FINANCE & ACCOUNTING POLICY AND PROCEDURES MANUAL

TABLE OF CONTENTS

1. Introduction

1.1 Scope

1.1.1 The manual describes the procedures, which shall be followed, and the documentation to be used by YSSCC. It covers the input, output, processing, control and distribution of ***financial*** data. The purpose of the manual is to assist in the maintenance of controls over the system and to provide a training resource and reference document for management***,*** ***staff*** and auditors.

1.1.2 The procedures have the following objectives:

(a) To control the completeness and accuracy of data posted from source documents.

(b) To provide accurate and reliable reports to enable management to perform effective control over ***savings and*** credit program.

(c) To detail the operational and administration procedures for input, processing, and distribution of data to ensure security of data and documents.

1.1.3 The Manual has been written for use as follows:

(a) As a means of reference to management, staff, auditors, and as a basis for training staff, and ensuring that appropriate controls are being ***followed.***

(b) As a clearly defined list of the tasks to be carried out by each individual ***staff member***.

(c) As a timetable for processing transactions and producing reports.

2. Financial Management Overview

Financial management is the continuous process of planning (through budgets and forecasts), organizing resources (human resources, loans issued and collection) controlling, monitoring and reporting about the financial aspects of YSSCC. Financial management is a vital component of the management cycle.

2.1 Benefits of Efficient Financial Management System

2.1.1 Help staff and board to be effective and efficient stewards of the resources available to ***the Society*** to achieve its objectives.

2.1.2 Assist ***the Society*** to be more accountable to its members.

2.1.3 Gain the respect and confidence of funding agencies, partners and those ***members***, which in turn gives ***the Society*** competitive advantage.

2.1.4 Help ***the Society*** prepare themselves for long-term sustainability and the gradual increase of self-generated funds.

2.1.5 Carry out work systematically and continuously.

LG7

2.1.6 Provide basic security to staff, ***members*** and collaborators so that they shall concentrate on work by worrying less about their dues (allowances, salaries, wages and ***subscriptions***)

2.1.7 Plan future financial resource needs (income and expenditure).

2.1.8 Meet all commitments or expenditures.

2.1.9 Monitor financial position as well as the progress of the work on the ground.

2.1.10 Communicate their financial needs and to report back to their stakeholders (consultants, governments etc.)

2.2 The Principles of Financial Management

2.2.1 To achieve proper financial management, certain principles shall underlie and act as guiding force in the evolution of the systems and procedures of ***the Society.***

(a) Custodianship

The ***Cooperative Act*** entrusts responsibilities to the board. The board is collectively responsible for the custodianship of ***the Society's*** resources and has a duty to ensure that they are utilized in accordance with the constitution and entering into any binding contractual agreements.

(b) Accountability

The board and management ***committee*** are accountable to members. Members are interested to see that resources are used effectively and for the purpose for which they were intended.

(c) Integrity

Integrity (honesty & trustworthiness) of ***the Society*** must be beyond question. The Board and Management ***committee*** shall protect themselves from any suspicion of mishandling of financial affairs by ensuring adequate controls are built into systems and procedures.

(d) Transparency

Systems shall be established whereby all financial information is recorded accurately, presented clearly, and shall be easily disclosed to ***FSRA, Commissioner, external auditors, and supervisory committee.*** The staff shall take the initiative to inform without being compelled to do so.

(e) Consistency

The financial ***reporting*** of ***the Society*** shall be consistent over the years to enable comparative analysis and transparency of information. ***Refinements to system are acceptable and should be disclosed. Any*** inconsistent approaches to financial ***reporting*** shall be viewed as an indication of manipulation by staff.

(f) *Non- Deficit financing*
The Society shall not set out to achieve its objectives until it is confident that it shall have sufficient funding to cover all its activities. This calls for proper cash flow management so that funds already secured are available as and when needed.

(g) *Standard Documentation*
Any financial ***reporting*** involves a certain degree of record keeping and documentation. These records shall be kept in the standard formats.

(h) *Disclosure*
Any good financial management system shall disclose all the necessary information. ***The Society*** shall adhere to prescribed minimum disclosures required by the relevant legislation – Cooperative Act, 2003 and FSRA, Act 2010 ***as ammended.***

2.3 The Tools of Financial Management

2.3.1 The Board and Management of Yetfu Sonkhe has a number of management tools at their disposal to achieve good financial management. These are Planning, Organizing, Controlling and Monitoring.

(a) Planning

Planning tools: strategic plan, budget, cash flow forecast, business plan

Planning is basic to financial management process and involves looking ahead to prepare as well as possible for the future. In the course of putting a plan together we shall consider several possible alternatives and make a number of choices or decisions. Planning shall always precede the doing. If you do not plan, then you are planning for failure.

(b) Organizing

Organizing tools: activity programme, flow diagram, job descriptions, budgets, chart of accounts.

The resources of Yetfu Sonkhe (i.e. staff, property, money etc.) shall be coordinated to ensure implementation of the overall plan. It needs to be clarified what activities and responsibilities are to be undertaken, when and by whom.

(c) Controlling

Controlling tools: Project budgets, procurement and authorization procedures, reconciliation routines, Internal and external audits, fixed assets and vehicle policy.

A system of controls, checks and balances are essential to ensure proper application of procedures and resources during programme implementation.

(d) Monitoring

Monitoring tools: Management accounts, cashflow reports, financial statements, audit report.

Monitoring describes the ongoing and systematic exercise to compare actual performance with plans; to evaluate the effectiveness of plans, identify weaknesses early and take corrective action if required.

2.4 Components of Financial Management

2.4.1 Financial Management shall be thought of as a process or cycle, which always has one or more active components. Key components of "Financial Management Cycle" include the following:

(a) Financial Planning
(b) Budgeting
(c) Cash flow management
(d) Implementation
(e) Accounting
(f) Monitoring
(g) Reporting
(h) Evaluating

(a) Financial Planning

This is the process of reviewing the "Long Term" or strategic financial picture of the cooperative. It is important that one considers the organizational structure, the internal and external environment, the vision and mission statement of ***the Society***, the resources available and planned activities. A Financial plan is a summary estimate of costs and income that shall then be necessary.

(b) Budgeting

Once a Financial plan is generated which corresponds to the annual operational plan and is realistic, a short-term financial projection is then required. This estimate of cost programmes and activities and income is referred to us as the budget. The budget operationalizes the plan and lays down the achievements of the planned objectives. The generation of realistic budget is a very important component of successful Financial Management.

(c) Cash flow management

Cash flow forecast statements project only those activities, or expenses and income that involve the movement of cash. They assist in planning effectively for the proper use of cash. These statements will also ensure that the cooperative does not have unnecessary cash deficits or surpluses. Both extremes are costly and undesirable (shortfalls hamper activities while surpluses have high opportunity costs.)

(d) Implementation

Implementation **tools:** Internal controls such as accounting controls, physical controls, separation of duties and management controls.

The implementation process of financial management ensures that internal controls are properly exercised and that the correct management of financial resources is undertaken. ***This involves the purchasing of goods and services and the receipting of income. Checks and balances are instituted to ensure efficient, proper and transparent financial operations. They involve the use of budgets, and cash flow projections as tools for financial efficiency.***

(e) Accounting

Accounting is the process of recording financial transactions in the books and records of the cooperative. ***The Society*** is using a computerized accounting ***system***. The accounting process shall result in the generation of financial reports including the statement of comprehensive income, statement of financial position, trial balance and other management reports.

VNM LGT

BY

(f) Monitoring

In order to ensure that proper financial management is taking place it is important to have an ongoing monitoring process present. This involves analysing the variances i.e. differences between "actual and budgeted levels" and understanding why they occurred. Corrective action should be made in the case of negative or positive variances.

(g) Reporting

This component of Financial Management provides the information on the entity's operations to all interested parties (management, staff, board members, regulatory authority, and the government). Types of financial reports include:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Cashflow Position
- Annual Progress Report
- Audited Financial Statements

(h) Valuation

During and at the end of financial year, it is important that management and all interested parties evaluate the performance of the ***Society*** against plans and budgets. Where there have been shortfalls, these shall be analysed and corrective measures proposed for inclusion in future budgets and plans. Normally, a mid-***year*** and end of year evaluations are necessary.

3. Accounting Policies

3.1 Basis of Accounting

The Society prepares her accounts on the historical cost basis of accounting.

3.1.1 Revenue

Revenue is recognized when received. Other revenues are recognized in accordance with accruals concept.

3.1.2 Fixed Assets

All assets are capitalized in the accounts at cost or revalued amount.

3.1.3 Depreciation

The rates of depreciation in use are:

Asset	Rate of Depreciation
Computers	33.3%
Office Equipment	10%
Furniture & fittings	10 %
Building	2%
Leasehold improvement	2%

VVM- LG1

3. Safeguarding the Assets

3.1 Controls, Checks and Balances

3.1.1 ***General***

Where an event has a chance of causing hazard, precautionary measures should be taken before hand as a safeguard against such risks by introducing working rules to prevent the occurrence of the event.

3.1.2 ***Definition of Internal controls***

A system of internal control consists of all measures employed by the management to:

(a) Safeguard its resources against waste, fraud, and inefficiency.
(b) Promote accuracy and reliability of the accounting records and operation.
(c) Encourage and measure compliance with the SACCO's policy.
(d) Prevent error and fraud or facilitate their early detection.

3.1.3 ***There are several different categories of internal controls:***

Administration controls, accounting controls, physical controls. They shall be interpreted into:

(i) Delegated authority
(ii) Reconciliation
(iii) Cash control
(iv) Physical control

3.2 Delegated Authority and Separation of Duties.

3.2.1 It is the overall responsibility of ***the Society*** to ensure that the affairs of the society are being properly run and that funds are being spent as intended. The Board shall always delegate responsibilities to members of the management team to ensure smooth operations.

(a) In order to protect those operating the procedures and to prevent any temptation to misuse funds, there shall be separation of the various duties within the finance procedures.

(b) The duties of ordering goods, receiving goods, authorizing the payment, keeping the accounting records and reconciling the accounts shall not fall entirely on one person.

3.2.2 **Delegated Authority Document** - ***the Society*** shall decide in advance who shall do what in finance procedures. It is good practice to record what has been decided in a Delegated Authority document. Its purpose is to clarify who has the authority to make decisions, commit expenditure and sign legal undertakings on behalf of the cooperative so that there is no confusion about responsibility.

3.2.3 The Delegated Authority document shall be a section in Terms of Reference and shall include instructions for such duties as:

- Placing and authorizing orders for goods and services
- Authorizing staff expenses
- Checking and authorizing accounting records
- Signing legal undertakings

3.2.4 Authorization Rules

3.2.4.1 No one ***person*** shall authorize ***their own claim***. This lays the individual open to ***fraudulent*** claims.

3.2.4.2 Subordinates shall not authorize payments to manager. There shall be someone who is more senior in management structure.

3.2.4.3 Any limits or conditions that apply to delegated authority shall be clearly defined. For example, a person shall be authorized to commit expenditure up to specified amount or within certain categories of expenditure

3.2.4.4 The Delegated Authority Documents shall be approved by governing body and shall be reviewed every year to ensure it is still appropriate to current needs. A breach of delegated authority is a serious matter and shall be dealt with accordingly.

3.2.5 ***Checking and authorizing accounting records***

A key responsibility of the Manager is to check and authorize records and review orders for supplies, from time to time.

3.2.6 ***Reconciliation***

3.2.6.1 Reconciliation involves verifying accounting records to make sure that there are no errors or omissions that have been undetected. Records that shall be reconciled every month-end:

- ✓ Bank accounts
- ✓ Salaries and deductions schedules
- ✓ Creditors / debtors
- ✓ Provision accounts

3.2.6.2 Once the records have been successfully reconciled, the reconciliation statement shall be passed on to be independently checked with the source records by the manager.

3.2.7 ***Bank reconciliation***

Bank reconciliation for each activity account that has bank account must be done monthly.

This is to ensure that entries in the cash book correspond to the entries in the bank statement and differences are identified and reconciled.

3.2.7.1 Compare bank statement balance and cashbook balance.

3.2.7.2 Tick all items which are both in records. Check also the bank statement for arithmetical accuracy.

3.2.7.3 Record all bank charges into the cash book.

3.2.7.4 Identify and record in the cash book any debits in the bank statement, which are not in the cash book. Record these debits in the cash book.

VNM. LGT

3.2.7.5 Identify any credits on the bank statement, which have not been recorded in the cash book, adjust by recording these items in the cash book.

3.2.7.6 All reconciling items shall be examined for genuine and any unusual items investigated.

3.2.7.7 The bank reconciliation shall be presented to the manager for approval.

3.2.7.8 File the approved bank reconciliation in the "Bank reconciliation file".

3.2.8 ***Monthly procedure***

3.2.8.1 Review the cash book for accuracy and completeness. Sign cash book as evidence of review. This shall be done by the Manager.

3.2.8.2 Begin the new month cash book transactions on a new page.

3.2.8.3 The cashbook shall be reconciled to the bank statement at least once a month. The purpose of this exercise is to make sure that ***the Society's*** own records agree with the bank's records. This is achieved by taking the closing bank statement balances for a particular date and comparing it to the closing cashbook balance for the same date and explaining the difference. Difference shall be caused by:

- ✓ Bank charges and interest applied
- ✓ Standing orders
- ✓ Errors by bank or in recording to the cashbook.

3.2.9 ***Payroll***

The payroll records and particularly deduction records normally contain inaccuracies. They shall be therefore reconciled every month to ensure that the correct deductions are being made and passed on to the relevant authority.

3.2.10 ***Cash Control***

(a) Money coming-in must be kept separate from money going-out.

(b). In the event there is cash received, it shall be banked promptly and entered into the records before it is paid out again.

(c) Always give receipts for money received. This affords protection to the person receiving the money and assures the person handing it over that it is being properly accounted for. Receipts shall be written in ink, not pencils and from a pre-numbered receipt book with duplicate copies.

(d) Always obtain receipts or proof of payment for money paid out. No receipt means there is no proof that the transaction was made.

(e) The advantage of paying most transactions by EFT is that this has the effect of producing parallel set of accounts in the form of bank statements. Also, it ensures that only authorized people make payments, and it reduces the likelihood of theft or fraud.

4. Physical Control

Physical controls are an additional precaution taken to safeguard assets.

4.1 Safe

A proper safe is worthwhile for keeping confidential documents, legal information, regulatory information and financial statements on the premises.

4.2 Insurance Cover

It is the responsibility of the Board ***and Manager*** to ensure that there is adequate insurance cover so that if assets are lost, damaged, or stolen they shall be replaced or compensated.

5. Accounting Procedures

5.1 Accounts Structure

5.1.1 ***The ledger accounts are structured so as to record all expenditure under the budget line items set out in the approved budgets.***

5.1.2 ***Ledger accounts are opened for all balance sheet items.***

5.1.3 ***Journals shall be used to correct errors and add omissions.***

5.2 Reports

5.2.1 The following are the list of reports to be presented by the Manager to the Board of ***the Society*** on a monthly basis.

- (a) Management Accounts with explanations to variances
- (b) Statement of Comprehensive Income
- (c) Statement of Financial Position
- (d) Statement of Cashflow
- (e) Statement of defaulting members and action taken
- (f) Investment schedule & Bank balances
- (g) Loan status summary
- (h) List of creditors / ***suppliers*** and accruals
- (i) Other debtors ***/ defaulters***

5.2.2 The following reports shall be presented to the Board on an annual basis:

- (a) Annual audited statements
- (b) Provision of interest and dividends payable
- (c) Fixed assets ***register***

5.3 Payments Procedures

5.3.1 Payments shall be made either by electronic transfer or ***other available banking facilities***.

5.3.2 ***Electronic Funds Transfer*** (EFT) payments

(a) ***Electronic transfer payments*** shall be made on strength of fully authorized payment voucher.

(b) Payment vouchers shall be accompanied by duly authorized requisition form, or any other relevant supporting documents such as a purchase order, invoice, cash sale, and copies of contracts or agreements, travel claim form, or any other such document.

(c) Receipts acknowledging receipt of payment shall be filed along with the voucher.

5.3.3 All payments to suppliers shall be made by EFT.

(a) Invoices from suppliers shall be received and verified by the Clerk and shall ensure they are in agreement with purchase order and delivery notes.

(b) The Accountant shall prepare a payment voucher with supporting document to the Manager.

(c) The approved payment voucher shall be returned to the Accountant to prepare an EFT.

(d) The Manager shall verify the EFT payments before authorisation is sought from the Executive.

(e) The Executive shall be asked to authorize payments with all supporting documents sent to the relevant signatories.

(f) Details of paid vouchers shall be entered into the accounting system.

(g) All paid vouchers together with original third-party supporting documents shall be filed in a chronological order.

(h) Crucial information on the payment voucher shall include:

- (i) The name of payee
- (ii) The serial number of the voucher
- (iii) Account to be charged
- (iv) Purpose of the payment
- (v) Amount being paid (in words and figures)
- (vi) Name and title of the staff member raising payment voucher
- (vii) Authorization of the Manager or executive committee member

5.4 Ethical Considerations

5.4.1 All procurement actions shall be done in a manner which promotes open, free and fair competition in the market place and which serve the best interest of ***the Society***.

LG7

5.4.2 Employees involved in the procurement transactions shall at all times exhibit high moral and ethical standards with their counterparts.

5.4.3 The Board shall authorize in writing, the Manager to make financial commitments on behalf of ***the Society***.

5.4.4 All purchases and receipt of goods and services shall be guided by the procurement policy.

5.5 Revenue

5.5.1 Revenue for the ***Society*** shall be derived from:
- (a) Membership fees
- (b) Interest from loans
- (c) Administration and loans fees
- (d) Income from investments
- (e) Members' dues
- (f) Penalties
- (g) Sale of merchandise

5.5.2 Wherein there is a direct cash transaction, transaction shall be directly carried out with the bank and proof of deposit submitted to the ***Society.***

5.5.3 No staff or board member of ***the Society*** is supposed to receive cash on behalf of the ***Society***.

5.6 Salaries

5.6.1 All permanent employees shall be issued with appointment letters signed by the Chairman of the Board and the employee signifying acceptance of the terms and conditions set forth thereto.

5.6.2 Subsequent adjustments shall be communicated to the employee in writing.

5.6.3 A personnel file shall be opened for each employee.

5.6.4 Salaries shall be paid monthly in arrears. .

5.6.5 Travel expenses incurred by staff, or any other authorized person, shall be reimbursed according to the regulations set out in the personnel policies and procedures manual.

5.7 Fixed assets

5.7.1 It shall be the responsibility of the Manager to maintain a complete and accurate asset register.

5.7.2 The assets register shall have the following:
- (a) Assets Identification number
- (b) Acquisition date
- (c) Description of the asset

(d) Location
(e) Class of asset
(f) Cost of acquisition
(g) Accumulated depreciation
(h) Net book value

5.7.3 New equipment to be added to the asset register by the Manager.

5.7.4 Assets shall be checked ***annually*** by the Treasurer.

5.7.5 Asset records must be kept in the office.

5.7.6 At the end of every month the Manager shall verify that the depreciation charge is correct and as per the schedule for each class of items.

5.7.7 On delivery, the asset shall be classified, tagged and recorded in the fixed assets register.

5.8 Disposal of assets

5.8.1 The board shall approve disposal of fixed assets on ***recommendation of the Executive.***

5.8.2 No assets shall be disposed without the written authorization of the ***Executive*** Committee.

5.8.3 On the strength of the Committee's written authorization, the Board shall invite members' bids for the purchase of the asset as provided for under Procurement and Disposals Policy.

5.8.4 On the receipt of a minimum of three bids the Committee shall sit and adjudicate over the bids. The adjudicating committee shall comprise the Manager, Treasurer and one member from each of the committees.

5.8.5 On conclusion of sale to the winning bidder and on the strength of the Board's disposal authorization, the Manager shall prepare a general journal to record the disposal of the asset and the gain or loss on disposal.

5.8.6 The journal shall include an adjustment to the Revaluation Reserve account.

5.9 Month-end Accounting Procedures

5.9.1 The Manager has the overall responsibility to ensure that the month-end is carried out no later than the 8th of each month.

5.9.2 At the end of the month the following steps shall be taken:

(a) Check to ensure all postings are complete and accurate.

(b) Check to ensure that all reports and reconciliations have been prepared.

(c) Production of monthly management reports.

5.9.3 Before the production of the month-end reports, the Manager shall ensure that all postings to the ledger are complete.

6. Declarations/Signatures

We, the undersigned, individually and collectively give commitment to the implementation of the Finance and Accounting Policy and procedure manual by appending our signatures.

Name	Signature	Date
Douglas Mamuni Chairperson		17/07/2024
Lewis G Thobela Vice-Chairperson		17/07/2024
Vusi N. Malubane Secretary		2024/7/17
Sizwe L Maseko Treasurer		17/07/2024