



MANEPO

PAYMENT PROCESSING PROCEDURES

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1.1 SUPPLIERS/CREDITORS PAYMENTS

INTRODUCTION

MANEPO makes payments to different customers both external and internal. These payments are categorized as direct payments, and the requirement is that payment be processed within Forty eight hours of receipt of invoices or requisitions.

PROCEDURE

External Clients

- After obtaining the quotations HR & Administration department makes a comparison in terms of pricing, quality and the supplier's capacity to supply the company.
- After identifying a successful supplier, the HR & Administration department issues a local purchasing order with details of the services or products needed.
- This local purchasing order is only duly authorized by the Executive Director
- The HR & Administration department submits the LPO to the supplier, of which the supplier is expected to deliver the stated items on the LPO. When the goods are delivered the HR & Administration personnel will have to match the goods or service offered against the LPO so that they tally.

- For goods delivered the HR & Administration personnel should sign on the delivery note as evidence that they have received the goods and are satisfied as to their expectation.

- Where a service has been offered the HR & Administration personnel should certify that the service was done according to the agreement.
- Upon delivery of goods or services the suppliers is required to produce an Delivery note/Job card, invoice and statement of the goods or services provided.
- Where the client charges Value Added Tax (VAT), the client is supposed to issue a VAT invoice that has a Malawi Revenue Signature on it or a mini invoice of the same.
- For suppliers exempt from withholding taxes they are required to produce the Withholding Tax Exemption certificate as evidence of such.
- After the HR & Administration department has gotten hold of the stated documents, they shall forward them to Finance Department to process payment on the same.

Internal Client

- Where internal clients are concerned, the HR & Administration department receives requisitions from staff for various needs (e.g. Staff loans, travel advances etc).
- The HR & Administration department checks the viability of the requisitions whether they are company's expense, personal loans or any form of advances.
- All requisitions that are genuine and making sense are sent to the Executive Director to authorize payment of such. After the requisitions are authorized, they are forwarded to finance department to process payment.
- Where a member of staff is requesting for a loan, the HR & Administration department checks the eligibility of the person to access that loan. Once the person is eligible to get the loan, a requisition of the same is forwarded to Executive Director to authorize the loan and afterwards forwarded to finance department for payment.

PROCESSING PAYMENT

- Once the responsible officer for payments in finance department is in receipt of the requisitions and invoices he/she is supposed to process the payment within forty eight hours.
- The responsible personnel is supposed to check whether the invoices are authorized for payment or not before processing payment. In a scenario where the requisition or invoice is not authorized the finance officer returns the requisition or invoice to HR & Administration department to rectify the anomaly.

- Invoices received should be matched against LPO's whether they are tallying or not, in a situation where an invoice amount exceeds the one on LPO the invoice is sent back to HR & Administration department that they seek approval of the difference.
- For invoices that have a VAT element, the finance officer is supposed to check VAT compliance of the supplier before processing payment.
- For suppliers that are exempt from withholding tax, the finance officer is supposed to verify the exemption by requesting a withholding tax exemption certificate that states the period of exemption.
- For creditors a statement is called from the supplier and reconciliation with our balances per particular supplier is reconciled every month
- Once payments have been processed, suppliers that do not have a withholding tax exemption, withholding tax certificates should be issued to them before the payment is forwarded for checking.
- All creditors are paid electronically by 15th of every month, this reduces risks of losing cheques and also reduces signing load for authorizers.
- For payments that relate to tax authority, all payments for Withholding Tax, Fringe Benefit Tax, PAYE should be ready by the 2nd of the following month and for dispatching on any day before the 14th of the same month.

REVIEW

- The Finance team responsible for checking all payments that the finance officer has processed for arithmetic accuracy and compliance.
- The creditors reconciliations are checked and approved for payment
- For cheque payments the supervisor endorses on the voucher confirming that the payment is fit for authorization.
- If the payments have got problems the supervisor sends them back to the finance officer who processed the payment so that the problem can be rectified as soon as possible.

AUTHORISATION

- The Finance Manager is responsible for authorizing all payments made in finance department.

- All payment should pass through the Finance Manager and then passed on to the Executive Director.
- Only with consent from the Finance Manager can the payments be passed on to other line managers.
- All payments should be endorsed by the Finance Manager and authorized by the Executive Director
- All managers should endorse on the document as a sign of agreement to the transaction.

CONCLUSION

- Files that might need to be accessed by everyone should be put on network so that they can be accessed without inconveniencing other team members.
- Finance department team should strictly adhere to the controls set aside governing the department.

RISK

- Cheques stolen and cashed.
- Processing payments that are not VAT compliant
- Processing payments on a withholding tax exemption certificate that is not valid.
- Crediting wrong accounts, duplication of payments and frustrating customers for delays in processing their payments.
- Processing payments for contracts that are not NCIC compliant.
- Missing deadline (48 Hour Rule).
- Late payments to tax authorities

MITIGATING FACTORS

- Great care be exercised on all cheque payments that are ready so that they are well kept and safe guarded.
- All unused cheques safely kept under key and lock.
- Always call for withholding tax certificates to act as evidence on payments that taxes are not withheld.
- Always crosscheck VAT compliance on all invoices that have a VAT element.

1.2 STAFF PAYROLL

INTRODUCTION

Employees get paid for the services rendered to the institution on monthly basis. MANEPO policy on payroll is that all employees should get paid by 25th day of the month. MANEPO engages temporary employees when the need arises, and these are paid separately in arrears after month end.

PROCEDURE

Input to payroll for the month is gathered throughout up to 10th day of the month which is the cut-off date and payroll is processed as follows:

I. PERMANENT STAFF

- HR department to update new member details excluding salaries
- The officer starts to process all input to payroll by 10th day of the month being cut off day for the input
- On completion, pay slips are printed together with company pay slip.
- Reconciliation comparing last and current month's payroll movements is attached to company pay slip.
- Reconciliation between Finance and HR is done before review by Finance Manager
- Payroll is submitted to Finance Manager for review by 12th day of the month.
- Then it's further submitted to the Executive Director for review and approval.
- Approval is granted by 14th day of the month.
- Once approval is granted, the Transfer letter and payroll list is sent to the bank for processing.
- Follow ups are done to make sure that all banks credit the salaries in the respective staff accounts on the same day or a day after the file is sent to the bank.

- Staff loans deducted during payroll processing are prepared for repayment including staff welfare and Medical contributions.
- The file is submitted for review, audit, approval and authorization.
- Earnings and deductions, PAYE list and company pay slip are printed and filed.

II. TEMPORARY EMPLOYEES

- The agreement between an employee and the company is given to the payroll officer.
- At month end, the officer prepares pay slips for temporary employees; submit them to the supervisor for review and then Finance Manager for approval.
- The approved pay slips are then given to the officer responsible for direct payment for processing.

1.3 FOREIGN PAYMENTS

PROCEDURE

All foreign payments undergo the same authorization process as indicated on the procedure for Payments. However, the following procedure is followed in foreign payments

- An approved requisition is received in Finance to process foreign payment. This could be relating to allowances for foreign travel or payment in respect of foreign services/ suppliers
- The approved requisition/ invoice is then passed to the Finance Officer
- In case of foreign travel allowance, the Finance Officer prepares a bank transfer letter giving an instruction to the bank to issue allowances to the person travelling.
- In case of a foreign supplier or services provider. The Finance officer will issue a letter to MRA requesting a tax clearance certificate.
- Upon approval the letter is then sent to MRA for MRA to grant the tax clearance certificate
- Upon issuing the tax clearance certificate. A letter is then drawn that issues an instruction to the bank for the bank to process payment to the foreign supplier

- Bank details of the foreign supplier including their physical addresses is and the purpose for which the funds are being transferred are completed on an exchange control form
- When payment has been processed by the bank a TT copy is then requested from the bank and sent to the supplier/ service provider
- Actuarial invoices are grossed up to take into account VAT which the suppliers does not charge but we are required to remit VAT on imported services
- The bank application letter is prepared by the finance officer and forwarded to the finance supervisor for proper checking.
- The application letter quotes the invoices that are being paid for; it also shows the bank account number from which the funds should be debited.
- The same application authorizes the bank to debit all relevant charges to the same bank account for.

CHECKING/AUDIT AND AUTHORISATION

- When application is prepared, it is forwarded to the supervisor to cross check it before passing it on to the Finance Manager to review it. The supervisor has to ensure that all necessary procedure as above has been followed
- After reviewing, the application letter is forwarded to the Executive Director for authorization.
- Signatories authorize the application letter depending on the signing mandates as prescribed by the management.

SUBMITTING OF THE APPLICATION AT THE BANK

- After proper authorization, the application is hand delivered to the relevant bank for processing of the payment.
- A proper follow up is done in order to ensure the foreign client is paid in time. Follow up is in the form of e-mails as well as phone calls.
- In some extreme cases, the finance officer has to personally go to the bank.

PROOF OF PAYMENT

- When the payment has been executed, the bank sends us the TT Copies as proof of payment to the foreign supplier.
- The TT copy is then sent to the supplier notifying him that payment has actually taken place.

1.4 PAYMENTS REVIEW

- Upon completion of the payments processing, the payments are then taken to the responsible Finance Supervisor who checks the payments and signs on the vouchers and batches certifying that all is in order.
- After that the payments are then submitted to the Finance Manager who reviews them and signs on the vouchers, batches and cheques. Cheques are sorted in accordance with their amounts and dealt with them in accordance with cheque signing authority and signing mandates as below:

BELOW IS CHEQUE SIGNING MANDATES WITH VARIOUS CATEGORIES

SIGNATORIES

Authorities listed shall apply to the holders of the title for the time being enumerated here in:

LIST A

- Andrew Kavala - Executive Director
- Justice Dustain Mwaungulu - Board Chair

LIST B

- Ketrina Mhango - Programmes Manager
- Nitike Ngwira - Head of Humanitarian Programmes
- Steven Vinkhumbo (Mr) - Board Member
- Lovenes Imaan (Mrs) - Board Member

CHEQUE SIGNING MANDATE		BANK TRANSFERS AND INVESTMENTS SIGNING MANDATE	
Limits	Signing Authority	Limits	Signing Authority
Up to K1m	A with anyone from list B	Up to K10m	A with anyone from List B
K1m to K5m	A with anyone from list B	K10 to K50m	Anyone from list B with anyone from list A

Vouchers containing the payment information are then filed for future use.

RISK FACTORS ASSOCIATED WITH PAYMENT REVIEW PROCESS

- Payments being signed by managers of the same mandates. This breaks the internal control for payments authorization.

MITIGATION FACTORS

- Personnel responsible for processing the payments have to be in control and make sure signing mandates are correctly followed.
- Authorized signatories must ensure that they follow the mandates at all times

1.5 FIXED ASSET REGISTER

MANEPO has both tangible and intangible assets which are classified into the following categories:

- Buildings
- Computer Hardware
- Computer Software
- Motor Vehicles
- Office Furniture
- Office Equipment

PROCEDURE

The procedure for managing fixed assets involves acquisition, capitalization, disposal and depreciation of assets.

ACQUISITIONS

- Procurement of fixed assets is done in line with Finance and HR and admin process of acquiring assets
- When procurement procedure has been satisfied. A payment is processed in line with the payment procedure. Payment is done through the fixed asset clearing account
- Assets acquired during the month are added to the fixed assets register .

ASSETS ACQUIRED THROUGH THE PROJECT ACCOUNT

- Some assets are acquired over more than one reporting period. As payments are made, they are debited to Projects account awaiting capitalization once the project is completed.
- Once the project is completed and certified we transfer the value of the project to fixed assets clearing account by passing the following journal entry:

Dr: Fixed assets clearing account

Cr: Projects account

- Once we have posted this journal entry, we capitalize the asset by following the steps outlined above.

DISPOSAL

- When assets reach their retirement period or are impaired a recommendation for disposal is made to the Finance Manager.

DEPRECIATION

At the end of every month, we run depreciation to match the costs to the benefits derived from the use of the assets. This is done as we are preparing monthly management accounts.

Depreciation is done by 27th day of every month and it is run per category. Full month's depreciation is charged in the month of acquisition or disposal.

RISKS ASSOCIATED WITH FIXED ASSETS MANAGEMENT

The following are the risks associated with fixed assets management.

- Misclassification of assets on acquisition
- Wrong depreciation method and estimated useful life input upon acquisition of assets.
- Assets not being tagged with appropriate asset IDs making it difficult to identify

MITIGATING FACTORS

- Ensure that the procedure above is followed always followed

1.6 BANK RECONCILIATION (CALL & CURRENT ACCOUNTS)

INTRODUCTION

MANAPO has bank accounts in which all receipts are deposited or transferred into and where payments are paid from. These receipts and payments are reconciled to make sure that our records in the cashbook agree to what is on the bank statements.

PROCEDURE

Bank reconciliation involves the following procedures:

- Bank statements are requested from the banks or obtained on line
- Direct deposits are forwarded to the cashier to issue receipts in cashbook
- Information for direct deposits which is not clear is requested from the bank and booked in cashbook.
- The banks are requested to reverse/correct all transactions that are wrongly reflected on the bank statement
- Bank charges are booked in the system

- Interbank transfers are booked
- Investment placements are booked.
- Transactions in cashbook are ticked against bank statement transactions on daily basis.
- Transactions that the bank have not yet cleared or they have not been presented to them become reconciling items.
- The reconciliation is then printed and submitted for review by the Executive Director

RISKS ASSOCIATED

- Bank statements being received late
- Information for direct deposits not being provided in time by the banks
- Bank debiting/crediting wrong amounts or accounts (i.e. call account instead of current account)
- Incomplete E - statements

MITIGATING FACTORS

- Maintain a good relationship with the bank staff so that they prioritize our requests for statements, direct deposits and reversals.
- Maximize on the available online systems of the banks or any other method of receiving statements on daily basis.
- Monitoring of bank statements on daily basis so that mistakes should be identified and corrected as they occur.
- Verifying E – Statements against physical statements to ensure they balances agree and are a true record of the balance at the bank

1.7 STALE CHEQUES

All cheques that remain unrepresented/ cleared to/by the bank for the period of six months become stale and below is the procedure around stale cheques

PROCEDURE

- During bank reconciliations, all cheques that have been outstanding for six months are traced from the reconciling items and are cleared from the list of outstanding cheques on the reconciliation, posted to the stale cheques account
- An analysis of all uncleared cheques is downloaded every month and sent to technical departments/ Finance department for clarifications/confirmation as to why it is still outstanding.
- Communication is then sent by technical/ Finance department to the affected clients to submit the stale cheques so that a fresh cheque can be drawn in replacement of the stale cheque
- Upon receipt of the clients proposal to replace a stale cheque, The department responsible will raise an office note attaching the stale cheque
- An instruction to replace the cheque is passed to the Finance Officer to process payment
- The Finance will check to confirm that the cheque is indeed in the stale cheques account and has not passed on the bank statement in case of cheques that a client has reported that it is missing
- The officer will then process the payment and follow the normal payment procedure. This payment will have to be debited to the stale cheques account
- Incase of the unclaimed stale cheques, a reversal is passed from the stale cheques account to the source of the transaction to the source Such cheques are credited back to the respective a

RISK

- There is a risk that cheques that have been cancelled and not reversed in the system may be posted to stale cheque account

MITIGATING FACTORS

- Confirm all cheques which are posted to stale cheques account are valid

