



BITS College

Finance Procedure Manual

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1. Policy and Procedure for Cash Management

1.1 Authorized Signatories

- It is the policy of BITS to have two authorizing signatories for all payments; Category A and Category B signatories for this purpose.
- Category A- used for a specific school operations
- Category B- Used for corporate and investment funds
- Limits on each authorizing signatory as per the approval matrix shall be strictly adhered to.
- No officer shall issue and sign a payment document such as a check in a situation where he is the direct beneficiary. In such circumstances the payment must always be signed by any other senior officer authorized to do so.

1.2 Managing Bank Accounts

- The decision to open or close any bank account shall be authorized by the Head of Finance and approved by the General Manager.
- The Head of Finance shall also maintain a log of all bank accounts opened by the company and the checkbooks issued are in numerical order
- All the bank accounts shall be reconciled monthly by the Accountant or his delegate, reviewed and approved by the Head of Finance or senior accountant
- Control of Bank Checks:
 - Unused checkbooks shall be safeguarded in a safe or otherwise under lock and key by the Head of Finance
 - All checks must be signed for by the receiving officer.
 - The Head of Finance shall check all new checks books to ensure that all check leaves are intact when received from the banks.
 - All check books must be issued in numerical order
 - Checks shall be drawn only after the voucher and the supporting documents have been properly prepared by the Accountant and duly approved as per the approval matrix
 - Signed checks that have not been distributed will be safeguarded under lock and key.

- Under no circumstances will blank checks be signed
- Voided Checks
 - It is the policy of BITS to maintain voided checks log and document every check that has been voided regardless of the reason.
 - If voided checks are physically available, they will be stamped “VOID” and filed with the canceled checks for that month or stapled to the checkbook counterfoil.
- For outstanding checks over 3 month old, It is the policy of BITS to call or write to the payee and inquire whether the check was received or not.
- If the check is lost BITS will issue an immediate stop payment and consider issuing a replacement check upon verification by the bank that the check has not been cashed.
- If the check has been cashed the finance head shall initiate investigation to probe the matter to the bottom and take immediate correcting control measures to prevent recurrence.

1.3 Bank Reconciliation Statements

- It is the policy of BITS to have bank reconciliation statements prepared monthly.
- Bank reconciliation statements will be prepared by the accountant
- The completed bank reconciliation statements and documentation of voided checks shall be reviewed by the Head of Finance or senior accountant.
- All reconciled statements shall be approved by the corporate finance head (CFO).

Guidelines for Preparing Bank Reconciliation Statements

- Bank reconciliations should be prepared and reviewed within 10 working days after the end of the month
- The ending date of the bank ledger and the bank statement should be the same.
- The bank name and account number should be clearly indicated.
- Ideally, the bank reconciliation should be prepared by someone who does not authorize disbursements.
- School finance head or senior accountant should review and endorse the reconciliation. BITS finance head (CFO) will approve the reconciliation statement.

- The bank reconciliation should include a copy of the balance per the accounting records (the ledger balance) and a copy of the bank statement when it is presented to the school finance head for review and endorsement.
- All checks not cashed after 3 months (90 days) from the date of issue should be investigated by the Head of Finance.
- With the consent of the Head of Finance, stale checks should be written off immediately and they become invalid.
- Any unexplained difference between the bank statement and the accounting records should be promptly investigated by the Accountant with the express approval of the head of finance
- Where the reconciling item requires an adjustment to the accounting records, a journal voucher should be used, and the reference for the subsequent adjustment should be noted on the reconciliation.
- Where the bank has made an error, documentation should be obtained from the bank giving the explanation and the adjusting entry made. Copies of this notice should be attached to the bank reconciliation.
- The reconciliation must contain complete descriptions of the reconciling items:
 - Copy of the General Ledger page showing the cash book balance ii. Complete list of outstanding checks, including dates
 - Copy of the summary of deposits and record of all transfers
 - The original bank statements
 - Originals of all bank statement enclosures, i.e. debit and credit memos and advices, transfers advice, etc.
 - Any other documentations and working papers
- Bank statements covering a financial year should be filed together with the bank reconciliation statement.

1.4 Managing Petty Cash

Policy Issues

- The custodian of the petty cash and/or change fund shall not handle more than one fund.

- The reimbursement vouchers shall be approved by a finance head or his delegate who has no direct access to the petty cash
- The frequency of petty cash fund replenishments shall be monitored by someone other than the fund custodian
- The depositing, reconciling and recording of the Company's receipts/collections shall be done by someone other than the custodian of the petty cash or change fund.
- All petty cash funds will be kept in a petty cash box in a locked drawer or file cabinet. Only the petty cash custodian will have access to the petty cash box.
- It is the policy that the amount of cash to be held in the office be reduced to the barest minimum in order to reduce the risk of fraud or theft.
- The cash float to be held should be determined on the basis of the daily cash requirements.
- The cash float shall be 5,000.00
- In any event, the cash float shall not be exceeded without the express written authority of the college president.
- Disbursements of ETB 1,000.00 or less may be made from the petty cash fund for miscellaneous supplies and expenses
- Reimbursement shall not exceed total vouched expenditure per the summary sheet
- All individual petty cash vouchers shall be fully attached with all the source documents creating it and must be properly checked and approved before recording it into the accounting system
- Petty cash vouchers shall be:
 - Signed by the person receiving the cash
 - Prepared in ink and required for each disbursement
 - Supported by an invoice with the amounts and purpose spelled out
- The vouchers and attachments shall be properly marked to prevent their reuse.
- The petty cash will be replenished when
 - the balance falls to 20% of its total
 - a reimbursement request and a voucher with the attached valid bills, invoices, receipts and the summary account of expenditure have been submitted to the Accountant
 - The total expenditure has been checked and approved
- The petty cash custodian shall ensure that the petty cash slip is properly completed, approved, and that a proper receipt is attached before payment is made.
- At all times, the petty cash box shall contain receipts and cash totaling the amount of the fund.

- The finance and administration manager may verify the petty cash and/or change fund by surprise counts. There will be at least two regular cash counts in a year. Certificate of cash balance must be issued after the cash count
- Any cash receipt shall not be deposited into petty cash.

2. Expenditure Control Management

This section sets out the procedures for all forms of expenditure by BITS for the purpose of acquiring fixed assets, procuring items of stock, incurring an expense or engaging in a contract for the benefit of the business either in the short or the long term.

2.1 General Expenditure Control Policies and Procedures

It is the policy of BITS to strictly follow the following procedures for all forms of expenditure.

- All procurements shall follow the procurement policies and procedures of BITS.
- A Requisition Form shall be raised for all requests of funds for any expenditure whether capital or revenue.
- All Requisition Forms shall be duly requested by a specific responsible official in a needy department, authorized by the head of that department and approved by the Head of Finance after checking all valid bills, invoices, or source documents that shall be attached to the request.
- A Payment Voucher shall be raised for all approved Requisition Forms referred above
- The Payment Voucher shall be duly checked by the Accountant, authorized and approved by the Head of Finance after examining all the attachments and assuring themselves of their relevance, quality, validity, accuracy, completeness, and whether the items in question have been budgeted for and funds are available.
- If vouchers submitted for payment are not approved, they will not be processed and will be returned to the relevant staff for rechecking and approval.
- All payment vouchers will possess the following qualities:
 - Description of the transaction
 - Amount of voucher
 - Name of Payee
 - Appropriate Account Code

- Appropriate branch code (if needed)

2.2 Payment by Check

- Once payment vouchers have been approved, a check will be prepared
- All check payments will comply with all the control procedures outlined under section 1.2 above.
- The check number will be entered in the appropriate space on the payment voucher form.
- Paid Stamp
 - It is the policy of BITS to stamp on each paid invoice with the word “PAID” upon payment.

2.3 Payment by Letter of Transfer

- All Letter of Transfer Payments will comply with all the control procedures outlined under section 2.1 above
- The Accountant shall prepare the letter and address it to the respective bank clearly indicating the following details:
 - Beneficiary Account Name
 - Beneficiary Account Number
 - Correspondent Bank Details
 - The Amount to be transferred
 - The appropriate signatories to the bank account shall sign the letter of transfer and the payment voucher.
- The letter shall be in duplicate or the endorsed original letter shall be photocopied to be stamped received by a responsible official at the bank.
- The original of the letter together with the duplicate or the photocopy shall be sent to the bank.
- The original shall be left with the bank and the duplicate or the photocopy (stamped received) shall be attached to the payment voucher for filing.

2.4 Payment by Cash

- Conventionally, cash payments are not encouraged except for minor payments which are catered for by petty cash.
- In cases where a group of people are to be paid in cash, it shall be the policy of BITS to write an open check in the name of the Accountant to effect such payment.
- In cases of the above, there shall be attached to the payment voucher a detailed list of beneficiaries, the amount per beneficiary and signature acknowledging receipt of payment.

2.5 Expenditure Approval Matrix

- Disbursements \leq 50,000 and recurring monthly payments including rent, short term leases, payroll, pension, should be approved by VPBA or VPAAR
- For disbursements $>$ 50,000 (except for those noted above), expenditure shall be approved by the President
- For all expenditure amounts or contracts in excess of 300,000.00 the approval of the executive board would be required.

3. Procedure for business advance

- Advances include purchase advances given to purchasing employees for purchase of goods and services for the operations of the College. Business advances also include travel advances given to company employees for covering costs of work related trips.
- Purchase advances to purchasing agents for purchases of goods and services should be given based on an approved Business Advance Request letter that is completed based on a properly approved Purchase Requisitions (PR) by designated company officials;
- Purchase advances are approved by the respective department;
- Purchase advances should be cleared within 5 working days
- Under no circumstance a purchaser shall have more than 3 purchase advance payments uncleared; Accordingly, additional purchase advance is given if this condition is met;
- A purchasing agent shall be liable for any outstanding balance until the purchase advance is settled with evidence of payment for the purchase of goods or services;

- A purchase advance is settled by completing a Business Advance Settlement letter accompanied by all relevant source documents such as Good Receiving Note (GRN), Supplier's cash sales invoice and purchase requisition;
- All payment receipts and supporting documents presented for settlement of a purchase must be signed at the back by the purchaser;
- Withholding tax shall be retained by the PLC for purchase of goods amounting to Birr 10,000 or more and purchase of services amounting to Birr 3,000 or more.
- If the purchase advance is a small amount, it could be paid from the petty cash fund by a petty case voucher or a suspense voucher. No formal accounting entry is required if the advance is paid out of the petty cash fund until actual invoices or suspense vouchers are submitted to the finance section through the petty cashier;
- When the purchase advance is directly paid to a supplier, it shall be settled and recorded as follows
 - original advance payment if it exists
 - payment of the balance of the contract price upon receipt of the goods
 - acknowledgement of the receipt of service, as appropriate.
- Per Diem is not included in the purchase advance
- Travel advance should be limited to reasonably expected expenses such as per diem (for transport, lodging & meals as appropriate) fuel, and reserve for unforeseen expenses considering the number of days to spend on a trip and the traveling distance.
- Additional travel advance may not be given before all the previous advances are settled;
- All travel advances shall be requested at least three days before date of travel;
- Purchase and travel advances taken but not cleared timely (within the time stipulated by management) shall be transferred to staff debt or account in the name of the employee so that it is deducted from the employee's earnings in the payroll with the approval of the respective company officials who approved business the advances;
- Purchase advances made from research funds shall be separately handled in accordance with the research policy of the College. Although the principal investigator / project leader shall have the authority to make his/her own purchase per the provisions in the research funds guideline, the finance office should make sure the rules and procedures of procurement are properly followed with proper justification

4. Payment for Professional Services

Any payment for professional services requires a contract of agreement for specified service.

Payment will be effected for such services upon receipt of

1. the original contract agreement
2. letter of authorization for payment per the contract agreement by
 - a. the VPAAR in case of academic services
 - b. the VPBA in case of administrative/support services.
3. The finance office has the obligation to check the content of the contract, payment terms before effecting the payment. In case of discrepancies, he/she may seek for possible explanation regarding the same.

5. Payroll Management

5.1 Preparation of Payroll

- The Accountant shall prepare a Payroll on a monthly basis before the 27th day of- of every month that will be checked by the Finance Head and approved by the VPBA or VPAAR
- The payroll shall be prepared monthly by:
 - Multiplying the attendance hours by employee's rates of pay, to give gross pay for hourly paid employees;
 - Using the monthly rates applicable for all other employees;
 - Calculating pay-related statutory deductions from published tables in accordance with regulations contained in Terms and Conditions of Service including advances, loan repayments and other items as shown on individual employee's record;
 - Calculating the relevant allowances as prescribed in the Terms and Conditions of Service and adding overtime where applicable;

5.2 Payroll Deductions

- Each section head is responsible for employees working in their respective section. Any report

concerning change of payroll. overtime or non attendance has to be received by Finance, no later than the 25th day of each month

- Any reporting done after the 25th day of each month shall be effective in the payroll of the next month
- Income tax shall be deducted from staff salaries, where applicable, and shall be paid to ERCA not later than the 15th day of the subsequent month in Ethiopian Calendar. Current tax rates obtained from the ERCA shall be the only applicable rates for employee tax computation.
- Pension shall be deducted from staff salaries as well as the entity account, where applicable, and shall be paid to ERCA not later than the 15th day of the subsequent month in Ethiopian Calendar. Pension contribution shall be calculated with the rates obtained from the ERCA.
- Where a staff has taken a salary advance, there shall be appropriate deductions to that effect before payment of his/her salary. Salary advance is not a matter of right. The salary advance shall be exclusively approved by the VPBA on a case by case basis.
- The payroll shall have columns for the following for each employee:
 - Staff Name
 - Staff TIN Number
 - email
 - Staff monthly Basic Salary
 - Transport Allowance
 - Position Allowance
 - Mobile Allowance
 - Over time
 - Staff income Tax
 - and Pension Contribution, where applicable
 - Staff any other contribution
 - Any other deduction (there should be a reference for the type of deduction made)
 - Staff net salary
- Schedules for Income Tax, pension and staff loans shall also be prepared as part of the Excel payroll file.
- Any changes in payroll must be done in writing and approved by the Finance Head and VPBA
- The Accountant shall prepare monthly pay slips for all staff.

5.3 Payment of Salaries

- Payroll payment vouchers shall be authorized by the Finance Head and approved by the VPBA
- Staff salaries shall be paid on 30th day of every month
- Gregorian Calendar is used for the payment of salaries
- Wherever practicable payment of salaries shall be done by direct bank transfers on the basis of the details submitted by members of staff to the Accountant.
- The Accountant shall write a covering letter to the respective banks authorizing transfer from the entities' bank account to the respective bank accounts of staff. The covering letter shall be signed by the authorized signatories to the Bank Accounts
- Where staff members do not have bank accounts, payments shall be made by open checks written in the names of the employees concerned.
- For all casual employees, a check is prepared and cashed for the total net pay. The money shall then be inserted into individual pay packets.

5.4 Procedure for Salary Income Tax payable

Salary income tax is withheld from employees of the company working either on contract, or permanent basis as per the tax provision in force.

The tax is collected from employees on behalf of the tax authority and is payable to the tax authority within the period defined in the proclamation or as instructed/regulated by tax authority.

- Determine the employees' income tax as to taxable and non-taxable and the extent of exemption.
- Calculate the salary income tax due from each employee's gross taxable income based on prevailing tax rate.
- Settle the amount due to the respective tax office within the allowed time limit.
- Maintain a single salary income tax payable account.
- The salary income tax payable amount should normally show zero balance after settlement of monthly dues. If the account shows a balance after settlement, investigate the balance shown on the income tax payable account and take appropriate action.

5.5 Procedure -Pension Contribution payable (7% and 11%)

Pension deductions of 7% from employees' salary and the share of the employer 11% of respective employees' salary shall be paid monthly to the pension and social security authority.

- Compute 7% pension contribution from each employee of the College
- Compute 11% pension contribution of each employee's salary. This amount is covered by the College.
- The amount deducted is shown as pension contribution payable, 18%.
- Maintain a single pension payable account.
- Prepare list of employees along with the pension contribution and settle the amount to the respective pension administration office

The amount of pension contribution set by the national standards should be checked by the finance office from time to time in case of modification.

5.6 Salary Advance

- The policy of BITS does not allow for advance payment of salary. Only in special circumstances, 50% staff's net salary may be advanced upon justification and approval of the VPBA.
- Full recovery shall be made as a payroll deduction for the same month in which the advance was given.
- The application for salary advance shall be addressed to the Finance Head who shall make his/her recommendations on the matter for the consideration of the VPBA.
- The application shall be attached to a payment voucher that shall be authorized and approved by the VPBA.

6. Procurement and Asset Management

6.1 Procurement Policy Guidelines

- As the policy of BITS, no item shall be procured for the College unless;
 - It has the approval of the respective head of department.

- It has been provided for in the approved annual budget.
- Funds are available for it at the time of the procurement.
- It is beneficially required to further the interests of the College.
- It has been made from the most favorable supplier.
- It is done with the highest professional, ethical, moral and legal standards within the spirit of the prudent person principle.
- It reflects fairness in the spending of the College resources.

6.2 Purchase Requisition Form

- A Purchase Requisition Form shall be completed from a requesting department.
- The Requisition form shall be available online and assistance may be required from the General Services to complete the form accurately whenever the need arises.
- The request shall be authorized by the head of department and budget availability shall be confirmed by the Head of Finance.
- The purchase requisition shall be prepared in one original copy
 - The original copy shall be sent to the Finance department signed by the head for approval by the finance office .
 - The requesting department shall save a scanned copy before sending the approved original request to the procurement office.

6.3 Supplier Comparison

- On completion of the Purchase Requisition Form, the section requesting the purchase may notify the Purchase Committee or purchaser to identify sources for the requisitioned materials by making use of the various media, suppliers' catalogues and prior knowledge of similar purchases.
- The procurement procedure standard presented below, shall be applied for local purchases based on the threshold

| Threshold | Number of RFQ required | Purchase order | Responsible person/Committee |
|----------------------|------------------------|----------------|--------------------------------------------------------------------|
| ETB 3,000.00 or less | At least one | Not required | Purchaser/ Head Of General Services |
| ETB 3,001-50,000.00 | At least three | Required | Procurement Committee/ Head of Finance |
| More than 50,000.00 | At least three | Required | Corporate procurement Committee and requesting unit representative |

- The purchaser or purchasing committee shall make enquiries and solicit for quotations or Pro forma invoices based on the predefined standard
- The Purchase Committee or the purchaser shall evaluate the quotations received and select the most suitable quotation based on quantity, quality, price, discounts, after sales service, terms of delivery and terms of payment.
- For materials or services already purchased, a repeat order to the same supplier can be done without going the above procedures with the approval of VPBA and amount for not more than 25% of the previous order
- In case a specific product has a sole supplier or importer, the purchase can be carried out without going through the above procedure. The purchaser or purchasing committee shall attach a proof of document that the supplier is a sole supplier of the product.
- Any exception to the formal procedure shall be approved by the Executive Management.

6.4 Purchase Order

- Details of the selected supplier along with the required justification shall be submitted to the requesting department for a purchase order to be raised
- The purchase order shall be initiated by the General Service, authorized by the requesting department and confirmation of the finance office on availability of budget
- Sequential purchase Order shall be made, distributed and retained as follows.
 - Original Copy to Supplier
 - Second Copy to Finance department
 - Scanned copy in purchase order file

6.5 Goods Received Note

- The goods together with the supplier's Invoice and Delivery Note, if any, shall be received at the premises of the requesting department.
- The goods shall be inspected by the purchasing unit and the requesting Section representatives to ensure they match with the order before they are received into stock with a Goods Received Note.
- The Original invoice and Copy of the Goods Receiving Note shall be submitted to Finance by the purchaser.

6.6 Payment for Goods and Services

- The Accountant shall raise a Payment Voucher based on the terms of payment.
- The voucher and the check shall be authorized and approved by the Head of Finance and the assigned signatory from the College Management or respectively.

6.7 Records and Controls over Acquired Assets

- The responsibility of asset records is vested with the Accountant. The Accountant shall maintain detail records for all fixed assets acquired by the company (refer fixed asset registration procedure)
- He/she shall keep in safe custody all Fixed Asset's relevant documents regarding the purchase, ownership (registration documents), insurance policies, etc of all fixed assets.

6.8 Stores and Inventory Management procedures

- The store keeper shall enter the quantity of goods received into the stores cards
- All users shall raise a stores requisition form and submit to the store keeper for their requisitions.
- The store keeper shall issue the goods and the recipient shall sign the store card as an acknowledgement of receipt of the goods.
- Physical stock taking shall be done at least semiannually by the Accountant.
- Actual stock count shall be compared and reconciled with the store's ledger records.