



For Youth Business Innovation Network
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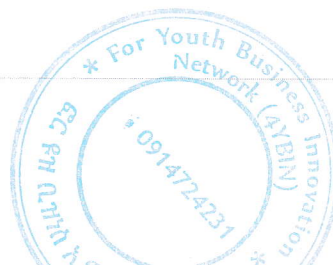


4YBIN

Financial Manual

Jan 1, 2023

MEKELLE, ETHIOPIA





PROFILE OF 4YBIN IN TIGRAY - ETHIOPIA

Stimulating and facilitating Entrepreneurship in Tigray – Ethiopia Development, Progress, Sustainability, Inclusivity

4YBIN in Tigray –Ethiopia

4YBIN is registered and licensed by the Tigray Region bureau of Justice, as local Charities in accordance with the proclamation N 113/2011 (accreditation issued on 29th December 2022, Certificate N. 05/2015). 4YBIN works in Tigray Region –Ethiopia from December 2022 and opened coordination office in different zones from the main city Mekelle , to Major to Major towns in the Region like Adwa, wukro, Adigrat , Axum and shire in the Tigray Region in order to implement different interventions . 4YBIN foundation is also set up in the Netherlands to provide technical and financial support to our local NGO and focused on recovery /Rehabilitation and development interventions.

Mission

The mission of 4YBIN is promoting entrepreneurship and enterprising culture to help youth, especially vulnerable youth, change their life and thereby accelerate and integrate sustainable development in economically poor communities.

Vision

Vision of 4YBIN is becoming the leading Ethiopian civil society organization in providing excellent entrepreneurship and business incubation support to youth within 10 years.

Goals

The goal of 4YBIN is to provide youth with comprehensive support packages to start their businesses including business idea generation, business plan development, entrepreneurship and technical training, technology selection, financing startups, and creating market linkages.

Facts about Tigray

Now the peace is re-established in Tigray the time has come to rebuild the area. A group of (former) PUM experts who have done projects in Tigray before including the former PUM Regional Coordinator for Ethiopia have taken the initiative to stimulate and facilitate Entrepreneurship in Tigray. We believe that talented young people can be a driving force to build the economy. That's what we see in all countries in the world; also, in Africa, this can be the case. Where in the Western world the ecosystem is in place to stimulate and facilitate the development of entrepreneurship, this is still lacking in Africa.

We are building a community in our part of the world of people who are prepared voluntarily to support the establishment of new companies, both via training and knowledge transfer, but also by investing in these new companies.

4YBIN For Youth Business Innovation Network 4YBIN is the local NGO that is the entity to manage the program. Local stakeholders participate in the management of this NGO, including, respected owners of local SMEs, other stakeholders within the ecosystem, and our 1 team local in major zonal towns in Tigray, who will manage the day-to-day activities of 4YBIN.

The program aims to create new companies that contribute to local employment for youth and

women. The result will also stimulate the economy. The format will be business oriented, which means that no grants will be provided, but that a return-on-investment model will be created for the investors. This ROI can be in multiple formats including in kind ROI.

The main objectives and roles of 4YBIN are:

- Promotion 4YBIN concept and identifying potential start-ups
- Agreement with selected start-ups
- Participate in local programs from other NGO's
- Facilitate agreement between investors and start-ups
- Participate in Start-up Management

4YBIN in Ethiopia and in the Netherlands the 4YBIN Foundation is founded with the purpose to facilitate the contribution by the NL community via:

- Expert contribution
 - ✓ Stimulating entrepreneurship
 - ✓ Selection of business ideas and entrepreneurs
 - ✓ Validating Business Plans
 - ✓ Business Incubation
 - ✓ Specific domain expertise
- Financial contribution by attracting potential investors; those investors can be private persons, NGO's and companies where such investment fits with their CSR (Corporate Social Responsibility) strategy or Business Link strategy

Examples of business ideas

- Farming and animal feed; improving milk production, milk processing and animal feed production with new technologies; same with other livestock products like poultry, goats, and beekeeping.
- Horticulture and Agriculture; implement good practices, farm management and crop cultivation.
- Production of healthy food items; implementing new technologies and recipes in the local environment.
- Renewable energy / solar energy
- (Drip) Irrigation systems
- Training programs on new technologies and support the commercialization
- Private Health sector initiative

4YBIN works also particularly in in humanitarian and development interventions, with International cooperation projects, through a holistic approach:

- To educate, teach, and sustain women and youths at risk socially;
- To assist and rehabilitate minors;
- To guarantee vocational training, work access, and social rehabilitation;
- To promote the rights of children and older youth;
- To promote the development of local communities, sustaining local educative realities, training fortrainers, and the development of youth enterprises;
- To train people to work for the promotion of human development, offering the same opportunities to everyone and respecting each culture;
- To improve information access and training through new technologies.
- To support the International volunteer service carried out with educative skill, directed to the human being in order to promote lasting human development;

Voluntary Service

For the national volunteer service, our motto is: “There is no project without volunteers; there are no volunteers without a project”.

The concept of the national Volunteer we believe in requires adequate professionalism, human maturity and balance, relational and inter-cultural skills, adaptability to real local conditions, competencies, experience and engagement in order to share the daily life and the common work with our local partners and our beneficiaries. 4YBIN engagement has been going on since 1years, thanks to 8 volunteers who have collaborated in the past and those who collaborate with us today.

Organizational Structure

A Board of Directors at the Head Quarter in Mekelle –Tigray governs 4YBIN. It has representatives in major towns in Tigray where 4YBIN operates. The General Manager (GM) represents the Organization in Tigray Ethiopia. The GM is directly responsible for all the work in intervention areas. Besides creating the link between the office in Mekelle –Tigray , he/she coordinates the various projects from the office in project areas. In implementing his role the HM is supported by a Deputy Manager. The board appoints the GM and the DGM through submitting letters of Power of Attorney to the designated persons and to the concerned governmental bodies.



1. INTRODUCTION

1.1 BACKGROUND

As the size of the operation of 4ybin will increase over time, it is found to be essential to develop a Financial/Accounting Manual to improve the existing practices.

The manual was developed by the application of Generally Accepted Accounting Standards and by incorporating relevant government laws and policies of 4YBIN. The second chapter introduces the main policies. The rest of the text details all the procedures concerning the main components: Cash and Cash equivalents, Receivables/Prepayments, Inventories, Fixed Assets, Liabilities, Incomings and Expenditures, and Fund Balance.

This manual must be considered flexible enough to accommodate changes without radical alteration of the basic system proposed. The basic formats needed for the implementations are annexed with this manual. But formats are not exhaustively prepared and therefore alteration and modification may be necessary in the future as a result of practice and review.

This manual was reviewed according to the “Report of Actual Findings on Financial Accounting Draft Manual prepared by 4YBIN” performed by the Chartered Certified Accountants. On January 27, 2023, stating the compliance of the manual to the Ethiopian Labour Law.

1.2 OBJECTIVES

The primary objective of this manual is to ensure the efficient and economical utilization of the 4YBIN Coordination Office’s resources to achieve organizational objectives and missions and fulfill the requirements of our partners.

The following are the specific objectives:

- 1.3** Establish a system whereby the incomings and expenditures of 4YBIN Tigray are properly recorded and accounted for.
- 1.4** Establish a system in which standard reports are produced in time and in the desired qualities. Finally, this manual must be considered as a guide in the process of financial management, recording, analyzing and summarizing, accounting transactions in such a way that it enables the generation of financial information for both internal and external users.

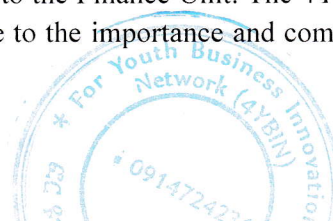
1.5 AUTHORITY AND RESPONSIBILITIES

As legal representative of the NGO in Tigray - Tigray the 4YBIN’s General Manager (GM) is the sole responsible for following the proper implementation of this manual. Based on his authority GM can delegate various staff to perform financial accounting activities. The GM is accompanied in his/her duty by the (Country Administrator). The GM in managing financial/accounting matters. The GM will not make modifications, seek solutions to economic problems, or take another initiative of any considerable importance without the authorization of the 4YBIN’s Main Office in Mekelle-Tigray. The GM and the DGM will be solicitous in satisfying the financial information required at any time.

1.1 FINANCE UNIT

The guidelines written in this manual are daily implemented by a Finance Unit. Every financial transaction must be referred back for accounting purposes to the Finance Unit. The 4YBIN Tigray’s Finance Unit must be organized in a manner proportionate to the importance and complexity of the work involved. The Financial Unit should be formed by:

- The Country Administrator
- The Administrator



- The Accountants, Cashiers, logisticians, and other persons are financially involved.

The GM and/or DGM will be informed of everything that relates to the financial statement of the Country Coordination Office by countersigning every financial accounting document.

1.4.1 FUNCTION OF THE FINANCE UNIT

The major functions of the Finance Unit include:

- Develop and establish sound accounting policies and procedures;
- Provide functional support to all other units in financial matters and ensure that proper procedures are being followed;
- Collect and disburse money due and by the 4YBIN Coordination Office as per the policies and procedures of this manual;
- Maintain records of all accounting transactions under the Generally Accepted Accounting Principles (GAAP), IPSAS (International Public Sector Accounting Standard) and the Tigray law;
- Establish a system of financial reporting to project managers, donors, relevant Governmental Institutions, and other stakeholders;
- Prepare period financial reports and analysis which will assist 4YBIN to monitor its performance and control costs;
- Establish a system of budgetary control of expenditures.

1.2 AMENDMENTS

This manual is subject to amendment or replacement when it is found to be incompatible as time goes on, with the decision of 4YBIN Main Office in Mekelle-Tigray without any limitations except mandatory rules.

The directives or memos issued as such shall have equal status as this Financial/Accounting Manual.

1.3 EFFECTIVE DATE

This Financial/Accounting Manual is effective from the day of **01 January 2023** onwards.



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2. FINANCIAL AND ACCOUNTING POLICIES

2.1 ACCOUNTING BASIS

2.1.1 The accounting basis adopted by 4YBIN Coordination Office is *Cash Basis Accounting*. It means that income and expenditures related to donation and grants are recorded on cash basis: cash is received and expenses are recognized in the period in which cash is paid.

2.1.2 Donations in kind are recorded as revenue and expenses in the year of donation based on their equivalent financial value.

2.1.3 Advance payments shall be recorded as expense when only settled; otherwise, they will be recorded as advance or prepayments.

2.2 ACCOUNTING SYSTEM

2.2.1 4YBIN Coordination Office is a branch of the 4YBIN Main Office in Mekelle. The accounting system of 4YBIN Tigray must take into account 4YBIN Coordination office's policies and procedures. The balance sheets of 4YBIN Coordination Office are part of the 4YBIN Coordination office's balance sheets.

2.2.2 Books of Accounts of 4YBIN Coordination Office shall be recorded and maintained using a Computerized Accounting System.

2.2.3 Only authorized personnel shall have access to the software and its components.

2.3 ACCOUNTING DOCUMENTS

2.3.1 Accounting Documents are documents used for evidencing the movement of cash and other assets. Each transaction will be acknowledged by 4YBIN Tigray official accountable document (CPV - Check Payment Voucher, PCPV - Petty Cash Payment Voucher, JV - Journal Voucher, GMV - Cash Receipt Voucher, GRN - Good Receiving Note, GRIV-Goods receiving & issuing voucher, SIV- Store Issue Voucher, etc.).

2.3.2 Accounting documents shall be printed with serially sequenced number with the required number of distributions as indicated in this guideline.

2.3.3 All relevant supporting documents such as Receipts, Cash Sales Invoices, Purchase/Fund Requests, Performa, Bid Analysis, photocopy of the contract, etc., should be attached there-with as essential documentary evidence of the transactions concerned.

2.3.4 The books of account and the corresponding voucher and other documents will be kept for 10 years or longer if specifically required by the donor.

2.4 ACCOUNTING PERIOD

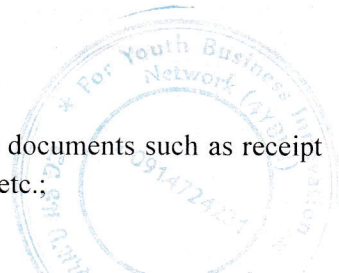
2.4.1 The Accounting period of 4YBIN Coordination Office runs from January 1 to December 31 of every year. For specific project financial year could be as per contract agreement.

2.5 ACCOUNTING CYCLE AND FINANCIAL STATEMENTS

2.5.1 The Accounting Cycle is the procedural sequence of accounting activities which starts with the recording of transactions and ends with the preparation of financial statements (administrative report of the year).

This is the sequence of activities involved in the cycle

- Journalizing opening trial balance Journal Voucher;
- Coding, analysis and summarization or records of source documents such as receipt vouchers, invoices, checks, payment vouchers, bank slips, etc.;



- Posting of sorted and summarized journal entries into ledger accounts;
- Closing trial balance taking to test the balancing of the ledgers;
- Income and expense summary statement;
- Balance Sheet.

2.5.2 The last two activities constitute the financial statements.

2.6 BANK ACCOUNTS

2.6.1 Except cash required for petty cash payments according to the threshold in this Manuel, cash has to be kept in bank in the name of the 4YBIN Tigray.

2.6.2 Bank account will be opened when required by the Main Office in Mekelle-Tigray and approved in written by Charity and Societies Agency.

2.6.3 When a bank account is believed to be inactive permanently, it will be closed when the Main Office approves with the request of the General Manager.

2.6.4 Each bank movement will be operated with two joint signatures from a minimum of three signatories.

2.7 PETTY CASH FUND

2.7.1 Petty Cash fund shall be established on *imprest system* whereby a float of a fixed amount is advanced to the Cashier, which will always be represented by cash or vouchers. The fund will be used for effecting single payments below 5000 ETB (100 Euro).

2.7.2 Petty cash float is 25000 ETB (500 Euro) for Project areas and ETB 15,000 for Addis Abeba Coordination Office

2.7.3 Extra petty cash funds or project activities advance funds may be established when required for the life of the event or project. The extra petty cash should be officially authorized in written by the GM or DGM in the absence of the GM.

2.8 DISBURSEMENTS

2.8.1 Disbursements are payments for receipt of goods, services and works. Disbursements are made out of petty cash funds and bank accounts. Disbursements are split into the following sections:

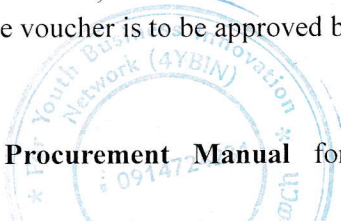
- Bank Disbursements:
 - Check Payments
 - Bank Transfers
- Cash Disbursements:
 - Petty Cash Payments
 - Staff Advance Payments

2.8.2 For all payments, the project agreement's name, the donor's name, budget code, and the budget line description has to be filled in on a Fund/Purchase Request format. Without filling such information, it will be difficult for the Administrator to journalize the transaction in line with the budget details.

2.8.3 Disbursements made in cash, check and bank transfer shall be evidenced by numbered payment vouchers, where the voucher is to be approved by designated officials.

2.8.3 PROCUREMENT

2.8.3.1 Refer to **4YBIN Procurement Manual** for policies and procedures concerning



procurement of Goods, Works and Services.

2.9 ADVANCES/PREPAYMENTS

2.9.1 Prepayments are money advanced for ordinary and extraordinary expenses.

2.9.2 No advances may be issued unless and until all existing advances are settled.

2.9.3 All travel advances should be accounted for within 5 days after arrival of the traveler.

2.10 TAXES AND OTHER LIABILITIES

2.10.1 Government taxes to be collected by 4YBIN Coordination Office on behalf of the government (including tax on employment and withholding taxes) and other similar obligation should be performed according to the law and paid in time to the relevant government body.

2.10.2 Refer to **4YBIN HR Administration Manual** for policies concerning liabilities to staff.

2.11 CASH COLLECTION AND INCOMING TRANSFER

2.11.1 All incoming cash, checks, bank transfers shall be acknowledged by 4YBIN official receipt.

2.11.2 Cashiers must record all daily cash receipts in a cash book register.

2.11.3 The cash book register should all the time be kept updated and in balance with the physical cashcount.

2.12 FINANCING SOURCE

2.12.1 The sources of finances are donation from donor organizations transferred through the Main Office in Mekelle-Tigray.

2.13 BUDGET

2.13.1 The source funds for the budget are identified in paragraph number 2.12.1 above.

2.13.2 4YBIN Coordination Office will have one consolidated annual budget.

2.13.3 Each project agreement with partners will be treated as a budget for the project period and will be taken into account during the annual budget preparation.

2.14 FINANCIAL REPORTS

2.14.1 The principal financial reports include:

- The income and expenditure statement;
- The balance sheet;
- Budget agreement report;
- Donor report.

2.14.2 Interim financial reports shall be reported at the end of each quarter.

2.14.3 The income for each donor & expenditures allocated to each respective donor is shown in detail

2.15 AUDITING

2.15.1 4YBIN's accounts are audited by an External Chartered Auditor selected in line with relevant laws.

2.15.2 External Audit is conducted every year both in Main Office in Mekelle and in 4YBIN Coordination Office.

2.15.3 All original receipts are kept in the Mekelle Office for the purpose of auditing.

2.15.4 Draft Financial Reports shall be delivered for auditor in Mekelle-Tigray in one month time

from the end of the fiscal year (not later than January 31th).

2.15.5 Draft Financial Reports shall be delivered for auditor in Tigray in two months' time from the end of the fiscal year (not later than February 28th).

3. GENERAL ACCOUNTING AND REGISTRATION PRACTICES

3.1 4YBIN "PRIMA NOTA" (PRIME ENTRY REGISTRATION) AND ACCOUNTING SYSTEM

3.1.1 All monetary transactions (from cash and bank accounts) of the 4YBIN Coordination Office shall be recorded and maintained using the **4YBIN Accounting System**. An Excel spreadsheet format that serves as prime entry (PRIMA NOTA) is allowed. 4YBIN Prima Nota records and totals the operations by date and by account, with debits and credits in separate columns and a beginning balance and ending balance for each account.

3.1.2 All the operations must be encoded following the Projects Agreement's code or nickname, the donor's code or nickname and the budget lines of the correspondent project and grant agreement. There are columns for each one of these categories.

3.1.3 It is the responsibility of the Cashier to record all petty cash monetary operations into 4YBIN Tigray Prima Nota on a daily basis.

3.1.4 It is responsibility of the Administrator to record all bank monetary operations into 4YBIN Accounting System and/or 4YBIN Tigray Prima Nota on a daily basis.

3.1.5 It is responsibility of the Country Administrator to ensure that all monetary operations concerning 4YBIN Tigray are encoded properly.

3.1.6 A copy of 4YBIN Prima Nota updated file must be delivered to the Deputy General Manager and to the General Manager on a monthly basis.

3.1.7 It is responsibility of the Country Administrator to send 4YBIN Prima Nota to the Main Office in Mekelle-Tigray monthly and to follow up modifications and corrections required.

3.1.8 It is responsibility of the Country Administrator to ensure the correct registration of the expenditures, entries and financial movements on the 4YBIN accounting system on a monthly basis, conciliating the bank and cash accounts and allocating the expenditures correctly.

3.2 ACCOUNTING SOFTWARE

3.2.1 All accounting transaction of 4YBIN Coordination Office should be recorded into accounting software. Books of accounts of 4YBIN Coordination Office are recorded and maintained using **the local authorities designed accounting software**.

3.2.2 It is responsibility of the Administrators to record all operations into the accounting software on a daily basis.

3.2.3 It is responsibility of the Country Administrator to ensure that all operations concerning 4YBIN Tigray are accounted properly to guarantee homogeneity with 4YBIN Main Office Balance Sheets.

3.2.4 Backup must be made on a monthly basis using a separate media. It must be delivered to the General Manager and kept in a safe place.

3.3 SOURCE VOUCHERS

3.3.1 Source vouchers are those documents that are prepared by 4YBIN Tigray to describe or evidence accounting transactions from which computer data entry will be made, examples are, CPV - Check Payment Vouchers, PCPV - Petty Cash Payment Vouchers, GMV - Cash Receipts

Vouchers.

3.3.2 Source voucher should be like in the formats annexed. (**Annex C.1, Annex C.2, Annex C.3**).

3.3.3 Source vouchers shall be printed upon the authorization of the General Manager.

3.3.4 The Administrators shall be responsible for the development, maintenance and recording of source accounting documents.

3.3.5 Such documents must be pre-numbered, signed for preparation, checking and approval and prepared in an adequate number of copies for accounting and control purposes.

3.3.6 The relevant copies of used accountable documents should be recorded daily, filed sequentially in a secured place.

3.3.7 All relevant supporting documents such as receipts, cash sales invoices, Purchase/Fund Requests, Performa, Bid Analysis, photocopy of the contract, etc., should be attached there-with as essential documentary evidence of the transactions concerned.

3.3.8 **Registration:** The journal entries of the source vouchers are posted into the accounting software by the Administrator after the documents are duly approved (by the Cashier for petty cash transactions or by the administrator for bank transactions).

3.4 JOURNAL VOUCHERS

3.4.1 Journal vouchers are accounting documents that are used to record all transactions not supported by other recording documents, like bank transfers, purchases and per diem advance-settlements, periodic adjustments...) and correcting and reversing entries.

3.4.2 The General Manager must approve journal vouchers before they enter into the computer and the Administrator who entered the transaction into the computer system will sign for posting.

3.4.3 Journal vouchers should be like in the format annexed. (**Annex C.4**).

3.5 UNUSED ACCOUNTABLE DOCUMENTS

3.5.1 Unused pads must be kept under lock and key preferably kept by the Administrator who should maintain separate Memorandum Records of Unused Vouchers for each type of voucher and all vouchers must be registered on separate register book. Control over all unused vouchers must be exercised by the General Manager.

3.6 LEDGER ACCOUNTS (*CONTI*)

3.6.1 Ledger accounts comprise general ledger accounts and subsidiary ledger accounts, which contain detailed information in support of the general ledger.

3.6.2 Posting of transactions to ledger accounts must be made daily from the cash receipts, check payment vouchers and journal vouchers.

3.6.3 Descriptions of entries in each data entry windows should be brief and clear; the nature of the entry being fully described so that we could have a self-explanatory ledger.

3.7 CHART OF ACCOUNTS

3.7.1 A chart of accounts is a created list of the ledgers and sub ledgers accounts to define each class of items for which money or the equivalent is spent or received. It is used to organize expenditures, income, assets and liabilities in order to give interested parties a better understanding of the financial position of the entity.

3.7.2 Main accounts are: Assets, Liabilities, Fund, Incomings, and Expenditures. They will be analyzed in details in the coming chapters.

3.7.2 4YBIN Tigray Chart of Accounts should be like the format annexed. (**Annex C.5**).

3.7.3 4YBIN Coordination Office Chart of Accounts is designed by taking into account the

reporting requirements of its donors, government offices and the 4YBIN Coordination office. The code includes incomes and expenditure categories, projects/programs and donors, etc.

3.7.4 The charts of accounts are designed in such a way that you can filter reports by projects, donor and by program. As per the computerized accounting system, it is possible to filter reports by particular Income and Expenditure center.

3.7.5 The chart of accounts is produced so that it can accommodate future expansions.

4. BANK PAYMENTS

4.1 CHECK PAYMENTS

A single payment exceeding 5000.00 ETB shall be paid in check. Particular cases can be considered for project areas where the usage of checks is particularly difficult. These cases must be authorized by the General Manager (GM).

4.1.1 AUTHORIZATION

4.1.1.1 Checks may only be prepared against Purchase/Fund Request Form (with format per **Annex B.1**

attached to the 4YBIN Tigray Procurement Manual), which is to be approved for payment by the GM.

4.1.1.2 The Purchase/Fund Request form should be filled by the requesting Project Manager or authorized staff and forwarded to the Administrator. The Administrator will check if the request is in accordance with procurement and financial requirements and signs for confirmation.

4.1.1.3 4YBIN Tigray should get the approval for any Purchase/Fund Request in excess of the budget for donor funded projects, from the Main Office in Mekelle-Tigray or should be within the budget flexibility as stated in the project document.

4.1.2 OPERATION

4.1.2.1 Each check payment will be operated with two joint signatures from a minimum of three signatories.

4.1.2.2 Signatory: signatories at 4YBIN Tigray are General Manager, Deputy General Manager and the Administrator and/or the Project Manager at 4YBIN Tigray Field Offices. Signatories shall deposit their specimen signature at the bank.

4.1.2.3 Under normal circumstances, the two signatories are the General Manager and the Administrator. The Deputy General Manager will replace one of them during their absence from office due to leave and field work. In particular circumstances, at field offices level, the General Manager can authorize the Project Manager to replace him.

4.1.2.4 Check book stubs should be completed with payee's name, amount, purpose and the stub should be initialed by the Administrator.

4.1.2.5 New check books received from the bank must be checked for completeness; kept in safe custody by the General Manager and the serial numbers recorded in a register of unused check books to be maintained by the Administrator.

4.1.2.6 Only one check book at a time should be issued to the Administrator for check preparation against return of a completed check book stub which should be reviewed by the General Manager for completeness. The Administrator should sign in the register of unused check books for receipt of the new check book.

4.1.2.7 Authorized checks not collected should be cancelled after contacting the beneficiary of the cheque.

4.1.2.8 Cancelled checks should be stamped VOID, and should be stapled and retained in the check

book.

4.1.2.9 Blank checks should not be signed.

4.1.2.10 Check payment should not be issued when there is no sufficient balance in the Bank Account.

4.1.2.11 Check should not be prepared in the name of signatories except those personal payments (salary, per diem and the likes).

4.1.2.12 Where checks are issued to suppliers through a purchaser, the original check payment voucher should be retained in the pad until the supporting documents are received.

4.1.3 REGISTRATION

4.1.3.1 Check payments will be evidenced by pre-numbered Check Payment Vouchers in two copies. Check Payment vouchers should be signed by the Administrator for preparing and the General Manager for approving it.

4.1.3.2 Check Payment vouchers and supporting documentation should be stamped PAID.

4.1.3.3 Check Payment Vouchers should be recorded into the computer system on a daily basis.

4.1.3.4 The Check Payment Voucher is designed to accommodate for debit and credit transactions which require journalizing.

4.2 BANK TRANSFERS PAYMENTS

Bank Transfer is a means of disbursement from one bank to another through wire, using a letter of request. 4YBIN Coordination Office uses bank transfers for the following types of disbursement requests:

4.2.1 FUNDING OF PROJECT AGREEMENTS/OUTGOING TRANSFERS

4YBIN Coordination Office funds the local partners' office operations through transfers to partners' offices based on projections of cash needs. In the Project Agreement document policies should specify:

- The procedure required for a Partner Office to request a transfer;
- Administrative procedures required to carry out expenses by a Partner Office;
- The format of the expense report Partner Office will submit to receive reimbursement of expenses incurred;
- The schedule for the submission of expense reports by a Partner Office;
- Timetable for clearing a Partner Office funds transfer.

4.2.1.1 AUTHORIZATION

4.2.1.1.1 Funding of project agreement/Outgoing Transfer may only be prepared against Fund Request submitted by the partner's office to 4YBIN Coordination office, which is to be approved for payment by the General Manager.

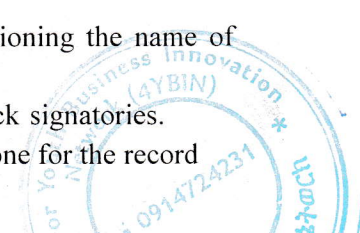
4.2.1.1.2 4YBIN Tigray should get the approval for any funding of project agreement requests more than the budget for donor funded projects, from the Main Office in Mekelle-Tigray or should be within the budget flexibility as stated in the funding agreement document.

4.2.1.2 OPERATION

4.2.1.2.1 Bank transfers are made using letter requests to the bank by mentioning the name of the beneficiary and the name of the bank branch and of the bank account.

4.2.1.2.2 Letter requests to bank for fund transfer are to be approved by check signatories.

4.2.1.2.3 Two extra copies should be retained, one for the Administrator and one for the record (archive).



4.2.1.2.4 Funding of project agreements/Outgoing Transfer payments should not be issued when there is no sufficient balance in the bank account.

4.2.1.2.5 The bank notifies the payment by sending debit advices specifying the amount charged to 4YBIN Tigray's Bank account.

4.2.1.2.6 The Administrator should check the debit advice against the letter and the Fund Request.

4.2.1.3 REGISTRATION

4.2.1.3.1 Bank debit advice is recorded when received from the bank.

4.2.1.3.2 The debit advice collected from bank will be recorded as debiting the appropriate expenditures or receivables account against the bank account.

4.2.1.3.3 Funding of project agreement/Outgoing Transfer will be evidenced by a Journal Voucher. Journal vouchers should be signed by the Administrator for preparing.

4.2.1.3.4 The Journal Voucher is designed to accommodate for debit and credit transactions which require journalizing.

4.2.1.3.5 Journal vouchers should be recorded into the computer system on a daily basis.

4.2.2 CERTIFIED PAYMENT ORDER (CPO)

4YBIN Coordination Office can settle bills or payments using Certified Payment Order (CPO). It is an instrument prepared as per the official letter request of 4YBIN Tigray to the Bank and is payable to the supplier on presentation.

4.2.2.1 AUTHORIZATION

4.2.2.1.1 Letter requests to bank for fund transfer are to be approved by check signatories.

4.2.2.2 OPERATION

4.2.2.2.1 CPO is made using letter requests to the bank by mentioning the name of the beneficiary and the name of the bank branch and of the bank account.

4.2.2.2.2 Two extra copies should be retained, one for the Administrator and one for the record (archive).

4.2.2.2.3 Execution of CPO payments should not be issued when there is no sufficient balance in the bank account.

4.2.2.3 REGISTRATION

4.2.1.3.1 Bank debit advice is collected immediately from the bank after having delivered the letter request.

4.2.1.3.2 The debit advice collected from bank will be recorded as debiting the appropriate expenditures or receivables account against the bank account.

4.2.1.3.3 CPO payments will be evidenced by a Journal Voucher. Journal vouchers should be signed by the Administrator for preparing.

4.2.1.3.4 The Journal Voucher is designed to accommodate for debit and credit transactions which require journalizing. Journal vouchers are coded with the balancing net pay credited to the current bank account with debits and credits shown in the account distribution columns.

4.2.1.3.5 Journal vouchers should be recorded into the computer system daily.

4.3 BANK RECONCILIATION

4.3.1 Bank books must be reconciled against statements issued by bank every month and appropriate action has to be taken if there is un-reconciled difference.

4.3.2 Reconciliation should be made in five working days from the end of the month concerned.

4.3.3 Bank Reconciliation must be made using the reconciliation features of the adopted accounting software.

4.3.4 The bank reconciliation report shall be presented with a format per annex (**Annex C.6**). It has two parts. The first part is a summary report of cash movement (opening balance, month's collection, month's payment, any adjustments made during the month and the month closing balance.) The second part starts the reconciliation process from statement balance, where not cleared deposits and unrecorded bank payments are added to the bank statement balance and not presented checks and unrecorded bank receipts are deducted there from in order to correspond to the bank record balance.

4.3.5 Bank reconciliations must be printed and signed by the Administrator and finally approved by the General Manager and filed together with the bank statement.

4.3.6 The Administrator must make immediate follow-up with the bank regarding missing bank advices or deposits not cleared within a reasonable time.

5. PETTY CASH PAYMENTS

5.1 AUTHORIZATION

5.1.1 Only payments of up to 5000.00 ETB are made from petty cash. However, as stated in the policy, the maximum amount could be re4YBINed as major changes occurred in the volume of financial transaction by the approval of General Manager.

5.1.2 The amount of the petty cash float should be reasonable in relation to requirements and should not exceed about one month's normal expenditure.

5.1.3 In addition to the main petty cash assigned as shown above, the GM assigned Euro and US petty cash for miscellaneous use for 4YBINa process and other activities other than procurement.

5.1.4 Payments from petty cash must be requested using a Purchase/Fund Request Form (**Annex B.1** of the 4YBIN Tigray Procurement Manual) and signed by the requesting Project Manager or authorized staff, checked by the Administrator (to assure the request is in accordance with procurement and financial requirements) and authorized by General Manager.

5.1.5 The Petty Cash custodian cannot approve or certify expenses. Approval must be done by another person other than the payee.

5.2 OPERATION

5.2.1 Cash should not be kept in the safe box more than the sum established. The size of the float maybe re4YBINed in accordance with the volume of transaction, when approved by the General Manager.

5.2.2 Petty cash funds shall be kept separate and apart from all other funds.

5.2.3 The Petty Cash custodian/Cashier must:

- Verify the signature of approving person before handing over cash to the claimant;
- Complete an entry to the Petty Cash Payment ledger. Cash reimbursements cannot be made to a third party except where the claimant expressly authorizes this in writing.

5.2.4 For petty cash payments where the exact amount of payment is not known, the payment should be effected using Advance Request Form (**Annex C.7**) which is to be replaced against invoices. Once the suspense voucher is replaced with Petty Cash Payment Voucher (or refunded in full) it has to be returned to the person signed for receiving the cash on the suspense. The person has to check and destroy the form.

5.2.5 A detailed list of all pending Temporary Cash Advance Request must be submitted to the Administrator for review at the time of replenishment.



5.2.6 When it is not possible to get official (formal) receipts for payments, it is essential to prepare internal invoice with a format per **Annex C.9**. The recipient of the cash should sign for receiving.

5.2.7 Cash count investigations may be made as deemed necessary.

5.2.8 The Petty Cash custodian/Cashier must ensure that the petty cash fund is reconciled at all times. The reconciliation confirms that the cash funds on hand, plus advance request forms is equal the total fund. Where the Petty Cash Custodian discovers a discrepancy, it must be reported to the General Manager.

5.2.9 From time to time, because of annual leave, illness, cessation of employment, transfer or changed responsibilities, the Petty Cash Custodian of a petty cash fund changes. The handover should take place in the presence of both the outgoing and new petty cash custodian with the cash and value of vouchers being recorded on a Petty Cash Handover Declaration. The form is to be signed by both parties and forwarded to the Administrator. The form provides a record of the fund balance at handover and of the name and signature of the new Petty Cash Custodian.

5.3 REPLENISHMENT

5.3.1 The petty cash fund shall be replenished according to utilization or future requirements.

5.3.2 The petty cashier will record payments daily in chronological sequence on a Petty Cash Summary and Replenishment Request Format with sample format as per **Annex C.8** attached, in two copies; the original form with supporting documents being given to the Administrator when replenishment is required. The other copy will remain with the cashier. The amount of the petty cash float will be brought forward in the Balance column, the balance being diminished by each payment made so that it always reflects the value of cash and suspense vouchers on hand.

5.3.3 The petty cash replenishment cheques should be made to the order of the cashier. Adequate review of petty cash payment vouchers and supporting documents attached should be made before replenishment to the Administrator.

5.3.4 When the cash on hand has been reduced to approximately 5000.00 ETB (or about 20%) of the total fund, the Cashier may request replenishment by completing the Petty Cash Report and Request, attaching all completed Petty Cash Payment Voucher and stating the balance of the cash on hand to ensure that all petty cash payments are accounted for.

5.3.5 All paid vouchers/receipts and petty cash report and request must be stamped PAID and referenced to the check payment voucher number and date by which replenishment was effected.

5.3.6 The Administrator should count the cash on hand, inspect the suspense vouchers and agree the totals with those reported on the Petty Cash Report and Request and forwarded to the Deputy General Manager for approval.

5.3.7 The General Manager then approves the summary and forwards to the Administrator for check preparation.

5.3.8 Once checked and approved, the form is to be forwarded to the Administrator for check writing.

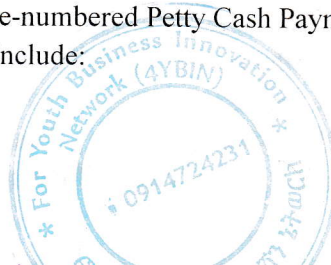
5.3.9 The Petty Cash Report and Request should be filed with the petty cash vouchers to which they relate.

5.4 REGISTRATION

5.4.1 Petty cash payments are made using a pre-numbered Petty Cash Payment Voucher.

5.4.2 The Petty Cash Payment Voucher must include:

- the date of disbursement;
- a full description of the expenditure;
- complete Budget Code;



- the signature of the claimant.

5.4.3 This voucher is printed and pre-numbered. It is prepared in two copies: Original copy goes to the Administrator with supporting documents, the second copy remains in the pad.

5.4.4 Petty cash payment vouchers are coded for journal entry and entered into the computer individually by crediting the cashier account. The Administrator will reconcile the total of the petty cash advances to the General Ledger on a monthly basis.

6. ACCOUNTS RECEIVABLE

Accounts receivable are claims from staff, other organizations and individuals to which 4YBIN Coordination Office granted/funded on credit. Receivable in 4YBIN Tigray includes Per Diem and travel advances, purchase advances, Outgoing Transfers, project activities advances and pre-payments. A permanent ledger account shall be maintained for each permanent receivable account or debtor.

6.1 PER DIEM/TRAVEL ADVANCES

6.1.1 Per Diem daily rates and other reimbursable expenses are computed in accordance with the **Human Resource Administration Manual of 4YBIN Coordination Office**. For local field operation advance estimates, the fixed Per Diem rate is the base. For international although there is no fixed rate, travel rates for all countries, according to cost of living, must be estimated.

6.1.2 All official field operation travels should be authorized in writing on the Per Diem Request & Approval Form (**Annex A.5** of the 4YBIN Tigray HR Administration Manual). When a field operation travel is required, Per Diem Request & Approval Form is filled in two copies by the project personnel and passed on to the Administrator for budget checking and processing advance payment. The traveler retains the copy.

6.1.3 The Project Manager has to indicate the budget source of the field operation travel.

6.1.4 Within five days of returning from the travel, the traveler completes and submits a travel expenses report, if there is any expense to report other than the Per Diem.

6.1.5 The traveler should attach receipts to the travel expenses report for all expense claimed, except for Per Diems. All settlements for local travels will be based on the fixed Per Diem rates assigned on the HR Administration Manual, and lodgings and transportation upon presentation of official receipts.

6.1.6 The traveler then signs the travel expenses report and passes to his/her superior for approval.

6.1.7 The settlement form has to be checked by the Administrator and approved by the General Manager.

6.1.8 The Administrator has to check the validity of the supporting documents. Where any errors are found, the travel expenses report is returned to the traveler with a memo listing the errors.

6.1.9 If there is additional payment to be given to the traveler, the appropriate payment voucher will be prepared. If there the traveler is to refund for the excess advance, he/she will be informed to return the cash against the Cash Receipt Voucher.

6.1.10 All staff members' Per Diem advance payments are initially charged to Per Diem advance account where the staff belongs until the travel is completed and the approved travel expenses report submitted.

6.2 PROJECT ACTIVITY ADVANCE

6.3.1 Project Activity Advance is done according to the funds request raised from project personnel describing the type of activities they plan to do.



6.3.2 The General Manager authorizes, and the Project Manager should approve those requests. If he/she does not approve some of the activities, the Administrator deducts that and transfers the remaining. The same will apply if he/she wants to add more activities or amount of money to be transferred.

6.3.3 Earlier drawn project activities advance must be cleared before another advance is given except for specific justifiable reasons authorized by the General Manager.

6.3.4 Checks or letter requests to bank for cash transfer are to be approved by check signatories. See point 4.1.2.2 above.

6.3.5 Advance for activities payments should be recorded in the name of the payee as project advance.

6.3 PRE-PAYMENTS

6.4.1 An insurance premium is paid in advance in order to cover insurance for staff, vehicles, etc. for which service is to be received at a later date. It is responsibility of the Administrator to follow up the insurances policies and refunds to the Organization.

6.4.2 Services like office rent or purchases may be paid in advance. It is responsibility of the Administrator to follow up the terms of the contracts and settlements of the payments.

7. ACCOUNTS PAYABLE

Accounts payable are the claims of outsider of 4YBIN Coordination Office. Liability/Accounts payable normally arises as a result of goods purchased on credit or services obtained in deferred payment basis. A permanent ledger account shall be maintained for each permanent liability account or creditor.

7.1 INCOME TAXES

7.1.1 Income taxes should be withheld from employees according to the income tax law. Withhold income tax should be paid to the appropriate Inland Revenue office within thirty days from the end of the month concerned. It is responsibility of the Administrator to follow up the payments and the payment deadlines.

7.1.2 This liability balance will represent the amount reflected on staff payroll and the payment shall be prepared by filling the format annexed (**Annex C.10**).

7.2 WITHHOLDING TAX

7.2.1 Organizations having legal personality are required to withhold 2% of the gross amount of payment they make to tax payers providing goods and services:

- Supply of goods involving above Birr 10,000 in any one transaction or one supply contract.
- Rendering of services involving above Birr 3000 in one transaction or one service contract (listservices is detailed in Proclamation No. 286/2002).

7.2.2 As per Proclamation No. 286/2002, 4YBIN Tigray should collect 30% withholding tax instead of 2% for those service providers or goods or works suppliers with no Tax Identification Number.

7.2.3 According to the income tax law 4YBIN Tigray has the responsibility to withhold such taxes with a serially sequenced pre-numbered receipt with a format per **Annex C.11**.

7.2.4 4YBIN Tigray should transfer the collection **monthly after the end** of collection month to the respective Inland Authority Office by filling a withholding tax return form supplied by the

authority.

7.3 PROVIDENT FUND

7.3.1 This liability balance will represent amount reflected on staff payroll for entitled as per 4YBIN Tigray HR Administration Manual.

7.3.2 The 4YBIN Country Coordination Office opens an account for each entitled existing staff at the bank and shall orders in writing to open an account for a new entrant who is entitled.

7.3.3 The Country Coordination Office records every month's transaction in Provident Fund Payable Account. Then the Administrator process deposit order by listing each staff entitled, amount to be deposited in the name and account of each employee according to the amount shown on the payroll sheet, provident fund account number of each employee. The total balance of the list should be reconciled with the balance in the ledger account.

7.3.4 For Pension Fund procedures see Chapter 3.6 PROVIDENT FUND & PENSION FUND of the 4YBIN Coordination Office HR Administration Manual.

8. FIXED ASSETS

8.1 Fixed Asset is defined as an item of a capital nature which costs 10,000.00 ETB and above (including VAT) with a useful life of over one year.

8.2 Fixed assets are purchased only when supported by a budget or otherwise when approved by the Main Office in Mekelle-Tigray.

8.3 Purchase of fixed assets should follow the general procurement procedures of the organization stated in the 4YBIN Tigray Procurement Manual.

8.4 The value of the fixed assets is the purchase cost plus direct costs incurred to bring the asset to the premises of the organization and to a usable condition.

8.5 Constructions will be transferred to fixed asset when completed. Expenditures in relation to the construction, including professionals' study fee, design fee, administration fee, cost of construction materials, labor costs shall be recorded as construction costs.

8.6 Fixed Assets acquired by donation shall be recorded at a price, which the donor paid for it. If the donated fixed assets are bought in a foreign currency, the value will be converted into ETB at a prevailing bankers' selling exchange rate at the time when the asset is received by store.

8.7 Purchase of fixed assets is recorded as expenditure in the year of purchase and shown in the face of the Income over Expenditure Statement.

8.8 Fixed Assets records should be maintained by the Administrator in a register with a format per

9. STOCK MANAGEMENT AND INVENTORY

9.1 Stocks are supplies purchased for consumption which are not qualified for definition of fixed assets.

9.2 Stock/supplies are recorded as expenditure at the time of purchase.

9.3 All stock/supplies items will be purchased on the basis of authorized Purchase/Fund Request.

9.4 The store keeper should maintain a Bin Card for selected consumables items. The list of items for which bin Card to be maintained is determined by the GM. The bin Card should show the "in", "out" and "running balance" of the items.

9.5 The bin Card should be placed on the part of the shelf where the item is kept. The bin Card should contain the description of the item, date of receiving, and issuing, quantity received and issued and the running balance of the item. bin card has to be recorded perpetually and immediately upon finalizing of the store documents (receiving and issuing documents).



- 9.6 The store keeper (or the secretary, where the storekeeper is not available) checks the supplies or the materials with the listings order. If the quantity and type of items received agrees with the receipts.
- 9.7 Good Receiving Note vouchers shall be prepared. The original of the goods receiving note is sent, along with supplier's invoices, to the Administrator.
- 9.8 The Goods Receiving Note (GRN) is a pre numbered printed form which is printed in two copies to acknowledge receipts of goods. It is prepared by the storekeeper after the inspection of the physical conditions of the material for specifications, quantities, qualities, and physical damage after comparing the goods with the delivery note and with the Fund/Purchase Requisitions.
- 9.9 Stocks are issued against Store Issue Voucher (SIV) in two copies. The Store Issue Voucher should be prepared by the store keeper and signed for receiving by the user. Store Issue voucher should be pre-numbered and serially sequenced.
- 9.10 Physical Inventory shall take place at any time be it semi- annually or annually.
- 9.11 Appropriate measures, according to the 4YBIN Tigray HR Administration Manual, should be taken for discrepancy found between the stock record and physical count.
- 9.12 Purchases of supplies not meant for stocking (like spare part and additional accessories for computers, vehicles and equipment or other small supplies,) which will be directly issued to the user should be recorded in Good Receiving Note.
- 9.13 Spare parts purchased for the maintenance of vehicle and office equipment and furniture should not necessarily initiate GRN and SIV as long the spare parts are delivered directly to the maintaining company, garage.
- 9.14 The purchaser will submit the original copy of the Goods Receiving Note together with the remaining supporting documents (invoices, purchase orders etc.) to the Administrator for the settlement of the advanced for purchase.

10. FUNDS RECEIVED (INCOMES)

Receipt includes petty cash receipts and bank transfer.

10.1 SOURCES OF FUND

- 11.1.1 Donor funds. Funds received will be journalized in a separate account by indicating the name of the Donor and the Project Agreement that the funds are allocated to.
- 11.1.2 Contributions in kind (properties, commodities, facilities, materials etc.) will be recorded as funds from specific donors. The same amount is recorded in the income and as expenditure. The value of goods is defined on the base of donors' indications or at fair market value (when the value is not defined by the donor).
- 11.1.3 Cash Contribution from partners to the Project Agreement will be not recorded in the accounts but details are kept at project level for reporting and evaluation purpose.
- 11.1.4 Refunds for different materials or services provided (sundry income) will be handled as income and recorded in a miscellaneous income account.

10.2 CASH RECEIPTS

- 11.2.1 Cash received from donors, staff (settlement of advances) or from miscellaneous income, etc., will be evidenced by pre-numbered Cash Receipt Vouchers (GMV) prepared by the Secretary/Cashier in two copies with format per **Annex C.3** attached. Secretary/Cashier counts the cash and checks the total against the supporting documentation.
- 11.2.2 The cashier has to get the approval of the Administrator before collection, for cash collections which are unusual and infrequent.
- 11.2.3 Unused cash receipts vouchers must be kept in safe custody by the Administrator. Such

documents must be used in strict numerical sequence. New pads should only be issued against return of last used pad to the Administrator.

10.3 MAIN OFFICE BANK TRANSFERS

There are two types of bank transfer requests by Mekelle Coordination Office to be made from the Main Office in Mekelle-Tigray.

11.3.1 REQUEST FOR COUNTRY COORDINATION OFFICE OPERATIONS

11.3.1.1 For this the GM shall collect monthly plan of activity and budget required from all the Project Managers. The requests should be approved by the GM.

11.3.1.2 The Country Administrator summarizes all budget requests and see the available money at all banks, take the difference between the amounts of money available locally and the amount needed according to the budget and then ask for a request of transfer from Main Office for the difference amount.

11.3.1.3 There is a standard form annexed (**Annex C.14**) to ask for the Main Office Bank Transfer Request.

11.3.1.4 The Country Administrator fills the form, complete with the amount of money needed to be transferred in Euro, the reason the transfer is for, and fill bank information where the money will be wired to. Then will get the request approved by the GM and finally the completed form with relevant attachments shall be emailed to 4YBIN Main Office for process. It will take from 3 to 5 days to get the transfer from the Main Office to the local bank; therefore, these days should be considered when we make requests.

11.3.2 REQUEST FOR TRANSFERS TO THIRD PARTIES

11.3.2.1 This is a type of transfer request the General Manager makes for payments to third party, it can be staff or individuals or organizations that wanted to transfer the money they are expected to the account they wanted in overseas. Mainly it is for overseas suppliers for purchase orders made by 4YBIN Main Office in Mekelle-Tigray, sub-grant for SDB partners, international consultants for consultancy and other related payments.

11.3.2.2 Here also the request should be initiated from the individual who involved in the process of activity and all approvals and documentation is the same as that of bank transfer payments, and submits to the Country Administrator for the process. The Administrator will verify the completeness of the request with regard to proper documentation and authorization of payment from the Project Manager.

11.3.2.3 Finally, the completed request form with relevant documents to support the payment shall be transmitted to the Main Office for process.

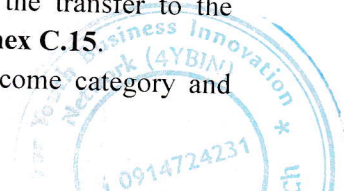
11.3.2.4 The amount of money requested for transfer should be filled in the transaction currency as stated on the terms of agreement or Performa invoice in respect of procurements.

11.3.3 CONFIRMATION OF WIRE TRANSFER AND RECORDING PROCEDURE

11.3.3.1 In all the above two cases 4YBIN Main Office should confirm the transfer of the request to the Country Coordination Office. 4YBIN Country Coordination Office makes records in the first case when the money transferred enter in to the local bank account.

11.3.3.2 The Country Coordination Office should confirm the reception of the transfer to the 4YBIN Main Office through the Confirmation of Transfer Reception as per **Annex C.15**.

11.3.3.2 Income accounts should be recorded separately according to their income category and subsidiary accounts.



11. EXPENDITURES

11.1 Expenditures are financial commitments or costs incurred in connection with implementing projects activities or running cost of the Organization.

11.2 Expenditures are classified by major expenditure group symmetrically with the income account classification to ease preparation of gross excess of income over expenditure. Main kinds of expenditures are: Local Personnel costs, Expatriate Personnel costs, training expenses, Running costs (local transportation, vehicles costs, other services, communication costs), Per Diem and monitoring expenses, Building and construction, Equipment and furniture, Services and Consultancies, etc.

11.3 Main category accounts are then grouped by each agreement entered with the respective donor. The subsidiary accounts will be drafted in accordance with the budget of the Project Agreements.

11.4 Expenditures are classified as well by major groups of Administrative or Programmatic expenses.

11.5 Sufficient space is left for the inclusion of additional accounts when necessary in the future.

12. BUDGET OPERATIONS

12.1 As a planning document, a budget enables 4YBIN Coordination office to set priorities in the allocation of financial resources and monitor progress toward selected goals. In addition to the overall budget, each project agreement incorporates budget of expenditures and incomes over the life of the project.

12.2 Financial budget is a result of activity budget. Each activity will be expressed in terms of money (unit quantity of each activities multiplied by the estimated rate).

12.3 The budget required for acquisition of materials, personnel and services must be broken down by unit and amount. The budget must reflect the different project activities planned under separate headings. It should be subdivided into the organization's different activities, and different categories of expenditure.

12.4 Project Agreements related budget is assumed being approved when the GM, Partner's office and the donors agreed and signed for endorsement.

12.5 All the budgets will be final when the Main Office in Mekelle-Tigray agrees and approves it. Annual budgets are approved by the Main Office of 4YBIN.

12.6 The annual budget has to be entered into the computer. The budget details must align to the chart of accounts. Once the budget is entered into the computer, it is possible to manipulate the reporting system of the computer to generate reports like budget utilization, project and donor and by each element of budget item and aggregate for 4YBIN Tigray as a whole.

12.7 Budget analysis reports are produced quarterly and appropriate actions should be taken after evaluation of such reports.

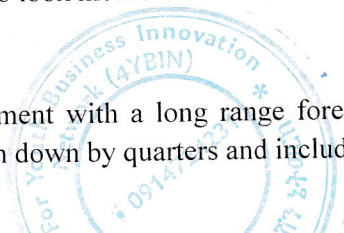
12.8 The periodic comparison between the budget and the actual expenditure will be more meaningful if non-financial activity performance report presented .

13. CASH FLOW FORECASTS

Cash flow forecasting is an essential tool of financial planning to set priorities within the available resource ahead of time and to look means well in advance to resolve possible cash shortages.

13.1 ANNUAL CASH PLAN

14.1.1 In order to provide management with a long range forecast of cash requirements for the year, budget forecast must be broken down by quarters and included on an Annual Cash Plan.



14.1.2 The Annual Cash Plan should be prepared immediately preceding the budget year to which it relates in order that it may be as accurate as possible. The forecast must integrate with the Income & Expenditures figures included in the budget plans. The Annual Cash Plan presents the overview of the whole year's activities and will indicate in advance when cash shortages are likely to be encountered and request for fund release will be scheduled in advance.

14.1.3 The Annual Cash Plan can be drafted from the Action Plan. The cash flow forecast should be prepared separately for project funded by a donor in a restricted fund. Finally individual project budgets will be consolidated with the rest of the forecast.

13.2 QUARTERLY CASH FLOW

14.2.1 The Annual Cash Plan is prepared for overall planning purposes, for operational purposes it is necessary that cash flow be forecast monthly to provide project managers with up-to date accurate information as to available cash resources and budget utilization status.

14.2.2 The forecast of the sources and application of cash for the coming three months will be made on a monthly basis, at least one month in advance. In practice, this may conveniently be done at the same time as the preceding months actual and variances are being recorded as this will facilitate forecasting.

14.2.3 Quarterly forecasts should be tuned with a discussion with people in the execution of the programs.

14.2.4 Priority should be set when the expected cash outflows (project expenditures) are exceeding from cash inflows (cash collection). According to the priority, non-urgent expenditures may be postponed to the next quarter.

14.2.5 A copy of the completed quarterly report together with textual explanations for any significant variances should be forwarded to the Main Office in Rome.

14. INTERIM AND OTHER REPORTS

14.1 TYPES OF REPORTS

There are 3 types of Financial Reports:

14.1.1 QUARTERLY REPORT

14.1.1.1 Quarterly Comparative Budget Reports are prepared to indicate budget variances, (i.e. comparing actual expenditure with plan).

14.1.1.2 The format to be utilized for Quarterly Report is the same format where the budget has been prepared. Expenditures reported are cumulative of all expenses.

14.1.1.3 The Deputy General Manager is responsible to prepare it quarterly and submit to the attention of the GM and the Coordination office.

14.1.2 ANNUAL REPORT

14.1.2.1 The Annual Report contains a detailed indication of expenditures incurred, budget available, variances, balances left, and over-expenditures.

14.1.2.2 The income for each donor and the expenditures allocated to each respective donor is shown in details.

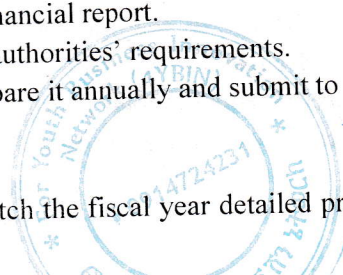
14.1.2.3 Full narrative report accompanies the financial report.

14.1.2.4 Reporting format is made according to authorities' requirements.

14.1.2.5 The Administrator is responsible to prepare it annually and submit to concerned body

14.1.3 SPECIFIC DONORS REPORT

14.1.3.1 when When project period does not match the fiscal year detailed project report is



prepared considering the period agreed/approved by the Donor.

14.1.3.2 The format is based on donors' requirements.

14.1.3.3 The Deputy General Manager is responsible to prepare it and submit to the attention of the GM and the Coordination office.

15. FINANCIAL STATEMENTS

15.1 The financial statements are designed to meet the following needs:

- To provide information about the financial position, financial performance, and cash flows of 4YBIN Tigray that is useful for range of users in making the appropriate decision;
- The financial statements should ensure comparability of 4YBIN Tigray's financial statements with the budget;
- Confirmation of compliance with intended objectives: this provides assurance that the mandate and purpose of 4YBIN Tigray have been complied with and resources used for its intended objectives;
- Assessment of financial viability: an indication of 4YBIN Tigray's ability to continue to provide the services for which it exists;
- Measurement of performance: The donors and other stakeholders need to know not only that management is meeting its objectives but also how efficiently the funds are being spent.

15.2 Financial statements in this context mean the annual accounts as prepared for external audit, which will comprise:

- Balance Sheet;
- Income over Expenditure, and Fund Balance Statement;
- Cash flow statement (optional);
- Notes, comprising a summary of accounting policies and other explanatory notes.

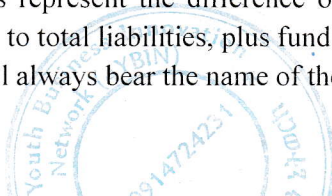
15.3 BALANCE SHEET

- The balance sheet should be classified by Current Assets and Non-current Assets, and Current Liabilities and Long-term Liabilities, and finally as Fund balance.
- Current assets are cash and cash equivalent. All other assets are noncurrent assets.
- Current Liabilities are those to be settled within one year. Other liabilities are non-current.
- Fund balances are presented as General Fund Balance and Restricted Fund Balance.
- Items to be shown in the face of the balance sheet
 - Cash and cash equivalents;
 - Debtors;
 - Stock;
 - Creditors;
 - Tax Liabilities;
 - Fund Balance.

15.4 INCOME OVER EXPENDITURE AND FUND BALANCE STATEMENT

16.4.1 General Fund balance is a result of the excess of income over expenditure balance from donor funds over the periods. In the Income (Revenue) and Expenditure statement (Income Summary Account), fund balances represent the difference of incomes and expenditures. In the balance sheet, Total Assets is equal to total liabilities, plus fund balances.

16.4.2 Funds and fund balances will always bear the name of the donor and the project of destination.



15.5 NOTES TO THE ACCOUNTS

16.5.1 Notes to the accounts must present important information to ensure fair presentation of the financial statements. The notes to the account must include:

- Statement of purpose: A brief description of 4YBIN Tigray's objectives and activities;
- Express the basis of accounting, which is cash basis accounting;
- Specific policies applied:
 - Fixed Asset is recorded as expenditure in the year of purchase;
 - Supplies purchased recorded as expenses in the year of purchase;
 - Donation in kinds of any type including fixed assets and voluntary services are valued at fair value and recorded as revenue and expenditure in the year of grant or service provision.
- Providing additional information that is not presented in the face of the Balance Sheet and Income (Revenue) and Expenditure reports including:
 - Summary of cash balances by type;
 - Summary of debtors by type of debtors (staff, prepayments and sundry debtors);
 - Summary of Creditors by types (staff Creditors, tax liabilities, sundry Creditors);
 - Income (Revenue) and Expenditure reports by donor by classifying as donation in cash and donation in kind.

15.6 COMPARATIVE FIGURES NOTE

16.6.1 The financial statements of each year should include the comparative figures for the immediately preceding year. Such comparative figures being taken from the financial statements of that year.

15.7 MANAGEMENT LETTER

16.7.1 The annual financial statements should be accompanied by a short management report signed by the General Manager.

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