ACCOUNTING & INTERNAL CONTROL POLICIES

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INTRODUCTION

Internal Controls and Policies are the set of rules, procedures and practices developed and employed to facilitate the safeguarding of an entity's assets be they liquid (cash or investments) or fixed (infrastructure or equipment) or intangible (credit rating or information). The importance of internal control to an organization is determined by the level that its resources are directed, monitored, and measured. Resources include staff time and effort to protect all other resources through monitoring and measurement including steps to prevent and detect fraud.

The goals and objectives of this Internal Controls Policy are to protect public assets and to foster reliance on public information for decision making purposes at all levels both internally and externally. At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations.

At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the organization's payments to third parties are for valid services rendered). Internal control procedures reduce process variation (inconsistency), leading to more predictable outcomes. The aim of this manual is to assist management to develop a properly laid out Accounting and Internal Control policy for implementation in the company.

Objectives

The objectives for this manual are stated as follows:

a. To formally set out a written documentation of the accounting system and financial Internal Control procedures to be followed by the company. This will help ensure proper book-keeping and a system of recording all financial documentations and transactions.
b. To ensure uniformity and consistency in the Accounting and Financial Reporting Procedures.
c. To establish the basis for explaining each transaction to Management / Director and help educate newly employed staff on the functions of the company and its operational activities.
d. To produce reports and statements that will effectively help the transformation of the financial data into financial records to Management and Board of Directors.
e. It helps in the key management tools in the formulation of financial policy, the control of its execution and appreciation of its effectiveness.
f. To serve as a guide to efficient record keeping and to eliminate fraud.

Basis of the Controls:

These control systems are responsibility based. The main purpose is to ensure quick and early detection of lapses that might have un-desired consequences. It will therefore be a useful tool as it will ensure a clear line of authority and responsibilities to enable the Director of the company to manage the activities of the company in line with the current legal requirements and to set records straight in line corporate objectives. At the same time, it affords top management and the Board a basis for insisting on accountability from the Director, and other key administration staff. It also facilitates continuous performance assessment of all staff.

Compliance with Standards and Regulations

The aim of this manual is also to help comply with various standards and regulations that govern operational activities. For this reason, the contents of the manual will include Reporting and Accounting requirements in the following Legislation and Documents:

1. The legal framework stakeholders
2. International Accounting Reporting Standard.
3. Tax Authorities
4. SSNIT requirements
5. Registrar General etc.

ACCOUNTING POLICIES

The following accounting policies can be followed in the preparation of the financial statement of the company.

a. Financial Year: The financial year of the company shall commence on 1st January and end on 31st December of same calendar year as a normal practice in Ghana.

b. Accrual Accounting: The accrual basis of accounting shall be followed in the preparation of financial statement. Thus incomes and expenditures shall be recognised when earned or incurred and not when cash is received or paid.

c. Historical Cost Accounting: The financial statement of the company will be prepared on the Historical Cost Convention.

d. Depreciation: Depreciation of fixed assets shall be calculated on the straight-line method at rates considered by management as adequate to write of the book value of assets at the end of their useful lives. Normally, the acceptable rates for most companies are;

Land	Nil
Building	2%
Motor Vehicle	20%
Equipment	20%
Office Furniture /Fittings	20%
Computer Hardware	33.33%
Computer Software	50%

e. Foreign Currencies: Assets and liabilities denominated in foreign currencies will be converted at the rates ruling on 31st December of the given year for the purpose of the balance sheet.

f. Stock of consumables available on 31st December shall be valued and included in the Accounts at the lower of cost or net Realisable Value.

CASH MANAGEMENT POLICIES

Cash Controls

Since cash is the most vulnerable Asset of the company, its management must be properly controlled. To ensure adequate control over cash, the company must institute the following procedures.

a. Separate responsibility for handling cash from recording cash related transactions. The staffs who receive cash should not be the same person who should record the transactions.

b. The Accountant must concern himself with keeping records that matches daily transactions which are related to cash and bank transactions.

c. Monies received must be handled solely by the Cashier which will be banked intact and he or she will be responsible for the detail report to the Accountant.

d. There must be a well-secured safe into which cash collected for day to day activities shall be kept after the banking hours is over. This cash must be deposited the following day to the bank account.

e. Reconcile bank accounts (cash book) with statement from the bank on monthly basis.

f. The staff who received the money must not prepare the bank reconciliation statement under any circumstances.

g. All incomes for the day must be deposited into the company bank account intact. under no circumstances where expenses shall be made out of cash received.

h. The incomes must be deposited into the company bank account on daily basis. In case the daily income is not enough for deposit into the bank account, more days' income can be consolidated and deposit intact.

i. There shall be a cheque received register to track all cheque incomes and in case of a cheque being dishonoured.

j. In case of emergency expenditure for which cash will be taken from daily income, the director can authorize for the money to be taken out of cash received and a cheque will be written for withdrawal to replace the cash taken from income. Many companies collapse as a result of taking cash from daily incomes because it opens the door for misappropriation of funds.

k. The business entity concept must be observed where the business is different from the owners as such anything taken from the business by the owners must be replaced immediately.

l. All used pay-in-books should be properly kept in the office for future reference and numbered serially. e.g. 1,2,3,4 etc.

Recording of Cash Transactions
The company should keep separate cash books for every bank account and must prepare the reconciliation according to the various banks.

Preparation of Bank Reconciliation Statements
The end of the month balance on the various cash books represents the assumed cash at bank and a bank reconciliation statement should be prepared to agree with it. The reconciliation of the Cash Books with Bank Statements involves the adjustment of the balances in the bank statement at the end of the month to reflect cheques drawn and lodgements made entered into the cash books but not yet recorded in the Bank Statements.

The reconciliation must always start with the balances shown in the bank statements at the end of the month or cash as per cash book and must always end with the balances in the cash books or bank statements. Take the figure shown in the bank statement and deduct from it any cheques not presented at the reconciliation date and add any money paid into bank but not credited by the bank until after the reconciliation date. The reconciliation statement must be prepared by an officer who is not involved in the receipt and disbursement of cash and checked or endorsed by the Director.

PETTY CASH MANAGEMENT

The Impress Fund

a. A petty cash fund, based on an impress system should be operated. This fund should provide a means of payment for minor items of expenses when it is not practical to pay such items using the regular main cash disbursement procedures, which normally involves the issue of cheques.

b. The size of the fund should be reviewed by the Director or CEO in consultation with the Board from time to time in relation with the economic realities in the country.

c. The data recorded on the petty cash payment should include the following:
    (i) Serial number of the petty cash voucher
    (ii) Date of the transaction
    (iii) Payee
    (iv) Amount involved
    (v) Expense account to be debited
    (vi) Description of the expense
    (vii) Evidence of authorisation.

d. Petty cash payments should be made from an accountable imprest that will be kept by the officer responsible.

e. The maximum amount of the impress will depend on the frequency of payments.

f. Petty cash vouchers should cover all disbursements out of the imprest of the company. Such vouchers should be authorised by the designated authorizing executive.

g. When the petty cash gets down to certain minimum, cash should be withdrawn from the bank to replenish the imprest to the amount of the float.

h. Before any replenishment is made, the CEO should check and satisfy himself that:
   (i) All payments are covered by approved petty cash vouchers and receipts are attached if possible.
   (ii) The cash on hand has been counted and agreed to the balance in the petty cash book.

i. The Director should sign the petty cash book to indicate that he has checked the book

j. The amount of the reimbursement should equal the actual amount that had been spent out of the petty cash float and immediately after every reimbursement the amount in the petty cash till should equal the approved float for the imprest.

Procedure for Requesting Petty Cash

a. The payee (person requesting payment) should obtain a petty cash requisition form or voucher from the Accounts Office / Director and complete the voucher, attaching any supporting documents such as receipts.

b. The Accountant/Director should review the petty cash vouchers and supporting documents for proof of the expenditure incurred and see whether the vouchers has been prepared correctly and completely.

c. The Director should examine the reasonableness of the expenditure and initial it. The approved documents should be sent to the Accounts Office for payment.
d. The Accounts Officer should make payment to the payee and then stamp the voucher and supporting documents 'paid' so that they cannot be reproduced.

e. The Accounts Officer should record the payee's name, date, amount, and account to be charged in the petty cash register. If the transaction involves advanced payment, no expense account entry shall be made until a signed receipt or invoice is returned by the person who makes the payment. In this circumstance an accountable imprest account should be credited when funds are initially paid. After invoice or receipt is returned the related expense account should be debited and the accountable imprest account credited.

f. The Accounts Officer who made the payment should retain the petty cash voucher and supporting documents and use it for entry soon after payment is affected.

g. A listing of the processed petty cash vouchers should be printed and checked to the original document to validate the data by the Senior Accountant or the director.

h. The Accountant or the director who was not involved in the receipts and payment of cash and preparation of payment vouchers should then post the data to the ledger.

i. The supporting documents and the paid vouchers should be kept in a petty cash voucher file in the accounts office.

ACCOUNTABLE IMPREST POLICY

Introduction

This policy is to establish guidelines and related procedures for travel and other expense reimbursements for costs incurred in connection with the company especially travels to site where sand and gravel winning takes place.

The office's intention is to provide employees making business trip with adequate levels of transportation, lodging, meals and other services necessary to properly conduct business. The following rules have been established to implement this accountable imprest policy. It is the responsibility of each individual to comply with these guidelines.

Further, it is the responsibility of each authorizer to approve of expense reimbursement requests, be familiar with the need for the expenditure and to ensure the appropriateness of all documentation and the observance of all regulations set forth in this policy.

Scope

This procedure applies to all travel, entertainment, and other expenditures initiated or incurred by employees in connection with the official duty.

Imprest Retirement Period

Travel related Employee Imprest Retirement Form should be submitted within three working days after a trip. All other accountable imprest should be retired within two working days following the date the imprest was made. No new advance should be given until all previous advances have been retired.

Where circumstances make it impossible to retire an imprest prior to needing a new one, a memo should be sent to the Director or Accountant given full explanation as to why the old imprest cannot be retired.

Receipts

Whenever possible, original receipts should be obtained regardless of the amount involved. This helps to facilitate good record keeping when the employee later requests reimbursement for over-expenditure. These receipts are to be attached to the Employee Imprest Retirement Form when submitted for settlement.

Also, in case of foreign travels, include printed evidence of foreign currency rates obtained in currency exchanges. If no receipt is available, the employee should indicate on the Retirement form that "no receipt was available" by putting "N/R" in the reference column of the Employee Imprest Retirement Form. (Minor expenses such as tips, local phone calls, etc., do not require additional explanations.)

Imprest Request Form

Employees must fill an imprest request form before funds may be released for all travels for which actual cost cannot be ascertained. The request should be filled and approval obtained at least three working days (or less if justified) before the imprest cheque or cash is needed. The Director or other authorized management staff must approve the imprest.

The request for imprest should state the purpose of the trip, the destinations, the date the trip begins, the date the trip ends and the amount requested. The imprest Request must be cleared when the employee submits the Imprest Retirement Form for retirement. Any unexpended imprest must accompany the Retirement Form. If an employee spends more than the imprest given, he may be reimbursed by the office when duly approved by the Employee Imprest Retirement Form when submitted.

Air Travel
All air travel by the staff must be Economy (coach) class except the Board Members and above who may use Business Class.

Lodging
Staff is to use accommodations, which are adequate and reasonably priced for the area in which they are travelling. Travelers' should check for advice regarding the hotel in which they should stay.

Meals
Executive Management staff will be reimbursed for the cost of meals while traveling. All other staff will be given their approved levels of meals allowance per day approved by the Office.

Business Meals for Guests
Travelers are expected to use good judgment at all times, especially in conducting of business with guests or foreign donors. Such business should take place in good taste.

Telephone Calls
All business phone calls and other media should be made using appropriate facilities whenever possible. If the travel is three days or more, an employee will be allowed two reimbursable personal telephone calls per week, not to exceed a reasonable duration (ten minutes' maximum). Excessive calls will not be reimbursed.

NOTE: Many hotels have excessive surcharge rates, and may charge for long distance calls even if they do not go through. Therefore, a pay phone should be used whenever possible. In addition, hotel bills should be reviewed carefully for any improper phone charges.

Gratuities
Where necessary tips may be given to attendants but should not exceed GH¢20.00. The Director or Accountant as and when it became necessary may review this.

Laundry
Dry cleaning and laundry expenses are reimbursable when the employee is traveling on official business for more than three working days.

Personal Expenses
The following items are considered to be personal expenses and not reimbursable:

- Movies in airplane or hotel and other forms of entertainment.
- Normal personal grooming expenses.

- Sightseeing tours or personal recreation.
- Magazines, books and other reading materials (exception: one local newspaper per day will be reimbursable while on trips).
- Subscriptions for magazines and newspapers that are mailed directly to the employee's
- Clothing and gifts.
- Greeting cards, flowers and decorations.
- Alcoholic beverages.
- Meals for spouse or other family members except when authorized as part of travel expenses.
- Refreshments, gifts and other similar items for birthdays, and anniversaries.

Medicines

Condition of service on Medicals shall apply during travels as well.

Approval of Imprest Retirement Forms

No employee is authorized to approve his/her own imprest retirement form. Approval must come from the Director or Accountant.

Instructions for Filling the Employee Imprest Retirement Form are as follows:

a) Print the employee name and complete purpose of trip section in upper right-hand corner, indicating dates of the trip and destinations.

b) List each receipt in chronological order, showing the date of the expenditure, description of the expense, receipt reference number and the amount.

c) Attach originals of receipts and/or invoices for each item listed on the form. (If no receipt was available, the employee should indicate on the Retirement Form that no receipt was available by coding "N/R" in the Report Reference Column.).

d) Number each receipt and/or invoice, and list this number in the reference column of the form corresponding with the line where the item is listed.

e) Obtain the total expenditure by summing up the amount column.

f) Deduct the imprest amount received to arrive at net amount due to [from] employee.

g) If employee has unexpended imprest funds, the repayment should be to the office by cash.

h) Employee must sign and date the imprest form.

i) Obtain approval of imprest retirement form from the office or Accountant.

j) Where the employee over-spend, a photocopy of the approved retirement form should be attached to a reimbursement form for payment.

Accounting Procedure

a. A separate debtor account code should be created for each employee

b. The employee is debited with the amount of imprest taken.

c. When imprest is retired, a journal is passed to debit the various expense items (including bank if there was under-expenditure). The total imprest taken is then credited to the employees account to clear it.

d. Where there is over-expenditure, the total expenditure is credited to the employee. This will create a credit balance on the employees account. The reimbursement request form will then be used to debit the employee to set the credit off.

PURCHASES POLICY

Introduction

Purchasing seeks to procure goods and services at the lowest possible cost, consistent with the best quality of goods required. Purchases should be planned in advance to eliminate relatively expensive, rush-type purchases. Management must take a decision between what constitutes a true emergency and what is merely an operating inconvenience. The high cost of rush orders is caused by lack of time so that low bidders are passed over in favor of those able to make immediate delivery, and by the use of more expensive means of communication and transportation than would normally be chosen. An orderly system of the purchasing function involves two considerations:

(a) Deciding what should be purchased, when, and at what price, and
(b) Carrying out the mechanics of purchasing from the moment the purchase is decided upon until the invoice is in and approved for payment.

The purchase Request

After a decision has been made as to purchase of materials, services, and stationery or needed capital assets, the purchase request (see attached form) is filled out by the Director or the person making the request and approved by the appropriate approving authority. Then before approving the request, the official will consider if the item(s) are included in the current year budget. If the item(s) are not included in the budget, a documented analysis of the need should be prepared by the Director who will use the item(s) taking into consideration the following matters:

- Reasons why the item is required and consequences of non-purchase.
- Explanation of the expected usage of the item and the condition (environment, frequency, number of users, etc.) under which it will be used.
- Explanation of the quality required with justification.
- Cost of the item, noting the competing cost of various makes and models with documentary evidence of quotations.
- New costs as compared to adaptation or refurbishing existing ones.

Quotations

The Manager or the person authorized to do the purchases, upon receipt of the approved purchase request, should contact the required number of suppliers. A minimum of three pro-forma invoices is required for the purchase. Fewer bids may be used for routine purchases below a certain minimum amount when the item is required urgently and there is not enough time to obtain three bids. It this case, the previous purchase price can be used when there is no change in prices. This must be justifying with evidence to prove reliability.

The Purchase Order

Consultations should be held between the person making the request and the Director or Accountant. He must consider the choice of a supplier based on cost, quality and ability to deliver on time. A purchase order (see attached form) should be completed in triplicate by the officer. The purchase order must state the quantity ordered description, unit cost and the total cost. The approving authority then approves the purchase order. The copies of the completed purchase order are to be distributed as follows:

- Original to supplier;
- Copy to receiving officer;
- Copy to Accounts office.

Supplier's Documents Required

The supplier should provide an invoice, waybill and receipts whenever possible.

Goods Received Note

The receiving officer receives the delivered goods. A copy of the invoice and waybill should accompany the goods. On the Good Received Note (see attached form) he should list the quantity received, description and values against the items. The receiving officer who signs the Goods Receipts Note in duplicate takes the goods into stock. The duplicate copy is sent to accounts for payment.

Payment for Goods Received

The office should match the invoice with the goods received note and the purchased order previously received for quantity and price. Where there are discrepancies the supplier should be notified to make up the difference or payment is limited to goods actually received. Payment is then initiated and a receipt obtained.

Purchases Documentation

The payment voucher for purchases must therefore consist of the following:

a. Purchase request
b. Three pro-forma invoices (where necessary)
c. Purchase order (where necessary)
d. Goods Received Note
e. Supplier's invoice
f. Waybill
g. Receipts

Cash or Credit

Goods are either purchased on credit or purchased for cash. The company should try and purchase on credit rather than cash provided the credit has no extra cost element. If interest is to be charged for credit facility, the Director's advice should be sought.

Credit Purchases

The procedure for credit purchases shall be as described above.

Cash Purchases
Cash purchases can be crossed cheque or actual cash. As much as possible cash cheques should be avoided. Crossed cheques should be used, as this will form a record of the transaction for any future dispute.

Where the supplier demands a cash and carry procedure, there may not be the need to issue a purchase order.

Receipt should be obtained for all cash purchases. However, in certain circumstances such as purchasing in the open market where it may not be possible to obtain a receipt, purchases may be made provided that the value of goods is minimum

Advance Payments for Goods and Services
Advance payments for goods and services should be avoided as much as possible. The Director or Accountant is responsible to ensure that, the advances are fully covered and necessary procedures are followed to ensure that none of the receivables turn bad. The advance amount should not exceed 50% of total contract price. If possible, installment (progress payments) should be negotiated as part of the contract. The installment payments should be based on performance of the contract by the supplier. This should be encouraged instead of one-time deposits to the suppliers, as this will lessen the risk.

DISBURSEMENT GUIDELINES AND VOUCHER PROCEDURES

The Cheque Request Voucher
The Account Officer should use a Cheque Request Voucher (See Form Attached) to record all payments made. A separate Cheque Request Voucher must be prepared for each cheque issued. The standard voucher numbering system should be used in all cases, using cheque numbers in a serial order.

Documentation
Each Cheque Request Voucher must have attached to it appropriate supporting documents serving as evidence of authority to pay. Supporting documents include the following:

1) Purchases Request
2) Purchases Order
3) Three original quotations
4) Invoice
5) Receipts
6) Waybill
7) Stores Receipts Voucher
8) Other supporting documents and explanations

Not all Cheque Request Vouchers will have all the above documents. Generally, adequate supporting documentation is that which is sufficient to enable a reviewer to understand the nature and purpose of the expenditure and to verify that it is properly incurred for business purposes.

All documents must be originals. If the original or the document is not available, the Director should do the following before making payment:

i. Mark the document ''duplicate'' and write thereon the reason the original is not available.
ii. Scan through all the cash and general journal entries to satisfy that this ''duplicate'' has not been previously paid and write on the face of the duplicate - "no record of previous payment" and initial it.

Supporting documents must be signed by the person who requested the purchase, the person who received the goods, the person authorized to approve the payment and the person verifying the calculations, arithmetic and prices. Supporting documents should have these four printed names plus signatures and date. There should also be a memo in the office defining approval limits for persons who authorize and approve payments.

All supporting documents should be checked by the Director for proper pricing, proper extensions and proper recording. There should be a notation on the supporting document to show that the document has been checked and signed by the Director.

Cheques issued for deposits in advance of delivery of goods should be authorized by the same person(s) that approve payment for purchases. Such payments should be debited to Supplier. They will be cleared from the supplier's account upon receipt of goods or services.

Cheque Writing and Signing

After the Cheque Request Voucher has been completed, it should be submitted to the Director with the supporting documentation. After satisfying him that the request is in order, he should authorize them for payment.

The officer shall submit the voucher to the authorized cheque signers, with the supporting documentation along with a cheque drawn for the amount of the voucher. Cheque signers have the responsibility to ensure that the payment is in accordance with the financial policy, that is the original invoice is attached to the voucher to support the payment, and that, the invoice is properly approved.

The responsibility of cheque signing should be taken seriously and should not be performed in a casual manner or just because there is a need for a "rush cheque." Cheque signers have the right to decline cheque signature if in their opinion it is not in accordance with this Accounting Manual's requirements as to documentation, or if they have any reason to believe the disbursement is improper.

Cheque writing should be scheduled with sufficient time to allow the proper preparation of cheques by the officer and the proper review by the cheque signers.

Preventing Double Payment

After payment has been made, each supporting document must be stamped "PAID" to prevent duplicate payments.

Replenishing Petty Cash

The Cheque Request Voucher is also used for replenishing the Petty Cash Fund. When the Petty Cash Fund needs replenishing, the petty cash receipts should be attached to the Petty Cash Statement following the procedures as described above. The cheque should usually be drawn payable to the Petty Cash Custodian (i.e, the officer in charge - Petty Cash) for the exact amount of the voucher. The cheque should then be cashed by the custodian and the Petty Cash Fund reimbursed, bringing the petty cash total back to the original and approved balance.

Reimbursements from Accountable Imprest.

Accountable Imprest reimbursement can be paid from the Petty Cash Fund if the total amount of the payment returned to the employee is within the petty cash payment limit; otherwise, the expense should be recorded separately by a cheque request voucher. In this case, a photocopy of the accountable imprest retirement form should be used as documentation for this.

Cheque Books

There should be only one cheque book in use in respect of any separate bank account at any given time. The Director or Accountant should keep all used and unused cheque books under lock and key and number them serially.

Filing

The cheque numbers should be quoted on the Cheque Request Vouchers they cover. The Vouchers are to be recorded in numerical sequence using the month, cheque number and sequence number. It must be noted that a separate set of Cheque Request Vouchers will exist for each bank account. The same numbering sequence will be used for each set of vouchers, except that each set must be distinguished with a prefix for each bank account. Each set of Cheque Request Vouchers must be filed separately for each bank account on monthly basis.

PAYROLL ADMINISTRATION

Payroll

The Accounts Department should maintain employee payroll Information and record all payroll disbursements in collaboration with the Director. The Director is to ensure that, payroll system functions properly so as to avoid errors. All deductions and allowances relating to payroll should be processed. The Director should approve the monthly payrolls before authorization for their payment.

Payroll Register

A payroll register should be maintained to record all payroll disbursements. The register should indicate the following information for every individual employee.

- Employee number
- Employee name
- Pay period
- Social Security number
- Employee department
- Annual salary (gross)
- Monthly gross pay
- Monthly net pay
- Statutory deductions
- Other deductions
- Additional Income (if any)

Deductions and Earnings Register
This should contain deductions such as provident fund, and other deductions peculiar to Staff loans and all other earnings should be included in this category.

Payroll adjustments such as bonuses and expense allowance and other allowances should also be sent from the Director's office to Accounts Department.
The Director should institute a policy for cut off date or the adjustments and changes made to the employee master file.

- Adding new employees to the employee master file.
- Deleting terminated employees.
- Documenting appropriate days for vacation, sick leave, and leave without pay.

The additions and deletions of names from the payroll, as well as salary changes and reclassification of employees should always be evidenced by the written approval of the Director and submitted to the appropriate place.

Under no circumstances should the Accounts department add or delete names without a written approval from the Director.

A monthly payroll should be run to process cheques for all employees or a letter sent to an approved bank to credit employees with their net salaries. This means that the company must make sure that all staff are having bank account. Table top payment of salary where employees are paid cash in the office should be avoided.

When the payroll report is approved by the Director, the Accounts Department should prepare two copies of payroll report for the various employees' bank and payroll slips. The Accounts Office should raise cheque payment vouchers to effect the transfer of funds to the Salary Account of employees and marked it 'transfer'.

The vouchers should be given to the Director to authorize and initial. The Accounts Office should distribute the pay slips to the individual employees.
The Accounts Department should prepare consolidated vouchers to effect the payment of Social Security contribution due to SSNIT both first and second tiers and employees Income Tax due to GRA. Consolidated Payment vouchers for other deductions relating to Staff loans, and other deductions (if any) should also be prepared. These vouchers should be reviewed by the Director.

Cheques covering these payment vouchers should be prepared and submitted to the authorized signatories.

The following reports should be prepared and or filed immediately after the payroll
has been completed.

- Payroll document (one sent t GRA and other file in the payroll file
- Deduction register showing individual employee statement of earnings and deductions
- Social Security and PAYE Tax deduction reports showing employees names, social security numbers and amounts deducted.

MANAGEMENT OF VEHICLES & FIXED ASSETS

Requisition and Vse of Vehicles

The Director should control the movement of the Transport. A vehicle record register must be kept for each vehicle in the company. A vehicle Requisition Register should be kept for each vehicle and a log book. The officials requesting the use of vehicles should sign the Register for approval.
A vehicle logbook should be kept for each vehicle. All journeys should be recorded in the logbook. Each book should be kept in the specific vehicle. Officials who use the pool cars must sign the logbook after their assignments and they must indicate the time out and in.

A fuel and maintenance requisition should be completed by the driver and approved by Director before any vehicle is dispatched for refuelling or routine maintenance and repairs. The procedure for the purchase of tyres and major spare parts should follow the Purchases Procedure already discussed in this document. If a vehicle is used to generate incomes, there must be an account opened for each vehicle and all incomes shall be credited to that account. Every expenses made in relation to that vehicle shall be debited to the same account, this is to track profit or loss on each vehicle for corporate decision.

Fixed Assets Unit

The Accounts Office should be responsible for all fixed assets activities including purchase, record keeping, safe keeping maintenance etc. The objectives of setting up a Fixed Assets Management are:

a. To define and maintain fixed assets register. The fixed asset register should be maintained according to the assets class. The assets class should be further broken down into asset types in each register.

b. To ensure that adequate information is available on the fixed assets and is enumerated in the asset register. This will help update the assets register with GRA so as to claim capital allowance at the end of the financial period when the financial report is submitted to GRA for tax purposes.

c. To accurately account for and report fixed assets in the financial report and to keep records of all fixed asset transaction against each individual asset at the time when such transactions occur. The transactions should include:
    a. Asset acquisition
    b. Depreciation
    c. Asset transfers
    d. Asset addition
    e. Asset disposal
    f. Asset deletion and removal.

d. To protect fixed assets from loss or theft by carrying out physical inventory of fixed assets at least once a year and advice management on any discrepancy in the book value.

e. To accumulate cost on "on-going projects" properly and accurately. Details must be kept in the Project Work-in-progress register.

f. To ensure that projects are capitalized at the commissioning date.

Fixed Assets Policies

The company should maintain the following Fixed Assets Policies:

a. Except when considered inadequate by management, depreciation should be charged on all fixed Assets using the straight line method

b. Depreciation should be charged on monthly basis to profit or loss account and an Accumulated reserve account maintained for the cumulative depreciation. Depreciation should be charged on the different asset class if possible as follows;

Asset Class	Rate of Depreciation	Expected Life - Years
Building	2%	50
Motor vehicle	20%	5
Furniture and Fittings	20%	5
Equipment	20%	5
Computer Hardware Computer Software Land	33.3% 50% N/A	3 2 N/A

c. There should be no predetermined salvage (scrap) value on any asset. The asset cost (purchased price plus expenses incurred up to the time the asset is ready for use) shall be equalled to the depreciable cost.

d. When assets are disposed of due to reasons such as obsolescence, accident, and damages, the revenue accrued from such disposal shall be kept in an Asset Disposal Account. The gain or loss after deduction of accumulated depreciation and direct expenses incurred during sale of the asset should be recognized in the profit and loss account for that year.

e. The assets should be assigned numbers at the time of installation. The asset numbers should be the folio reference in the main asset register and should be boldly written on the individual asset.

f. The accounting concept of materiality should be applied to determine what item or property should be recognized and treated as fixed assets.

g. The Director shall be directly responsible for the proper maintenance and monitoring of all the assets of the business.

Fixed Asset Register

a. The main file required for the maintenance of fixed asset records shall be the Fixed Asset Register.

b. A register shall be maintained for an asset class. A file shall be opened for the individual items in each asset class.

c. The fixed asset register should be updated at a time new assets are bought and installed, and when disposals are made. The fixed asset register should contain the following information for the individual assets:
    1. Asset Number
    2. Physical Location
    3. Date of purchase
    4. Purchase cost of Assets
    5. Accumulated Depreciation (year to date)
    6. Current Period Depreciation
    7. Serial/Model Number
    8. Asset status

d. There should be three different books on the fixed asset register. Namely:
    1. Financial Book
    2. The Movement/Transfer Book
    3. The Disposal Book

The Financial Book: The financial book should be used to record all the financial information on an existing asset. It shall keep such transactions as depreciation (periodic and accumulated) and show the new value each time this transaction is performed. This is to be maintained by the Accounts Office.

The Movement/Transaction Book: The Movement/Transaction Book shall be used to monitor movement and transfer of assets from one physical location and user department to another. The book shall be updated whenever such transactions occur. This is to be maintained by the Accounts Office.

The Disposal Book: The disposal book shall keep "once and for all" information on asset disposal. It shall be updated when an asset is disposed off and out of the records. It shall show reasons for the disposal, disposal revenue, accumulated depreciation, disposal direct expenses and disposal profit or loss. To be maintained by the accounts office.

Transaction Relating to Fixed Assets

Asset Purchases: The following steps should be followed when a new fixed asset is purchased:

1. The Accounts Officer responsible for stores should receive every asset purchased and issue in duplicate, a Goods Received Note. A copy of the goods received note shall be attached to the supplier's invoice and waybill. These shall be used to process the payment for the purchase of the asset.

2. The Senior Accounts Officer should update the Fixed Asset Register upon the receipt of the supplier invoice and asset received note.

3. The Accounts officer should complete the Fixed Asset Register with the required information and together with the Administrative Manager to ensure that the asset is physically and properly numbered. All purchase of the new assets should follow the normal purchasing procedure (included in this manual) and the payment should follow the normal payment procedure for cash disbursement.

Asset Improvement and Maintenance: Distinction must be made between improvement to asset and maintenance. When the cost incurred is to bring the asset back to its original condition, it should be regarded and treated as maintenance cost. The cost should be charged to income / expenditure account for the period. When the cost incurred significantly improves the condition of the asset or increases its useful life, it should be capitalized and be treated as an addition to the asset. A new folio should be opened for such additions in the fixed assets register. A replacement of a part of a functioning asset should be treated as an addition to that asset. When a new asset is added to an existing asset, the procedure should be as follows:

1. The additional asset should be treated differently in the book

2. A new folio should be opened and numbering (asset number and physical location etc) should reflect that it is an addition to an existing asset.

Asset Depreciation: Assets should be depreciated by asset class and based on depreciation policy. Assets should be depreciated monthly for the purpose of financial reporting. The following procedure may be followed:

1. Depreciation should be calculated for every single asset.

2. The Accounts Department should ensure that the calculation of depreciation and the necessary double entry transactions are accurate.

Asset Transfer: When an asset is transferred from one location to another or from one department to another, the Accountant should update the Fixed Assets movement book and advise the Accounts office on the new physical location of the assets. The accounts office shall also update the Fixed Assets Register.

Asset Disposal: Disposal of a fixed asset should follow the normal procedures for the disposal of properties. Assets should only be disposed off upon the recommendation of the Director to management and the acceptance of such recommendation. After the asset has been properly disposed off, the accounts office should raise the disposal Journal Voucher to show the following information:

a. Accumulated depreciation account to be debited and Asset Disposal Account credited with the accumulated depreciation related to the specific asset disposed off.

b. Asset Disposal Account to be debited with the direct expenses related to the disposal and cash or bank account credited.

c. Asset account to be credited and asset disposal account debited with the related cost of the asset disposed off.

d. Asset disposal account credited and cash/bank account or sundry debtors account debited with the proceeds of the disposal.

e. Gain or loss transferred from the asset disposal account to be credited or debited to the profit and loss account.

The journal voucher should be submitted to the Director for his review and approval.

Asset Deletion: The Board upon recommendation of the Director may take decision on asset deletion. An asset should be deleted in case of theft, flood, fire, accident, obsolescence or other hazards that may cause the asset to be unsuitable for use. When any of these happen, the Director may meet the Board and a decision may be taken to write off the asset. The Director should act on the management decision and inform the Senior Accounts Officer to raise a journal voucher to write off the asset. The journal voucher should show the following information:

a. Asset account should be credited and asset disposal/deletion account debited with the cost/value of the asset.

b. Accumulated depreciation account should be debited and asset disposal/deletion account credited.

c. Profit and Loss account debited with the difference between the cost/value of the asset and the related accumulated depreciation as a loss to the school.

Asset Retirement: An asset may be due for retirement when its cost has been fully recovered and is no longer active in the financial books. In such a situation, the asset should have been fully depreciated and outlived its expected useful life. When this situation occurs, only the asset movement book should remain active to monitor the movement of the asset until such a time the Director will recommend to the Board what decision is to be taken. If the Director decides to sell the asset, the sale should go through normal asset disposal/sale procedure. After the sale, the accounts office should raise a journal voucher to record the transaction including:

- Bank account to be debited.
- Expense account to be debited with realization expense.
- Income account to be credited as other income.

Donation of Assets: Assets should not be donated to private individuals but rather to an institution. For a donation, a letter of Receipt and Acceptance from the recipient grouped together with the necessary approvals should be kept in a file by the Director for audit purposes

STOCK MANAGEMENT

The policies covering stock management function are as follows:

Policies

1. Stock of stationery purchased within a year should be recognized as an expense in the period in which it was purchased. Cost of stock of stationery remaining at the end of the year should not be carried forward to subsequent periods.

2. All movement of stock (receipts and issues) should be adequately documented in a timely manner.

3. The Accounts Officer responsible for stocks should keep a stock movement book/spreadsheet. The book/spreadsheet should be properly recorded/updated and maintained.

4. A page should be assigned to every item of stock to record receipts and issues.

5. All stock issues should be based on official Stores Requisition and authorized by the Director.

6. A physical stock count of all items in stock should be conducted on annual bases (preferably on the 31st December of every year) under the supervision of the Director or Accountant. Random physical counts of categories of stock may be conducted on a periodic basis as and when required.

Goods Received

The procedure is as follows:

- The Accounts Officer is responsible for stock received or goods from supplier with waybill and invoice.
- Check the documents against the goods delivered as well as purchases order copy kept at the stores.
- Complete a Stores Received Voucher (SRV) after the check.
- Retain a copy of SRV and forward the following to Accounts Office.
  - -Copy of SRV
  - -Waybill
  - -Invoice
- The Accounts Office upon receipts of the above documents should initiate cash disbursement procedures as described in this manual.

Stock Issues

The procedure is as follows:

- Complete Stores Requisition voucher in duplicate
- Forward to Director or Accountant for authorization and present a copy to store keeper.
- The store keeper should ensure item exist and complete the quantity supplied portion of the form.
- Supply goods and ensure the recipient signs the voucher.
- The storekeeper should retain the voucher and use it to update the stock movement book immediately.

Stock Adjustment

This is the manual adjustment of stock levels either upwards or downwards depending on the situation. This would usually arise after a stock take where stock records would have to be adjusted in line with physical stock. Discrepancies between physical stock count quantities and stock movement book/spreadsheet quantities should be investigated and a satisfactory conclusion reached before adjustments are done.

PREPARATION OF ACCOUNTS

General Ledger
The Senior Accounts Officer who reports to the Accountant or Director is responsible for the General Ledger activities of the Accounts office. The Auditor is to co-ordinate all accounting activities and provides the Director with financial information.

Objectives of the Accounts Department

a. To maintain proper book of accounts
b. To ensure proper procedure for defining and maintaining accounting records.
c. To provide the Director / Board with timely and accurate financial reports, namely Income statement, Balance sheet, Variance report statement and their supporting schedules.
d. To prepare, monitor and control budgets.
e. To prepare long and short term budget for approval by the board.

Books of Accounts
The Accounts Office would maintain all ledger accounts. Ledger refers to a group of collection of accounts. Each ledger will be assigned a unique code and description. The ledger accounts receive information from:

a. Subsidiary Records

- Investment Portfolio Report indicating total value of investment and interest receivable on the various securitised.
- Schedule of accounts payable
- Payroll records
- Bank Statements
- Cash book that normally serves both as a subsidiary book and ledger

b. Journal Entry using Journal Voucher

The use of journal vouchers would be the mode of instruction to change balances in certain accounts, which were recorded in the journal to reflect the effected transactions and adjustment.

All entries into the ledger should be reviewed by the Accountant or Director. The reviewed entries should be signed and kept on file as evidence. The Internal Auditor would ensure that balances from the subsidiary ledgers are posted correctly to the main general ledger accounts. It should be ensured that journals are properly raised, with the necessary documents attached, and accurately processed. Periodically, the Director or Accountant will summarize the balances in all the general ledger accounts with debits and credit calculated. This would be presented as the Trial Balance out of which the profit and loss account and balance sheet will be extracted.

General Ledger Accounts
The collection of all active non-subsidiary accounts in the place should be called General Ledger Accounts. A general ledger accounts should be made up of ledger accounts codes and cost centre code. The ledger account codes should have codes assigned to individual account in the chart of accounts. The cost centre codes should be assigned to various subset of the place.

Financial Report

The Accountant / Director should submit the following financial report to Management. He is responsible for explaining and defending all such reports at Management & Board of Directors Meetings. The following Financial reports would be prepared and presented to management regularly.

a. **Weekly Report**
   - Investment portfolio schedule
   - Cash flow statement
   - Statement of cash balances at the bank.

b. **Monthly Reports**
   - Payroll reports
   - Bank reconciliation statement
   - Schedule on customer's accounts movement
   - Schedule on creditors and accounts payables

c. **Quarterly Reports**
   - Quarterly Profit and Loss Accounts and Balance sheet
   - Quarterly Budgetary control variances

d. **Annual Reports**
   - Annual Budget Report
   - End of year Profit and Loss Account and Balance sheet
   - End of year Budgetary Control Variances
   - Statement on Fixed Assets (this will be used for insuring the company's assets)

The Accounts Department

The day-to-day financial management of the place shall be the responsibility of the Director and the Accountant who shall be responsible to the Board. The functions to be performed by the Accounts Department shall include but not limited to the following;

a. Funds and Investment Management
b. Processing and recording of accounting documents
c. Preparation of accounts from the accounting records
d. Management of payroll
e. Preparation and monitoring of annual budgets and analyzing the financial performance of the business.
f. Preparation of relevant financial reports to guide management in financial planning and decision-making.
g. Liaising with the banks and other financial institutions in order to update management and the board on the current trends in the financial market
h. Tax management.
i. Credit facility analysis from bank loan

INTERNAL AUDIT FUNCTIONS

Examination of Internal Control System for both soundness in principle and effectiveness in operation. By internal control system, we mean the whole system of controls – financial and otherwise established in order to carry on business in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of its records. This includes:

- Examination and checking of Accounting Records, receipts and statements presented to audit department.
- Verification of assets and liabilities to be sure of their authenticity
- Observations, inquiry, the making of statistical comparisons and other such measures as deem necessary.

Internal Control System

The comment in this area is the need of re-assessing the present "Internal Check" which concerns those detailed administrative aspects of the company which are designed purely for the purpose of prevention or early detection of errors and fraud.

General Financial Arrangements

The approach to this will be based on some of the following suggested solutions:

- An appropriate and properly integrated system of Accounts should be designed for company. This when agreed by the directors shall be prepared to guide the operations of the business.

- Determining the form of general financial supervision and control by using such means like regular interim accounts of suitable frequency and special financial report for future operational planning programmes.

- Ensuring that, adequate precaution is taken to safeguard (and if necessary to duplicate and store separately) important records in a proper filling cabinet.

CASH PAYMENTS

Factors to be considered will include:

- The authorization of expenditure, the means of indicating such authorization and the documentation to be presented and preserved as evidence.

- The limits to be imposed as regards to amounts disbursed in respect of individual payments. In this case there must be expenditure authorization level set by board.

- Rules to be established as to cash advances to employees and other officials to limit and control purchases. When the amount involved is huge, management must verify and be sure of alternative pricing.

Purchases and Trade Creditors:

- The three separate functions into which this accounting controls may be divided clearly appear in the considerations involved in purchase procedures (a) They are buying (Authorization)
  - Receipt of goods (Custody)
  - Accounting (Recording).

The Company must specify the number of invoices to collected and vetted before purchases concerning certain amounts are made. The audit department can undertake feasibility studies to make sure that the item in question warrant the price and quality.

Buying: - Factors to Be Considered Include:

- The procedure to be followed when issuing requisition for additions to and replacements of stocks and the person to be responsible for such requisitions.

- The preparation and authorization of purchase orders must not be in rush. The audit department can undertake a survey to verify the stand of the transaction.

- The institution of checks for the safe-keeping of order forms and safeguarding their use.

Custody of Stocks: The followings are the procedures for receiving, checking and recording of stocks of goods received. The responsible official for the safeguarding of stocks must be known**:**

- Arrangements that have to be put in place for controlling through maximum stock levels and the proper procedures for recording stocks: (eg. By stock ledgers, independent control accounts and continuous stock records such as bin cards).

- The audit department must be called to observe the goods inwards to be sure that what the company ordered for are what has been brought. In most cases fictitious deals are carried out in this case where the quantity requested and purchased is not the exact quantity delivered.

Accounting

- Designating of a responsible official to see to purchases based on a laid down accounting procedures.

- This will mean scheduling a staff to see to such financial areas of purchases: (Like checking on all supplier's invoices, recording purchases and purchase returns, maintaining supplier's ledger Accounts or similar records, checking supplier's statements and authorization of payments)

- The auditor must vet the stock inwards against records in the financial books before the items are taken into store or use. There should not be any instance where staff will use the goods or items without audit verification.

Cash and Bank Transactions: Questions to be decided in connection with the control of cash balances may include some of the followings:

- The frequency at which lodgements of cash to the bank are made. The company must set deposit rules that the auditor will comply with to make sure that the policy is adhered to by the cashier.

- What amount is to be retained as cash floats in the office and to make sure that payments out of cash received is not permitted.

- Rules regarding the size of cash float to meet expenses and their methods of reimbursements. The frequency with which cash floats are to be checked by independent officials concerning the operational activities.

- Making arrangements to properly examine goods receivable as to quantity, quality, condition and evidencing such periodic examination.

- Putting a responsible official in-charge of accepting goods purchased and the procedure for recording and for evidencing their arrival and acceptance.

- The procedure to be laid down for checking goods inwards records against authorized purchase orders.

- Arrangement to be made to ensure that before accounts are paid, the proper procedures are passed through in connection with purchase orders and that payment has been duly authorized by the director. This will help control very many unauthorized staff members from making purchases on behalf of the company.

FINANCIAL FORMS

The following are the various forms to be used in complying with the policies outlined in this manual.

1. Cheque Request Voucher
2. Petty Cash Voucher
3. Purchase Requisition Form
4. Imprest Request Voucher
5. Imprest Retirement Voucher
6. Stock Requisition Form
7. Vehicle Request Form
8. Good Received Form

Note: See the attached for the various forms