

A large, abstract graphic on the left side of the page is composed of several overlapping geometric shapes. It includes orange squares, purple triangles, a purple square with diagonal hatching, and a purple circle with a diagonal hatching. The graphic is set against a dark purple background.

## **FINANCIAL POLICY**

# ARTICLE 1. POLICY STATEMENT

THIS FINANCIAL POLICY PROVIDES CLEAR PROCEDURES, SYSTEMS AND GUIDANCE ON FINANCIAL MANAGEMENT ACTIVITIES AND DECISIONS TO ENSURE TRANSPARENCY AND ACCOUNTABILITY.

As stewards entrusted with resources on behalf of vulnerable communities, we are faithful to the purpose for which those resources are given for and commit to manage them in the most effective and efficient manner. Lydia Action is accountable to donors, stakeholders, partners, employees, and the communities we work with.



# ARTICLE 2. OBJECTIVE

**The policy aims at enabling:**

- ✓ Efficient and effective budgeting
- ✓ Sound financial record management systems
- ✓ Monitor and control expenditures
- ✓ Adherence to systematic implementation of financial systems and procedures
- ✓ Satisfy statutory financial reporting requirements
- ✓ Ensure timely and accurate financial reporting and accountability to donors and grant-makers.

# ARTICLE 3. ACCOUNTING

## **3.1. INCOME**

Income represents grants from donors, and interests received from bank deposits. Lydia Action will report income based on funds received on an annual basis.

## **3.2. EXPENDITURE**

These are expenses incurred directly or indirectly to implement Lydia Action programme activities. These are recognized when payments are made and all supported documents are recorded.

## **3.3. RECORD KEEPING**

The accounts of Lydia Action are prepared under the historical cost convention. The day-to-day transactions are recorded at the monetary value of the goods or services or fair market value of the donated services.

## **3.4. CURRENCY OF ACCOUNT**

The accounts of Lydia Action are created to reflect the budget line items of the approved programme budget. In addition, the accounts are recorded in the currency of the grant or as agreed by the donor.

### **3.5. BANKING**

Lydia Action has multiple projects and field offices. The National office, under the finance office manages the bank accounts under the oversite of the Executive Director's Office. The National office bear the overall responsibility for distribution of funds to local offices or projects. The transfer of funds is made according to the programme budget, project targets.

### **3.6. TAXATION**

Lydia Action is a fully registered non-profit organization therefore provision is made for all payable tax as expected by the laws of Malawi.

## **ARTICLE 4. SYSTEMS AND PROCEDURES**

The objectives of Lydia Action's accounting system is to systematical record and classify all transactions accurately and completely. Lydia Action maintains a complete record of all donations received, expenditures incurred and assets owned.

### **4.1. GENERAL LEDGER**

The Finance office posts monthly transactions of grants received, expenditure on project activities and other transactions relating to programmes and organizational assets.

### **4.2. BOOK KEEPING**

The Finance office records transactions on the grant recipient bank accounts and maintains receipts of all cash expenditures

### **4.3. BUDGET AND EXPENDITURE**

The Finance office in close coordination with department heads and the Executive Director plans and records budgets and actual expenditure utilizing relevant budget codes on a monthly and cumulative basis

### **4.4. FIXED ASSETS**

The Finance office in close collaboration with the administrative office maintains records of all assets; including procurement record transactions.

### **4.5. PAYROLL**

The Finance office in close collaboration with the Human Resource office records transactions relating to remuneration of employees.

### **4.6. REPORTING**

The Finance office in close coordination with department heads and the Executive Director prepare monthly, quarterly and/or annual financial reports.

# ARTICLE 5. DELEGATION OF AUTHORITY

## 5.1. THE BOARD OF TRUSTEES

The board of trustees is ultimately responsible for the financial management of all activities. The Treasurer acts on the Board's behalf on financial matters. All Financial statements are reviewed and approved by the board of trustees. The Board of Directors at each board meeting; reviews and approves financial reports and provides guidance and advice on financial oversight role

## 5.2. EXECUTIVE DIRECTOR

The Executive Director is responsible for overall planning and management of financial activities of the organization. The Board authorizes the Executive Director to receive funds, maintain bank accounts, agree contracts and authorize disbursement of expenses related to organizational operations and all project costs.

The Board authorizes the Executive Director to manage expenses within the parameters of the overall approved budget, reporting to the Board of trustees.

## 5.3. FINANCE OFFICE

The Lydia Action finance office provides the following support to employees and management:

- ✓ Keeping accurate records for all daily transactions
- ✓ Preparing balance sheets
- ✓ Processing invoices
- ✓ Updating internal systems with financial data
- ✓ Preparing monthly, quarterly and annual financial reports
- ✓ Reconciling bank statements
- ✓ Assisting in project activity expenditure liquidations
- ✓ Participating in financial audits
- ✓ Tracking bank deposits and payments
- ✓ Assisting with budget preparation
- ✓ Reviewing and implement financial policies

# 6. INTERNAL FINANCIAL TRANSACTIONS

All advances of funds to staff for the implementation of project activities are authorized through a systematic and robust approval process. Lydia Action does not borrow funds from any donor or financial entity. All financial transactions are processed within the parameters of the overall approved budget.

# 7. GIFT ACCEPTANCE

Lydia Action accepts donations in form of gifts from well-wishers and donors within applicable laws of Malawi. The Finance office transfers the gifts into Lydia Action assets and records the value of the asset in compliance with accounting standards.

Lydia Action accepts contributions of goods or services other than cash that are related to the projects and operations. All other contributions of non-cash items are reviewed and approved by the Board of Directors before acceptance

# 8. ASSET PROTECTION

In order to ensure that the assets of Lydia Action are protected and maintained, the Finance Office under the supervision of the Executive Director shall:

- ✓ Insure and ensure against theft and casualty losses to the organization and against losses to Board members, staff, and/ or the organization.
- ✓ Plan and carry out suitable protection and maintenance of property, buildings, and equipment in coordination with the administrative office.
- ✓ Avoid actions that would expose the organization, its board, or its staff to claims of liability.
- ✓ Protect financial information, and files from unauthorized access, tampering, loss, or significant damage.
- ✓ Receive, process, and disburse funds under controls that are sufficient to maintain basic segregation of duties to protect bank accounts, income receipts, and payments.

# 9. IMPLEMENTATION

## 9.1. FINANCIAL MANUAL

Lydia Action has a financial processes and systems handbook, which has detailed financial management guidelines. It outlines more precise financial management duties for employees and senior management.

## 9.2. ENTRY INTO FORCE

This Financial Policy comes into effect after approval by the Chairperson of the board of trustees of Lydia Action on 21 day of 09 20 21

Chairperson:

Samuel S. Mbiri

Signature:



A better world  
for **everyone**.