

ACTION LESOTHO

FINANCIAL POLICIES AND PROCEDURES

Introduction: Twinning the Kingdoms Ltd. trading as **Action Lesotho** is a Company limited by guarantee, not having a share capital. It is registered in Ireland, (Company No. 441748), and has its registered office at 32 The Mall, Tralee, Co. Kerry. It is a charity registered with the Revenue Commissioners (Charitable Status No. CHY 17838), whose principal purpose is to provide humanitarian aid from Ireland to the Kingdom of Lesotho. The Company wishes to carry out all its financial responsibilities in a professional, ethical and transparent manner, both in Ireland and Lesotho. Accordingly, it has adopted the following financial policies and procedures for the conduct of its business.

1. The Company shall fulfill all requirements of Companies Act legislation and of the Charities Regulator when appointed.
2. The Accounts of the organisation shall be independently audited annually, both in Ireland and in Lesotho.
3. The audited accounts shall be published on the Company's website as soon as possible after the annual audit, and shall be made available to the organisation's funders. The accounts shall contain a report from the Chairman giving details of the charity's activities in the year in question.
4. The Company shall appoint persons with suitable skills to be the Accounting Officer in both Ireland and in Lesotho.
5. The Company shall keep books of accounts in both Ireland and Lesotho, in electronic and paper form in accordance with normal accounting practice. A detailed manual of all accounting procedures shall be made available to the Accounting Officers appointed in both jurisdictions.
6. One or more members of the Company's Board of Directors shall be appointed to carry out an internal audit of the accounts in both Ireland and in Lesotho. The Treasurer of the Board will normally carry out this function in respect of the accounts in Lesotho. However, if the Treasurer is acting as Accounting Officer in Ireland, the internal audit of the accounts in Ireland shall be carried out by one or more other members of the Board.
7. The Company must plan its revenue-generating activities so as to have funds in place to meet all planned expenditure. The Company may **not** borrow money against expected future income. Consequently, the Company shall hold a prudent level of reserves to fund variations in cash flow, unexpected/emergency expenditures, working capital, or future capital expenditure. The minimum amount of reserves held should, in normal circumstances, be the equivalent of three month's expenditure.

8. The Treasurer of the Board will be responsible, in co-operation with the management team in Lesotho, for preparing annual and medium-term budgets for the operation of the Company for approval by the Board. These should include detailed analysis of Income, Expenditure, and Cash Flow, and the Treasurer will be expected to monitor these metrics and report to the Board at least quarterly on any variation from the budgets, so that remedial action can be taken, if necessary. A Financial Sub-committee of the Board should consider the Treasurer's reports, carry out risk analysis in relation to financial matters, and make recommendations to the Board on any necessary remedial or risk-ameliorating action.

9. The Board, having approved the Company's overall budget for a particular year, will allocate an amount of money that the management team in Lesotho will have to fund their activities for that particular year. The management team in Lesotho will propose, for the approval of the Board, a detailed schedule of income and expenditure on various projects that is compatible with the overall allocation of funds. The Board may suggest variations in this schedule. During the year, the management team in Lesotho will have discretion to vary the agreed schedule within the constraints of the overall allocation. If the management team in Lesotho require extra funding in excess of that allocation during the year, they may apply to the Financial Sub-committee of the Board who shall consider any such application and shall make recommendations to the Board on whether such application may be approved.

10. The management team in Lesotho shall be supervised by an In-Country Director, who will be responsible to the Board for the execution of the Board's policies in Lesotho. The In-Country Director will, in co-operation with the other members of the Lesotho management team, prepare annual income and expenditure proposals for the various projects in Lesotho within the funding allocation made available by the Board. The In-Country Director will recommend to the Board the appointment of, and the salaries to be paid to, the other members of the Lesotho management team, including an Accounting Officer for Lesotho. The salary and conditions of employment of the In-Country Director shall be determined by the Board, on the recommendation of the Financial Sub-committee of the Board, and shall be set down in a contract between the Board and the In-Country Director.

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FINANCIAL PROCEDURES TO BE FOLLOWED IN IRELAND.

The Board of Action Lesotho shall appoint a person to be the Accounting Officer for Action Lesotho in Ireland. This person shall be the Treasurer of Action Lesotho and may be a member of the Board. S/he will be responsible for maintaining appropriate financial systems for the operation and control of the financial affairs of Action Lesotho, and for reporting to the Board of Action Lesotho on all such matters. A number of Board members shall be appointed as a Financial Sub-committee of the Board to assist in this task.

The Treasurer shall be responsible for the following functions:

- Book keeping
- Dealing with cash
- Paying for expenditure items in cash, by cheque or by electronic transfer
- Paying any taxes as they fall due
- Transferring funds to Action Lesotho in Lesotho
- Budgeting
- Cash flow analysis
- Financial reporting, monitoring, risk analysis and control
- Monitoring the operation of the financial control system in Lesotho as internal auditor
- Preparing the annual accounts for audit, and answering any queries the auditor may have.

The Treasurer shall adopt the following procedures in carrying out the above duties:

Book keeping: All records shall be kept in electronic and paper format, and retained for 6 years. Separate records should be kept of Income, Cash Expenditure, Cheque Payments, Payments by Bank Transfer, Wage and Tax payments

Cash: Cash shall be kept in a secure place and lodged to the bank as soon as possible after receipt.

Cheques: Cheques must be signed by two authorised signatories. Blank cheques should not be signed. All cheques should be crossed and marked "Account Payee only".

Bank Account: The bank account should be reconciled every month.

Receipts: All donations or other income received should be acknowledged in writing. If a donor makes payments by monthly banker's order, the total of these should be acknowledged annually.

Expenditure: Expenditure must be kept within the limits of the budget approved by The Board, unless specifically approved by the Board. Routine expenditure items approved in that budget can be made without reference to the Board. Non-routine items of expenditure up to €2,000 may be approved by the Finance Sub-Committee. Larger items should be referred to the Board.

Invoices: Invoices or receipts for payment should be retained for all payments made, and the date and method of payment should be recorded on the invoice.

- Transfers:** Forms for transferring funds to the Action Lesotho account in the bank in Lesotho must be signed by two signatories. Such transfers should be made monthly and should be large enough to sustain expenditure in Lesotho in line with the budget allocation approved by the Board. However, the balance in Action Lesotho's account(s) in Lesotho should not normally exceed the Rand equivalent of €20,000. Transfers should be timed to allow for the fact that transfers from Ireland to Lesotho can take up to 7 days.
- Reporting:** Income, Expenditure, Cash Flow and Bank Balances should be reported to the Board monthly, if possible, or at least quarterly. Unfavourable trends in income, cash flow or expenditure should be highlighted, risks identified, and action recommended, to ensure the organisation is in a position to meet its plans and commitments.
- Monitoring:** The Treasurer should receive monthly financial reports from the Accounting Officer in Lesotho, showing detailed Income and Expenditure accounts, Cash and Bank balances and a reconciliation of these balances, for all major project areas. As Internal Auditor, he/she should request copies of specific invoices on a random basis throughout the year.
- Taxes:** The Treasurer is responsible for ensuring that all taxes, particularly taxes deducted from employee wages, are paid when due. He/she is also responsible for reclaiming taxes on donations to the Charity, as provided by the Taxes Consolidation Act 1997.
- Audit:** The Treasurer shall prepare the annual accounts for audit, answer any queries from the auditor, and carry out any recommendations from the auditor.

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FINANCIAL PROCEDURES TO BE FOLLOWED IN LESOTHO.

The Board of Action Lesotho shall appoint a person to be the Accounting Officer for Action Lesotho in Lesotho, on the recommendation of the In-Country Director. This person will be responsible for maintaining appropriate financial systems for the operation and control of the financial affairs of Action Lesotho on Lesotho, and for reporting to the Treasurer in Ireland on all such matters. The Treasurer in Ireland shall operate as an internal auditor in relation to the accounts in Lesotho.

The Accounting Officer shall be responsible for the following functions:

- Book keeping, preparing accurate accounts of all transactions on a monthly basis.
- Monitoring the cash balances held by Managers
- Monitoring and reconciling the balance in the bank accounts
- Helping the In-Country Director and the Managers to prepare budgets
- Monitoring actual expenditure against budgets
- Financial reporting to the Treasurer in Ireland
- Ensuring that all taxes are paid when due.
- Preparing the annual accounts for audit, and answering any queries the auditor may have.

The Accounting Officer shall adopt the following procedures in carrying out the above duties:

Book keeping: All records shall be kept in electronic and paper format, and retained for 6 years. Separate records should be kept of Income, Cash Expenditure, Cheque Payments, Payments by Bank Transfer, Wage and Tax payments. Separate records must be kept for each Manager/Project, and also for the Farm and the Mill which are to be treated as separate businesses. The monthly accounts shall be reconciled and transmitted to the Treasurer in Ireland.

Cash: Because Lesotho is largely a cash economy, it is necessary for all Managers to hold substantial cash balances in order to be able to purchase goods and services. The Accounting Officer is the person responsible for ensuring that all cash is properly accounted for, and that each Manger's cash balances are reconciled at the end of each month. If there are discrepancies, the Accounting Officer will work with the Manager concerned to identify how this discrepancy arose. Any discrepancy that cannot be explained should be recorded as "Unexplained Discrepancy" in the account books.

Cheques: Three persons within the management team shall be identified who will be responsible for signing cheques. Cheques must be signed by two of the three authorised signatories. Blank cheques should not be signed. Cash withdrawal from the bank shall be by means of a cheque, so that there is a written record.

Bank Account: The bank account should be reconciled every month. Internet banking may be used for monitoring transactions and balances, but not for making payments.

- Receipts:** A receipt from a numbered receipt book should be issued for any income received, whether for goods or services supplied by Action Lesotho, or for donations received.
- Expenditure:** Expenditure must be kept within the limits of the budget approved by The Board, unless specifically approved by the Board. The Accounting Officer will monitor expenditure and alert the Managers if expenditure under any heading is in danger of exceeding the approved amounts. The In-Country Director has discretion to vary expenditure within the overall budget, but major changes or expenditure that exceeds the total funding allocation must be referred to the Board via the Finance Sub-committee.
- Invoices:** Invoices or receipts for payment should be retained for all payments made, and the date and method of payment should be recorded on the invoice. It is the responsibility of the Accounting Officer to check that documentation exists to support any payment made.
- Reporting:** Income, Expenditure, Cash Flow and Bank Balances should be reported to the Treasurer monthly.
- Taxes:** The Accounting Officer is responsible for ensuring that all taxes, particularly taxes deducted from wages, are paid when due.
- Audit:** The Accounting Officer shall prepare the annual accounts for audit, answer any queries from the auditor, and carry out any recommendations from the auditor.

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