



The Kainake Project

**FINANCIAL MANAGEMENT POLICIES AND
PROCEDURES**

2017

CRITICAL | **ECOSYSTEM**
PARTNERSHIP FUND



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ACKNOWLEDGEMENT

We acknowledge the tireless effort that Mr. George Nosuri, our Executive Director responsible for all of our finance and audits committee for taking the leadership in developing Kainake Project's Financial Management Policies and Procedures.

We also acknowledge the International Union for Conservation of Nature and the Critical Ecosystem Partnership Fund for the financial assistance in developing this policies and procedures.

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FOREWARD FROM EXECUTIVE DIRECTOR



It gives me great pleasure to present to you The Kainake Project's Financial Management Policies and Procedures.

As a small community based organization, we are committed to ensuring that our organization is accountable and transparent in the way that monies and our resources are managed. Good corporate governance is one of strategic themes and I am happy to pronounce that this policy is an important step towards achieving one of our objectives under TKP's Strategy 2027.

My Board and its Executive Management strongly believes in accountability and transparency especially in the use of financial resources as being the cornerstone of success. Hence, this policies and procedures will govern the core of our organization ensuring that practice responsibility and restrain from unethical use of funds that will be detrimental to our organization and most importantly affect our people whom we are here to serve.

Our people and communities in Bougainville and other parts of Papua New Guinea are our aspiration. By exercising and implementing this policy, we wish to build a trust-based relationship with these stakeholders and ensure that long-term partnerships are fostered for collaborative action leading to inclusive growth in our communities.

The long-term impact of this policy is that we would like to become a credible organization as far as international good governance standards are concerned. Since its inception in November 2014, TKP has worked tirelessly to developed good financial management process. And I want to acknowledge and thank the International Union for Conservation of Nature who have funded us and assisted us in developing our financial management process. They have provided remarkable challenge to ensure that we are up to speed in financial accountability.

A handwritten signature in black ink, appearing to read 'J. Noro', written in a cursive style.

.....
Dr. Jeffrey Noro
Executive Director

1. GENERAL PURPOSE

The purpose of these policies is to establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of the organization (TKP), and managing the Organization's funds.

2. FINANCIAL RESPONSIBILITIES

It is the responsibility of the Board of Directors to formulate financial policies and review operations and activities on a periodic basis. The Board delegates this oversight responsibility to the financial executive.

The financial executive is tasked to act as the primary fiscal agent, implementing all financial policies and procedures.

The Financial Executive with responsible stakeholders within the organization will be tasked to coordinate the following:

- Annual budget presentation,
- Management of the endowment and other fund investments,
- selection of the auditors,
- and approving revenue and expenditure objectives in accordance with the Board approved long-term plans.

The finance executive with oversight by the finance officers has the day-to-day operations responsibility for managing Agency/Donor funds, ensuring the accuracy of the accounting records, internal controls, financial objectives and policies, financial statement preparation, and bank reconciliation review and approval. The finance officer is directly supervised by the finance executive who is responsible for the preparation of the Chart of Accounts, Reporting Formats, Accounts Payable Processing, Payroll input and Payroll processing, Cash Receipts input, Journal Entries for General Ledger, as well as Bank Reconciliations.

3. CONFLICT OF INTEREST

Members of the Board of Directors are prohibited from activities that might present conflicts of interest. The powers of directorship may not be used to personally benefit the Director at the corporation's expense. If a Director has a financial interest in a corporate transaction, the Director must fully disclose the interest and abstain from voting. Loans to Directors are prohibited.

4. BUDGETING PROCESS

(The entire Board must approve the budget.)

The budget working committee (executive management) shall be responsible for presenting to the Board of Directors an annual operating budget draft sixty (60) days prior to the end of the fiscal year and thirty (30) days prior to its submission to the Board of Directors.

The budget working Committee shall review and approve the recommended fiscal year budget revenues, expenditures and cash flow, and submit it for approval to the Board of Directors. The

budget shall contain revenues and expenses forecasted by month. A chart describing monthly cash flow shall be included.

5. FINANCIAL STATEMENTS

The origination's financial statements shall be prepared on an accrual basis in accordance with Generally Accepted Accounting Principles ("GAAP"). The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards- "Financial Statements of Not-For-Profit Organizations"

The Executive Finance shall prepare and present Monthly Financial Statements in a format approved by the Executive Management and the Board. The statements shall be presented to the Board of Director quarterly and annually for approval.

6. CASH (FUND) AT BANK

A cash fund of one-quarter to one-third of the Organisation's annual operating expenses shall be maintained. When the fund balance falls below this minimum, the Executive Management and the Board shall develop a plan and budget for rebuilding it.

7. ORGANISATION AUDIT

The Orgainsation will have an audit of its financial statements annually, within 4 months of the end of each the fiscal year. The audit shall be completed by a firm of Independent Certified Public Accountants. The Financial Executive and finance officer shall have be directly responsible in overseeing the implementation of the Annual Financial Audit.

The Financial Executive shall recommend to the Audit Committee (Committee within the Executive Management) for approval, the selection of a firm to perform the annual audit. In addition, the Audit Committee shall assist when necessary in the audit preparation, and report the final results to the Board of Directors. A representative of the audit firm shall be invited to attend the annual presentation to the Audit Committee shall be required to make a presentation to the Board if the audit report is other than unqualified, or if the auditors report material weaknesses in internal controls or reportable conditions.

8. EXPENDITURES PROCEDURES

All expenditures shall be approved by the organisation's executive team .All expenditures shall be coded by account number using the organisation's Chart of Accounts in reference to its respective donor fund. register. All Invoices shall be approved by Finance executive . Following the review and approval, checked payment vouchers shall be prepared and the invoices shall be distributed to the Finance officer for cheque payment preparation. Upon payment of a bill, a copy of the cheque shall be stapled onto the bill and payment date and cheque number shall be printed on the invoice. The paid invoices shall be filed alphabetically according to company/individual name and shall be kept on a fiscal year basis on file.

9. SIGNATURE POLICY

Three (3) Nominated Executive members (any two signatures) shall unless otherwise decided by the Board, sign all cheques, drafts, or orders for payment of money, contracts, and commitments for services issued in the name of the Organisation(TKP). In the absence of either individuals, the signature of the Chairman of the Board must be obtained.

10. BANK ACCOUNTS AND INVESTMENT ACCOUNTS

The Financial Executive shall maintain and oversee Bank and Investment accounts (if Any), and ensure the organization 's day-to-day financial operations. Several accounts may be maintained by the organisation as follows:

1. Cheque Account
2. Term Deposit

These accounts may be changed as the Organisation's financial conditions and requirements change.

11. CHEQUE ACCOUNT & DEPOSITS

All cheque and cash, are reviewed by the financial executive and the finance officer and deposited in the appropriate accounts. Fund raising events, corporate donations and miscellaneous contributions, shall be deposited into the accounts. Monies shall be transferred from the Cheque account into the investment account when necessary, by the Finance officer when authorized. Cheques are written as and when required to meet obligations, or ongoing operational expenditures.

12. BANK RECONCILIATIONS

Bank reconciliations shall be completed monthly by the finance officer and cross-referenced with the cash and receipts logs and the monthly Financial Statements. The Financial Statements shall be compiled by the Financial Executive. The Statements shall form part of monthly report presented to the Executive Management.

13. CONFIDENTIALITY AND RECORDS SECURITY

Financial records are restricted materials with limited access. Only the Finance Executive and Finance Officer (or others so authorized) shall have access to financial records (vendor files, checks, journals, payroll, etc.).

14. DOCUMENT RETENTION

Financial documents are retained for a period of time in keeping with State law and the recommendations of the IRS.

15. PETTY CASH

All Petty cash for the organization shall be operated or give out from the operating account in reference to all the projects funds.

16. CAPITAL PURCHASE

All purchase all any Capital items or capital in nature must be approved by the organization's board

17. INSURANCE

All Properties purchased by the organization for any Project and is registered under The Kainake Project must be insured. Insurance Cover must be taken out with an appropriate insurance company.

18. PROPERTY & EQUIPMENT

All Property and Equipment purchase by the organization (TKP) must be registered in its Fixed Assets Register and must be depreciated accordingly in compliance with the Accounting & Tax Laws. Any Property and Equipment whether fully depreciated or not shall be disposed or sold at a marketable value.

19. TAX OBLIGATION & REPORTS

Any Tax obligations must be lodged accordingly (if need be) by the organization's Tax agent with responsible government agencies.