



UTNWFT FINANCE POLICY MANUAL



Published by



PREAMBLE

The UTNWF Trust expects to raise funds majorly through endowment trust investments, trust raising through partnerships, donations and in-kind leverages from county governments and recipient communities. These financial resources will be in turn invested in conservation initiatives in the project area. It is therefore imperative that prudent financial management with a lot of accountability and transparency is embraced in all undertakings and transactions in the Trust. This manual is therefore intended to facilitate this noble agenda. Thus, a sound finance management system that promotes transparency, accountability, equity, fiscal discipline, and efficiency in the management and use of public resources for improved service delivery and economic development must be set up. It is in this spirit that Upper Tana-Nairobi Water Fund Trust (UTNWFT) presents this Finance Manual which contains the common set of financial policies and procedures to be used across the organization.

This Manual shall serve as a standardised application of financial accounting procedures; provide and enforce effective financial controls to ensure optimum utilisation of resources; maximization of revenue collection and accountability; establish a system that can produce accurate and reliable financial statements and books of accounts which reflect a true and fair view of the organization; set out rules, policies, and procedures to ensure efficiency of operations, including safeguarding of assets, achievement of goals, and reliability of information; provide guidelines to ensure compliance with professional, regulatory and government laws and regulations; ensure financial risk is mitigated by applying best practice in financial management and ensuring financial decisions are made within a sound accountability framework, using robust and transparent systems. The Executive Director will be responsible for implementation of this manual with oversight from BoT and BoM. The Head of Finance shall on behalf of the Executive Director ensure compliance to all the above provisions in this manual.

Emmanuel Rurema

Interim Executive Director

LIST OF ABBREVIATION

BOT	Board of Trustees
CAC	County Advisory Committee
CBS	Central Bureaus of Statistics
CPM	Conservation Program Manager
CPM	Conservation Program Manager
ED	Executive Director
EFT	Electronic Trust Transfer
ERP	Enterprise Resource Planning
FAR	Fixed Assets Register
FMS	Finance Management Systems
GAAPs	Generally Accepted Accounting Principles
GL	General Ledger
HQ	Headquarters
HR	Human Resource
IAS	International Accounting Standards
IAS	International Accounting Standards
ICT	Information Communication Authority
IFRS	International Financial Reporting Standards
IT	Information Technology
KES	Kenya Shillings
LPO	Local Purchase Order
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
PFM	Public Finance Management
PR	Purchase Requisition
RFP	Request for Proposal
RFQ	Request for Quotations
RTGS	Real Time Gross Settlement
SWA	Staff Working Advance
TB	Trial Balance
TNC	The Nature Conservancy
TOR	Terms of Reference

UTNWFT Upper Tana-Nairobi Water Fund Trust

TABLE OF CONTENTS

PREAMBLE	i
LIST OF ABREVIATION	ii
CHAPTER 1: INTRODUCTION	0
1.1 Background	0
1.2 Scope and Objectives of the Finance Manual	0
1.3 Maintenance, Security and Confidentiality of the Manual	1
1.3.1 Maintenance of the Manual	1
1.3.2 Security and Confidentiality	2
1.4 Responsibilities	2
1.5 Accounting Officer and his Responsibilities	2
1.6 Finance Departments Responsibilities	3
CHAPTER 2: ACCOUNTING PROCEDURES	4
2.1 Basis of Accounting	4
2.2 Significant Accounting Policies	4
2.3 Statutory reports	4
2.4 Financial Accounting Year	5
2.5 Financial Management System (FMS)	5
2.6 Financial System Access Procedures	6
CHAPTER 3: THE GENERAL LEDGER	8
3.1 Functions of General Ledger:	8
3.2 Structure of Accounts/Chart of Accounts	8
3.3 Postings journals into the General Ledger	9
3.4 Querying the Ledger	9
3.5 Reconciliation of Control Accounts	9
3.6 Trial Balance	9
3.7 Accounting Documents	10
3.8 Journal entries	10
3.9 Month end procedures	11
3.10 Year-End Procedures	11
CHAPTER 4: FINANCIAL PLANNING AND BUDGETING	13
4.1 The budgeting processes	13

4.2 Proposal Budgets	13
4.3 Donor Budget	14
4.4 Operational Budgets	16
4.5 Annual Budgets	16
4.6 Funded budget	18
CHAPTER 5: REVENUE PROCESSES	19
5.1 Grant Income: Restricted and Unrestricted Income	19
5.2 Grant Management	19
5.3 Procedures for grant income recognition	20
5.4 Categories of grants	20
5.5 Initial steps on securing a grant	20
5.6 Donor Reports and Cash Call-downs	21
5.7 Grant Allocation	23
5.8 No-cost extensions	23
5.9 Goods in Kind	24
5.10. Closing of Grant/Project	24
5.11 Other Income	25
CHAPTER 6: EXPENDITURE	28
6.1 Management of Expenditure	28
6.2 Transport and Travel	30
6.3 Project Assets	31
6.4 Administration Costs	32
CHAPTER 7: PAYROLL/PERSONNEL COST	33
7.1 Payroll Procedures Management	33
CHAPTER 8: ACCOUNTS RECEIVABLE/DEBTORS MANAGEMENT	35
8.1 Debtors and Prepayments Policy	35
8.2 Staff Debtors Procedures	36
8.3 Trade Debtors Procedure	36
8.4 Debtor's provision	37
8.5 Maintaining Customer Accounts	37
CHAPTER 9 : CASH AND BANK	39
9.1 Cash Limits	39
9.2 Payment of Salaries and Wages	39
9.3 Cash and Bank Policy	40

9.4 Petty Cash	40
9.5 Office Float Policy	41
9.6 Approval of Cash Reconciliations	42
CHAPTER 10: ACCOUNTS PAYABLE	46
10.1 Accounts payable policy	46
10.2 Creditors Procedure	46
10.3 Payment's procedures	47
10.4 Staff Working Advance (SWA)	48
10. 4.5 Inter-ledger Balances	51
10.4.6 Fixed Assets	51
CHAPTER 11: RESERVES	53
11.1 General Reserve	53
11.2 Accumulated Reserve	53
11.3 Accumulated Assets Reserve	53
11.4 Revaluation Reserve	53
CHAPTER 12 :FINANCIAL DATA SECURITY & DOCUMENTATION	54
12.1 Data Security	54
12.2 Document Filing	54
12.3 Backup Routines	55
12.4 Disaster Recovery	55
12.5 Custody Allocation	55
CHAPTER 13: PROCUREMENT	57
13.1 Procurement Policy	57
13.2 Procurement Principles	57
13.3 Reliability of supplier	58
13.4 Prequalification of suppliers and selection	58
13.5 Approved Supplier Lists	58
13.6 Procurement Methods	59
13.7 Contracts and contract management	62
13.8 Payments and Retention of Works	65
CHAPTER 14 : EXTERNAL AUDIT	68
CHAPTER 15: INTERNAL CONTROLS	69
CHAPTER 16: FRAUD AND RISK ASSESSMENT	71
16.1 Risk Management	71

CHAPTER 1: INTRODUCTION

1.1 Background

Upper Tana-Nairobi Water Fund Trust (UTNWFT) is a public charitable trust established by The Nature Conservancy (TNC) in collaboration with the government with its headquarters in Nairobi, Kenya.

Mission and Values Statements

Vision: *A well conserved and managed Upper Tana watershed that sustains healthy livelihoods and ecosystem functions in the region and beyond.*

Mission: *To secure the long-term conservation, protection and maintenance of the Upper Tana Watershed and the benefits it provides for people and nature by advancing nature-based solutions to water security.*

Core Values: - I-PACE

- i. Integrity*
- ii. Partnership*
- iii. Accountability*
- iv. Commitment to nature*
- v. Empowerment*

1.2 Scope and Objectives of the Finance Manual

The provisions of the Constitution and specifically the stated principles on public finance (Article 201) aim to strengthen public finance management systems to enhance effectiveness of the budget processes, improve transparency and accountability, and ensure resources are utilized prudently and fairly. A public finance management system (PFM) should therefore promote transparency, accountability, equity, fiscal discipline, and efficiency in the management and use of public resources for improved service delivery and economic development.

It is in this spirit that UTNWFT presents this Finance Manual which contains the common set of financial policies and procedures to be used across the organization.

This Manual shall serve the following key objectives:

- i. Standardise the application of financial accounting procedures.
- ii. Provide and enforce effective financial controls to ensure optimum utilisation of resources.
- iii. Maximization of revenue collection and accountability.
- iv. Establish a system that can produce accurate and reliable financial statements and books of accounts which reflect a true and fair view of the organization.
- v. Set out rules, policies, and procedures to ensure efficiency of operations, including safeguarding of assets, achievement of goals, and reliability of information.
- vi. Provide guidelines to ensure compliance with professional, regulatory and government laws and regulations.
- vii. Assist in achieving of the organization's strategic objectives.
- viii. Act as basis of delegation of authority to various officers within the organization.
- ix. Provide a reference or basis for training or induction of new staff.
- x. Ensure financial risk is mitigated by applying best practice in financial management, and
- xi. Ensure financial decisions are made within a sound accountability framework, using robust and transparent systems.

1.3 Maintenance, Security and Confidentiality of the Manual

1.3.1 Maintenance of the Manual

- i. The Manual is to be issued with the authority of the Board of Management (BOM) and the Board of Trustees (BOT).
- ii. The responsibility of distribution of the controlled Manual is vested with the Finance and Administration Officer.

- iii. The Finance and Administration Officer is responsible for receiving proposals, reviewing, and periodically updating the Manual.
- iv. The revised Manual shall then be forwarded to the Board of Management for approval upon which staff shall be advised accordingly.

1.3.2 Security and Confidentiality

- i. The manual is for exclusive and confidential use by UTNWF.
- ii. Any unauthorised reproduction of the whole or part of the manual is prohibited.

1.4 Responsibilities

The Board of Management and their financial responsibilities:

- i. At least two months before the end of each financial year, the Board shall have prepared estimates of the revenue and expenditure of the Trust for that financial year.
- ii. The Board shall cause to be kept proper books and other records of accounts of the income, expenditure, assets, and liabilities of UTNWF.
- iii. Manage, control, and administer the assets of the Trust in such a manner and for such purpose as are best to promote the purpose for which it is established.
- iv. Within a period of three months after the end of each financial year, the Board shall submit to the External Auditor the accounts of UTNWF in respect of that year, together with a statement of:
 - a. Income and expenditure during that financial year; and
 - b. Assets and liabilities of UTNWF on the last day of that financial year.
- v. The Board shall ensure the accounts of the Trust are examined, audited, and reported upon annually by the External Auditor in accordance with the provisions of the law relating to public charitable trust organizations.

1.5 Accounting Officer and his Responsibilities

The Accounting Officer of the Trust shall be the Executive Director (ED) who shall take effective and appropriate steps to:

- i. Collect all money due to the Trust.

- ii. Prevent unauthorized, irregular, fruitless and wasteful expenditure and losses resulting from criminal conduct.
- iii. Manage available working capital efficiently and economically.
- iv. Safe-guard and manage the assets and liabilities of the Trust.
- v. Ensure compliance with any tax, duty, pension, and audit commitment as may be required by legislation.
- vi. Ensure settlement of all contractual obligations and pay all moneys owing including within the prescribed or agreed period, and;
- vii. Ensure issuance of guidelines to the Trust in respect to financial matters and monitoring their implementation and compliance.

The Finance and Administration Officer shall on behalf of the accounting officer ensure compliance to the above provisions.

1.6 Finance Department's Responsibilities

- i. Promote transparency, effective management, and accountability regarding the Trust's finances.
- ii. Ensure all expenditure incurred by UTNWF are in accordance with the approved work plans and annual estimates.
- iii. Facilitate all receipts and payments of UTNWF.
- iv. Formulate and implement sound internal controls for UTNWF to promote the efficient and effective utilization of financial resources.
- v. Co-ordinate the preparation of annual financial statements of accounts and other statutory financial reports for UTNWF, and;
- vi. Facilitate and co-ordinate internal and external audits.

CHAPTER 2: ACCOUNTING PROCEDURES

2.1 Basis of Accounting

Upper Tana-Nairobi Water Fund Trust shall adopt International Financial Reporting Standards (IFRS) as the basis of reporting its financial operations and results.

2.2 Significant Accounting Policies

These are reporting methods, measurement systems, and disclosures used by the Trust in applying different accounting concepts and best practices. Usually;

- i. A description of the Trust's accounting policies is presented in a separate section preceding the footnotes to the financial statements or as the first footnote.
- ii. Disclosure of accounting policies includes accounting principles and methods of application that involve:
 - a. A selection from generally accepted alternatives.
 - b. Those unique to the industry; and
 - c. Unusual or different applications of Generally Accepted Accounting Principles (GAAPs).
- iii. In preparation of financial reports, the Trust shall be guided by IFRS and GAAP's.

2.3 Statutory reports

Upper Tana-Nairobi Water Fund Trust in compliance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) shall prepare the following reports:

- i. Statement of profit or loss and other comprehensive income.
- ii. Statement of financial position.
- iii. Statement of changes in Reserves and Fund .
- iv. Statement of cash flows.
- v. Statement of Comparison of Budget and Actual Amounts.
- vi. Notes to Financial Statements, and;

- vii. Statement of accounting policies.

In addition to the above, the following reports shall be part of the annual report and Financial Statement:

- i. The chairpersons report,
- ii. Report of the Board of Trustees, and
- iii. Statement of Board of Trustees responsibility.

The principal accounting policies adopted in the preparation of these financial statements shall be in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention.

2.4 Financial Accounting Year

The financial year runs from 1st July to 30th June. The year is divided into 12 accounting periods, one for each calendar month. Different projects may have specific financial reporting periods as stated in Grant Documents.

2.5 Financial Management System (FMS)

Upper Tana-Nairobi Water Fund Trust shall use multiuser system of accounting in its offices. Organization wide management and statutory accounts shall be prepared at the headquarters. The software shall be an integrated module that combines general ledger, accounts payable, accounts receivable, client ledger, budgeting, and consolidation, project costing and reporting.

The software may be made available online or be off-shelf software provided that only authorized finance staff can enter approved transactions at any time and keep the ledgers completely up to date.

Every transaction is recorded in the actual currency used and translated into Kenya Shillings which shall be the reporting currency for Upper Tana Nairobi Water Trust. Corporate reports shall be prepared in Kenya Shillings.

Reports to donors are made in the currency stipulated in the agreement between Upper Tana Nairobi Water Trust and the donor.

The objective of the UTNWF financial management system is to:

- i. Provide accurate, complete, reliable, and timely financial information to management to facilitate informed and timely decision-making,
- ii. Ensure security, effective control, and efficient utilisation of resources,
- iii. Provide financial records and reports to stakeholders in accordance with agreed content, format, and reporting period,
- iv. Ensure compliance with statutory requirements,
- v. Ensure preparation and effective implementation of budgets, and
- vi. Ensure consistency through compliance with approved rules and regulations in various management areas.

2.6 Financial System Access Procedures

The following procedures shall be followed to obtain access to the financial system:

- i. All UTNWF staff have the responsibility to implement these financial procedures and accounting guidelines.
- ii. The Finance and Administration Officer has the responsibility to ensure that these financial procedures and accounting guidelines are strictly adhered to.
- iii. The Executive Director has ultimate responsibility to ensure overall compliance.
- iv. Disciplinary action shall be taken against any member of staff who deliberately infringes any provision of these procedures and guidelines.
- v. Any variation in the implementation of these financial procedures and accounting guidelines shall be in writing and approved by the Executive Director.
- vi. All local purchase orders (LPOs) (for goods and services), invoices, receipt books, cheque books and payment vouchers shall always be kept in safe custody. Disciplinary action shall be taken against any staff

member who loses any accountable documents through negligence or intentionally.

- vii. All accounting documents are confidential and shall not be disclosed to unauthorized persons.
- viii. A system access request form shall be approved by Finance and Administration Officer and forwarded to the Executive Director (ED) for approval before the user account is created by outsourced/internal IT advisory team.
- ix. Upon creation of the user account the signed copy of the system access request form is forwarded to the ED for user responsibility allocation.
- x. For new employees, once they have been recruited the request shall be approved by Finance and Administration Officer.
- xi. The Finance and Administration Officer shall be responsible for the above roles and shall liaise with the IT system consultant on a need basis.
- xii. All system consultant visits shall be documented and signed.

CHAPTER 3: THE GENERAL LEDGER

The general ledger is the final record in the accounting system that accumulates all data from other modules and journals. It therefore completes the double entry system. It contains the control accounts to which subsidiary reconciliations and journals are balanced; therefore, it is essential that all cut-offs be properly recorded at the end of each month and year end.

3.1 Functions of General Ledger:

- i. Management of the Structure of Accounts
- ii. Reconciliation of the Control Accounts

3.2 Structure of Accounts/Chart of Accounts

The purpose of the structure of accounts or a chart of accounts is to provide a framework for capturing and grouping data in a manner that will facilitate generation of the required reports. It is designed to accommodate reporting requirements, taking into consideration the flexi-field allowance provided by the system.

Upper Tana-Nairobi Water Fund Trust shall keep a General Ledger to exhibit a true and fair view of the organization's affair as follows:

- i. All the accounting entries of whatever nature shall be included or posted in or to the ledger. It shall contain details of all the assets and liabilities, income, and expenditure of the Trust.
- ii. The General Ledger shall be divided according to the Balance Sheet items and Income and Expenditure items.
- iii. Each Balance Sheet and Income and Expenditure item shall have an account code.
- iv. New codes can only be introduced with the approval of the Finance and Administration Officer and Executive Director who shall maintain the master code list.
- v. Other ledgers may be maintained but they are subsidiary to the General Ledger. They include:

- a. Fixed Assets Register,
- b. Stock Ledger, and
- c. Imprest ledger.

A control account shall be maintained for each subsidiary ledger in the General Ledger. The balances in these ledgers must agree with the control accounts.

3.3 Postings journals into the General Ledger

Entries to the General Ledger and certain subsidiary ledgers shall be made using approved accounting documents. All such documents shall be consecutively numbered/ serialized.

Documents must be reviewed and or approved as per the set approval workflows. All vouchers shall have a unique reference assigned to them in the system and the related documents attached for ease of tracing the source documents later.

3.4 Querying the Ledger

Data shall be entered into the ledger directly or by use of macros/jet reports and the ledger can be queried by generating reports directly or by use of various jet reports.

3.5 Reconciliation of Control Accounts

This is a continuous process that shall be done both at the end of the month and end of the year. Upon reconciliation a report will be generated and forwarded to the Executive Director by the 15th of the following month for verification and approval.

3.6 Trial Balance

The Trial Balance (TB) is a list of all the debit and credit balances of the General Ledger. The total of the debit balances must equal to total of the credit balances. If the two balances do not agree, the difference must be identified without proceeding further with preparation of the accounts. The financial statements shall be prepared from the TB balances.

The TB shall be checked and approved by the Finance and Administration Officer or the Executive Director in a case where the Finance and Administration Officer is the preparer of the accounts. The trial balance can be extracted out of the

accounting system from the account schedules or using Jet Reports that have been developed to extract it.

3.7 Accounting Documents

Accounting documents include all the documents designed and used by the organization for accounting purpose. In the ERP environment, all accounting documents shall be maintained in the applicable formats as defined by the organization. These include:

- i. Cash receipts
- ii. Ordering documents such as Local Purchase Orders
- iii. Invoicing documents
- iv. Goods Received Notes
- v. Stock documents such as Stores Issue Notes
- vi. Any other related document

3.8 Journal entries

All adjusting journal entries must be approved by the ED before being posted into the accounting system. The Finance and Administration Officer shall be responsible for preparing the adjusting journal entries which shall be reviewed and approved by the Executive Director. Manual journal vouchers shall be raised in the following circumstances:

- i. Correction of misposted entries in the general ledger.
- ii. Adjusting entries in the general ledger
- iii. Journal vouchers shall be raised in duplicate. One copy is used to post in the GL, and the other remains as a book copy.
- iv. Finance and Administration Officer shall be responsible for journal vouchers and must ensure that they are properly coded, supported and narration is adequately descriptive, to ensure that the journal voucher is easily understood.
- v. Journal vouchers must have serial numbers and must be submitted to the ED or his/her designate for authorisation.
- vi. The journal voucher shall be posted in the FMS using the serial number of the physical journal voucher in the reference field. While quoting the system generated document number on the physical journal voucher.

- vii. Once posted, the journal vouchers shall be filed in the Manual Journal Voucher file.

3.9 Month end procedures

At the end of every month the Finance and Administration Officer shall ensure that all monthly adjustment has been made in the general ledger and the relevant documentation filed in accordance with this policy.

The monthly financial statements shall be prepared together with the monthly reports and shared with the management for review and approval.

The Service cut-off date for the month end procedures shall be the 30th of the month. During the monthly close, the Finance and Administration Officer shall:

- i. Set the necessary parameters at the beginning of every month to ensure proper updates from the different modules.
- ii. Ensure that all transactions from the different modules and interface have been updated in the ledger.
- iii. Analyse the Trial Balance for correctness of the balances.
- iv. Prepare any adjusting entries with supporting documents.
- v. Close the preceding periods in the different modules.
- vi. Generate statements of financial position, comprehensive income, cash flows and equity.
- vii. Prepare and forward a month end report to the ED for review and approval by 15th of the subsequent month.

3.10 Year-End Procedures

For a successful end of year process the Trust shall carry out end year procedures by the 31st of May. The Finance and Administration Officer shall:

- i. Ensure that all transactions relating to that financial year have been matched to the periods in which they relate.
- ii. Make provisions on those expenses relating to the financial year that are expected to be incurred.

- iii. Prepare the supporting schedules for all the control accounts for the financial year.
- iv. Close the last month of the financial year and prepare draft financial reports.

CHAPTER 4: FINANCIAL PLANNING AND BUDGETING

4.1 The budgeting processes

During the quarter preceding a fiscal year, Programs and Overall, the Trust's budgets shall be prepared and approved by the Board of Management. Activity budgets shall be prepared by the Finance and Administration Officer and approved by the Executive Director within reasonable time. The budgeting process in UTNWF shall begin in March of every year and must consider all the planned activities for the following year. The organization shall prepare four kinds of budgets based on the need of the Trust: proposal budgets, donor budgets, operational budgets, and annual program budgets.

Proposal budget is developed at the initial stage of a project's life cycle. It is the translation of project's proposed activities into monetary terms and is produced in a form to be submitted to partners in development for consideration. It is based upon the proposed project activities and work plan.

Donor budget is an approved proposal budget as agreed and signed by the donor.

Operational budgets are monthly project/program financial plans based on an approved budget for the Trust and work-plan for a specific time period and are used to monitor project/program financial performance.

Annual budget is a summary of all the planned program activities in monetary terms for one financial year.

4.2 Proposal Budgets

Proposal Budget Policy

- i. For all proposals, a written budget must be prepared.
- ii. Proposal budgets are prepared based on donor guidelines and formats applicable therein.
- iii. Proposal budgets must be prepared in line with the legal requirements and government regulations.

- iv. Proposal budgets are prepared in Kenya Shillings (KES) unless the donor requires that the budgets be stated in a particular currency or as stated in the call for proposals documents.

Proposal Budget Procedure

- i. The Conservation Program Manager prepares the activity plan for the entire project period.
- ii. The Conservation Program Manager shall prepare the details of all the resource requirements and quantities required for each costed line item.
- iii. Based on the information provided, he/she shall cost all the activities together with the administrative and personnel costs and prepare the proposal budget ensuring accuracy and completeness.
- iv. The budget shall be prepared with sufficient budget notes detailing the cost for the activity and how the figures have been derived so as to enable other people to understand how the budget has been compiled.
- v. The ED shall ensure that UTNWF organizational policies have been complied.
- vi. For multiyear projects, an inflation factor based on the guideline from the project review shall be factored on an annual basis.
- vii. The proposal budget shall indicate the contribution of all involved and document the plan for how the finances shall be raised.
- viii. Personnel and fringe benefit categories shall include an annual salary escalation factor of 5% to accommodate cost-of-living adjustment.

4.3 Donor Budget

The donor agreement including the budget thereto must be signed on behalf of UTNWF by the ED and by the donor. The following points shall be made clear in the contract before it is signed:

- i. Start and end dates for funding.
- ii. Net cash amounts receivable by UTNWF from the donor including currency in which funds shall be transferred.
- iii. Amount and sources of matching funds from other sources, if included as a firm UTNWF commitment in the agreement.
- iv. Budget expenditure amounts by line-item.

- v. The amount of overhead recovery through direct and percentage charges.
- vi. Name and address of donor contact person.
- vii. Donor report schedules: for which periods are reports needed.
- viii. How soon after the period end must reports be sent?
- ix. Reporting format.
- x. Grant call-down schedules:
 - a. the dates cash call-downs may be made
 - b. amount of money that may be requested at each call-down and
 - c. the supporting documents needed for a call-down.

4.3.1 Donor Budget Procedure

- i. The Executive Director and Finance and Administration Officer shall review and approve the budget before signing any contract with the donor.
- ii. Where there are no contracts, a written confirmation on the use of the fund from the donor shall be obtained before implementation of activities. In the event there is no contract, the funding approach for the project must be agreed by the Conservation Program Manager.
- iii. A copy of the signed contract and proposal including the budget shall then be filed with the Finance and Administration Officer. The Conservation Program Manager opens a grant file and project file.
- iv. For ease of reporting and identification, the Finance and Administration Officer assigns programme activity codes and budget lines codes relating to the funded program.

4.3.2 Donor Budget Revision/amendments

The Finance and Administration Officer in consultation with the Conservation Program Manager prepares any budget amendments to the donor budget and this must be approved by the Executive Director before submission to the donor for consideration. The Trust must adhere to donor budget revision guidelines.

Written consent from donors must be obtained for any revisions made to the donor budget. When the contract has been signed, the original contract document shall be copied, sent to the Executive Director and the original filed and kept in a locked cabinet.

4.4 Operational Budgets

The operational budget is prepared for a specified period showing the sources of Funds and how the Funds shall be spent on a monthly basis.

4.4.1 Operational Budget Procedure

- i. The conservation program manager shall prepare the work plans that show the detailed breakdown of the activities and expected implementation plan.
- ii. The budget amount per activity together with underlying assumptions are then identified and aligned to the activity implementation plan.
- iii. The conservation program manager in preparing the operating budget shall ensure that the work plan covers the approved project activities and is in line with the donor budget. Expenditure shall be within the limits of the available fund.
- iv. The operational budget is prepared based on the work plan.
- v. All expenditure to be incurred in local currency shall be budgeted in local currency.

4.4.2 Operational Budget Revisions

- i. Revisions are necessitated by changes in donor budgets, rescheduling of activities and project performance.
- ii. Amendments shall be made by the Programme Manager and approved by the ED. In the case of rescheduling of activities, the revised work plan must be approved by the Executive Director.

4.5 Annual Budgets

For the purpose of exercising effective financial control, UTNWF shall prepare an annual budget built up from individual activities planned for the year. The annual budget shall entail the sources of funds and proposed expenses as approved by the Board.

4.5.1 Annual Budgeting Procedure

- i. UTNWF annual budgeting process shall begin in March and shall be completed by May.
- ii. At the beginning of the annual budgeting process, the Finance and Administration Officer shall prepare and distribute to Executive Director

and staff all programs, the guidelines to be followed in formulation of the next year's work plan and budget.

- iii. Conservation Program Manager prepare annual work plans that show the detailed breakdown of the budget amount per activity together with underlying assumptions.
- iv. The Conservation Program Manager in consultation with the Finance and Administration Officer shall prepare the operating budget ensuring that the related work plan only covers the approved project activities. Expenditure shall be within the limits of the available Fund.
- v. The budget for each programme activity shall also show how much overhead recovery can be charged in order to cover the costs of overhead relating to the management of programme activities, either as a percentage of actual direct costs or as agreed fees for management services.
- vi. The income side of the budget shall include the overhead recovery expected from program centres together with any restricted grants and other income which may be available. To balance the overhead budgets, unrestricted funds are allocated as needed. The Conservation Programme Manager and the Finance and Administration Officer shall prepare a proposed expenditure plan by budget line-items and month, supported with details of objectives, work plans, and assumptions about available funds.
- vii. All budget figures shall be adequately supported by donor contracts, work-plans, and underlying assumptions (for self-financing units and expected grants).
- viii. Staff cost forecasts shall be made by the Finance and Administration Officer.
- ix. The forecast shall include all benefits (*provident/pension Trust, medical and group life insurance benefits*); and personnel shall be split between UTNWF contract and non-contract staff in accordance with the HR policy.
- x. On approval this then becomes the Board approved budget which shall be posted to the Accounting System for monitoring and control purposes.

4.6 Funded budget

The funded budget reflects the Board approved budget as adjusted to reflect confirmed funding that is generated during the course of a financial year.

4.6.1 Funded budget Amendment procedures

The Executive Director shall approve any changes to the budget ensuring that all the activities and administrative costs indicated are fully covered.

CHAPTER 5: REVENUE PROCESSES

Income is recognized as follows:

- i. Restricted grant income is recognized when expenditure is incurred,
- ii. Unrestricted grants are recognized when received,
- iii. Trust income is recognized when received,
- iv. Donations in kind are recognized in the financial statements at the amount attributed to them by the Donor, or in the absence of this, at their estimated present market value, on a receipt's basis, and
- v. Other income and interest income is recognized in the period in which services are provided or interest is earned, respectively and evidence of the same documented.

5.1 Grant Income: Restricted and Unrestricted Income

Restricted grants are:

- i. Grants or funds which are for specified approved activities as defined in the Contract agreement from funding agencies; or
- ii. Community contributions—as per the agreement with the community; or
- iii. Restricted contributor grants like grants for training courses run by UTNWF.

Unrestricted grants are grants not tied to any specific activities by donors and UTNWF management has the responsibility of allocating these grants for activities in priority areas. These grants may be in the form of:

- i. Program grants,
- ii. Unrestricted donations for general Upper Tana-Nairobi Water Fund Trust support and for activities in priority areas,
- iii. Surpluses from UTNWF Trust project activities or other enterprises activities,
- iv. UTNWF Trust fundraising for specific program activities, and
- v. UTNWF Trust fundraising events which are not held to support specific activities.

5.2 Grant Management

Grants are contributions/donations received by Upper Tana-Nairobi Water Fund Trust or committed to UTNWF Trust to finance and support the implementation of activities. The contributions could be in the form of funds, goods, or services.

Funds received for services rendered and invoiced by UTWNF Trust may however not be classified as grants.

5.3 Procedures for grant income recognition

At the end of an accounting period, the Finance and Administration Officer shall claim all income that is due to the programme activity from its grants and other sources. (*The process of claiming all the income due to the programme activity is referred to as the Grant to Project allocation*). The Finance and Administration Officer shall, on a monthly basis, use the following procedure for each programme activity:

- i. Review available sources of funding for the programme activity:
 - a. Other incomes
 - b. Restricted grant fund
 - c. Unrestricted (program) fund
 - d. Overhead cost recoveries
- ii. Allocate grants equal to the net total cost from one or more available sources in accordance with the agreed terms of each grant.
- iii. The allocation of grants shall not exceed the current grant balances held by Upper Tana-Nairobi Water Fund Trust unless it is certain that any excess (*negative grants balances*) is claimable from the donor according to the agreed terms of the grant.
- iv. If the Finance and Administration Officer cannot identify adequate funds to cover the actual net total costs, the ED shall be consulted to decide on the necessary action.

5.4 Categories of grants

Upper Tana-Nairobi Water Fund Trust grants are categorized into two:

- a. Restricted grants - Resources whose use is limited to a specific purpose.
- b. Unrestricted grants - These are resources given to Upper Tana-Nairobi Water Fund Trust whose use is not limited or specified by the donor.

5.5 Initial steps on securing a grant

- i. As soon as a new grant agreement or contract has been signed by both the donor and Upper Tana-Nairobi Water Fund Trust, the Conservation Program Manager shall note the following and prepare a summary of:

- a. Name and address of the donor contact person.
 - b. Start and end date of the funding.
 - c. Donor grant reference number.
 - d. Budget expenditure amount by line item.
 - e. For matching sources: indicate the source and amount of the fund.
 - f. Net cash amount receivable by Upper Tana-Nairobi Water Fund Trust from the donor and currency of the funding.
 - g. The amount/percentage of overhead recovery.
 - h. Grant call/draw down schedules.
 - i. Date for cash call-downs.
 - j. Amount of funds requested at each call-down; and
 - k. Supporting documents needed at each call-down including the required donor reporting schedules and formats. If these are not required in a particular format, Upper Tana-Nairobi Water Fund Trust reporting format shall be used.
- ii. Copies of grant agreements or contracts shall be sent to all the parties.
 - iii. The Finance and Administration Officer shall approve new grant codes; request shall be done via email by the Conservation Program Manager to assign a new grant code upon signing the donor agreement. For grants amounts of KES 500,000 or below an existing general grant code shall be used or a general grant code opened if one does not exist.
 - iv. The Conservation Program Manager is responsible for translating the donor budget into the UTNWF Trust operational budget format, submitting the same to the Finance and Administration Officer for approval, and posting the donor budget into the accounting system.

5.6 Donor Reports and Cash Call-downs

- i. Most donors transfer funds for project implementation in instalments. Wherever possible, the Finance and Administration Officer shall secure an advance payment at the start of the grant. The schedules for reports and cash call-downs shall be set to ensure that Upper Tana-Nairobi Water Fund Trust always has funds in hand, provided that the completed reports are delivered on time. Upper Tana-Nairobi Water Fund Trust shall not pre-

finance projects with more than KES 500,000 unless approved by the Executive Director and the Board of Management.

- ii. It is the responsibility of the Programme Manager, assisted by the Finance and Administration Officer, to send financial reports and call-down requests to the donors at the agreed dates.
- iii. Thereafter, the Finance and Administration Officer shall schedule the preparation of financial reports, including clearance and approval by the ED into the planned activities of the programme so as to avoid stoppage of field work while waiting for cash from the donor.
- iv. Donor reports shall be prepared at least every three months, within six weeks of the end of the quarter, even if no clear reporting schedule has been specified by the donor.
- v. Financial reports shall be harmonised with the narrative reports.
- vi. Donor reporting templates shall be used. If none exists, a standard Upper Tana-Nairobi Water Fund Trust template shall be adopted.
- vii. Finance and Administration Officer shall sign the donor report before it is sent to the donor, to certify that it is correctly based on the Upper Tana-Nairobi Water Fund Trust ledgers. The Programme Manager shall first request the ED and the Finance and Administration Officer to clear the report, including review of the reconciliation between ledger and report.
- viii. For accounting of a continuing donor grant, a call-down request for funds shall be sent to the donor with the donor report. In cases where the donor needs a forecast of expenditure for the next period of operations, such as three months or six months the Finance and Administration Officer shall authorize the amount requested, in consultation with the Programme Manager.
- ix. After the donor financial report and call-down request have been signed by the Finance and Administration Officer, the Programme Manager shall send them, with a suitable covering letter and any other due reports, to the donor. Copies of the letter and the signed financial report shall be put in the grant file held by the finance department, as well as in the files of the programme activity.

- x. Subsequent disbursements of funds by the donor(s) are made upon the submission of project reports and an approved cash call-down form request from Upper Tana-Nairobi Water Fund Trust.
- xi. The Conservation Program Manager is responsible for preparing call-down requests from donors, which must be approved by the Finance and Administration Officer/ED.
- xii. Upon receipt of funding, the Finance and Administration Officer raises a receipt, and the Programme Manager raises a letter of acknowledgement for the gift. The letter is signed by the Executive Director and sent to the donor together with the receipt.

5.7 Grant Allocation

- i. As a matter of policy, grant income is recognized when expenditure is incurred. Thus, from the date the funds are received, they belong to the donor until the programme activity spends and accounts for them.
- ii. At the end of an accounting period, the Finance and Administration Officer shall claim all income that is due to the programme activity from its grants and other sources.
- iii. The allocation of expenditure to a grant shall not exceed the current cash balance of the Fund held by Upper Tana-Nairobi Water Fund Trust unless it is certain that any excess (negative cash balance) can be claimed according to the agreed terms of the grant.
- iv. If the Finance and Administration Officer cannot identify enough income to cover the actual net total cost, he/she shall consult the Programme Manager and the ED to decide the necessary action, which may include cost control and call-down of Fund.
- v. At the end of the year, the Finance and Administration Officer shall clear any net profit or loss on each programme activity to appropriate accounts on the balance sheet. This may involve taking retained earnings to carry forward as grant cash balances or to the general Trust, as appropriate.

5.8 No-cost Extensions

A no-cost extension is the extension of a project implementation period without requesting for additional funding from the donor. The Upper Tana-Nairobi Water Fund Trust policy is that these shall be avoided whenever possible.

- i. At least three months prior to project end date the Conservation Program Manager and Finance and Administration Officer must review the remaining activities and funding to ensure that all activities are undertaken.
- ii. In situations where above may not be possible, the Conservation Program Manager through the Executive Director shall officially request for more time to complete the activities.
- iii. Before a no-cost extension is requested, a thorough analysis of the project expenses against approved budget shall be undertaken by the Finance and Administration Officer to ensure availability of funding for the extension period.
- iv. The Executive Director in consultation with the Finance and Administration Officer can approve a no-cost extension.
- v. The extended budget shall include all costs for proposed activities, staff costs and administrative costs together with a plan as to how these costs shall be covered. It must be approved by the Executive Director.
- vi. If additional funds are required from Upper Tana-Nairobi Water Fund Trust resources, the Conservation Program Manager must obtain approval from the Executive Director for the funding to be allocated.
- vii. The extended budget shall then be approved by the donor.

5.9 Goods in Kind

Donors may give Upper Tana-Nairobi Water Fund Trust contributions in kind in the form of goods and services. In kind donations valued more than KES 100,000 shall be brought into the books of Upper Tana-Nairobi Water Fund Trust. It shall recognize the contribution as a grant and at the same time recognize expenditure or an asset.

5.10. Closing of Grant/Project

- i. On completion of a grant/project a Close Out Form/Report shall be prepared by the Programme Manager and Finance and Administration Officer.
- ii. The Conservation Program Manager, and Finance and Administration Officer must approve the closing of a grant project code.

- iii. The Finance and Administration Officer blocks the dimension codes in the general ledger. If a positive balance remains, discussions shall be held with the donor as to how the fund shall be dealt with. In a case of negative balance, the dimension cannot be closed until all funds are received from the donor. The close out form shall require a report from the Conservation Program Manager as to how the negative balance has arisen and how it shall be funded. The Finance and Administration Officer is responsible for informing the Executive Director and asking for Board approval of write off.
- iv. The Executive Director is responsible for preparing a proposal plan to reallocate, distribute, or dispose of all assets and materials.

5.11 Other Income

Upper Tana-Nairobi Water Fund Trust may have other sources of income apart from grant income and these may include:

- i. Interest income
- ii. Training fees
- iii. Foreign exchange gains and losses
- iv. Miscellaneous income

At the end of the year, the Finance and Administration Officer shall clear any surplus or deficit on each programme activity to appropriate accounts on the balance sheet. This may involve taking reserves to carry forward as grant cash balances or to the general fund, as appropriate.

5.11.1 Other Income Policies

- i. All the income generating activities must be within the mission and vision of Upper Tana-Nairobi Water Fund Trust.
- ii. These incomes shall be recognized in full in the year in which the service is provided.
- iii. All forms of credit and discounts must be authorized by the relevant authorized officer in accordance to limits of authority or limits as set by the Executive Director and approved by the BoM. The Executive Director must ensure that there is a credit vetting process for all the clients.
- iv. All invoices shall be settled within 30 days or as per the approved agreement between Upper Tana-Nairobi Water Fund Trust and the customer/client/vendor.

- v. The Executive Director has the responsibility of setting up and documenting appropriate control systems to be used in all income generating units.

5.11.2 General Procedures for other Income

- i. As much as possible Upper Tana-Nairobi Water Fund Trust shall request for payment before goods and or services are rendered.
 - a. All customer orders received shall be recorded in the incoming register.
 - b. All the orders must be checked by the Programme Manager to ensure the availability of the ordered quantities or capacity to offer services before committing to the client's order.
- ii. The Finance and Administration Officer must ensure that all goods and services rendered by Upper Tana-Nairobi Water Fund Trust are invoiced and accounted for.
- iii. All payments must be made to the bank account or via M-Pesa, and deposit slip must be submitted to the Finance and Administration Officer who shall issue a receipt to the client as an acknowledgement of payment received.
- iv. For credit clients, an invoice, serially numbered, must be raised indicating the nature of goods or services rendered, the date, client's name, and terms of payment. Careful research and consideration shall be given by the Finance and Administration Officer and approved by the Executive Director before credit is extended to any party.
- v. For all consultancy services offered by UTNWF, the Finance and Administration Officer must ensure full costs related to the consultancy are charged to the client. The objective of consultancy is to offer services at a fee which shall cover all the related costs and earn some income. Every consultancy must be authorized by the Executive Director and must be made in the name of Upper Tana-Nairobi Water Fund Trust.

CHAPTER 6: EXPENDITURE

This chapter shall be read in conjunction with the Upper Tana-Nairobi Water Fund Trust Procurement Section of this Manual. The principles that apply in incurring expenditure are as follows:

- i. All expenditure shall be made in accordance with the budget. Any form of expenditure outside the budget shall be made with prior approval of Executive Director.
- ii. No staff shall approve their own expenditure. These shall be approved by the person higher than them in the hierarchy. The Executive Director's expenditure shall be approved by the Board of Management.
- iii. Committing Upper Tana-Nairobi Water Fund Trust expenditure must be as per the authority guidelines Commitment to expenditure in this regard exists when there is a duly signed LPO/Contract.
- iv. All payments must be supported by authentic and authorized documents (*invoices, LPOs, contracts*)

6.1 Management of Expenditure

- i. The budget holder shall approve all commitments and expenditure on the programme activity up to the limits of the individual line items in the Funded budget and subject to his/her personal authority limits for individual transactions.
- ii. The Programme Manager shall follow the laid-down procedures for the various types of expenditure. For high-value expenditures or commitments over the set limits, authorization shall be needed from the ED.
- iii. Creditors' accounts shall be reconciled regularly and before any payments can be made.
- iv. All invoices/statements from creditors must be accompanied with supporting and approved documents. (Purchase requisition, LPO, delivery notes and Goods received notes)
- v. Payments shall be made within 30-60 days from the day of receipt of the invoice or as per the terms agreed upon in the contract.

- vi. All vendor payments must be made by cheque or Electronic Fund Transfers (EFT) or Real Time Gross Settlement (RTGS) unless approved by the Executive Director or The Management Board.

The expenditure procedure is as follows:

- i. Payments by the organization shall, except as provided herein be made by a negotiable instrument which may be in nature of banker's cheque, telegraphic transfer, or electronic fund transfer.
- ii. Cheques shall be drawn taking care not to leave any room for fraudulent interpolation by words and figure written before and after.
- iii. All payments by cheque or transfers by bank shall be signed by at least two signatories or as provided by the management team and ratified by the Executive Director.
- iv. All cheques except cheques issued for encashing cash must be crossed "account payee only".
- v. It is the responsibility of the signatories to confirm:
 - a. The amount of the cheque agrees with the voucher amount.
 - b. The vouchers are duly stamped paid.
 - c. The payee is an authorized payee, and:
 - d. The vouchers and supporting documents agree and are duly approved.
- vi. Payments shall be made on the strength of payment voucher and all supporting documents duly certified by an authorized officer. The Finance and Administration Officer shall ensure genuine receipts are obtained from the payee as an acknowledgement of the receipt of the payment.
- vii. The Finance and Administration Officer shall ensure that for all payments:
 - a. The expenditure is duly authorized.
 - b. The payment is a genuine payment based on documents supporting the voucher.
 - c. All documents are attached to the voucher.
 - d. Adequate Funds are available; and,
 - e. Proper procedures have been followed.

- viii. All unused cheques and other negotiable instruments must be kept under lock and key at all times. All cheques issued shall be recorded in a register indicating such details as follows:
 - a. date of issue
 - b. to whom
 - c. cheque no
 - d. amount
 - e. name; and,
 - f. signature of the person collecting.
- ix. If for any reason a cheque already drawn and signed is cancelled, the cancellation shall be authenticated by at least one of the signatories to the cheque and all such cheques shall be securely filed and recorded appropriately. A description of the reasons for cancellation shall also be recorded in the file
- x. The Finance and Administration Officer shall create and maintain a supplier master data file. All users can display master files to enable the appropriate identification of suppliers or materials. Supplier master files include all relevant information regarding **preferred suppliers** and **their details**.

6.2 Transport and Travel

6.2.1 Transport Policy

Transport and travel costs include those incurred on vehicle repairs and maintenance, fuel, insurance, licenses and permits, depreciation, provision for maintenance and vehicle hire.

6.2.2 Travel Expenses

- i. Travel expenses include transport fares, per diem allowances as defined in the human resource manual, meals, and accommodation. Travel float is an advance issued to an individual for use during an official trip away from duty station. The amount issued shall be no more than the allowable expenses to be paid by the traveller during the trip.
- ii. The traveller shall keep receipts for all payments and submit them at the end of the trip together with any unspent balance of funds remaining.

- iii. The traveller shall ensure that soft copies of all the receipts are attached in the system when making the surrender for such float/advances as well as submitting the original receipts and documents to Finance for storage. As part of the surrender, the used air-ticket or boarding pass shall be attached to the surrender form as part of the support document. All shall be scanned and attached on the links in the system.

6.2.2.1 Travel Expenses Procedure

- i. For the travel expenses either by road, air or water, the travel ticket must be purchased through the prescribed procurement procedures. Any other travel expenses like food and accommodation must also be in accordance with the policies.
- ii. If a staff member uses a pool vehicle, then mileage shall be charged, and the respective costs allocated to the appropriate programme activity. Staff members who travel by other means shall obtain receipts and claim reimbursement with the approval of the Programme Manager.
- iii. All the costs associated with travel shall be charged appropriately to the respective programme activity.

6.3 Project Assets

6.3.1 Project Assets Policy

- i. All project assets are expensed immediately on acquisition and charged to the appropriate project or programme activity.
- ii. The Finance and Administration Officer shall ensure that records of all project assets are properly maintained, and assets therein are physically present.
- iii. The head office shall maintain a fixed asset listing detailing the relevant details of project assets.
- iv. Any disposal /transfer of a Project Asset must be approved by the Executive Director or the Board according to the donor contract and Upper Tana-Nairobi Water Fund Trust procedures for disposal as described in the Operations Manual.
- v. From time to time the Finance and Administration Officer shall ensure that a verification process is conducted to confirm that the project assets listed

are physically in existence and confirm the physical condition and location of the asset.

6.3.2 Project Assets Procedure

- i. Project assets shall be acquired using the Upper Tana-Nairobi Water Fund Trust procurement procedures and shall comply with set standards.
- ii. The cost of the asset shall include all related costs incurred up to the point when the asset is deemed operational; this shall include all the accessories, the freight and installation costs.

6.4 Administration Costs

Overhead recovery is an expense to a project that represents costs charged to help meet general management costs. These include general administration services provided by the headquarters. The overhead recovery may be made directly or indirectly.

6.4.1 Policy

- i. Overhead recovery must be in line with the donor approved agreement.
- ii. Overhead recovery must be done monthly before the closure of the ledger.

6.4.2 Procedure

The overhead recovery is made either by directly identified charges in a donor budget or as a percentage charge based on total project spent. Direct line-item recovery arises where the overhead costs are recovered by charging an approved amount directly as expenditure to the project as per donor agreement.

CHAPTER 7: PAYROLL/PERSONNEL COST

Upper Tana-Nairobi Water Fund Trust's personnel costs are all costs incurred on employees of Upper Tana-Nairobi Water Fund Trust that are the costs of employment or employee expenses. This policy section shall be read together with the HR manual. The general personnel costs shall consist of:

- i. recruitment and training costs
- ii. basic salaries
- iii. pension
- iv. medical
- v. life insurance
- vi. group personal accident
- vii. passage and baggage allowance
- viii. rent and security
- ix. any other employment associated benefits.

All personnel costs are charged to the respective programme activities.

7.1 Payroll Procedures Management

- i. When a new employee is appointed, the Conservation Program Manager shall prepare a pay advice and forward full employment details to the Finance and Administration Officer who shall input all the employee details using the approved pay advice.
- ii. All payroll additions and deletions must be approved by Executive Director
- iii. Hiring and termination of employment shall be carried out in accordance with the Human Resource Manual and procedures.
- iv. Termination dues shall be prorated and must be handled in accordance with the employee contracts and the Human Resource Manual
- v. The ED shall ensure that an appropriate payroll system is in place and that all the statutory requirements are adhered to and are updated as and when they change.
- vi. The Finance and Administration Officer shall maintain records of all the statutory deductions and other working papers and shall ensure that all the

statutory deductions are remitted to the various authorities as per requirements.

- vii. The monthly payroll shall be prepared according to the timetable drawn up by the Finance and Administration Officer. The timetable shall be so devised to ensure that every employee receives their monthly pay not later than the 30th day of each month in any event, but a target date of the 25th day of each month shall be sought if possible.
- viii. The Finance and Administration Officer shall review the payroll together with all the payroll reports for approval by Executive Director before remittance or payment.
- ix. Payment shall be done by direct transfers to the relevant staff bank account.
- x. Employees can access their monthly pay slips from the payroll department, detailing the gross pay and all deductions made.
- xi. The payroll journal shall be prepared by the Finance and Administration Officer, and it should be approved by the Executive Director.
- xii. At the end of the month all the payroll control accounts must be reconciled, reviewed, and approved by the Executive Director.
- xiii. All salary payment and other payroll costs must be supported by documentations such as:
 - i. Timesheets
 - ii. Job cards
 - iii. Contracts
 - iv. Attendance sheets.
- xiv. On a quarterly basis the payroll costs in the ledger shall be reconciled to the payroll clearly indicating the amount paid for the quarter.
- xv. Tax Certificates (P9 Cards) shall be issued to all Upper Tana-Nairobi Water Fund Trust and any non-Upper Tana-Nairobi Water Fund Trust staff according to the requirements. The Executive Director shall authorize such certificate and ensure that it agrees with the deductions made.
- xvi. All annual returns must be prepared by the Finance and Administration Officer and authorized by the Executive Director as per requirements.

CHAPTER 8: ACCOUNTS RECEIVABLE/DEBTORS MANAGEMENT

Upper Tana-Nairobi Water Fund Trust shall have the following groups of debtors:

- i. Trade debtors who are those customers who purchase the goods or services from Upper Tana-Nairobi Water Fund Trust on credit.
- ii. Staff debtors – Staff advances or unaccounted cash balances.
- iii. Other debtors, such as expenses paid on behalf of the field offices, rent deposits, utility deposits and ex-staff accounts.
- iv. Negative cash balances - Amount of fund pre-financed on behalf of the projects.

8.1 Debtors and Prepayments Policy

- i. Before transacting on credit, the Finance and Administration Officer shall ensure that the proposed customer is credit worthy. Creditworthiness must be determined for all the customers including staff members.
- ii. All payments are due within 30 days of the date of the invoice.
- iii. If the customer has outstanding amounts in excess of 90 days, the customer shall not qualify for additional credit.
- iv. Upper Tana-Nairobi Water Fund Trust shall not allow personal deductions beyond 2/3rd of the salary amount payable after statutory deductions unless stipulated otherwise by specific laws and regulations. The net pay shall not be less than the statutory requirements and any salary advance is to be recognized as part of the net pay for the month.
- v. Legal action can only be taken for amounts in excess of KES 50,000 and over 180 of days as approved by the Executive Director in consultation with the Board of Management and Finance and Administration Officer.
- vi. All the costs associated with the collection of debts shall be recovered from the debtor if possible.
- vii. Provision for bad debts shall be for specific amounts in excess of 365 days or when there is clear evidence that the amount is unrecoverable for amounts less than KES 50,000.
- viii. Write offs must be approved by the Board of Management

- ix. For staff members, all imprest must be surrendered within thirty days of completion of the relevant activity. Any outstanding amount beyond the stipulated period shall be treated as a personal advance and shall be recovered from the next salary payment.

8.2 Staff Debtors Procedures

- i. In all circumstances, Upper Tana-Nairobi Water Fund Trust debt shall be recovered before any other deductions after the statutory deductions, unless otherwise approved by the Executive Director or the Board.
- ii. The Finance and Administration Officer on a monthly basis shall review the staff accounts, follow up on any outstanding amounts and advise the staff on the amounts that shall be recovered from each staff member. Employees shall be informed of amounts deductible from their salary at least a week before the payroll is prepared.
- iii. Debt collection shall be done promptly (on the next pay day when it falls due) and be approved by the Executive Director.
- iv. A staff debtor's aged analysis report must be prepared by the Finance and Administration Officer.

8.3 Trade Debtors Procedure

- i. The Finance and Administration Officer shall ensure that reminders are sent monthly to the customers.
- ii. An account shall be maintained in the sub ledger for each customer.
- iii. An aged debtor schedule prepared monthly shall be used for debtors follow ups.
- iv. A formal letter shall be sent by the Finance and Administration Officer for any amounts that are 60 days or more overdue.
- v. Any amount that is 120 days or more overdue shall be brought to the attention of the Executive Director.
- vi. For amounts 180 days or more overdue, the Finance and Administration Officer shall review other options for debt collection such as using a debt collector or taking legal action upon consultation with the Board in cases where the amount in question is material.

- vii. The Finance and Administration Officer shall share a detailed report on a quarterly basis with the Executive Director indicating all amounts that remain unpaid after 180 days with details of follow up actions taken to recover the debt.

8.4 Debtor's provision

Provisions are liabilities of uncertain timing or amount. They are present obligations arising from past events, the settlement of which is expected to result in an inflow of resources from the organization.

Debtors' policy

- i. A debtor's provision shall be made against specific debts.
- ii. A provision for bad debts shall be made based on 100% for amounts 180 days past due for inactive accounts, 60% for amounts 180 days past due for active accounts or when there is clear and reliable evidence that the amount is unrecoverable for amounts less than 180 days late. In addition, a general provision can also be made if this is felt to be appropriate by the Executive Director.
- iii. When there is clear evidence that a debt is no longer recoverable the Finance and Administration Officer shall make proposal to the Executive Director for approval by the Board to write off the debt.

Procedure

- i. On a quarterly basis the Finance and Administration Officer shall review the debtors schedule and adjust the provisions based on the recoverability of the outstanding debts.
- ii. A provisions reconciliation shall be prepared quarterly by Finance and Administration Officer clearly indicating the opening balances, the additions, subtractions and write offs when approved.

8.5 Maintaining Customer Accounts

- i. Customer files shall be opened for all regular customers and shall be maintained at each finance unit. All correspondence relating to the customers shall be filed in one "master" file in a chronological order.

- ii. The files shall be reviewed regularly by the Programme Manager to ensure that all enquiries have been appropriately dealt with.
- iii. The Finance and Administration Officer shall prepare debtors statements and reconciliations, which shall be sent to the Executive Director for review purposes.
- iv. The Finance and Administration Officer shall make all necessary adjustments to the customer's account in the accounting system as appropriate after reconciliation.
- v. Debtor's statements shall be generated and dispatched by the end of the first week of each month.
- vi. The Finance and Administration Officer shall be responsible for the day to day follow up of overdue accounts.

CHAPTER 9 : CASH AND BANK

Cash and bank balances are actual money or monetary instruments and short-term investments (which can be realized easily and certainly in less than one year).

9.1 Cash Limits

The UTNWF Trust shall carry out cash payments in the manner stipulated below.

- i. Low Value Purchases (amounts less than or equal to KES 5,000):

Any expenditure not exceeding KES 5,000 shall be accompanied by a duly signed petty cash voucher and a receipt.

- ii. Medium Value Purchases (amounts less than 50,000/=) :

Any expenditure exceeding KES 5,000 but not exceeding KES 50,000/= can be payable by cash or cheque and shall be accompanied by duly signed relevant accounting documents, i.e, LPO, invoice, payment voucher/petty cash voucher, and a receipt.

- iii. High Value Purchases (Amount \geq KES 50,000):

Any expenditure amounting to over KES 50,000 shall be payable by cheque or electronic fund transfer and accompanied by duly signed relevant accounting documents, i.e., LPO, invoice, payment voucher, and a receipt.

- iv. The Finance and Administration Officer then files all the purchase documents in the relevant and clearly marked files in the order of dates.
- v. In case of an error while writing a cheque, the cheque and its counter foil must be marked with the word "**CANCELLED**" and left attached in the cheque book to avoid future use of the same cheque.

9.2 Payment of Salaries and Wages

Salaries shall be paid in arrears at the end of every month through a credit transfer. The UTNWF Trust shall ensure timely compliance with all statutory requirements. Such deductions shall include but not limited to NHIF, NSSF, PAYE and HELB.

9.3 Cash and Bank Policy

- i. All Upper Tana-Nairobi Water Fund Trust funds shall be kept securely for use as approved by the donors. All cash in hand must be kept in a cash box and held in a safe under lock and key.
- ii. Upper Tana-Nairobi Water Fund Trust shall ensure that appropriate insurance policy is taken for cash management and carriage.
- iii. All the receipts, either in cash or cheque must be banked to the correct Upper Tana-Nairobi Water Fund Trust currency bank account not later than one working day after receipt.

9.4 Petty Cash

9.4.1 Petty Cash Management

- i). The UTNWF Trust shall manage its petty cash using an imprest system.
- ii). The petty cash shall periodically be replenished and shall not exceed KES 30,000/= which amount shall be varied upon board approval.
- iii). All petty cash payments shall be accompanied by petty cash voucher and a receipt.
- iv). Petty cash shall be withdrawn from the bank by the signatories or authorized agent and stored in a secure cash box by the Finance and Administration Officer.
- v). The Finance and Administration Officer shall review Petty Cash Voucher forms for proper authorization and accounting.
- vi). The Finance and Administration Officer shall disburse petty cash as per the approved documents and shall be charged with reconciling petty cash account on monthly basis or when cash at hand need to be replenished.

9.4.2 Petty Cash Uses

Petty Cash shall be used where:

- i. Payees do not accept payment by cheque.
- ii. Payment is urgent and of low or medium value.
- iii. Banks are inaccessible.
- iv. Petty cash may be used to pay for expenses such as:
 - a) Meeting refreshments

- b) Office consumables
- c) Taxi
- d) Postage
- e) Fuel
- f) Other miscellaneous expense approved by Executive Director.

9.5 Office Float Policy

- i. All field office floats shall be held in a bank account opened in the name of Upper Tana-Nairobi Water Fund Trust as per the laid down procedures for opening a bank account.
- ii. The Executive Director shall determine the float amount based on the level of activities and logistics for transfers to the field offices.
- iii. The Executive Director shall ensure proper controls of the float are in place both with their limits per transaction and operations.
- iv. The float shall be held in a bank near to the field office.
- v. The field office shall maintain a record of all the withdrawals and deposits.
- vi. Bank reconciliation for the field office floats shall be done on a monthly basis.
- vii. At the end year field office floats shall be reconciled and any cash on hand banked by the last date of the financial year.

9.5.1 Office float general procedures

- i. At the beginning of each financial year the Executive Director and Finance and Administration Officer shall determine the average cash requirement of the field office and the head office based on the budget.
- ii. The payments by the field office shall be made either by cheque or cash. For ease of operations at the field office level the field office management shall ensure that the field expenses are properly authorized supported, recorded and reported. As much as possible cheque payments shall be used.
- iii. The float is maintained at agreed levels and replenished whenever the field office sends authorized payment documents to the Head Office to account for the actual expenditure.

- iv. All floats held by field offices shall be used only for the approved intended activities.
- v. The Finance and Administration Officer shall monitor the operation of the field office float and monthly reconciliations shall be prepared.
- vi. The Finance and Administration Officer shall process the expenses which are then posted into the system and replenish only the approved expense.
- vii. The Finance and Administration Officer shall arrange surprise counts of floats to confirm that the funds held reconcile with the payment documents currently held.
- viii. All office float expenditure must be authorized and recorded in the standard way as all Upper Tana-Nairobi Water Fund Trust expenditure.

9.6 Approval of Cash Reconciliations

The Executive Director reviews the cash reconciliation on a monthly basis and signs it as evidence of review. Explanation is sought on any unreconciled balance and any old/unusual reconciling items.

9.6.1 Banking arrangements

- i. The Board of Management in consultation with Executive Director and Finance and Administration Officer shall establish appropriate banking services, to optimise the value for money from these services.
- ii. The Executive Director and the Finance Committee shall make proposals for bank signatories, who shall then be approved by the Board of Management and Board of Trustees. At no point shall there be one bank signatory.

9.6.2 Opening of a Bank Account

- i. The Executive Director in consultation with the Finance and Administration Officer shall ensure that Upper Tana-Nairobi Water Fund Trust operates an optimal number of bank accounts.
- ii. Upon determination of the number of bank account the Executive Director shall present the banks for approval by the Board of Management and a

resolution to open the bank accounts passed and approved by the Board before the accounts are opened.

- iii. The Finance and Administration Officer and the Executive Director shall be responsible for setting up the controls for the management of the field office bank accounts.
- iv. The opening of new bank accounts requires the approval of the Board and the donor where necessary.

9.6.3 Closing of a Bank Account

- i. Closure of a field account shall be done by the authority of the Executive Director and the Board.
- ii. Closure of a main account such as headquarters account requires the approval of the Board of Trustees.
- iii. The Finance and Administration Officer must ensure that all the reconciling items are cleared before closure of the accounts and that any remaining balance is transferred to another Upper Tana-Nairobi Water Fund Trust bank account.

9.6.4 Bank Account Policy

- i. All bank accounts shall be in the name of Upper Tana-Nairobi Water Fund Trust.
- ii. The opening of bank accounts shall be approved by the Executive Director and the Board as applicable.
- iii. Management shall exercise prudence when selecting banks based on reputation, proximity, stability, quality of services and costs.
- iv. All bank and M-Pesa accounts shall be reconciled on a monthly basis under the responsibility of the Finance and Administration Officer and all reconciling items resolved within three months.
- v. The signatories to all bank accounts shall be approved by the Board of Management and the Board of Trustees.
- vi. All HQ accounts must be operated by at least two signatories.
- vii. At the discretion of the Board, with the advice of the Executive Director, the Water Fund Trust shall maintain a KES account and any other foreign currency bank account in a selected bank to facilitate its operations. Each

account shall have at least three (3) signatories including the Executive Director and selected board members. The board shall determine the number to sign for transactions. The Executive Director shall ensure that adequate signing authorities are in place for the office. Annually HQ management shall review the signing authority for all accounts and report this to the Board.

- viii. New staff on a probationary period may not be authorized signatories of Upper Tana-Nairobi Water Fund Trust bank accounts.
- ix. When an authorized bank signatory exits the organization, the Finance and Administration Officer shall ensure that communication is made to the bank to strike off such staff from the list of signatories as soon as is reasonably possible but not later than 14 days after exit.

9.6.5 General Banking Procedures

- i. All receipts, either in cash or cheque must be banked in the appropriate Upper Tana-Nairobi Water Fund Trust currency bank account within one working day after receipt unless the amounts involved makes it uneconomical to bank it in terms of time and transportation costs.
- ii. All cash receipts shall be banked intact.
- iii. The bank paying in slip must be retained and receipted by the Finance and Administration Officer. The amount deposited must agree with the total receipts which shall be identified in detail in the general ledger and posting journal.
- iv. For the receipts of funds by direct transfer to Upper Tana-Nairobi Water Fund Trust bank account, a receipt must be issued for each transfer of funds received as soon as a deposit advice is received from the bank. Cancelled receipts shall be recorded in the system.
- v. All the receipt details shall be entered to the accounting system immediately.
- vi. All banking shall be reviewed against receipts, banking slips and the general ledger by the Finance and Administration Officer.
- vii. Receipts shall only be issued by an authorized officer for receiving payments and issuing of receipts in cases where the Finance and Administration Officer is not in office.

9.6.6 Reconciliation of bank accounts

- i. Bank and M-Pesa reconciliations must be prepared monthly for all bank and M-Pesa accounts.
- ii. The bank and M-Pesa reconciliations must be prepared within 15 days of the end of month or within a week of receipt of the bank statement.
- iii. The Finance and Administration Officer shall be responsible for all Bank and M-Pesa reconciliations.
- iv. The reconciliations must be reviewed and signed by the Executive Director.

9.6.7 Foreign currency accounts

At the balance sheet date all funds held not in the reporting currency (KES) shall be reported using the closing exchange rate on the last day of the financial year.

Security and Custody of bank account instruments.

A Bank Instrument is a cash based, security based, or asset based financial document representing a legal agreement involving any kind of monetary value. Bank Financial Instruments may also be described as a financial instrument that is issued by a bank or other financial institutions to a customer, beneficiary or investor and used for different financial solutions, purposes, and obligations.

- i. Upper Tana-Nairobi Water Fund Trust may from time to time maintain a number of bank account instruments such as, Banker's Cheque, Bonds, Bank Draft, Bill of Exchange, Promissory Note, Trade Bills, Accommodation Bills etc
- ii. Bank account instruments shall at all times be kept by the Finance and Administration Officer in a safe, locked area and copy of the key maintained by the Executive Director.

CHAPTER 10: ACCOUNTS PAYABLE

The efficient management of Upper Tana-Nairobi Water Fund Trust's creditors is an important demonstration of its values to stakeholders. It shall therefore be delivered professionally, and payments made on a timely basis.

10.1 Accounts payable policy

- i. For ease of follow up and management of the suppliers, Upper Tana-Nairobi Water Fund Trust shall maintain a creditor's account for all frequent suppliers.
- ii. Upper Tana-Nairobi Water Fund Trust and all its subsidiaries shall endeavour to pay all its creditors by the due date.
- iii. Cross reference shall be made to the Upper Tana-Nairobi Water Fund Trust Procurement Manual and particularly the use of preferred suppliers and framework agreements.
- iv. Creditors' accounts shall be reconciled within ten days of the receipt of a statement.

10.2 Creditors Procedure

- i. All creditors shall be advised to send invoices to the Finance and Administration Officer who shall then forward it to the relevant units for matching and approval.
- ii. For purchases, invoices are matched to the respective purchase requisitions, LPO and GRN.
- iii. In cases where the invoice value is higher than the authorized amount, the Finance and Administration Officer shall either seek a credit note from the supplier before payment or, if appropriate, advise the user to alter the LPO.
- iv. Invoices must be checked for arithmetical accuracy and duly approved by the appropriate officers.
- v. Invoices/payment requests that have been verified and coded by the Finance and Administration Officer are then posted into the ledger.

- vi. An invoice journal is forwarded to the ED together with the supplier invoices for approval. Once authorized, the journal is posted, and the general ledger accounts are updated.
- vii. The payments shall be made as soon as practical and in accordance with the agreement between Upper Tana-Nairobi Water Fund Trust and the supplier.
- viii. On a regular basis, the Finance and Administration Officer shall reconcile supplier statements to the general ledger. Appropriate corrective action shall be taken for all reconciling items.
- ix. All supplier account reconciliations shall be reviewed by the Finance and Administration Officer and approved by the Executive Director.
- x. All due payments are made by the Finance and Administration Officer and checked by the ED.
- xi. Custody of the cheques shall be under the supervision of the Finance and Administration Officer /Executive Director and shall be under lock and key.
- xii. All payments shall be made by internet banking, mobile banking, or cheque unless the amount is below the limits determined for the Board of Management.

10.3 Payment's procedures

- i. Payment Authorization/Payment Voucher, LPOs, Invoices and any other supporting documents shall be passed to the Executive Director for verification and approval. All the approved Purchase Documents shall be passed to the Finance and Administration Officer to write the cheque within a reasonable time.
- ii. All requests for payment must be supported by fully approved documents before the payment voucher is prepared. The voucher shall be coded with an account code, programme activity and budget line.
- iii. The Programme Manager approves the payment voucher for programme activity expenses.
- iv. The ED reviews supporting documentation and approves. At least two signatories are required to authorize any payments from the bank. The

signatories shall review documentation supporting payment before signing the cheque or approving the internet banking payment.

- v. Upper Tana-Nairobi Water Fund Trust shall endeavour to make their payments through internet banking whenever possible as this is a more efficient mode of payment.
- vi. Whenever cheques are used as the mode of payment, cheques register is used to record all the cheques written, date, cheque number, payee, and amount. Uncollected cheques are kept securely by the Finance and Administration Officer and reconciled at the end of month.

10.4 Staff Working Advance (SWA)

The staff of the Water Fund Trust may be required to be on duty out of their regular workstations at times. The Water Fund Trust shall ensure that their staff are adequately accommodated and that any money spent by the staff out of their pockets is fully reimbursed in accordance with the provisions in the Human Resource Manual. For this to work properly, the Water Fund Trust shall ensure that:

- i. All necessary travel expenses are applied for and approved on time,
- ii. Transport expenses incurred are properly authorized in accordance with the HR manual,
- iii. These expenses are as per the Water Fund Trust work plan and are not higher than the budget line, and
- iv. Proper timing is done while recording the transport expenses.

10.4.1 Travel

- i. All travel shall be properly authorized in advance to allow enough time for review and processing of the travel request.
- ii. Upon return from travelling, staff shall settle prior travel advances and submit to the Finance and Administration Office receipts and relevant accounting document before new advance is given.

- iii. All staff shall always limit the travel expenses to reasonable or minimum cost. The Water Fund Trust shall only reimburse its staff for reasonable travel expenses incurred while away from their normal work location.
- iv. The Management Board shall from time to time determine and approve applicable Per Diem rates to cover for meals and incidental costs for staff and Board members.
- v. All actual travel cost incurred by the Water Fund Trust staff on air, road or water are direct cost which are reimbursable upon issuance of a receipt.
- vi. The Board of Management shall from time to time determine the class of travel by staff and Board Members.
- vii. All travel cost shall be limited to the budget line and work plans and the travelling staff shall make sure that they obtain cost effective transport.
- viii. Privately owned vehicles may be used for authorized business where such use is deemed best for the organization. Reimbursement for use of privately owned vehicles or taxi to any authorized destination shall be done at prevailing rate as determine by the Board of Management from time to time.
- ix. No reimbursement shall be done for cost or fines incurred for the negligence of the travelling staff or hired/rented driver, e.g., traffic or parking violations.

10.4.2 Accommodation

- i. Water Fund Trust staff shall be reimbursed for actual accommodation cost incurred while out of their normal workstations. A receipt shall be presented for all accommodation costs incurred.
- ii. Accommodation charges shall be limited to reasonable actual cost incurred for overnight stay, personal use of the rooms during the day, bath, use of other facilities within the room and all applicable charges and taxes when such charges or taxes are not included in the room rates.
- iii. No accommodation cost related to friends and relatives shall be taken care of by the Water Fund Trust.

- iv. The Board of Management shall from time to time determine and approve applicable accommodation rates to cover for meals and incidental costs for staff and Board members.

10.4.3 Procedure for requesting a Staff Working Advance

- i. A staff member shall fill the SWA Form indicating his name, amount, reason for request, the budget codes for the expenditure, signs the form and pass the dully completed and signed form to the Executive Director for review and approval.
- ii. The Executive Director shall review the SWA form, making sure that the request made is within the budget/work plan, then signs and passes it to the Finance and Administration Officer for payment processing.
- iii. The Finance and Administration Officer shall make sure that the form is properly filled by the requesting staff and that the request has been properly authorized and within the budget and work plan of the Water Fund Trust.
- iv. The Finance and Administration Officer shall then confirm that the requesting staff does not have any outstanding balance from the previous SWA before he/she can issue the newly requested SWA.
- v. When the cash payment is entered into the petty cash book, the SWA number per the SWA details form shall be included and the payment shall be charged to the SWA control account.

10.4.4 Accounting for SWA Expenditure

Upon completion of activity for which the SWA was advanced, the staff shall return receipts and excess cash to the Finance and Administration Officer who checks the receipts in the presence of the staff returning the SWA and a receipt issued for the money returned. The SWA return shall not be accepted if a full set of receipts cannot be provided.

- i. The Finance and Administration Officer shall check that the expenditure is as planned per the SWA requisition form. If the SWA was not used for the

intended purpose per the requisition form, the explanation for this must be documented.

- ii. A payment voucher shall be completed if person spent more than the SWA amount and is owed the difference and the petty cash updated.
- iii. The SWA Details Form is completed to record the details of expenditure, expenditure account code, description of goods, supplier etc, cash returned, or additional cash paid. This form shall be signed by the staff member and Finance and Administration Officer to confirm that the SWA has been correctly accounted for.
- iv. All SWA Details Forms, together with the SWA Requisition Form and the accompanying purchase receipts are filed together for a particular month. Within each month there shall be a separate section for SWAs that have been cleared and those that are still outstanding.
- v. The Executive Director reviews each completed SWA Details Form and signs them as part of monthly review process to approve the actual expenditure and reviews age of outstanding SWA and authorizes deduction from salary of those greater than 30 days old.
- vi. If a SWA must be deducted from a staff member's salary and the amount is significant in proportion to their normal salary payment, the Finance and Administration Officer, with the approval of the Executive Director, shall agree on a repayment plan with the staff member to ensure the amount is recovered in a reasonable time scale.

10. 4.5 Inter-ledger Balances

- i. Head Offices can handle transactions on behalf of others and HQ. Such transactions shall be posted to the respective inter-ledger account codes and reconciled on a monthly basis.
- ii. Inter-ledger ledger reconciliations shall be prepared by 15th day of the following month.
- iii. The Finance and Administration Officer is responsible for signing the reconciliations. There shall be no transactions that are older than 90 days.

10.4.6 Fixed Assets

The Fixed Assets Procedures shall be as documented in the operations manual.

CHAPTER 11: RESERVES

Upper Tana-Nairobi Water Fund Trust management, with the approval from the Board, shall from time to time set up reserves and funds to help meet specific needs of the organization's operations.

11.1 General Reserve

An exceptionally large population of Upper Tana-Nairobi Water Fund Trust's income is, by nature of the style of its fundraising, restricted. It is therefore prudent and necessary for Upper Tana-Nairobi Water Fund Trust as a responsible NGO to maintain a total reserve equivalent to 3 months of salary expenditure.

11.2 Accumulated Reserve

The accumulated reserve is mainly made up from accumulated surpluses from the past.

11.3 Accumulated Assets Reserve

Upper Tana-Nairobi Water Fund Trust shall maintain an accumulated assets reserve, equivalent to the net book value of non-current assets procured through donor funding/donated assets. As these assets are depreciated, a transfer is done from the accumulated assets reserve to accumulated reserve. Project assets are not included in this reserve as they remain property of the donor.

11.4 Revaluation Reserve

Upper Tana-Nairobi Water Fund Trust may from time to time make decisions to revalue any class of its noncurrent assets. When such a decision is reached all assets in that class across the organization shall be revalued. Once the initial revaluation is done management shall determine the frequency of subsequent valuations. Revaluation reserve represents the gain on revaluation of noncurrent assets.

CHAPTER 12: FINANCIAL DATA SECURITY & DOCUMENTATION

12.1 Data Security

- i. The financial records of UTNWF contains information of significant value to the organization, and it is especially important that this information is protected from:
 - a. Accidental loss: examples include computer failure, fire, poor storage environment, natural disasters etc.
 - b. Malicious damage: deliberate destruction or theft of data, alteration of records, viruses; and
 - c. Breach of confidentiality: personal records, “limited-access” company records (e.g., bank accounts, debtors), payroll records and commercially sensitive information being disclosed more widely than appropriate.
- ii. The financial records include both the documents stored in physical files and the computer-based records of the organization.
- iii. Computer security shall enable authorized personnel to have necessary access and to prevent unauthorized access, alteration, theft or physical access to data and computer facilities.
- iv. The Executive Director has the prime responsibility for the security of its financial data. He/she is responsible for establishing procedures within laid-down policies and to ensure that staff knows their individual responsibilities.

12.2 Document Filing

This section provides detailed instructions supporting the execution of project expenses management and reporting.

- i. Supporting and related backup documents shall be attached to each expense voucher as per record keeping requirements established by UTNWF.
- ii. Documents for every transaction shall be filed sequentially according to category of transaction.
- iii. All primary accounting documents shall be held at head office unless otherwise agreed with the Executive Director. Field offices may be required to send their original documents and keep copies for their local use.

- iv. All donor correspondence, contracts and reports shall be kept at head office and copied to donor where necessary. Copies of all management financial reports shall be kept at the head office too.

12.3 Backup Routines

- i. Backups shall be made so that not more than one day's data can be lost in the event of a system failure. If there is damage to the working facility where the daily backups are kept, then no more than one week's data shall be lost by storing data copies at another site in-country.
- ii. Users shall have backup routines for data files, including spread sheets, stored on local staff desktops as these often represent a considerable investment of time and thought.
- iii. All removable backup media and software shall be kept in a fireproof safe when not in use. For all major applications backup media shall be taken to an offsite storage location once a week. Data may also be backed up on a separate hard disk.
- iv. They shall be designed to match the plans for disaster recovery to ensure easy recovery of data and programs in the event of server failure or any other server related major problem.

12.4 Disaster Recovery

- i. The Finance and Administration Officer shall be informed immediately there is an IT disaster affecting finance systems. If these systems fail for more than one day, the Finance and Administration Officer shall notify the Executive Director.
- ii. An action plan shall be retained setting out the necessary actions to be taken after a disaster occurs. These action plans shall be based on alternative scenarios to cover possible levels of disaster.

12.5 Custody Allocation

- i. Every employee responsible for the receipt, custody, disbursement or distribution of money or cheques shall be provided with an adequately sized and secured safe or strong box.

- ii. Custody of keys or lock combinations shall be entrusted to specific employees at the discretion of the ED who shall maintain a register of all such persons indicating their responsibility.
- iii. Whenever a key is lost the employee responsible for its custody shall report the loss immediately to the Finance and Administration Officer who shall decide for the removal of the contents of the safe. The employee responsible shall witness the removal and sign for the contents removed from the safe and retain a copy of the removal document. The removal document shall be witnessed by a third party within the head office.
- iv. The safe or strong box must then be withdrawn from use until a new lock has been fitted by a reputable locksmith.

CHAPTER 13: PROCUREMENT

Procurement is the overall process of acquiring goods, (materials, supplies and equipment) services and civil works as required. It also entails supplier relationship management, preparation and award of contracts, and all phases of contract Administration up to the end of a service contract or the useful life of an asset.

All procurement activities shall aim to achieve the best value for money in the acquisition of goods, services and works as well as maintenance and other costs through the life of the item. Value-based and effective procurement of goods, services and works.

13.1 Procurement Policy

The Water Fund Trust's procurement system aims at obtaining goods and services of best quality at competitive market rate to ensure:

- i. Goods and Services are of appropriate quality within budget lines and work plan.
- ii. Goods and Services are obtained from reliable, legitimate, and dully registered suppliers.
- iii. Purchases are obtained at most competitive prices.

13.2 Procurement Principles

- i. Any non-petty cash purchase of goods and services shall be initiated using a local purchase order.
- ii. Written quotations are sought for purchases of a single item (goods or services) with a value more than KES 50,000
- iii. If suppliers are unwilling to give quotations, the Water Fund Trust shall take its custom elsewhere.
- iv. No purchase shall be made from an organization or an individual where there is a potential conflict of interest between the vendor or any of the vendor's employees and the buyer or any of the buyer's employees.

This Procurement Policy sets out how the organization shall achieve the above-mentioned objectives. This policy shall apply its values to guide procurement, which include commitment to sustainability, health and safety, quality, and value for money in all the transactions. Wherever possible, sourcing of goods, services or works shall be made using pre-qualified bidders.

13.3 Reliability of supplier

At least three (3) quotes shall be obtained. A minimum of 2 senior staff, including the Executive Director shall agree on the best quote, and provide a written decision statement detailing the reason for the selection of a particular supplier. Factors precluding competitive bidding shall be noted in the Purchase Order if any of the above stated cannot be complied with.

13.4 Prequalification of suppliers and selection

UTNWF Trust shall prequalify its suppliers annually or as determined from time to time by the Board of Management.

The Finance and Administration Officer shall check the legitimacy of any new suppliers by requesting from potential suppliers:

- i. Proof of their existence, i.e., copies of certificates of incorporation or certified copy of Certificate of Registration, bank details, etc.
- ii. Copy of Certificate of Confirmation of Directors and Shareholding (CR 12)
- iii. KRA Pin Certificate
- iv. Valid Tax Compliance Certificate
- v. References from customers.

Criteria for selection of a quotation are:

- i. Price and
- ii. Quality

13.5 Approved Supplier Lists

- i. Wherever possible, a list of approved suppliers is established, especially for on-going costs (constantly supplied goods and services) such as vehicle spare parts, mechanics, stationery, food items and computer supplies.

- ii. The Executive Director and the Finance and Administration Officer shall approve the list and any new supplier that is added to the listing.
- iii. For major items/regular purchases, the Executive Director shall first ensure the supplier used appears on this listing before a payment is approved.

13.6 Procurement Methods

13.6.1 Request for Quotations and Analysis

The process of receiving and analysing quotations shall consider the following factors:

- i. Quotations shall be sought from pre-qualified suppliers or approved suppliers as a priority.
- ii. At least three quotations must be received for analysis to be done, where it is not possible a waiver will be sought from the Executive Director.
- iii. For a purchase request to qualify for a waiver, the request for quotation must in normal circumstances have been sent at least twice.
- iv. Requests for quotations that indicate out of stock or not available will be considered as received bids.
- v. A repeat order is applicable when a request having the same specifications is received within 90 days from the date of the previous quotations.

13.6.2 Request for Quotations (RFQ) procedures

- i. Request for quotations shall be used when the procurement is for goods, works or services that are readily available and for which there is an established market.
- ii. If the cost of the goods, services or works exceeds KES 1,000,000, the open tender process shall be used.
- iii. For goods, services or works above KES 50,000 and below KES 1,000,000, quotations shall be solicited from pre-qualified suppliers.
- iv. If no pre-qualified suppliers exist, the identified potential suppliers shall be approved by the Finance and Administration Officer or Executive Director where applicable.

UTNWF Trust shall deal with the request for quotations per the following procedures:

- i. Send an RFQ to pre-qualified suppliers or suppliers approved by the board in special circumstances.
- ii. Send the request to each supplier and give at least three (3) days for the supplier to prepare a quotation.
- iii. All quotations shall be submitted before the deadline and shall be done through e-mail system. Quotations received after the deadline shall not be considered.
- iv. If an RFQ which has been sent to pre-qualified suppliers on more than one occasion fails to attract a minimum of three quotations, a waiver shall be sought from the Executive Director to proceed with a lesser number of quotations, and;
- v. Quotations received from pre-qualified suppliers shall, under the terms of the quotation, be valid for ninety (90) calendar days.
- vi. In the case of an RFQ or RFP, where an amendment of variation is made to the specifications or closing date of the tender, the user shall be required to raise a new request with new specifications within two (2) days.
- vii. An amendment for clarification (specification, date, time, and quantity) on the tender document may be made on the procuring entity's initiative or in response to an inquiry from a prospective supplier.

13.6.3 Request for Proposals (RFP)

Request for proposals is a solicitation made through a bidding process in the procurement of a specialized commodity or service to potential service providers. Goods and services quotations shall be solicited from pre-qualified service providers.

If no pre-qualified service providers exist, the Executive Director shall approve the identified potential service providers. The process shall be as follows.

Where applicable, the user department in consultation with any technical personnel will develop a TOR for the RFP:

- i. The TOR will be sent to potential bidders by the Finance and Administration Officer outlining the timetable for the submission of the proposals.

- ii. The Program Manager and the Finance and Administration Officer shall evaluate the TOR bids received and make a shortlist and recommendations to the Executive Director.
- iii. An RFP shall be sent to shortlisted service providers to bid.
- iv. The Evaluation Committee shall evaluate the RFP bids and make recommendations to the Executive Director for an award;
- v. If an RFP which has been sent to pre-qualified suppliers on more than one occasion fails to attract a minimum of three quotations, a waiver will be sought from the Executive Director to proceed with the lesser number of quotations.

13.6.4 Single Sourcing

Single sourcing is the procurement of goods, works or services from one source. Particular care shall be taken when using this method of procurement to comply with donor regulations. It must not be used to avoid competition but can be used if:

- i. There is only one supplier who can supply the goods, works or services being procured.
- ii. The urgency of the need makes it impractical to get other quotations; or
- iii. The donor requires the use of only one supplier.
- iv. Single sourcing shall be used for the procurement of branded, patented, or trademarked goods. These shall be procured from the nominated dealer.

The process of single-source procurement shall be as follows:

- i. The user department raises a Purchase Requisition (PR) attaching reasons for single source procurement.
- ii. The procurement department shall process the PR and single-source procurement shall be as per finance approval matrix and cheque signing mandates as determine by the Management Board.

13.6.5 Emergency Procurement

- i. This is the procurement of goods, works or services made to fill an immediate unexpected need where there is insufficient time to procure through competitive bidding.

- ii. The procurement documentation shall address the nature of the emergency such as hazard to life, health, safety, and welfare, epidemic or to avoid an undue additional cost to the organization.
- iii. In the event of an emergency procurement, a supplier may be requested to deliver goods or services without a purchase order.
- iv. The process of emergency procurement shall be as follows:
 - a. the user shall notify the Finance and Administration Officer of the need to make an emergency procurement.
 - b. the Finance and Administration Officer after justification of the emergency will seek approval from the Executive Director; and
 - c. A direct approval payment memo for the goods or service rendered shall be prepared by the user in consultation with the Finance and Administration Officer. The Conservation Program Manager shall approve purchases below KES 50,000, and the Executive Director shall approve those above KES 50,000.

13.7 Contracts and contract management

A contract is a legal agreement between two or more parties which involves the provision of goods, services or works for consideration.

- i. All procurements made by or on behalf of Upper Tana-Nairobi Water Fund Trust shall be set out in a contract.
- ii. For procurements made solely using a Local Purchase Order (LPO), the contract shall be on standard terms and conditions set out in the LPO.
- iii. For all contracts for works, goods and services of an unusual nature or size, a contract is required.
- iv. The Executive Director and or the Board of Management shall approve all contracts.
- v. All contracts worth above KES 1,000,000 shall be signed by the Executive Director and at least one Board Member. In the event of the absence of these individuals, they may delegate signing powers to a named individual.

13.7.1 Contracting Strategies for Works

Upper Tana-Nairobi Water Fund Trust may use any of the following contracting strategies for works to enhance the efficiency of the procurement process and project implementation:

- i. **Design and Build:** The contractor undertakes most of the design and all construction following the procuring entity's brief and the detailed tender submission, usually for a lump sum price.
- ii. **Develop and Construct:** This strategy is similar to the design and build contract except that Upper Tana-Nairobi Water Fund Trust issues a concept design on which tenders are based.
- iii. **Design by the Procuring Entity:** The contractor undertakes only construction based on full designs issued by the Upper Tana-Nairobi Water Fund Trust.
- iv. **Management Contract:** A management contractor is appointed to engage and manage several trade contractors to carry out construction based on designs issued by the procuring entity, as and when they are completed. The trade contracts are between the management contractor and the various trade contractors.

13.7.2 Contracts for Goods and Services

- i. **Purchase Order:** A supply of goods or services terms and conditions shall be printed on the purchase order setting out the legal contract with the supplier. The signatories to the purchase order shall be as per the finance approval matrix and Program Manager or designate. An LPO shall be raised and filled in triplicate by the concerned staff indicating the quantity, specifications and prices of the goods and services.
- ii. The Finance and Administration Officer shall review the LPO to ensure it is in line with work plans and budget.
- iii. The Finance and Administration Officer shall take due diligence in suppliers' selection and negotiation to complete the order.
- iv. The Finance and Administration Officer shall match the LPO with the Invoice upon receipt for consistency.
- v. **Frame agreement:** A frame agreement is a written contractual agreement with a supplier for the delivery of a particular good or service for a specified period. Note: the ED must approve all frame agreements.

- vi. Payment: Payment shall be made by cheque or Electronic Fund Transfer or any other means as described in the finance policy and within one hundred and twenty (120) days from the date the invoice is received unless it involves construction works and/or consultancies, where applicable.

13.7.3 Contract Variation

- i. Any price variation for a construction contract, where allowed for in the contract, will be based and determined by the prevailing consumer price index obtained from the relevant Central Bureau of Statistics (CBS) or prevailing monthly inflation rate provided by the relevant national statistical body.
- ii. Once a contract has been awarded, any variation of specifications and quantities that result in cost changes shall be approved in the same manner the original contract was approved. If the variation crosses an approval threshold, the additional approval requirements need to be followed.

13.7.4 Contract Management

The following procedure shall be followed when awarding tenders for contracts:

- i. For any tender awarded, the contractor shall honour the contract per the terms, conditions, and requirements.
- ii. If Upper Tana-Nairobi Water Fund Trust determines that the contractor's performance is unsatisfactory due to circumstances within a contractor's control, the procuring entity may take appropriate action following the provisions of the contract.
- iii. The user department or the technical personnel shall monitor the contractor's performance under the contract to ensure that the requisite quality standards are attained, and the requirements are satisfied. The user or technical person shall issue a certificate of completion once all works have been completed to the satisfaction of the user department taking technical advice as appropriate.
- iv. Where, through unforeseeable circumstances, it is necessary to increase or reduce the quantum of work or to perform additional work within the broad scope of the contract, the contractor may be instructed to perform

such work under the contract according to the directions of the procuring entity without the need for a further procurement exercise.

- v. If, at any point during the term of a contract, it is terminated or cancelled by either the contractor or Upper Tana-Nairobi Water Fund Trust, a record of the reasons for this cancellation or termination shall be provided and recorded and submitted to the Executive Director.
- vi. On completion of a contract, a record of the key performance indicators relating to time, cost and the attainment of goals associated with the contract shall be made by the user department or technical person and submitted to the procurement department; and
- vii. A 5% retention fee shall be kept for 6 months to cater for any defects that may arise. If none, the retention fee shall be released to the contractor.

13.8 Payments and Retention of Works

- i. For works exceeding KES 2,000,000 in value and of a contract period exceeding two (2) months, the contractor shall be paid through interim certificates at a monthly interval upon the request and submission of an application for payment provided that the certificate value shall not be less than the amount stated in the appendix to the conditions as the minimum amount of a payment certificate before the issue of the certificate of practical completion of the whole of the works or any section thereof.
- ii. The amount stated as due in an interim certificate shall, subject to any agreement between the parties as to stage payments, be the total value of work properly executed only and shall not include the value of materials and goods required for use in the works which have been delivered to the Works.
- iii. Upper Tana-Nairobi Water Fund Trust may, by a subsequent or supplementary certificate, make any correction, amendment or modification to any previously issued certificate and shall have the authority, if work is not carried out to satisfaction, to omit or reduce the value of such work in any certificate.

- iv. Interim payment shall be subject to 10% retention. However, the following amounts, when included in interim certificates, shall not be subject to retention:
 - a. Payment for taxes, levies, and charges in respect of which the Contractor pays or indemnifies Upper Tana-Nairobi Water Fund Trust
 - b. Payment made for inspections and tests carried out by the contractor or by third parties
 - c. Payment to the contractor for the provision of a performance bond
 - d. Payment to the contractor for the provision of insurances
 - e. Payment for goods and materials supplied by nominated suppliers
- v. Any amounts to which the contractor is entitled to as reimbursement for any penalties or fines imposed on the contractor by the relevant authority for the delay in the payment of Value Added Tax and other taxes levied in the building industry arising from a delay in the honouring of a payment certificate, on the issue of the certificate of practical completion, the certificate for one half of the total amount then so retained shall as well be released and the contractor shall be entitled to payment of the said amount as well.
- vi. On the expiration of the defects liability period which shall be 6 months and 3 months respectively for new and renovation works, or on the issue of the certificate of completion of rectification of defects, whichever is later, a certificate for the balance of the amount then so retained shall be issued and the contractor shall be entitled to payment of the said balance.
- vii. The final account shall be agreed between Upper Tana-Nairobi Water Fund Trust or through their consulting quantity surveyor, architect, and the contractor. Should the contractor not sign the final account within thirty days after being so requested to do so, then the final certificate shall be issued based on the final account prepared.
- viii. The final certificate shall state:
 - a. The sum of the amounts certified to the contractor under interim certificates and the amount named in the said appendix as the limit of the retention trust, and
 - b. The contract price adjusted as necessary following the terms of the conditions, and as reflected in the final account.

- c. The difference (if any) between the two sums shall be expressed in the said certificate as a balance due to the contractor from Upper Tana-Nairobi Water Fund Trust or to Upper Tana-Nairobi Water Fund Trust from the contractor, as the case may be. Subject to any deductions authorized by the contract, the said balance shall be a debt payable by the Upper Tana-Nairobi Water Fund Trust to the contractor or by the contractor to the Upper Tana-Nairobi Water Fund Trust, as the case may be.
- ix. All the payment certificates shall be honoured within one hundred and twenty days (120) days from the date of the invoice with all necessary documents from the contractor.

13.8.1 Dispute Resolution

If a dispute arises from a contract, it shall be resolved per the provisions of the contract. Other alternative means can be pursued as mutually agreed by the parties.

CHAPTER 14 : EXTERNAL AUDIT

Within three months after the year end, the Board shall submit to the External Auditor the Accounts of the Trust, in respect of that year, together with a statement of:

- i. Income and expenditure during that financial year.
- ii. Assets and liabilities of the Trust on the last day of that financial year.
- iii. The accounts of the Trust shall be examined, audited, and reported upon annually by the external auditor in accordance with the provisions of the law relating to the public audit. The following process shall apply.
 - a. The Finance and Administration Officer shall coordinate all external audits.
 - b. Upon completion of the audit, the auditor shall issue a management letter to the Executive Director. This is a letter prepared by the external auditors which raises queries and/or seeks explanations on observations made during the audit. It also details the areas of weakness as well as the recommendations for improvement.
 - c. The Executive Director forwards the letter to the Board of Management to coordinate the response to the Management Letter.
 - d. The response shall then be signed by the Chair of the Board of Management.
 - e. The auditor will certify the result of the audit and issue the final signed financial statements for each year under review.
- iv. Afterward the certified financial statements are presented to the Board of Trustees for approval.

CHAPTER 15: INTERNAL CONTROLS

Duties and procedures of the UTNWF Trust's financial function shall be organized in a manner that facilitates internal control and checks. This shall be done through procedures that ensure that the following functions are segregated in each cycle:

- i. Initiation of transaction
- ii. Execution/Processing of transactions
- iii. Review of transactions
- iv. Approval of transactions
- v. Accounting for the transactions and
- vi. Custody of assets

Controls to be implemented shall include:

- i. Segregation of duties - accounting for each transaction type shall be organised in such a manner that different persons perform the following activities:
 - a. Recording
 - b. Approving
 - c. Paying
 - d. Reconciling
- ii. Supervision or monitoring of operations - observation or review of on-going operational activity.
- iii. Physical safeguards - use of CCTV cameras, lock and key, etc. to protect all the Trust's assets.
- iv. Periodic financial reports - analysis of actual results versus organizational plans and budget.
- v. IT Security - use of passwords, access logs, automated data backups, etc. to ensure restricted access to authorized personnel only. The following shall apply.
 - a. Access to the Financial Management System shall be restricted to authorised personnel through use of usernames and passwords.
 - b. User rights in the financial system shall be determined by the staff rank and the responsibilities as well as other terms of employment.

- c. Third party users such as auditors and compliance officers shall be granted read only access to the system for a limited period.
 - d. UTNWFT ICT Policy as detailed in the operations manual shall govern the use of passwords.
- vi. Access to financial records shall be restricted to authorised persons. Records shall be retained in accordance with the UTNWF Trust's policy and existing regulations.
- vii. Activities of finance department shall be defined such that each person is aware of his/her responsibilities, authority, and supervisory duties.
- viii. Management shall define the skills required for each key position in the department to ensure that a competent person fills it.
- ix. Fidelity guarantee insurance shall cover all employees who handle petty cash.
- x. The general ledger shall be updated and balanced regularly, and all control accounts reconciled.
- xi. Monthly or quarterly financial reports shall be availed to management who shall take a direct and active interest in the financial affairs and reports produced by the department.
- xii. There shall be proper control over all accountable documents.
- xiii. Delegation of authorities - good business practice requires that all actions or transactions are executed with Management's specific or general authority. Authorization shall be formalised and evidenced by signatures; oral authorization, on its own, is not an acceptable practice. A satisfactory system of authorities shall:
 - a. Cover all business activities,
 - b. Clearly define an individual's authority levels,
 - c. Be matched within individual's job responsibility, and
 - d. Be recorded and kept up to date with relevant changes.

CHAPTER 16: FRAUD AND RISK ASSESSMENT

- i). On regular basis, the Management shall carry out fraud risk assessment internally or by engaging a professional to assess the Trust's exposure to fraud and take remedial actions to mitigate the identified risks.
- ii). All risks identified shall be documented in a risk register together with the proposed mitigation measures.

16.1 Risk Management

- i. The Finance and Administration Officer shall be required to identify the risks to the achievement of its objectives. Current actions and policies used to manage the risks shall also be identified and any further action plans shall be determined.
- ii. On an annual basis, finance department's actions identified in the previous year's risk assessment exercise shall be reviewed to assess the effectiveness of actions taken in response to the identified risks.
- iii. A risk register shall be updated to include any new and emerging risks and further actions considered necessary to respond to any of the risks previously identified.
- iv. When compiling the likely fraud schemes, management shall consider both the preventive and detective controls in place, or lack thereof, to effectively evaluate the following:
 - a. The likelihood of the fraud scheme succeeding, if attempted.
 - b. The level of pressure an individual face to commit the fraud scheme.
 - c. The attitude/rationale of an individual to justify the fraud scheme.
 - d. The impact to the organization if the fraud scheme was successful.

16.2 Fraud and Other Irregularities

- i. Fraud and other irregularities include illegal acts such as theft, deception, manipulation of accounting entries, bribery, and corruption.
- ii. The UTNWF Trust's management shall be responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct.

- iii. The UTNWF Trust's financial integrity and reputation shall be preserved and financial losses due to fraud and irregularities shall be minimized.
- iv. The UTNWF Trust's shall develop an anti-corruption policy which shall guide the Board of Management on fraud and irregularities management.