

SOCDA | ORGANIZATIONAL POLICY & PROCEDURES



SOMALI COMMUNITY DEVELOPMENT ASSOCIATION (SOCDA)

Empower • Engage • Develop

FINANCIAL MANAGEMENT MANUAL

Financial governance, controls, budgeting, accounting and reporting

SOCDA-FIN-MAN-001

PART I – FINANCIAL GOVERNANCE

1. PURPOSE

The purpose of this Manual is to establish a robust financial management system for SOCDA that ensures:

- Proper stewardship of funds.
- Accountability and transparency.
- Effective internal controls.
- Accurate financial reporting.
- Compliance with donor requirements.
- Value for money.
- Prevention and detection of fraud.
- Appropriate segregation of duties.
- Timely financial decision-making.

This Manual applies to all SOCDA programmes, projects, offices and funding sources

2. FINANCIAL MANAGEMENT PRINCIPLES

SOCDA's financial management shall be guided by:

1. **Accountability**
2. **Transparency**
3. **Integrity**
4. **Value for money**
5. **Segregation of duties**
6. **Documentation**
7. **Budget discipline**
8. **Donor compliance**
9. **Prudent resource management**
10. **Auditability**

3. FINANCIAL GOVERNANCE STRUCTURE

Governing Board

Provides oversight of:

- Annual budget.
- Financial performance.
- Audit.
- Significant financial risks.

- Major financial commitments.

Executive Director

Responsible for overall financial management and implementation of Board-approved decisions.

Finance Manager/Officer

Responsible for:

- Accounting.
- Financial controls.
- Reporting.
- Budget monitoring.
- Cash management.
- Financial compliance.

Programme/Project Managers

Responsible for:

- Programme budgets.
- Expenditure planning.
- Budget monitoring.
- Supporting documentation.
- Donor compliance.

4. SEGREGATION OF DUTIES

SOCDA shall separate:

Initiation → Review → Approval → Payment → Recording → Reconciliation

Where staffing limitations make full segregation impossible, compensating controls shall be introduced.

Examples include:

- Secondary review.
- Management spot checks.
- Independent reconciliation.
- Board oversight.

5. DELEGATION OF FINANCIAL AUTHORITY

All financial commitments shall follow the approved SOCDA Delegation of Authority Framework.

No employee may approve expenditure above their authorised limit.

PART II – BUDGET MANAGEMENT

6. ANNUAL BUDGET

SOCDA shall prepare an annual organisational budget covering:

- Programme activities
- Personnel
- Administration
- Operations
- Logistics
- Equipment
- Monitoring and evaluation
- Governance
- Fundraising/resource mobilisation

The budget shall be approved before the start of the financial year where practical.

7. PROJECT BUDGETS

Every funded project shall have:

- Approved budget.
- Budget narrative.
- Funding source.
- Cost categories.
- Project period.
- Donor restrictions.
- Responsible manager.

No project should commence financial implementation without an approved budget.

8. BUDGET CODES

SOCDA shall maintain an appropriate coding structure.

Example:

Code	Category
1000	Personnel
2000	Travel
3000	Programme Activities
4000	Training
5000	Procurement
6000	Equipment
7000	Office/Operations
8000	Monitoring & Evaluation
9000	Other/Contingency

The final Chart of Accounts should be adapted to SOCDA's accounting system and donor requirements.

9. BUDGET CONTROL

Finance shall monitor:

Approved Budget vs Actual Expenditure vs Variance

Material variances shall be investigated and explained.

10. BUDGET REVISIONS

Budget revisions must be:

- Justified.
- Documented.
- Approved.
- Consistent with donor rules.

Donor approval shall be obtained where required.

11. BUDGET VARIANCE ANALYSIS

Monthly financial reviews should identify:

- Overspending.
- Underspending.
- Unusual expenditure.
- Delayed implementation.
- Funding gaps.

- Forecast risks.

Managers should provide explanations for material variances.

PART III – ACCOUNTING

12. ACCOUNTING BASIS

SOCDA shall maintain accounting records using an appropriate accounting basis and system consistent with:

- Applicable requirements.
- Donor requirements.
- Organisational needs.

The selected accounting system shall support:

- Project tracking.
- Budget monitoring.
- Financial reporting.
- Audit trails.

13. CHART OF ACCOUNTS

SOCDA shall maintain a controlled Chart of Accounts covering:

- Assets
- Liabilities
- Income
- Expenditure
- Funds/projects
- Cost centres

Only authorised personnel may create or modify account codes.

14. ACCOUNTING RECORDS

Financial records shall include:

- Cashbooks
- Ledgers
- Journals
- Bank statements
- Payment vouchers

- Receipts
- Invoices
- Purchase orders
- Contracts
- Payroll
- Asset records
- Advances
- Financial reports

15. TRANSACTION DOCUMENTATION

Every transaction must have adequate supporting documentation.

A payment file should normally contain:

**Request → Approval → Procurement Evidence → Invoice → Verification → Payment
→ Accounting Record**

16. PAYMENT VOUCHERS

Each payment should have a payment voucher containing:

- Voucher number.
- Date.
- Payee.
- Description.
- Project/code.
- Amount.
- Supporting documentation.
- Prepared by.
- Checked by.
- Approved by.

PART IV – BANK MANAGEMENT

17. BANK ACCOUNTS

SOCDA bank accounts shall be opened only with appropriate Board/management approval.

Accounts should be maintained in the organisation's legal name.

18. BANK SIGNATORIES

SOCDA shall maintain authorised signatories.

At least two authorised persons should normally be required for material transactions.

Signatory lists must be updated when:

- Staff leave.
- Roles change.
- Authority changes.

19. BANK RECONCILIATION

Finance shall conduct bank reconciliations at least monthly.

The reconciliation should identify:

- Unpresented cheques where applicable.
- Outstanding transfers.
- Bank charges.
- Errors.
- Unidentified transactions.

An independent reviewer should review the reconciliation where possible.

20. ONLINE BANKING

Online banking credentials shall:

- Be confidential.
- Not be shared.
- Use individual access where possible.
- Be removed immediately when access is no longer required.

PART V – CASH MANAGEMENT

21. PETTY CASH

SOCDA may maintain petty cash where operationally necessary.

A petty cash limit shall be established by management.

22. PETTY CASH PROCEDURE

The process shall be:

23. CASH COUNT

Finance should conduct regular cash counts.

Cash count results should be documented.

Any discrepancy must be investigated.

24. CASH ADVANCES

Advances may be provided for:

- Travel
- Training
- Field activities
- Approved programme activities

Advances must be retired within the defined timeframe.

25. ADVANCE RETIREMENT

The employee shall submit:

- Advance liquidation form.
- Original receipts where applicable.
- Activity report where required.
- Unspent balance.

Outstanding advances should be monitored through an **Advance Register**.

PART VI – INCOME AND FUNDING

26. FUNDING SOURCES

SOCDA may receive funds through:

- Grants.
- Donations.
- Institutional funding.
- Contracts.
- Membership/other approved income.
- Contributions.

- Other lawful sources.

All funding must comply with applicable requirements.

27. DONOR FUNDS

Each donor-funded project shall be separately identifiable in the accounting system.

Finance shall track:

- Income.
- Expenditure.
- Balance.
- Budget.
- Restrictions.

28. RESTRICTED FUNDS

Restricted funds shall only be used for approved purposes.

Transfers between restricted projects or budget categories require appropriate approval.

29. FUND RECEIPTS

All funds received shall be:

- Properly recorded.
- Supported by documentation.
- Deposited promptly.
- Reconciled with bank statements.

PART VII – EXPENDITURE MANAGEMENT

30. ELIGIBILITY OF EXPENDITURE

Expenditure must be:

- Necessary.
- Reasonable.
- Budgeted.
- Authorized.
- Properly documented.
- Consistent with donor requirements.

31. PAYMENT PROCESS

SOCDA should apply the following standard payment process to ensure proper authorization, budget control, documentation, accountability and audit readiness:

1. Request Raised – The responsible staff member submits a payment or purchase request with the required justification.
2. Budget Availability Confirmed – Finance verifies that sufficient funds are available within the approved budget.
3. Procurement Requirements Checked – Procurement requirements and applicable thresholds are reviewed to determine the appropriate procurement method.
4. Supporting Documents Reviewed – Finance verifies invoices, quotations, purchase orders, contracts, delivery notes, attendance sheets or other relevant supporting documents.
5. Authorized Approval Obtained – The payment is reviewed and approved by the designated authority in accordance with SOCDA's approval and segregation-of-duties requirements.
6. Payment Processed – Finance processes the payment through the approved payment channel, preferably bank transfer where practical.
7. Transaction Recorded – The transaction is recorded in the appropriate financial records, including the Payment Register, Cash/Bank Register and Budget Tracker.
8. Documents Filed – All supporting documents are systematically filed and retained for audit, donor verification and management review.

Key Control Principle: *No payment should be processed without an approved request, confirmed budget availability, adequate supporting documentation and authorized approval.*

32. INVOICES

Invoices should be checked for:

- Supplier name.
- Invoice number.
- Date.
- Description.

- Quantity.
- Amount.
- Tax information where applicable.
- Evidence of delivery/service.
- Approval.

33. DUPLICATE PAYMENTS

Finance shall use controls to prevent duplicate payments.

Potential duplicates should be investigated before payment.

34. STAFF EXPENSES

Staff expenses must:

- Be work-related.
- Be reasonable.
- Be authorised.
- Have supporting documentation.
- Be submitted within required timelines.

Personal expenditure shall not be reimbursed unless specifically authorised under policy.

PART VIII – PROCUREMENT INTERFACE

35. PROCUREMENT

Procurement shall be governed by a separate **SOCDA Procurement Policy & SOP**.

Finance shall verify:

- Budget availability.
- Correct coding.
- Approval.
- Financial documentation.

Finance should not replace Procurement's technical evaluation role.

36. SUPPLIER PAYMENTS

Before payment, Finance should verify:

- Approved supplier.
- Valid invoice.
- Delivery/service confirmation.
- Purchase order/contract where required.
- Approval.
- Correct budget code.

37. SUPPLIER MASTER FILE

SOCDA shall maintain supplier records including:

- Legal name.
- Contact details.
- Registration information where applicable.
- Bank details.
- Tax information where applicable.
- Due diligence.
- Contract documentation.

Changes to supplier banking information should receive additional verification.

PART IX – PAYROLL

38. PAYROLL MANAGEMENT

Payroll shall be based on:

- Approved contracts.
- Authorised salary levels.
- Approved changes.
- Valid employee records.

39. PAYROLL PROCESS

HR prepares employee changes → Finance prepares payroll → Management reviews → Authorised persons approve → Payment → Reconciliation

40. PAYROLL CONFIDENTIALITY

Salary information shall be restricted to authorised personnel.

41. PAYROLL RECONCILIATION

Finance shall reconcile:

- Payroll register.
- Bank payment.
- General ledger.
- Employee records.

PART X – ASSET MANAGEMENT

42. ASSET REGISTER

SOCDA shall maintain an asset register containing:

- Asset ID
- Description
- Purchase date
- Cost
- Location
- Custodian
- Condition
- Funding source
- Disposal status

43. ASSET VERIFICATION

Physical verification should be conducted periodically.

Differences between the physical inventory and asset register must be investigated.

44. ASSET DISPOSAL

Assets shall only be disposed of through authorised procedures.

The process should include:

1. Identification.
2. Condition assessment.
3. Approval.
4. Valuation where appropriate.
5. Disposal.
6. Documentation.
7. Register update.

PART XI – TRAVEL

45. TRAVEL AUTHORISATION

Travel must be approved before departure except in documented emergencies.

Travel requests should include:

- Purpose.
- Destination.
- Dates.
- Estimated cost.
- Project code.
- Approval.

46. TRAVEL ADVANCES

Travel advances must be retired promptly after travel.

47. TRAVEL EXPENSES

Reimbursement should follow SOCDA-approved rates and donor rules.

Where donor rates differ, donor rules shall apply.

PART XII – FINANCIAL REPORTING

48. MONTHLY FINANCIAL REPORT

Finance should prepare monthly reports covering:

- Income.
- Expenditure.
- Budget.
- Variance.
- Cash position.
- Advances.
- Payables.
- Receivables.
- Project balances.

49. MANAGEMENT FINANCIAL REPORT

A management report should include:

INDICATOR	BUDGET	ACTUAL	VARIANCE	%
PERSONNEL				
PROGRAMME				
TRAVEL				
PROCUREMENT				
OPERATIONS				
M&E				
TOTAL				

50. DONOR FINANCIAL REPORTS

Donor reports shall be:

- Accurate.
- Reconciled.
- Reviewed.
- Submitted on time.
- Supported by accounting records.

51. CASH FLOW FORECAST

Finance shall periodically forecast:

- Expected funding.
- Programme expenditure.
- Payroll.
- Supplier commitments.
- Cash requirements.

This helps SOCDA avoid liquidity problems.

PART XIII – MONTH-END CLOSING

52. MONTH-END PROCEDURE

Finance should complete:

- Bank reconciliations.
- Cash reconciliation.
- Advance review.
- Supplier/payable review.
- Payroll reconciliation.
- Ledger review.
- Budget variance analysis.
- Project expenditure review.
- Supporting-document review.

53. YEAR-END CLOSING

At year-end, Finance shall:

1. Reconcile all bank accounts.
2. Reconcile cash.
3. Review advances.
4. Review payables.
5. Review receivables.
6. Verify assets.
7. Review donor balances.
8. Close accounting periods.
9. Prepare financial statements.
10. Support audit.

PART XIV – AUDIT

54. INTERNAL REVIEW

SOCDA shall conduct periodic financial control reviews.

These may include:

- Transaction testing.
- Cash counts.
- Procurement reviews.
- Asset verification.
- Payroll checks.
- Budget reviews.

55. EXTERNAL AUDIT

SOCDA shall arrange an independent external audit where required by:

- Law.
- Donor agreement.
- Board decision.
- Organisational requirements.

56. AUDIT FINDINGS

Management shall develop an **Audit Action Tracker**.

Finding	Risk	Recommendation	Action	Owner	Deadline	Status
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PART XV – DONOR COMPLIANCE

57. DONOR COMPLIANCE PRINCIPLE

Where donor rules are stricter than SOCDA's internal policies:

The stricter applicable requirement shall prevail.

58. DONOR COMPLIANCE MATRIX

SOCDA should maintain:

Donor	Budget Rules	Procurement	Reporting	Audit	Special Conditions
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PART XVI – FINANCIAL RECORDS

59. RECORD MANAGEMENT

Financial records shall be:

- Complete.
 - Accurate.
 - Accessible to authorised personnel.
 - Secure.
 - Protected against alteration.
 - Retained according to applicable requirements.
-

60. DOCUMENT FILING

SOCDA should maintain organised:

Finance Files

- Payment vouchers
- Receipts
- Bank documents
- Journals
- Ledgers

Project Files

- Budgets
- Donor agreements
- Financial reports
- Supporting documents

Procurement Files

- Quotations
- Evaluations
- Purchase orders
- Contracts

PART XVII – INTERNAL CONTROL FRAMEWORK

61. KEY CONTROLS

SOCDA shall maintain controls covering:

Control Area	Key Control
Cash	Cash counts
Bank	Monthly reconciliation
Procurement	Competitive process
Payments	Authorisation
Payroll	HR/Finance reconciliation
Assets	Physical verification
Advances	Advance register
Budget	Monthly variance analysis
Donor funds	Project coding
Fraud	Whistleblowing mechanism

62. CONTROL SELF-ASSESSMENT

Finance should periodically assess:

- Are approvals working?
- Are reconciliations completed?
- Are advances outstanding?
- Are documents complete?
- Are donor rules followed?
- Are procurement thresholds respected?
- Are assets accounted for?

PART XVIII – FINANCIAL RISK MANAGEMENT

63. FINANCIAL RISK REGISTER

Risk	Likelihood	Impact	Rating	Control	Mitigation	Owner
Fraud						
Cash loss						
Funding delay						
Overspending						
Donor non-compliance						
Exchange-rate risk						

PART XIX – FINANCIAL AUTHORITY MATRIX

<i>Decision</i>	<i>Initiate</i>	<i>Review</i>	<i>Approve</i>	<i>Record</i>
<i>Payment</i>	Requester	Finance	Authorised Officer	Finance
<i>Budget</i>	Manager	Finance	ED/Board	Finance
<i>Bank transfer</i>	Finance	Finance Manager	Signatories	Finance
<i>Advance</i>	Staff	Finance	Manager/ED	Finance
<i>Asset disposal</i>	Custodian	Finance	ED/Board	Finance
<i>Payroll</i>	HR	Finance	ED/ Authorised Signatory	Finance

PART XX – KEY FINANCE REGISTERS

SOCDA Minimum Financial Registers

SOCDA should establish and maintain, at a minimum, the following financial and administrative registers:

1. **Cash Register** – Records all cash receipts and payments.
2. **Bank Register** – Tracks all bank transactions, deposits, withdrawals and balances.
3. **Advance Register** – Monitors staff and programme advances, liquidation and outstanding balances.
4. **Asset Register** – Records all organizational assets, including location, custodian, value and condition.
5. **Supplier Register** – Maintains approved supplier details, procurement history and performance records.
6. **Contract Register** – Tracks all contracts, agreements, values, duration and key obligations.
7. **Budget Tracker** – Monitors approved budgets, actual expenditure, commitments and variances.
8. **Donor Funding Register** – Tracks donor grants, funding agreements, amounts, project periods and reporting obligations.
9. **Payment Register** – Records all payments, beneficiaries, payment references and approval details.
10. **Audit Action Register** – Tracks audit findings, management actions, responsible persons and implementation status.
11. **Financial Risk Register** – Identifies financial risks, assesses their likelihood and impact, and tracks mitigation measures.

Recommendation: These registers should be maintained in a standardized **SOCDA Financial Management & Internal Control Workbook**, with clear ownership, regular updating, management review and proper document filing.

PART XXI – STANDARD FINACIAL FORMS



STANDARD FINANCE FORMS

SOCDA

should develop standard templates for:

Form
01



Payment Request

Form
02



Payment Voucher

Form
03



Petty Cash Request

Form
04



Advance Request

Form
05



Advance Liquidation

Form
06



Travel Authorisation

Form
07



Expense Claim

Form
08



Bank Reconciliation

Form
09



Cash Count

Form
10



Budget Revision

Form
11



Asset Transfer

Form
12



Asset Disposal

Form
13



Monthly Budget Monitoring

Form
14



Financial Report

Form
15



Audit Action Tracker

PART XXII – MANAGEMENT REPORTING CALENDAR

Report	Frequency	Responsible	Recipient
Cash Position	Weekly/Monthly	Finance	ED
Bank Reconciliation	Monthly	Finance	Finance Manager
Budget Monitoring	Monthly	Finance	Management
Project Financial Report	Monthly	Finance	PM/ED
Donor Report	As required	Finance/Grants	Donor
Financial Statement	Annual	Finance	Board
Audit Report	Annual	Auditor	Board

PART XXIII – EMERGENCY FINANCIAL CONTROLS

During emergencies, SOCDA may use accelerated procedures where necessary.

However:

Emergency does not mean uncontrolled.

Emergency transactions must still be:

- Justified.
- Approved.
- Documented.
- Recorded.
- Reviewed retrospectively.

PART XXIV – MANAGEMENT RESPONSIBILITIES

Effective financial management requires **clear roles, accountability, segregation of duties, and collaboration** across all levels of the organization. Each function has a defined responsibility to ensure that organizational funds and resources are managed transparently, efficiently, and in accordance with approved policies, donor requirements, and applicable laws.

Role	Key Responsibility
Executive Director	Provides overall financial stewardship and strategic oversight. Ensures financial sustainability and approves key financial policies, plans, and decisions.

Finance Manager	Maintains financial control and prepares accurate and timely financial reports. Ensures compliance with financial policies, procedures, and donor requirements.
Programme Managers	Manage programme budgets and monitor expenditure against approved plans. Ensure that programme resources are used efficiently to achieve agreed objectives.
Procurement	Ensures procurement activities comply with organizational policies and procedures. Promotes transparency, competition, value for money, and proper documentation.
Human Resources (HR)	Maintains accurate personnel information that affects payroll and staff costs, including contracts, attendance, leave, and approved changes in employment status.
Board of Directors	Provides governance oversight and accountability. Reviews organizational performance, financial integrity, compliance, and major financial decisions.

Purpose of These Responsibilities

The separation of responsibilities helps to **prevent errors, conflicts of interest, misuse of funds, and fraud** while strengthening internal controls. All responsible staff are expected to maintain proper documentation, communicate relevant information promptly, and cooperate with Finance to ensure accurate and accountable financial management.

Key principle: *No single individual should control an entire financial transaction from initiation to approval, payment, and recording.*

PART XXV – POLICY EXCEPTIONS

Exceptions to this Manual must:

1. Be justified.
2. Be documented.
3. Receive appropriate approval.
4. Not undermine donor requirements.
5. Be reviewed for risk.

Repeated exceptions should trigger policy review.

PART XXVI – POLICY REVIEW

This Manual shall be reviewed:

- Annually.
- After significant audit findings.
- After major organisational changes.
- When donor requirements change.
- When financial systems change.

64. FINANCE IMPLEMENTATION CHECKLIST

Before implementation, SOCDA should complete:

- Approve Finance Manual.
- Confirm financial year.
- Approve Chart of Accounts.
- Establish bank signatories.
- Establish financial approval thresholds.
- Establish petty cash limit.
- Establish advance procedures.
- Establish asset register.
- Establish supplier register.
- Establish donor funding register.
- Establish monthly closing procedure.
- Establish budget monitoring.
- Train Finance and management.
- Conduct initial financial control assessment.

65. APPROVAL

Approved by: SOCDA Governing Board

Board Resolution No.: _____

Chairperson: _____

Signature: _____

Date: _____

Effective Date: _____

Next Review Date: _____