

**FINANCE POLICY**

FOR:

MWOK HUMANITARIAN ORGANIZATION

(MWOK HO)

**FINAL DRAFT**

**JANUARY 2017**

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# ****Policy Summary****

**MWOK HO finance and procurement policy is an administrative instrument used for managing finances and other resources of the organization. It details what to do, how to do, where to do and when to do given the available resources. This policy is an attempt by the management to ensure descent and orderly way of administering and managing the resources. It is an essential financial administration and management instrument that promotes stewardship, accountability and development in an organization.**

**This policy document was approved by MWOK HO Board of Directors. It entails the processes and procedures required to undertake financial and procurement processes in MWOK. This is the first document that shall remain in force for a period of five years. The following policy statements are entailed in this document; 1) expenses policy, financial and procurement adherence guideline, cash policy, expenditure authorization policy and management of accounts receivable.**

This Accounting and Finance Administrative Procedures manual is prepared for MWOK contains instructions and guidelines on MWOK accounting procedures, financial reporting, budgeting and budgetary control and audit requirements for the MWOK and Donor funded projects to be followed by MWOK staff.

**1.1 Meaningful well being of Communities through Knowledge transformation Humanitarian Organization**

MWOK HO is a national NGO that firmly stands as a non-profit, apolitical and non- sectarian institution created by a group of highly professional volunteers who wished to address needs of the marginalized and vulnerable populations.

MWOK HO’s mandate is to build and strengthen local capacity for enhanced community resilience, social economic transformation and sustainable development. We envision resilient communities that are healthy, productive, and empowered for sustainable well-being. Our core thematic areas and strategies focus on: Strengthening resilience of poor and vulnerable communities through integrated Community-Based Disaster Risk Reduction interventions; Increasing production and income of women through sales of vegetables and horticultural products through enhanced value chain analysis and market linkages; Increasing community nutrition surveillance, education/counseling and promotion in schools and public places with focus on good nutrition in childhood and risk of dietary associated non-communicable diseases; Increasing public awareness on climate change adaptations, and environmental protection; Increasing support for women and youth led groups engaged in productive venture to earn living through improving saving cultures among VSLA groups; Improving local capacity of CBOs/FBOs and DLGs in assessments, project development, implementation, M&E and financial accountability, sanitation and hygiene education. Throughout our programming and implementation, we shall mainstream gender based violence (GBV) and child protection issues, social inclusion (people with special needs e.g. PWDs) and civic education on the rights and demand for services and accountability from actors.

**1.2 Vision**

We envision resilient communities that are healthy, productive, and empowered for sustainable well-being

**1.3 Mission**

Our mission is to build and strengthen local capacity for enhancing community resilience for socio-economic transformation and sustainable development

**1.4. Values**

MWOK HO is guided by values of competency, drive for results, accountability, integrity, ethical code of conduct, gender responsiveness, resilience and respect for human dignity and rights in implementing its country program interventions.

## ****List of Acronyms****

**MWOK : Meaningful Wellbeing Of people through Knowledge transformation**

**ED : Executive Director**

**FA : Finance Assistant**

**HR : Human Resource**

**HO : Head Office**

**PM : Programme Manager**

**VDU : Visual Device Unit**

# 2.0 EXPENSES POLICY

## Policy Statement

MWOK will reimburse staff and volunteers for REASONABLE additional expenditure incurred as a result of carrying out MWOK’s business. The value of expenditure claimed must fall within the limits set by this policy.

## Staff Responsibilities

Staffs have a duty to get best value for money for MWOK at all times. Staffs have a responsibility to act prudently and only incur expenses that are wholly necessary for MWOK’s business, cost effective and reasonable. They are also responsible for the prompt submission of correct claims and the deduction of any imprest received. Managers are responsible for checking and signing approval of expense claims from staff and volunteers reporting to them.

Spending MWOK’s money on expenses is no different to any other purchasing decision and should follow MWOK’s purchasing and supply procedure.

## MWOK’s Responsibilities

MWOK has a duty to ensure that staff and volunteers are promptly reimbursed for expenditure incurred and claimed in accordance with this policy.

## Scope & Application

This policy applies to costs relating to MWOK staff and volunteers incurred in the country of operation. This policy covers all costs relating to MWOK staff and volunteers, whether invoiced or reclaimed by individuals.

## Exceptions

The policy acknowledges that there can be exceptions to the limits stated as stated here in this document in certain instances due to local circumstances. Such exceptions need to be approved in advance by the Executive Director (ED).

## Queries & Questions

Queries about this policy should be directed in the first instance to your line manager. Where they are unable to resolve a query, they should contact the Finance Manager. Any issues that cannot be resolved by reference to this policy will be referred to the ED who will consult with the Finance Manager in resolving it.

## Procedure for Claiming Expenses

For all expenditure being claimed (including those not necessarily incurred) in country of operation, only expenses claimed on an MWOK Expenses/Imprest Claim Form will be approved.

For MWOK Expenses /Imprest claim Form – Use separate forms for different currencies.

Staff completing the expenses claim form must include sufficient detail to enable the reader to understand the reason why the expenses were incurred. For travel expenses this must include details of the purpose of a journey and the places visited.

In all of the above circumstance the imprest claim form should be coded to the correct budget code, signed and dated by the person claiming the reimbursement and then submitted to their line manager(Budget holder) for approval.

## Receipts

Receipts or Invoices should support all expenditure claims. Receipts should be sequentially numbered and attached to the imprest claim form that they relate to.

Where a receipt covers the expenses of more than one eligible person (e.g. where 2 people have a meal together and only one receipt is received), only the person who paid the expense should claim. The claim form should state how many people the receipt covers and who they were.

## Missing Receipts

Occasionally it is not possible to obtain a receipt. Where this is the case, a no-receipt form must be used. The no-receipt form must include sufficient detail of the expenses incurred and the reason for not having receipts. The no-receipt forms must be approved by your line manager

## Approval

1. Staff may not approve their own expenses nor may a subordinate of the claimant approve them. Line managers should review the expenses claim to ensure it is consistent with this policy then sign and date it.
2. Line managers have the authority to reject expense claims that fall outside this policy where the expenditure was not approved in advance in accordance with this policy. In such circumstances the unapproved claim will be returned to the claimant.
3. Expenses claim forms for expenses more than three months old (six months where the claim relates to a trip outside the normal country of work) will not be approved except in exceptional circumstances.

## Submission

1. Staff will submit their claims to Finance for review/checking (signed and dated) before submission to the respective Line manager for approval (signed and dated). The staff will then take the approved claim to Finance for processing. Unapproved, unsupported (missing invoices except as per above) or non-coded expenses claim forms will not be processed. In such circumstances the claim will be returned to the staff
2. Finance staffs have the authority to reject expense claims that fall outside this policy where the expenditure was not approved in advance in accordance with this policy. In such circumstances the claim will be returned to the staff.

## Payment

Approved and processed expenses/imprest claim forms will be settled either via payroll, cheque or via petty cash where within the set petty cash limits.

## Allowed Expenses and Limits

These allowed expenses and limits have been reviewed and approved by board and shall be reviewed in subsequent years when deemed necessary.

## Cost of Meals

MWOK will reimburse the cost of a moderate meal when a member of staff is away on official duty. This is payable up to maximum limits as follows:

## Per diems (In Country)

MWOK’s Policy is that all staff will be entitled to an equivalent of $50 to cater for out of pocket expenses, save for staff travelling inside Uganda for official MWOK business.

## Per diems (Abroad)

1. MWOK’s Policy is that all staff will be entitled to an equivalent of USD $ 25 to cater for out of pocket expenses and $75 for accommodation and $30 for meals
2. **Note:** where MWOK’s guest house exist, MWOK will normally provide meals in its Guesthouses (GHs). Where meals are provided, MWOK will not reimburse the cost of meal(s) incurred by a member of staff who opts to eat outside, save for the exception above.
3. Where meals are not provided either in the Guesthouse or hotel, MWOK will reimburse the cost of a moderate meal subject to the limits above. Staffs have the option of eating & submitting individual claims and/or having a designated staff member who will make a joint claim on their behalf.
4. Where an expense claim for meals covers more than one eligible person, (e.g. where 2 people have a meal together and only one receipt is received) only the person who paid the expense should claim. The claim should state how many people the receipt covers and who they were.
5. A volunteer working more than 5 hours per day is also entitled to claim the actual cost of meals taken on the basis of receipts presented up to the maximum limits (as above).
6. MWOK does not make reimbursement payments to paid staff for drinks, snacks and meals at their normal place of work.

## Accommodation

1. When an overnight stay away from home on MWOK business is involved, MWOK will provide accommodation in one of its Guesthouses where available. In the absence/unavailability of such a Guesthouse (GH), MWOK will book for accommodation at a recommended hotel.
2. Where no such GH/recommended hotel exist, especially during field visits/emergencies, MWOK will reimburse accommodation expenses up to a maximum of (see below table) per night for bed only at $50 Uganda
3. Where it is not possible to find accommodation at this price and when approved in advance by the line manager, this maximum can be exceeded. The line manager should initiate the appropriate receipt and line on the expenses claim form to confirm that they approved this excess cost. Whenever possible bookings should be made in advance, through a local MWOK office, at a recommended hotel.

## Revision of Fees

The fee for meals and accommodation is subject to revision depending on the cost of living and the circumstances of the places where staff works.

## Alcohol

MWOK does not normally pay for alcoholic drinks. However, when entertaining guests from outside MWOK and where the entertainment is in the furtherance of MWOK’s business, within reasonable limits, it is possible to charge the cost of alcohol. Staff should obtain approval from the ED before entertaining guests from outside MWOK if it is likely that they will incur expenditure on alcohol. “This policy is a matter of principle and not a matter of cost comparison with a soft drink”. MWOK ‘s major donors do not recognize alcohol as a legitimate business expense and the cost of alcohol should not be charged to donor-funded projects (restricted).

## Entertainment

When entertaining visitors or business contacts in the furtherance of MWOK’s business, MWOK will reimburse the cost of this entertaining up to a maximum of $20 (excluding alcohol) per external visitor. Reimbursement for alcohol is explained separately above. MWOK will not reimburse the cost of the staff members’ personal entertainment nor internal visitors’ entertainment. Where practical, staff should encourage the visitor or business contact to pay for the entertaining. It should normally be expected that visitors and business contacts will be aware of MWOK's need to be cost effective and often a sandwich or light meal is just as effective form of entertaining.

## Attending Conferences – external and internal

The accommodation and meal rates, and principles regarding entertaining and alcohol detailed in this policy cover all circumstances (except where specifically stated) including staff attending externally and internally organized events such as conferences, seminars, courses and workshops. This applies whether the expenditure is incurred via an expense claim or via an invoice direct to MWOK from the event organizer.

## Travel Expenses

1. All staff and volunteers should consider the travel options available to them before deciding which mode of transport to use when travelling on MWOK business.
2. Travel should be by a mode of transport that takes account of safety, cost effectiveness and efficiency. Travel arrangements will normally be arranged by the logistics team.
3. Staff should submit a travel request form duly authorized by their line manager, clearly highlighting the purpose of the trip and the budget code. If in doubt you should discuss the appropriate mode of transport with your line manager. Note MWOK will only reimburse travel expenses up to the last country of operational border not annual leave travel expense.
4. Staff members who have completed their field trips and returned to their duty station should settle their travel advance within three days of the date of their return.
5. The daily per diem rate is subject to revision depending on the cost of living and the circumstances of the places where staff usually travel for MWOK business.

## Public Transport

Subject to country of operation Security guidelines and where applicable, the cost of public transport will be reimbursed in full. Wherever possible, advantage should be taken of early booking to obtain cheaper seats. The imprest/expense claim for a flight needs to be supported by the receipt or invoice as well as the ticket stub. All air travel should be pre-authorized through the completion of a Travel Form.

## Taxis

Where a Taxi is used, a receipt and an explanation of the reason for use should support expenses claims for taxi fares. These have to be authorized by the respective line manager

## Penalty Notices and Penalty Fares (for travel)

MWOK will not reimburse the costs of penalty notices (e.g. parking tickets or speeding fines) or penalty fares (e.g. fare dodging penalties) incurred on either public transport or whilst using a company, pool or private car on MWOK business. Staff in charge of MWOK vehicles are required to act with due diligence at all times.

## Interview & Telephone Expenses

MWOK’s will not pay for Expenses incurred on interviews and mobile communication, it’s expected that staff concern should ensure prior authorization by the line manager before moving on to incur the expense.

## Professional Fees

Where membership of a professional association is regarded as an essential requirement and included in the job profile for a particular post, the staff member may claim reimbursement of the appropriate fees. For posts where membership of a non-professional association is regarded as being desirable, specified staff may claim a partial reimbursement of fees. Staff should refer to the Human Resources Policy & Procedures Manual for detailed guidance subject to budget availability and clearance from the Executive Director.

## Eye Tests

Staff classified as a user or operator of VDU equipment may be reimbursed the cost of an eyesight test and spectacles if they meet the appropriate criteria. Staff should refer to the Human Resources Policy & Procedures Manual for detailed guidance.

## Passports

MWOK will not reimburse the cost of a first passport. Where a second passport is required for specific business reasons (e.g. to allow two visa applications concurrently) MWOK will reimburse the cost of the extra passport.

## Practicing Licenses

MWOK will not reimburse the initial cost nor renewal fees for such licenses, including Driving License.

## Removal Expenses

Staff should refer to the Human Resources Policy & Procedures Manual for guidance on removal expenses.

## Miscellaneous Expenses

Occasionally other expenses may be incurred whilst working on MWOK business. Costs may be reimbursed if supported by receipts and may include items like postage or stationery. Line Managers should specifically approve on a line-by-line basis all claims for such miscellaneous reimbursements. Where there is any doubt about whether an expense will be reimbursed staff should obtain advice from their Finance Team before incurring the expenditure.

## Non-Program Expenditure

1. Non-program expenditure is that expenditure which is incurred and paid by MWOK which have no direct relation either operationally or running programs
2. Regardless of the nature and the amount involved authorisation from Executive Director and Program Manager must be obtained before the incurrence or payment of any non-program expenditure.
3. Unless otherwise decided, the accounting and reporting of non-program expenditures shall be governed by all procedures described in the MWOK Manual.

# 3.0 CASH POLICY

## Policy Statement

MWOK transfers funds, makes payments via non-cash means whenever this is possible. Nevertheless, in some areas that we work, cash transfer/payment is required. We do not wish to encourage the use of cash transfer/payment any more than it is absolutely necessary, however, when it is necessary, we should comply with best practice to minimize risk to MWOK, our staff and our funds

The aim of this policy is to set out clearly circumstances when payments/transfers can be made through cash and appropriate office cash limits for each programme office. It should normally be read in conjunction with other relevant policies including MWOK’s Policy on Hand Carrying Cash

The cash policy works in conjunction with these policies and does not supersede their requirements or any other requirement. If you come across any difficulty please ask your Finance Manager for advice.

**Why MWOK HO requires a cash policy**

MWOK needs an overall framework for cash management to minimize on the risks of cash handling and prevent either inefficient use, misappropriation of cash and threats to staff safety. This policy will reduce MWOK's exposure to three risks:

* Inappropriate/inefficient application of cash;
* Potential losses/theft;
* Threats on staff safety.

**In addition:**

1. Budget holders need to know clearly when they have authority to authorize cash transfers/payments and what to do when they need further authority.
2. Finance staff and those in need of cash need to know their responsibilities.

**Implementation of this policy**

The MWOK Finance Manager will implement this policy working with and through the functional and program teams. He/she will be supported by the field Project managers/Coordinators by virtue of the line management role that they have with the field finance persons.

**How often will this policy be reviewed?**

The policy will be reviewed every five years. The cash & transfers limit table **(see below**) will be reviewed and updated by the Finance Manager in line with organizational changes as necessary.

## Cash authorization principles

1. Authorization is required for all aspects of cash payments/transfers: e.g. an Imprest request, a salary advance, Top Ups, etc.
2. The appropriate budget holder has the delegated authority to authorize all cash payments/transfers within the limits set out in the table below and in compliance with the Expenditure authorization principles - See the MWOK Expenditure Authorizations Policy.

## Office Cash Limits & Transfers to the Field

The following table states the general payments rule together with additional rules, if any, for exceptional circumstances: -

|  |
| --- |
| Office Cash Limits & Transfers to the field |
| **General Rule: All payments should be by way of cheque or bank transfers** |
| Specific Rules:   1. For all cash payments, including Imp-rests, above USD 500 or its equivalent, an open cheque shall be issued to be cashed at the bank. Please submit your request well on time-(Three working days) 2. Where banking facilities exist, all staff should have bank accounts for their salary transfer. 3. Payments to suppliers – where no credit facilities are available, deposits may be placed with credible suppliers and Top Up payments made based on actual expenditure. Prior approval to place such deposits must be requested and approved in writing by the Project Manager or ED in consultation with the Program ManagerSPM. Such approval will ONLY be granted after submission of a documented due diligence report on the supplier. The SPM or ED must consult with the Finance Manager in writing before granting such an approval. Approval limits for placing deposits are set at US$10,000 for PM and ED US $20,000 4. Hand Carrying of Cash – This should only be used as a last resort. Explore other options like using credible money transfer agencies. MWOK’s policy on hand carrying cash applies. |

## Amendment/Exceptions to Authorization levels

1. A written amendment/exception request must be submitted to the ED for approval. The ED will consult with the Finance Manager and approve in writing amended/exceptional authorization level as appropriate. This is especially where no reliable banking system exists.
2. Equally in the meantime exceptions to the rules above can be granted to field operations where banking issues are not streamlined.

# 4.0 FINANCIAL REPORTS AND BOOKS OF ACCOUNTS

The following books of account and financial reports shall be generated and produced during every financial year:-

## Receipt books

These bare books that shall be used for acknowledging funds received from partners and any other source available to MWOK. The receipts shall be used for capturing both direct deposits and cash transactions

## Payment vouchers

These are books that shall be used for effecting payments to service providers and employees through the bank and by cash

## Ledger books

MWOK shall have both cash and bank ledger books for posting daily transactions.

Journal vouchersshall be used for posting actual adjustments

Asset registershall be used for recording asset information with net asset value established as per the generally accepted accounting standard rules and regulations

Inventory reportsdetailing the opening and closing balances that shall be prepared and maintained by MWOK

## Financial reports

The Board of MWOK shall receive the financial reports from the management and administration every year to reflect the financial activities and current financial condition of the organization. The format used for reporting shall be the standard conventional simplified format based on the yearly budget for purposes of performance evaluation and progress monitoring

## Statement of functional analysis of MWOK

This is a unique statement of nonprofits entity that provides information on the distribution of costs between two functional areas such as support services and programmes

## Statement of financial condition of MWOK

This is a statement of assets and liabilities prepared at the end of a specific budget year

## Cash Flow Statement

A statement that shows the flow of cash through an organization during a defined period of time

## Basis of reporting

MWOK shall operate regular schedule of financial reporting that shall have a level of details that the board may require in those reports. At a minimum, the financial reports should indicate the current cash position of the organization, the inflows and outflows for the reporting period and any outstanding expenses or receipts. Provide copies of the report to all board members. It is the duty of the directors to ensure that they review and understand the financial reports provided**.**

## Users of Financial Reports

MWOK as a non-profit making and apolitical organization works with partners, communities and government whose interest in the organization include the reports generated to reflect her efficiency, effectiveness of financial resources utilization.

The users of the financial information of MWOK shall be as below;

1. **The MWOK administration** shall use the reports for planning, monitoring activity progress, budgeting, performance evaluation showing level of accountability in the organization
2. **MWOK management and the Governing Board.** These are the main organs of MWOK that shall use financial reports for planning, budgeting, accountability, lobbying for funds and assessing performance of the organization
3. **The community** served by MWOK through service provision shall use the reports for ensuring that they have surely benefited from the project and also for planning sustainability.
4. **The Government of Uganda.** The government shall require financial information particularly for security reasons, accountability and taxation purposes
5. **Development Partners of MWOK**. Partners shall use the reports for assessing how well the funds have been used and possibilities of future funding

## Statutory Audit

1. The Board shall appoint a certified accounting firm to carry out financial audit at the end of every budget year for a specified period of time
2. The management and the Board shall at appropriate time, commission audit to look in to the financial reports as shall be warranted by the existing need
3. The audit engagement letter shall be issued by the Executive Director to the firm
4. Appointed by the Board of Director of MWOK
5. The annual audit shall be guided by the Finance Manager and assisted by the F.A and the project staff who are responsible for implementing the various projects of MWOK.
6. Confidential documents required by the audit firm shall be availed only in the full knowledge of the Senior Programme Manager and the Executive Director by the Finance Manager
7. Final audit report shall be signed by the Executive Director and presented to the Board by the appointed Audit firm. In extreme cases, the auditor shall request the Finance Manager to lay the management report before the Board for deliberation.
8. The audited financial statements should reach before the end of 30th September of every year.

## Cash Receipt

1. Cash received from different sources of funding to MWOK shall be put on the respective bank accounts and used for the designated purpose as agreed with the source. Where there are no conditions, the cash will be spent on the institutional annual budget
2. Cash received from different sources available to MWOK shall be receipted in Finance office. The usage shall be requisitioned from the Finance office by the respective users with different needs as shall be in the budget of the organization
3. For all cash drawings from the bank, receipts will be issued to the bank account affected and attached to the bank voucher with the corresponding document.
4. MWOK shall not take responsibility for any cash received and expended without the Knowledge of the Finance office, approval of the Program Manager and the authority of the Executive Director

## Cash at Hand

1. Cash at hand shall be kept in safe under key and lock.
2. Cash count shall be carried out by the Finance Manager of MWOK every evening before locking it in Cash Box/safe. A certificate shall be issued by the Finance Manager after every cash count bearing the signature of the cashier attesting to the details therein.
3. Keys to the safe/cash box shall be kept overnight by the Finance Manager and released to the Cashier every morning for transaction of the day’s business
4. A fixed amount of petty cash shall be maintained in the office according to the cash limits set forth in this policy by the Finance Manager to meet daily office operational needs. The petty cash shall be administered by the Cashier.

## Cash Requisition

1. The request for cash shall be initiated by the prospective user clearly stating the need therein Cash Requisition Form with a supporting memo attached explaining the details of the budget line affected
2. The Cash Requisition Form shall be addressed to the ED through the Head of Department for approval
3. The authority to effect cash payment shall be issued by DOP/ Country Director depending on their levels of approval provided for in this policy.
4. Payment of cash requisition shall be made by the Finance Assistant/Cashier in Finance office upon express instruction of the Finance Manager.
5. The cash requested shall be received by the person detailed in the cash requisition form
6. Proof of expenditure such as receipts, invoices, way bills and other forms of demand note shall be provided within a period of not more than 5days. In exceptional cases allowance may be given where the expenditure involves international engagement, workshops beyond five days etc as shall be determined by the Finance Manager.
7. Where proof of spending shall not be adduced within the stipulated time period as in and upon failing in all attempts to ensuring the recovery of all documents, the staff affected shall be requested to refund the amount given to him for expending. The account of such a staff shall be debited with a forced Advance deductible from the monthly salary

## MWOK HO Bank Account

1. As shall be agreed by the Board and MWOK HO administration, bank accounts shall be opened in the nearest banks for projects and for managing operations.
2. MWOK HO shall maintain local currency account with dollar respectively depending on the rate of inflow and volume of operations involved in each currency

**Signatories to the account shall be: -**

1. Executive Director
2. Director of Program
3. Finance Manager
4. For effective running of the Bank Accounts, the management shall introduce additional staff as signatory to the account where it’s deemed necessary.
5. Bank withdrawal summary shall be prepared monthly for accounting and management purpose. The Bank withdrawal summary sheet shall be shared among the Executive Director, Director of Programs and Finance Manager for planning purposes

## Bank Reconciliation

Bank reconciliation provides a useful proof that all bank transactions made in a particular month are properly accounted and recorded in the books of the office.

1. Bank reconciliation should be done as soon as the statement is received from the bank (The second day of the subsequent month). The reconciliation must be in detail and include the date, reference number, and description of all outstanding items.
2. The reconciliation should be done by Head of Finance
3. The Head of Finance must take immediate follow-up with the bank regarding any unknown charges to the bank account and settle the case within a day or two.
4. The Country Director should be informed about all unusual issues arising on bank reconciliation.
5. Outstanding cheques must be reviewed to ensure that the MWOK office is not delaying them. All outstanding cheques of more than 2 months must be followed up with the payee. Any cheque that is outstanding six months after issue should be cancelled.

## Cheque Management

1. All cheque books (i.e. used and or unused) shall be kept under key and lock in safe
2. Serial numbers of cheque leaves shall be the basis of issue of cheque leaves and carrying out reconciliation. Where a cheque leaf is cancelled for errors committed, the Finance Manager shall counter sign on the affected leaf.
3. Every cheque leaf issued shall bear the signatures of the authorities therein enlisted in this document.
4. Cheques shall be written by the Finance Officer who shall be answerable to the Finance Manager
5. Cheques issued shall be accompanied by withdrawal request form signed by the Finance Manager detailing the purpose of withdrawal and the payment voucher
6. All cheques issued shall be signed for by the recipient in the delivery book/cheque register and the payment voucher
7. Dishonored cheques of MWOK shall be cancelled and filed for reference purpose
8. Spoiled or cancelled cheques should be stamped" CANCELLED” and holes punched in by the Finance Officer and stapled back to the cheque stub.
9. Payments to suppliers shall be done by cheque. In exceptional cases; no bank account or even banks, sundry payments etc, as shall be determined by the management, cash may be used
10. No cheque shall be signed without the amount required affixed on.

# EXPENDITURE AUTHORIZATION POLICY

## 5.1.1 Policy Statement

MWOK- policy is that only staff with delegated authority can and should authorize expenditure on behalf of MWOK.

The aim of this policy is to set out clearly the appropriate levels of authority for authorizing goods, works and services for the MWOK programme. It sets out what authorization means and the difference between authorization and checking. It should normally be read in conjunction with other relevant policies including:

1. The Authority to Supply policy which outlines in detail all the processes involved in purchasing of which expenditure authorization is one of the earliest steps: as in the supplies policy and procedure manual.
2. The Human resources manual that touches aspects of expenditure relating to medical bill, R&R, and admin lines.
3. The Expenses policy that covers the policy for reimbursing employees for out of pocket expenses:

The expenditure authorization policy works in conjunction with these policies and does not supersede their requirements or any other requirement. If you come across any difficulty please refer to the Finance Manager for advice.

## Why MWOK HO requires an authorization levels policy

MWOK HO needs an overall framework for expenditure authorization to prevent either a plethora of inconsistent rules or having no rules whatsoever. This policy will reduce MWOK's exposure to three risks:

1. Inappropriate decisions being made;
2. Management resources wasted on authorizing at too low level;
3. Excessive authorization leading to a dilution of responsibility meaning that the key decision maker is not held accountable for their decision.

**In addition:**

1. Budget holders need to know clearly when they have authority to make requisitions, commit to expenses and what to do when they need further authority.
2. Budget holders need to understand what expenditure authorization means and what implications it has on the budgets they manage.
3. Those involved in further checking need to know their responsibilities.

## Implementation of this policy

The Finance Manager will implement this policy working with and through the functional and programme teams. He will be supported by the field Programme/Project managers by virtue of the line management role that they have with the field finance persons and the Kampala office finance team.

The expenditure authorization levels table will be reviewed and updated by the Finance Manager in line with organizational changes as necessary.

## Expenditure authorization principles

1. Authorization is required for all aspects of expenditure: e.g. a requisition, project expenditure, capital purchases, and Incident Report/HR Business case, etc.
2. Expenditure authorization MUST occur at the earliest point in the transaction chain (i.e. Requisition stage). For example budget holders should authorize purchase requisitions at the start of the chain, not invoices at the end.
3. The appropriate budget holder has the delegated authority of trustees to authorize all requisitions within the limits set out in the table below. Note; Expenditure can only take place where there is a budget to cover it and any other supporting process has been authorized (e.g. Incident Business case).

## Expenditure authorization table

The following table states the general expenditure authorization rule together with additional rules, if any, for exceptional circumstances: -

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **MWOK HO Expenditure Authorization Levels** | | | | |
| General Rule: | | | | |
| **Type** | **Executive Director** | **Director of Programs** | **Technical Coordinators / Program Managers (PM)** | **Functional Heads, Advisors, Project Managers (This should be within the departmental.** |
|  | All expenditure amounts with the MWOK HO budgets | UPTO  $-30,000 | UPTO $-10,000 | P.A: Fin budget only $0-$2,000  HRM: HR&A budget $0-2,000  Logistic: Log budget $0-2,000 |

|  |  |  |
| --- | --- | --- |
| **Purchase Order & Call down Signing Levels** | | |
| **Type** | **Kampala** | **Field Office** |
| Purchase Order / Contracts | Executive Director: $0 - Up to SR authorized amount | Program Manager: $0 - $10,000 |
| Call downs. | Executive Director /Senior Programme Manager: $0 –Up to SR authorized amount Required level. | Program Manager: $0 - $10,000 |

## Authorization versus checking

There are 2 different processes: authorization and checking.

1. A budget holder authorizes payment to be made against their budget and is accountable for their action. If the expenditure is above the budget holders level then the budget holder MUST authorize and seek the authority of the appropriate level manager for counter authorization, in this case both are accountable for their action.
2. Finance teams, purchasers, etc. checkthat the authority is appropriate, that the expenditure is legitimate and consistent with the order and requisition. Finance staff involved in checking has a duty to refer any transactions they think are questionable to their manager, irrespective of value. For instance they should refer concerns about the charitable nature of a payment, inappropriate cost, and insufficient documentation to their manager.
3. **Delegating authorities**
4. Budget Holders can delegate authority to implementing managers or to others in order to cover leave, work-related absences or busy periods. They remain accountable for delegated actions. If a budget holder's post is vacant the post's manager will assume responsibility, which they can then choose to delegate.
5. Signed delegated authority forms should be sent to country Finance Manager, stating the length of time and any transaction limit attached. Budget holders cannot permanently delegate their expenditure authorization powers.

**d) Amendment to Authorization levels**

A written amendment request must be submitted to the Executive Director for approval. The ED will consult with the Finance Manager and approve in writing amen.

# MANAGEMENT OF ACCOUNTS RECEIVABLE

1. No debtors shall be created without the knowledge of the Executive Director /Director of Programs.
2. All accounts receivable shall bear written agreement for record purpose, future claims and accountability
3. Provision for bad and doubtful debts shall be made by the Finance Manager with the advice of the DOP
4. The write off of bad and doubtful debts shall be approved by the Executive Director of MWOK
5. List and age of accounts receivable shall be maintained and drawn for review of progress of recovery monthly.

## 6.1.1 Project Funds

1. The Executive Director shall be principal custodian of all approved donor project proposals and contract documents signed by MWOK and partners. The DOP and Finance Manager shall keep file copies to guide the implementation process and reporting.
2. Unless unrestricted, MWOK shall maintain independent bank accounts for all designated funds from development partners. The project bank accounts shall be managed by the signatories outlined in this policy document.
3. The Finance Manager shall prepare financial reports for all donor funded projects and submit to the partners under his/her signature, Senior Program Manager and the Executive Director upholding the specified terms and conditions attested to in the contract documents.
4. The Executive Director and the DOP shall maintain links with development partners so as to maintain cordial and progressive relationship. On matters of financial management with the partners, Finance Manager shall link MWOK management with partners through acknowledging transfers, accounting for funds, explaining areas that may need clarification on financial matters and ensuring that there is value for funds from partners.
5. The Executive Director and the DOP shall receive monthly updates of the portfolio of development partners from the Finance Manager stating expressly the funds used with the budget lines funded and project reports for which funds have been used.

# PAYMENT OF SALARIES & WAGES

## 7.1.1 Payroll

Payroll is an item of particular importance because salaries and wages constitute a significant item of office expenditures. They present one of the prime opportunities for fraudulence misappropriation and thus, the Head of Finance and Administration has the responsibility to ensure that the following internal controls, accounting and reporting procedures over payroll preparation, payment and recording are properly adhered to.

1. Salaries should be determined by the Executive Director in accordance with MWOK guidelines
2. Salaries should be on the employees account on the 26th day of each month.
3. Salary advances to the staff shall be paid up to 10% of the total annual pay. The recovery of such advance shall be within the three months in equal amounts.
4. MWOK staff can only take salary advance twice in a calendar year.
5. All payroll obligations shall be paid as per legal requirements of the Government of the of Uganda.
6. Pay slips signed by the employees shall have their copies kept in the archives of MWOK.
7. Staff salary increment and different categories of allowances shall be determined by the senior management following the procedures layout in the Human Resource Policy governing staff welfare and motivation decisions.

## Payroll Preparation

1. Payroll shall be prepared by the Finance Officer. Payroll should be prepared in sufficient copies.
2. The head of Finance and Administration should check the accuracy and completeness of the payroll sheet before the approval of the Executive Director.
3. The statutory deductions made from employees gross earnings should be paid to the appropriate government institution by the date provided by law.

## Financial Reserves

MWOK shall have finance reserves for forward operations of its business in the bank. The Board of Directors and management of MWOK in a meeting or during their annual budgeting shall establish the amount of funds that the organization shall maintain as reserves.