20202020

FINANCIAL POLICY & PROCEDURES MANUAL

Hikma Charity Association Somalia

(Approved by the Board on: _2nd January 2020__________)

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1. PURPOSE OF THE POLICY

This Financial Policy & Procedures Manual establishes systems for:

- Financial accountability and transparency
- Proper stewardship of donor and zakat funds
- Compliance with Somali laws and donor requirements
- Prevention of fraud and corruption
- Strong internal controls

This policy applies to all Board members, management, staff, volunteers, and project personnel.

2. FINANCIAL MANAGEMENT PRINCIPLES

Hikma Charity Association Somalia shall operate under the following principles:

1. **Accountability** – Funds must be used only for approved purposes.
2. **Transparency** – Accurate records must be maintained and available for audit.
3. **Segregation of Duties** – No single individual controls all financial processes.
4. **Documentation** – All transactions must be supported by valid documents.
5. **Value for Money** – Resources must be used efficiently and effectively.

3. FINANCIAL GOVERNANCE STRUCTURE

3.1 Board of Directors

- Approves annual budget
- Approves financial policies
- Reviews quarterly financial reports
- Approves audited financial statements
- Provides oversight of financial risks

3.2 Executive Director

- Overall financial oversight
- Authorizes expenditures within limits
- Ensures compliance with donor agreements
- Reports financial performance to the Board

3.3 Finance Manager / Finance Officer

- Maintains accounting system
- Prepares financial reports
- Manages bank accounts
- Conducts bank reconciliations
- Maintains asset register

4. ACCOUNTING SYSTEM

1. The Association shall maintain a double-entry accounting system.
2. Accounts shall be maintained on accrual or cash basis as approved by the Board.
3. Accounting software or structured spreadsheets shall be used.
4. Financial year shall run from January 1 to December 31 (or as determined).

5. BUDGETING POLICY

5.1 Annual Budget

- Prepared before the start of each fiscal year.
- Approved by the Board.
- Includes projected income and expenditures.

5.2 Project Budgets

- Each project must have an approved budget.
- Budget lines must match donor agreements.
- Reallocation exceeding 15% requires approval.

6. BANKING POLICY

1. All funds shall be deposited into official bank accounts in the organization's name.
2. At least two authorized signatories shall approve withdrawals.
3. Bank signatories must be approved by the Board.
4. Personal accounts shall never be used for organizational funds.
5. Bank reconciliation shall be conducted monthly.

7. CASH MANAGEMENT

1. Cash payments should be minimized.
2. A petty cash fund may be maintained with a maximum ceiling (e.g., $500–$1,000).
3. Petty cash must be reconciled weekly.
4. Surprise cash counts shall be conducted monthly.
5. Cash advances must be cleared within 5 working days after activity completion.

8. REVENUE MANAGEMENT

Revenue sources may include:

- Donations
- Grants
- Zakat & Sadaqah
- Fundraising events

All revenue must:

- Be receipted immediately
- Be recorded in the cashbook
- Be deposited promptly into the bank

Restricted funds must be used only for designated purposes.

9. EXPENDITURE CONTROL

9.1 Authorization Levels

Amount	Approval Required
Up to $500	Finance Officer + Executive Director
$501 – $5,000	Executive Director
Above $5,000	Board Approval

9.2 Supporting Documents Required

- Purchase Requisition
- Quotations
- Invoice
- Delivery Note
- Payment Voucher
- Approval signatures

No payment shall be made without complete documentation.

10. PROCUREMENT COMPLIANCE

Procurement must follow the approved Procurement Policy, including:

- Competitive quotations
- Bid evaluation documentation
- Conflict of interest declaration

Single-source procurement must be justified and documented.

11. PAYROLL MANAGEMENT

1. All staff must have signed contracts.
2. Payroll must be prepared monthly.
3. Salaries shall be paid via bank transfer or approved digital payment.
4. Payroll must be reviewed and approved before payment.
5. Statutory deductions must comply with Somali regulations.

12. ASSET MANAGEMENT

1. All assets must be recorded in an Asset Register.
2. Assets must be tagged and assigned to responsible staff.
3. Physical verification must be conducted annually.
4. Asset disposal requires Board approval and documentation.

13. FINANCIAL REPORTING

13.1 Monthly Reports

- Cashbook summary
- Bank reconciliation
- Budget vs Actual report

13.2 Quarterly Reports

- Income & Expenditure Statement
- Balance Sheet
- Project financial updates

13.3 Annual Financial Statements

- Statement of Financial Position
- Statement of Activities
- Notes to the accounts

Reports shall be submitted to the Board and donors as required.

14. INTERNAL CONTROL SYSTEM

The Association shall maintain strong internal controls, including:

- Segregation of duties
- Dual signatories
- Document verification
- Restricted system access
- Periodic internal reviews

15. AUDIT

15.1 Internal Audit

Periodic internal review of financial systems.

15.2 External Audit

An independent audit shall be conducted annually if:

- Required by donors
- Required by law
- Approved by the Board

Audit findings must be addressed promptly.

16. FRAUD & CORRUPTION PREVENTION

The Association has zero tolerance for:

- Fraud
- Embezzlement
- Misuse of funds
- Financial misrepresentation

Suspected fraud must be reported immediately and investigated confidentially.

Disciplinary action may include termination and legal action.

17. FINANCIAL RECORD RETENTION

All financial records must be retained for a minimum of 5 years, including:

- Bank statements
- Vouchers
- Contracts
- Payroll records
- Audit reports

Records must be stored securely.

18. POLICY REVIEW

This Financial Policy shall be reviewed every two years or as required by the Board.

Amendments must be approved by the Board of Directors.

APPROVAL

Approved by the Board of Directors of
Hikma Charity Association Somalia