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# **FINANCE & OPERATIONS POLICY**

## **AUGUST 2024**

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## GLOSSARY OF TERMS

- I. *AR* Accounts Receivable
- II. *AP* Accounts Payable
- III. *CFO* Chief Finance Officer
- IV. *BOD* refers to the HAL Board of Directors of the Company, carrying out or empowered to carry out functions relating to the overall direction and management of the Company
- V. *CER* refers to the cheque expenditure request
- VI. *EFT* Electronic Funds Transfer
- VII. *Financial year* refers to the time frame covered by the company's financial statements
- VIII. *GAAP* Generally Accepted Accounting Practice
- IX. *HAL* Home Afrika limited
- X. *HOD* refers to the head of department
- XI. *IFRS* International Financial Reporting Standards
- XII. *Kshs* this is the local currency of the resident Company herein referred to as Kenya shillings
- XIII. *LPO* Local Purchase Order
- XIV. *Official Business of the company* is the authorized necessary business carried out in relation to the company and the related affiliation
- XV. *PAYE* Pay As You Earn
- XVI. *Realized foreign exchange difference* means the foreign exchange difference that arises when the monetary items denominated in foreign currency have been settled at the end of financial period year
- XVII. *Stakeholders* stakeholders refer to third parties who may be interested in the operations the Company
- XVIII. *Unrealized foreign exchange difference* means the foreign exchange difference that arises when the monetary items denominated in foreign currency have not been settled at the end of financial period year
- XIX. *VAT* Value Added Tax

## FOREWORD

This Finance Operations & Procurement policy sets out good practices to facilitate implementation of rules and regulations, including accounting policies and procedures in compliance with Generally Accepted Accounting Practice (GAAP) and International Financial Reporting Standards (IFRS). It seeks to meet the requirements and regulations of Home Afrika Limited.

Its primary role is to provide guidance to management, staff and the subsidiaries of all the departments of Home Afrika Limited, Auditors and other stakeholders. It provides minimum level of understanding of the role of financial management in the Company and the importance of various elements, from accounting system designs, the linkage of the financial system to key indicators of the Company's objectives and financial reporting to final audit. It provides a framework within which the financial affairs of the Company are conducted. They translate the Company's broad policies into procedures relating to financial control to provide assurances that the resources are properly applied for the achievement of the Company's vision and strategic objectives.

The HAL BOD, Committees of the BOD and management have the responsibility to ensure that the financial affairs of the Company are conducted in a regulated environment and this can only be achieved through sound policies, procedures and regulations, which are strictly adhered to.

In discharging its statutory duties, the Company delegates various functions to the HAL BOD Committees, management, and its staffs. It is therefore imperative that all concerned staffs appreciate that they have a responsibility to safeguard the interests of the Company in all financial dealings as mandated in this policy.

The Company's financial stand is always dependent upon adequate resources. It is therefore necessary that the financial management system be strong enough to provide timely, reliable and useful information for accountability and strategic decision-making process.

Accounting and auditing are major elements of stewardship for Home Afrika to achieve its desired goals, disciplines to manage resources and realise the Company's vision and mission.

This policy is only a guide as it may not have covered all the systems or prescribed specific solutions for specific problems. While using this policy, consultations with relevant departments, Chief Finance Officer, Committees of the HAL BOD and all related members of staff in various departments with regard to matters that require professional judgment will be vital.

The policy should be read in conjunction with the appropriate sections of the Company's Act, Memorandum and Articles of Association. However, the policy provides crucial direction for the non-accounting officers in that it provides simple rules and regulations.



## 1.0 INTRODUCTION

### 1.1 Executive Summary

The Company's financial stability is based upon, but not limited to, a sound system of internal controls and a commitment to prudence to ensure short-term and long-term viability.

It is the mandate of the Company's BOD to maintain a sound internal control through effective and efficient financial policies and regulations. Internal controls entail but are not limited to internal checking, internal audit and other matters relating to accounting functions. It may also include among others as delegation of authority, budgetary procedures and control, training programs, screening procedures of prospective employees and safe work practices. The Company will maintain, at all times, adequate internal controls within the accounting systems and within those administrative systems that ultimately produce or relate to financial transactions.

These financial regulations, policies and procedures set out the main conventions governing financial and accounting practices for Home Afrika. The regulations and procedures are aimed at providing a framework within which a reliable system of internal control will operate. Further, they seek to make certain that the responsibilities of all the departments constituting the Company can be met through the establishment of a system of management control designed to ensure that Home Afrika conducts its business in an efficient and orderly manner. They are designed to ensure proper administration of the Company's finances and provide detailed guidance on day-to-day financial and accounting practices to achieve long-term goals.

The financial policies and procedures, which are approved by the HAL BOD, form part of the overall system of financial accountability and control. Compliance with these policies and procedures is compulsory for all staff of the Company, and any member of staff who fails to comply may be subject to disciplinary action in line with the laid down Rules and Regulations.

The HAL BOD should ensure that the policy is fully implemented by ensuring that all the issues raised in the accompanying Consultant's gap analysis are strictly adhered to. Specifically the HAL BOD should through the Audit Committee, ensure that:

- i. There is a system of internal controls in place, which will promote a high level of compliance with Company's policies and procedures.
- ii. There are policies in place to regularly review the internal controls.



## 1.2 BACKGROUND

### 1.2.1 Principal Place of Business

The company offices are situated in Morningside Park, Ngong Road, near Adams Arcade.

### 1.2.2 Company Structure

Home Afrika Limited boasts of a highly select qualified permanent staff headed by a Group Managing Director, to manage the business on a day-to-day basis. In certain circumstances, the Company shall establish a subsidiary company or a joint venture to undertake developments on behalf of Home Afrika.

The Board of Directors of the company equals 7 members appointed by the Shareholders, and they consist:-

1. The Chairman
2. Managing (executive) Director
3. Five non-executive directors

## 1.4 Core values

The clients and other stakeholders trust us to deliver a fully professional service, observe code of ethics, professional conduct and respect their confidences. Thus, the following core values will be considered:

- i. **Passion:** - Passion for the job is every employee's emotional connection to their duties and their individual commitment to fulfilling their respective clients' needs. Passion for the organization is the employee's and company leadership's collective commitment to fulfilling the company's vision for success. Passion is a tenant of the Company's core values because it encourages the employees to remain committed to their work and to own their respective duties while serving internal and external clients.
- ii. **Respect:** - **Respect** as a company value in this instance refers to the ability to consider other people in work related interactions. The platinum rule regarding respect is if an employee requires it from others, they must also be respectful. The Company currently has a diverse client base and its interactions with them are defined by non-discrimination in all its forms and dignity of all persons. Respect amongst employees and the Company's leadership means consideration of their privacy, physical space and belongings, different viewpoints, philosophies, physical ability, beliefs and personality
- iii. **Innovation:** - Innovation is the development of new values through solutions that meet new requirements, inarticulate needs, or old customer and market needs, in value adding new ways. The Company remains committed to discussing and implementing employees' ideas for more effective policies, processes and methodologies. Employees are encouraged to engage their creative selves and contribute to the improvement of service delivery to internal and external clients.
- iv. **Discipline:** - Discipline as a core value refers to the employees' ability to understand the company's business strategy, ethical standards of conduct and expected employee output and incorporating them whilst carrying out their individual duties and decision making processes.
- v. **Excellence:** - As a core value, excellence in the Company's context refers to the continuous improvement of the talent or quality that is unusually good and so surpasses ordinary standards. It is also used as a standard of performance. Practice makes perfect and so every employee must be allowed to keep improving his or her performance over time.
- vi. **Spirit of Teamwork:** - Teamwork is the ladder that takes any organization to the heights of success. Teamwork is defined as the cooperative effort of a group of people to achieve a specific goal. This goal cannot be attained individually. A group of people with different



talents must work together to accomplish the task. Good teamwork is the essence of any organizational achievement. This brings results that are more fruitful. Thus, the spirit of teamwork is the first attribute that every leader strives to inculcate in his employees. Teamwork supports in developing remarkable moral values among the team members. At the Company, we will inculcate teamwork by encouraging the already present group prayer and team activities effort.

### **1.6 The Purpose of the Policy**

This Finance Operations & Procurement Policy (the Policy) describes the approved procedures adopted by the Company in the performance and management of its financial function. The content herein is as approved by the Board of Directors (BOD) of the Company. The procedures are designed to suit the specific needs of the Company while conforming to GAAP, IFRS's, and Company's Act and other key compliance requirements governing its financial management function. They provide uniformity of operations and the necessary checks and balances within the Company and will be applied in all offices/subsidiaries of Home Afrika.

In addition, this policy will provide comprehensive documentation of the Company's accounting and reporting procedures.

This will enable it to also be used as follows:

- a) As a training resource for staff either new or re-deployed to the Company,
- b) As reference material by existing staff in the performance of financial management tasks,
- c) By the management in ensuring compliance with the Company's financial management policies and procedures. This enables the management to ensure efficiency of operations, including the safeguarding of assets, achievement of goals, and reliability of information reporting.
- d) By Auditors, Consultants, shareholders and other stakeholders who want to understand and/or to evaluate the Company's financial management systems.

### **1.7 Implementation**

Upon approval by the BOD, all policies and procedures stipulated herein shall apply and be enforced by all members of staff of the Company in ensuring that all the income from all other sources are utilized and accounted for in conformity with authorised budget and laid down procedures.

The overall responsibility of implementation of these policies and procedures rests with the HAL Management. To ensure proper authorisation of subsequent amendments, documents affecting amendments will be signed by the Chief Finance Officer to authenticate that the changes are in accordance with the policy decisions of the Board of Directors.

The policy will be revised periodically to update the established practices and procedures in response to emerging accounting financial reporting standards. However, the policies and procedures herein shall be subject to the applicable provisions of the governing documents.

### **1.8 FUNDAMENTAL ACCOUNTING POLICIES**

The Company will observe accounting practices acceptable and in conformity with GAAP and IFRS. Where appropriate, adhere to the specific accounting policies and reporting requirements set out in other contractual agreements.

The HAL MANAGEMENT will ensure disclosure of all significant accounting policies adopted by the Company in the preparation and presentation of its financial statements.

The Company will operate into the foreseeable future on a going concern basis and will report its activities and financial transactions over specified periods on the basis of Generally Accepted Accounting Practice (GAAP) and International Financial Reporting Standards (IFRS) framework.

The Company's fundamental accounting policies shall include:

#### **1.8.1 FINANCIAL YEAR**

The Financial year of the Company shall start on 1<sup>st</sup> January and end on 31<sup>st</sup> December of the year.

#### **1.8.2 CURRENCY OF THE FINANCIAL RECORDS**

All financial records will be maintained in Kenya Shillings and prepared in accordance with the measurement bases prescribed by IFRS. The accounts and all the subsidiary ledgers shall be maintained in the same currency and all narrative will be in English.

#### **1.8.3 BASIS OF PREPARATION**

The accounting records and financial statements thereof shall be prepared in accordance with and comply with International Financial Reporting Standards (IFRS's) under the historical cost convention as modified by the revaluation of certain property, plant, equipment, and fair value adjustments to investment property and financial instruments.

#### **1.8.4 ACCRUAL BASIS OF ACCOUNTING**

Home Afrika Limited shall apply the accrual basis of accounting for its income and expenditure. Income will be recognized in the financial statements when earned and expenditure when incurred. Income and expenditure will be recorded in the financial statements for the period to which they relate.

#### **1.8.5 REVENUE RECOGNITION**

Revenue comprises the fair value of the consideration received or receivable for the sale of property and provision of services in the ordinary course of business and is stated net of rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

The company evaluates each transaction to determine whether there are any separately identified components. Revenue is recognised as follows:

- i. Revenue from sale of land is recognised when the transaction with the buyer is substantially complete which coincides with the transfer to the buyer of the significant risks and rewards of ownership and the entity retaining neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the land. Remaining revenue relating to infrastructure construction is recognised using the percentage of completion method.
- ii. Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.



- iii. Dividend income is recognised when the shareholders right to receive payment has been established
- iv. Rental income is accrued by reference to time on a straight-line basis over the lease term

#### **1.8.6 EXPENDITURE RECOGNITION**

Expenses will be recognized when incurred even though payment may not have been made.

#### **1.8.7 CONSISTENCY**

Consistent accounting methods will be applied from one fiscal year to the next, any changes will be reported, and their effect on financial results disclosed in accordance with Generally Accepted Accounting Practice (GAAP) and International Financial Reporting Standards (IFRS).

#### **1.8.8 FOREIGN CURRENCY TRANSACTIONS**

Transactions, which are expressed or denominated in any other foreign currency, shall be converted into Kenya shillings as follows:

- a) All receipts from sales shall be converted into Kenya shillings at the market exchange rate prevailing at the date of each transaction;
- b) Assets and liabilities held in other currency will be converted into Kenya shillings at the mean exchange rates applicable to the Central bank of Kenya as at the balance sheet date.
- c) Exchange differences arising from the conversion of balances denominated in foreign currency will be dealt with through the income and expenditure statement in the year they occur.

#### **1.8.9 REPORTING IN FOREIGN CURRENCIES**

The financial statements of the Company shall be presented in Kenya shillings.

#### **1.8.10 PROPERTY, PLANT AND EQUIPMENT (PPE)**

PPE represents assets with a useful life to the Company of 3 years or more and having a minimum value at the point of acquisition of Kshs 10,000 either individually or collectively.

PPE are stated at cost or valuation, excluding the costs of day-to-day servicing less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. All other repairs and maintenance are charged in the income and expenditure statement during the financial period in which they are incurred.

The purchase and disposal of any fixed asset shall be subject to the Company's procurement policies and procedures. Gains or losses on disposal of PPE are determined by reference to their carrying amounts and are considered in determining operating profit. PPE is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

Items of PPE shall be capitalized, recorded and controlled individually by being assigned appropriate identification numbers and being recorded in a detailed Assets Register.

The Accountant shall carry out periodic physical verification of all the Company's assets. This shall be done at least once a year.

PPE are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The applicable annual depreciation rates are as follows:

i. Land	Nil
ii. Buildings	2.50 % (Straight Line)
iii. Motor vehicles	25.00 %
iv. Tractor	37.50 %
v. Computer equipment	30.00 %
vi. Office Equipment	12.50 %
vii. Furniture & fittings	12.50 %

Depreciation for PPE shall be charged in full in the year of acquisition and none in the year of disposal

#### **1.8.11 INVESTMENT PROPERTY**

Investment property is long-term investments in land that are not occupied substantially for own use. Land held with an undetermined future use is also classified as investment property. Investment property is initially recognised at cost and subsequently carried at fair value representing open market value at the reporting date. Changes in fair value are recorded in profit or loss based on the percentage of completion.

Fair value gains and losses on investment property are based on professional valuations performed by and independent valuer of the land assuming project completion has taken place. To reflect the current value of such land given actual project development status, a discount reflecting the percentage of completion is applied to such fair values. The percentage of completion used is consistent as described under revenue recognition above.

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognised as an expense in the year which it is incurred.

Gains and losses on disposal of investment property are determined by reference to their carrying amount and are taken into account in determining operating profit/ (loss).

#### **1.8.12 INTANGIBLE ASSETS**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

##### **1.8.12.1 Computer Software**



Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be 3 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

### 1.8.13 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. Management determines all classification of financial assets at initial recognition.

#### 1.8.13.1 Financial assets

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

The company's financial assets fall into the following categories:

- **Available-for-sale:** financial assets that are held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate. Such assets are classified as non-current assets except where the management intends to dispose the assets within 12 months of the reporting date. Subsequent to initial recognition, they are carried at fair value with gains or losses are recognised in other comprehensive income, net of deferred tax.

Interest on available-for-sale securities is calculated using the effective interest method and is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are also recognised in profit or loss as part of other income when the group's right to receive payments is established.

- **Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method. Changes in the carrying amount are recognised in profit or loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in the statement of comprehensive income under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial



reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

The amount of the impairment loss is calculated as the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate.

Subsequent recoveries of amounts previously written off/impaired are credited to profit or loss/ other comprehensive income in the year in which they occur.

Unquoted investments are classified as 'available-for-sale' financial instruments. Where fair values cannot be reliably measured these investments are carried at cost less provision for impairment.

Cash in hand and balances with financial institutions, trade and other receivables and tax recoverable and are classified as loans and receivables and are carried at amortised cost. Management classify the fair values of financial assets based on the qualitative characteristics of the fair valuation as at the financial year end. The three hierarchy levels used by management are:

- Level 1: where fair values are based on non-adjusted quoted prices in active markets for identical financial assets.
- Level 2: where fair values are based on adjusted quoted prices and observable prices of similar financial assets.
- Level 3: where fair values are not based on observable market data.

#### **1.8.14 TRADE RECEIVABLES**

Receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest rate. Receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the income and expenditure statement in the year of recovery.

#### **1.8.15 BORROWINGS**

Interest Bearing loans and overdrafts are initially recorded at cost, being the fair value of consideration received, net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost, and any discount or premium on settlement. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise.

#### **1.8.16 DIVIDENDS PAYABLE**

Dividends on ordinary shares are recognised as a liability in the period in which they are declared. Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. The proportion of dividends declares shall not exceed 90% the surplus after tax.

#### **1.8.17 WORK ADVANCES**

Funds advanced to the staff or other persons or body of persons will be recorded as advances in accounting system until accounted for with expenditure reports and documentation.

### **1.8.18 EMPLOYEE BENEFITS**

#### **1.8.18.1 Retirement benefits obligation**

The company and all its employees will contribute to the National Social Security Fund (NSSF), which is a statutory contribution scheme. The company's obligation under the scheme is limited to specific contributions legislated from time to time and are currently limited to a maximum of Kshs 200 per month per employee. The company's contributions to the defined contribution schemes are charged to the income and expenditure statement in the year to which they relate.

#### **1.8.18.2 Other entitlements**

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

### **1.8.19 TAXATION**

Income tax expense is the aggregate of the charge to the income and expenditure statement in respect of current income tax and deferred income tax.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using the tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax liability is settled.

Deferred income tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

### **1.8.20 CASH AND CASH EQUIVALENTS**

For the purposes of the cash flow, statement, cash, equivalents include cash on hand and demand deposits and other short-term liquid investments, which are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value.

### **1.8.21 COMPARATIVES**

The figures of the current financial year shall be disclosed alongside the figures of the previous financial year for comparison purposes. Where applicable, the previous year's figures shall be restated to conform to current year's presentation.

### **1.8.22 PROVISIONS**

Provisions are recognised when the company has a present obligation (legal or constructive) because of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **1.8.23 CONTINGENT LIABILITIES**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities shall be disclosed but not recognized in the financial statements unless they are remote.



#### **1.8.24 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the director's best knowledge of current events and actions, actual results ultimately may differ from those estimates.



## **PART 2**

### **2.0 BUDGET AND BUDGETARY CONTROL**

#### **2.1 Purpose**

- a) To ensure development of realistic financial plans that will facilitate allocation of resources according to Company's activity priorities
- b) To provide a control instrument to ensure that resources are utilized and applied for the purposes intended
- c) To ensure the Company attains best quality and value for resources spent.
- d) Cash requirements are forecasted.

#### **2.2 Policy**

- a) The financial year of Home Afrika shall run from 1 January to 31 December.
- b) The budget shall cover all activities, income & Expenses and other capital expenditure of the Company for the financial year to which they relate and projections for the succeeding one year, including cash flow forecasts and a projected balance sheet.
- c) The budget shall be designated in Kenya Shillings.
- d) The HAL MANAGEMENT shall approve of all budgets and amendments to these budgets prior to implementation.
- e) The Chief Financial Officer will oversee preparation of budgets, including revisions thereof, and their submission to the Board for consideration.
- f) Company budgets may comprise:
  - i. short term budget for succeeding one year,
  - ii. medium term budgets for succeeding 3-year period
  - iii. long term budgets for succeeding 5-year period and above
- g) Company budgets may be integrated in the Company accounting system to enhance reporting and tracking of budgetary performance
- h) The Budget shall be grouped under each department and accounted for under main headings such as income and expenditure.
- i) All budgets shall be consistent with the all the strategic plan approved by the BOD.
- j) All expenditure shall be incurred for the activities of the Company and in accordance with annual estimates or in pursuance of an authorization of BOD
  - i. There shall be a pricing committee established by the company to assess the cost, viability and profitability of a project before a company embarks on the project. The estimated costs of the acquisition of projects shall be included in the annual budget.

- ii. The pricing committee shall also determine projects prices, staff prices and all payment terms while taking all considerations to prevailing statutory requirements. Pricing shall be reviewed from time to time to suit prevailing changes in cost, government approvals and all other changes.
  - iii. The membership of the committee shall include the following Chief Finance Officer, Head of Legal Department and Commercial Manager
  - iv. The chairperson of the committee shall be on rotational basis and the individual to occupy the position shall be chosen by majority vote from the other members.
- k) Relevant annexes and explanatory statements shall accompany the budget. Such statements shall include.
  - i. a detailed statement of estimated expenditure provided under each budget item and for purposes of comparison, the appropriations for the current financial period shall be indicated alongside the estimates for the next financial year.
  - ii. a statement of estimated income presented under the appropriate headings.
  - iii. an explanatory statement shall be presented for new expenditure or for extension of activities already undertaken.
- l) The budget for the current financial year shall be presented alongside the actual expenditure for preceding financial year and estimates for the subsequent year.
- m) Appropriations shall be available for meeting obligations during the financial year to which they relate.
- n) The control of income and expenditure within an approved budget is the responsibility of the Chief Finance Officer, who must ensure that day-to-day monitoring is undertaken effectively.
- o) The Finance Committee shall ensure that set budget ceilings are observed and that all requests are within the budget appropriations.
- p) Deviations above 20% from budgetary targets must be reported immediately to the Management by the Chief Finance Officer concerned and, if necessary, corrective action taken.
- q) The Management shall ensure an effective, economical and efficient budget process by considering each of the following factors:
  - i. **Transparency:** That the budget document provides a clear link between objectives and expenditure; all participants in the budget process are clear about their roles and responsibilities; simple, well documented procedures; well defined basis of budgeting; and departmental targets and resources are allocated, clearly indicated and explained.
  - ii. **Management:** That the management and monitoring of the budget are equally vital to achieve desired results and should therefore be considered.



- iii. **Decentralization:** The entire budget and decision-making processes should include the end users.
- iv. **Co-ordination and Co-operation:** All those involved in the budget should ensure links between budgets and the entire process in the financial management system.
- v. **Integration:** That costs arising from various departments should be built into expenditure planning and trade-offs.
- vi. **Flexibility:** That the system should allow responses to changes in circumstances which responses should be built into the system, so that implications of any changes are sufficiently analysed and still fit within the Company's overall objectives and priorities.
- vii. **Discipline:** Though the system provides for flexibility, there should be effective controls over expenditure and any changes to the budget are carefully analysed and justified; there is limited use of supplementary estimates and where applicable penalties are instituted.
- viii. **Accountability and credibility:** There should be involvement of and accountability of management in all stages of the process; and budget should be reliably close to actual outcome.
- ix. **Comprehensive:** The budget process and documents should include all revenues and expenses, including information on previous year's and current year's expenses.
- x. **Performance measurement:** There should be a system of measuring the impact of the budget through output performance measurement of expenditure.

### 2.3 Budgetary Responsibility

- i. The HAL Management is responsible for ensuring that financial performance is within the targets agreed by the HAL Heads of Department. In exercising this responsibility, it will be guided by the advice of the Chief Finance Officer.
- ii. The Chief Finance Officer is responsible for ensuring that an adequate system of monitoring financial performance is in place so that the company can fulfil its responsibility for meeting its statutory financial duties.
- iii. The Chief Finance Officer shall devise and ensure the maintenance of a suitable and adequate system of budgetary control. This will include ensuring that systems for invoicing and receipt of income, payroll, payment of invoices and stock control adequately match the needs of the budgetary control system.
- iv. The Chief Finance Officer is responsible for ensuring that all budgetary control information is provided on time in the required format to all Directors and Budget Holders within their remit.
- v. The Chief Finance Officer will check that all routines have been carried out in accordance with these instructions and that all appropriate persons have been properly informed of all pertinent matters.



- vi. The Chief Finance Officer is responsible for ensuring that: - the sum of all revenue budgets balances recurrently to income received taking one year with another.
- vii. The Chief Finance Officer reserves the right to have access to all Budget Holders and has the authority to require explanations on performance and spending/income trends within the remit of the Budget Holder. In normal circumstances, access will be through the relevant Director and Divisional/Head/Chief Finance Officer.
- viii. The Chief Finance Officer will review where necessary, the financial expertise of employees involved in the budgetary process and ensure that the appropriate guidance and training in respect of their budgetary duties is available

## **2.4 Budget Process**

- i. The HAL Management shall set performance targets for the following year for each department and communicate the same to the Heads of Department who shall by 30 September of the current year, convene a meeting, with the Chief Finance Officer and all Heads of Department to discuss the targets, components of the budgets and work plans, formats and detail required.
- ii. Heads of Department shall convene departmental meetings to discuss needs, prepare budgets, work plans and make projections for the department. Consideration shall be made of recommendations of the prior periods and current period monitoring and evaluation reports while preparing the budget for the coming year.
- iii. Upon preparation of budgets and work plans, the departmental heads shall submit the same to the Chief Finance Officer for consolidation into the Company budget by 15 October of the current year. The Chief Finance Officer will check whether the budgets conform to the requirements set out by the BOD.
- iv. Upon consolidation, the Chief Finance Officer shall prepare overall cash flow projection, income and expenditure for the Company for the following one year.
- v. The consolidated draft budget, accompanying cash flow projections and work plans shall then be submitted to the HAL BOD for review and submission to the MD, to reach him on or before 31 October of the current year.
- vi. Upon review, the CFO shall convene a meeting for the Group MD and all the departmental heads to to level expectations and recommend necessary amendments.
- vii. The MD shall then approve amendments to be affected by the Chief Finance Officer and the Heads of Department on the draft budget and work plans respectively. The Chief Finance Officer shall then forward the amended draft budget and cash flow projections to the Finance Committee for presentation to and discussion by the Board by 15 November. The Heads of Department shall observe the same deadline regarding the revised work plans.
- viii. Upon discussion, the Board shall recommend necessary amendments and approve the draft budget, the accompanying cash flows and work plans for implementation on or before 30 November.

- ix. Upon approval, the Chief Finance Officer shall incorporate the budget in the accounting system for monitoring and evaluation in the subsequent year. The HAL BOD shall approve all budget re-allocations prior to adoption.
- x. Monitoring and evaluation shall be done monthly to ensure that results are realised as planned and reports generated for this purpose. The Chief Finance Officer shall receive monitoring and evaluation reports and conduct discussions on corrective measures with the HAL Management concerned. The Chief Finance Officer shall present to the Finance Committee, proposed amendments to the budget for consideration and approval by the BOD, at the earliest time when such need is identified, including justifications for the proposed amendments.

## 2.5 Reporting Procedures

- i. At the end of every quarter the Chief Finance Officer produce a budget statement or separate reports in accordance with the timetable laid down by the Chief Finance Officer. The statement will include, where appropriate for each individual heading, details of:-
  - a) The current financial position;
  - b) Analysis of budget changes;
  - c) Financial position to date;
  - d) quarterly/monthly financial position;
  - e) Trend analysis by month/quarter;
  - f) Manpower analysis;
  - g) Main issues;
  - h) projected end-of-year position;
  - i) Suggested actions;
  - j) Recommendations.
- ii. The statements will conform to a reporting format agreed by the Chief Finance Officer.
- iii. Budget values reported in the statements should consider, wherever possible, all known adjustments to budget and all reasonably anticipated future adjustments. Proportions of budget applied to the report month and the accumulated period to date should take account of appropriate start and finish dates of functions or value variations, seasonal fluctuations, irregular spending patterns and spending conforming to quarterly, annual (or other non-monthly) patterns.
- iv. The Chief Finance Officer should carefully assess income/expenditure within each report month and make appropriate accruals to allow for probable financial transactions not yet recorded in the accounting records. After preparation of the statements, the Chief Finance Officer will discuss any significant variances displayed in the resulting financial data with Budget Holders.
- v. The monthly submission in respect of each Division/Department will, where necessary, be accompanied by a request for a report outlining the cause of significant variances, proposed remedial action, the results of earlier remedial action and anticipated outturn. The report should include details of major budget changes, transfers, anticipation of failure to meet financial targets and any other significant matters and must be completed with consultation with the Division/Department.
- vi. The Chief Finance Officer is responsible for collating all budget reports and preparing submissions, in the required format and timescale, to the HAL Board



## 2.6 Investigation of Variances

- i. Information on both adverse and favourable variances from the budget plan must be speedily available. It should not be necessary to wait until a factor is included in a period report before investigative action is taken. When significant deviation from the planned budgetary trend appears likely, the Chief Finance Officer should report it to the appropriate Budget Holder for investigation.
- ii. All significant variances should be investigated rapidly by the Budget Holder in liaison with appropriate persons. The findings should be reported to the appropriate Chief Finance Officer.
- iii. When variances become apparent at the time of the period report, every effort should be made to investigate the cause of the variance within one week. Where investigations are required, a comment should be made to that effect in the budget report.
- iv. In respect of significant adverse variances, action to remedy (or cover) the problem should be taken as quickly as possible, but only after seeking appropriate advice. Failure to take prompt action could lead to more drastic measures becoming necessary at a later stage.

**Fig. A:** *Flow of budgetary process*

Key dates (deadlines)	Activities	Action by
30 September	Setting of performance targets by Board and communication to Chief Finance Officer, and HoDs through the Finance Committee	HAL Board
↓		
15 October	Convening of departmental meetings on the budgets and work plans; and submission of the same to the Chief Finance Officer for consolidation	HoD
↓		
31 October	Preparation of projected cash flows for the next financial year and submission these together with consolidated draft budget to the MD for approval and onward transmission to the Finance Committee.	Chief Finance Officer
↓		
15 November	Convening of meeting with HoDs to discuss draft budget and work plans; Approval and execution of any proposed amendments and submission of final draft budget to HAL Board for discussion	Chief Finance Officer
↓		
30 November	Discussion on final draft budget and work plans and proposal of amendments and final approval.	Chief Finance Officer



## **PART 3**

### **3.0 REVENUE AND RECEIVABLES MANAGEMENT**

#### **3.1 REVENUE**

##### **3.1.1 Purpose**

- a) The purpose of the revenue management policy is to ensure completeness, accuracy and reliability in the management of funds received and that all transactions are properly captured by the accounting system and appropriately reported.
- b) Specifically, this section ensures that:
  - i. All funds received is promptly and accurately accounted for and banked intact.
  - ii. All supporting documents are properly prepared and accurately reflect the nature, purpose and authority for each transaction.
  - iii. There is adequate segregation of duties and responsibilities in the handling of funds received from revenue.

##### **3.1.2 Policy**

###### **a) Revenue:**

Main sources of revenue shall comprise sale of land, Property Sale, Third party property sale, Property Agency, Property Management, Third Party Property Letting, Project Management.

###### **b) Documentation:**

All revenue shall be supported by adequate and complete documentation, which shall be made available to all parties with rights of access. The HAL MANAGEMENT shall designate the parties with the rights of access.

###### **c) Responsible Authority:**

Powers to amend policies relating to revenue are vested in HAL Board. All communication of any such amendments shall be conveyed to the Managing Director.

The Legal department shall be responsible for custody and interpretation sales contracts and agreements as well as interpretation of their provisions.

The Chief Financial Officer shall liaise closely with the Head of Legal Department on changes in policy and advise the HAL Board accordingly.

The Chief Finance Officer shall ensure there is always adequate segregation of duties and responsibilities between staff, sufficient to guard against error and fraud.

The Chief Finance Officer shall ensure that there is security in handling the cash in and out of the premises

###### **d) Recognition & Recording:**

Recognition of revenue shall be in adherence to the International Financial Reporting Standards (IFRSs)

Different sources of revenue shall be appropriately classified in the accounting system taking to account the reporting requirements of the company as well as those of the IFRSs

Any amendments to postings made shall be executed through journals approved by the relevant authorization levels as per the Authorization policy

**e) Collection & Receipt:**

Placement of Company funds in deposit accounts shall be upon authorisation by the HAL MANAGEMENT through signed mandates in accordance with rules and procedures of the HAL Board.

All monies received whether by cheque, cash or electronic transfer shall be promptly and accurately acknowledged by means of an official receipt and banked intact not later than the close of business on the following working day.

Cash in premises and in transit shall be handled strictly in accordance with the existing cash insurance policy. The Chief Finance Officer and the Accountant shall ensure that the policy is observed without any exception.

**3.1.3 Procedure**

Recognizing and recording of revenue: The Accountant will be responsible for ensuring all income is accrued in the accounts and has been invoiced.

**3.1.3.1 Project Management Fees**

- a) The Project Manager & Chief Finance Officer and the Accountant shall familiarize themselves with the provisions of the project management and property agency contract(s); particularly amounts of income expected and corresponding dates.
- b) The Accountant shall generate an invoice through the Accounting system on or near the due date and submit a printout to the Chief Finance Officer for checking and approval. The Chief Finance Officer shall verify that the invoice:
  - i. is correctly dated
  - ii. reflects the correct amounts in accordance with the contracts or amendments thereto
  - iii. describes the correct period of services rendered
  - iv. has not been previously billed
  - v. all other provision of the contract have been satisfied with regard to invoicing procedures
  - vi. All requirements of legislation including tax rules are adhered to.
- c) The Chief Finance Officer may decline to approve an incorrect invoice and shall in such an instance instruct the Accountant to make necessary rectifications. The amended invoice shall be presented to the Chief Finance Officer for approval. Evidence of approval shall be by signature and / or official stamp.
- d) The approved invoice shall be returned to the Accountant who shall arrange for its dispatch or collection by the customer. A copy of the approved invoice shall be made prior to dispatch and filed in serial order in the respective revenue file.
- e) Any correspondences relating to disputes or amendments on the approved invoice between the customer and the Company shall be handled by the Accountant, done in writing through e-mail or letters and filed in the respective revenue file.
- f) All amounts received shall be receipted in accordance with the procedures laid down in part five "petty cash" or part 5 "bank management" as applicable.



- g) The Accountant shall attach the receipt to the copy of approved invoice and make necessary postings in the General Ledger to update the receivables account. The copy of approved invoice shall be stamped "PAID".

#### **3.1.3.2 Interest from bank deposits**

- a) The Accountant shall obtain and familiarize himself with the provisions of official HAL MANAGEMENT approvals for placing of bank deposits and any other supporting documents.
- b) The Accountant shall obtain bank statements on a monthly basis from the bank and extract from the statements interest amounts received. The Accountant shall also obtain contracts for fixed and call deposits placed with the banks and pay special attention to the amounts receivable and dates.
- c) The accountant shall then reconcile the interest amounts receivable as reflected in the contract with interest credited in the bank statement. The accountant shall then, initiate a correspondence with the bank in relation to any omissions or errors noted
- d) Posting to the General Ledger system shall be done on the strength of supporting statements, contracts and other supporting documents.
- e) The supporting documents shall then be filed serially by date in the interest income file. All bank statements shall be maintained in a separate file

#### **3.1.3.3 Dividends from investments**

- a) The Chief Finance Officer shall write to the Accountant informing him on amounts to be posted and forward supporting documents for dividend incomes receivable.
- b) The supporting documents shall then be filed serially by date in the dividend income file

#### **3.1.3.4 Proceeds from Sale of Land/Investment property**

- a) The Accountant shall obtain the fully filled Reservation Form with payment plan details for each sale of investment property
- b) The Accountant will recognize deposits received as liability until registration and handover of title to buyer is done. The income is then recognized as realized through the statement of comprehensive income.
- c) Payments received as deposits for sale of investment property to be receipted by the Accountant upon confirmation from bank statement that can be viewed online

#### **3.1.3.5 Property management**

- a) The Accountant shall obtain a fully signed property management contract between HAL and a third party. This contract indicates the fees to be earned by HAL
- b) The Accountant will generate invoices as per the terms of the management contract and forward to the client

- c) The Accountant will issue receipt once payment is received from the client

## **3.2 Receivables**

### **3.2.1 Purpose**

The purpose of this policy is:

- a) To manage the accounts receivable effectively including putting into place prompt and vigorous collection policies to minimize amounts owing to the Company
- b) To provide a consistent and equitable treatment of all the accounts receivable and regular communication on amounts owing
- c) To ensure uncollectible account receivables are written off upon approval of the HAL Board Finance Committee and only after reasonable and appropriate collection action have being taken
- d) To ensure debts written off are adjusted on a timely manner

### **3.2.2 Policy**

#### **a) Responsible Authority**

Accounts receivable is the responsibility of the Accountant reporting to the Chief Finance Officer and the Chief Finance Officer as the overall accounting officer to HAL Board

The HAL Board is responsible for the policy and any amendments to be made therein

#### **b) Recognition & Recording**

The Company shall maintain an accounting system that incorporates both control and subsidiary accounts for individual debtors in a manner that discloses the aggregate amount owned by each debtor as well as individual amounts making up total amounts. The Accountant shall reconcile the subsidiary and the control accounts for individual debtors on a monthly basis

The Accountant shall establish a customer account through the General Ledger system upon receipt of customer application forms from the sales and marketing department or create a shareholder account upon receipt of a shareholder application form from the Chief Finance Officer.

All amounts due to the Company shall be promptly recognized as receivable on individual customer / shareholder account and maintained until payment is received or recorded amount is written off

Adequate provision for doubtful accounts shall be established when all necessary efforts to collect amounts due fail. These shall be approved by the Chief Finance Officer to reduce the respective accounts receivable.

Any amendments to postings made shall be executed through journals approved by the Chief Finance Officer



### **c) Reporting**

Receivables shall be appropriately classified in the accounting system taking to account the reporting requirements of the company as well as those of the IFRSs. Any down payments from the clients shall be treated as deposits in the current assets, and transferred to the revenue after the subsequent payments have been completed.

Monthly statements to debtors shall be issued containing meaningful and concise information on the status of the amounts due.

The Accountant shall prepare reports on accounts receivables on aged basis and on each revenue source with explanation of significant variance on monthly basis.

### **d) Collection, Recovery & Write Off**

The management will engage services of authorized agents (auctioneers) or seek legal services for purposes of debt collection at agreeable commissions/legal fees, on amounts due for more than the agreed credit period.

Management shall ensure uncollectible debts are reviewed quarterly and identify those likely to be written off. Only those debts for which all reasonable and appropriate collection action has being taken shall be considered for write off.

Any request to extinguish or waive a debt owing shall be subject to approval in accordance with the limits provided in section 3.2.3.2 of this policy. Where the amount due to the Company is less than or equal to amount owing from the Company to a particular customer, a payment requisition shall include the amount to be set off against the gross amount to be paid and this shall not apply to contractual arrangements containing specific condition/provision not to set off.

Any discounts shall be authorised by the Chief Finance Officer and Head of Sales and Marketing will prepare a case for HAL Board approval. The HAL Board may otherwise consider a percentage of discount that can be delegated to the Chief Finance Officer, who will in this case consult with the Head of Sales and marketing.

## **3.2.3 Procedures**

### **3.2.3.1 Debt collection procedures**

#### **3.2.3.1.1 Collection within the Company**

- a) Accounts receivable shall be considered overdue when amounts owing have not being paid within the timelines stipulated in sale agreements and contracts. The Accountant shall follow up for receivables in the following manner:
  - i. Issuance of reminders for overdue payments, these shall run for seven (7) days. If there is no response to the notice in the form of payment or correspondence advising when the amounts due shall be received, the receivable accountant shall forward the matters to the Legal department;
  - ii. The Legal department shall issue the first demand for payment running for seven (7) days;

- iii. The second notice shall be issued upon expiry of the first notice. It shall also run for seven (7) days;
- iv. In the event there is no response to the notices issued by the Legal Department, then a memo reverting to inventory shall be drafted and executed by the Chief Finance Officer;

The above steps apply to transactions whose sales documentation (Letter of Offer and Agreement for Sale) are pending execution by both Parties and are guided by the duly executed reservation form

- v. In the event sales documentation has been executed by both Parties then the transaction shall be guided by the provisions of Completion noted therein. The Legal department shall activate the notices as per the duly executed sales documentation that may vary from project to project.
- b) For transactions that are related to debts owed by debtors other than property purchase transactions.
  - c) A written request shall be submitted to the debtor for settlement of the amount due. where a response is not received within 30 days, a remainder shall be issued to the debtor to make payments due; failure to which after 90 days the Company shall be mandated to use the services of a debt collection agent or seek legal services for recovery of the amount due.
  - d) Where the debtors had made a down payment and fails to make subsequent payments within the stipulated period as per the contract, ownership of the property shall be withdrawn after 30 days and the down payment refunded less a penalty of 10% on the purchase price
  - e) Recovery of the debts shall also be done through set offs where the Company owns money to the debtor

#### **3.2.3.1.2 Engagement of debt collection agents**

- a) The Company shall only engage the services of debt collection agents after normal collection activities have being exhausted.
- b) An aged debtor's report shall be generated and handed over to the debt collector and an agreed commission shall be paid to the agent upon receipt of amounts recovered.
- c) The collection agents shall have the mandate to distress the debtor, in which case the debtor shall pay the distress costs.

#### **3.2.3.1.3 Engagement of legal services**

- a) The Company shall engage legal services where the other means of collection are not successful. Prior to approving request for legal service, the Group Managing Director shall be provided with the following details by the Chief Finance Officer:
  - i. How and when the debt arose
  - ii. Evidence that the debt can be collected legally
  - iii. Collection action taken to date
  - iv. The reason for initiating legal process



v. Why set off actions may not be instituted

- b) Prior to issuing a request for engaging legal services the Chief Finance Officer must ensure that the debt can be collected legally, accounts receivable collection has been pursued consistently with the policy, and consider a defined payment schedule or set off where applicable,
- c) All matters considered for legal cases shall be submitted to the Head of legal affairs, who will then engage the services of lawyer or advocate.

**3.2.3.2 Write –off procedures**

- a) The Accountant shall prepare a schedule of the amounts of debtors which are long overdue for consideration by the Board. The HAL Board shall deliberate and approve all the debts for write offs.
- b) The following debts shall not require BOD's approval for write off:
  - i. bankrupt debtors
  - ii. judgment and
  - iii. other court orders
  - iv. Restriction imposed by a statute.
- c) All write offs submissions shall include the relevant debt information, appropriately categorized including details of collection action already taken and why further collection action is not possible. Such categories shall include:
  - i. Debtors who died intestate
  - ii. Debtors who cannot be located
  - iii. Debtors whose records are lost or damaged and therefore the Corporation has no documentary evidence
  - iv. Where a debtor is declared insolvent or bankrupt
  - v. Where further expenses for collection are not justified in view of amount to be recovered or where the legal counsel has indicated that the amount involved does not warrant the prospective action of collection
- d) Adequate records of the amounts written off shall be maintained by the accountant in charge
- e) The legal counsel shall have the mandate to negotiate on a payment plan that may result on reduction of debt, then the part reduced shall be written off.

**3.2.3.3 Procedures for extinguishment/waiver of a debt**

- a) The Board may conclude a compromise settlement of a debt to waive some or all the debt. This could be in relation to the total debt including any interest charged.
- b) Any interest charged on debt can be forfeited upon a negotiation with the debtor in accordance with the limits imposed under section 3.2.3.2 of this Policy
- c) A request from the debtor for waiver of debt and sufficient justification shall be submitted to Chief Finance Officer, who shall review the justification and recommend for the waiver as necessary

## **PART 4**

### **4.0 PETTY CASH**

#### **4.1 Introduction**

Petty cash represents specified amounts of cash set aside to facilitate disbursements for relatively minor transactions and small expenditure. Petty cash payments are designated to reduce workload in acquiring and paying for small value purchases.

#### **4.2 Purpose**

The purpose of the petty cash policy is to ensure that:

- a) All cash transactions are adequately documented and controlled.
- b) All cash received is promptly and accurately accounted for and banked intact.
- c) All payments are properly verified and approved before payment is made and accompanying supporting documentation is properly stamped "PAID" immediately after payment is done.
- d) There is adequate segregation of duties and responsibilities.
- e) All cash transactions are properly captured by the General Ledger system.
- f) Cash position is determined and any surplus or shortage of funds established.

#### **4.3 Policy**

##### **a) Responsibilities**

A petty cash float shall be determined by the Chief Finance Officer and shall be reviewed periodically for adequacy depending on the emerging needs of the Company.

It shall be the responsibility of the Chief Finance Officer to consider any application by any administrative unit for a petty cash float. If approved, it shall be the responsibility of the Accountant to manage the amount of the float and to ensure that the procedures specified in this policy are implemented appropriately.

The Chief Finance Officer shall establish a petty cash fund for the Company of Kshs 40,000 for miscellaneous payments.

Petty cash shall be maintained by the Chief Finance Officer on imprest system.

##### **b) Restriction on Use & Upper limit**

- i. The Chief Finance Officer shall ensure that petty cash is used to cover only those expense reimbursements for which it is not feasible, or for which it is unreasonably inconvenient, to use normal purchasing methods such as purchase orders, and purchase cards or staff expense reimbursement. Any expense that is predictable, regular and significant should be dealt with through normal accounting procedures.



- ii. Single payments made from this fund shall not exceed Kshs 5,000. But may be made up to KES 10,000 upon approval by the Chief Finance Officer
- iii. The limit of KES 5000 shall not be evaded through splitting of items into smaller amounts.
- iv. The maximum limit will only be increased or decreased after written approval by the Chief Finance Officer or delegated person.

**c) Segregation of Duties**

The Chief Finance Officer shall designate staff to approve petty cash payments on behalf of the Company. There shall be no staff regardless of position that should approve any disbursements while on probation, except if authorized in writing by the CFO.

The Chief Finance Officer shall ensure that there are segregation of duties regarding each of the following functions; posting of ledger transactions, handling of receivables, handling of cash withdrawals / collections and cash payments.

**d) Compliance & Monitoring**

- i. Petty cashing shall be integrated to the Accounting department for effective control and accountability.
- ii. Replenishment for the petty cash will be drawn from the bank account to a limit of Kshs 40,000 per replenishment. The replenishment shall be accomplished by processing a Requisition Form (*Appendix No. 2*) supported by required documentation; petty cash register, petty cash expenditure listing, Petty Cash Expenditure Request, Petty cash vouchers and / or expenditure receipts.
- iii. Signatories for cheques relating to petty cash replenishments shall be as set out under the section 5.2 of this Policy.
- iv. Withdrawals of petty cash replenishment amounts shall be done by the approved agents of the Company with regard to bank petty cash withdrawals, as set out under the section 5.2 of this Policy.
- v. Cash balances received from staff imprest or other activity advances should be banked intact and an official receipt is issued to acknowledge receipt.
- vi. Every obligation or proposal for incurring expenditure shall require appropriate prior approval. The recipient of the petty cash is required to provide duly authorized supporting documentation when claiming.
- vii. Sequentially numbered petty cash payment vouchers will be used to record payment made from petty cash in the petty cash register. The petty cash voucher must be completed with the signature of the recipient before disbursement is made and stamped paid after payment to avoid duplication of payment.
- viii. An independent check shall be performed in the presence of the Chief Finance Officer at least once in every quarter. On weekly basis, reconciliation of the pre-numbered receipts to cash collections shall be done by the Accountant and supervised by the Chief Finance Officer. Occasionally, surprise checks of petty

cash shall be conducted by the Chief Finance Officer who shall report any emerging issues to the Chief Finance Officer.

- ix. Cash in transit must be securely transported. The Chief Finance Officer must ensure that appropriate arrangements are in place to safeguard the person carrying cash and the cash in transit.
- x. All cash in transit and on premises must be insured to mitigate loss. All cash must be locked in a safe.
- xi. Holders of petty cash shall not mix own monies with the petty cash. Any instances of overages or shortages must be reported immediately to the Chief Finance Officer
- xii. Holders of imprest advanced shall be required to account for the prior imprest advanced before a subsequent imprest is issued. A delay in accounting for imprest exceeding one week shall be reported to the Chief Finance Officer who shall deduct the imprest unaccounted for from the holder's wages for that month. The Accountant shall present to the Accountant an ageing list of imprest debtors by the 20<sup>th</sup> of each month.
- xiii. Handover of cash by the designated custodian can only be made to the Chief Finance Officer or to personnel appointed by the Chief Finance Officer, and only under justifiable circumstances. All handovers must be adequately documented. No handover shall be made to employees who are employed on casual, part time or attachment basis.

#### 4.4 Procedures

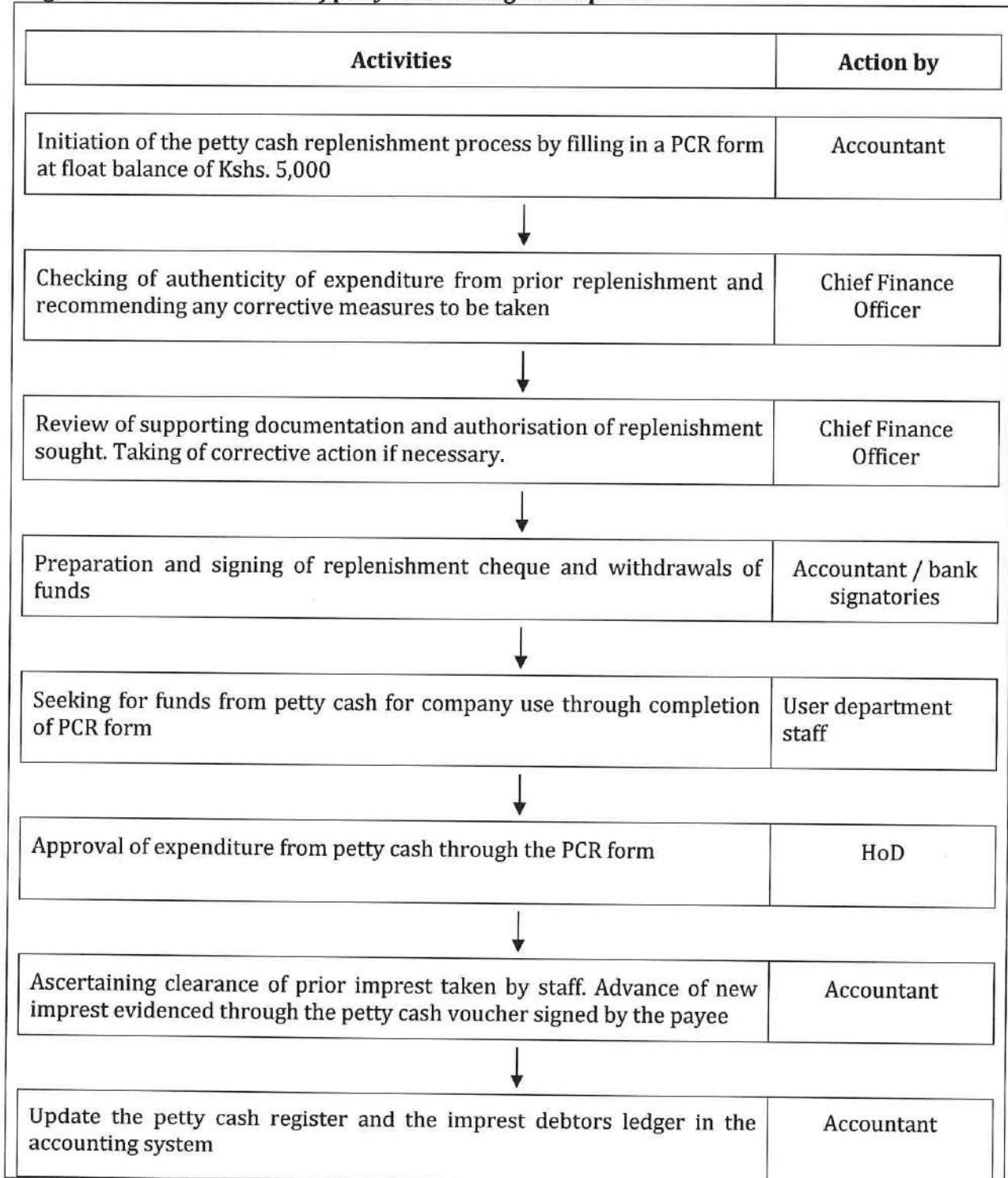
- a) A Petty Cash Requisition shall be used to seek replenishment of petty cash float while a Petty Cash Expenditure Request Form shall be used by the originating user while seeking expenditure from petty cash.
- b) The Accountant shall prepare a Petty Cash Requisition (PCR) (*Appendix No. 1*) Form for replenishment of petty cash float. This shall be prepared when petty cash reduces to Kshs 5,000.
- c) The Accountant shall present the PCR to the Chief Finance Officer for checking. The PCR Form which shall be supported by:
  - i. Petty Cash register extracted from the Accounting system and reconciled to physical cash.
  - ii. detailed petty cash expenditure listing for the prior replenishment
  - iii. Petty cash vouchers and / or expenditure receipts.
- d) The Chief Finance Officer will check that:
  - i. The Petty cash register is fully reconciled to physical cash
  - ii. Petty cash expenditure for the prior reimbursement is adequately supported
  - iii. Cash Requisition Form Appendix 2 forms had been appropriately checked and approved prior to payment



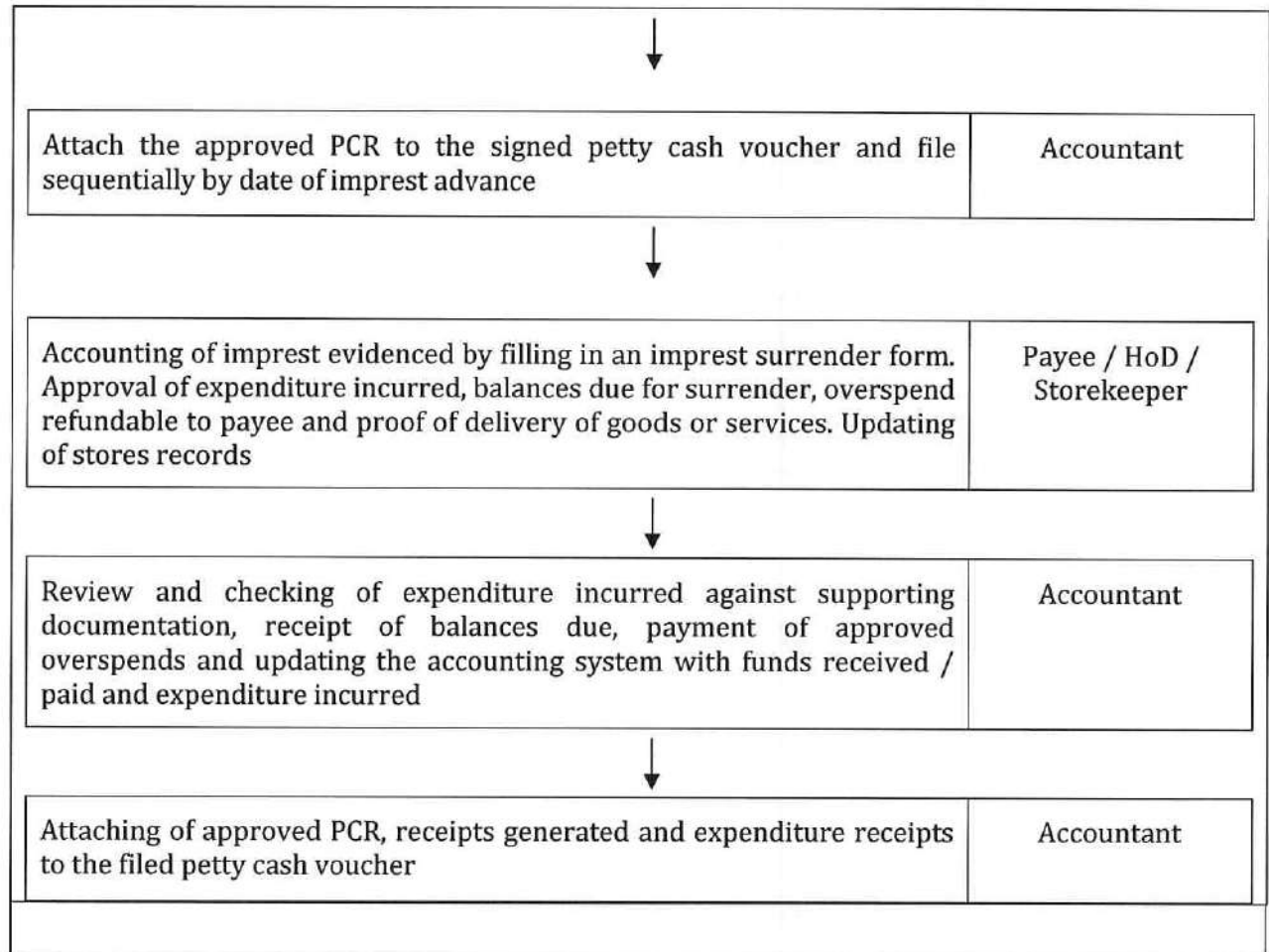
- iv. There are no overdue imprest debtors
  - v. The Chief Finance Officer may choose to conduct a cash count to confirm the physical petty cash balance.
- e) The Chief Finance Officer shall upon satisfaction, recommend replenishment by signing on the PCR and have it forwarded to the Chief Finance Officer together with all supporting documents for approval. The Chief Finance Officer shall recommend corrective action to be taken for any variances noted.
  - f) The Chief Finance Officer shall review the supporting documentation and upon satisfaction, authorise the preparation of a cheque seeking replenishment, in addition to taking corrective action on any discrepancies noted.
  - g) The Accountant shall prepare the replenishment cheque after receiving authorisation, in the name of any one of the authorised Company agents with regard to bank petty cash withdrawals. The cheque together with the approved Petty Cash Requisition Form will be presented to the signatories.
  - h) Petty cash shall be withdrawn by the Company agent and presented to the Accountant for custody.
  - i) Staff requiring petty cash for expenditure purposes shall fill in a Petty Cash Requisition (PCR) stating the expenditure sought to be met. The PCR shall be approved by the Head of Department and presented to Chief Finance Officer for petty cash advance. No petty cash shall be advanced without an approved PCR Form.
  - j) Upon receipt of the approved PCR form, the Chief Finance Officer shall ensure that the intended payee has cleared all prior imprest taken before generation of a petty cash voucher, a copy of which shall be signed by the payee to serve as evidence of a petty cash advance. At this point the accounting system shall update the petty cash register and the imprest debtors ledger
  - k) The Accountant shall attach the signed petty cash voucher to the PCR and file the documents sequentially by date, in the petty cash file.
  - l) The payee shall fill in a Petty Cash Surrender form to account for petty cash advanced and present this to the Head of department together with supporting receipts and the approved PCR.
  - m) The HoD shall check the supporting receipts against the petty cash surrender form and the approved PCR. Upon satisfaction, the HoD shall approve the expenditure incurred and any overspends refundable to the payee by acknowledging this on the petty cash surrender form. Goods shall be received at the stores as appropriate and the storekeeper shall update the stores record accordingly.
  - n) The payee shall present the approved petty cash surrender form together with supporting receipts, approved PCR and any unused funds to the Accountant. The Accountant shall check the approved surrender form against supporting receipts and receive any resulting balances.
  - o) The Accountant shall generate a receipt against the respective imprest debtor's ledger, issue a copy to the payee and stamp the supporting receipts and the petty cash surrender form showing overspends refundable to the payee as "PAID".

- p) The Accountant shall update the General ledger system by updating the expenditure ledgers as appropriate.
- q) A copy of the receipts generated for under spends paid together with the imprest surrender form, the PCR and supporting receipts shall be attached to the petty cash voucher, which advanced the original imprest.

**Fig. B: Flow of petty cash management process**







## **PART 5**

### **5.0 BANK MANAGEMENT**

#### **5.1 Purpose**

The purpose of this policy is to ensure that:

- a) The Company operates all its banking affairs in accordance with best practice.
- b) Funds received are promptly and accurately accounted for; all payments are properly verified and approved before payment is made.
- c) All vouchers and supporting documents are properly stamped 'PAID' immediately payment is done.
- d) There is adequate segregation of responsibilities.
- e) All cash transactions are properly captured in the accounting system.
- f) Bank reconciliations are done on a timely basis.

#### **5.2 Policy**

##### **a) Opening and closing of bank accounts**

The Company will maintain such bank accounts as may be appropriate for the proper management of its affairs. The HAL Board shall have the mandate to approve various bank accounts upon recommendation by the Finance Committee on consideration of the Company's Asset base, Capital, Revenue, Access to Credit facilities and Revenue level.

The HAL Board shall delegate to the Chief Finance Officer the power to open and close bank accounts on behalf of the Company vide written approval

Opening and closing of bank accounts must be reported to BOD.

##### **b) Bank Account Terms & Conditions**

- i. The HAL BOD shall, upon recommendation of the Chief Finance Officer designate all banks and banking operations with reputable banks. Funds may be held in designated foreign currency accounts where in the opinion of the HAL BOD the maintenance of such accounts is in the best interest of the Company.
- ii. Home Afrika Limited shall maintain separate funds meant for investment purposes from those for Company operations. The Main bank account (s) shall be maintained for transactions relating to shareholders and investments. The Operational bank account (s) shall be maintained for income related activities and office operations.

##### **c) Bank Account Maintenance**

- i. Receipt of cash shall be by either cash deposited into the company bank account or banker's cheques or EFT. No personal cheques shall be allowed'
- ii. All cheques or transfers into the company bank accounts have to be confirmed as credits in the company bank accounts before issuance of receipt
- iii. Clear segregation of duties shall be maintained whenever possible in the management of banking transactions. All queries arising from direct debits and credits to the accounts shall be passed to the Accountant at once to enable him to make the follow up with the bank.



#### d) Bank Payment Authorization

Officer	Approval Level Kshs
Two Signatories with at least 1 from Class A	Up to 5,000,000
Three Signatories with at least 1 from Class A	5,000,001 to 40,000,000
2 Signatories from Class A	40,000,001 and above

The HAL BOD shall appoint at least four alternate signatories for each of the bank accounts as shown below. Under no circumstances shall any blank cheque be pre-signed. A payee who is at the same time a signatory shall not be allowed to sign such cheques.

The account signing mandates are as follows

##### Class A Signatories

1. Executive Director - Managing Director
2. Non-Executive Director

##### Class B Signatories

1. Chief Finance Officer
2. Another member of the Management executive

#### e) Roles & Responsibilities

- i. The Chief Finance Officer shall delegate to the Chief Finance Officer/Accountant responsibility of contacting and corresponding with the Company's bankers. Unauthorized members of staff shall not enter into any correspondence with the bank concerning the Company's affairs.
- ii. The company's appointed agent for purposes of petty cash withdrawals from the bank accounts shall be the
  - a. Chief Finance Officer.
  - b. Accountant
- iii. The HAL MANAGEMENT shall set approval limits for various levels of payments as follows:

The above thresholds shall be subject to the authorisation limits as set out in the procurement policies.

#### 5.3 Procedures

- a) The Accountant shall obtain online for weekly bank statements from the banks e-banking portal for reconciliation purpose which shall be accompanied by withdrawal instructions, debit and credit advices, where applicable.
- b) The Accountant shall prepare bank reconciliations for all bank accounts by 5<sup>th</sup> day of each Week. These bank reconciliations shall be reviewed by the Chief Finance Officer and approved by the Chief Finance Officer.

- c) Each bank reconciliation statement shall indicate dates, names and designations of preparation, review and approval including signatures. All unreconciled items must be investigated on a timely basis and necessary action taken.
- d) Bank statements and bank reconciliations shall be arranged chronologically in a file.
- e) Private money shall not be paid into the company's bank accounts and no money belonging to the Company shall be paid into a private bank account.
- f) The Company may adopt Electronic Fund Transfers (EFTs) to pay salaries and other approved transactions or to effect inter-account bank transfers. Such transfers shall be documented and signed by approved bank signatories and the normal audit trail and accounting records shall be maintained. Cheque payments shall be made to:
  - i. Suppliers of goods and services
  - ii. Staff carrying out the Company activities in form of imprests
  - iii. Replenish petty cash
- f) All cheque payments shall be made based on duly certified supporting vouchers and other documents, which indicate that the goods, works or services have been received in accordance with the documents establishing the obligation.
- g) The Accountant shall ensure that payment vouchers are prepared upon receipt of approved Cheque Payment Voucher, Goods Received Notes (GRNs), suppliers' invoices and other supporting documents.
- h) All cheques and chequebooks shall be kept and controlled under the direction of the Chief Finance Officer, who shall also be responsible for ordering of cheques. All duly signed supplier cheques shall be sent to the Accountant for dispatch to suppliers and staff cheques shall be sent to the Accountant for eventual collection by respective staff.
- i) Details of all the cheques issued shall be recorded in a cheque register which shall be updated on daily basis. All cancelled cheques shall be stamped "VOID" and recorded in the register with the word 'CANCELLED' in the payee space and attached to the cheque counter foil. The cheque register shall be maintained continuously and availed for independent verification on a regular basis.
- j) All payments above Kshs 2,000 shall be made by crossed cheque while bank transfers shall be made for all payments above Kshs. 1,000,000.

#### **5.3.1 Receipt of cash**

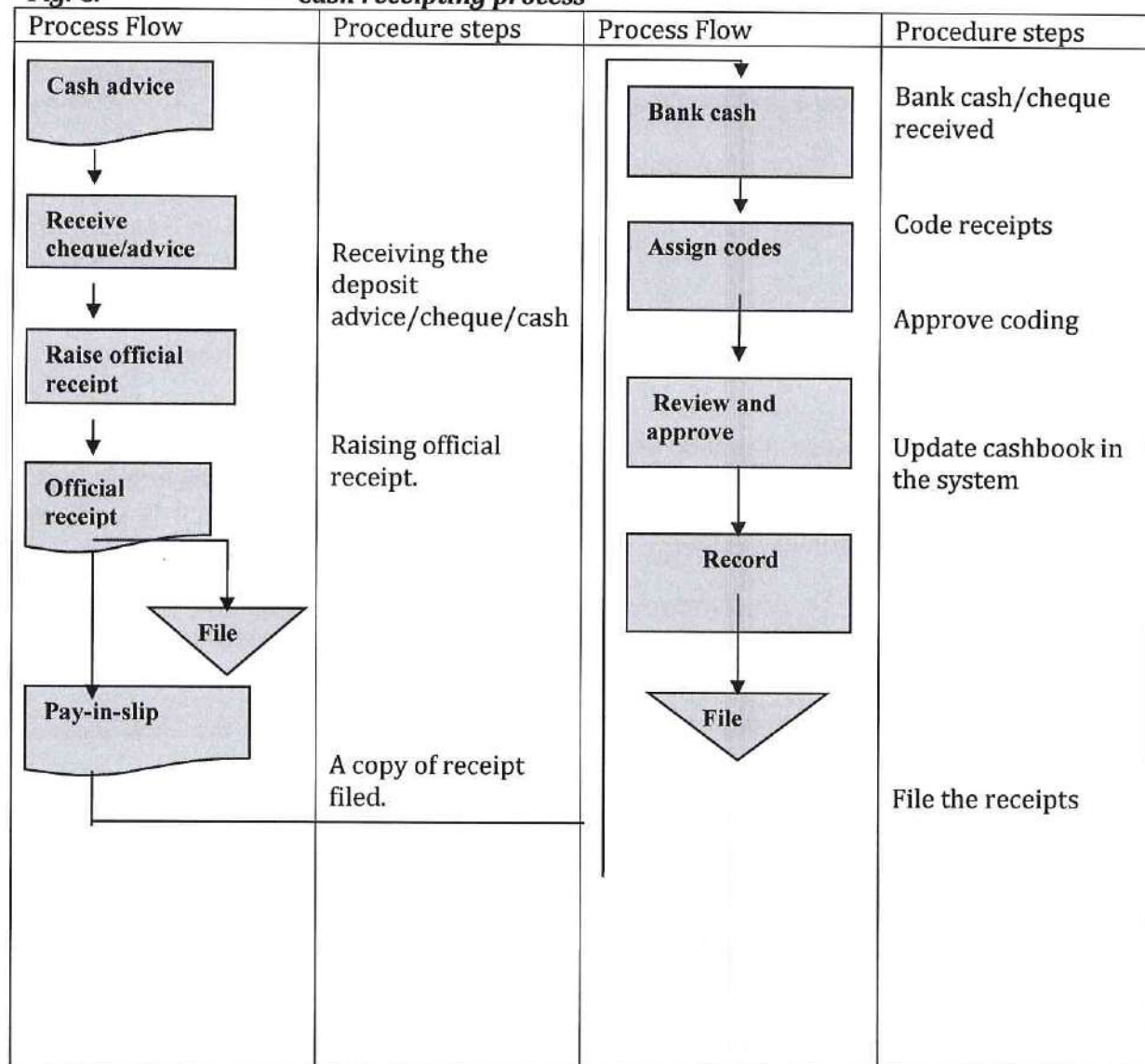
Where the Company has received a cheque or a bank deposit advice, the Accountant will generate an official receipt immediately upon receipt of funds and file the receipt as appropriate.

The Company shall also operate a pay bill number that is linked to a bank account

The company shall also operate a PDQ machine



**Fig. C: Cash receipting process**



### 5.3.2 Payment of expenditure

- a) To ensure that all payments are duly authorised before disbursement is made, consistent payment procedures shall be applied to all bank accounts wherever held.
- b) Prompt payment shall be made for all goods received and services rendered in accordance with the procurement policies and procedures.
- c) The user department will inform the HoD of the items or services required by filling in a Cheque Payment Voucher (*Appendix No1*).
- d) Upon receipt, the HoD will review and authorise the intended procurements and forward the authorised Cheque Payment Voucher to the Accountant. The Accountant will check

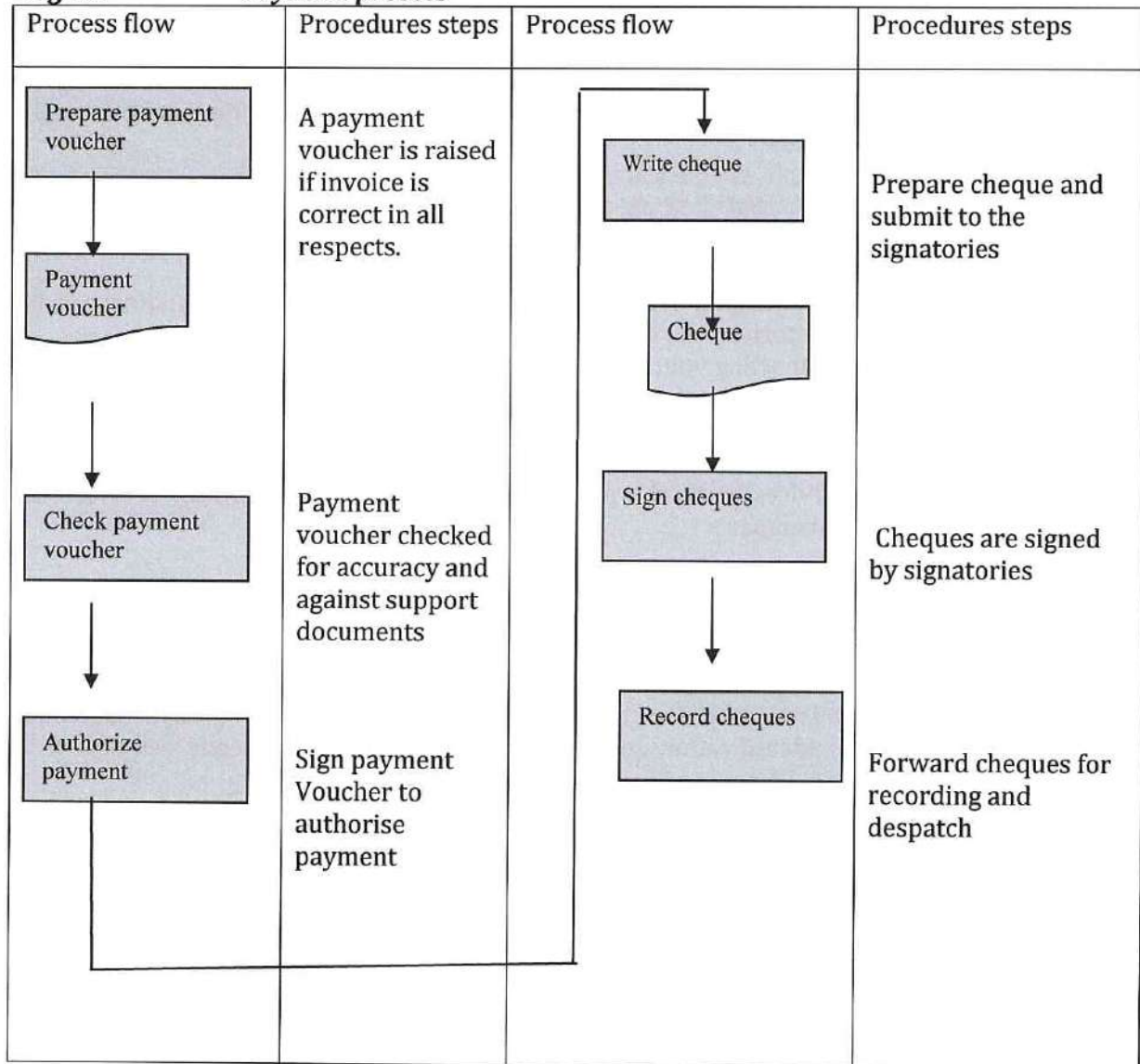
availability of funds and provisions of the approved budget and advise the Chief Finance Officer by filling-in these details on the Cheque Payment Voucher

- e) The Chief Finance Officer may amend the Cheque Payment Voucher by reducing items or services to be procured or decline to authorise the request in totality. However, the Chief Finance Officer may not increase items or services to be procured above those requested. For an increase in goods or services to be procured, the user department would have to issue a revised Cheque Payment Voucher.
- f) The Chief Finance Officer shall provide final approval of items or service to be procured and amounts to be spent. The Accountant shall source quotations as required by the procurement procedures and may liaise with other departments in sourcing for quotations.
- g) All quotations received shall be presented to the Accountant together with the approved CER Form and shall be subjected to vetting as may be required by the procurement procedures.
- h) The Cheque Payment Voucher together with any documentation required by the procurement procedures to support an authorised winning bidder shall be forwarded to the Chief Finance Officer who will authorise / recommend procurement of goods or services from the winning bidder.
- i) CER Forms shall be pre-numbered and filed, in numerical order, in the payment vouchers' file for each cheque drawn and used in support of all payments made on behalf of the Company.
- j) The HoD shall check and advise the Accountant, or in his absence the Chief Finance Officer, that:
  - i. The goods have been received, examined, meet the required specification (Delivery note to be attached where appropriate)
  - ii. Services rendered have been satisfactorily carried out in accordance with the contract of service.
- k) Accountant shall raise a payment voucher through the accounting system, which shall then be checked by the Chief Finance Officer after verifying that;
  - i. The invoiced prices are accordance with the authorised Cheque Payment Voucher
  - ii. The invoice must be certified by the user department that the work has been done.
  - iii. The invoice has not been previously paid.
  - iv. The expenditure is authorised in a Work Plan or budget.
  - v. The calculations on the invoice have been verified and the amount to be paid is correct.
  - vi. Payment is timely to meet supplier/contractor terms of trade.
- l) The Accountant will draft the bank transfer instructions or prepare the cheque for signing in line with the recommendations of the Chief Finance Officer and in line with other requirements of this procedures policy. Requests for bank transfers or approval of cheques shall be supported by the Cheque Payment Voucher (Appendix 01 ) and other supporting documentation. These will be forwarded to the Accountant who will check that :



- i. The goods and / or services have been properly received in accordance with relevant official order.
  - ii. They are properly supported by valid documents such as CER Form, Delivery Note, Invoice, copies of contract, etc.
  - iii. Cheques are properly written; correctly dated and amount in figures agrees with amount in words.
  - iv. As far as possible, cheques are not issued with any corrections or alterations and that spoiled or cancelled cheques are retained and attached to the respective counterfoils.
- m) The cheques or bank transfer instructions shall then be sent to the signatories. The authorised bank signatories shall ensure that the cheques presented for signature agree with the attached supporting vouchers. The authorised signatory should be satisfied; by reference to the supporting documents, that the following checks have been performed;
  - i. Payment is a proper liability of the company
  - ii. Invoice has not been previously passed for payment
  - iii. Goods or services being charged for have been properly and fully received on behalf of the company
- n) The Accountant shall record the cheques in chronological order in the cheque register showing the date the cheque was written, cheque number, payee, amount and initials of the signatories who have signed each cheque.
- o) The Accountant shall notify the supplier about the cheque and the payee will come with a Receipt and proper identification document. The collector of the cheque will sign in a dispatch book upon collection of the cheque.
- p) The support documents are then filed as appropriate.

**Fig. D: Payment process**



## 5.4 Cash Flow Forecasting

### 5.4.1. Purpose

This policy and procedure is to implement and maintain an effective internal control framework over cash flow forecasting and cash flow management to ensure cash deficits and surpluses can be effectively managed

### 5.4.2. Policy

#### a) Use of Cash flow Forecasting

Cash flow forecasting must be performed to ensure sufficient cash is available to:

- operate the HAL business;
- ensure sufficient cash is maintained to meet commitments when they fall due;
- maximise investment opportunities, and
- minimise borrowing costs.



**b) Frequency of Cash Flow Forecasting**

Frequency	Cash flow forecast information
Annual	Cash flow budget estimates for the full financial year cash requirements and the broad 5-years cash flow trends for longer Term investment planning and opportunities.
Mid-year	Based on the mid-year financial review, an analysis of year-to-date actual cash flows and revised annual projections of cash balances (for period to 30 June), with a view to identifying potential surplus cash. Where appropriate, disbursement profiles to be adjusted.
Monthly	Detailed monthly estimates of cash flows for the current year.
Weekly	A weekly review of cash income and expenses to identify cash required to meet forthcoming obligations and surplus cash for investment purpose.

**c) Comparing actual cash incurred against forecast**

Cash forecasts must be regularly compared (at least monthly) against the actual cash flows, updated as required and reported to the Chief Finance Officer.

**5.4.2. Roles and responsibilities**

The Chief Finance Officer is responsible for

- Endorsing annual and monthly cash flow forecasts prepared.
- Presenting the annual and monthly cash flow forecasts to the Finance Committee for approval.

The Chief Finance Officer is responsible for

- Preparing annual and monthly cash flow forecasts.
- Reviewing and monitoring weekly cash flow forecast to ensure sufficient funds are available to meet operational commitments and maximise investment returns.
- Providing explanations on any significant monthly cash flows variances to the Chief Finance Officer.

**5.4.2. Procedure**

**a) Annual and monthly cash flow forecasts**

- At the start of the financial year, the Chief Finance Officer prepares: an annual cash flow forecast, and a rolling monthly cash flow forecast for the current year.
- The Chief Finance Officer endorses the annual and monthly cash flow forecasts and presents them to the Finance Committee for approval.
- The Chief Finance Officer is responsible for monitoring cash flow performance of HAL and advises the CFO of any significant variances.

**b) Mid-Year Cash Forecast**

- The Chief Finance Officer will update, on a six monthly basis, the annual cash flow forecast based on the current assumptions and present it to the Chief Finance Officer for approval. This will ensure that at any point in time, Home Afrika Limited will have sufficient financial resources available to meet the next six months expenditure as it falls due.
- The Chief Finance Officer will present the updated mid-year cash forecast to the Finance Committee for approval.

**c) Weekly Cash forecast**

- Every Specified day of the week as per HAL, the Chief Finance Officer prepares a Weekly Cash Requirement Forecast for the coming week using information provided by the accounts receivable, accounts payable and payroll systems.
- The Chief Finance Officer reviews and monitors the Weekly Cash Requirement Forecast to ensure the timing of the HAL's payments are managed, sufficient funds are available to meet operational commitments, and to maximise investment opportunities.
- The Chief Finance Officer reports to the Chief Finance Officer of any cash flow variances that exceed 10%, to be determined by Home Afrika Limited for monthly forecasts provided at the beginning of the week.

**d) Variance Analysis & Reporting**

- The Chief Finance Officer reviews monthly comparison between the cash forecasts and actual cash flows, and advises the Chief Finance Officer of any significant changes in the expected cash flows to those budgeted, on a monthly basis.
- The Chief Finance Officer advises the Responsible Body of any significant changes in cash flows to those budgeted.
- The Chief Finance Officer is responsible to provide HAL Management with explanations on identified annual and mid-year cash flow variances, when requested.



## **PART 6**

### **6.0 TRAVEL IMPREST, SUBSISTENCE ALLOWANCE AND ENTERTAINMENT POLICY**

#### **6.1 Introduction**

- a) Travel, subsistence and entertainment account for a significant non pay, involves the processing of staff expense claims. Therefore, it is imperative that this expenditure be controlled and processed in the most cost effective way to obtain the best value for money for the Company and to ensure proper use of funds.
- b) While making payments for staff expense claim, the following factors shall be taken into account in assessing value for money:
  - i. Cost,
  - ii. Commercial risk,
  - iii. Comfort and
  - iv. Convenience as well as the indirect costs of making arrangements and organizing payments.

#### **6.2 Purpose**

The purpose of this policy is to:

- a) To obtain maximum value for money from the Company's expenditure on travel, subsistence and entertainment;
- b) To ensure that the Company's expenditure on travel and subsistence represents only the necessary and reasonable costs incurred by or on behalf of staff who are properly engaged on Company business.
- c) To reimburse staff promptly for expenses properly incurred on Company business;
- d) To minimize the cost of administering this expenditure, especially indirect costs represented by the time spent by members of staff on making travel arrangements and submitting claims for reimbursement of expenses;
- e) To provide relevant information to the staff traveling to enable them control and monitor expenditure in adherence to Company policies and procedures.
- f) To ensure that travel imprest is promptly and fully accounted for with appropriate supporting documents
- g) To ensure travel and other activities requiring imprest are adequately planned for in advance

#### **6.2 Policy**

- a) The policy and instructions contained in this policy are applicable to all the staff of Home Afrika Ltd, failure to which it shall be termed as a breach of the Company's Financial Regulations and therefore, a disciplinary matter.
- b) The Company shall pay for travel and subsistence to cover reasonable living expenses for employees on the company's official duties in accordance with guidelines and entitlements set out in the terms and conditions of service.
- c) The official travel shall be subject to the relevant provisions of the approved work plans, availability of budget, and relevance of travel to the company strategic goals, mission and general requirement that the travel will not adversely affect the overall work of the company.
- d) The Company shall use approved travel service provider.
- e) Domestic travel shall be undertaken at the least expensive economy budget fare, while international travel must be in economy class (or equivalent) on long journeys. All members

of frequent flyer programmes must be registered with the Company in order to benefit from the programme.

- f) It is the responsibility of each employee and Director to ensure that their claim is in accordance with this policy and that the correct procedures have been followed.
- g) All travellers employed by the Company shall automatically be covered on the Company's Business Travel Insurance
- h) Requests for travel shall be made two weeks (10 working days) before the intended travel date.
- i) The ticket for travelling (whether train, airline, shuttles, etc.) shall be arranged by the human resources and administration department.
- j) Upon return from mission or travel, the staff shall fill an imprest retirement/ surrender form as required and any refunds to the company made within 1 working day from return of the mission. The Accountant will generate and submit to the accountant a monthly report by 20th of each month on all un-retired imprest per employee showing the period they have been outstanding. Imprest that remains un-accounted for, beyond the required period of return to office, will be recovered from the employee's salary.
- k) Fuel and other incidental vehicle running costs will be based on the official expenditure receipts and approved vehicle mileage books.
- l) Where use of personal vehicle is duly authorised, mileage shall be claimed based on the approved company rates as set by Management Private vehicles shall only be used when it can be demonstrated that this mode of transport represents the most economical and practical method of completing a journey. The Company shall not be liable for incidents arising from the use of a private vehicle on Company business.
- m) Detailed receipts must be provided for all items of expenditure. Photocopies of receipts, credit/debit card statements or credit /debit card receipts alone are not acceptable. If originals are not received, future expense claims will not be reimbursed until such time as the value of the unsupported claim has been recouped.
- n) Staff travelling may be allowed to use hired vehicle for road journeys where this proves to be the most effective mode of travel.
- o) Staff is prohibited from filling in overlapping travel request. Staff shall be held responsible for any travel requests with overlapping travel dates.
- p) All expenses should be modest, measured, defensible and clearly linked to the business operations of the Company.
- q) Company's funds shall not be used to meet personal expenses, except where the company has agreed to provide under the terms of a member of staff's contract of employment, which shall be purchased through the procurement system.
- r) Refreshments made for office use, meetings and other events involving the members of the Company shall be paid from the Petty cash. Reimbursement shall not be made for the cost of refreshments purchased privately.



- s) The submission of an expense claim containing fraudulent data will constitute gross misconduct.
- t) Non-Reimbursable Expenses  
The following items are not reimbursable by the Company:
  - Clothing or toiletries unless caused by airline delay or overbooking and such purchases are not covered under an insurance policy;
  - Cost of a side-trip for personal convenience;
  - Fines for traffic offences;
  - Airline club memberships;
  - Clothing – for example, normal work wear such as shoes, shirts or trousers(excluding uniformed employees);
  - Personal credit card fees and interest charges
  - Personal recreation expenses (unless included as part of the incidentals allowance) such as pay-per-view entertainment in hotels; locker rentals at sports clubs; gym or health club subscriptions or entrance fees, etc.; hairdressing or beauty treatments; mini bars in hotel rooms; travel for private purposes such as to or from the gym or health club; shampoo, hair conditioners, toothpaste or other toiletries; subscriptions to charge card reward
  - Any additional cost incurred for booking a smoking room, when a non-smoking room is available.

## 6.4 Procedures

### 6.4.1 Procedures for payment of travel request

- a) As and when travel need arises, staff shall fill cash expenditure request form (*Appendix 2.*) and attach to it the relevant documents such as invitation letter. The form will first go to HOD for recommendation then to the Human Resources and administration Department for provisional booking and confirmation of the number of nights for payment of subsistence allowance then to accounts department for computation of subsistence allowance payable to staff and finally to the Chief Finance Officer for approval.
- b) Such claims shall be paid once in a week and paid direct to bank accounts and received in the accounts office on Thursday to ensure payment by the following Tuesday. Requests received after Thursday shall not be reimbursed until the following week.
- c) The Petty cash expenditure request form shall be filled in quadruplicate, original copy of the form is retained in accounts for payment, the second copy to the booking officer, third copy is retained by accounts for tracking the retirement and the last copy remain in the book with the staff.
- d) The Petty cash expenditure request form shall clearly indicate the purpose of travelling, date of travelling, name of staff(s) travelling, department, the mode of travelling and the HOD's recommendations.
- e) The approved form shall then be sent to the Accountant where advances are process.
- f) The Accountant shall check to ensure that there are no errors and irregularities before processing the payments.

### 6.4.2 Airline/Train tickets procedures

- a) After the petty cash expenditure request form has been approved, it shall be forwarded to the administration department to initiate procurement process.
- b) Tickets shall be received through mail by the administration assistant not later than one week before the date of travelling and issued immediately to the staff(s) travelling.
- c) The travel service provider shall issue invoices on a regular basis as per the supplier agreement, and the administration assistant certify the invoice before its send to the accountant for recording into the system.
- d) The administration assistant or officer appointed by the HR Manager shall maintain a record of all cancelled tickets and the status of refund/credit note. It is the responsibility of the administration assistant to follow up on any outstanding refunds/credit notes with the travel service provider.
- e) The administration assistant or officer appointed by the HR Manager will on monthly basis, obtain travel statements from the carriers and reconcile them to the approved LPO/Credit Notes/Invoices.
- f) Where officers request for travel tickets and due to negligence do not use the issued tickets or cause them to be cancelled they shall be deducted from their salaries such monies incurred and not recoverable from such tickets.

#### **6.4.3 Activity Advances/ Imprest Procedures**

- a) Activity advances are payments advanced to staff to meet expenses on behalf of the Company such as; organizing a workshop, seminar, fieldwork or other function.
- b) The applicant shall present a detailed budget for the activity in a Cash Expenditure Request form; clearly showing items requiring to be paid for from cash imprest shall follow the petty cash management procedures before payment is affected.
- c) The approved Cash Expenditure Request shall be submitted to the Accountant at least one week (5 working days) before the date on which advances are required. Once an imprest is issued, it posted in accordance to the provisions in section 5.3
- d) All outstanding advances must be accounted for before any new request is approved unless there is a justified reason, which must be documented and approved by the Chief Finance Officer or his appointee.
- e) A moratorium period of one week or five (5) working days after return from mission shall be allowed for retiring/accounting for imprest advanced. This time of accountability should be stated on the activity requisition form. The retirement of imprest shall be done by completing the Imprest surrender Form (*Appendix No 4*).
- f) The surrender form shall then be forwarded to the Accountant; the staff imprest account shall be reversed and accounted for accordingly in line with the expenditure incurred and file the documents in the staff debtors file.
- g) The Accountant shall generate a monthly report on all un-retired imprest showing the period they have been outstanding. Any un-retired advances/imprest shall be recovered from the employees' salary after prior notification has not been complied to.
- h) Similarly, staff that spends more than the amount advanced shall be refunded the excess amount spent after they have accounted for the advance. The excess amount must be approved by the HoD.



- i) The Accountant shall issue a formal receipt for cash returned which will be banked intact as per the laid down regulations.
- j) Manipulation or alteration/falsification of supporting expense vouchers shall be deemed as gross misconduct and shall be dealt with in accordance with the laid down procedures. Employees shall be expected to exercise the highest level of integrity in accounting for field advances.
- k) There shall be no circumstances under which the company's money shall be used for unauthorized purposes. Where this is done then disciplinary action shall be taken in accordingly.

#### **6.4.4 Directors allowances**

- a) The HAL Board of Directors shall be paid sitting allowance or any other amount as the Shareholders may decide from time to time for every member attending the meetings. The composition and the term of the HAL Board of directors shall be determined by the shareholders in an Annual General Meeting through election. This shall depend upon the performance of the members especially. Attendance of meetings is critical in ensuring that the HAL Board achieves the set targets. It is therefore important that HAL Board members ensure that they are present in most all the HAL Board meetings. The Company Secretary will ensure that notices for HAL Board meetings are sent in good time.
- b) The Accountant shall obtain a list of the members who have confirmed attendance and prepare a cheque of the amounts to be paid. Members shall be paid immediately after the meeting and sign the petty payment vouchers to acknowledge receipt.
- c) Directors' allowances withdrawn for members, who failed to turn up for the meeting, shall be rebanked immediately.
- d) Payments to the directors shall be subjected to income tax regulations
- e) Allowances payable to directors shall be restricted to attendance of main HAL Board meetings. A member who fails to attend HAL Management meetings as scheduled for three consecutive meetings shall be required to make a written explanation, failure to which an action shall be undertaken in accordance to the laid down rules and regulations.

## **PART 7**

### **7.0 PAYROLL MANAGEMENT**

#### **7.1 Purpose**

The purpose of the Payroll management is to ensure:

- i. There is generation, recording, processing and safeguarding of all financial transactions on a timely manner and accurate production of relevant information to support the effective management of the company
- ii. There is complete and accurate data capture and payroll processing
- iii. Employees are paid in accordance with letters of appointment and terms and conditions of service.
- iv. There is adequate security over all payroll data
- v. Statutory and voluntary deductions are properly accounted for and promptly remitted to the appropriate authorities
- vi. Payroll expense is properly accounted for in the General ledger system.

#### **7.2 Policy**

- a. The Company management shall design an organisation structure that shall:
  - i. Reflect the basic approach to organisation, the position and reporting relationships needed to implement policies and strategic plans
  - ii. Facilitate the creation of a strong results – oriented management team
  - iii. Minimise the levels of management, thus enabling open communication and clear lines of responsibility
- b. The Human Resources Department will issue appointment letters and Job descriptions to all newly employed staff and the payroll processing will be in line with the terms and conditions of service of each category of staff.
- c. Salaries and allowances shall be paid in Kenya Shillings and subjected to statutory deductions in accordance to the laid down provisions.
- d. The office normal hours shall be from 8.00 am until 5.00pm, unless otherwise stated which shall be clearly indicated in the employment contract. Employees are expected to report to work as scheduled.
- e. All posts in the company shall be classified by title and salary scale in accordance with the respective duties and responsibilities as approved by the HAL BOD. Such classification shall be based on job analysis and continued evaluation procedures, which may lead to salary changes.
- f. Salaries shall be paid on the thirty (30<sup>th</sup>) day of each month, unless this falls on a weekend or public holiday in which case the working day immediately following the date shall be the date on which salaries are paid.
- g. No salary shall be paid to a member of staff in respect of periods of unauthorized absence from work unless such absence was caused by reasons beyond his/her control or duly certified medical reasons.
- h. The remuneration of staff may be reviewed by the HAL BOD on recommendation by the Human Resource Manager.



- i. The Accountant shall only effect amendment to the payroll, which have been initiated and prepared by the Head of Human Resource and Administration and authorised by HAL BOD in consultation with the Chief Finance Officer, upon any evaluation procedures as mentioned above.
- j. The Company will comply with labour laws and regulations governing employment and provisions of specific employment contracts.
- k. Any fines or penalties imposed on company due to non-compliance with any regulation resulting from the negligence of a staff shall be recovered from that staff, in accordance to the Human Resources and Procedures Policy
- l. Members of staff shall be entitled to allowances and benefits as approved by the Management.
- m. Full time employees, their spouses and eligible children are entitled to insurance cover in accordance to the provisions cited in Insurance Company's medical policies. Such expenses shall be termed as company expenditure for purposes of financial reporting, in line with the existing provisions in income tax regulations.
- n. The Company shall remit monthly salaries, commissions and allowance via electronic transfers into employees' bank accounts to minimize the risk inherent in carrying large sums of money and to minimizing the risk of loss through payroll fraud. In particular:
  - i. All staff will be required to open and operate bank accounts through which their salaries will be paid.
  - ii. Any advances made to staff shall be dealt as stipulated in part 6 above and as per the Human Resource Policy. It will be the duty of the Human Resource Manager to ensure proper records are maintained of advances and recoveries.
  - iii.

### 7.3 Procedures

This section provides the procedures payroll preparation.

#### 7.3.1 Payroll preparation

- a) Amendments to the payroll will be initiated and documented by the Human Resource Manager and approved by the HAL MANAGEMENT upon recommendation by the CFO  
This approval will contain the following employee details:
  - i. Full name
  - ii. Position
  - iii. Department
  - iv. Bank Name and Branch
  - v. Bank Account Number
  - vi. Personal identification details and those of next of Kin
  - vii. Other registration numbers (e.g. Cooperative, etc.)
  - viii. Salary details
  - ix. Date of birth
  - x. Date of appointment
  - xi. Details of dependants

- b) Notification of any other changes to the payroll will be communicated through a Payroll change advice signed by the Human Resource Manager and addressed to the Group Managing Director.
- c) On receipt of Payroll change advice, the Chief Finance Officer will review, sign and pass it to the Payroll accountant for processing the payroll.
- d) The Human Resource Manager will ensure strict compliance with existing legislation regarding to administration of statutory deductions. Where applicable, all required returns for statutory deductions, will be completed by the Payroll Accountant and approved by the Chief Finance Officer before submission on a timely basis to the relevant authorities.

Particularly the following statutory deductions shall be administered as follows;

TYPE OF RETURN	DEADLINE DATE
Monthly P.A.Y.E remittances	9 <sup>th</sup> day of the month
N.S.S.F. Monthly Contributions	9 <sup>th</sup> day of the month
NHIF Monthly Contributions	9 <sup>th</sup> day of the month
Housing Levy	9 <sup>th</sup> day of the month
Monthly withholding Tax Remittances	Last working day falling on or before the 20 <sup>th</sup> of the subsequent month
Higher Education Loan HAL Management (H.E.L.B)	15 <sup>th</sup> day of the month
Sacco contributions	10 <sup>th</sup> day of the month
Life Insurance/ Pension contribution	10 <sup>th</sup> day of the month

- e) Each staff shall be responsible for providing the Company with all the pertinent information required by law to facilitate any applicable deductions.
- f) After receiving all payrolls' related information from Human Resource department, the Accountant shall prepare the payroll that is submitted to Chief Finance Officer for verification.
- g) Monthly payroll summary including comparison of previous month together with supporting schedules will be reviewed by the Chief Finance Officer.
- h) The Chief Finance Officer will ensure the preparation of the payroll by the 26<sup>th</sup> day of each month, and an advise on salary transfers will be forwarded to the bank on or before 30<sup>th</sup> day of the month to ensure salaries are credited to employee bank accounts before the end of the month and statutory deductions thereof are remitted promptly to the respective authorities.
- i) By 26<sup>th</sup> of each month, pay slips, shall be distributed to staff after the payroll has been processed.

### 7.3.2 Month – end Procedures

- a) After the payroll has been approved, the period shall be closed and a systems back up done.
- b) Pay slips shall then be shared on email to all staff.



- c) Remittance of all statutory deductions shall be processed promptly.
- d) Other relevant regulations shall be administered according to the applicable law.

### **7.3.3 Other Procedures**

On quarterly basis the Accountant shall be required to submit, PAYE returns by the 9<sup>th</sup> day after each Month.

- a) Provide staff with P9 forms from Kenya Revenue Authority to facilitate their filling of annual income tax returns;
- b) Make benevolent fund deductions as per Human Resources policy.

## **PART 8**

### **8.0 NON-CURRENT ASSETS**

#### **8.1 PROPERTY, PLANT & EQUIPMENT (PPE)**

##### **8.1.1 Purpose**

The purpose of the Property, Plant and Equipment policy is:

- a) To ensure that all assets are accurately recorded in an asset register.
- b) To ensure that the assets register is properly maintained and appropriately designed to include all information necessary to adequately record and control the assets.
- c) To safeguard all assets by recording the details and monitoring the location, condition and usage
- d) To facilitate proper accounting for PPE.

##### **8.1.2 Policy**

- a) PPE represents assets with a useful life to the Company of 3 years or more and having a minimum value at the point of acquisition of Kshs 10,000 either individually or collectively.
- b) The Company will maintain the following items of Property, Plant and equipment:
  - i. Land and buildings
  - ii. Motor vehicles
  - iii. Computer equipment
  - iv. Telecommunication equipment
  - v. Office equipment
  - vi. Office fixtures and fittings
  - vii. Office furniture
- c) Assets shall be procured in accordance with the procurement policies and procedures
- d) Items of PPE shall be capitalised, recorded and controlled individually by being assigned appropriate identification numbers and being recorded in the Assets register (Appendix 5).
- e) The Chief Finance Officer shall ensure that assets are insured, immediately upon procurement, against damage or loss through fire, theft or other peril.
- f) Periodic physical verification will be carried out at least once a year and steps taken to ensure assets are maintained in a saleable condition and protected against loss of value other than normal wear and tear.
- g) Disposal of any asset or class of assets will be carried out in accordance with the asset disposal procedures.
- h) Property, Plant and equipment are stated at cost less accumulated depreciation. Depreciation on items of PPE shall be calculated on reducing balance method to write off cost of the assets over the estimated useful lives.



The applicable annual depreciation rates shall be as follows:

i.	Land	Nil
ii.	Buildings	2.50%
iii.	Motor vehicle	25.00%
iv.	Tractor	37.50%
v.	Computer equipment	30.00 %
vi.	Office equipment	12.50%
vii.	Furniture and fittings	12.50%

- i) Depreciation shall be charged in full in the year of acquisition and none in the year of disposal.

### 8.1.3 Procedures

#### 8.1.3.1 Management Control of PPE

- a) An Asset register shall be maintained on a computerised system, and shall include the following details:
- A description of the asset
  - Manufacturer's serial number and model number
  - Acquisition date and cost
  - Asset identification number by class of asset
  - The expected useful life and depreciation rate
  - Normal location, use, and latest condition of the asset
  - Date of disposal of an asset (if any)
- b) Annual revaluation review will be conducted by the Chief Finance Officer to determine whether a revaluation must be undertaken to maintain value of PPE close to usefulness to the Company.
- c) At least once a year the Chief Finance Officer shall ensure that an inventory of all items of PPE is taken by person(s) independent from the one keeping the assets register
- d) The requisitioning and payment procedures shall follow that laid down in section 5.3.2
- e) The Accountant will then ensure assets are appropriately coded, recorded in the assets register and distributed to the requisitioning departments.
- f) Maintenance contracts will be entered into where appropriate with suitable approved dealers or suppliers to ensure all assets are kept in good working condition.
- g) The Human Resources shall maintain a motor vehicle movement log, (Appendix No.13) for each vehicle, filled in for all official movement, and reviewed monthly by the Chief Finance Officer.
- h) Unauthorised persons shall not be allowed to travel in the Company vehicles.
- i) When a vehicle is involved in an accident, the Accountant shall;
- Inform the insurance company;

- ii. Complete a Motor Vehicle Accident Report, not later than the day following the day of the accident;
  - iii. Obtain copies of the Police report on the accident;
  - iv. Direct the Human Resources and Administration Manager, whether disciplinary action shall be imposed on the driver; and
  - v. Arrange for the assessment of the damage.
- j) The driver of Company vehicle or any other staff shall not accept liability or come into agreement with a third party in case of an accident without the approval of the Chief Finance Officer or person authorized by him.

#### **8.1.3.2 Disposal of Assets**

- a) The Company shall establish a Finance Committee in accordance to the laid down regulations, and give the Committee terms of reference and establish disposal procedures to ensure the Company achieves value for money on assets disposed.
- b) The Committee shall carry out an annual survey and prepare the list of assets for disposal for the Board's approval.
- c) The committee shall meet within the prescribed period to report on the items and subject to a technical report; recommend the best method of disposal which shall include
  - i. Transfer to the subsidiary with or without financial adjustment;
  - ii. Sale by public tender;
  - iii. Sale by public auction; or
  - iv. Destruction, dumping or burying;
  - v. Trade-in.
- d) Disposed off assets shall be replaced in line with the procurement and policies policy unless such an asset is no longer required.
- e) A record of all assets identified for disposal will be maintained.
- f) Upon disposal the Asset Register will be updated with the following information;
  - i. Authority for disposal
  - ii. Date of disposal
  - iii. Sales price and
  - iv. Gain /loss on disposal.

#### **8.2 Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of the intangible assets are assessed to be finite. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognized



## 8.3 INVESTMENTS

### 8.3.1 Purpose

To ensure that the Company's surplus funds, which are not immediately required for disbursements are invested with approved Financial Institutions, in listed companies, safe and secure assets and that such investments are managed both smoothly and prudently.

### 8.3.2 Policy

- a) The Accountant, upon the advice of the Chief Finance Officer may invest any of the funds of the Company in securities in which the Company may invest, trust funds, or any other securities, which the HAL MANAGEMENT may approve from time to time.
- b) Funds shall be invested in safe and secure assets such as treasury bills, bonds' fixed deposit accounts or call deposit accounts with reputable banks.
- c) Funds may be invested in corporate shares after a thorough assessment and approval of the HAL Board on the recommendation of the Chief Finance Officer.
- d) All documentation relating to securities shall be deposited in the following:
  - i. Duly appointed bankers
  - ii. In safe deposit vaults maintained by a recognized financial institution designated by the BOD; or
  - iii. In the safe vaults of the Company under the direct control of the Chief Finance Officer.
- e) Investments shall be registered in an investment ledger to be kept by the Accountant, which shall show the relevant details for each investment, including the face value of the deposit, proceeds of sale and income derived.
- f) At minimum the Investment Register (*Appendix No.6*) shall contain the following details:
  - i. Depository bank
  - ii. Certificate deposit number
  - iii. Date of deposit
  - iv. Initial capital
  - v. Rate of interest
  - vi. Total of principal and interest
  - vii. Date of maturity
  - viii. Period and date of deposit withdrawals
  - ix. Transfers
  - x. Authority of withdrawals and transfers
  - xi. Balance as at the end of the company's financial year.
- g) Any loss of cash or negotiable instruments shall be immediately brought to the attention of the Chief Finance Officer who shall take the necessary measures towards holding an investigation and, if necessary, have recourse to the law enforcement agencies.
- h) Except as far as it may be deemed consistent with promotion of the Company interests or good image, no amount due to the Company may be waived without the authorization of

the HAL MANAGEMENT in which case the persons or organization, and or the amount and the circumstances to justify the waiver shall be indicated.

- i) A member of staff who loses cash or negotiable instrument shall be personally responsible and liable for the loss incurred.
- j) Interest from investment shall be reflected in the other operating income account.
- k) Invested funds held by Fund Managers on behalf of the Company shall not be written off without the authorisation of the Board.
- l) Withdrawal of assets deposited in banks and access to assets deposited elsewhere shall be subject to authorisation signed by two members of staff designated by the Chief Finance Officer.

### **8.3.3 Procedures**

- a) Funds, which have been approved by the HAL MANAGEMENT for investment, shall be transferred to the approved investment from time to time under the direction of the Chief Finance Officer.
- b) Confirmation letters of initial deposits, renewal of existing deposits and rollover interest shall always be obtained and filed together with confirmed certificates of deposits in chronological order



## **PART 9**

### **9.0 INSURANCE**

#### **9.1 Purpose:**

The purpose of the insurance policy is:

- a) To ensure adequate insurance in order to mitigate all the risks and as part of overall risk management strategy
- b) To ensure all the Company's movable and immovable property and possible insurable risks are properly insured

#### **9.2 Policy**

- a) The Company shall maintain adequate insurance cover for all its movable and immovable property against fire, theft, damage and other perils. Such insurance cover shall include both cash held in premises and on transit.
- b) The Company shall maintain statutory insurance covers to ensure that employees and employers liabilities are adequately covered.
- c) The Company shall insure all its risks with a reputable insurance company.
- d) The Company shall review its insurance requirements annually to cover asset additions, remove disposals, and review the insurable value.
- e) Adequate insurance registers shall be kept, and policy documents kept in safe custody by the Human resources and administration Manager.

#### **9.3 Procedures**

- a) Quotations shall be obtained from pre-qualified insurance companies or registered insurance brokers for the annual insurance requirements of the Company.
- b) The Chief Finance Officer shall seek for three quotations from reputable insurance companies or registered insurance brokers. Selection of the reputable company shall be dependent upon past experience, performance of the insurance company and ability to mitigate the risks of the company promptly. Selection shall be done by the Finance Committee and the company included in the list of suppliers for HAL. This list shall be reviewed on annual basis.
- c) An appointed insurance broker or other professional will advise on the most suitable insurance cover as well as provide professional insurance advice to the Company.
- d) In the last quarter of each insurance year, before any renewals are made, the Treasurer and the appointed insurance firm will review each insurance cover to determine its adequacy and appropriateness for the needs of the Company.
- e) The Chief Finance Officer upon recommendation by the Group Managing Director will advise the insurance firm of any item(s) that should be added to or removed from the list of insured items from time to time.
- f) Damage or loss of insured assets shall be reported immediately to the insurance company or appointed insurance brokers by the Accountant who shall follow up all claims to ensure that compensation is received on time and in accordance with the provisions of each insurance policy.

## **10.0 TAXATION**

### **10.1 Purpose**

To ensure that HAL tax matters are handled in accordance with the applicable tax legislation.

### **10.2 Policy**

- a) The Company shall adhere to all tax regulations as may be applicable.
- b) The Company's taxable income accrued or derived from Kenya (e.g. gains/profit from business, commission, interest) shall be subjected to the Corporation tax at rates that may be prescribed by the Revenue Authority from time to time.
- c) The Company shall pay VAT on any supply of goods or services made or provided in Kenya where it is a taxable supply by a taxable person in the course of business at the rates prescribed by Revenue Authority from time to time.
- d) The Company shall pay import duty on all imports in the manner and rates that may be prescribed by Revenue Authority from time to time unless Treasury has approved such goods/services as eligible for duty remission.
- e) All taxable employment benefits payable to the employees of the Company shall be subjected to PAYE in line with the provisions of the Income Tax Act and as prescribed in the Employers PAYE Guide. Such benefits may include but are not limited to; Motor vehicle, domestic benefits, housing, employee loans, registered employee share ownership plan, staff meals, Medical benefits, Sitting allowances, telephone benefit etc.
- f) Withholding tax shall be applied to Consultancy fees, directors' fees, interest, dividends and other professional services that may be provided to the Company, in line with the income tax rules.

### **10.3 Procedures**

#### **10.3.1 Corporation Tax**

- a) At the end of each fiscal year, the Accountant shall prepare a tax computation schedule to determine the Corporation tax liability based on the taxable income as per the audited financial statements.
- b) The schedule shall be reviewed by the Chief Finance Officer and any tax liability settled within the timelines stipulated by the Income Tax Act (currently; within four months after end of the financial year).
- c) The Treasurer shall then ensure that Income tax returns are subsequently filed in accordance with the Income Tax Act (currently; by the end of the sixth month after the financial year end ).
- d) In the year following the financial year, the Company shall pay installment taxes based on provisions of the Income Tax Act (currently; based on 110% of the previous year's tax due, payable in four equal installments on or before the 20<sup>th</sup> day of the fourth, sixth, ninth and twelfth months of each financial year).

#### **10.3.2 Withholding tax**



- a) Withholding tax shall be charged on dividends, interest, consultancy, contractual fees, director's fees and any other professional fees, paid by the Company to third parties and remitted to the Revenue Authorities within the prescribed deadlines.( currently by 20<sup>th</sup> of the month following the month of deduction)
- b) The Company shall provide withholding tax certificates to the payees upon deduction of such tax.

#### **10.3.3 PAYE**

- a) PAYE shall be deducted from employees' taxable emoluments and remitted to Revenue Authorities within the prescribed deadlines.
- b) At the end of each calendar PAYE annual returns shall be prepared and remitted to Revenue Authorities by the stipulated deadlines (currently by the 9th day of subsequent quarter.
- c) Each employee shall be provided with a tax deduction card with which he/she shall complete his / her income tax return

## **PART 11**

### **11.0 FINANCIAL RECORDS AND REPORTS**

#### **11.1 RECORD KEEPING**

##### **11.1.1 Purpose**

The purpose of this policy is to ensure that the Company's financial transactions are adequately recorded and reported in accordance with the generally accepted accounting practices and International Financial Reporting Standards (IFRS).

##### **11.1.2 Policy**

- a) The Chief Finance Officer shall ensure that all the financial transactions of the Company are recorded and maintained accurately in accordance with the IFRS.
- b) An accounting system shall be used in processing the accounting transactions. Appropriate hardware and software will be put in place to operate the accounting system to furnish the Chief Finance Officer with accurate and timely financial information. The system shall have operational restrictions to prevent external access by unauthorized persons. The accounting system shall have the following features:
  - i. Ability to generate automatic activity based variance reports
  - ii. Multi-currency reporting
  - iii. Efficient data capture facility
  - iv. Ability to import/export data to other packages
  - v. Adequately supported
- c) Records shall include both hard and soft copies.
- d) All the records shall be maintained in Kenya shillings
- e) The accounting records should be archived in different premises from where the Company is physically located. These records shall be retained for such period as may be determined by the HAL Board in consultation with the auditors. Subject to the policy adopted by the HAL Board regarding the retention and destruction of records, the records shall be retained for a period of not less than 7 years.
- f) The Chief Finance Officer shall maintain correct, accurate and complete documents and records for the recording of all the financial transactions of the Company. These records shall include inter alia:-
  - i. Cash Books;
  - ii. Journal and ledgers;
  - iii. Cheque book and cheque registers;
  - iv. Assets register;
  - v. Payroll records;
  - vi. Chart of accounts;



## **11.2 MANAGEMENT REPORTS**

### **11.2.1 Monthly Reports:**

The Chief Finance Officer shall ensure the preparation of the following financial reports on or before the 15th day of the following month:

- a) Budget Performance report:
  - i. Financial performance reports showing budgeted amounts vs. actual income and expenditure accrued and incurred respectively to date and balances on budget including any approved amendments to the budgeted amounts
  - ii. Cash flow projection reports showing budgeted overall cash flows for the company vs. actual performance to date of reporting. Report should include notes on potential non receivable funds included in the approved budget and proposed revisions
  - iii. Funds management reports showing actual funds received to date vs. actual payments made, including liabilities payable and timelines on these.
- b) Bank reconciliation statement
- c) Progress reports

## **11.3 FINANCIAL STATEMENTS**

- a) The Chief Finance Officer shall ensure that detailed financial statements as at 31<sup>st</sup> December for each financial year are prepared.
- b) The financial statements shall include;
  - i. Statement of comprehensive income
  - ii. Statement of Financial Position.
  - iii. Statement of changes in Equity
  - iv. Cash Flow Statement
  - v. Disclosure notes and;
  - vi. Supporting schedules for the balances in the statement of financial position.
- c) The annual accounts shall be completed within ninety days after closure of the financial year and submitted to the external auditors
- d) The draft financial statements shall be discussed between the external auditor, the CFO and the Chief Finance Officer and then signed by two representatives of the HAL Board and the external auditor.

## **11.4 FINANCIAL MANAGEMENT STRUCTURES AND SYSTEMS**

### **11.4.1 CHART OF ACCOUNTS**

#### **11.4.1.1 Purpose**

The purpose of the chart of accounts is to establish a coding system for all accounting transactions to ensure that accounts are organized, classified and coded to enhance compliance with GAAP, proper account grouping and consistency.

#### **11.4.1.2 Policy**

- a) The Company shall use an accounting system that allocates and reports all receipts and expenses into separate funds, for the purposes of producing management reports and financial statements for the Company.
- b) The chart of accounts shall be determined by the Chief Finance Officer and shall separate assets and liabilities according to the degree of convertibility; from the least liquid to the liquid.
- c) The Chief Finance Officer subject to consultation with the Chief Finance Officer shall co-ordinate all revisions in the chart of accounts.
- d) Only authorised officers have access to change the chart of accounts.
- e) The chart of accounts is available for viewing by employees and contractors, and is on the SAP

#### **11.4.1.3 Procedures**

##### **a) The Chart of Accounts – Structure & Criteria**

- i. An appropriate Chart of Accounts shall be established by the Chief Finance Officer showing all categories of income, expenditure and balance sheet accounts. The Chart of Accounts shall be used to code all accounting documents of prime entry.
- ii. The Chief Finance Officer may review the Chart of Accounts upon recommendation of the Chief Finance Officer from time to time.
- iii. The chart of accounts utilises standardised names and codes, as follows to be determined by Home Afrika Limited:
  - standard cost centre names;
  - standard cost centre codes/numbering;
  - standard account names, and
  - Standard account codes/numbering.
- iv. The Chief Finance Officer or delegated person develops and maintains an explanatory note to each account within the chart of accounts that describes the nature and purpose of the account.

##### **b) Chart of Accounts Maintenance**

- i. The chart of accounts is the primary tool used to capture and report all financial data in the general ledger. The Chief Finance Officer or delegated person ensures it is:
  - properly controlled;
  - maintained and updated in a timely manner;
  - aligned with Home Afrika Limited's objectives;
  - aligned with Home Afrika Limited's reporting requirements;
  - sufficiently detailed and logically structured to allow useful and timely management reporting and financial reporting consistent with legislative and the Responsible Body requirements, and used to provide effective budgeting, reporting and monitoring of the Home Afrika Limited's performance.
- ii. The Chief Finance Officer or delegated person ensures a relationship table between



## **11.5.1 DISASTER RECOVERY**

### **11.5.1.1 Purpose**

This policy and procedure applies to the effective management of the IT systems used to support the Home Afrika Limited financial operations.

### **11.5.1.2 Policy**

#### **a. Disaster recovery planning**

The Home Afrika Limited Finance Committee ensures a Disaster Recovery Plan (DRP) for the financial management IT systems used to support its financial operations is developed, implemented, regularly tested and updated

#### **b. Review or Disaster Recovery Planning**

Home Afrika Audit & Finance Committee ensures that:-

- ✓ the direction, strategy and use of the financial management IT systems is:
  - \_ consistent with and appropriate for sound financial management;
  - \_ strongly supported and widely available;
  - \_ secured against unauthorised access;
  - \_ appropriate, relevant and up to date;
  - \_ adequately resourced and technologically supported, and
  - \_ supported by data integrity and authenticity;
- ✓ \_ a review of the financial management IT systems is conducted annually;
- ✓ an annual test and assessment of the Disaster Recovery Plan and Business Continuity Plan (BCP) is conducted;
- ✓ \_ daily data back-ups are conducted and data stored off-site;
- ✓ systems are regularly maintained;
- ✓ a register of licences for financial management software is maintained and reviewed on an annual basis (at least);
- ✓ a security assessment is conducted annually, and
- ✓ Business improvement and change request processes are in place.

### **11.5.1.3 Roles & Responsibilities**

- a) Audit & Finance Committee approves the Disaster Recovery Plan for the IT systems used to support the Home Afrika Limited's financial operations.
- b) The Chief Finance Officer's responsibilities include:
  - ✓ Communicating the Disaster Recovery Plan to employees.
  - ✓ Ensuring development, maintenance, regular review and testing of the DRP (at least annually).
  - ✓ Annually reviewing the IT systems used to support financial management.
  - ✓ Identifying any system based business improvements.
  - ✓ Maintaining and supporting system administration and development.
  - ✓ Managing system security.

### **11.5.1.4 Procedures**

- a) IT management review

The Chief Finance Officer or delegated person must: conduct an annual review (at least) of the financial management IT systems; test the formally documented DRP and Business Continuity Plan, and report the results of the review to the Audit & Finance Committee

The annual review includes:

- skills assessment of all IT staff dedicated to supporting the financial management
- IT systems;
- A report indicating whether obtaining external support is necessary; whether the current level of reliance on information technology is still considered to be appropriate;
- whether there are appropriate security and access controls over the financial management IT systems being employed;
- whether the impact of any planned changes to financial applications and IT infrastructure has been adequately assessed and understood, and
- Whether the use of spreadsheets, policy files and core financial processes could be more efficiently delivered using suitable software or other automated system.

#### **b) Data Back Up**

The Chief Finance Officer ensures:

- daily back-ups are made of the data held in the financial management IT systems;
- the backups are:
  - accessed by the authorised person ; checked to ensure data quality, on an on-going basis;
  - stored in off-site fire-proof safe, secure location and periodically checked to ensure that the backups are being performed adequately, and
  - Stored for the period required as per Home Afrika Records Policy, and backup storage media is periodically replaced.

#### **c) System Security**

The Chief Finance Officer is required to conduct a formal assessment of the security on the financial management IT systems and report on the findings of the assessment to the Finance Committee, annually

The assessment ensures that:

- security controls such as firewalls, security logs and encryption must be applied to any system connected externally to the internet;
- physical access to servers and other sensitive physical IT assets are restricted to authorised users;
- security policies are adequate;
- there is appropriate segregation of duties and access to the systems commensurate with the employees' roles and responsibilities, and
- Password controls are relevant and relate to appropriate user access permissions on both applications and operating systems.
- Error logs must be identified, reviewed and followed up regularly to monitor access
- To and transactions through the financial management IT systems.

#### **d) System changes and development**

All changes made to the financial management IT systems must occur in a controlled manner to ensure the integrity of the data.



When a new financial management IT system needs to be developed or purchased and implemented a formal business case must be written and endorsed by the Finance Committee, and regular reporting of the project status must be made to the Chief Finance Officer or delegated person.

## **PART 12**

### **12.0 YEAR END CLOSING PROCEDURES**

#### **12.1 Purpose**

The purpose of the year-end procedures is to ensure:

- a) A systematic approach is followed in effecting end of period and closing procedures for accuracy and completeness.
- b) Proper end-period cut-off transactions are effected and adjustments are made for all completed transactions to incorporate them in the financial statements.
- c) There is proper approval of end of year adjustments
- d) Appropriate documentary evidence is created to support all period end adjustments to enable verification of such amounts.
- e) To ensure there is proper recognition and accountability of the Company's results of operations, financial position and any changes in the financial position.

#### **12.2 Policy**

- a) The books of the Company shall be closed annually and/or any other period as the management may provide from time to time.
- b) The books shall be closed and balanced at end of every financial period
- c) The books shall be tentatively closed at the end of each month and or quarterly for the purpose of internal analysis and for management reporting requirements.
- d) The Accountant shall carry out cash counts at the close of business on the last month of the financial year and prepare a certificate of the cash balance as at that date
- e) The Accountant shall be responsible for reviewing data and reconciling the General Ledger on a monthly basis.
- f) Any discrepancies shall be discussed with Chief Finance Officer to allow for corrective action before end of the following period.

#### **12.3 Procedure**

The following guidelines shall be used to close up the accounts of the Company.

##### **12.3.1 Journal entries**

- a) A journal entry is intended for correction of posting errors, for audit and year-end adjustments and for those transactions that do not go through the cashbooks such as accruals and month-end provisions.
- b) The journal shall give full explanation of the nature of the transaction and is only input after approval by the Chief Finance Officer.
- c) Upon approval, the Chief Finance Officer shall post the journal entries immediately and the appropriate supporting documents shall be filed to show the necessary workings.

##### **12.3.2 Year-end procedures**

- a) The Chief Finance Officer shall ensure that the supporting schedules for all the balance sheet accounts are prepared and that the balances agree to the trial balance.
- b) The Chief Finance Officer shall attend and supervise counting of cash at the end of the period
- c) The Chief Finance Officer will then set up the new financial year by creating new data files for the year and transferring the closing balances for the year ended to be the opening balances for the current financial year.



- d) A hard copy from the system report and a backup copy in an appropriate storage media shall be kept for future reference.

#### **12.3.3 Accounts Receivable**

- a) Post all invoices, assessments debits and credits for the financial period.
- b) Accrual any income earned for which invoices have not yet being raised.
- c) Post all receipts from Accounts receivables.
- d) Reconcile subsidiary ledger to the General ledger, generate the A/R ageing report
- e) Review bad and doubtful debts balances and credits and take the appropriate steps.
- f) Follow procedures for write-off and/or collection steps.

#### **12.3.4 Accounts Payable**

- a) Post all suppliers invoices for the accounting period.
- b) Accrual all expenditures incurred but invoices not yet received
- c) Post all pending payment vouchers
- d) Reconcile the subsidiary ledger and suppliers' statement to the general ledger account balance for AP
- e) A review should be made of any other orders or contingent liabilities and report these liabilities in accordance with the international financial accounting standards.
- f) A review of the purchase order register should be done to determine the existence of any orders where the goods and services have not been received and consequently the obligation to pay has not been recognized by the Company.
- g) After the outstanding official orders have been verified and values determined; entries should be made to the General Ledger to ensure that the contingent liability is recognized.

#### **12.3.5 Payroll**

- a) On quarterly basis, PAYE returns are prepared by the Accountant and forwarded to Revenue authority, before 9<sup>th</sup> day of the succeeding quarter.
- b) Copies of P.A.Y.E returns shall be maintained by the Accountant who shall distribute tax deduction cards to all staff for purposes of income tax returns due by 30 June every year.
- c) Process final payroll for the fiscal year.
- d) Post accrued and other adjusting payroll entries as required.
- e) Prepare reconciliation between the subsidiary ledger and the payroll summary for the whole year including narration of any discrepancies.
- f) Update the payroll with staff leave days taken and make a provision for leave days outstanding.
- g) Process year-end Payroll Report.

#### **12.3.4 Fixed Asset Accounts**

- a) The Accountant prepares reports on all additions, dispositions and movement of fixed assets.
- b) The fixed assets register is updated accordingly and reconciled to the fixed assets subsidiary ledger
- c) Reviews the capital work in progress for any completed work, to determine whether to capitalize
- d) Contact physical verification exercise
- e) Review of the insurance cover for adequacy.

#### **12.3.5 Cash and cash equivalents**

- a) A cash count shall be carried out at the end of the year and cash certificate and statement reconciliation attached thereto.
- b) All imprest debtors outstanding shall be recovered by the end of the financial year
- c) Bank reconciliation ;
  - i. Update reconciled transactions using bank reconciliation and policy update from bank statement.
  - ii. Enter miscellaneous charges/receipts from the bank statement into the cashbook ledger.
  - iii. Reconcile posted balance to bank balance with un-reconciled item list (outstanding cheques and deposits in transit).
- d) The Chief Finance Officer obtains a bank confirmation

#### **12.3.6 General Ledger**

- a) Post all journal entries for the accounting period.
- b) Generate the trial balance
- c) Then set-up the new financial year by creating new data files for the year



## **PART 13**

### **13.0 FRAUD RISK MANAGEMENT**

#### **13.1 Purpose**

The purpose of the risk management policy is to provide guidance regarding the management of risk to support the achievement of corporate objectives, protect staff and business assets and ensure financial sustainability

#### **13.2 Scope**

This policy applies to all Home Afrika's activities. It forms part of HAL governance framework and is applies to all employees, contractors and volunteers.

#### **13.3 Risk Governance**

HAL risk governance structure is as below

<b>HAL Management</b>	Provides policy, oversight and review of risk management
<b>Audit and Risk Committee</b>	<ul style="list-style-type: none"> <li>Reviews adequacy and effectiveness of business risk Management</li> <li>Overseas regular review of risk management activities</li> <li>Continuously improving risk management policy, strategy and supporting framework</li> </ul>
<b>Group MD</b>	Drives culture of risk management and signs off on annual risk attestation
<b>Internal Auditor</b>	<ul style="list-style-type: none"> <li>Tests compliance at all relevant levels</li> <li>Quality assurance on risk management process</li> <li>Special investigations as requested Test Compliance</li> </ul>
<b>Managers</b>	Ensure staff in their business units comply with the risk management policy and foster a culture where risks can be identified and escalated
<b>Staff and Contractors</b>	<ul style="list-style-type: none"> <li>Comply with risk management policies and procedures</li> <li>Exercise reasonable care to prevent loss, to maximize opportunity and to ensure that the operations, reputation and assets are not adversely affected</li> </ul>

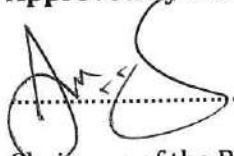
#### **13.3 Risk Management Process**

When undertaking a risk management process the following steps must be taken: establish the context, identify the risk, analyse the risk, evaluate the risk, treat the risk and monitor and review the risk. Refer to the risk management procedure for details on how to perform each step in the process.

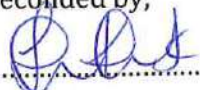
#### **13.4 Integration with other systems and processes**

Risk management is factored into business planning, performance management, audit and assurance, business continuity management and project management.

Approved by the Board of Directors on the 31<sup>ST</sup> Day of AUGUST 2024

  
Chairman of the Board

31<sup>ST</sup> AUGUST 2024  
Date

Seconded by;  


31<sup>ST</sup> AUGUST 2024

Director

Date