

U3 AGRINET



... Leave no vulnerable behind

FINANCIAL PROCEDURE MANUAL

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Prepared by management

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PART 1: INTRODUCTION TO U3 AGRINET, ITS FINANCIAL GOALS AND SPECIFIC OBJECTIVES

1.1 Introduction

Being aware of the need to create transparency and promote accountability in U3 AGRINET as well as the belief that the existence of the Organization depends on sound financial management procedures, U3 AGRINET deemed it necessary to draw up these financial procedures to guide the finances of the organization. These procedures are meant to be relevant at all times especially as the organization grows and increases its operations. Therefore, the document would be revised from time to time to meet organizational growth and changes in the strategic direction.

The diversity and complexity of the operations of the U3 AGRINET has compelled management to design and implement unique accounting procedures, which are simple, effective, efficient, and mindful of the demands of Government regulatory agencies for transparency.

1.2. Financial Management goals of U3 AGRINET

The main goals set by management of U3 AGRINET are to ensure that resources of U3 AGRINET are:

- Effectively allocated,
- Efficiently used
- Properly accounted for
- Comprehensively Reported
- Adequately Controlled

1.3 Financial Management objectives of U3 AGRINET

The financial management objectives of U3 AGRINET include the following:

1. To produce timely financial statements and reports on consistent basis to management for decision-making.
2. To develop and operate a sound financial management system and controls to ensure that the entire U3 AGRINET financial system is accurate, adequate, complete and free from material error and fraud.
3. To design and maintain sound financial policies, procedures and rules consistent with national and international financial practices and standard.
4. To ensure compliance of the financial system with all relevant acts, laws, and regulatory requirements.

1.4 objective of The Manual

This manual is designed to assist, primarily, for implementing of capital projects and secondly for U3 AGRINET office in monitoring the organization of the accounting records, operations management, establishment and maintenance of an effective expenditure control of approved projects, contracts management, and preparation of budget, etc

1.5 Major Definitions

For the purpose of U3 AGRINET office, the following definitions shall apply, where relevant to the context:

1.5.1 "Office" refers to U3 AGRINET

1.5.2 “Memorandum of Understanding” shall mean a written document, representing an “offer” and “acceptance”. It is a “contractual document” but without separate general conditions; it is used for engaging services of consultants and other suppliers of services

1.5.3 “Terms of Reference” (TOR) shall mean a document specifying the scope of work and specific tasks or assignments to be carried out under a contract of service. It is a document of significant importance and thus should be as clear and as precise as the type of assignment will allow. It eventually becomes the “heart” of the contract. Terms of reference must be clear and precise so that the organization can limit the chances of disputes.

1.5.4 “Specifications” shall mean documents drawn up for work contracts and must always be prepared for attachment to an Invitation to Bid (ITB). Specifications are often extremely detailed and include designs and bills of quantities. It is desirable to engage Consultants to assist in the preparation of complex specifications.

1.5.5 “Procurement Plan” this document shall contain a detailed list of anticipated purchases including the following:

- a detailed list of each item or equipment to be purchased;
- estimated date of issuance of Local Procurement Order (LPO)
- Estimated cost of each item or equipment and the estimated total cost of such item;

1.5.6 “Request For Proposal” (RFP) shall mean a document used when the input and/or output cannot be quantitatively expressed at the time when the invitation is made. e.g. Consultancy or similar services. It sets up the “legal” conditions vis-à-vis prospective supplier and includes the specific conditions for the evaluation of the Request for Proposal (RFP). RFP is used for purchase of equipment when specifications cannot be precise. RFP is also used when the entity is requested to propose the manner in which it will carry out the project activities so as to obtain the required project output.

1.5.7 “Invitation to Bid” (ITB) shall mean a document normally used whenever an entity is to provide its cost requirement to meet precise specifications sought by implementing a project as regards the case of goods purchased and work contracts. It is generally the method for ensuring economy and efficiency through a pre-specific –value-for money competition among eligible contractors

PART 2-CORPORATE GOVERNANCE

2.1 ORGANIZATIONAL STRUCTURE: The structure of U3 AGRINET consist of;

2.1.1 BOARD OF DIRECTORS

Board Chairman
Secretary
Members

2.1.2 MANAGEMENT

The Coordinator
Accounts officer
Cashier
Administrative Officer

2.1.3 Functions of the BOD

The BOD shall deliberate on matters pertaining to the running of the organization's affairs including procurement and financial management. More specifically the BOD will:

- ✓ Review financial and technical reports
- ✓ Review the proposals
- ✓ Recommendations to Annual General meeting
- ✓ Perform any other task that may be specified by the General Assembly

The Committee members shall be individuals not exceeding five in number and elected by the general Assembly for two- year tenure of office. The Committee shall comprise chairperson and four other non-executive directors with technical expertise in accounting, Agribusiness, Monitoring and evaluation and law.

2.1.4 Role of the BOD on procurement

- ✓ Adjudicate the application referred to it by the AO having regard to budget provision and to the evaluation and recommendations thereon;
- ✓ Consider any matters on procurement and finance referred to it, keeping in mind the need to seek the best value for money;
- ✓ Make recommendations on matters to be attended to by the AO;and
- ✓ Recommend action to be taken on people who infringe these procedures.

The confirmed and signed minutes of the BOD shall constitute evidence of the decisions and recommendations made there.

2.1.5 Authorizing Official or Chairman {referred to in the manual as AO}

The AO shall exercise the powers or perform duties in respect of which the expression is used and as allowed in this manual, and shall more specifically perform the following duties:

- ✓ Sign LPOs to authorize purchase and ensure procurement of goods, and services is done in accordance with the procedures specified in this manual;
- ✓ Ensure that all procurement transactions are efficiently done to fit the needs of the Organization;
- ✓ Approve and sign all LPOs and contracts for purchases authorized in these procedures and as allowed in the approved budget;
- ✓ Ensure that at all times, the LPOs are retained in safe custody and in the event of any loss a report thereof shall be made to the BOD which shall take steps to nullify the missing LPO.
- ✓ Subject to the financial limits provided under these procedures, he/she may place orders upon requisition from the store for items necessary for maintenance of stock at authorized levels and contracts placed for common user items;
- ✓ Ensure that from each year's Work Plan and Budget, a list of common user items are prepared for procurement following appropriate methods and contracts are awarded in a timely manner; and
- ✓ The AO shall provide minutes of every BOD meeting to the External Auditor; and to
- ✓ Authorized persons or agents for official purposes only, as reasonably required.

2.2 EXTERNAL AUDIT

The Accountant must within one month of end of each financial year complete books of accounts in readiness for external audit. The organization's accounts will be audited and a report issued by the external auditor. The External Auditor must submit to U3 AGRINET an audit report within 3 months. The External Auditor must be provided in a timely manner with all required information and documents by the Accountant to ensure completion of the audit report in time. The Account of U3 AGRINET shall be audited annually. However, when it becomes necessary U3 AGRINET shall organize interim audit of its accounts.

PART3: FINANCIAL PROCEDURES

3.1 Definitions

For the purpose of the financial procedures and regulations, the following definitions in respect of specific terms used shall apply.

3.1.1 "U3 AGRINET" shall mean U3 AGRINET

3.1.2 "Budgetary Provision" shall mean the funds available in the project budget in which the activities are expected to be executed.

3.1.3 "Disbursement" shall mean the actual amount paid;

3.1.4 "Expenditure" shall mean total charges incurred whether paid or unpaid, i.e. the sum of disbursements and unliquidated obligations for the current year.

3.1.5 "Obligations" shall mean an engagement involving a liability chargeable against the resources of the current year and future years in respect of project activities and the budget.

3.1.6 "Operational Costs" shall mean the costs incurred by the organization for the provision of management, technical, administrative, financial and logistical support.

3.1.7 "unliquidated Obligations" or "Unpaid Items" refer to invoices, service contracts received or to be received for commitments made, i.e. service or goods received during the fiscal year that have not been paid.

3.1.8 "Budget" shall mean an official document indicating the resources assigned to implementing the project as well as the purpose and the period of use of the said resources

3.1.9 "Impress Bank Accounts" shall mean the accounts intended to pay for operating cost in implementing the project. The impress Bank Account is created with an initial deposit that corresponds to the requirement of the project. It is then replenished up to the amount spent as at the period.

3.2 Accounting system

The Accounting System of U3 AGRINET is guided by all known Concepts and Policies in Standard Accounting Practices. The System comprises:

3.2.1. Financial Records

A. Books of Entry and source Documents

Source Documents – receipts, cheques, invoices, etc

Books of Original Entry- Cashbook, Payroll, & General Journal

Books of Final Entry – Ledgers and Accounts

B. Chart of Accounts

The U3 AGRINET chart of account is classified into Parent levels 1,2, 3, and Child.

Parent Level 1

1. Assets
2. Liabilities
3. Income
4. Expenditure

PARENT LEVEL 1	PARENT LEVEL 2	PARENT LEVEL 3
ASSETS	CURRENT ASSETS	INVESTMENTS PREPAYMENTS BANK & CASH ACCOUNTS RECEIVABLES
	FIXED ASSETS	OFFICE BUILDINGS OFFICE EQUIPMENT COMPUTER & ACCESSORIES FURNITURE & FITTINGS OFFICE VEHICLES PLANT & MACHINERY
LIABILITIES	CURRENT LIABILITIES	ACCRUALS ACCOUNTS PAYABLES SUNDRY CREDITORS OVERDRAFT & SHORT TERM LOANS
	NON-CURRENT LIABILITIES	LOAN DEBENTURES

INCOME	TRANSFER INCOME	DONOR TRANSFERRED INCOME
	SALES INCOME	CROP INCOME TRAINING, MECHANISATION ETC
	INVESTMENT INCOME	INT. FROM TREASURY BILLS OTHER INVESTMENT INCOME
EXPENDITURE	PROGRAM COST	PROJECT IMPLEMENTATION M&E COST
	PRODUCTION COSTS	LAND PREPARATION SEED INPUT COST FERTILIZER INPUT WEED CONTROL COST LABOUR INPUT OTHER DIRECT COST
	GENERAL & ADM. EXP	EMOLUMENTS CONSULTANCY CHARGES PRINTING & STATIONERY MAINTENANCE VEHICLE RUNNING UTILITY COST ETC

3.2.2 Financial & Accounting Concepts & Policies

A. Accounting Concepts & Policies

Going Concern concept, Historical cost concepts, Materiality & aggregation concept

Prudent concept, Realization concept, Accrual concept, Consistency

B. Internal Controls

The following internal control must be maintained to ensure effectiveness of operations.

- ✓ Segregation of duties.
- ✓ Authorization limits
- ✓ Competent and trustworthy staff
- ✓ Clearly established lines of authority.
- ✓ Effective Direction & Supervision
- ✓ Policies and Procedures are well documented and communicated.
- ✓ Access to U3 AGRINET cash, assets and financial records are well controlled.
- ✓ Provision of timely and accurate financial information to make budgetary and resource allocation decisions.

3.2.3 Accounting Procedures

A. The Operation of Bank accounts & Bank Reconciliation

U3 AGRINET will maintain a bank account in any location as deemed necessary to facilitate its operation. Every project would have separate bank accounts. The bank balances must be reconciled with the cashbook balances on monthly basis and review by the Coordinator.

B. CHEQUE PAYMENTS

ESTABLISHED CONTROL FRAME WORK

U3 AGRINET shall follow the following procedures for cheque payment in the organization.

- 1) Document procedures for cheque payment
- 2) (i) Maintenance of cheque booklet register
(ii) Maintenance of Cheque leaflet register
- 3) Request for cheque payments
- 4) Payment vouchers should be raised for cheque payment
- 5) Limit for cheque payment by management

- 6) Authorization/Approval for cheque payment
- 7) All cheque payments should be recorded in the appropriate books
- 8) Limit for cash cheque
- 9) Cheque signatories should be limited to the management/senior officials
- 10) Cheque payment should bear the beneficiary's name
- 11) Supporting documents should be attached to the cheque payment voucher
- 12) Signing of blank cheques should be avoided
- 13) Cheque books should be kept under lock and key
- 14) Cheque leaflets should bear the Organization's name
- 15) Monthly bank reconciliation statement should be prepared
- 16) Cash cheques should not exceed GHC5,000
- 17) File payment vouchers chronologically.

C. CHEQUE RECEIPTS

ESTABLISHED CONTROL FRAME WORK

- 1) Document procedures for Cheque receipts.
- 2) Receipts should be issued in acknowledgement of Cheque Receipt.
- 3) Cheque should bear the name of the organization.
- 4) Cheque receipt should be kept under lock and key.
- 5) Cheque receipt should be recorded in the appropriate books.
- 6) Cheque receipts should be banked daily.

Cheque pay – in – slip should be properly filed

D. CASH RECEIPTS

ESTABLISHED CONTROL FRAME WORK

The following procedures should be used for cash collection in the organization

- 1) Document procedures for cash receipts
- 2) Receipt should be serially numbered
- 3) Receipt should bear the name of the organization
- 4) Cash should be received by the cashier
- 5) Issue receipts for all cash receipts
- 6) Cash should be banked daily and intact
- 7) Record all cash receipts
- 8) Daily cash receipts summary book should be verified by the accountant
- 9) Receipt books should be kept under lock and key
- 10) Cash count should be performed daily
- 11) Pay – in – slips should be properly filed
- 12) Cash received should not be used for daily transactions
- 13) Cash receipts register should be maintained
- 14) Keep all cash received under lock and key.

E. CASH PAYMENT

ESTABLISHED CONTROL FRAME WORK

- 1) Document procedures for cash payment
- 2) Limit should be set for cash payment
- 3) Request for cash payment
- 4) Raise payment voucher for cash payment
- 5) Authorization for cash payment
- 6) Cash payment should be recorded
- 7) Payment should be made by the cashier
- 8) All relevant supporting documents should be attached to payment voucher (PV)
- 9) Cash payment should be categorized
- 10) Excess cash should be banked immediately and intact
- 11) Cash count should be conducted weekly

F. DEBTORS

ESTABLISHED CONTROL FRAME WORK

- 1) Document procedures for credit sales
- 2) Request for credit sales or services
- 3) Authorization for credit sales
- 4) Credit sales should be recorded
- 5) Terms and conditions associated with the debt
- 6) Limit of sales
- 7) Categorization of debtors
- 8) Ageing analysis of debtors
- 9) Maintenance of debtors ledger/control account
- 10) Issue receipts for all monies received from debtors
- 11) Guarantee for credit sales
- 12) Confirmation of debtors figure

G. CREDITORS

ESTABLISHED CONTROL FRAME WORK

- 1) Document procedures for obtaining credit facilities
- 2) Terms & Conditions of credit facilities
- 3) Timing of credit facilities
- 4) Request for credit facility
- 5) Authorization for credit facilities
- 6) Categorization for credit facilities
- 7) Evidence of credit facilities/source documents
- 8) Limit for credit facilities
- 9) Confirmation of credit facilities
- 10) Maintenance of creditors ledger
- 11) Ageing analysis of creditors

H. PAYDROLL

ESTABLISHED CONTROL FRAME WORK

- 1) Document procedures for payroll
- 2) Salaries & Wages should be budgeted for
- 3) Maintenance of payroll
- 4) Request for payment
- 5) Payroll should be authorized
- 6) Salaries and wages should be recorded in the appropriate books of accounts
- 7) Segregation of Duties: Payroll should be prepared by Accounts Officer, verified by the accountant and paid by the cashier after authorization
- 8) Statutory deduction should be computed for & pay same to the appropriate authority on time
- 9) Personnel files should be maintained
- 10) Attendance register not maintained
- 11) Pay – in – slip should be attached to payroll and properly filed
- 12) Cash should be withdrawn in various denominations

I. INVESTMENT

ESTABLISHED CONTROL FRAME WORK

- 1) Document procedure for investment
- 2) Maintenance of investment register
- 3) Planned/Budgeted for investment
- 4) Request for investment
- 5) Investment should be recorded in the appropriate books
- 6) The category it falls
- 7) Minute of the Board meeting
- 8) Authorization for investment by management
- 9) Investment certificate should be in the name of the organization
- 10) Process for payment of investment
- 11) Investment certificate should be kept under lock and key

J. SALES/INCOME

ESTABLISHED CONTROL FRAME WORK

- 1) Document procedure for sales/income
- 2) Raise invoice/Receipts/Waybill/Transfer Letters/E-mail/Bank Advice
- 3) Income/sales should be recorded in the appropriate books
- 4) Receipts from sales should be banked daily
- 5) Credit sales should be authorized
- 6) Income/sales should be categorized
- 7) Sales/income ledger should be maintained
- 8) Daily sales summary book should be maintained
- 9) Recognition of income under appropriate period
- 10) Receipt books should be kept under lock and key
- 11) Sales representatives should account to the cashier on daily sales

K. PROCUREMENT

ESTABLISHED CONTROL FRAME WORK

- 1) Document procedures for procurement
- 2) Items should be budgeted for
- 3) Request should be submitted to procurement committee
- 4) Procurement committee determine under which procurement category it falls
- 5) Request for suppliers quotation
- 6) Confirmed order is made for the supply of the goods/services
- 7) On delivery, goods should be received into stores
- 8) Processes are made for payment
- 9) Procurement should be recorded in the appropriate books

L. STOCKS

ESTABLISHED CONTROL FRAME WORK

- 1) Document procedures for stock keeping Maintenance of tally cards
- 2) Maintenance of stock ledger
- 3) Warehouse/stores room should be restricted to only authorized personnel
- 4) The various stock levels should be maintained
- 5) Store receipt voucher should be maintained
- 6) Damaged stocks should be accounted for
- 7) Request should be made for stock items
- 8) Authorization for stock items
- 9) Stock keeper should not purchase stock items
- 10) Warehouse should be insured
- 11) Holding cost should be manageable
- 12) Stock takings should be done periodically

M. CASH IMPREST/PETTY CASH

Impress system should be maintained at GH¢2000. This is subject to revision. The following are procedures for cash payment.

- 1) Make request for petty cash expenses.
- 2) Payment voucher should be raised, authorized and approved by the appropriate authority.
- 3) The cashier/Accounts officer should make payment.
- 4) Relevant supporting documents should be obtained and attached to payment vouchers.
- 5) The limit for petty cash transaction should be GH¢200.00 and above this, Cheque should be used.

N. Procedure for Non-Current Assets

- 1) The authority to acquire assets in U3 AGRINET shall rest with Board of Directors.
- 2) The organization shall maintain a record of all its assets, this would take two forms. This will include the assets register and the non-capital Assets list.
- 3) The threshold of capitalized assets shall be GH¢10,000. This would be revised by the management and endorsed by the Board of Directors.

- 4) The list shall be updated upon disposal of old and acquisition of new assets.
- 5) The Non-current Assets register shall contain assets record of all capitalized assets.
- 6) Emboss all Non-current assets to bear the name of the organization.
- 7) Depreciation shall be provided on all assets annually.
- 8) The rates are as follows:
Motor vehicles 20%, Equipment & computers 25%, Furniture & fittings 15%

3.2.4 Financial Reporting

Monthly, quarterly management reports

Annual Financial Reports

Annual Plans & Budgets

Variance Analysis Reports

APPENDIX 1

U3 AGRINET

PAYMENT VOUCHER

Date	Particulars of payments	Amount

Total amount in words.....

Cheque No.	
Date	

<p>Reviewed by :.....</p> <p>Accounts Officer</p> <p>.....</p> <p>Full Name</p>	<p>Approved By:</p> <p>.....</p> <p>Full Name</p>
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APPENDIX 2

U3 AGRINET

JOB COST ESTIMATES FORM

TYPE OF JOB.....

JOB REQUESTED BY.....

NAME AND ADDRESS OF CONTRACTOR.....

DETAILS OF JOB REQUIREMENT

MATERIALS

DESCRIPTION

COST ESTIMATES

Materials sub-total

Labour

Labour sub-total

Grand total

PAYMENT TERMS

Advance for the purchase of materials.....

Payment due on completion

Signed Signed.....

Contractor CEO

Date Date

APPENDIX 3

U3 AGRINET

LOCAL PURCHASE ORDER FORM

Date.....

Order placed by.....

Purpose of goods.....

Description	Unit cost	Quantity	Cost

Total

Reviewed by.....

Date.....

(Accounts Officer)

Approved by.....

Date.....

(CEO)

APPENDIX 4

U3 AGRINET

CERTIFICATE OF HONOUR

I.....

Do certify that I incurred the under listed expenditure on official duties on which receipts could not be obtained.

List of expenditure incurred:

APPENDIX 5

U3 AGRINET

TALLY CARD

Article..... Stock No.....

Minimum Stock level..... Units.....

Maximum Stock Level.....

Date	From whom received or To whom issued	Invoice or reqn. No .	Receipts	Issues	Bal	initials

APPENDIX 6

(U3 AGRINET)

CHEQUE REGISTER

DATE	CHEQ NUMBER	PAYEES NAME	AMOUNT	RECEIVERS NAME	RECEIVE RS SIGN	DATE CHEQ RELEASED

APPENDIX 7

(U3 AGRINET)

ASSETS REGISTER (7A)

YEAR OF PURCHASE	TYPE OF ASSET	COST	DEPRECIATION DETAILS				
			YER	RATE	CURR DEPN	ACC. DEPN	NBV

Records for Non-Capitalized Assets (7b)

Asset No	Description	Location/User	Condition