporting procedures for the foundation will reflect the specific requirements of each donor and what constitutes general accepted accounting practice. The formats and the timeliness of the financial reports will depend on the donor requirements and the external auditors of the foundation.

2 Type of Reports

The minimum reports which will be produced on a monthly basis will include:

a) income and expenditure statement - On a monthly basis the accountant will provide a variance analysis per funder to the Executive Director and corrective action taken where necessary
b) balance sheet; and
c) cash analysis report;
d) Bank reconciliation

3 Procedures

The procedures for financial reporting will follow the normal accounting practice in the accounting function of any organization:

a) General ledgers will be closed at agreed dates at the end of the month;

b) The Accountant will circulate a comprehensive checklist for the periodic/year end closing procedures to include completion of:
- imprest retirement – date;
- petty cash certificate forms;
- stocktake and fixed assets verification counts;
- bank reconciliations;

c) A Trial Balances will be extracted and from this the various financial reports will be extracted in the agreed formats;

d) The Accountant will be responsible for ensuring that the figures reflected in the reports reflect the underlying accounting records and are in formats accepted to the users of these statements for decision making.

e) The Executive Director should sign off the financial reports before they are submitted to the relevant users. Once submitted, the Accountant should seek feedback from the relevant users of these reports e.g. the donors.

CHAPTER 19 - RESTRICTIVE USE OF FUNDS

1. **Overview**

Almost all Cooperating Partners (donors) attach specific conditions and restrictions to the use of Funds they provide to a beneficiary organization.

2. It is the organizations responsibility to ensure that costs by Luapula Foundation are:

- **Reasonable:** meaning that the costs which are generally recognized as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business.
- **Allocable:** meaning that the costs are incurred specifically for the award and
- **Allowable:** meaning that the costs conform to any limitations in the award.

3. **Type of Expenses disallowable**

The following are the type of items of expenditure not allowable from donor funds. The list is not exhaustive:

a) alcoholic beverages;

b) bad debts;

c) contingencies;

d) contributions or donations;

e) goods or services for personal use interest;

f) lobbying;

g) loss on other sponsored agreements or contracts; and

h) entertainment.

3. **Procedures**

The management of LF must orient and sensitize all LF employees about the restrictive use of donor funds so that at the time the member of staff is advanced funds to carry out LF program activities, the member of staff is aware of what she/he can or cannot spend the funds on.

Periodically, preferably, at the end of the months, the Accountant should voucher all expenditure to isolate expenditure that is disallowable; and

The disallowable expenditure must be debited to the account of the LF staff that incurred the expenditure

CHAPTER 20 - RECORDS RETENTION

1. **Overview**

Records and documents generated and received by LF must be retained for a specified period to comply with:

a) statutory and regulatory requirements; and

b) ease of retrieval for further use in LF.

2. **Types of Documents**

The following are some of the documents:

a) financial records;

b) supporting Documents; and

c) statistical records and all other records pertinent to an award.

d) Employees records and files

The only exceptions are the following:

a) if any litigation claim or audit is started before the expiration of the six year period, the records shall be retained until all litigations, claims, or audit findings involving the records has been resolved and final action taken; and

b) records for real property and equipment acquired with Federal funds shall be retained three years after final disposition.

3 **Procedures**

a) the records and documents shall be retained for a period of six years from the date of submission of the final expenditure report or for awards that are renewable, quarterly or annually, from the date of the submission of the quarterly or annual financial report;

b) records will be kept in hard copy or electronically, and sensitive financial records will be stored both on site and with off site back-up;

c) records that are to be disposed will be burned or shredded, depending on the form of storage; and

d) the records must be kept in a safe environment.

Appendix:

Luapula Foundation Code of Ethics

Consistent with our mission to empower HIV infected and affected persons in Luapula Province, Zambia to sustain their well being through training, advocacy, facilitation and strategic partnerships Luapula Foundation (LF) has established a standard of the highest professional ability, personal integrity, and cultural sensitivity for all our staff and consultants. The LF Code of Ethics outlines the ethical and legal principles which should guide staff regarding decisions and judgments that they are constantly being asked to make.

1. Conflict of Interest: All LF employees should maintain fairness, ethics, and personal integrity in all matters. LF staff must refrain from participating, or giving the appearance of participating, in any activity that compromises their ability to render fair, impartial judgments on behalf of LF's clients as well as in the development of new business opportunities.

2. Hiring and Procurement: LF follows the guidance of U.S. government and other donor agencies regarding the employment of their former staff. Most agencies have specific regulations regarding the terms under which such staff can be hired and how long they must recuse themselves from representing LF back to that agency In addition, staff should be sensitive to other conflicts of interest:

a) **Donor Agency Spouses and Partners**: LF forbids the hiring of the spouses, partners or other immediate family members of those individuals who serve as the donor agency's principal point of contact, or who are otherwise directly involved in the awarding, supervision or close out of a grant, contract, or subcontract to LF. With the prior approval of Human Resources, LF may hire the spouses, partners or other immediate family members of donor agency personnel who have no direct contact or supervisory responsibility for awards with or to LF.

b) **LF Staff Spouses and Partners:** Many spouses, partners and immediate family members of LF staff have professional expertise appropriate to our work. LF may consider and hire spouses, partners and immediate family members of LF staff for appropriate short- and long-term assignments or use them as vendors to provide specific goods or services. However, current LF staff cannot be employed in the same work unit as their spouse, partner, or immediate family member; they cannot be involved in their recruitment, selection, supervision, or evaluation; nor can they authorize payment for their services. Any such relationship must be brought to the attention of Human Resources before the person is hired.

c) **Spouses and Partners Working for Donor Agencies**: Occasionally the spouses, partners and/or immediate family members of LF staff work for donor agencies providing assistance to LF. All LF staff should be sensitive to the potential conflict of interest such a situation could represent. No staff person in such a situation is expected to provide, nor should be asked to provide, any information from his or her relative regarding current LF grants and contracts or potential business opportunities with that donor agency. Any LF staff persons who are inadvertently put into a potential conflict of interest should immediately report this to their supervisor and excuse themselves from any further involvement pending resolution of the issue.

d) **Contracting, Subcontracting, and Procurement:** LF believes that our interest and those of our clients are best served by fair and open competition in contracting, subcontracting, and procurement. Employees should consult applicable donor guidelines on soliciting competitive bids when procuring goods and services. In addition, LF's Procurement and Finance manuals clearly articulate all procedures to be followed.

3. Representation: LF staff should ensure that development of new donor relationships is not undertaken at the expense of existing program activities. But LF recognizes that identifying development opportunities naturally occurs during the course of normal, day-to-day project activities without the intentional investment of additional time by staff. Opportunities requiring more intensive commitment of time should be discussed, in advance, with the Executive Director to determine the most appropriate manner in which to undertake and finance the investment of staff time and associated miscellaneous expenses required to pursue the opportunity. LF should keep the following principles in mind:

a) **Inducements.** In accordance with U.S. federal regulations and accepted good business practices, no LF employee is authorized to offer, or give the impression of offering, an inducement (monetary or otherwise) to any current or potential client or donor agency official for the purpose of obtaining proprietary information or influencing their judgments on future grant or contract awards. LF staff should immediately report any evidence of such activities to the Executive Director.

b) **Fees and Commissions**. Similarly, LF employees are prohibited from paying, or offering to pay, any fees or commissions to consultants or other LF staff to obtain proprietary information or to otherwise assist in any inappropriate manner in obtaining a contract or grant award. LF staff should immediately report any evidence of such activities to the Executive Director.

c) **Entertainment.** As a not-for-profit non-governmental organization, LF keeps entertainment costs at a very modest level. Moreover, unlike commercial firms, LF does not reimburse elaborate entertainment costs such as games fees (for example, golf and tennis), nightclub cover charges, excess gratuities, or more than nominal gifts for visitors. Staff is required to consult the Executive Director for guidance about the appropriateness of a particular activity, before—not after—making the expenditure.

d) **Gifts.** Except for gifts of nominal cost—less than $50 in fair market value—or meals and social invitations that are in keeping with good business ethics and do not obligate the recipient or the employee, LF staff or a member of his or her immediate family may not accept, give, or offer commissions, gifts, payments, services, loans, or promises of future employment to anyone in connection with his or her assignment.

e) **Lobbying and Advocacy**: As citizens, employees are free to and are encouraged to fully meet their individual civic and political responsibilities, except, however, for participation in any activities that constitute (or could be construed as) lobbying any government official to amend and/or add new regulations or laws specifically favoring LF.

LF staff should appreciate the delicate line between involvement in national politics and advocating the development of national policies: a strong public stand on "technical issues" may be perceived as a political rather than a technical statement. Although establishing universal guidelines are difficult, LF believes that our central purpose is to provide advice and counsel, not to make national policy or to become involved in controversial public debate.

4. Outside Interests and Employment: Regular executive staff and officers have a full-time responsibility to LF and may not engage in activities that might interfere with the discharging of their responsibility or in transactions that reasonably might affect the judgments they make on behalf of LF. In addition, the following general guidelines apply:

a) **Speaking Engagements and Articles for Publication:** Staff members are encouraged to undertake speaking engagements and to write articles appropriate to their fields of interest, provided the time for preparation and delivery does not interfere with their responsibilities to LF. Staff may keep any honoraria they are awarded for such work outside of working hours.

b) **Serving on Advisory Boards of Directors:** LF employees are encouraged to become professionally involved with other institutions through their participation in advisory boards, boards of directors, and other activities. Staff members should consult with the Executive Director or the Program Director, however, before committing to undertake such activities to ensure that they do not conflict with other projects and interests of LF.

c) **Fees and Other Payments:** Non-LF related director's fees, honoraria for speeches, fees for jury duty, radio and TV appearances, author's royalties and payments for published articles or article reviews, and travel reimbursements may be accepted, provided these payments do not represent activities that interfere with the staff member's responsibilities to LF. No salary or consulting fee, however, may be accepted by regular staff members of LF for services rendered to other organizations or persons during regular business hours except on behalf of LF.

d) **Teaching Stipends:** LF staff is encouraged to remain current in their respective technical fields through such activities as teaching courses. Staff may keep honoraria and modest fees for teaching such courses outside of working hours, as long as these activities do not interfere with the staff member's responsibilities to LF. LF staff should seek the guidance of the Executive Director prior to committing to the teaching assignment to clarify any potential concerns about the assignment.

5. Plagiarism and Research Misconduct: Misconduct in research means any practices that deviate from those commonly accepted by the academic and scientific communities in pursuing and publishing research and reporting on program activities. These practices include falsifying or fabricating data or results, plagiarism, and any similar practices. It does not include honest errors or differences in interpreting data or research results. In producing, creating, or writing LF documents, staff may not use or incorporate content from other documents without crediting the source and/or obtaining permission, as appropriate. LF expects all employees to adhere to the highest standards of conduct in these areas as they carry out research, report on research and project activities, and develop training and other program materials, guidelines and products. Any alleged or suspected misconduct in research should be reported directly to the Executive Director, along with supporting documentation.

6. Disclosure of Information: LF staff should exercise the utmost discretion in regard to all matters of official business. They may not communicate any information known to them by reason of their position that has not been made public, except as may be necessary in the course of their duties or by authorization of the Executive Director. Nor shall they at any time use such information to their private advantage. These obligations do not cease upon separation from LF. No employee shall disclose information about LF proposals or bids to anyone outside LF without the permission of the Executive Director or the Program Director.

For further clarifications on any aspect of our *Code of Ethics*, staff should consult their supervisor or the Executive Director.

COST ALLOCATION POLICY

Cost Principles and Procedures for Non-Profit Making Organizations

COST POLICY STATEMENT

The following Cost Allocation Policy is intended to be used as guidance for Luapula Foundation that seeks to allocate costs among different awards. This model assumes that Luapula Foundation being a **Non-Profit Organization** uses the direct allocation basis of charging costs and is also subject to the availability of funds. That is, in addition to direct costs, Luapula Foundation has in place accounting procedures which enable it to direct charge some costs that would otherwise be considered as indirect costs.

* *

COST POLICY STATEMENT
LUAPULA FOUNDATION - NON-PROFIT MAKING ORGANIZATION

I. General Accounting Policies

1. Basis of Accounting – Cash
2. Fiscal Period - October 1 through September 30
3. Allocation Basis - Direct Allocation Basis=
4. Foundation maintains adequate internal controls to insure that no cost is charged both directly and as a shared direct cost to Federal contracts or grants.

I. Description of Cost Allocation Methodology

A. Salaries and Wages

1. **Direct Costs** - The majority of Luapula Foundation's employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization (such as providing services to members). The charges are supported by auditable labor distribution reports or timesheets which reflect the actual activities of employees.
2. **Shared Direct Costs** - The following employees may charge their salary costs as a shared direct cost based upon the full time equivalent (FTE) of staff working directly on specific grants, contracts or other activities of the organization:

Executive Director
Technical Advisor
Programmes Director
Programmes Officer
Monitoring & Evaluation Officer
Receptionist
Office Assistant
Grounds Keeper
Senior Counselors
Counselors
House Keeper
C.T Site Manager
Budget Analyst/Administrator
Proc.Officer/Driver Supervisor

The distinction between direct and shared direct (or indirect) is primarily based on functions performed. For example, when the positions shown are performing functions that are necessary and beneficial to all programs they are a shared direct cost (or indirect cost) and will be charged on the FTE of staff. When functions are specific to one or more programs they are direct because they do not benefit all programs.

Auditable labor distribution records/Time sheets which reflect the actual activities of employees are maintained to support the mix of direct/indirect charges. The time records are authorized by the Executive Director/ Supervisor.

Release time costs (vacation leave earned, sick leave used, and holiday pay) are considered part of salary costs. Luapula Foundation's accounting system records release time in the same manner that salary costs are recorded. Vacation leave earned but not used during each fiscal period is recorded as a cost in the period earned.

B. Fringe Benefits

Luapula Foundation contributes to the following fringe benefits for its employees: Transportation, Medical, Education allowances, worker's compensation, health insurance and Gratuity. The fringe benefits except for gratuity are part of the monthly staff remuneration while gratuity is paid at the end of a defined contractual period at the rate of 25% as a defined benefit pension plan based on Zambian Government Labor laws on contractual services.

Luapula Foundation's accounting system tracks fringe benefit costs by individual employee and charges those costs directly or as a shared direct cost or indirect cost in the same manner as salary and wage costs are recorded.

C. Travel

Travel costs may be charged as either direct or as a shared direct cost (indirectly) depending on the purpose of the trip. For example, the Executive Director of Luapula Foundation travels to a project site such as Samfya to give employees/volunteers a quarterly update. This trip is indirect in nature and should be charged as a shared direct cost or indirect cost. However, if the Executive Director of Luapula Foundation travels to Lusaka for a certain partnership meeting or to perform a specific task for a contract, the trip would be considered a direct cost and as such 100% shall be charged to a specific donor.

D. Board Expenses

Board expenses charged on a shared direct cost or indirect basis are for travel to/from Board meetings (limited to expenses allowed under the Federal Travel Regulations) and for other board expenses as reflected in the approved budgets.

E. Supplies and Material

To the maximum extent possible, office supplies and materials are direct charged to the contract/grant which uses the supplies or materials. Supplies and materials used by staffs who are engaged in indirect activities will be charged on a shared or indirect basis.

F. Occupancy Expenses

Rent - Donors occupy space they lease from Luapula Foundation, who own the premises. The lease provides for monthly payments during the term of the lease. Monthly lease costs are allocated based on **square footage,** directly and as shared costs or indirectly as follows:

a. Direct Costs - The cost of space occupied by staff whose salaries are directly charged is charged directly.
b. Shared direct cost or Indirect Costs - The cost of space occupied by staff whose salaries are indirectly charged is charged as a shared direct cost or indirectly. The cost of space for staff whose salaries are charged on a mixed basis will be allocated on a mixed basis in the same ratio as their salaries are allocated.
c. The cost of space required for common areas (hallways, restrooms, and Luapula Foundation's conference room) will be accounted for as an indirect cost.

Luapula Foundation has developed a floor plan which identifies what areas are designated as direct and indirect charge space (based on square footage).The designated floor space for each donor is translated as a percentage of the total floor space and charged as a direct charge to the respective donor. The Certified Property valuation report with floor plans is attached at the end of this manual.

G. Utilities

Luapula Foundation's lease includes the cost of all utilities except water. The cost of water is charged directly and as a shared directs cost or indirectly in the same ratio as its space costs are charged.

H. Communications

1. A log is maintained of all fax transmissions. The cost of fax services is charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.
2. Long distance telephone calls are charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.
3. Local telephone service costs are prorated to direct and indirect charges based upon the number of telephone instruments assigned to Luapula Foundation. Each telephone instrument is identified to either an indirect or a direct activity. For example, Luapula Foundation has 15 telephone instruments assigned to it. Nine of the 15 instruments are assigned to the program funded by NPI. Therefore, 9/15ths of the monthly local service telephone charges are direct charged to the NPI grant. Five of the instruments are assigned to indirect staff; therefore, 5/15ths of the monthly local service charges are charged indirectly. No telephone instruments are charged on a mixed basis since the costs incurred on that basis are immaterial in amount. Luapula Foundation has recently introduced a call register which is maintained by the front office staff to record all out going calls made by various members of staff for various donors, the register includes things like callers name, date, purpose of the call and the donor to be charged, the above information is used to allocate calls to the respective donor at the end of the month and are charged as such direct costs to the respective donor.
4. Luapula Foundation uses a register system for postage charges. The postage register has been programmed to identify the specific program or activity to charge costs against. Express mail costs are also specifically identified to the program or activity incurring the cost.

I. Photocopying and Printing

Luapula Foundation maintains a photocopy activity log. From this log, Luapula Foundation is able to prorate its photocopy expenses to each program based on the specific volume of copies made for each program. Administrative personnel will record copies made to the benefiting program to the maximum extent practical. In situations where the photocopies being made by administrative personnel cannot be identified to a specific program and the matter being copied relates to the activities of Luapula Foundation in general, the cost of such copies will be charged to the "Central unrestricted direct Cost-Expense" account and allocated based in proportion to the FTE.

Printing expenses are charged to the benefiting activity.

J. Outside Services

Luapula Foundation incurs outside services costs for its annual audit, legal fees, and for staff development specialists.

1. The cost of the annual audit is charged as a shared direct cost or indirectly based upon the proportion of expenses incurred per program
2. In general, legal fees are charged directly to the benefiting program or activity.
3. Legal fees that are not identifiable to specific direct programs are charged as a direct cost to Luapula Foundation non-restricted account.

K. Capital Items

Capital expenditures are charged directly to programs only in cases where a contract or grant specifically authorizes such charges. <u>No capital item is charged indirectly</u>. The cost of capital items is purchased with non-Federal funds are recovered through depreciation charges. Luapula Foundation's capitalization threshold is $500.

L. Depreciation

The cost of capital items purchased with <u>non-Federal funds</u> which are used in a manner which benefits Federal programs is recovered through depreciation charged. Luapula Foundation recovers the cost of capital items using straight line depreciation methods in accordance with generally accepted accounting principles. Depreciation is charged as shared direct cost based upon the log sheets relating to the activity.

M. Service to Members

The cost of activities performed primarily as a service to members, clients, or the general public is classified as direct costs and bears their **fair share** of indirect costs. These activities include: maintenance of membership rolls, subscriptions, publications, and related functions, providing services and information to members, legislative or administrative bodies, or the public; promotion, lobbying, and other forms of public relations; meetings and conferences except those held to conduct the general administration of Luapula Foundation; maintenance, protection, and investment of special funds not used in operation of Luapula Foundation; and administration of group benefits on behalf of members or clients including life and hospital insurance, annuity or retirement plans, financial aid, etc.

N. Unallowable Costs

Luapula Foundation recognizes that the following costs, as defined in A-122, are unallowable charges to Federal awards and has internal controls in place to insure that such costs are not charged to Federal awards: The cost of advertising and public relations, entertainment/alcoholic beverages, capital expenditures, defense claims by the Federal Government, interest, lobbying and fund raising.

O. Luapula Foundation Vehicle Utilization for All Projects

Luapula Foundation has limited number of vehicles used to provide transportation for a number of donor funded projects. Luapula Foundation uses the available vehicles and shares the costs of maintenance, fuel, and lubricants. In order to effectively implement fair cost share, Luapula Foundation maintains:

- One centrally funded fuel account is maintained with one of the local fuel station; all fuel is paid for initially with non-restricted funds; all project vehicles refuel from the central account and reimbursement of the account is based on actual consumption by the vehicles allocated to projects under different donors, the fuel drawn is recorded in the motor vehicle fuel log book and the information is later used to compare with what the fuel station submits as a claim of reimbursement, the basis is therefore direct cost to a particular project based on consumption staff members clearly report on the mileage logs to which donor a particular trip or part of a trip should be charged; charges are posted for each donor at the end of each month and the central account reimbursed by each donor.
- Drivers maintain accurate mileage logs for each trip and costs are allocated accordingly.

P. Financial Reporting deadlines

Luapula Foundation recognizes the reporting deadlines of all Financial and Programmatic as set out by the respective donors in the cooperative grant agreements and contracts

1. USAID/NPI – Quarterly October – December, January – March, April – June and July – September. The reports are due to USAID FMO within 30 days after the last day of the quarter. The Finance draw downs requests under SF270 that are due 10 days before month end and not later than the 1st day of the month to which the advance relates.
2. SLF – Quarterly 31st Dec, 31st March, 30th June, 31st September of each year
3. LPCB – Monthly, every 15th of each month in a given year.
4. ZNAN – Monthly, every 15th of each month in a given calendar month
5. AJWS – Quarterly 31st Dec, 31st March, 30th June, 30th September of each year
6. SFH – Monthly every 7th of each month in a calendar year

Luapula Foundation prepares and presents its financial statements on monthly, quarterly, semi annual and yearly or as demanded by the cooperating partners in a given financial period.

Developed by: - Simon Don Mwelwa (Mr.)

(Signature)
Budget Analyst/Administrator

01. 06. 2010
(Date)

Reviewed by: - Linda Lahme (Ms)

Signature
Technical Advisor

01-06-2010
(Date)

This document is hereby approved for use by Luapula Foundation solely for cost allocation purposes and principles across all donors that will partner with the organization in attaining the set Goals and objectives in order to realize the organization's mission and vision within the boundaries of its geographical coverage.

Approved by: (Moses Zulu (Mr.)

Signature
Executive Director

01 - 06/2010
(Date)

Luapula Foundation
Chibuku Plant Road
Plot 3311
P.O Box 710416
Mansa
Luapula Province

Telephone Number: +260 212 821 821
Fax Number +260 212 821 914

Valuation Report of the Existing Office Premises for the Luapula Foundation on Stand No. 3311, Chibuku Road, Mansa.

Luapula Foundation
Plot 3311, Chibuku Road,
P. O. Box 710416
Mansa.

10th June 2010

10th June 2010

The Executive Director
Luapula Foundation
P. O Box 710416
Mansa

Dear Sir,

A VALUATION REPORT OF THE EXISTING OFFICE PREMISES FOR THE LUAPULA FOUNDATION ON STAND NUMBER. 3311, CHIBUKU ROAD, MANSA, LUAPULA PROVINCE.

Following our discussions with your staff and indeed, your written instructions given as a contract on 10th June 2010, requesting for the valuation of the above mentioned property, we hereby submit the report as follows:

INSTRUCTIONS

a) To assess the aggregation market value of the property.
b) To assess the market value of the building, broken down by rooms or apartments.
c) To ascertain the fair rentable value of the property broken down by apartment or room.

INSPECTION

A thorough inspection was conducted by physically checking all the improvements on site by way of visual condition survey and measurements taken where necessary.

MEASUREMENTS

All measurements were taken and read in the metric system.

Information and measurements of a technical nature that are not relevant to the client have been omitted.

LOCATION

Luapula Foundation offices are located within Five Hundred (500) meters from town centre, on stand no. 3311, Chibuku Road, on the western side of the central business district.

SITE

The site is a regular shape measuring approximately 0.3 Hectares. It is used entirely for 0ffice business.

IMPROVEMENTS

There are three blocks on site:

a) Block 1

The first block is approximately 144 square meters with an annex of approximately 97 square meters having a total of 241square meters. The 144 square meters part of the block has seven separate rooms in total used as offices while the remainder comprises four offices and a store room.

b) Block 2

The second block houses the central administration unit and comprises two executive offices, a smaller administrative office and a kitchen. It also includes two small store rooms which could be rented as one and an office for the office assistant. It is approximately 166 square meters.

c) Block 3

The third block is a perfectly brand new building comprising seven offices, two spacious store rooms, a smaller store room and a board room. This block measures approximately 276 square meters.

The structures are made of concrete blockwork and ordinary glazed clay brickwork rendered with cement/sand plaster and painted internally and externally. Windows are ordinary metal casement window frames and clear glass panes with steel/metal burglar bars. Door frames are of metal with hard wood Mukwa timber doors.

The roofs are made of galvanized iron roof sheets on timber trusses with ordinary particle board ceilings in all the rooms.

Floors are ordinary cement/sand screed applied with a shine finish all through the buildings. Robust but ordinary and common electrical and plumbing fittings have been used.

The property is bordered by a concrete block security wall fence and a sliding metal gate.

SERVICES

The property is well serviced with hydro electric power by the Zambia Electricity Supply Company (ZESCO). A stand by electricity generator set is in place which makes this place self sufficient in power supply.

Water is supplied by the Luapula Water and Sewerage Company. An overhead tank for water supply is in place and a well has been sunk to sustain supply when there is no supply from the water company.

The sewer reticulation system is a localized septic tank and soakaway arrangement with surface storm water drained by concrete spoon drains. A pit latrine has been constructed provisionally, to sustain the sewer services in the event that the system fails.

A stone paved external car park serves the clientele while the inside of the yard is serviced by a concrete paved parking area for staff.

The property is easily accessed through Chibuku Road, off President Road from the town centre.

The property is under efficient guard twenty four hours daily.

CONDITION

A room by room inspection was conducted. The property is in excellent and very immaculate condition. We guarantee that the property will remain sound and in an easily maintainable state for the next Thirty Five (35) years.

ZONING

The subject property is situated in an area designated for business houses. The property has proper planning permission and, hence, no adverse effect on the value of the property. The property has been offered to Luapula Foundation by the commissioner of Lands, which offer has been accepted and the property is on title.

INSURANCE

The property has been comprehensively insured.

VALUATION CONSIDERATIONS

The basis of this valuation is the adoption of the market value of the property. It will then be assumed that:

a) The purpose of this valuation i.e. market value will stand for a period not exceeding two years after which it can be reviewed, measured with the consideration of the infrastructure described.
b) This value be taken and agreed as true and correct reflection of the features and improvements on site.
c) All information which we have been supplied by the client is complete and correct in all respects.
d) All services are functioning satisfactorily.

Our opinion of the value of the property has taken into account the following:

a) The design, materials and quality of the property.
b) The quality and availability of the necessary services on site.
c) The comfort and the peace inherent of the facility at all times.
d) The location of the property and the intended use.
e) The current value with respect to the current demand and supply of the subject property in Zambia and Mansa in particular.

PROVISON

This report is based on the information supplied and verbal inquiries only with the relevant authorities. We have assumed the property complies with all council bye-laws.

This report is provided for the stated purposes and for the sole use of the Luapula Foundation, the owner of the property, to whom it is addressed. It is confidential to them and their professional advisors.

Before this report or any part of it is reproduced or referred to in any document, circular or statement, the wording and contents should be agreed in writing with us.

VALUATION

After taking all relevant factors into account, it is our considered opinion that the value of the subject property be stated as follows:

a) Aggregated property market value be in the range of One Billion, Six Hundred Forty Two Million Kwacha (K1,642,000,000.00).

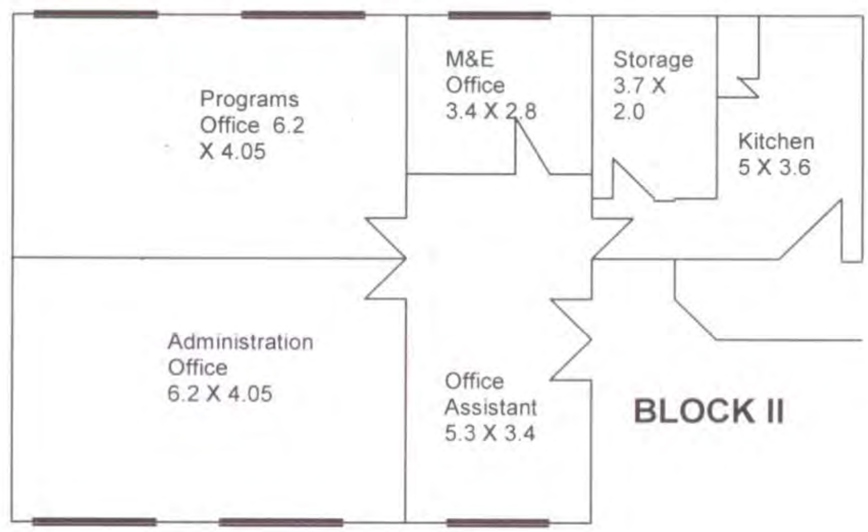
b) Value pay apartment/block:
   (i) Apartment/block 1 – Five Hundred Eighty Million Kwacha (K580,000,000.00).
   (ii) Apartment/block 2 – Three Hundred Ninety Nine Million Kwacha (K399,000,000.00).
   (iii) Apartment/block 3 – Six Hundred Sixty Three Million Kwacha (K663,000,000.00).

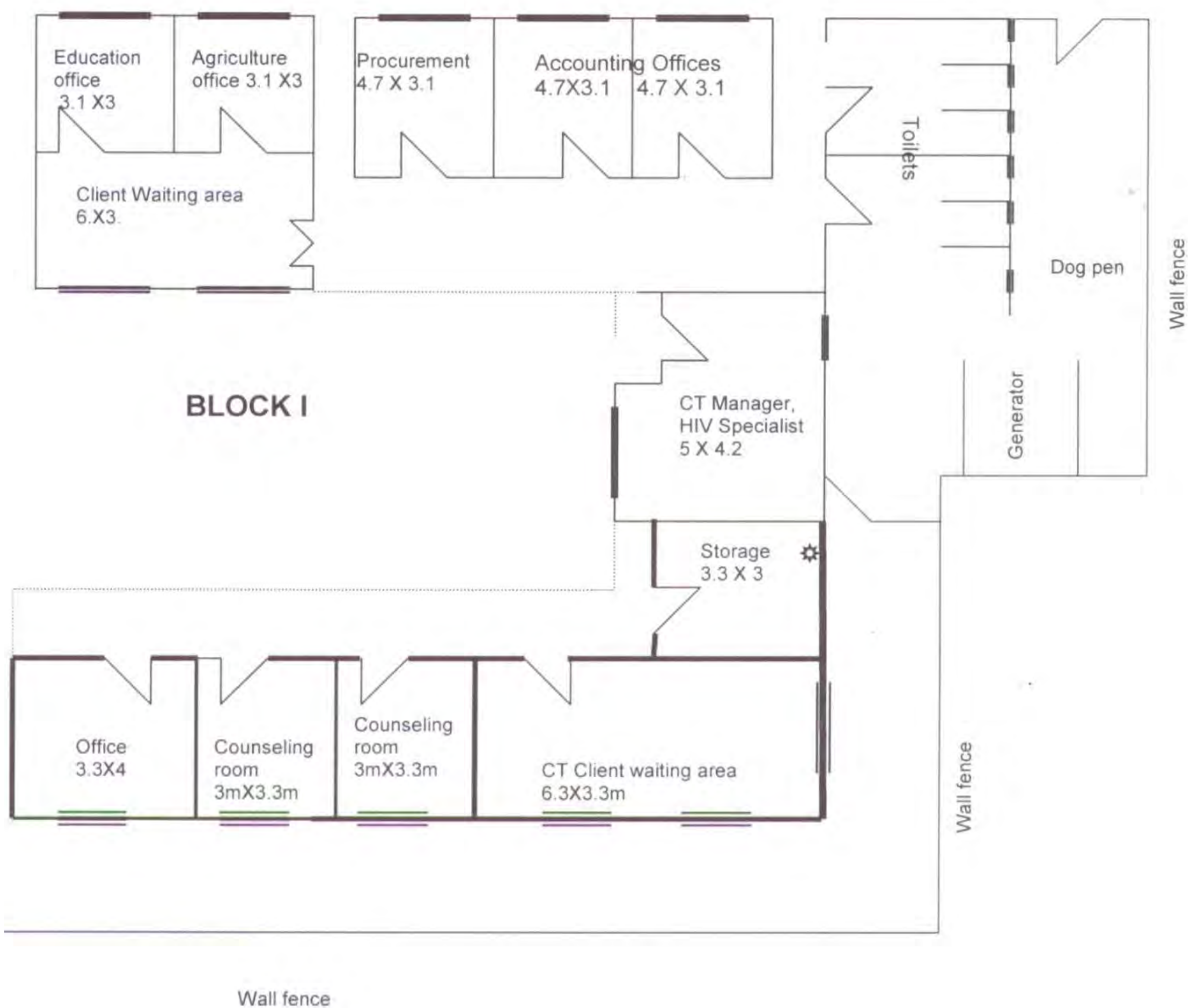
c) Rentable value of the subject property be apportioned as follows:

   (i) Block 1 – This block has eleven rooms as offices and is valued as tabulated.

Room description	Size/Area in sq. m	Rental value in Zambian Kwacha per month (ZMK)
Main reception	19	1,200,000.00
Agriculture office	9.5	600,000.00
Education office	9.5	600,000.00
Accounts 0ffice 1	14.5	1,000,000.00
Accounts office 2	14.5	1,000,000.00
Accounts office 3	14.5	1,000,000.00
CT manager/LPCB manager	18	1,100,000.00
CT Reception	20	1,300,000.00
Counseling room 1	9.9	600,000.00
Counseling room 2	9.9	600,000.00
CT office	13	900,000.00
CT store room	9.9	600,000.00
Total for this block	**162.2 (office space only)**	**10,500,000.00**

Total rental value for this block is Ten Million, Five Hundred Thousand Kwacha (K10, 500,000.00) per month.


Programs Office 6.2 X 4.05
M&E Office 3.4 X 2.8
Storage 3.7 X 2.0
Kitchen 5 X 3.6
Administration Office 6.2 X 4.05
Office Assistant 5.3 X 3.4
BLOCK II


Education office 3.1 X3
Agriculture office 3.1 X3
Procurement 4.7 X 3.1
Accounting Offices
4.7X3.1
4.7 X 3.1
Toilets
Client Waiting area 6.X3.
Dog pen
Wall fence
BLOCK I
CT Manager, HIV Specialist 5 X 4.2
Generator
Storage 3.3 X 3
Office 3.3X4
Counseling room 3mX3.3m
Counseling room 3mX3.3m
CT Client waiting area 6.3X3.3m
Wall fence
Wall fence

(ii) Block 2 – The rental value of this block is as tabulated below.

Room description	**Size/Area in sq. m**	**Rental value in Zambian Kwacha per month (ZMK)**
Central administration office	25	1,800,000.00
Programmes office	25	1,500,000.00
M & E office	9.5	600,000.00
Office assistant's office	18	1,100,000.00
Kitchen	18	1,100,000.00
Storage area	10	700,000.00
Total for this block	**105.5 (office space only)**	**6,800,000.00**

Total rental value for this block is Six Million, Eight Hundred Thousand Kwacha (K6, 800,000.00) per month.

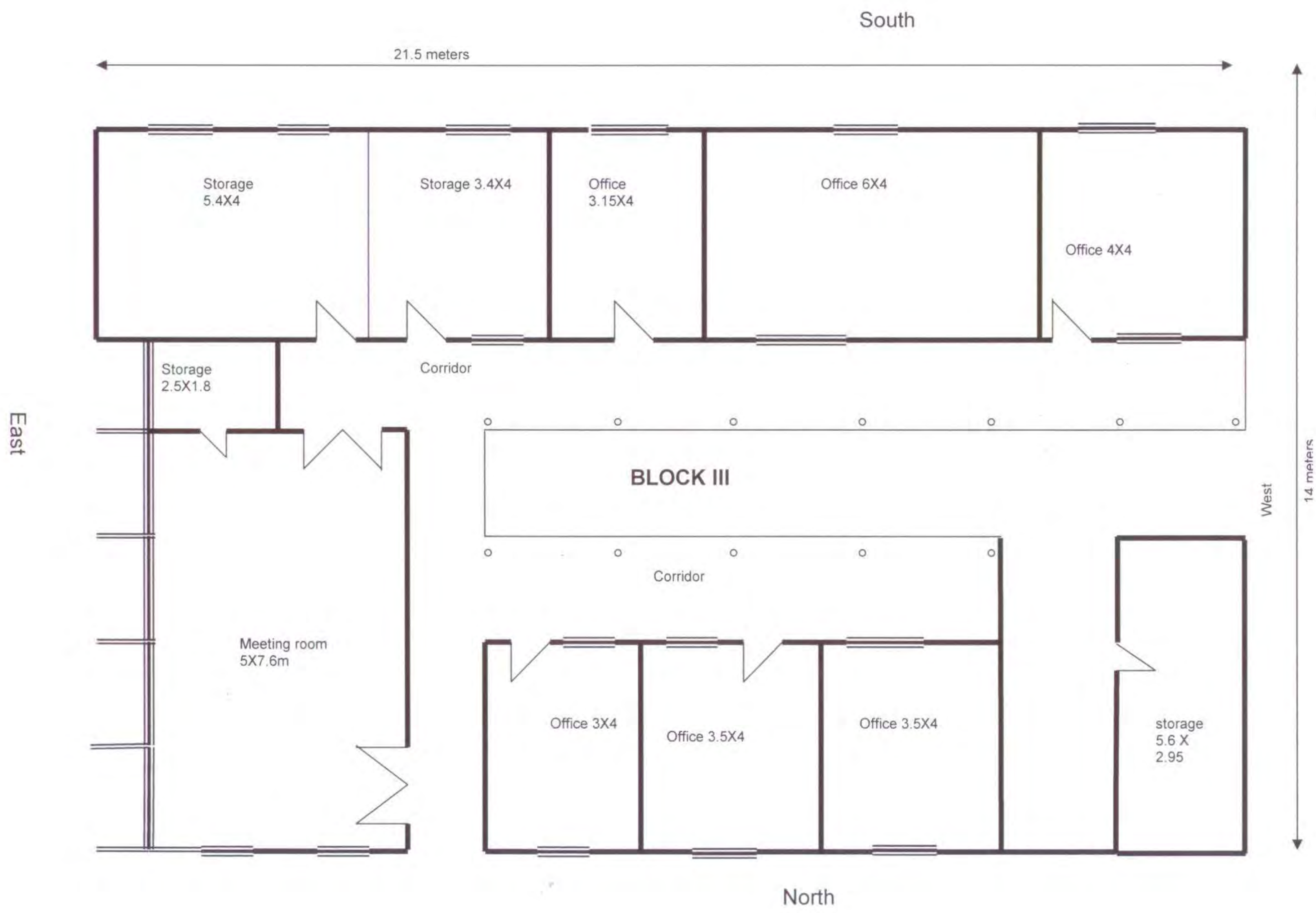
(iii) Block 3 – Each of the seven offices in this block should have access to the board room. The offices in this block are new and have a higher value than the old blocks. These should be rented as follows:

Room description	**Size/Area in sq. m**	**Rental value in Zambian Kwacha per month (ZMK)**
Office 1	14	1,200,000.00
Office 2	14	1,200,000.00
Office 3	12	1,000,000.00
Office 4	16	1,400,000.00
Office 5	24	2,000,000.00
Office 6	12.6	1,000,000.00
Office 7	13.6	1,100,000.00
Store room 1	21.6	1,800,000.00
Store room 2	16.5	1,400,000.00
Store room 3	4.5	300,000.00
Board room	38	3,000,000.00
Total for this block	**186.8 (office space only)**	**15,400,000.00**

Total for this block is Fifteen Million, Four Hundred Thousand Kwacha (K15, 400,000.00) per month.

The rentable market value for the subject property be in the range of Thirty Two Million, Seven Hundred Thousand Kwacha (K32, 700,000.00) per month.

We assume that the rentable value is net and exclusive of any additional charges and taxes that are external to the subject property.


South
21.5 meters
Storage
5.4X4
Storage 3.4X4
Office
3.15X4
Office 6X4
Office 4X4
Storage
2.5X1.8
Corridor
East
BLOCK III
West
14 meters
Corridor
Meeting room
5X7.6m
Office 3X4
Office 3.5X4
Office 3.5X4
storage
5.6 X
2.95
North

The date of this valuation is taken as 10th June 2010, the date of your instruction.

It is our sincere hope that this report will be of great help to you and the intended user for the intended purposes.

Yours faithfully,

Greenwell Sinkololwe
SENIOR WORKS SUPERVISOR
BUILDING DEPARTMENT

MINISTRY OF WORKS & SUPPLY
10 JUN 2010
SENIOR WORKS SUPERVISOR

AUTHENTIFICATION

This document is hereby reviewed and approved for use solely by **Luapula Foundation** as the official document that shall guide the implementer of Projects and Programmes on how the systems and reporting procedures will be in conformity and adherence to Donors requirements.

Reviewed and Approved by the Board of Luapula Foundation on 25th June 2010

Vice Chairperson of the Board DR. Jose Ngambe Sulu ....

Name Signature

Secretary to the Board Moses Zulu ....

Name Signature

LF STAMP LUAPULA FOUNDATION 25 JUN 2010 P.O. BOX 710150 MANSA, ZAMBIA