



ATO
INTERGRATED
RESILIENCE
ACTION

FINANCE POLICY (Revised)

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1. DEFINITIONS



Accounts	A set of financial records, either kept on paper or on a computer.
Accruals	Money that you owe to a supplier for works finalized, goods or services that you have received, but not yet paid for in full.
Advances	Cash given prior to incurring expenditure or being entitled to the payment.
Assets	Resources controlled by AIRA to which it has ownership rights, and which can be used for more than one financial year such as; buildings, motor vehicles, motor bicycles, computers, printers, etc. and those can be easily converted to cash such as; inventory and cash in hand and cash at bank.
Audit	An independent process of verifying that a set of accounts are correct using detailed checks of transactions totals, broad tests on account values, and reviewing internal control systems and concluding whether they represent the fair view of state of affairs of the organization.
Authorization	The process of approving or giving consent or go ahead of a given transaction, normally the decision to purchase or commit expenditure or to pay supplier invoices. Careful authorization is a way of making sure that spending is appropriate and in line with the budget.
Balance Sheet	A summary of how much an organization owns (i.e. 'assets') and how much it owes to other people (i.e. 'liabilities') at any particular date. It represent state of affairs of Organization as at a particular period, usually it covers one financial year.
Bank reconciliation	The process of identifying and explaining any differences that might exist between the balance on the cash book and the balance on the bank statement, and the actions necessary to resolve them.
Budget	A statement of estimated income and expenditure over a specified period of time.
Budget Holder	A named individual who has the responsibility of managing a specific budget and has the authority to carry out project/program activities as per the approved budget and work plan within appropriate authorization limits.
Cash Book	A register which records all transactions passing through a single bank account, safe or cash box.

Cash flow Forecast A report which shows exactly when specific receipts and payments are expected to happen over a certain period, and the total amount of cash an organization expects to have as a result.

Contracts Legally enforceable agreements that are written or verbal. Contracts usually take the form of signed documents although a contract may take other forms to be legally enforceable.

Depreciation A way of spreading the cost of a Fixed Asset over a number of years dependent upon either the useful economic life of the asset or the project life. Every year, a proportion of the original cost is charged from the Balance Sheet to the Income and Expenditure Account.

Designated Unrestricted Funds which have been accumulated over time and set aside for a

Funds particular purpose by the Board of Directors

Double Entry Book-keeping The method that accountants use to record every transaction in two places in the accounting system, the two entries always balancing to zero.

Emergency An unexpected situation that is so compelling that, if not corrected immediately, would endanger life, property or adversely affect essential operations

Expenditure Expenses incurred by AIRA.

External Audit A financial audit carried out by an independent external auditor. This may be aimed at providing an opinion whether the financial reports are "true and fair" or may be just an expenditure verification audit. External auditors may also write a management letter, which comments on important issues noted in relation to the organization's internal controls.

Extortion When a person unlawfully obtains money, property or services from a person, entity, or institution, through coercion.

Fixed Asset Any non-consumable item with a value of more than KES 50,000 or items less than that value that could be termed 'valuable' 'attractive' or 'portable', a useful economic life of over 12 months, and which are purchased with donor or AIRA private funds. The management of these assets is defined in AIRA's Asset and Inventory Management Policy in which are also contained examples.

Asset register A record of all the fixed assets owned by AIRA.

Fraud Obtaining property or pecuniary advantage through deception - that is a person who by any deception dishonestly obtains property belonging to another person or organization with the intention of depriving the other of it. Obtaining property includes ownership, possession or control of it.

General Reserves Unrestricted Funds which can be used for any purpose to achieve the organization's objectives. Also referred to as Accumulated Funds.

Gifts in Kind	A donation of goods or services, rather than a donation of money.
Internal Audit	An Audit carried out by staff within an organization that checks whether policies and procedures are being followed in practice.
International Staff	Staff employed by AIRA Head Office in order to do a specific role in its countries of operation.
Inventory items	Are items with a value of less than KES 50,000. The management of inventory and small desirable items is defined by AIRA's Asset and Inventory Management Policy.
Invoice	The commercial document issued by the supplier to AIRA, indicating the
	Product or service, quantities, and agreed prices for said products or services. An invoice indicates that the supplier believes that AIRA has a legal obligation to pay them.
Liabilities	All debts incurred and owed by AIRA.
Loss	The misplacement of an asset by an individual or individuals including property and intellectual property.
Project Staff	Staff employed directly under specific project within the area of operations under the Head of Programs authority.
Net Book Value	The original cost of an Asset less its accumulated Depreciation to date. This is the value of an Asset that is shown on the Balance Sheet.
Overdraft	A negative balance in a bank account. This may or may not have been previously authorized by the bank.
Petty cash	Amount of cash kept for paying small expenses.
Phased Budget	A Budget which is split into distinct time periods - typically showing the budgeted amount for every month.
Revenue	All monies received by AIRA, such as grants, investment income, interest income and cash donations.
Signatories	People who are authorized to sign cheques or release electronic payments on behalf of the organization.
Supporting Documents	The original documents that describe each transaction - e.g. Invoices, Receipts and records of Authorization.
Theft	The intentional, permanent, non-authorized removal of an asset by an individual or individuals including property and intellectual property.
Trial balance	A statement of all account balances within AIRA's Income & Expenditure Statement and Balance Sheet, which will always balance to zero.
Director	A member of an organization's most senior decision-making and governing body, often known as the Board of Directors or the Governing Body.
Unrestricted Funds	Funds held for the general purposes of the organization, which can be spent on any activity

that contribute to the organization's stated objectives.

Approved

2. INTRODUCTION

These policies have been produced by AIRA Finance Department to define the financial parameters under which AIRA operates. They serve as part of AIRA's internal control system. Adherence to policies laid out in this document is a collective responsibility within AIRA and everyone is required to arrange the financial security, accuracy and safety in their areas of work.

It is essential that everyone applies these policies.

The primary objective of these policies is to ensure that AIRA has sufficient internal controls to:

- Verify the efficiency and effectiveness of financial operations.
- Ensure the reliability and completeness of financial and management information.
- Ensure compliance with applicable laws, regulations and agreements.
- Document and support the validity and authorization of financial transactions.
- Safeguard resources.

The policies detailed in this document are applicable to all AIRA staff. The policies and responsibilities relate to specific roles and any individual carrying out that role is expected to adhere to them regardless of the basis on which they are employed (e.g. as National or International Staff).

Given the diversity of AIRA's work, no single policy document can be fully comprehensive. Therefore, it is the duty of all AIRA staff to act within the spirit of the policies in this document to ensure accountability of AIRA's resources and that they are reflected in a true and fair way in the accounts. In cases where the policy has not identified a person responsible for carrying out the checks, the Executive Director and the Head of Programs must identify the suitable person. The following concepts and practices must be inherent within all internal controls:

- **Segregation of duties:** wherever possible a system of checks and balances should be put in place with responsibilities for a process separated and delegated to several individuals rather than entrusted to one individual to prevent errors and protect against dishonest behavior.
- **Acknowledgement of Responsibility:** signatures are required to prevent unauthorized transactions and establish accountability.
- **Physical controls:** measures must be taken to verify the existence of reported assets, listed inventory, and secure documents and stationery (e.g. cheques, Purchase Orders, etc.).

- **Monitoring and independent checks:** cross checks and management spot checks should be made to ensure that policies and procedures are followed.
- **High risk or high value transactions:** double checks or reviews must be performed to ensure that critical decisions, high-value transactions, and external reports are correct.
- **Integrity of accounting records:** access to computer records must be restricted by use strong passwords to prevent illicit and unintentional access. Critical information should be backed up regularly.
- **Clear responsibility for resources:** access to resources must be restricted to specific individuals and those individuals should have authority over those resources.
- **Regular and timely reporting:** accounting and reporting must be specifically assigned to individuals who must be held accountable for timely and accurate reporting.
- **Independent confirmations:** internally generated reports and documents should be reconciled with independent sources of information and proofs of accuracy should be performed at various stages of a task.

The policies set out in this document are intended for internal use. **This document or its contents should not be disclosed to third parties externally without either the Executive Director consent.**

It is essential that AIRA staff implements the policies outlined immediately and incorporate updates as and when they are available. The Finance Department will be producing a series of procedures, templates and examples of best practice to support and assist with the implementation of these policies.

These policies are the responsibility of AIRA's Finance Department and are subject to review on at least an annual basis although more frequently should circumstances dictate. The effective date of the current version and validation is that noted in the Document Control section at the front of this document.

3. RESPONSIBILITIES

The roles and responsibilities set out below are not intended to be exhaustive but rather a summary of key roles.

3.1 Directors

- Sustainable Approaches for Community Empowerment (AIRA) is a registered Non-governmental (number OOP/TRKL/NGO/34008). The Directors of AIRA act as trustees for the charity and are voluntary non-executive positions. They delegate the day-to-day running of AIRA to the Executive Director.
- The Directors, individually and collectively as the Board, have overall responsibility for the use of AIRA's charitable funds and ensure good governance throughout.

3.2 The Executive Director

- The EXECUTIVE DIRECTOR, supported by the Head of Programs, is responsible for ensuring that robust operational, fundraising and financial plans are put in place before the start of the financial year.
- The Executive Director and the Head of Programs are accountable to Board of Directors for the performance of the charity against the plans, including the financial plans, approved by the Directors.
- The EXECUTIVE DIRECTOR is financially responsible for:
 - Ensuring adequate internal controls on all financial systems and processes and that risks to these controls are adequately managed.
 - Monitoring and reporting of all Programs within their Organization.
 - Ensuring correct implementation of financial procedures, including review of all assigned authorization levels in Organization within the limits established by the policies
 - Overseeing the work of Finance Manager and ensuring adequate cover and financial support is provided in the Organization Finance Manager absence. If this cannot be done within the infrastructure in Organization, the EXECUTIVE DIRECTOR must discuss possible options for alternative cover with the help of the Head of Programs.
 - Overseeing budget preparation, monitoring and reporting; setting the parameters and the process; and ensuring compliance to AIRA, donor and national requirements.

3.3 Internal Auditor

- Provides reports to senior management and board of Directors regarding the adherence to stated policies and procedures and the use of these to mitigate risks to the organization. The Internal Audit process reports on the efficient and effective use of resources that underpin all AIRA's business processes.

3.4 External Auditor

- Understand and reviews the internal controls and procedures to verify that the financial statements give a true and fair view of the state of AIRA's affairs at year end, and of AIRA's incoming resources and application of resources during the year.

3.5 Finance department

The Finance Manager is in-charge of finance department and line managed by Head of Programs who subsequently reports to EXECUTIVE DIRECTOR. Finance department collective responsibilities are:

- Ensure efficient, effective and proper use of financial resources.
- Oversee the maintenance, updating and monitoring of financial controls, procedures and reports.
- Take part as required in tender committees.
- Ensure that funds are available to meet the commitments the organization has entered into.
- Ensure compliance with applicable laws, regulations, policies and agreement provisions.
- Regularly provide accurate budgetary analysis to ensure that senior management team has full overview of progress against budget.
- Producing financial reports and accounts that meet statutory requirements and, where applicable, donor guidelines. This will require liaison with other departments to ensure the completeness and accuracy of reports.
- Ensure donor compliance and adherence for all financial aspects of Programs.
- Ensure that project accounts are kept up to date and accurate, and reports are submitted to the programs team in a timely manner
- Responsible for bringing to the attention of the Head of Programs improvements to the procedures and policies outlined in this document and for suggesting improvements in financial controls.
- Ensure timely and accurate execution of financial procedures as defined in this document.

The Head of Programs may also have direct responsibility for the management of administrative and office and human resources. These areas are outside Head of Programs' remit and not covered within this policy.

Generally budget management is the responsibility of the Head of Programs and of the EXECUTIVE DIRECTOR. The finance officer will provide considerable support and advice in order for the budget holder to carry out their responsibility by providing reports and holding review meetings.

3.6 Project Officers/Program Officers/ Co-coordinators (Budget Holder)

- Ensure proper financial controls and monitoring is in place over the Programs/budgets for which they have responsibility.
- Ensure that AIRA only contracts with approved contractors, suppliers and partners, authorize all purchase orders made in accordance with the limits set out in this and other AIRA policies and ensure that the expenditure is incurred for the purpose for which the budget was allocated and will not result in an overspend.
 - Ensure that procedures that enable income to be collected as it becomes due are followed.
 - Ensure that only properly recoverable/chargeable income and expenditure is attributed to their Programs and that the necessary steps are taken to ensure that no unauthorized overspending take place in these Programs
- Security of all assets within their responsibility/program/Project. Disposal and purchase of assets must occur in line with AIRA's policies. This responsibility may be carried out remotely with others actually maintaining the day-to-day security of assets.
- Respond to any information requested by the EXECUTIVE DIRECTOR and Board of Directors, for example, audits in respect of the year-end accounts or programs audits.
- Comply with any donor requirements additional to the conditions set out in this policy.

In order to achieve segregation of duties, finance Manager and his/her staff are not identified Budget Holders. For the same reason, and to avoid being involved in details, EXECUTIVE DIRECTORS should not be the Budget Holder for individual projects. He/she however has the responsibility of authorizing supply requests above the maximum level set as the limit for individual budget holders.

3.7 Cheque/Bank Signatory or any individual making cash payment

- All signatories (or persons making payment) carry final responsibility for ensuring AIRA **does not incur any unauthorized expenditure**. They are expected to

check that all cash payments, cheque, credit transfers or direct debit mandates they sign are:

- In agreement with **the original invoice (not a copy)**, which has been duly approved by the authorized signature.
- Priced correctly (i.e., the price on the invoice is in line with any quotes or authorized purchase order).
- Made payable to the correct person or organization.
- Adequately documented on the cheque stub and supporting documentation.
- There must be sufficient separation of duty between the person procuring, the person authorizing the invoice, and the person authorizing the payment.
- If there are any problems, the payment must not be made until such problems are resolved.

4. FINANCIAL POLICIES

4.1 CASH MANAGEMENT

General Policy

- Regardless of the level of cash handling, cash transactions must be carefully controlled and those entrusted with cash must be trained in basic cash handling procedures.
- The threshold levels defined in the policies within this section are those that AIRA believes constitute a reasonable balance between operational effectiveness and cash handling risk. Because circumstances vary widely in respect of security, methods of transport, size of operations and bank infrastructure, it is difficult to permit general threshold levels greater than those stated in this section.
- Request to establish cash handling thresholds, policies and procedures in excess of those stated in this section require Directors approval. Such requests should be channeled through the Finance department and may take up to 2 weeks for approval.

Bank Accounts

- AIRA's operates one bank account for Kenya shillings currency under Equity bank of Kenya, Lodwar branch and is annually reviewed by the board treasurer.
- The bank account is set up under the name of "Sustainable Approaches for Community Empowerment (AIRA)".
- The number of bank accounts used must be kept to a minimum and one current account maintained for each project/Program/Donor/Partner to ensure that there is no mixing of funds.

- In case of new bank accounts, it must be approved in advance by the board of Directors. The information required will vary depending on the type of bank account being opened:
 - If the request is to open an additional account within an existing banking relationship, then the board treasurer will need an explanation regarding why it is essential to open a new account.
 - If the request is to establish an account and a new banking relationship the bank must undergo a credit and risk assessment reviewed by the board treasurer. AIRA prefers to maintain banking relationships with banks belonging to major recognized and established banking organizations. Upon completion of the credit and risk assessment, the treasurer will seek approval of the new bank account from the board.
- The board of Directors approves which positions within the structure can be signatures on the bank accounts. In case there is change of position holder, the board needs to be informed immediately for immediate replacement of bank mandate.
- AIRA's accounting system accommodates the need for separate program tracking through the coding of receipts and expenditure thus negating the need for a physical segregation of cash and bank account. However, where a donor insists that their funds must be maintained in a separate bank account, then this should be approved by the board of Directors prior to the grant being signed by AIRA.
- Every action or transaction on the bank account including changes to the mandate requires three signatures.
- Departing staff set up as signatories must be officially removed before leaving the position.
- All bank accounts must include the One Board member and Executive Director as signatories. If, due to local regulations, this is disallowed or not possible, it must be discussed and agreed with the Treasury Officer prior to opening the account.
- Closure of bank account requires the approval of the Board of Directors if deemed necessary. Wherever possible the account should become dormant rather than closed. If a bank account is dormant, statements should still be obtained and reconciled to the finance system on a monthly basis by the Finance Manager.
- Wherever possible cheque and transfer through M-Pesa/Bank Account number are the preferred methods of payment.
- Finance staff is not authorized to enter into discussions to obtain overdraft, borrowing, and debt facilities. Finance officer must alert Head of Programs should such facilities be required. Approval for these arrangements must be secured from the EXECUTIVE DIRECTOR.

- All overdraft, borrowing, and debt facilities must be authorized in advance by the Board of Directors.
- Due to money laundering legislation, AIRA cannot provide a banking facility or act as a money trader for other organizations or individuals. In cases of doubt, Head of Programs should refer to EXECUTIVE DIRECTOR for advice.

Bank Reconciliations

- Bank statements must be received at least monthly.
- All bank statements must be reconciled against records in the finance system or the manual records in the cashbooks. This process should be undertaken on a weekly basis but must be done once a month. The monthly bank reconciliation must be countersigned by the Executive Director/ Head of Programs after inspecting the bank statements.
- Any differences must be identified and resolved during the reconciliation process. All unreconciled items over 30 days must be explained on the reconciliation and reported to the EXECUTIVE DIRECTOR/HOP.
- Bank statements should then be attached to the reconciliation and filed in date order.

Cash flow Forecast

- In order to ensure that adequate cash is available in the office to fund operations, it is critical that the finance department plans cash needs carefully. The finance officer must submit a cash flow forecast, detailing cash requests on a bi-weekly basis, these statements will be reviewed by the Head of Programs. Any incomplete or delayed cash flow forecast will result in a delay in the cash being withdrawn from the bank.
- Month end balances should be kept to a minimum.

Safe

- The office must have secure storage facilities (e.g., a safe) for onsite storage of cash for Programs.
- The following considerations need to be made when keep a safe:
 - Possible existence of duplicate keys. This may exclude the use of existing safes in rented property.
 - Relative security of different locks. (E.g., key, combination lock, combination of both).
 - When a safe has the facility of more than one type of locking system, all locks are to be secured when the safe is not being accessed.

- The safe must be fire proof.
- The safe must be kept in the office. Ideally, the safe should be bolted to the floor or built into the wall of the office. The next best alternative is to keep the safe concealed from view in a locked room without windows. The location of the safe should not be discussed. When possible, two safes should be kept, one of which can be handed over if the house / office is attacked, the other operating as emergency reserve.
- **Key holders:**
 - There should be one main key holder and one back up key holder. Main key should be held by Finance officer and the backup key by Head of Programs.
 - In the absence of both key holders from the site, a key should always be signed over to one of the staff members remaining behind.
- The process for handing over responsibility involves: the cash in the cash box being counted, the cash count total being reconciled with record on the finance system or in the manual cashbooks, and both parties signing a document that clearly states the amounts handed over. Both parties must keep a fully executed copy of the document. Neither party should sign the document if there is any doubt about the amounts being handed over.
- If AIRA Staff leave their personal possessions in the safe, the possessions should be clearly marked with the owner's identity, sealed if appropriate, and the staff member clearly informed that AIRA accepts no liability for damage, theft or loss of these items.

Cash Box

- A cash box should only contain a single currency and cannot hold more than **KES 50,000** at any given time (**except where cash held relates to Field activities where transport reimbursements, meals and accommodation for participants is carried in liquid cash and is due for immediate payment**).
- Only one person should be responsible for cash box.
- Cash boxes should be secure and lockable. The best kinds of cash boxes are metal.
- During the day, the cash box should be used in an enclosed area of the office that only authorized persons are allowed to enter. If this is not possible, then the cash box should at least be kept inside the office.
- During the time the cash box is outside the safe/secure location, it must not be left unattended. The person responsible for the cash box must be with the cash box at all times.
- When not in use cashboxes should be returned to the main safe, or if this is not possible, the cash box should be placed in the most secure location available.

- There should be two keys to the cash box. The main key should be held by the person responsible for the box. They must keep this key safe about their person at all times. The spare key should be kept in the safe by the finance officer. In the event the

The Head of Programs is also the main key holder and the EXECUTIVE DIRECTOR or senior staff member should be responsible for the spare key.

- The spare key should only be used when:
 - The main key is lost
 - In case of emergency
 - When the main key holder is absent
- If the spare key is used for a transaction, the transaction must be recorded and the main key holder informed upon their return.
- If the person responsible for the cash box leaves the location for more than one day, the responsibility for the cash box must be handed over to an appropriately delegated person.
- The process for handing over responsibility involves: the cash in the cash box being counted, the cash count total being reconciled with record on the finance system or in the manual cashbooks, and both parties signing a document that clearly states the amounts handed over. Both parties must keep a fully executed copy of the document. Neither party should sign the document if there is any doubt about the amounts being handed over.
- When the main key holder returns, the handover must be carried out again, as above, before resuming their responsibility.

Reconciliation of Safe and Cash Boxes

- Financial records must be kept up to date and reconciled with the amounts in the safe and cash box on a regular basis. The amount of money in each cash box and safe should always correspond to the balance on the financial records.
- To ensure that the amounts entered into the finance system are in line with the cash box and safe, the main key holder must count the cash and compare the total balance at least once per week and after every replenishing the cash. The reconciliation must additionally be carried out on the last working day of the month and when books are closed for the month.
- Cash counts should be documented and witnessed by two people, usually the cashier and his / her direct line manager.
- At least once every six months the EXECUTIVE DIRECTOR must undertake and sign off a surprise cash count. They should inform board of Directors immediately of any exceptions found during these surprise counts.

- If a regular cash count indicates a difference between a cash box and a cashbook, the discrepancy needs to be noted and investigated immediately by the cashier and his / her direct line manager.
- Usually discrepancies can be traced to one of the following common bookkeeping errors:
 - The reimbursement of advances was wrongly entered in the cashbook
 - Some transactions were not recorded
 - Some transactions were recorded more than once
 - A simple typing mistake has occurred
- If, after checking the above options, there is still an unresolved difference, it is probable that money has gone missing from the cash box or safe.
- The EXECUTIVE DIRECTOR must be informed of the discrepancy to agree the appropriate course of action with the Head of Programs. This process could be agreeing how to deal with the error (if it appears to be a genuine mistake) or more stringent actions such as investigating the possible fraud, deception, extortion, theft and losses policy. In such cases Human Resources should be consulted with regard to invoking AIRA's disciplinary procedures.

Cash Transfers

- If money is taken out of the cash box to transfer funds to field location, a Transfer Request form must be filled in and signed by:
 - The person who will carry the money (this person should count the cash first)
 - The cashier
 - The person authorizing the transfer
- Three copies of the form should be made. The first copy of the form should be kept on file. The second and third copies of the form must be carried with the person who takes the cash to the other site. When the cash arrives at the location, the two forms must be signed. The individual receiving the cash must keep a copy. The remaining copy should be returned to the location issuing the cash. When received it should be stapled to the first copy in the file.
- All transfers (hand carried or electronically transferred through the bank) must be recorded in the finance system or in the cash book. The person issuing the cash must record the transfers to the 'inter-location cash' in transit account. Once the transfer is received, the receiving person should clear the transaction from the inter-location cash in transit account.
- Individuals should be free to refuse to carry cash for any reason without any repercussion or recourse. Should any staff member feel uncomfortable with taking

this on or unsure of the risks and conditions involved, should immediately inform the EXECUTIVE DIRECTOR or Head of Programs.

- One of the major risks involved in collecting cash from banks is the possibility of being robbed prior to securing the cash in the cashbox and/or safe. When transferring cash from the bank to the safe and/or cashbox, the following must be included within the procedure:
 - Varying the time of day and day of the week that the bank is visited
 - Always go to the bank in pairs
 - Make a habit of always carrying a back pack to the bank, even if you are not going to pick up cash, so it is not evident exactly when cash is being collected.
 - Limit the number of people aware that the withdrawal is taking place
 - Avoid long walks between the vehicle and bank

Cash Payments

- Cash payments should be made either in cash/cheque/M-pesa/transfer.
- Evidence must be produced to ensure that the individual or entity being paid cash is the rightful recipient of the cash payment. If this payment is made to an individual, means of identification are required such as passport or official identification Card indicating the recipient's name and ID number or AIRA staff ID number if the payment is made to staff. If the payment is for an organization, then the individual collecting the payment must provide written evidence (on company letterhead) that they are acting as an authorized recipient for the organization. The individual must then prove that they are the named individual described in the written evidence through use of the personal means of identification detailed above. If there is any doubt about the identity of the individual collecting the payment, the payment must not be made.
- The individual making the payment has final responsibility for ensuring AIRA does not incur any unauthorized expenditure. They are expected to check that the payments are:
 - In agreement with the original invoice (not a copy), which has been duly approved by the authorized signature.
 - Made payable to the correct person or organization.
 - Adequately documented on the cheque stub and supporting documentation.
- There must be sufficient separation of duty between the person procuring, the person authorizing the invoice, and the person authorizing the payment.

- If there are any problems, the payment must not be made until such problems are resolved.
- Cash should be counted in front of the cash recipient, who should also count the cash received.
- The supplier/recipient must provide an official receipt or sign a AIRA receipt to show that they have received the cash.
- When paying staff salaries and per diems in cash, the following salary payment procedures must also be adhered to:
 - The payroll must be authorized by the Head of Programs or EXECUTIVE DIRECTOR before any cash is withdrawn
 - When salaries are to be paid in cash, payroll cash must be withdrawn separately from the bank and set aside. This separation from normal cash stores will ensure that the *total* salary amount paid is correct. (The risk remains that the division between individual envelopes may be wrong.)
 - The payee should place the cash inside an open envelope and allow the recipient to check the cash inside the envelope. The recipient and the cashier should sign the payroll record to show that they have counted the cash in the envelope.
 - The cashier should produce a pay slip for each person, which shows an amount that agrees with the cash inside each envelope.
 - A copy of the pay slips must then be kept together with the payroll summary sheet as documentation for the entire period's salary expenditure.
 - When salaries are being paid at any one time, the cash box must be placed in the safe and not used until that salary payment is finished.
- When paying staff expenses the cashier should check:
 - That the expenses claim form has been duly approved by an appropriate authorized signatory that being someone other than the member of staff being paid the expense. The authorizing signatory is to ensure that the expenditure is allowable for both AIRA and the donor (if applicable)
 - All the expenses have been properly supported with evidence of cost and exchange rate (if applicable)
- Finance office providing cash disbursements should establish clear "Opening Hours" and cash should only be given out during these hours of operation. This process allows finance staff a period of uninterrupted time to complete other duties.
- Cash must only be distributed in a secure location and consideration should be given to who could witness the cash being counted and paid out.

- Field advances to staff can be paid through their M-pesa numbers as this can assure security of cash and a clear audit trail. This shall be made possible by ensuring that float requisition forms are duly filled and authorized accordingly.
- For cases of advances for payment of participants' meals, accommodation and transport reimbursement, a member of staff responsible should fill a cash pre-approval form and ensure that it is approved for payment. Upon completion of the activity, the concerned staff should ensure that funds advanced to him/her are liquidated within 5 Days by duly filled float accountability with all other supporting documents.

4.2 OTHER TREASURY ISSUES

Currency Exchanges

- It is AIRA's policy to use legitimate, established banks or other legitimate foreign exchange bureau for currency exchanges and not to exchange currency on the black market or use any other non-official and unregistered money changers.
- It is the responsibility of the finance officer to actively verify exchange rates used, and regularly seek alternative market rates to ensure maximum efficiency in conversion of funds.
- Cheques must always be crossed and non-negotiable, and therefore only the payee may draw on it.
- Unused cheques should be kept in a secure, locked environment or safe.
- All sections of a cheque must be completed prior to signing.
- Spoiled or cancelled cheques must not be destroyed, but crossed through as void and stapled into the cheque counterfoil or filed separately.
- Cheque numbers must be recorded against the supporting documentation of the payment, in the cashbook or on the finance system.
- Cheque stubs/counterfoils must always note the date, amount and payee and be retained with other financial documents.
- Only one cheque book can be in operation at any one time.
- In case of transfers, the description of payments should be included during payments to ensure that such description is captured in transfer printouts.

4.3 EXPENDITURE

Due Diligence on Potential Contractors, Suppliers or Partners

- It is AIRA's policy to comply with the laws and regulations of Kenya concerning ineligible suppliers and contractors for **reasons of fraud, corruption or terrorist activity**. These laws and regulations prohibit AIRA from doing business with or providing support to any persons or entities that have been found to be engaged in or provide support to any such activities.
- Due diligence must be carried out on any contractor, supplier or partner potentially providing goods or services in excess of \$20,000 per annum to ensure that the recipient of AIRA funds are financially stable and not associated with proscribed (e.g. terrorist) organizations. It's the responsibility of Head of Programs with support of EXECUTIVE DIRECTOR to ensure that this is done.
- Similar care should be taken when the goods or services are being provided as Gifts in Kind in order to ensure that the reputation of AIRA is not compromised.
- Due diligence is not required when the contractor, supplier or partner is:
 - Part of a recognized donation mechanism
 - A registered charity in Kenya
- In cases where due diligence is required, the following information must be collated and evaluated for the contractor, supplier or partner (hereinafter in this section collectively referred to as "entity") as part of the due diligence exercise:
 - The entity's name, including any acronym or other names used to identify them.
 - The jurisdictions in which the entity maintains a physical presence.
 - The jurisdiction in which the entity is incorporated or formed.
 - The address and phone number of any place of business.
 - The principal purpose of the entity.
 - Copies of any public filings or releases made by the entity, including the latest official registry documents, annual reports, and annual filing with the pertinent government, as applicable.
 - A reasonable search of public information, including information available via the internet, to determine whether the entity is or has been implicated in any questionable activity.
 - Verify that the entity does not appear on any watch lists of the UK Government, United Nations, U.S. Government or the European Union identifying it as having links to terrorism or money laundering.
 - AIRA must require the entity to certify that they do not employ or deal with any organizations or individuals on the lists referenced above, or with any organization or individuals that support terrorism.

- If an entity is used regularly or over a period of time, these due diligence checks need to be completed annually.
- If anything unusual or causing concern arises as a result of the due diligence process, approval to deal with the entity must be obtained from either the Chief Executive or the Finance Manager.
- Where due diligence is not required, the budget holder must take reasonable steps to evaluate the entity's financial stability. In all cases Suppliers should be registered with AIRA.

Contracts for Suppliers and Partners of Goods and Services

- Contracts with suppliers of goods and services must:
 - Allow for remedies in instances in which the contractor breaches the contract terms.
 - Contain provisions for termination by AIRA, which must include: AIRA's full name (Sustainable Approaches for Community Empowerment or acronym).
How the termination can be effected?
The basis for any subsequent settlement
Conditions under which the contract can be terminated for default and for conditions beyond AIRA's control.
- Have terms under which a contract can be cancelled and/or renegotiated between the parties. All contracts should include a clause allowing AIRA to terminate the contract subject to a reasonable notice period.

Commitment to Incur Expenditure

- Any expenditure made on AIRA's behalf must align with AIRA's objectives and be necessary for the delivery of the charity's plans. Exceptions to this must be approved by the EXECUTIVE DIRECTOR.
- Generally, a commitment to incur expenditure is made prior to physical payment by placing an order with the supplier. In these instances, authorization must be gained prior to the commitment to incur expenditure, the authorizing person confirming that there is adequate budget available to cover the cost of the commitment.
- AIRA's Procurement Policy outlines the approach for procurement activities (goods, works and services) and sets out the minimum required standards for these procurement activities. All commitments to incur expenditure must comply with this policy including adherence to the Authorization Levels Matrix contained within it.

Failure to comply with the Procurement Policy will make the individual responsible personally liable to disciplinary action.

- The finance department should ensure the following authorization limits and procurement procedures are respected:

Levels for single goods or services, or for multiple items, for less than 12 months	Procedure	Authorization
KES 1,000,000 and above	Tender or preferred supplier with decision documented	EXECUTIVE DIRECTOR /HOP
Between KE 50,000 and KE1,000,000	Obtain 3 quotes (except travel) and document decision	HOP/Head of Programs
Under KES 50,000	Petty Cash or single quotation/ supplier	HOP/Head of Programs

- A fair and transparent process must be the overriding principle in the procurement of goods and services.
- Goods and services' cover all categories of expenditure, such as consultants, recruitment, fixed assets and consumables.
- AIRA staff **must not accept any personal gifts or other inducements**, which, individually or cumulatively, can be reasonably judged as aimed at influencing any procurement decision. Any such cases will be treated as a disciplinary issue to be addressed through the relevant AIRA Staff Policies.
- AIRA will not pay bribes or offer incentives to expedite enable or otherwise support the procurement of goods or services.
- The procurement process must comply with any and all applicable Kenyan laws, regulations and agreements in force.
- AIRA seeks to purchase goods and services ethically, i.e., 'procurement and delivery under conditions that do not involve any abuse or exploitation of any persons and that have the least negative impact on the environment'.
- The board of Directors or EXECUTIVE DIRECTOR must approve all commitments for goods and services out of unrestricted funds which have a delivery period in excess of 14 months

- Where the cost is coming out of unrestricted funds and a regular supplier is used to provide services with a value of more than \$5,000 for each transaction, a tender should be performed once every year. The tender committee must comprise the budget holder, the finance Officer and representative from procurement office. After the initial tender, the successful supplier becomes the preferred supplier for the next three years. Where the cost is being funding from a restricted grant the donor procurement policy must be adhered to along with AIRA's procurement policy.
- Documentation for the commitment to incur expenses must be retained in original form and either the original or a copy attached to the invoice for payment.
- Budget holder is not permitted to commit to or incur expenditure that will result to overspend of the budgets without prior approval.
- AIRA only pays invoices after the goods and services have been supplied. AIRA's standard payment terms are that payment should be made within 30 days from the date of invoice. Head of Programs and finance officer are responsible for approving the agreement of any standard supplier payment terms less than this AIRA standard.
- Allowable expenses personally incurred by individuals on behalf of AIRA are to be reimbursed as speedily as possible upon surrender of duly authorized expense claim form with supporting documents.

Invoices and Approving Expenditure

- Invoices received must be registered immediately after receipt.
- Invoices and other expenses claims must be authorized as outlined in the “commitment to incur expenses” section
- An original invoice must be obtained for all incurred or transacted expenses. AIRA only pays invoices received in copy form in exceptional circumstances. If the original invoice is not available, a copy invoice may be used but must be clearly marked as a copy and a reason provided for the need of a copy.
- When authorizing the invoice, the individual should:
 - Ensure that the procurement process has been adequately documented and that the documentation is attached to the invoice
 - Ensure that the details on the invoice are correct and that the goods or services detailed have been received in the same quantity and condition as detailed on the invoice (this check can be done through a delivery note (DN) which is mandatory for all purchases
 - In the event that a delivery note (DN) is not available in sufficient time to enable the invoice to be authorized within agreed supplier payment terms, the

authorizing individual must ensure that they have reasonable grounds for believing that the goods or services have been received, and subsequently ensure that the DN is subsequently received in good time.

- Where the invoice is to be split across budget or grant codes, it must be authorized by the appropriate Person for each split.
- Where the invoice is for a part/staged payment, the invoice must cover only that part/staged amount; it is not adequate to manually amend an invoice which covers the full amount or only part pay an invoice. Thus, the invoice should reflect the actual amount owed.
- In cases where an individual receives a personal benefit from the purchase/expense (e.g., travel, medication), the invoice/expenses claim cannot be approved by that individual.

AIRA Fixed Assets

The definition of what constitutes a AIRA Fixed Asset is contained within the Definitions section.

- An asset can be a group of items used jointly as one asset, e.g., a group of lease hold improvements. In this case to be considered a AIRA Asset, the total cost of all the individual items must exceed \$5,000.
- The useful economic life of an asset purchased for a specific grant cannot exceed the life of the grant.
- Assets purchased from AIRA unrestricted funds for operation use must be authorized prior to purchase. Such requests should be submitted to board of Directors. Prior to authorizing the request, the EXECUTIVE DIRECTOR and Head of Programs should provide the following information:
 - The full cost, including transportation, registration and insurance
 - The estimated useful life of the asset
 - Program to which at least two years of depreciation can be charged
- The disposal of unrestricted fixed assets must be authorized by the Head of Programs and EXECUTIVE DIRECTOR.
- The purchase of computer, technical and communication equipment and software must be authorized by a technical expert.
- The purchase of vehicles must be authorized by the EXECUTIVE DIRECTOR or a logistic adviser.
- Once a AIRA fixed asset has been procured, the following procedure must be adhered to:

- The fixed asset must be recorded on AIRA's fixed asset register by finance department immediately after purchase, using either the cost of the purchased asset or the fair market value for the asset (if donated)
- The details held on AIRA's asset register must include:
 - Name and description, Cost, Supplier, Purchase Order Number, Location, Asset number, Donor (if applicable), Invoice date or date of acquisition (if donated), the period over which the asset is to be depreciated
- Depreciation will be charged on the following basis in line with AIRA's accounting policies:
 - Leasehold improvements - over the life of the lease
 - Computer hardware - three years
 - Computer software - three years
 - Office furniture and equipment - four years
 - Motor vehicles - the lower of the estimated useful economic life, and two to three years' dependent on the physical conditions in the Organization in which the vehicle is operated
 - Communication equipment - two years
 - Field Assets purchased with donor funds should be depreciated on the lower of the above category time or over the length of the grant.
- The asset register must be checked by the finance team on an annual basis to verify the existence of each item on the list
- The finance department must be notified of all the movements of AIRA Assets as they must be accounted for correctly in the finance system by the person responsible for the asset
- The disposal of fixed assets purchased with donor funds (Restricted Fund fixed assets) must be authorized by the EXECUTIVE DIRECTOR and Logistics Adviser (if appropriate). The finance officer must be notified by the person responsible for the asset as soon as it has been disposed of and the asset register updated.

Salaries

- This section on salaries does not cover all issues relating to legal, taxation and Human Resources management; it only provides guidance on the financial processes. The individual processing the salaries should ensure they are furnished with all the relevant legislation and AIRA policies prior to the processing.
- Whenever possible, Staff salaries and wages should be paid by cheque or bank transfers. Staff may only be paid in cash when no other options are available. Cash

payments cannot be made for the convenience of staff; AIRA may require staff to open a bank account if necessary.

- It is AIRA's policy to conduct its operations in compliance with Kenyan laws and regulations including compliance with all applicable taxation requirements and other employee benefits as required by law.
- Payroll records must comply with labour regulations, including the deduction of all local taxes. The finance officer is accountable for creating procedures to ensure AIRA keeps up to date with any changes to labour regulations.
- Taxes must be remitted by the due date to the appropriate authorities and a receipt received for the payment. Any nonpayment of local taxes must be provided for in the donor reports and year end accounts.
- Pay slips must be issued to all staff. The minimum information that must be contained on a pay slip is:
 - Employee name identification number
 - Period for which the payment applies
 - Units of time, rate, and amount of gross salary or wage payment
 - Units of time, rate, gross amount and description of each additional category of pay
 - Units of time, rate, gross amount of each deduction
 - Taxes or other payments withheld on behalf of the government or other taxation authority
 - Subtotaled net pay amount
- A separate staff list for payroll must be maintained and should be adjusted when a staff member is hired or dismissed.
- The payroll should be calculated by one member of staff and then checked by a second person.
- The payroll must be signed off by the EXECUTIVE DIRECTOR or by written delegation, the Head of Programs.
- If the payment is made in cash, the pay slip must be distributed at the time of payment. If payment is being made electronically, the pay slip must be distributed within one week of the payment date.
- AIRA does not accrue for annual leave payments for staff. Holiday is expected to be taken regularly as it is earned and should not represent a material lump sum payment. All leave policies must contain a maximum carryover of leave to prevent excessive accumulation of costs.

Staff Expenses

- Staff must keep a daily record of the expenses they personally incur when acting for AIRA.
- Staff cannot claim for food or living expenses, or be provided with free food at their respective work station except when travelling out of station.
- Wherever possible staff must submit expenses claims on a monthly basis. Staff expenses over three months old will not normally be reimbursed by AIRA.
- Staff expenses cannot be authorized by the individual incurring the expense, even if they are the Budget Holder.
- Vouchers, receipts, and other proof of purchases must be attached to the appropriate claim form. Photocopies of receipts, bank statements, cheque stubs, credit AIRA slips and counterfoils, and credit AIRA statements are not acceptable as supporting documentation.
- Where the proof of purchase is not in the currency of the expense claim, proof of the exchange rate used must be produced. Expenses are converted using the AIRA rate (rate provided monthly by the finance department) if no proof of exchange rate or inadequate proof of exchange rate is provided.
- Travel to the member of staff's main place of work cannot be claimed as it is considered a normal personal cost of working.
- Insurance claims cannot be reimbursed by AIRA until the claim has been approved for payment by the insurer.
- Alcohol for staff will not be reimbursed on any occasion. The only exception to this rule is where the cost is pre-approved by a Director at Head Office, being charged against unrestricted fund and it is consumed as part of a hospitality event/meeting.
- AIRA expects all staff to exercise care and good judgment when incurring expenses. Excessive costs, circuitous routes or luxury accommodation and services that are unnecessary or unjustified are not allowable and will not be reimbursed. Where an expense is concerned relating to a service is not provided by AIRA or covered in other AIRA policies, the following comments provide guidance on what AIRA considers as acceptable incursions. If the guidance is considered inadequate, the member of staff should discuss it with their Line Manager or the Budget Holder prior to incurring the expenses.

Personal Use of AIRA Equipment

- AIRA's assets and equipment must not be used for personal use.
- In some circumstances, the organization may provide you with a mobile telephone or other communication media including laptops and pay all charges.

- Such devices provided and paid for by the organization are only to be used for business- related activity. You will be required to reimburse the organization for any costs associated with personal use e.g. Telephone calls.
- Claims for business calls made on personal mobile phones must be supported by an itemized bill. Other personal mobile-related costs will not be reimbursed.

Gifts and Services in Kind

- All gifts and services received must be recorded on the gifts and services in kind register held in finance department by finance officer. The information recorded in the register must include:
 - Name and donor details
 - Reason for donation
 - Items description and quantity
 - Market value of gifts and services in kind
 - Date
 - Additional costs to AIRA related to accepting the donation (e.g. transport, loading, unloading, warehousing)
- It is the responsibility of the person receiving the gift or service in kind to ensure it is recorded in the register.
- These gifts and services will be reflected in the accounts at the value AIRA would pay for the service as both income and expenditure.

Deposits to Suppliers and/or service providers

- Deposits for goods and services may only be paid after the appropriate process "commitment to incur expenditure" described above has been completed.
- The EXECUTIVE DIRECTOR must approve any deposits that represent more than 40% of the purchase price, if that purchase price is over \$5,000.
- Prior to payment, documentation from the supplier must be provided to show the total amount of the purchase and the deposit required.
- A receipt must be issued by the supplier once they have received the deposit and should be filed with the payment documentation of the deposit.
- The final invoice must show the total value of the purchase less the deposit already paid.

Advances to AIRA Staff for Purchases

- Cash may be provided to AIRA staff in advance of a purchase when the purchase is to be made in cash.
- This type of cash payment should only be used where electronic transfers, cheques payments or any other payment mechanism are unavailable or in case of emergency.
- The commitment to incur expenditure process described above (PO) must be completed prior to requesting the advance. The advance must be approved by the Executive Director /Head of Programs.

Advances to AIRA Staff for Expenses

- Staff may need an advance to cover future expenses for example travel expenses or personal security money.
- Advances must be approved by the Executive Director or the Head of Programs in absence of the Executive Director prior to issue. The person authorizing the advance should check:
 - The proposed expenditure is in line with either the Organization program budget or the departmental budget
 - There are sufficient available funds within the budget to cover the total advance.
 - Purchases are carried out in accordance to the commitment to incur expenditure process detailed above.

Processing Advances to Staff for Purchases or Expenses

- Upon issue, advances must be recorded in the finance system or cashbook. The recipient and the Finance Officer concerned must jointly sign documentation to confirm receipt of the advance to confirm its issuance.
- Previous advances must be cleared before a new advance can be issued.
- The individual receiving the advance is responsible for ensuring that the advance is correctly accounted for. He or she must account for the advance in the following way:
 - By providing receipts and proof of purchases to the outstanding value
 - Returning the cash equivalent of the outstanding amount
- Any proof of purchase to the outstanding amount must be:
 - Duly approved by someone other than the person returning the advance

- Considered an allowable expenditure for both AIRA and the donor (if applicable)
- Supported with evidence of cost and exchange rate (if applicable)
- If the recipient returns cash as part of the advance settlement, he or she must obtain a receipt from the Finance Office.
- The Finance Officer should also confirm by signing float accountability form that the advance is now fully accounted for and the recipient is no longer liable for the advance. Advances may not be signed over to another individual. They must be cleared by the individual who took the advance.
- Advances should be cleared before the month end and in any event are not allowed to be outstanding for more than one month. When advances are cleared they must on all occasions be cleared in full - **no partial settlement is permitted**. A detailed list of outstanding advances should be made and included in month end reports.
- Any advance outstanding for more than one months should be reported to the Head of Programs and may be deducted from the next salary payment due to the individual.
- Before any staff member exits AIRA, he or she must clear all of their advances.
- The finance officer must ensure that all advances recorded on the finance system are accurate, supported and valid.

Salary Advances to AIRA Staff

- Salary advances may not be given to staff under any circumstance unless it is specifically necessary for emergency reasons and must be approved by HR officer. Staff should not apply for regular salary advances, and should be encouraged to order their finances accordingly.
- Advances should be requested from the finance officer who will report them monthly to the HR officer in order to deduct the advance from the staff member's monthly salary.
- Any salary advance provided to a staff member should be treated as an amount owed to AIRA and must either be paid back prior to the next salary payment or deducted from the next salary payment. Under no circumstances can a salary payment be made with a salary advance still outstanding.
- Salary advances should never exceed 50% of an individual's net monthly salary.
- Any exceptions to this policy require the Head of Programs to seek approval from the EXECUTIVE DIRECTOR and HR advisors.

4.4 INCOMING FUNDS

Receiving Income via M-pesa, cash and bank deposits

- All incoming cheques and cash need to be recorded immediately by one of the individuals, and verified by the second. The type of income, i.e., whether it is restricted or unrestricted, must also be recorded immediately. If the income is restricted, the exact restriction must also be recorded.
- Incoming funds must be banked regularly and as soon as possible but no less than weekly.
- Cash and cheques must be placed in a safe or locked cash box until they are banked.
- All incoming money must be banked gross; they cannot be used to feed petty cash or other requirements without the authority of the Finance Manager.
- All incoming funds through M-pesa pay bill number and bank deposit should as well be recorded immediately in the category of restricted or unrestricted.

GRANTS AND MAJOR DONOR FINANCIAL MANAGEMENT

Donor Contracts or other grant agreements

- A contract is needed in order to clarify obligations and responsibilities of the signing parties in order to protect both parties. AIRA contracts must include three basic components:
 - Consideration The nature of the exchange
 - Offer and acceptance -Agreement to the consideration (the consideration must be something of material value)
 - Certainty - Precision to cover all conceivable eventualities
- All contracts, grant agreements, or Memoranda of Understanding with a value in excess of \$500,000 (or \$10,000,000 for institutional donors) should be drafted in conjunction with or by a recognized and impartial lawyer familiar with local laws, and with the knowledge that it will not contravene internationally accepted standards (conventions, protocols).
- AIRA does not have sufficient cash reserves to pre-finance grants. Unless agreed upon in advance with the board of Directors.
- All contracts and MoUs must allow for the maximum negotiable amount of cash advance ahead of the performance of the project, so as to minimize the value of pre-funding provided by AIRA. If necessary, a bank guarantee may be considered if this will increase the level of donor funding at any one time.

- All AIRA contracts must contain the following key components:
 - AIRA's full name (Empowering Marginalized Communities)
 - Signing parties (or representatives) and witnesses (if required)
 - Period of contract
 - Objectives to be achieved
 - Sum of money to be exchanged including terms conditions and phasing of payment (this must be derived from an approved donor budget)
 - Responsibilities and appropriate behavior for both parties (including reporting requirements and financial requirements imposed by the donor)
 - Exclusions to the contract
 - Specifications of key equipment to the contract
 - Special provisions (e.g., force majeure)
 - Terms under which a contract can be cancelled and renegotiated between the parties - all contracts should allow AIRA to terminate the contract subject to a reasonable notice period
 - Scope of the contract, i.e., what legal structure the contract must fall within
 - Procedures and mutually agreed representatives for arbitration
- AIRA is not to enter into contracts unless it is reasonably certain it can meet commitments relating to both service delivery and financial requirements.
- All donor contracts must be reviewed by the EXECUTIVE DIRECTOR and board chair (for verification of consistency with expected commitments, budget and cash flow submitted with the proposal). If the contract contains specific relevant clauses regarding HR, procurement and communication the EXECUTIVE DIRECTOR must ensure that adequate consultation on those clauses has taken place with the relevant department.
- Approval of contracts requires a three step process: approval prior to submission of a concept note, approval prior to submission of a Donor proposal and then Final approval before signing the contract. The first approval is the most important as it outlines what AIRA is being potentially committed to. By steps 2 and 3 AIRA will be largely committed. As the EXECUTIVE DIRECTOR is accountable for grants and can sign the documents for approval.
- The following sign off is required for a Donor Concept Note and proposal approval. The Note should follow the Donor Concept approval proforma and Notes with a total income value over the life of the contract and may be authorized by the following individuals having followed the Grant Management Approval process:
 - Up to \$50,000 - Chief Executive (co-authorized by board treasurer)

- Above \$50,000 - Chair of Board of Directors (co-authorized by EXECUTIVE DIRECTOR and other board treasurer as above)
- Original signed donor contracts must be kept by the EXECUTIVE DIRECTOR in his/her office. Any copies must clearly state on the front page that they are copies and where the original is filed.
- The EXECUTIVE DIRECTOR is responsible for ensuring that all the terms and conditions within the agreement are adhered to.

Budget and Financial Proposals for Grants

- Budgets must be prepared in either in Kenya shillings or the donor currency.
- Budget should be phased across the term of the grant as part of the budget creation process.
- Any exchange rate used during the calculation of the budget must be obtained from the finance department. In order to calculate a budget rate the following information must be provided:
 - The length of the grant
 - The total value of the grant, i.e., the contract
 - The main inflows and outflows of cash during the program
- All budgets and proposals submitted to the donor must include a statement in the proposal that costs and budgets are only valid for three months from the date of submission and if the grant is not finalized and signed within that timescale, AIRA reserves the right to submit revised budgets.
- Wherever possible a note should be included within the grant agreement that allows AIRA the option of renegotiating the budgets in the event there is a significant fluctuation in exchange a rate.
- Project codes are provided by the finance officer following the correct completion of the Finance Contract Approval Form, which provides all the details require by the finance department regarding the grant agreement. No expenditures can be incurred on a contract/grant without first having a project code.

Programme / Donor Reporting

- The Head of Programs is responsible for the content of the donor reports (narrative, financial information and overall quality).The finance officer will assist the Head of Programs with carrying out this responsibility, both ensuring that the logistics department has been consulted to ensure correct and accurate accruals and commitment accounting.

- The finance officer must review and approve all financial reports prior to their submission to the donor.
- The reports submitted to the donor must be reconciled with the financial information under the relevant program code in the finance system. If the report and the finance system differ, a detailed reconciliation must be provided.
- If the report is a final programs report, it must be submitted with closed project reconciliation.
- The financial reports for each grant must be self-contained; they must not include transactions relating to other grants and Programs. Any cross-charging of shared expenditure or re-allocation of costs must be completed prior to the preparation of any reports.
- Only allowable costs can be charged against grants and Programs. Each donor specifies their particular restrictions on costs. The Head of Programs or Budget holder must ensure they are aware of any such restrictions. More generally, allowable costs must:
 - Not lead to a budget overspend
 - Be necessary for the performance of the grant/contract agreement
 - Be net of any applicable credits, such as purchase discounts
 - Conform with all limitations or exclusions in the award
 - Be determined in accordance with applicable, generally-accepted accounting principles and the accounting policies and procedures set out in these Finance policies
 - Ensure they have not been included as a charge to other projects or Programs in the current or prior periods
 - Be adequately documented and transparent to show that the **procurement process has been as logical, fair and competitive** as possible

Closed Projects

- Prior to the submission of final reports, a reconciliation between the following amounts must be completed:
 - The income received or showing as a debtor or due to be received as part of the final report and the expenditure incurred.
 - The financial information on the finance system in donor currency, local currency and sterling.
- Any balances or differences identified during the reconciliation must be investigated, resolved prior to the submission of the final report.
- On a monthly basis, projects must be reviewed by the Finance Manager and a check must be carried out to ensure that all closed projects are reconciled.

Donor Audits

- When a donor requires an audit to be completed either on particular project(s) or on a program as a whole, the Head of Programs must be informed.
- The EXECUTIVE DIRECTOR, Head of Programs and finance officer and Internal Auditor must review the audit report (or equivalent) and management responses prior to them being returned to the auditor.
- The EXECUTIVE DIRECTOR, Head of Programs and Internal Auditor must be sent copies of all the final audit reports.

Programme Finance Risk

- No one (apart from EXECUTIVE DIRECTOR) is allowed to incur expenditure if there is insufficient funding or budget to cover the amount of the expenditure. Doing so is a financial risk to AIRA and if taken without the correct authority could result in the individual(s) being held liable for any costs that result from that risk.
- There are the following types of Program Finance Risks:
 - A concept note/proposal has been submitted and the program started without a contract being signed.
 - In a period of transition following the end of a project or running between two projects
 - Co-funding -when a donor requires match funding but the source of the match funding has not yet been determined.
 - Overspends/Non-allowable costs -costs incurred that cannot be charged back to the donor because they are disallowed or incurred outside the grant period.
- Overall financial risk is the responsibility of the Board of Directors. Day to day responsibility for program finance risks and co-funding risks has been delegated to the EXECUTIVE DIRECTOR. The EXECUTIVE DIRECTOR must assess the likelihood of the risk occurring, ensuring that appropriate and timely provisions and write-offs are made in the financial accounts. The EXECUTIVE DIRECTOR is kept regularly informed of the level of write-offs and provisions processed in the accounts, with particular reference to:
 - Any single identified risk/possible 'hit' ('hit' being defined as a write-off against unrestricted funds) with a probable value of greater than \$5,000
 - Any single identified 'high risk' (interpreted as requiring an immediate provision against unrestricted funds in the accounts) requiring a provision greater than \$10,000

- Overspends/Non-allowable costs will be charged to an unrestricted budget if they are approved by the EXECUTIVE DIRECTOR.
- Co-funding risks are to be discussed by an appropriate group of Directors, prior to the submission of the concept note which commits AIRA to the proposition, in order to ensure transparency of the need to determine sources of funds in addition to the prime donor and referred to the EXECUTIVE DIRECTOR for tracking.

4.5 MONTH END

Month End Processes

- All cash, safe and bank transactions must be complete, reconciled and up to date on the finance system; original bank statements must be received and used as part of the reconciliation. Cash positions for each safe and cash box must be verified by someone other than the main Key Holder (preferably Finance Officer).
- Receipts should be made available for all transactions and must be 100% accounted for. All omissions require follow up and closure.
- Receipts and paperwork should be systematically filed to help create an easy to follow audit trail and any hard copies of documents stored according to the Organization's data management policy
- Any debtor and creditor balances (incurring accruals and pre-payments) must be reviewed and verified by the finance officer. Month end summaries of outstanding advances listing including (i) the amount, (ii) the individual's name, (iii) the date the advance was taken out, and (iv) the purpose of the advance, must be reconciled to the balance sheet position.
- Supplier statements must be reviewed and agreed to the position on the finance system. Any outstanding invoices noted on the supplier statement should be checked to ensure that they have been noted as being an accrual in the system.
- Staff and Volunteer return forms are required for any team members that have left the organization to show that there are no outstanding debts or advances owed. This position must agree with the finance system.
- The month end finance checklist must be completed by the finance officer and approved by the EXECUTIVE DIRECTOR.

4.6 FRAUD, DECEPTION, EXTORTION, THEFT AND LOSSES

Fraud, Deception, Extortion and Theft

- It is the responsibility of all AIRA staff to report any evidence of fraud, deception, extortion, or theft. Failure to do so can result in that individual being implicated in the incident and action being taken against them.
- AIRA staff is accountable to AIRA for any money or equipment entrusted to them.
- Staff is expected to take every precaution to avoid theft and extortion. However, should they find themselves in such circumstances; they should not risk personal injury to protect the property or cash.
- As soon as the situation allows, an investigation is to be conducted by a third-party (that third party could be an internal individual not related to the incident) and responsibility assessed.
- If evidence is found that fraud, deception, extortion or theft has taken place the EXECUTIVE DIRECTOR or a member of Directors and the finance officer (for all cases) must be informed immediately.
- Within 30 days of the evidence coming to light, a further report must be submitted to the EXECUTIVE DIRECTOR and member of the Directors, informing them of the action taken and the financial loss resulting from the fraud, deception, extortion or theft. If the matter is not resolved in 30 days, updated reports should be submitted every 30 days to the EXECUTIVE DIRECTOR.
- If the financial loss is significant (usually in excess of \$10,000) or liable to reoccur, the Head of Programs and EXECUTIVE DIRECTOR will send someone to do an independent investigation of the fraud or theft, and programming may be interrupted or halted until the investigation is complete.
- The finance officer will maintain a Fraud and Theft Register and inform the Directors of all new events appearing on the register as part of regular reporting. A quarterly Fraud and Theft report will be sent to the EXECUTIVE DIRECTORS and Head of Programs to notify them of potential risks and lessons learned by the finance officer. This report will also include any significant findings/issues from the internal auditors.
- AIRA reserves the right to prosecute under local laws all acts of fraud, deception, extortion or theft.
- If the fraud, deception, extortion or theft is carried out by a AIRA member of staff, the individual(s) will be immediately suspended pending an investigation and, if proven guilty, immediately dismissed. AIRA will normally prosecute under the Kenyan laws.
- Disciplinary actions involving local staff must be made according to the Kenyan law.

Loss

- If loss is clearly due to negligence, the person responsible should reimburse the amount missing and appropriate action must be taken by their Line Manager (after gaining approval from the EXECUTIVE DIRECTOR and Head of Programs) to prevent reoccurrence.
- If the cause cannot be identified, the security of the asset needs to be reviewed (including, e.g., moving the item(s) to a safer place, changing keys, changing cash boxes - if asset lost is cash, and limiting access).

4.7 MISCELLANEOUS

Reserves

- The Charity Commission defines unrestricted (free) reserves as the part of a charity's income fund that is freely available for its general (unrestricted) purposes, once it has met its commitments and covered its other planned expenditure. They more technically define reserves as: income which becomes available to the charity and is to be expended at the Directors discretion in furtherance of any of the charity's objects but which is not yet spent committed or designated.
- Unrestricted reserves allow AIRA to balance the needs of future and current charitable objectives, and provide the necessary headroom to meet working capital needs and unexpected variances in income and expenditure.
- Designated funds are unrestricted funds, which have been ring fenced by the Directors for a particular use.
Any change in allocation can be undertaken through a formal request to the Directors at a Board meeting.
- Restricted reserves are funds that AIRA is holding on behalf of the donor and will either be spent in line with donor requirements or returned to the donor. AIRA has three main sources of restricted funds:
 - **Program/grant funds** -where funding provided by donors, usually institutional and major donors, for a specific program in the Organization.
 - **Thematic funds** - Funds provided by donors, usually institutional and major donors, for a specific cause, e.g., raising awareness on malaria.
 - **Appeals** - In certain times, such as during an emergency, AIRA directly appeals to the public for funds where the donor specifically requests that the money is used in a specific area or for a specific need. The money is then restricted according to the donor requirements.
- Under no circumstance should restricted reserves be used for any other purpose than the one the donor has specified.

- Funds must only be restricted if there are clear instructions from the donor to do so.
AIRA staff cannot restrict funds themselves although they can be designated by agreement with Directors.
- Unless otherwise agreed by the donor, gift aid on restricted funds must be treated as restricted.
- Directors approve all use of unrestricted reserves as part of AIRA's annual planning and budget setting process.

Staff Personal Belongings

- All staff members are responsible for their personal belongings, including personal money and allowances
- AIRA will not intervene or reimburse any personal money lost or stolen from staff, unless AIRA deems the circumstances to merit reimbursement or if there is an insurance claim.
- To request reimbursement of loss or stolen money, a written claim must be made to Head of Programs explaining the amount and circumstance of the loss for appropriate action.

Appointment of External and/or Donor Auditors

- It is a regulatory requirement that AIRA as an organization be externally audited at the Lodwar head office every year.
 - There is no mandatory requirement to change auditors after a specified period of time, however consideration should be made every five years for the audit contract to be re-tendered, or earlier if the board should deem necessary.
 - Similarly there is no mandatory partner rotation, but after a partner has acted for ten years he must either put in place safeguards (eg 2nd partner review) or write to the board and explain why he/she does not consider long association to be a risk.
- Where having an external auditor is a regulatory requirement and the selection of those auditors should:
 - Be retendered every three years
 - Allow only six year terms per auditor. The auditor may therefore be reappointed once, following which a new auditor must be appointed for at least a three year period

- Be following a fair process ensuring that audit firms invited to tender are reputable and have at least some NGO experience.
- The appointment of external auditors is the sole responsibility of the AIRA EXECUTIVE DIRECTOR following the above procedure and with advice from the finance Department.
- All financial reports given to any external or grant auditor must be approved by the finance officer and reconciled with AIRA's finance system before being given to the auditor.
- The finance officer and Internal Auditor must review the management letter (or equivalent) and management responses prior to their being returned to the auditor.

Data Integrity and Protection

- A consistent filing and storage mechanism for original documents must be organized. If an original document is removed from the file for an auditor or other reasons, copies must be made to replace the originals before surrendering them. On the copies, a note should be made of where the original has gone, who received it and when. When the original is returned the copy can be disposed off.
- Access to staff lists payroll, and staff data should be limited to essential users only. The list should be filed in a secure place and updated monthly. Past months should be kept for historic information as indicated by donor requirements but for no less than seven years.
- Fraud, through the use of copied signatures, is a high risk for AIRA. Electronic copies of signatories must be kept in secure files. Signatures used for banking documentation should be different from the electronic copy and those generally used on written documentation to reduce the ability to generate fraud through the banking system (i.e. the electronic copy should be the full name but the bank signature just the initial and surname).
- Documentation should be identified as either take/leave/destroy category in case of an emergency evacuation. All confidential financial information (including Local and International Staff information, bank details, etc.), should either be taken or destroyed. Leaving this information behind could have severe implications. The evacuation classification should be assigned in advance and the documents filed in order to ensure a quick and organized evacuation.
- Copies of executed contracts for rental, lease and other obligations must be kept by the Head of Programs to ensure that there is a backup of the legal documents in the case of an emergency

- Financial records must include the following and be kept for at least seven years (or longer if the donor requires) in a secure location:
 - Primary account records
 - Documentation relating to the verification and authorization expenditure
 - Documentation relating to the verification and authorization of the receipt of income
 - Banks statements
 - Records of assets and liabilities
- Financial records should be organized by financial year.
- Financial records can normally be archived when the annual financial statements have been finalized and the annual audit has been completed in the Organization (if an audit is required). Archived records should be boxed and kept in locked, secure, dry accommodation. When moving records from office to archive, an index should be created to allow for easy reference and verification. Boxes should be numbered and a protected list of the contents should be included on the inside and outside of the box. Retention dates should be marked on each box as well as referenced on the archive index. Archived records must be easily accessible and obtainable within five working days.
- Passwords to the financial system and other AIRA systems must never be written down, stored on AIRA property or given to another person. Passwords must be memorized. Security access AIRAs into AIRA systems must be retained in a secure location and not shared or given to another individual.
- Computers must not be left unattended while logged into AIRA systems, especially the finance records. Users must either fully turn off their computers when they are away from their desk.
- Financial information is sensitive and confidential; information must not be disclosed.
- Financial information must be backed up daily and backup up record kept and saved off- site.
- Errors on hard copies of financial records must be physically crossed out by a single line. The line must be initialed and dated. Under no circumstances can correction fluid be used to remove errors on financial documents.

AIRA's Legal and Regulatory Requirements

- The finance department is responsible for ensuring that local financial legislation and taxation requirements are met along with any globally applicable regulations.

- It is AIRA policy to comply with the laws and regulations in Kenya or jurisdiction required by the donor.
- A self-assessment review of the legal position must be carried out annually. This takes the form of the legality questionnaire and is completed as part of the year end audit and completion of the annual accounts.
- Reputable local legal advice must be sought where required; staff should not make assumptions on legal matters.
- All local laws and tax regulations must be complied with, unless written approval has been received from the EXECUTIVE DIRECTOR.
- Company registration of operations must be adequate to permit any activities being undertaken.

Lowering the Authorization Levels

EXECUTIVE DIRECTORS are free to lower the value bands and authority levels stated within these policies and adopt a more stringent process to take into account local market conditions.

In Absentia

In the event of temporary absence of staff with assigned financial responsibilities and authorities, these duties and responsibilities are allowed to be reassigned under the following conditions:

- A clear segregation of duties remains
- If the reassignment occurs "down" the hierarchical management chain, then it must be supported with documentary evidence from the Line Manager, authorized by the Finance Manager and have a time limit on the assignment. A copy of this reassignment must be attached to all the places where the signee uses its assigned authority.
- If the reassignment occurs "up" the hierarchical management chain, then it does not require any supporting documentary evidence

Emergency and General Waivers

- In the event of an emergency being so great that it precludes using normal procedures, the Finance Director may waive adherence to some of the financial policies for a discrete period of time. The policies waived and the duration will depend on the individual circumstances of the emergency and will be at the discretion of the Finance Manager following consultation with the Executive Director.
- Such waivers can also be applied to other emergency situations, where it is unreasonable for systems to be put in place and/or maintained due to staff levels or

capabilities, workload or infrastructure, but as above must be approved by the Finance Manager.

- Emergency waivers must be kept to a minimum and any waivers granted must clearly identify which procedures and policies can be reduced.

Anti-corruption

No offer, gift, consideration or benefit of any kind which constitutes an illegal or corrupt practice can be made to anyone with AIRA funds or in AIRA's name or received directly or indirectly as an inducement or reward for the execution of any agreement.

Declaration of Interest

AIRA staff must ensure that their Line Manager (and, if significant, Head of Programs) are informed if they or anyone within AIRA is entering into an agreement with an individual connected to themselves. Failure to do so may result in the agreement being invalidated and disciplinary action being taken against the staff member.

Segregation of Duties

The procedures laid out in this policy are designed to ensure there is a segregation of duties throughout the financial processes. If at any point an individual feels an inadequate number of people have been involved in any financial process to allow sufficient segregation, they should halt the process and inform their Line Manager or the Head of Programs.