KIMISITU
SAVINGS AND CREDIT
CO-OPERATIVE SOCIETY LTD

FINANCIAL POLICY AND PROCEDURES.
AUGUST 2009.
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1 INTRODUCTION

1.1 Authority

This manual has been developed by KIMISITU SACCO SOCIETY and issued by the Management Committee of KIMISITU SACCO SOCIETY Limited. Compliance with the systems and procedures contained in this manual is mandatory for all KIMISITU SACCO employees.

1.2 Issue and Distribution

This document remains the property of KIMISITU SACCO no copies shall be reproduced or distributed without the prior authority of the Management Committee. The Management Committee or The Manager as may be delegated, is solely responsible for the control and the distribution of this manual. Any member who requires a manual submits a written request to The Manager who authorizes the issue if so directed by the Management Committee. The Manager shall maintain a movement record of all copies of this manual that have been issued.

1.3 Terms and Definitions

Manual: A system of approved policy statements and corresponding procedural guidelines and supporting forms that direct an organization towards its operational goals.

Policy: A stated course of action with a defined purpose and scope to guide decision making under a given set of circumstances within the framework of corporate objectives, goals and management philosophies.

Procedure: A series of prescribed steps followed in a definite regular order which ensure adherence to the guidelines set forth in the policy to which the procedures applies

Activity: An action, element or decision representing a prescribed step in the procedure process.

Task: A detailed component of an activity specifying required behavior to complete the activity.

Form: A pre-formatted document containing instructions and place-holder for data entry to monitor progress through a particular procedure and to ensure proper record-keeping.

1.4 The Organisation background

KIMISITU Savings and Credit Society Ltd was formed in March 1985 by a group of staff from ICRAF. The name KIMISITU is coined from the Swahili language to denote agriculture and forestry thereby identifying with the core activities that ICRAF, the initial founder organization. It was formed mainly to promote thrift among members and accumulate savings. The SACCO, subject to the Cooperative Societies Act, has continued to extend loans for provident and productive purposes, doing so at fair and reasonable rates of interest. In order to achieve a solid base for growth, KIMISITU opened membership to other international organizations. Among the first organizations to be so admitted include IDRC, Ford Foundation and the Rockefeller Foundation consecutively in the formative years. This led to a rapid growth so that as at December 2008, it had 127 member organizations and 3,306 individual members
1.5 The Finance Function and Funding

KIMISITU SACCO is funded by Members share contributions, deposits, Entrance fee, Loan Risk Insurance Fund, Retained surplus from operations and external borrowing.

KIMISITU SACCO Finance and Administration issues are headed by The Manager (CEO) who is responsible for all the financial, administration and IT issues of KIMISITU SACCO.

1.6 Basic Policy Statement

KIMISITU SACCO is committed to responsible financial management. The entire society including the Management Committee and staff will work together to make certain that all financial matters of the organization are addressed with honesty, equality, respect, dedication, professionalism, integrity and in the best interest of the society.

The Policy and procedural guidelines contained in this manual are designed to:

i. Protect the assets of KIMISITU.
ii. Ensure the maintenance of accurate records of the Society’s financial activities.
iii. Provide a framework of operating standards and behavioral expectations in financial matters.
iv. Ensure compliance with Co-operative Societies Act, Sacco Societies Act, the Society’s By laws and International Financial Reporting Standards.
v. Ensure the society’s expenditure and liabilities are incurred only when necessary and in accordance with pre-determined estimates.
vi. The investment objectives of KIMISITU shall be guided primarily by the strategic plan in place, safety of principal, liquidity and a competitive rate of return.

1.7 Amendments to the Policy

The Manager (CEO) KIMISITU has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Management Committee. Exceptions to written policies may only be made with the prior approval of the Management Committee. Changes or amendments to these policies may be approved by the Management Committee at any time.

A review of the policies shall be initiated by a written request by an officer of the society through his immediate supervisor or by a committee member and directed to The Management Committee as need arises. The Management Committee will then consider the amendments and advise accordingly.

Any difficulties encountered in the implementation of this policy should be referred to the Management Committee.

1.8 Applicability of Procedures

These procedures shall apply to the financial administration of all activities of KIMISITU except as may be provided by the Management Committee. Every Committee member and staff will be expected to familiarize with and operate within the parameters of these policies and guidelines.
2. **INTERNAL AUDIT**

   The Supervisory Committee is responsible for performing the internal audit function to ensure compliance to the financial procedures as they are set out in these manual and approved by the Management Committee from time to time. During the course of their audit the Supervisory Committee may raise issues in their report concerning the administration of these procedures which The Manager or the responsible officer must comment on appropriately.

3. **LINE OF AUTHORITY**

   This will set out clearly who has the authority and financial responsibility for the Financial Assets of the organization and provides guidelines for handling and controlling their accumulation and consumption.

   **Central Management Committee**
   Have the authority to execute any policies it deems to be in the best interest of the Society within the parameters of the Society’s by laws.
   The Management Committee has the primary objective and responsibility for the administration and establishing policies as to the mix and quality of the investment and the benchmarks thereof, or engaging experts to advice on the same.

   **Executive Committee**
   Has the authority to design the Society Accounting system and make spending decisions within the parameters of the approved budget. Make decisions regarding the disposition of investment within the parameters of investment policy and decisions regarding the purchase of fixed assets as well as make decisions regarding the allocation of expenses.

   **The Treasurer**
   Has the authority to supervise the financial operations of the Society and perform and regular in-depths reviews of the Society’s Financial activity and oversee the development of the annual budget.

   **The Manager**
   Has whatever authority as may be designated by the Executive Committee/Treasurer or the Management Committee to administer financial operating procedures and controls and to make decisions regarding the duties and accountabilities of personnel and the delegation and segregation of duties.

4. **SEGREGATION OF DUTIES**

   No one should initiate a transaction from the beginning to the end. There must be segregation of duties as much as possible between initiation, authorization, execution, custody and recording of financial transactions.
The Manager will have the primary responsibility of maintaining the accounting system as designed by the Management Committee or the Executive Committee and ensuring all policies are complied with in all operations and transactions.

5. MANAGEMENT REPORTS

Timely and accurate financial information must be provided to the decision makers as and when required or according to timelines set from time to time by the management of the society. Management accounts and detailed financial reports are made available on a monthly basis for discussion by the Management Committee during the monthly meetings. Monthly management reports will be provided by The Manager to the Executive Committee covering, at a minimum:

<table>
<thead>
<tr>
<th>Report</th>
<th>Frequency</th>
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<tbody>
<tr>
<td>The income statement</td>
<td>Monthly</td>
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<tr>
<td>The balance sheet</td>
<td>Monthly</td>
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<tr>
<td>The trial balance</td>
<td>Monthly</td>
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<tr>
<td>Cashflow Statement</td>
<td>Monthly</td>
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<tr>
<td>The general ledger</td>
<td>Monthly</td>
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<tr>
<td>A report on delinquent loans,</td>
<td>Weekly</td>
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<tr>
<td>A report of loans under payers</td>
<td>Monthly</td>
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<tr>
<td>A report of shares contribution falling below the required minimum</td>
<td>Monthly</td>
</tr>
<tr>
<td>A report of claims made to the insurance or pending during the month.</td>
<td>Monthly</td>
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</tbody>
</table>

Trial Balance

The Trial Balance is a statement of all debit and credit balances extracted in the ledger accounts for a particular month or year.

Income and Expenditure Account

The Income and Expenditure account is prepared monthly in the form prescribed for Kimisitu Sacco by the Management Committee while meeting the requirements stipulated in the International Accounting Standards. Standard journal entries should be reviewed by the executive committee for reasonableness and approved for posting to the general ledger.

Balance Sheet

The Balance Sheet is prepared monthly in the form prescribed for International Financial Reporting Standards.

Cash flow Statements

This statement is prepared on an annual basis in the form prescribed by the International Financial Reporting Standards.

Audit Reports

Annual audits will be conducted by an independent auditor appointed by the Members during the Annual General Meeting. Copies of audited accounts and reports will be made available to the members at least two weeks before the Annual General Meeting. The financial period for the society shall be 1st January to 31st December.
6. **CHART OF ACCOUNTS**

- There shall be an updated list of chart of accounts and their descriptions for reference purposes.
- The Manager in consultation with the Treasurer will be responsible for coding and classifying the accounts and indicating whether they are balance sheet items or income and expenditure items.
- All transactions must be classified and recorded in Kimisitu Sacco’s books under the appropriate categories.
- Any changes to the chart of accounts must be documented and approved by the Treasurer.
- There is an up to date list of chart of accounts and their descriptions for reference purposes (Annex 1)
- There is a regular review of the chart of accounts to ensure that all reporting requirements are being met.

7. **BUDGETARY CONTROL**

**Budget Preparation**
Drafts are prepared by the Accountant and Manager, reviewed by the treasurer and presented to the executive committee for further review. If the executive committee is satisfied with the draft, the Treasurer presents it to the Management Committee for approval. After approval by the Management Committee the Treasurer tables the budget in the AGM for members to approve.

**Budgetary Control**
The Treasurer will be required to include budget comparisons in periodic financial reports to the Management Committee. Detailed explanations for all variances of 10% or more must be made. The annual budget for the subsequent year and amendments to the current year's budget will be prepared by the Accountant and Manager and reviewed by the Treasurer for presentation to the Management Committee. The budget will be endorsed by the Management Committee and tabled in the AGM by the Treasurer for approval by members.

8. **ASSETS**

8.1 **Safeguarding Assets**
- The Executive Committee shall have the fiscal oversight in the safeguarding of the assets of the organization and shall have the primary responsibility for ensuring that all internal and external financial reports fairly present its financial condition.
- The Manager (CEO) shall have the primary responsibility for ensuring that proper financial management procedures are maintained and that the policies of the board are carried out.
• All excess cash will be kept in interest bearing accounts.
• Bank statements are promptly reconciled on a monthly basis.
• Documents on all securities and fixed assets will be kept in a locked fire-proof safe. Inventory records will contain description, serial numbers, dates of purchase or receipt, valuation, and date of valuation.

Appropriate insurance for all assets shall be maintained.

8.2 Fixed Assets

8.2.1 Policy and Administration

KIMISITU SACCO' objectives in relation to fixed assets are to:

1. Place the responsibility to safeguard each asset to a specific member of staff;
2. Ensure that assets are properly protected against damage;
3. Maintain proper description and classification to facilitate proper charge for depreciation;
4. Maintain adequate and accurate records of an assets repair and maintenance costs to provide the Sacco with the information for decision making regarding its usage.
5. The criteria to be used in determining whether an item should be treated as fixed asset or not includes the following:
   a. The estimated useful life of the asset should span over one year.
   b. Usage of the asset should be seen to contribute to the operational capability of KIMISITU SACCO.

The Manager will organize a physical verification of the fixed assets. The year-end physical verification must be done in the presence of external auditors.
8.2.2 Acquisition

Acquisitions must be planned for in advance through capital budgets. Requisitions for fixed assets are originated from the user departments through departmental heads and submitted to the Executive Committee for approval. Once the Executive Committee approves the purchase, quotations are invited from at least three suppliers. An Investment Committee may be set up by the Management Committee for certain acquisitions that involve a high initial outlay or details that require special attention. This committee selects the supplier with the best offer and recommends him to the Management Committee for approval.

KIMISITU SACCO will maintain a fixed assets register. After acquiring the asset, the Accountant will enter the following information in the fixed asset register:

1. Type of the asset.
2. Date of purchase.
3. Location.
4. Acquisition cost.
5. Depreciation Rate/Useful life.
6. Date of sale if applicable.

A register for fixed assets valued below Kshs 2,000 shall be maintained. These items shall be expensed upon purchase.

8.2.3 Repairs

Repairs will be processed in the same way as other operating expenses. The repairs will be expensed or capitalized based on the following criteria:

1. If the repairs enhance productive capacity;
2. If the enhanced productivity benefits more than one accounting period, then the repairs should be capitalized.

8.2.4 Depreciation

The accountant will add up depreciation charge for assets in the same category and pass the following journal entry:

\[
\begin{align*}
\text{Dr.} & \quad \text{Depreciation costs} & xx \\
\text{Cr.} & \quad \text{Accumulated depreciation} & xx
\end{align*}
\]

After posting the depreciation journal entry, the accountant prepares the fixed asset movement schedule using the fixed assets accounts and their respective provision for depreciation accounts.

8.2.5 Depreciation Policy

Depreciation is computed on the reducing balance basis at the following rates:

1. Office Equipment (12.5%)
2. Furniture and fittings (12.5%)
3. Computer equipment (30%)
4. Land and Buildings (5%)

9 INVESTMENTS:
The investment policy shall guide the investment decisions of the society. Investments shall be made subject to the authority of the Management Committee. Investments shall be stated in the society’s books at fair value, subject to the provisions of IAS 32 and 39.

10 SOFTWARE:
Software shall be stated on cost less accumulated amortization.

The software shall be amortized on a flat rate basis at 33%.

11 CURRENT ASSETS:
11.1 Policy and Administration
KIMISITU SACCO’ objectives in relation to current assets are to:
   - Place the responsibility to safeguard each asset to a specific member of staff;
   - Maintain proper description and classification.
   - Maintain adequate and accurate records.

11.2 Loans To Members:
11.2.1 Internal Controls on Loans:
   - All loan forms shall be received by being stamped and initialled by the person receiving them and recorded in the loans register.
   - Each loan type will be recorded in a separate register.
   - On receipt, the administrative assistant shall ensure completeness of the loan application and the supporting documentation.
   - The functions of loan processing shall be performed by one loans assistant and reviewed by the loan officer before approval by the Credit Committee.
   - The loan assistant in charge of loan processing shall enter all the loan application details in the system and generate an appraisal report for each loan.
The loan officer shall review the appraisal process for accuracy and completeness.

The loans officer shall forward the loan applications to the Credit Committee for approval.

All approved loan applications must be initialied by a minimum of two members of the Credit Committee.

Loan applications of all individual members shall be forwarded to the Management Committee for approval.

Deferred loans shall not be paid unless approved.

All loans shall be entered into a loans queue and disbursed according to the loans policy.

11.2.2 Loan repayments and remittances:

There shall be a loans assistant in charge of monitoring loan repayments.

S/he shall ensure that the payroll officers receive accurate instructions on remittances for new loans and any variation in existing remittances.

S/he shall ensure that members’ accounts are updated with remittances as indicated in the schedules received from member organizations and the bank. (Standing orders and direct transfers).

S/he shall also follow up on remittances from member organizations. To ensure that they are received in time.

The accountant must reconcile the loans balance in the members’ listings with the General Ledger Balance on a monthly basis.
11.3  Cash and Bank Balances:

11.3.1 Cheque Payments and maintenance:

- All unused cheque books shall be kept in the safe, under the custody of The Manager.
- Only one cheque book for each account will be in use at any one time. It shall be kept in the safe when not in use.
- There shall be kept a cheque register for all unused cheques.
- Once a cheque book has been used, the stubs will be presented before another is issued.
- The assistant accountant will be responsible for drawing cheques.
- All cheques must be signed by three signatories who must also countersign the payment vouchers.
- All cheques must be signed by the Secretary and the Treasurer.
- Member’s cheques to be withdrawn over the counter must be supported by a written request from the member.
- All payments request for services or goods supplied must be accompanied by supporting documentation.
- All payment vouchers must be pre-printed and pre-numbered.
- All supporting documents against which payments have been made must be stamped PAID and bear the treasurer’s stamp.
- The assistant accountant prepares all payment vouchers for approved expenditure using pre-numbered payment vouchers.
- All cheques shall be drawn by the assistant accountant attached to the payment voucher and supporting documentation and forwarded to The Manager for confirmation and checking before cheque signing by signatories.
- The accountant prepares the cash disbursed listing in the payments side of the cashbook using the cheques stub and ensures that the cash disbursed journals are posted to the general ledger on a timely basis.
- The assistant accountant ensures that the loans disbursed and payments made to members are posted to members accounts immediately and before close of business day.
- The assistant accountant will update the cashbook for all the cheques written before they are released.
- A cheque dispatch register shall be maintained for all cheque payments, which must be signed by all cheque recipients, in addition to the payment voucher.
• All voided cheques must be defaced and retained either on the cheque stub or with canceled cheques.
• Blank cheques may never be signed in advance.

11.3.2 **Internal controls on receipts:**

• All blank receipt books shall be kept by the administration assistant under lock and key. These shall be issued serially.
• The receipts shall be pre-printed and pre-numbered.
• Only one receipt book shall be in use at a time.
• Three copies of all receipts are made; the original for the member, the duplicate for the members file and the triplicate retained as a book copy.
• Used up receipt books shall be kept under lock and key.
• Receipts will be issued by the administrative assistant for all cash deposit slips and cheques received.
• No cash will be accepted in the office. Members will deposit cash in the society's account and forward the deposit slip, whereupon a receipt shall be issued.
• All cheques received shall be entered in the incoming mail book.
11.3.3 **Bank Reconciliations**

- The accountant shall maintain a record of all bank transactions, listing all cheques disbursed and all receipts deposited on a daily basis. The cashbook shall show the current bank balances for all bank accounts.
- On a monthly basis, the accountant will reconcile the bank statement to the cashbook, and notify The Manager of any discrepancies, who will immediately notify the treasurer.
- The Treasurer will resolve all discrepancies with the assistance of The Manager and the bank, if necessary. The Treasurer will report the resolution of the discrepancies to the Executive Committee.
- The accountant will adjust the cashbook as needed and reconcile the cashbook to the general ledger on a monthly basis.
- The Manager will reviews the reconciliation statement and initials the statement to confirm this.
- The Treasurer follows up on items, which have been outstanding on the bank reconciliation statements for more than two months. Unusual items appearing on the bank statement but not originating from the cashbook will be followed up monthly. All bank statements are retained in a file for future reference. Copies of all deposit slips are also retained in the same file.
- Any receipts in suspense will be reported to the bank immediately in writing.
- The cheques shall be forwarded to the finance department from which bankings shall be done, while the accompanying schedules will be forwarded to the loans department to update members' accounts.
- Copies of receipts and deposits slips will be given to the assistant accountant to prepare a detailed listing (amount, date received and account to be charged) in the cashbook.
- All deposits received in the day shall be banked by the office assistant in the same day. Any deposit received after banking hours shall be banked the next day.
- All un-banked cheques shall be kept in the safe overnight.
- Standing order payments will be entered into the cashbook on receipt of the bank statement.
- Only the signatories or authorized staff will collect the bank statement at least weekly.
11.3.4 **Internal Controls on Petty Cash:**

- A petty cash float shall be maintained for all payments of Kshs 1,000 or below.
- The amount of the petty cash float shall be determined depending on the needs of the society, subject to the approval of the Management Committee.
- The petty cash float shall be maintained on an imprest system.
- All disbursements from the petty cash float shall be signed for against a petty cash voucher.
- Supporting documentation must be obtained for each payment.
- All payments from petty cash shall be recorded in a petty cash book maintained by the assistant accountant.
- A petty cash reimbursement form shall be prepared to reimburse the petty cash float.
- The accountant shall review the petty cash payments before presenting them for payment.
- The petty cash fund will be reconciled before the fund is replenished.
- The assistant accountant will act as the bookkeeper and custodian of the petty cash fund.
- There shall be no advances to employees from petty cash.
- All petty cash vouchers must list the amount received, the purpose for which the cash is needed, and the date of the transaction.
- All petty cash vouchers used must be attached to the reimbursement request as supporting documentation.
- All reimbursement cheques for petty cash fund must be made to the custodian of the fund.
- Periodically The Manager will make surprise counts of the petty cash fund.
- The petty cash float will be kept in a fire proof safe.

11.4 **Contributions Receivable**

- The loans officer must ensure receipts received are posted to the members accounts on a timely basis, while the accountant must ensure that the receipts journal is posted to the general ledger on a timely basis.
The Manager initiates collection procedures on all remittances from member organization after the 10th of each month, following the month which deductions were made to members' salaries through member organizations payroll.

- The loans officer prepares a status report on all outstanding receivables, on a monthly basis and submits the report to the executive committee.
- The accountant posts all accounts receivable to the general ledger on a monthly basis.

12 LIABILITIES:

12.1 Current Liabilities:

12.1.1 Interest on members' deposits and Dividends Payable:

- Monthly provisions shall be made for dividends and interest payable on members' deposits.
- The rate applicable shall be the rate last approved by the AGM.

Payment:

- Dividends shall be paid at a rate approved by the Management Committee to all active members whose names appear on the members register at the close of the financial year to which the dividend relates.
- Dividends will not be paid to dormant members. A dormant member is a member who has contributed less than three months contribution (equal or less than to thousand) for the financial year in which dividend is been paid.
- A schedule of dividends payable including details of the member, deductions and the net payable amount shall be prepared by the accountant.
- With holding tax on dividends and interest must be paid by 20th of the month following the in which dividends are paid.

In order to meet the amounts required for dividend payment, the society shall set aside funds in interest bearing accounts.

12.1.2 Accruals:

- All expenses incurred but not paid for shall be accrued monthly and disclosed in the accounts.
- The accountant should ensure accounts payable ledger and accruals are reconciled to the general ledger on a monthly basis.
12.1.3 Members Deposits:

- Members’ deposits shall be received through check off, cash or cheque deposits, standing orders or direct transfers.
- Active deposits shall be reported separately from dormant deposits.
- The accountant must reconcile the share balance in the members’ listings with the General Ledger Balance on a monthly basis.

Internal Controls on Refunds:

Share Withdrawals:

- Payments to members withdrawing from the society shall be made 60 days after the receipt of a written notice of withdrawal from the member and guarantor replacements in case the member had guaranteed other loanees.
- Payments will be made net of any obligations to the society.
- The member’s file after clearance from the loans department will be handed over to the accounts department, which shall process the payment.
- All files of withdrawn members will be cancelled and archived.

Deceased Members payments:

- Payment of the dues of deceased members without loans will be made after the receipt of an original death certificate, or a copy certified by a lawyer.
- Payments of the dues of deceased members to such members will be made after payment of the claim form the insurance company.
- The member’s file after clearance from the loans department will be handed over to the accounts department, which shall process the payment.
- All files of deceased members will be cancelled and archived.

Other Refunds:

- For all payments for refunds of loans or interest over deducted or over paid by a member the said monies must have been received by KIMISITU and cleared by the bank. Members certified pay slip or member organizations remittance schedule or a banking slip will be used as the supporting document for such payments.

13 EQUITY

13.1 Insurance Fund:
The insurance fund shall be used to meet future insurance obligations on outstanding loans.

13.2 Entrance Fee:

Membership fees shall be recognized as entrance fees.

This account shall comprise the capital of the society.

13.3 Share Capital:

Share capital shall present members equity in the form of issued and paid up shares.

13.4 Statutory Reserve Fund:

The Statutory Reserve Fund represents the SACCO’s net institutional capital which is established and owned by the society and is not distributable. An annual appropriation will be made from the Society's profit and transferred to this fund. This transfer should be compliant with the Co-operative Societies legislation requirements and KIMISITU SACCO By-laws.

14 INCOMES

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of the society when those inflows result in increases in equity, other than increases relating to contributions from shareholders.

The main sources of income of the society shall comprise:

- Interest from Members
- Interest from Bank Deposits
- Other income: such as dividends from investments, sale of Kimisitu merchandise.

14.1 Interest from members loans:

Interest from members’ loans shall be recognized when received.

14.2 Interest from Bank deposits

Interest earned from fixed and call deposits shall be recognized when received.

14.3 Dividends from investments:

Dividends shall be recognized when declared and notification received as to the amount payable.
EXPENDITURES

- All expenditure requests will be initiated in writing and approved within the specified authority. Only the Executive Committee or an officer specifically appointed by them can bind the society in agreements with third parties and suppliers. All agreements must be in writing and duly signed.

- The accountant obtains approval to make payments for all invoices from the treasurer, chairman or The Manager if authorized to do so.

- All expenses shall be recognized on an accrual basis.

15.1 Salaries And Wages

15.1.1 Payroll Controls And Procedures

15.1.1 The payroll procedures are meant to ensure that:

1. KIMISITU SACCO\'s procedures relating to personnel are adhered to.
2. There is proper authorization to incur payroll costs.
3. Payroll costs are properly accounted for.
4. Statutory and other deductions are accounted for and remitted within the specified deadlines.

- All personnel salaries and wages are authorized by the executive committee. Changes in payroll data are approved by the executive committee before files are updated.
- Personnel files are to be maintained at the society\'s offices for all employees by The Manager.
- The Manager monitors the usage of leave and sick time, and maintains the attendance records.
- All salaries will be paid through bank transfers.
- All payroll taxes and deductions cheques are prepared at the time the payroll is prepared to avoid penalties.
- KRA approved payroll software shall be maintained that will generate a payroll that shows details about each employee, that is, gross pay, statutory deduction, other deductions and the net pay, taxes and all statutory deductions and returns.
- The Manager will verify the details in the payroll and forward to the treasurer for approval.
The Accountant passes the cheque voucher, cheque and attachments to the Treasurer to authorize for payment after stamping and dating all the supporting documents PAID.

The cheque is signed by the cheque signatories and returned to the Accountant who dispatches it to KIMISITU SACCO’ bank, with a list showing a breakdown of amounts to be paid to each employee and their respective bank accounts.

The Accountant posts the amounts in the cash book, debiting the gross salary to the salaries and wages account, and files the supporting documents in the respective files according to cash book and cheque number order.

When payment is made for a period other than a full month the exact period for which payment is made must be indicated. Changes in salary and allowances due to increment must also be separately disclosed.

For purposes of paying salaries and allowances for periods less than a full month, the number of working days in a month is considered to be 22.

In calculating the number of working days in the partial months of employment period, the actual work days in the period must be counted, not to exceed five working days in each week. If more than five working days per week are counted, the 22 day becomes inequitable. The working days counted as described above will determine the entitlement. However in no case may payment be made for more than 22 days per month, since 22 days represents the full monthly entitlement.

When payments are made by bank transfer, the bank debit advice must show in detail the names of the Payees and the amounts credited to each of them.

Salaries must be paid only to the staff members concerned or credited to their bank accounts not to third parties, unless specially requested in writing by the staff member.

15.1.2 Statutory Deductions

The statutory deductions should be paid by the due date to avoid penalties. These dates are as follows:

- 1. P.A.Y.E 9th of the following month
- 2. N.S.S.F 9th “
- 3. N.H.I.F 9th “
15.1.3 Pay as You Earn (PAYE)

Deductions are computed according to the specified rates contained in the P.A.Y.E tax tables provided by the Income Tax Department. The tax obtained should then be reduced by the amount of relief that each individual is entitled to.

A copy of the monthly deductions of PAYE credit slip is lodged in the bank with the amount of the tax. At the end of the year, the Organisation is required to furnish the following details by the 28th of February of the next year:

1. Taxation deduction card for each employee, showing the tax deducted from his/her salary by month.
2. P.A.Y.E supporting list showing the total tax deducted from employees for the whole year.
3. Certificate of pay and tax issued to every employee-confirming amount of PAYE that has been deducted from his/her salary.

15.1.4 National Social Security Fund (N.S.S.F)

Deductions are computed at 5% of the employee's basic pay, subject to a maximum contribution of Kshs 200 per month. The employer makes a contribution equal to the employee's contribution.

15.1.5 National Hospital Insurance Fund (N.H.I.F)

The standard contributions are specified in the tables provided by N.H.I.F. Contributions are only payable by persons whose incomes are as stated by N.H.I.F. authorities from time to time. The amount payable ranges between Kshs. 30 and Kshs. 320 per month.

Each employee has a membership card, which is obtained upon application. Each month the card is stamped for the amount of the member's contribution. Stamps are obtained from N.H.I.F.

The N.H.I.F card is retained by the Organisation until year-end, when it is surrendered to N.H.I.F accompanied by a surrender form. During the year the card may be surrendered to an individual who becomes hospitalised or when the individual leaves employment.

15.1.6 Pension scheme:

The society maintains a contributory pension scheme for the staff.
Currently the society contributes 20% and the employee 5% of the basic salary monthly.
Each month the total deduction shall be made to the custodian of the pension scheme.
15.2 Committee expenses:

15.2.1 Committee Allowances:

- Committee Sitting Allowances and the related expenses (mileage and lunch) relating to the main monthly meetings shall be paid monthly at the end of every month.

- Committee Sitting Allowances relating to other meetings held within the month shall be paid as they fall due.

- A schedule summarizing the allowances due to each committee member and the related deductions including tax shall be prepared by the Assistant Accountant for every payment. The schedule shall include the name of the payee, allowances payable, deductions and purpose of payment.

- Tax deductions shall be submitted together with the income tax deductions from staff salaries before 9th of every month.

15.3 Printing and Stationery

15.3.1 Procurement of printing and stationery supplies:

These procedures are aimed to ensure that:

- Materials meant for KIMISITU SACCO are budgeted for and rightfully acquired;

- Materials do not enter or leave the store without appropriate documentation;

- The store is kept under lock and key to prevent unauthorized people from gaining access.

Items kept in the store are usually stationery and other items for use in the office environment.
15.3.2 **Procurement Policy:**

The objective of KIMISITU SACCO’s policy on purchases is to ensure that all procurement occurs within the stipulated policies, budget provisions and by tender, where applicable. The Manager is responsible for the procurement of goods and services that are consumed or utilised by KIMISITU SACCO.

15.3.3 **Ordering and Receiving Procedures**

The procurement procedures start with the completion of a Requisition Form by the user department. The Department Head then approves it.

- The level of authority for acquisition has been detailed in the procurement manual available from The Manager.

- The office will maintain an approved supplier listing. For daily use, current price lists for the approved suppliers should be kept on hand.

- Pre-numbered and pre-printed Local Purchase Order will be raised by the Administrative Assistant in triplicate.

- The Local Purchase Order is signed by the Treasurer, Chairman or The Manager if delegated to do so and despatched to the supplier. When the goods are delivered, the Administrative Assistant verifies the Delivery Note against the invoice and the goods with respect to the quantity, price and condition of the goods.

- The invoice, copy of the Local Purchase Order and Delivery Note are attached together to enhance preparation of cheque by the Accounts department.
15.3.4 Stores Maintenance

- All stock items records are maintained on stock cards, which are kept in trays in the stores. The cards bear details of the item including description, quantities received and given out and quantity balance. The Administrative Assistant maintains these records and issues all stocks requisitioned.

- The Accountant monitors the quantity of stock items and based on experience, places orders for replenishment when the stock level becomes low.

- The store is kept under lock and key and the key maintained by the Administrative Assistant. Fixed hours for issue of stores items are kept, usually before 8.30am everyday. However, if an item is required urgently at any other time the Office Assistant issues the same.

- The annual stock taking exercise is in December. It is carried out in the presence of the Accountant. However, The Manager carries out surprise stock takes.

15.3.5 Issue of Items from Store

- The requester fills in a Stores Requisition Form indicating the items required and the quantities.

- The requester signs the Stores Requisition Form and The Manager authorises it.

- The Office Assistant, issues the item, and indicates on the Stores Requisition Form “Quantity Issued”. He then signs the Stores Requisition Form.

- The requester makes a copy of the Stores Requisition Form and leaves the original with the Accountant. The administrative assistant updates the stock card for the issued items.

16 MONTHLY CLOSING REQUIREMENTS:
16.1 Policy and Administration

KIMISITU SACCO’s policy on monthly closing procedures is that:

1. The accounting books are closed and balanced every month;

2. Bank accounts are reconciled monthly;

3. Any issues arising from above are cleared up before the end of the following period as specified.
The procedures described in this section are meant to ensure that:

1. A systematic approach is followed in effecting period end closing procedures to ensure accuracy and completeness.

2. Proper period-end cut-off of transactions is effected and adjustments are made for all completed transactions so as to incorporate them in the financial statements.

3. That appropriate documentary evidence is created to support all period end adjustments to enable verification of such amounts.

16.2 Monthly Closing Procedures

- A Journal entry is made in the journal book whenever any of the above transactions is effected. The journal entry should give full explanation of the nature of the transaction.

- Journal entries are posted by the Accountant. Appropriate supporting documentation should be filed in a box file to show the necessary workings.

- Adjusting and error correction journal entries arise during reconciliation exercises.

- Non standard journal entries are to be reviewed by the Management Committee and if need be by an independent auditor. The Executive Committee will be required to provide annual budgets reviews and proposed amendments if any, and annual review of the adequacy of all insurance coverage maintained by the society.

17 COMPUTER CONTROLS

- The system employed shall provide an audit trail and different user level passwords.

- The Manager and the System Administrator will have all access rights.

- The loans officer will have access rights to passwords required to log onto the system to post members details and process loans.

- The administrative assistant will have access to open new accounts for members.

- All reversing entries and adjustments into the system must be done with the prior approval of the Manager.

- Incase of posting of members' receipts, batch control totals are confirmed to the remittance schedules and cheque amounts before input into the system.
A receipts control account shall act as the control account for all receipts. The batch control total shall be posted to the cashbook and the corresponding entry to the receipts control account. The receipts control account will clear when details of the batches have been posted to individual accounts. The effect of these transactions will be as follows:

On receipt of remittances, the cashbook will be updated with the total as follows:

Dr. Cashbook
Cr. Receipts Control Account.

On posting of batch details to members statements,

Dr. Receipts Control
Cr. Loan
Cr. Shares
Cr. Interest

Both the General Ledger and the members’ statement will be updated simultaneously.

- Print outs will be made for all members statements and filed before approved adjusting entries are made onto the system.
- Members’ annual statements shall be printed and filled in respective members files.
- Monthly reconciliations of Loans and Shares schedules to the general ledger control accounts shall be done by the Accountant.
- A trial balance on the general ledger totals should be obtained and compared to the detailed reports for the accuracy of balances.
- All changes in the system must be documented.
ACCEPTANCE

We the undersigned Executive Officers of Kimisitu Savings and Credit Co-operative Society Ltd do hereby accept and adopt this financial policy for and on behalf of Kimisitu Savings and Credit Co-operative Society Ltd together with any changes or alterations that have been initialed or signed by us.

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