



STANDARD OPERATING PROCEDURES

FOR KEI-RODO RICE PRODUCER CO-OPERATIVE
SOCIETY LIMITED (KERORIPCO)

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STANDARD OPERATING PROCEDURES OVERVIEW

This guide was compiled by collecting and reviewing all pertinent documents that relate to the functions of the Cooperative enterprise business management, including:

- Job Descriptions
- Board Policies
- State and governance regulations

Various Cooperative societies' websites, and the website of the international cooperative, in particular, their Guidance Document, were researched for models to guide in the preparation of this document. The sector experts interviews were conducted and included detailed explanations of the employees' roles and responsibilities as it relates to their job descriptions, which were updated as necessary.

The Standard Operating Procedures will detail the practices and controls concerning:

- Accounting
- Cash Management
- Budget Process
- Position Control
- Purchasing

The basis for good control is through good planning. Planning establishes aims and objectives, how they are to be achieved and the appropriate timelines. The functions for each area of responsibility within the business division should be clearly defined. The goal is to be efficient and effective while meeting the intent and requirements of the various activities.

Membership Policies and Procedures

This first chapter introduces guidelines concerning recruitment and acceptance of members into an KERORIPCO. Member rights, responsibilities and obligations form part of this policy area. Guidelines and processes are detailed as to who and how one can attain membership of an KERORIPCO. Each member of an KERORIPCO has one vote irrespective of the amount and type of shares the member has or how long the member has been with an KERORIPCO.

Shares and Savings Mobilization

Mobilizing shares and savings in an environment where sufficient funds from members are not sufficiently available to meet the required cash-flow needs of the KERORIPCOs is vital. In environments where KERORIPCOs operate may not provide access to commercial capital. Thus, this set of policies and procedures aim to increase awareness about the benefits of savings amongst the membership of the KERORIPCOs. These policies also target reluctant behaviour on the part of members and aim to create comfort at their level to trust the KERORIPCOs with their savings.



**STANDARD OPERATING
PROCEDURES FOR KEI-RODO
RICE PRODUCER CO-OPERATIVE
SOCIETY LIMITED (KERORIPCO)**

SECTION 0: BOARD OF DIRECTORS POLICIES AND PROCEDURES

1. POLICY INTRODUCTION

This KERORIPCO's Board of Directors Charter (the "Charter") defines the Board's roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight function. It provides the Board members with an opportunity to think creatively and critically about how their strategic and operational plans align with the organization's strategic direction and expectations, concerning governance. The Charter will help the Board in directing the organization to maximize the long-term value of services provided for all stakeholders. It is therefore imperative for Board members to understand their individual and collective roles to help the organization fulfil its mandate.

The Charter has been adopted by the organization, acting under the corporate, Code of Governance for State Corporations ('the Code'), and is complementary to the requirements regarding the Board and Board members contained in applicable Ugandan laws and regulations. In particular, the principles and policies contained in the Charter are in addition to and are not intended to change or interpret any statute, law, or regulation.

The Board of Directors will review this Charter at least annually and, if appropriate, revise this Charter from time to time. This Charter is available to all members of the Board for application and is posted on the organization's website for the information of stakeholders

POLICY REVIEW

The KERORIPCO's Board of Directors (BOD) is responsible for formulating, reviewing, and adjusting these policies and procedures. At least on an annual basis, the BOD shall review all policies and make changes as necessary to ensure all policies are reflective of daily operations and the applicable legislative requirements.

2. STATEMENT OF GOOD GOVERNANCE

The KERORIPCO has adopted high standards and applies strict rules of conduct, based on the best corporate practices. As part of this commitment, the Board adheres to good corporate governance by embracing the following principles:

1. To observe high standards of ethical and moral behaviour.
2. To act in the best interests of the organization.
3. To remunerate and promote fairly and responsibly.
4. To recognize the legitimate interests of all stakeholders; and
5. To ensure that the organization acts as a good corporate citizen.

In general, Board members shall act in the best interest of the organization and uphold their fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of the organization over other interests. They will act honestly and in good faith to create a culture built on principles of integrity, accountability and transparency.

3. GUIDING PRINCIPLES

In line with Section 3 of the Cooperative Act No. 112 of 2012 of the Laws of Uganda, the Board of Directors shall respect the values, principles and the requirements of the Constitution, including:

- The national values and principles provided for under Article 10 of the Constitution.
- The rights and fundamental freedoms provided for under Chapter Four of the Constitution.
- The responsibilities of leadership provided under Article 73 of the Constitution.
- The principles governing the conduct of State officers provided for under Article 75 of the Constitution.
- The educational, ethical, and moral requirements following Article 99 (1) (b) and 193(1) (b) of the Constitution.
- The values and principles of Public Service as provided for under Article 232 of the Constitution.

4. THE BOARD OF DIRECTORS

The Board of Directors is the body of appointed members who jointly oversee the activities of the organization. The Board is expected to provide strategic direction, exercise control, and remain accountable through effective leadership, enterprise, integrity and good judgment. It should be diverse in its composition, independent but flexible, pragmatic, objective and focused on the balanced and sustainable performance of the organization.

1. Size of the Board

The Board shall have a minimum of five (5) members, with at least one female and a maximum of nine (9) members.

2. Board Composition and Skills

The Board should ensure that:

- Its composition complies with requirements in the Constitution of Uganda and any applicable legislation.
- The Society Board shall consist of non-executive directors, all of whom are independent
- The composition of the Board shall consider gender balance, ethnicity, age, occupation, experience and education

- Each Board member understands the broad outline of the Society policies;
- Each Board member is in good standing professionally and has sufficient expertise to perform his or her role as a Board member; and
- At least one member is a financial expert, meaning that he or she has expertise in financial management and accounting.
- Membership of the Board shall be disclosed in the annual report
- The Board shall require a broad mix of skills, qualities, experiences and competencies such as Cooperative business and investment management, finance, law, strategic management etc

The Board shall have directors with sound business judgment and acumen; integrity, general knowledge, breadth of vision, independence of thought, ability to work harmoniously with a team, time to devote to the Society and ability to add value to the Society the Board will, in consultation with the committee responsible for governance, and taking into consideration the nature of the organization's mandate, prepare its profile including size, composition and members' expertise for stakeholder information.

3. Appointment of Board Members

- i) The relevant appointing authority (Delegates) shall select and appoint Board members. Every appointment shall be by name and, but shall cease if the Board member:
 - Serves the appointing authority with written notice of resignation; or
 - Is absent, without the permission of the Chairperson, from three consecutive meetings; or
 - Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
 - Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
 - Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.
 - Any removal of a Board member under (i) above, shall be through formal revocation.
 - The Secretary will ensure that a record of the appointment letter and written acceptance by the Board member are kept in the personnel file of the Board member.

4. Independence of Board Members

All Board members, including those nominated by stakeholders, should recognize that they owe their duties to the organization

and not their nominating stakeholder. Each director shall preserve his/her independence of analysis, judgment, decision, action and resist any pressure, direct or indirect, whether by other directors, member groups, creditors, suppliers or more generally, any third party. Each director shall neither seek nor accept, from the Society or any other party, directly or indirectly, any advantage that might be considered as compromising his/her independence. Directors shall abstain from voting on issues where they have a conflict.

5. Term Limits

Board members shall hold office for a period not exceeding three (3) years and are eligible for reappointment with one third (1/3) retiring annually on rotation subject to the conditions stipulated in the Society's by-laws. The renewal of a Board Member's tenure should be subject to an acceptable evaluation as determined during Board evaluations. The appointing authority shall ensure a staggering of Board appointments so that the respective expiry dates of the member's terms fall at a different time to ensure continuity.

6. Resignation from the Board

A Board member may resign at any time by giving notice, in writing, to the appointing authority, copied to the Chairperson of the Board and the Manager of the Society. The resignation shall take effect upon receipt of notice by the appointing authority or at any later time specified therein, and unless otherwise specified in the notice, the acceptance of such resignation shall not be necessary to make it effective.

7. Chairperson of the Board

The Chairperson of the Board is primarily responsible for the activities of the Board and its committees. The role of the Chairperson includes approving the agenda for Board meetings, chairing the meetings and ensuring that a record of proceedings of all Board activities is kept.

The Chairperson should act as the spokesperson for the Board and is the principal contact for the Manager.

The Chairperson ensures that:

- The Board satisfies its duties and responsibilities;
- Board members when appointed participate in an induction programme and are thereafter continually developed based on identified development needs;
- Board members receive all the information required for them to perform their duties;
- The Board develops and adheres to an annual work plan;
- The Board has sufficient time for consultation and decision-making;
- The Board constitutes committees and that the committees function properly;

- The performance of the Board, Board members, the Manager and the Secretary is evaluated annually;
- Problems relating to the performance of individual Board members are addressed;
- Internal disputes and conflicts of interest concerning individual Board members are addressed; and
- The Board has appropriate contact with the management.

8. Chief Executive Officer or General Manager

The Manager can either be an ex-officio Board member or formerly recruited with no voting rights. The Manager and the Board play separate and distinct roles but work together to achieve organizational goals. The Board is responsible for appointing the Manager, through a competitive process, and for removing them. The Board should also assist the Manager in selecting the management team and put in place a succession plan for both the Manager and the team. The Manager is responsible for overseeing the execution of the Board's directions and policies to ensure desirable outcomes. The Manager, therefore, serves as the link between the Board and the Management.

The Board should provide the Manager with:

1. Defined performance goals and authority levels;
2. An attractive remuneration package;
3. Regular formal performance review feedback;
4. Constructive informal feedback on job performance;
5. Reward for exceptional performance; and
6. Prompt response to the request for guidance or assistance.

The Manager should:

- Demonstrate commitment to the organization's vision, mission, core values and mandate;
- Achieve set performance objectives and targets;
- Put in place effective administrative structures, processes and systems.
- Provide regular, thorough and prompt communication to the Board on key technical, financial and administrative matters;
- Effectively represent the organization to stakeholders and enhance its public image; and
- Promptly respond to Board member's requests for information.

9. Secretary

The Board should be assisted by a suitably qualified, competent and experienced Secretary. The Secretary should satisfy the requirements of Chapter Six of the Constitution on leadership and integrity and be a Certified Public Secretary in good professional standing. The Board should empower the Secretary to efficiently and effectively execute his or her duties

and responsibilities. The Board is responsible for the appointment and removal of the Secretary. The principal duties of the Secretary are:

1. Guiding the Board and Board members individually on their duties, responsibilities and powers and how these should be exercised in the best interests of the organization;
2. Ensuring that Board procedures are followed and reviewed regularly and that the Board complies with the Law, rules and regulations;
3. Assisting the Chairperson in organizing Board activities, including providing information, preparing agenda, issuing notices and preparing for meetings, Board evaluations and Board development programs;
4. Providing secretarial services to the Board including ensuring that the Board work plan is prepared and adhered to, circulating Board papers in advance of the meeting, keeping a record of attendance at meetings, keeping safe custody of the seal and a record of its usage, and preparing the Board for annual general meetings where applicable
5. Ensuring that the minutes of the Board and Board committees are promptly prepared and circulated;
6. Keeping the Board abreast of and informed on, current governance thinking and practice; and
7. Coordinating the governance audit process.

8.

10. The relationship between Board and Management

The Board and Management should execute their mandate in an environment of mutual trust and respect having regard to the principles of good governance. In this regard, the Board shall provide clear and distinct lines of responsibility and accountability, and maintain effective channels of communication.

11. Committees of the Board

To effectively discharge its mandate, the Board shall establish committees with specific terms of reference.

The Board shall appoint into committees, members with requisite skills and competence to discharge allocated responsibilities. If a committee lacks specific skills within its membership, the Board may, with the approval of the oversight body, co-opt skilled non-Board members to serve on the committee, provided that the chair of a committee shall not be a co-opted member or the Chairperson of the Board. The Board may, from time to time, rotate Board members between the committees. The Board remains collectively responsible for the decisions and actions were taken by any Committee. A committee may only perform the tasks delegated to it by the Board and may not exceed the authority or powers of the Board.

The Chairperson of each committee, in consultation with the Board, will determine the frequency of committee meetings as is necessary to fulfil the Committee's functions.

The Chairperson of each committee, in consultation with management, will develop the committee's agenda. The Board will, however, determine the procedure and process within which committees may take independent professional advice at the

organization's expense. The committees will promptly report to the Board any actions taken for ratification and any major developments that they become aware of. The Board shall, as set out in the terms of reference of the respective committees, receive a report of the committee's findings and actions.

The Board has established the following standing committees:-

- Credit and Savings committee
- Education
- Supervisory/Audit
- Production and marketing committee
- Finance Planning and Investment
- Human resource/vetting

Organizations may establish any other ad hoc committees to handle any special business.

The Terms of Reference of any committee of the Board shall be developed by the Board in consultation with the oversight office.

5. PRACTICES OF THE BOARD

1. Board Responsibilities

The basic responsibility of the Board members is to exercise their best judgment and to act in a manner that they reasonably believe to be in the best interest of the organization and its stakeholders. In discharging that obligation, the members should be entitled to rely on the honesty and integrity of the organization's management, staff and its external professional advisors and auditors.

In furtherance of its responsibilities, the Board will:

- Determine the organization's mission, vision, purpose and core values;
- Review, evaluate and approve, regularly, long-term plans for the organization;
- Review, evaluate and approve the organization's budget and financial forecasts;
- Review, evaluate and approve major resource allocations and capital investments;
- Ensure that the procurement process is cost-effective and delivers value for money;
- Review and approve the operating and financial results of the organization;
- Ensure effective, accurate, timely and transparent disclosure of pertinent information on the organization's operations and performance;
- Ensure that effective processes and systems of risk management and internal controls are in place;
- Review, evaluate and approve the overall organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession;
- Review, evaluate and approve the remuneration structure of the organization;
- Adopt, implement and monitor compliance with the organization's Code of Conduct and Ethics;

- Review every quarter the attainment of targets and objectives set out in the agreed performance measurement framework;
- Review periodically the organization's strategic objectives and policies relating to sustainability and social responsibility/investment;
- Protect the rights of shareholders and optimize shareholder value;
- Enhance the organization's public image and ensure engagement with stakeholders through effective communication;
- Monitor compliance with the Constitution, all applicable laws, regulations and standards, and
- Review, monitor and ensure that the organization is effectively and consistently delivering on its mandate.

2. Responsibilities of Individual Board Members

Each Board member shall:

- Exercise the highest degree of care, skill and diligence in discharging their duties;
- Act in the best interest of the organization and not for any other purpose;
- Act honestly at all times and must not place themselves in a situation where their interests conflict with those of the organization;
- Exercise independent judgment;
- Devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills;
- Promote and protect the image of the organization;
- Owe their duty to the organization and not to the nominating or appointing authority; and
- Owe the organization the duty to hold in confidence all information available to them by their position as a Board member.

3. Principles of Public Service

The Board, in performing its functions, shall be guided by the principles of Public Service as provided in the Constitution of Uganda, which include:

- High standards of professional ethics;
- Efficient, effective and economical use of resources;
- Responsive, prompt, effective, impartial and equitable provision of services;
- Involvement of stakeholders in policy-making;
- Accountability for administrative acts;
- Transparent and timely provided to the public of accurate information;
- Fair competition and merit as the basis of appointments and promotions;
- Representation of Uganda's diverse communities, and
- Affording adequate and equal opportunities for appointment, training and advancement, at all levels of public service, of men and women, members of all ethnic groups and persons with disabilities.

4. Board and Committee Meetings

Board meetings will be held at least four (4) times a year, and not more than 4 months shall elapse between the date of one meeting and the date of the next meeting. A schedule of dates of the meetings will be agreed upon by the Board members and set out in the Board work plan. Notices of the location and the timing of meetings will be issued before the meetings.

The Board work plan may be adjusted if deemed necessary by the Board. The quorum for a Board meeting will be five members where the total Board membership is eight to nine and four where the total membership is seven and below.

The quorum for Board committee meetings will not be less than five (5) members. Board members are expected to attend Board meetings and meetings of the committees on which they serve. The Chairperson, Manager or Committee Chairpersons may from time to time invite senior officers, other employees and advisors to attend Board or Committee meetings whenever deemed appropriate. The Board should set aside adequate time, annually, to discuss strategy and policy matters.

5. Notice and Agenda for Meetings

Notice and agenda of Board and committee meetings will issue from the Secretary as directed by the Chairperson of the Board or relevant committee. Each Board member is free to suggest the inclusion of items on the agenda by providing notice to the Chairperson at least fourteen (14) days before the meeting, to enable preparation. Additional agenda items may be included in the agenda during the meeting subject to approval by the Board or the committee.

Save for the additional agenda items, the agenda for the meetings will be aligned to the Board's work plan which will establish a schedule of agenda subjects to be discussed during the year to the degree this can be foreseen.

Except for urgent cases, as determined by the Chairperson, detailed agenda accompanied by relevant supporting documents and recommendations will be provided to the Board members at least ten (10) days before a meeting. Board members should review these materials in advance of the meeting to enhance effectiveness.

6. Venue of Meetings

Board and committee meetings are generally held at the head office of the organization but may also take place elsewhere with relevant approvals. The time and venue of the meetings should be communicated in the notice for the meeting. In addition, meetings of the Board or committees may be held by video or conference call or by any other means of communication approved by the Board, provided that all members have been given prior notification and they can communicate with each other simultaneously.

7. Attendance of Meetings

The Manager shall attend all Board meetings and, if requested by the Board, other members of the senior management shall

also attend a Board meeting in whole or in part. A Board member who is unable to attend a meeting will explain their absence to the Chairperson and notify the Secretary to record the apology. The secretary should communicate at a minimum of 7 days with clear agenda to all the attendees of the intended meeting and if there are reports to be discussed must also be shared with the invitations of the meeting.

8. The procedure of Meetings

a) Chairing of Meetings

Board meetings shall be chaired by the Chairperson of the Board or in the case of a committee meeting, the Chairperson of that committee. In the absence of the Chairperson, one of the Board members designated by the Board members present at the meeting will chair.

b) Constitution of the Meeting

The Board meeting will be constituted per constitutive documents of the organization and shall include a confirmation that there is a quorum for the meeting to proceed and recording of attendance.

c) Protocol of Board Meetings

The Chairperson, having ensured that the meeting is properly constituted, will also ensure that at an appropriate time during the meeting, the minutes of the previous meeting are confirmed and matters arising therefrom handled.

A special meeting of the Board or Board Committee will not discuss any matter other than that specified in the agenda. The conduct of Board meetings may also be undertaken through telephone/video conferencing, in the case where some of the participants will not be physically present. The following guiding principles shall apply:

1. The Secretary should ensure that the constitutive documents of the organization allow for telephone /video conferencing;
2. The Secretary shall ensure that the necessary arrangements are in place to facilitate effective and secure communication during the meeting;
3. On sending out the notice of the meeting, the Secretary shall also confirm whether each Board member or participant will attend physically or through telephone/video conferencing;
4. At the start of the scheduled meeting and to confirm quorum, a record of attendance shall be taken during which each Board member or participant will clearly state, for the record, their full name, location, type of device being used and confirm that they can hear the others;
5. All Board members or participants shall identify themselves for the record before speaking and must confirm that they can hear and/or see each other in the course of the meeting;
6. If a statement of a Board member or participant in the meeting via telephone/video conferencing is interrupted or garbled, the Chairperson shall request for a repeat or reiteration;
7. The Chairperson should ensure that resolutions are clarified for record purposes, and
8. The Chairperson should ensure that the agenda is suitable for telephone/video conferencing.

d) Decision-Making

The Board members, with the guidance of the Chairperson, should work towards unanimous adoption of resolutions. However, Board members are entitled to voice dissenting opinions and have these recorded in the minutes when unanimity cannot be reached.

Resolutions of the Board will be made at Board meetings or approved in writing by circulation, provided that in respect to the latter the proposed resolution is submitted to all Board members and none of them objects to this form of adoption. Approval of resolutions by circulation shall be effected in writing by all Board members. Objection to this method of adoption of the proposed resolution should also be in writing.

e) Resolutions and Minutes

Minutes must be drawn up for every Board and committee meeting with resolutions highlighted therein. The minutes should be circulated to the Board members as soon as possible after the meeting. Upon confirmation, the minutes should be signed by the Chairperson and added to the records of the organization. Substantial corrections to previous minutes will be recorded in the minutes of the meeting where the corrections are made and adopted by the Board members. Urgent resolutions may be drawn up and signed immediately in the relevant meeting.

f) Implementation of Resolutions

Generally, the Board delegates to the Manager responsibility to implement the resolutions of the Board. The Manager may delegate some of these responsibilities to senior management.

The Board is responsible for monitoring the implementation of the resolutions.

9. Liability of Board Members

A Board member shall not be liable for any act done in good faith in carrying out duties and responsibilities in the organization. However, there is no limitation of liability for negligence or breach of the member's duty of care to the organization or its stakeholders, or for acts or omissions not in good faith, or which involve intentional misconduct or violation of the law.

10. Conflict of Interest

A conflict of interest may arise where a Board member or close family members such as a spouse, child, parent or sibling has private interests that could improperly influence the performance of the Board member's official duties and responsibilities. Conflict may also arise where a Board member uses their office for personal gain. Board members are required to avoid conflict of interest and deal at arms-length in any matter that relates to the organization. However, a Board member who identifies an area of conflict shall be required to disclose any actual or potential conflict of interest to the Board.

In so reporting, the Board member is required to provide all relevant information, including information which relates to their immediate family members by blood or marriage which is related to the area of conflict. Then declared, the Board member shall abstain from decisions where the conflict exists.

The Secretary should keep a record of conflicts of interest declared, for accountability purposes, and as a rule of good practise on appointment and regular intervals or at any time when circumstances change, all members shall in good faith disclose to the Board for recording, any other business or interest likely to create a potential conflict of interest.

The Board shall request a director to take reasonable steps to remove the conflict of interest, then the director shall absent himself/herself from the room when discussion and voting occur on matters to which the conflicts relate. The entry and exit of the director concerned shall be minuted by the secretary Directors do not have to absent themselves when either;

- a) The conflict of interest relates to interest common to all members or;
- b) The Board passes a resolution that identifies the director, the nature and extent of the directors' interest and clearly states that the other directors are satisfied that the interest should not disqualify the director concerned from the discussion and/or voting on the matter

11. Notice of Other Directorships

Board members should carefully consider the number of other Boards on which they can serve, consistent with the time and energy necessary to satisfy the requirements of the organization provided that a Board member shall not serve in more than three Boards of State Corporations concurrently.

In furtherance of these considerations, Board members should notify the appointing authority in a timely fashion before accepting an invitation to serve on the Board of another public or private body. This prior notice is to allow discussion with the Chairperson of the Board and to obtain legal advice on whether such other service will interfere with the Board members serving on the organization's Board, impact the Board member's independence, or create an actual or apparent conflict of interest for the Board member.

12. Board Members Access to Employees

Board members should have full and free access to employees of the organization but such access should be arranged through the Manager. The Board members will use their judgment to ensure that any such access does not disrupt the operations of the organization.

13. Independent Advisors

Board members may individually and collectively seek independent advice in connection with their duties in society as and when required. Independent professional advice for this Charter shall include legal advice, advice on matters of governance, the advice of accountants and other professional financial advisors on matters of law, accounting and other regulatory matters but shall exclude advice concerning the personal interests of the director concerned, such as matters relating to their appointment or disputes with the organization.

14. Interaction with Stakeholders

Only designated representatives of the organization shall communicate on behalf of the organization with the Government, media, stakeholders and the general public.

15. Board Induction and Continuous Skills Development

The Board will provide new Board members with an effective induction programme to familiarize them with their responsibilities as directors, general principles of corporate governance and Board practices. The induction programme will also provide the Board member with an orientation of the organization, strategic plans, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics.

The Board will ensure that competence needs assessment is carried out periodically and an annual development plan prepared to address identified gaps. In this regard, Board members will be provided with access to, or notice of, continuing development programs that are designed to keep members abreast of the latest developments in sector best practice, corporate governance and critical issues relating to the operation of the public sector Boards. The Board will satisfy itself that its members are up-to-date with continuous professional development in their respective professional bodies.

16. Board Remuneration

Board members shall be remunerated for their services following the prevailing relevant legislative provisions and/or guidance from the relevant authority. In line with best practice, the remuneration should include travelling reimbursement, attendance allowances and Honoraria.

17. Board Effectiveness and Performance

Each director shall attend meetings regularly and prepare sufficiently for meetings by carefully considering board papers and attachments thereto, and where necessary seek

clarifications where a director is unable to attend meetings, he shall undertake to communicate through the chairperson or the Manager any concerns or issues he would wish considered.

Each director shall be attentive to and respectful of the delineation and exercise of powers and responsibilities attributed to KERORIPCO’s respective decision making organs, Directors should ensure that no single person can exercise uncontrolled discretionary Powers Directors shall support the proper functioning of the Board Committees and pay particular attention to ensure that the society’s internal controls are effective and that the Auditors satisfactorily perform their mission the Board will conduct an annual evaluation to appraise its performance. This evaluation will be carried out under the Board Evaluation Tool.

The Board evaluation provides an opportunity for Board members to identify strengths, collective skill gaps and individual areas of improvement. The Board will also review the performance of each committee against the agreed Terms of Reference. The Board will also evaluate the performance of the Manager and Secretary.

18. Board and Management Succession

To ensure continuity, the Board of KERORIPCO, will put in place a succession plan for both the Board and management and review the same regularly.

The appointment and retirement of the members of the Board shall be staggered and the practice of rotation (one third (1/3) retiring annually) shall be applied to maintain continuity

The Manager in consultation with the Chairman should update the directors on the retirement of directors so that renewals and new appointments can be effected promptly

19. Information Confidentiality

Each director shall take necessary precautions to preserve the confidentiality of any information communicated to him in confidence in connection with his/her functions and shall not divulge it to unauthorized persons under any circumstances.

20. Governance Audit

The Board should ensure that a governance audit of the organization is undertaken on an annual basis. The purpose of the governance audit is to ensure that the organization conforms to the highest standards of good governance. The governance audit should cover the following parameters among others:

- Leadership and strategic management;
- Transparency and disclosure;
- Compliance with Laws and Regulations;
- Communication with stakeholders;
- Board independence and governance;
- Board systems and procedures;
- Consistent shareholder and stakeholders’ value enhancement; and
- Corporate social responsibility and investment.

This Board Charter is Reviewed fromday of

Signed:.....
Chairperson

SECTION 1: MEMBERSHIP MANAGEMENT POLICIES AND PROCEDURES

POLICY INTRODUCTION

The purpose of these policies and procedures is to ensure recruitment of quality membership from a diverse membership base in the area of operation of the Kei Rodo Producers Rice Cooperative Society Limited (KERORIPCO) and to define the principles and requirements based on which individuals qualify for and obtain membership, and gain access to the services provided by the KERORIPCO

POLICY REVIEW

The KERORIPCO's Board of Directors (BOD) is responsible for formulating, reviewing, and adjusting these policies and procedures. At least on an annual basis, the BOD shall review all policies and make changes as necessary to ensure all policies are reflective of daily operations and the applicable legislative requirements.

MEMBERSHIP

Membership in the KERORIPCO is limited to any individual who is a citizen of Uganda, and/or resides or works in Yumbe District, Kei Sub County and is of legal age (18 and above).

The KERORIPCO can also accept the following as associate members:

- Individuals below the age of 18 years who are children or under the legal guardianship of a regular KERORIPCO member.
- A potential member meeting all membership requirements however unable to pay the required minimum ownership share amount and therefore required to make regular deposits within an agreed period before the requirement for minimum ownership shareholding is met.

As required of fully pledged members, associate members shall also pay a **membership fee of Ugx 10,000** and at least one share that is referred to as **Membership Permanent Share Capital (MPSC) of equivalent to Ugx 20,000**. Associate members may not receive any services of the KERORIPCO before all membership requirements being met. This is with exception of the right to open and operate savings (deposits) accounts with the KERORIPCO, and their membership rights and obligations are limited to those related to the use of the KERORIPCO's services.

APPLICATION FOR MEMBERSHIP

The process for membership application is as follows:

- Each membership application must be accompanied by a valid Identity Document (ID).
- An individual applicant qualifying for membership in the KERORIPCO shall satisfactorily complete the membership orientation session regularly or at least once a month, i.e. conducted by the KERORIPCO for potential members as applicable.

- Every membership applicant shall complete the Membership Application Form and the Membership Information Form (Attachments 1 and 2 to this policy).
- Membership applications must be determined by either the BOD at regularly scheduled meetings of the BOD or by a member of the BOD, an employee of the KERORIPCO appointed by the BOD not later than 60 days after the application has been submitted. A report detailing the names of applicants and the recommendations/determinations of the applications shall be submitted to each BOD meeting by the KERORIPCO's General Manager (GM).
- Each applicant for the KERORIPCO membership shall be required to purchase a minimum of one share.
- Should a potential member not be able to pay the required minimum ownership share amount, they may still open an account and make regular payments within the period of one (1) month before the requirement to meet the minimum ownership share amount is met. The member will continue to be classified as an associate member until the minimum membership share requirements are met.

Where a potential member has received the member's permanent share capital amount through transfer from a terminated member, this should be confirmed by the written application from the terminated member on the transfer of the share – i.e. indicating the share amount and name of the potential new member benefiting from this transfer.

- Within three (3) working days after approval and payment of the minimum ownership share by a new KERORIPCO member, the new member shall be included in the KERORIPCO's member registers with a unique identification number as a means of identifying his/her share, loan and/or saving accounts with the KERORIPCO. Associate members have to be registered in such a way that identifies their associate membership status.
- Within three (3) working days after approval and payment of the minimum ownership share by the new KERORIPCO member, payment of the ownership share amount by the member shall be confirmed through an individual membership card and share certificate, indicating the ownership share size and identification number. Each member registered and open saving accounts should be issued a passbook at this stage to record and keep track of their financial transactions with the KERORIPCO

OWNERSHIP SHARES

To be a member of the KERORIPCO, each individual must pay for an ownership share – i.e. a contribution to the Membership Permanent Share Capital of the KERORIPCO - that is the MPSC.

The characteristics of Member Permanent Share Capital (MPSC) are:

- Ownership shares are not withdrawable or refundable. Shares may however be transferred by the existing KERORIPCO member to another potential member upon the existing member's termination of membership with the KERORIPCO
- The nominal value of an MPSC may be reduced to cover any operating losses of the KERORIPCO
- The KERORIPCO may accrue dividends on the members' ownership shares:
- The BOD shall declare dividends as earnings permit.
- Dividends may only be declared after satisfaction of all operational expenses, mandatory payments and required transfers to regulatory reserves; upon determining that the provision for loan loss account complies with requirements to the general and specific reserve; and after the annual general meeting of the KERORIPCO members have been conducted;
- Dividends shall be distributed amongst the members of the KERORIPCO proportionally to the size of their ownership shares.
- Dividends shall be paid in terms established by the Annual General Meeting (AGM) of the KERORIPCO members.
- Dividends shall be paid to the members clear of applicable taxes that shall be withdrawn by the KERORIPCO and paid in the legally prescribed order; (i.e. consistent with Ugandan laws).
- Dividends shall be credited to the share capital account of each member.

RIGHTS OF MEMBERS

Subject to the By-laws and this policy, all members shall have the right to use the KERORIPCO's services and exercise their rights established by the applicable Uganda laws and by-laws. Regular members are however typically entitled (but not limited to) the following rights:

- Attend and participate in the AGM and special meetings of members. Each member shall have one vote irrespective of the total amount of the member's shares and deposits.
- Participate in the election of or be elected as a Director to the BOD of the KERORIPCO, and/or be appointed to the KERORIPCO's committees by the BOD provided the member is of good financial condition and reputation (i.e. void of delinquencies on payment, meets the KERORIPCO requirements to the payment of a minimum ownership share amount, is not involved in deceitful and fraudulent activities, etc.), and where no conflict of interests exist.

- Use the KERORIPCO services according to the policies and procedures approved by the BOD without being discriminated (i.e. concerning race, nationality, sex, and religion) against applying for any services.
- Submit projects or initiatives to the BOD for the improvement of the KERORIPCO services.
- Make a written request to the secretary of the BOD for a special meeting of the members - as described in the KERORIPCO bylaws.
- Receive dividends on shares after all expenses have been paid and capital retention requirements are met based on the decision of the AGM.
- Have access to the minutes of all meetings of the members, the BOD, board sub-committees and Audit and supervisory committees.
- Receive periodically, but not less than once a year, a statement of accounts containing the individualized record of the member's credit and debit transactions. This statement may be replaced by the detailed entries in a member's passbook.
- At the written request of the member-submitted to the KERORIPCO, receive a copy of the annual report of the Board of supervisors approving the financial statements of the KERORIPCO– i.e. before its approval at the general meeting.
- Voluntarily withdraw from KERORIPCO membership.
- As applicable, entitled to other rights as prescribed by the legislation and the KERORIPCO's bylaws.

The rights of associate members however are limited to the use of the KERORIPCO services and receipt of detailed transaction entries in their passbook.

RESPONSIBILITIES OF MEMBERS

A member shall be liable for the debts of the KERORIPCO to the extent of his/her contribution to the share capital of the KERORIPCO. The KERORIPCO members have the following obligations:

- Adhere to the by-laws, policies, and procedures of the KERORIPCO
- Comply with the decision of the KERORIPCO's AGM, BOD, Committees and Supervisory Committees.
- Make full and timely repayments of KERORIPCO Compliant Financing (CFF) received.
- Notify the KERORIPCO of any changes in residence and any other applicable membership requirements in writing within 60 days after such changes occur.
- Assist in enhancing KERORIPCO's reputation and creditworthiness.
- Have other obligations as prescribed by legislation and/or the KERORIPCO's bylaws.

Associate members have the same obligations as the regular KERORIPCO members except for those related to Credit facility operations that are not conducted with the associate members.

TERMINATION OF MEMBERSHIP

Termination of membership may be automatic, voluntary, or involuntary:

Automatic Termination of Membership: Membership with the KERORIPCO is automatically terminated in the event of death (i.e. as confirmed by police, any Local Elders, or the court, etc.); insanity and/or permanent incapacity (as confirmed by a qualified health care professional); or insolvency as declared by a competent court.

Voluntary Termination: A member may for any reason, withdraw his/her membership from the KERORIPCO by giving 30-days' notice to the BOD via submission of a Membership Withdrawal Form (see Attachment 3 to this policy). The member shall be entitled to a refund of his/her share investment and other dividends in the KERORIPCO, and to a transfer of the permanent share capital contribution to another individual— i.e. potential KERORIPCO member. However, no member shall be allowed to withdraw or terminate their membership during any period, while they have any pending obligations with the KERORIPCO

Involuntary Termination: A member may be terminated from the KERORIPCO membership for any of the following reasons:

- When a member has not used the services (Credit and savings) of the KERORIPCO for two years.
- When a member has failed to comply with his/her obligations.
- When a member has acted in violation of the by-laws and the policies (rules) of the KERORIPCO; and
- For any act or omission, injurious or prejudicial to the interest of the welfare of the KERORIPCO

Upon formal and written announcement and proof that a member has committed the above-described violations punishable by

involuntary membership termination, the member may be expelled by a majority vote of the BOD. Written notice shall be provided to the member in such circumstances setting forth the reason(s) for the proposed expulsion within 10 calendar days after the exclusion decision is taken. Within 30 calendar days, after the written notice is issued, the member may appeal the decision of the BOD directly to the BOD. The final decision of the BOD may be appealed by the member to the next AGM or special General Assembly (GA) meeting of the KERORIPCO membership. A member may be expelled by a two-thirds vote of the members present at the GA meeting.

In cases of automatic or voluntary membership termination, the decision-making authority can be delegated by the KERORIPCO BOD to a member of the BOD; or an employee of the KERORIPCO appointed by the BOD as applicable. An individual can re-apply for KERORIPCO membership after 6 months from the date of ceasing KERORIPCO membership, and upon paying the required share amount and any associated fees applicable at that time. In cases where the individual was involuntarily terminated from the membership for the reasons listed in section C points 2-4 above, his/her repetitive membership application can be rejected by the BOD, BOD member, or employee assigned by the BOD as applicable.

DISPUTES

In cases of any dispute between a member and the KERORIPCO, or in the event of a complaint by a member against the KERORIPCO, or any of its officials or employees, the member may make an application to the BOS for consideration. Should the dispute or complaint not be satisfied, the member may appeal to the BOD. The member may appeal to judicial bodies to settle the disputes.

DETAILED MEMBERSHIP PROCEDURES

PERSON(S) INVOLVED	PROCEDURES
Membership Relations	<ol style="list-style-type: none"> 1. Conducts Membership Orientation Seminars. 2. Assists members in filling out two copies of the Membership Information Sheet (MIS) and one copy of the Membership Application Form (MAF). Sample provided in Annex section. 3. Takes a copy of the applicant's ID. 4. Makes a note on the Membership Application Form on the extent of compliance with the membership criteria and ex- membership history, if applicable, with recommendation for approval or denial. 5. Hands over one copy of MIS & MAF together with a copy of ID to the BOD or responsible employee of the KERORIPCO
General Manager	<ol style="list-style-type: none"> 6. Reviews the MIS & MAF for compliance with membership criteria. 7. Resolves approval (or denial) of the membership application. A denial resolution shall be supported by reasons in writing. 8. Returns the MIS & MAF (with the approval or denial resolution) to the Member relations (MR).
Membership Relations	<p>If the membership application is denied the MR informs the applicant of the denial decision and reasons. The applicant can be informed at the personal meeting or by written notification. If the membership application is approved:</p> <ol style="list-style-type: none"> 1. Take a photo of the applicant and print it in 6 copies 1x1 or 2x2 sizes. (Note: photo must be taken for all male applicants, for female applicants' photo requirement is not applicable if they do not wish to be photographed). 2. Take a fingerprint from the applicant (if the equipment is in place to do so). 3. Paste 3 pictures in the MIS 2 copies & MAF one copy. 4. Assign the unique identification for the new member using the Core-Banking System. 5. Encode the information in the membership book and or Management information System including the fingerprints (biometrics). 6. Include the new member in the KERORIPCO membership register (list) that can be captured via entry to the Management Information System and or membership book. 7. Hand over two copies of the MIS & one copy of the MAF together with the 3 remaining photos to the member and instruct members to bring those to the Cashier together with the cash to be paid or any applicable money transfer mechanism used.
Cashier	<ol style="list-style-type: none"> 1. Receives the two copies of MIS, one copy MAF and 3 photos together with the cash from the member. 2. Counts the money and issues an Official Receipt (OR) in three copies. If money is transferred to the account of the KERORIPCO by any of the money transfer methods, the OR is used upon receipt of such money into the KERORIPCO's account. 3. Issues the member's membership passbook and fills out the required information in the passbook. This includes pasting 1 picture and asking the member to sign the passbook. 4. Posts member transactions in the passbook and the daily collection report. 5. Forwards the two copies of MIS & one copy of MAF together with the 2 photos and the original copy of OR to the Accountant

Accountant	<ol style="list-style-type: none"> 1. Receives all the documents from the cashier. 2. Fills out the required information in the share capital subsidiary ledger and savings deposit subsidiary ledger; pastes 1 photo for each and lets the member sign and place their thumb mark in the space provided (Note: for KERORIPCOs not yet computerized). 3. Checks the amount posted in the member's passbook against official receipts. 4. Posts member's transaction to his/her subsidiary ledger based on original Official Receipt (again for KERORIPCOs without CBS facilities) 5. Posts transactions on the transfer of membership permanent capital share from the terminated member, if applicable. 6. Files two copies of the MIS and one copy of the MAF. 7. Hands over the passbook together with all official receipts to the member. 8. At the end of the day checks if the list of issued passbooks received from the cashier complies with both the new members list received from the MR and the list of newly opened (or transferred) share accounts (i.e. by the Accountant).
Membership Development Officer	<ol style="list-style-type: none"> 1. Based on the compliance of the new member's share amount with the minimum share requirement, the MR makes the list of new regular and associate members that should be provided to the BOD every month indicating the member's name, identification number, and current share balance.
TRANSFER FROM ASSOCIATE TO REGULAR MEMBERSHIP	
Accountant	<ol style="list-style-type: none"> 1. Checks the share accounts daily for associate members with ages of 18 and above for compliance with the minimum share requirements. 2. As the minimum share requirement is reached by the associate member, the Accountant informs the membership development officer on such members.
Membership Development Officer	<ol style="list-style-type: none"> 1. Based on the information provided by the Accountant, the MR informs the associate member on the upgrade of his/her status to regular membership and changes in his/her rights and liabilities.
TERMINATION OF MEMBERSHIP	
Membership Development Officer	<ol style="list-style-type: none"> 1. Receives the voluntary membership termination application from the member (i.e. Membership Withdrawal Form). If applicable, the MDO shall indicate the permanent share transfer requirements or information on the reasons and/or violations for the automatic or involuntary membership termination from other KERORIPCO departments (i.e. CFF, accounting, collection, etc). 2. Prepares the proposal (Notes) on the membership termination. Hands over the member's termination application indicating the reason for withdrawal (e.g. voluntary termination) or the proposal on membership termination supported by the reasons leading/punishable by the membership termination (automatic or involuntary termination) to the BOD.
Board of Directors	<ol style="list-style-type: none"> 1. Receives the application and/or proposal on membership termination from the membership development officer. 2. Decides on approval or denial of the membership termination by majority vote (note: In case of automatic or voluntary membership termination, the decision-making authority can be delegated by the KERORIPCO BOD to a member of the Board and/or an employee of the KERORIPCO appointed by the Board). 3. Returns the termination application or proposal with the note confirming denial or approval to the MR.

Membership Development Officer	<ol style="list-style-type: none"> 1. In case of the membership termination approval: 2. Informs the member of the termination, if possible. 3. Excludes the member from the KERORIPCO's members' register. 4. Hands over the termination application or proposal with a note on the denial or approval to the Accountant for the verification of the amount to be repaid to the terminated member.
Accountant	<ol style="list-style-type: none"> 1. Verifies the share and dividend amount to be repaid to the terminated member, considering all their liabilities to the KERORIPCO 2. Hands over the termination resolution (application) with the indicated amount to be repaid to the cashier.
Cashier	<ol style="list-style-type: none"> 1. Receives the documents from the Accountant. 2. Takes the passbook back from the terminated member. 3. Issues an official disbursement voucher in three copies. 4. Collects the General MANGER's or Accountant's signature on the disbursement voucher. 5. Repays the share and dividend amounts calculated by the Accountant to the terminated member and provides them with one copy of the disbursement voucher.

ATTACHMENT 1: MEMBERSHIP APPLICATION FORM

Date:

BOD

KERORIPCO

Dear Sir/Madam,

I ama resident of

I hereby apply for membership in the KERORIPCO, I acknowledge receipt of information about membership and its benefits through participation in the KERORIPCO's seminars.

I am ready to pay Ugx 10,000 for membership and Ugx 20,000 for Member's Permanent Share Capital (MPSC).

I also agree to participate in all meetings and seminars whenever conduct by the Board of Directors (BOD).

I also agree with the rules and regulations of the KERORIPCO and, I will follow all the plans approved by the BOD.

I confirm the above details and will avoid any misappropriation in whatever form.

Applicant signature:

ATTACHMENT 2: MEMBERSHIP INFORMATION

Personal Name _____
Family name _____
Gender _____
Address _____
Phone No _____
Date of birth _____
National ID No _____
Marital status _____
No of children _____
Sector _____
Farm area _____
Occupation _____
Employer _____
Business name _____
Office and business address: _____
Education _____
MANGER name _____
Village leader name _____
Primary beneficiary _____
Ethnicity _____

Right thumb mark:..... Name and signature:

ATTACHMENT 3: MEMBERSHIP WITHDRAWAL FORM

Date:
To: Board of Director
KERORIPCO

Dear Sir/Madam,

My name is and my membership number is

I would like to withdraw my membership from the KERORIPCO for the following reason:

Effective date:

With regards,
Member Name and signature:

Certified by: MDO
Approved by: Board of Directors

SECTION 2: SAVINGS AND SHARES MOBILIZATION

POLICIES AND PROCEDURES

POLICY INTRODUCTION

These policies and procedures set the guidelines and requirements for the Kei-Rodo Rice Producer Cooperative (KERORIPCO) on the development and introduction of share and saving products for its members to encourage saving habits among its members, thereby generating more funds for the KERORIPCO.

SAVINGS PHILOSOPHY

The purpose of a KERORIPCO is to help members use financial tools to improve their economic and social well-being. Savings is a critical tool – every bit as important as loans. Therefore, a KERORIPCO must consider its members' savings needs just as carefully as it considers their borrowing needs.

Savings mobilization is one of the main objectives of the KERORIPCO. It is the process of gathering amounts from many people into a pool that can be put to work in the economy through lending. The members, the KERORIPCO, and the community benefit from savings.

The member benefits from savings in numerous ways. Saving combines smaller amounts so members can make larger purchases than they would otherwise be able to afford. The KERORIPCO will offer short-term savings in the beginning. As the demand rises and the KERORIPCO grows, the KERORIPCO will offer both medium-term and long-term savings. Short and medium-term savings help people manage uneven cash flow. Long-term savings help provide security for retirement.

Member savings can reduce the need to borrow, or the cost of borrowing. The loan interest rates are less on savings secured loans. Savings are liquid, that is, the full value is available almost immediately. This is usually not true for property or other assets. Savings also generate income as long as that income is greater than the inflation rate.

The KERORIPCO benefits because savings are the KERORIPCO's primary means of securing funds to make loans. The savings also generate income to pay for operating expenses, invest in new services and benefits, and increase capital.

Savings are essential to a community's economic development. KERORIPCOs contribute to economic development by helping individuals improve their financial positions through savings and borrowing. As a result,

members contribute more to the local economy by purchasing more. Increased sales mean more income and more employment in the community. KERORIPCOs lend only to their members, so they keep funds working in the communities where the savings originate. This is especially valuable in rural areas where the money for development is often scarce.

To make a significant long-term difference, savings must be a habit that is practiced regularly. This is especially true if members can only set aside a small amount at a time. To get members to develop this savings habit, KERORIPCOs must convert non-savers into savers and convert occasional savers into habitual savers. There are main elements that affect savings, which include:

- Cultural attitudes,
- The member's age (older members are usually savers while younger members are usually borrowers),
- the present economic situation,
- The members earning level,
- Government policies (taxation and interest rate policies),
- Confidence in the KERORIPCO,
- Accessibility of funds.

Several factors will influence the savings products that will be offered by the KERORIPCO; however, the KERORIPCO management and elected officials have to ensure that the share and saving products offered are:

- Desired by the members
- Offered at a dividend rate protecting the savings from inflation
- Competitive with other local financial institutions
- Structured in such a way that members have convenient access to their money
-

POLICY REVIEW

The KERORIPCO BOD is responsible for formulating, reviewing, and adjusting this policy. At least on an annual basis, the Board shall review the policy and make changes as necessary so that it is reflective of the members' needs, local market competition, daily operations, and applicable legislative requirements.

WHO CAN INVEST/DEPOSIT IN THE KERORIPCO

The KERORIPCO accepts shares and savings only from its members, both fully pledged/regular and associate. Based on special decisions of the BOD and concluded cooperation agreements, the KERORIPCO can accept investments (not deposits) from international or national non-government organizations duly registered for and operating with the sole purpose of representing and supporting cooperatives providing financial services to their members.

All certificate (term) share savings and subordinated share (Shares invested in the KERORIPCO that are payable, in case of dissolution of KERORIPCO, after all, other claims on the KERORIPCO are paid) savings agreements concluded with member or non-member- depositors shall be accompanied by a written contract that indicates the rights and responsibilities of both the KERORIPCO and the member, including a clear statement of the amounts owed by whom, to whom, and when. For other share savings options, the detailed records in the member's passbook may substitute for the written contract.

All share and savings products shall be equally accessible by all KERORIPCO members. The KERORIPCO is prohibited from engaging in any transaction with elected officials, employees, or their relatives, where the terms and conditions of such transactions are less favourable to the KERORIPCO than the terms and conditions of similar transactions with other persons. Relatives are defined as grandparent, parent, brother, sister, spouse, son, daughter, grandson, granddaughter, spouse or brother or sister, brother or sister of the spouse, spouse or brother or sister of a spouse, niece, nephew, uncle, aunt, or first cousin.

CONCENTRATION OF SAVINGS

No one member may own in total more than 10 percent of the total KERORIPCO shares and savings. Only the special investments made by non-members described in Section 3 of this chapter (i.e. With the purpose of the KERORIPCO's institutional development/support) can exceed this limitation.

MARKETING OF SAVING PRODUCTS

The KERORIPCO will use various ways to market savings products. The KERORIPCO's management and the elected officials will promote savings through:

- **Personal contact** with the members could involve: the cross-selling of products during member visits to the KERORIPCO, financial counseling sessions or workshops, etc.
- **Printed material.** It is important that when this type of marketing is used it is "targeted" towards the individuals that the KERORIPCO is trying to reach; otherwise, it will not be cost-effective.
- **Awards and incentives** offering members extra benefits for savings. These should be used for a limited time and/or sparingly so that the award or incentive is something special to members.
- **"Word of mouth"** is always the cheapest and most effective form of marketing. Through improved member service and products, "word of mouth" marketing will grow.

The terms and conditions of all share and savings products provided by a KERORIPCO to its members must be made public and readily available to members and potential members. The KERORIPCO is prohibited from falsely or misleadingly advertising or presenting its activities.

TYPES OF SAVINGS PRODUCTS OFFERED

The KERORIPCO is prohibited from accepting current account deposits from members, or any savings that are similar to a current account that can be debited by the customer by writing a check or requesting a payment order.

Each KERORIPCO members may have one ownership share account, one special purpose account for each purpose offered, and more than one regular or term deposit. The savings products table attached to this policy includes detailed terms and conditions on each savings product offered by the KERORIPCO.

The KERORIPCO will offer a savings account that can be withdrawn anytime by the members unless these deposits are linked as security to any financial contracts that the members have entered into with the KERORIPCO. The KERORIPCO offers the following Share & Saving products:

- **Ordinary Savings Account-** This is an account offered to members and can be withdrawn any time as long as there is money in the account. The minimum balance is Ugshs 10,000. No monthly service fees but passbook fee of Ugx 1000, per withdrawal. Any withdrawal will be made by check or electronic payment.
- **Regular Savings Account –** This is the primary account offered to members. The characteristics of this account include easy accessibility of an account by member, the minimum amount to open an account, the payment of a competitive savings rate, and the funds in this account that may be used to secure loans.

To encourage savings, higher interest will be paid on accounts with larger balances. **The minimum balance is Ushs 10,000. The minimum balance to receive interest is Ushs 1,000,000.** Monthly the member may make 3 withdrawals. After that amount, there will be a fee of Ushs 2000 per withdrawal. Any withdrawal will be made by check or electronic payment.

The member will be responsible for covering the costs of checks based on the price quoted by banks at the time of the check being written. Interest paid on this account will be based on the quoted savings rate to the member at the time of the member depositing into this account.

The Board of Directors may adjust the interest paid on this account from time to time based on market-related prevailing interest rates with immediate effect on the account.

- **Membership Permanent Shares or Equity Paid In Capital –** To become a member of the KERORIPCO each member must purchase one obligatory share in the amount of Ushs 20,000. This deposit is of a minimum amount and is non-withdrawable. Upon termination of membership in the KERORIPCO, the member does not receive these funds. These funds cannot be used to guarantee a loan.

Dividends paid on this account will be based on available earning and paid at the end of each accounting period (when the books are closed for the year). The dividend on these shares should be higher than the returns paid on other savings accounts once the KERORIPCO. Ltd is firmly established and had set aside the necessary reserves to ensure the continued strength and stability of the KERORIPCO. No dividend may be paid unless the KERORIPCO makes a surplus for the year.

Upon becoming a member, the obligatory share deposit will become part of the KERORIPCO's capital.

- **Organizational or Club accounts** –Any association, company, club, or similar organization is eligible to open any of the accounts discussed in this section as long as their membership is made up primarily of individuals who meet the eligibility requirements for individual membership. The terms and conditions will be the same for organizations as they are for individual members.

Club or organizational accounts must be accompanied by a constitution from that Club or organization stating clearly

- The aims and objectives of the organization
- The powers and responsibilities of officials
- Who may make withdrawals and deposits on behalf of the club or organization as well as how many signatories are required to transact with the KERORIPCO?

Interest paid on this account will be based on the quoted savings rate to the member at the time of the member depositing into this account. The Board of Directors may adjust the interest paid on this account from time to time based on market-related prevailing interest rates with immediate effect on the account.

- **Special Purpose Savings Account** – These accounts are for special purposes such as Christmas, Eid, and vacation, or any other special market niche, which will serve the KERORIPCO membership. These accounts usually pay a higher dividend than regular savings because the member cannot make any withdrawals from this account until the specified date. This account may be used to secure a loan. The loan maturity is to coincide with this account maturity.

These deposits may be matched against loans and investments with a similar maturity. Unlike regular savings, these accounts have a stated withdrawal date and will most likely remain in the KERORIPCO until that date.

Withdrawals from these accounts may be made on _____. If the funds are withdrawn before that date no interest will be paid on the account. The maximum amount that may be deposited in this type of account is _____.

- **Youth Savings Account** – These are savings accounts for members under the legal age (usually 18 years of age). This account is used to motivate and establish a pattern of savings at a young age. The minimum balance on this account is normally lower along with the balance

needed to receive interest. Normally there are few if any fees on this account. Often promotional items are given out with this account such as “piggy banks”, school supplies, etc. Someone of legal age can use this account to secure a loan. The interest rate offered on this account is usually the same as that offered on the regular savings account.

The minimum balance to open a youth account is Ushs_____. The minimum balance to receive interest on this account is Ushs_____. On a monthly basis the member is allowed _____ withdrawals. After that amount, there will be a fee of Ushs_____ per withdrawal.

- **Agribusiness Input Accounts (AIA)**– AIA deposits made by members are to obtain agricultural commercial financing (ACF) with the KERORIPCO. Since members identified for this program are generally poor, they most likely will not have the financial capacity to meet the compensating balance requirements for ACF. As such, the matched fund contributed by the partner organization will enable them to meet the requirements for obtaining an ACF; thereby fulfilling the KERORIPCO mandate to cater to lower-income bracket target groups.

Upon availability of donor funds (external capital), the KERORIPCO can also give ACF match grants up to double the deposited amount by the qualified borrowers. However, the KERORIPCO match will not be able to be withdrawn for two years; while the borrower's deposit can be withdrawn anytime (i.e. once the ACF is paid in full). A maximum amount of Ugx 50 Million can be matched up by the KERORIPCO. In special cases, the maximum amount can go as high as Ugx100 million for members in good standing.

- **Fixed Deposit or Term Savings** – These deposits are for a stated amount, until a stated maturity, for a stated dividend rate. The longer the maturity or fixed-term the higher the interest rate. KERORIPCOs normally start with offering 6 month and 1-year term saving accounts. These funds may be used to secure a loan. The loan maturity shall match the deposit maturity. The interest rate is fixed until maturity. Interest will be paid upon maturity.

These funds may be used to match against loans and investments of similar maturity. Management wants to be careful not to have a disproportionate amount of these accounts in comparison to regular savings because these accounts are normally the costliest in terms of dividend rate paid.

The minimum deposit for a fixed deposit is Ushs_____. No withdrawal may be made from this account. If the funds are requested before maturity there will be a penalty or fine equaling:

- 3 months interest for deposits with 6-month maturity, and
- 6 months interest for deposits with a 12-month maturity on this account that must be paid before the withdrawal.

This policy was approved and reviewed as of _____ by the Board of Directors.

INTEREST RATES

When determining the interest rates to be paid on all savings accounts, officials need to take into consideration:

- what does it cost the KERORIPCO to offer that product?
- what are other financial institutions, that the KERORIPCO competes with directly, paying on each type of savings account offered?
- the current inflation rate.
- Member behavior. Do the members have the funds in the KERORIPCO because the dividend rate is the highest in the area? How loyal are the members? If savings interest rates are less than anticipated will they keep their deposits at the KERORIPCO or will they take their money elsewhere?
- Are there any types of deposits that the officials think would improve the financial soundness of the KERORIPCO? If so,

often special promotions, increased marketing efforts, and attractive rates are offered.

Every month, management should contact the other institutions to determine their rates on their various products. Management should present this information to the board at the monthly meeting so they can approve any changes needed to remain competitive. Interest rates paid on deposits should always be higher than inflation so that the members' savings accounts do not lose value while on deposit at the KERORIPCO.

So that the KERORIPCO can remain competitive, the manager has the authority to increase or decrease the rates paid on savings accounts by _____% during the month without prior board approval. The board at the next regularly scheduled meeting will approve this change.

Account Type	Maturity	Interest Rate
Membership Permanent Shares capital	None	Dividend
Regular Savings	None/on-demand	5%
Special Savings	9 months deposit	8%, penalty fee for early withdrawal
Fixed deposit 3 Months	3 months	6%, penalty 50% of interest due for early withdrawal
Fixed deposit 6 Months	6 months	7%, penalty 50 of interest due for early withdrawal
Fixed deposit 12 Months	12 months	9%, penalty 50% of interest due for early withdrawal
Youth Savings	None/on-demand	7%

These rates were reviewed and revised on _____ by the Board of Directors.

DIVIDEND COST

Dividends on all shares offered by the KERORIPCO shall be paid to the members clear of applicable taxes that shall be withdrawn by the KERORIPCO and paid in the legally prescribed order.

- **Shares investment accounts:** All share accounts such as membership permanent share capital, earn an expected annual dividend rate of 5per cent. The dividends can be accrued monthly at the expected dividend rate, but not less than quarterly. That said the actual payment of dividends can happen only once a year – i.e. at the end of the fiscal year and only if the KERORIPCO has the net profit at year-end, or has special capital reserves created in the past years to fully cover the current year losses – where applicable. Once paid, dividends can be withdrawn by depositors. Where not withdrawn within 30 days after the payment, dividends are automatically added to the individual saving account.

For regular share savings, dividends will be accrued (computed) based on the lowest balance of not less than Ugx 1,000,000. Dividends are not accrued on savings below this balance.

- **Certificate Share Savings:** The expected CSS annual dividend rate is likely to be in the vicinity of 8 per cent. The KERORIPCO's BOD can make decisions on the payment of the increased dividend rate on this type of savings on the KERORIPCO's level of net earnings for the period, taking into

consideration the amount deposited and the term of the savings. Term Deposits of Ugx 5,000,000 for example are considered as prime deposits, and management must therefore be prudent when setting the dividend rates on the certificate share savings of such balances.

Any term savings that are not withdrawn within 7 days after the maturity date will again be rolled- over automatically by the KERORIPCO. Any term deposits fully or partially withdrawn before the maturity date will earn a dividend rate equal to that of a Regular Share Savings Deposit.

REVIEW OF INTEREST AND DIVIDEND RATES

When determining the dividend rates to be paid on all share and savings accounts, KERORIPCO management and the officials need to consider:

- **Costs** - What does it cost KERORIPCO to offer that product?
- **Competition** - What are other financial institutions that the KERORIPCO competes with directly paying on each type of account offered? Are there any types of deposits that the officials think would improve the financial soundness of the KERORIPCO? If so, special promotions, increased marketing efforts, and attractive rates should be offered.
- **The current inflation rate** – Dividend rates paid on shares and savings should be higher than inflation or competitive with the local market so that the members' savings accounts do not lose value while on deposit at

the KERORIPCO. (In some cases when inflation is high, it is financially impossible to offer rates above inflation; rates competitive with the local market have to be paid.)

- **Member behavior** - Do members have funds in the KERORIPCO because the dividend rate is the highest in the area? How loyal are the members? If the savings return rate is less than anticipated will they keep their deposits at the KERORIPCO or will they take their money elsewhere?

The KERORIPCO management should comply with the following procedure to ensure the effective periodic review of the dividends rates:

1. Quarterly, the KERORIPCO management should contact the other institutions to determine their rates on their various products. The KERORIPCO management should also review KERORIPCO's financial operations. Based on this composite analysis, the KERORIPCO Manager should then recommend the BOD changes on the dividend rates for each type of shares and savings, also taking into consideration their maturity. The BOD shall also approve the frequency of dividend payments on each type of shares and savings.
2. These pre-approved rates are those that will be applied to each account when calculating dividends. The KERORIPCO Manager shall propose any changes to the established dividend rates and inform the BOD at the monthly meetings on such exceptions and seek the BOD approval.

SAVINGS PROCEDURES

Before opening any savings accounts, the individual requesting the account must be a member of the KERORIPCO. Management is to determine if the borrower is eligible for membership according to the KERORIPCO's charter and bylaws.

1. Before opening any savings accounts, the individual requesting the account must be eligible for permanent or associate membership in the KERORIPCO (Please, refer to the members' acceptance and exclusion policies and procedures for details).

Requirements to open any deposit account are necessary to establish and verify the member's identity. Additional requirements include the following:

The membership application form and beneficiary forms must be completed (**see example – Membership and Beneficiary Forms**).

- The membership card is completed only when the first account is opened, not for every additional account, the member opens.
- Through a photo identification card or driver's license, the member's identification should be confirmed. This copy is to be kept with the membership cards and used to verify an individual's identification if there is ever any question. Make sure the correct address is on the card. The card

requests the mother's maiden name (last name only); this is also used for individual verification. Make sure the member signs the card in front of a KERORIPCO representative, so a valid signature is obtained. All the membership cards are to be kept in fireproof boxes, which are to be locked up when the KERORIPCO is not open.

The member must then make the obligatory share contribution of Ugshs 20,000. The member must pay a joining fee of Ugshs 10,000.

The share earns a dividend but is non-withdrawable and non-refundable and will become part of the KERORIPCOs capital.

The joining fee will be used to cover the initial cost of the members' application to join the KERORIPCO as is non-refundable.

The member may open a regular savings account with a minimum deposit of Ugshs 20,000. At this point, the member will receive an account number generated as a master account from the computer system. All other member information must be entered into the members' account or ledger card if a manual system is being used. The member may have more than 1 ordinary savings type account.

The member should receive a member identification card within 2 months of joining the KERORIPCO, which will be based on the member's "master account number".

Deposits will be accepted to any account without requiring presentation of the identification card or documents, as long as the member submits an official deposit form.

Regular updating and submission of a written statement to members on at least a quarterly basis will verify deposits on a member's various accounts.

An individual trying to withdraw funds from an account without being the holder of that account, and without written authorization to do so, will be denied the withdrawal. The KERORIPCO will notify the holder of the account but will not be responsible for further action.

Replacement of the member identification card, due to loss, destruction, or theft, will be the responsibility of the member. If there is a fee associated with this the member is responsible for paying the fee before receiving the new identification card. The new document will show as the initial record the account balance kept by the KERORIPCO unless the member has other convincing evidence as to a different balance.

For each transaction, the member should complete a receipt for deposit or withdrawal. Any time the member receives money back they should sign the receipt.

If checks are taken for deposits into member accounts, the account should not be given credit until it is determined that there are sufficient funds to cover the check.

These procedures are to be used in opening regular savings, special purpose savings, organizational and club accounts, youth savings, and retirement savings.

For business name/sole proprietorship accounts:

- Certificate of Registration of Business Name with national/local government
- Special Power of Attorney (SPA) or any Certified Document by an Authorized Person/s in the community if the signatory is other than the owner of the business

For partnership accounts:

- Certificate of Registration of Partnership with the national/local government
- Articles of Co-Partnership
- Partnership Resolution or Agreement duly notarized/certified, designating the following:
 - i) KERORIPCO as its depository bank
 - ii) Authorized signatories

For corporations/associations:

- Articles of Incorporation and By-laws
- Certificates of filing of Articles of Incorporation and By-laws
- Board Resolution duly certified by the Corporate/Association Secretary, designating the following:

I) KERORIPCO as its depository

II) Authorized signatories

1. Any transaction in a member's share and savings account should be supported by the duly registered and signed documents.
2. All members shall be provided with the passbook, recording entries on all transactions in share and savings accounts.
3. All members having a share and saving accounts in the KERORIPCO shall be provided with a Passbook with attached guidelines for the deposit and withdrawal of funds.
4. In case of discrepancies in the Passbook, figures from the deposit ledger or accounting records, as well as core banking system data shall be the final record of the transactions that took place.
5. Depositors placing term deposits at the KERORIPCO shall be provided with a Passbook specifying the term of the deposit, dividend payment rates, and maturity dates for the term deposit. A member needs to present this Passbook upon the termination of the term deposit.
6. The KERORIPCO shall issue new Passbooks to replace filled-up ones. The new Passbook shall include the same account number as the filled-up one. The filled-up Passbook shall then be invalidated by punching holes through it and stamping it with FILLED UP.
7. The KERORIPCO will issue a new Passbook or Certificate of Term Deposits (CTD) if a member reports that his/her previous one has been lost or misplaced. The new Passbook or CTD shall still carry the same Passbook or CTD number of the lost or misplaced one. A fee of Ugx 15,000 shall be paid by the member to receive the replacement of the lost or misplaced Passbook or CTD.

8. The KERORIPCO will replace mutilated and/or worn-out Passbooks with new ones. The new Passbook shall include the original Passbook number.
9. Cashiers are not allowed to hold or keep member's Passbooks at the KERORIPCO for member's convenience.

For each additional account that is added by a member, the computer will generate a new account.

If a fixed deposit account is offered, an employee will set up this account. The member must have a minimum deposit of Ughs 500,000. No withdrawal may be made from this account until the stated maturity date. If the funds are requested before maturity, there will be a penalty or fine (see fixed deposit section) on this account that must be paid before withdrawal or deducted from the withdrawal.

For deposit:

- The member should present their deposit passbook when making deposits at the KERORIPCO.
- The transaction should be confirmed with an issued Official Receipt featuring the correct date, CID number, member's name, account number, type of account, amount both in words and in figure; and should be counter-signed by the cashier before posting it in the core-banking system.
- Erasures/corrections should be minimized and should be signed by the authorized staff member.
- All entries made in the passbook should also bear the cashier or Accountant's initial before returning the passbook to the member.

For withdrawals:

- The depositor must make all withdrawals personally or through a duly authorized representative with proper identification and using properly completed withdrawal slips. In cases of the death of a depositor, the principal legal beneficiaries have the sole right to withdraw the deposits of the deceased member.
- The member should present the passbook and the document confirming his/her identity (ID). Without presenting a Passbook, no member shall be allowed to withdraw deposits at the KERORIPCO. The core banking system shall use a biometrics facility to validate the identity of members who are making withdrawals.
- All disbursements in cash and withdrawals of savings/term deposit should be covered with a duly signed Cash Disbursement Voucher or withdrawal slip. The number of words and figures written on the Withdrawal Slip should agree
- Erasures or corrections in the withdrawal slip should be minimized and should be signed by the principal account owner(s).
- All entries made in a passbook should bear the cashier or Accountant's initial before giving it back to the member.
- Before a member is allowed to withdraw funds, the cashier should ensure that the member is not delinquent.

If they are, they should not be allowed to decrease the account below the amount of the delinquent principal and mark-up.

- When closing any accounts, the KERORIPCO staff should ensure that the funds are not securing credit facilities (CF). If there is an active CF secured by the account, it may not be closed. To have a CF, the individual must always be a member of the KERORIPCO and have the minimum ownership share deposit.

iii) The KERORIPCO management shall implement internal control measures to ensure the full safety and security of members' shares and savings:

- Any change in the terms and conditions on shares and savings shall be approved in writing by the BOD or KERORIPCO Management and must be made public and readily available to members and potential members before these new terms can be applied to the KERORIPCO's operations.
- The KERORIPCO Manager shall ensure the adequate safety of all documents on members' shares and savings.
- The Accountant shall ensure the correctness and timeliness of all transactions in the members' share and saving accounts and provide regular (i.e. at least monthly) share and savings reports to the KERORIPCO Manager.
- The Accountant shall verify the authenticity of the documentation - particularly against signature cards, passbooks, and core banking system data daily.
- The Cashier shall be officially responsible and accountable for all deposits and withdrawals in the members' share and savings accounts.
- Employee and official accounts (including family member accounts as applicable), should be reviewed for unusual or abnormal activity by the board of supervisors quarterly.
- Members should be notified immediately in writing if there are any errors in the records of their accounts.
- All change of address requests for accounts must be in writing and signed by the member.

SAVINGS INTERNAL CONTROLS

1. All transactions should contain teller identification.
2. Tellers are not allowed to hold or keep member identifications KERORIPCO for member convenience.
3. All teller transactions are to be documented with a receipt.
4. No KERORIPCO official or employee may transact business on his or her account or a family member's account.
5. Telephone transfers between accounts are only allowed between accounts owned by the same member and after the member has given answered some questions with regards to the information on the members' account.

6. Employee and official accounts and if desired their family member's accounts are to be reviewed for unusual or abnormal activity quarterly by the supervisory committee.
7. All members should be notified immediately in writing if there are any deposit errors.
8. All change of address requests must be in writing and signed by the member.
9. Any account in which there has been no activity for more than 12 months (dividend postings are not considered activity) shall be considered dormant.
10. The dormant accounts should be segregated from the active accounts.
11. An employee at the point of origin to indicate approval must initial any transaction on a dormant account.
12. When an account is transferred from dormant to active status the approval of the manager is required. Number 11 is not to be performed by the same individual that performs number 12.
13. When an account is closed the signature, card is to be promptly pulled from the active account file and placed in a closed account file.
14. A list of closed accounts including the account number, member name, and reason for closing shall be provided to the board at each monthly meeting.

SAVINGS HELD AS COLLATERAL:

Unless stated otherwise in the individual saving agreement, only the specified saving types can be used as collateral from either a maker or co-maker until the CF is fully paid. The CF maturity has to coincide with the pledged (security) saving maturity. Thus, these deposits will be locked or held in the system until the CF amount of a member is fully repaid, and also can be used for the CF repayment. The following are the savings account examples that can be used as security for the CF:

Pledged Share Savings

1. Organizational Account including the Matched Fund
2. Agribusiness Input Account including the Matched Fund
3. Share Investment for Membership Account

DORMANT ACCOUNTS

1. Savings below Ugx 20,000 without any transactions performed for a period of two (2) years shall be considered dormant.
2. All dormant accounts shall be charged a service fee of Ugx 5000 per month until the balance is zero.
3. The dormant accounts should be segregated from the active accounts or (if computerized), otherwise identified differently than the active accounts.
4. This is not applied to the saving accounts of minors.

REVIEW OF SAVING PRODUCTS

Every quarter the KERORIPCO CEO shall prepare and the BOS and BOD shall perform a trend analysis of the following ratios, which address the KERORIPCO share savings:

Ratio	Formula	Norm/Goal
Growth of Members' Shares	$(\text{Total Member Shares for the current quarter} / \text{Total Member Shares for previous quarter} - 1) * 100 \text{ per cent}$	Positive
Business Plan Target Achievement	$(\text{Total Actual Member Shares for the current quarter} / \text{Business Plan Target Member Shares for the current quarter} - 1) * 100 \text{ per cent}$	>100 percent
Financial Costs	Dividend Cost on Member Share Savings / Average Share Savings	Market Rates
Level of Member Voluntary accessible Shares	$\text{Member Voluntary accessible Shares} / \text{Total Assets} * 100 \text{ per cent}$	>0
Level of pledged shares	$\text{Total Pledged Shares} / \text{Total Member cfF} * 100 \text{ per cent}$	>10 per cent

Negative trends should be addressed immediately with the KERORIPCO's Manager and the BOD.

SECTION 3: ACCOUNTING PROCEDURES

POLICY INTRODUCTION

These policies and procedures set the standards and requirements for the Kei-Rodo Rice Producer Cooperative Society Limited (KERORIPCO) on establishing effective accounting systems, accounting of the KERORIPCO's transactions and maintenance of accounting records.

The purpose of an accounting system is to provide the KERORIPCO's management with complete and accurate financial information to enable it to operate the KERORIPCO in a sound and effective manner. Comprehensive and accurate financial information is essential so that KERORIPCO's management can make sound decisions concerning the operation of the KERORIPCO. Financial information provided to management is summarized in the KERORIPCO's financial statements, which are intended to present fairly the financial position of the KERORIPCO at a given date, and the results of its operations for a given accounting period. The financial information so presented must be supported by accounting records maintained in conformance with principles and standards designed to provide full and fair disclosure of all material information relating to the KERORIPCO's operations. The financial statements should be used by management to provide information and data to members, elected officials, creditors, the regulatory agencies, and others having a valid interest. Therefore, the records must be accurate, current and show the true financial condition of the KERORIPCO. Prompt and accurate preparation of reports will aid the KERORIPCO in achieving its objectives and fulfilling the purposes for which it was formed.

The KERORIPCO should maintain its accounting records on a conservative basis. It should make accurate and reasonable provisions to the accounts for potential losses on assets and the settlement of liabilities. It should not materially overstate nor understate its assets, liabilities, revenues, or expenses.

Accounting transactions should be recorded on a timely basis so that all information applicable to each accounting period is captured in the records. To properly recognize in accounting records and financial reports the reasonable value of assets, liabilities, and capital, the KERORIPCO should make provisions for estimated losses in the collection or conversion of CF and other assets by charges against expenses. Differences between the actual and estimated amounts should be absorbed in the operations of the subsequent accounting period.

Accounting effectiveness is enhanced with adequate internal controls. Accounting control is concerned with the day to day functioning of the KERORIPCO office including:

- Proper methods for handling members' transactions.

- Accurately recording transactions on the books and records.
- Proper receipt and disbursement of funds; and
- Preparation of financial statements which reflect the current financial position.

A properly designed accounting system achieves internal checks. It provides the KERORIPCO's BOD with data about the actual operations and indicates whether or not the KERORIPCO is being managed under the procedures and policies established by the BOD. The internal control system must include:

- An organization plan to provide, to the extent feasible, segregation of duties so that different employees handle the day to day operational and accounting functions. No one employee should be able to perform any of the KERORIPCO's transactions from the beginning of the transaction to its completion.
- A system of authorization and recording procedures adequate to provide reasonable accounting control over assets, liabilities, income, and expenses.
- Employment of personnel capable of performing their duties and responsibilities.
- Effective and timely audits of the KERORIPCO records and accounts by the Supervisory Committee including verification of members' accounts, with assistance provided by the independent external auditor.

POLICY REVIEW

The KERORIPCO BOD is responsible for formulating, reviewing, and adjusting this policy. At least on an annual basis, the Board shall review the policy and make changes if necessary, so that it is reflective of daily operations and applicable legislative requirements.

CHART OF ACCOUNTS

The KERORIPCO's accounting system and the supporting Chart of Accounts must facilitate the preparation of the reports required for effective management and supervision. The KERORIPCO should, before approving it for use, ensure the Chart of Accounts is structured in such a way as to support the maintenance of detailed accounting records of all operations of the KERORIPCO and to best facilitate the KERORIPCO's compliance with all internal and external reporting requirements. The KERORIPCO should ensure that the approved Chart of Accounts is followed in all cases. The Chart of Accounts includes all general ledger accounts and following each general account are more specific account numbers and names. The KERORIPCO management is encouraged to use the specific accounts listed in the Chart of Accounts to provide more detailed accounting information. Detailed accounting information is needed to complete regulatory

reports and to provide KERORIPCO daily management and officials with the information and data needed to enhance decision making.

ACCURATE AND CURRENT RECORDS ESSENTIAL PURPOSE OF RECORDS

The transactions of the KERORIPCO is recorded in its records, which serve as a source of information needed by the officials and management to properly manage the KERORIPCO. The accounting records also serve as the basis for reports to the members and interested third parties. Therefore, it is essential that the records be accurate, current, and that they show the true financial condition of the KERORIPCO. Prompt preparation of reports will aid the KERORIPCO in achieving its objectives and fulfilling the purposes for which it was formed.

BASIC ACCOUNTING RECORDS

Bookkeeping may be defined as the systematic recording of the financial transactions of the KERORIPCO in a suitable form. To accomplish this, a well-defined system of accounts is necessary.

Types of Accounts

The "Asset Accounts" record the KERORIPCO owns. These include cash, CF, investments, fixed assets, etc. These accounts, as well as the expense accounts, normally have debit balances. The "Liability Accounts" record the KERORIPCO owes and the "Capital (equity) Accounts" reflect the member's ownership interests. Together these accounts include advances payable, members' shares and savings, undivided earnings, and reserves. The "Liability Accounts" and "Equity Accounts" as well as the income accounts normally have credit balances.

Double-Entry System

The KERORIPCO should use a double-entry accounting system. In this system, each transaction results in at least two entries: a debit (or entry on the left side of an account ledger) and a credit (or entry on the right side of an account ledger). If the transaction requires several debits and credits, the total of the debits and the total of the credits must be the same. In other words, for every debit entry, there must be an offsetting credit entry and vice versa. Following this rule and determining that the total debits equal the total credits can keep the records in balance.

The KERORIPCO should record financial transactions as accounting entries consisting of debits and credits. Every transaction affects at least two accounts. Accounting principles assign each type of account a normal debit or credit balance. The normal balance coincides with what is done to increase the balance in the account. For example, asset accounts are increased with debits; therefore, the normal balance in an asset

account is a debit. Debit refers to the left side of an account and credit refers to the right side.

Calculate the account balance from the totals of the debit and credit sides of an account and subtract the smaller sum from the larger, and the difference is called the balance of the account. Debits and credits affect asset and expense accounts in one way and liability, equity, and revenue accounts in the opposite way. Following this rule and determining that the total debits equal the total credits can keep the records kept in balance.

Important accounting rules include:

- Assets are debit accounts, although at times such an account may have a credit balance,
- Liabilities are credit accounts, although they, too, could at times have a debit balance,
- Capital accounts, including member shares, are credit balance accounts. If the KERORIPCO has an overall debit balance for capital the KERORIPCO is insolvent,
- Income accounts have credit balances, and
- Expenses have debit balances.
- A general rule for debits and credits is – Debits represent an increase of an asset, a reduction of liability or the capital account, or the payment of an expense. Credit represents a reduction of an asset, increase of liability or the capital account, or receipt of income.
- Whether to debit or credit an account can be determined by these guidelines:
 - To increase a debit account, it must be debited,
 - To increase a credit account, it must be credited,
 - To decrease a debit account, it must be credited, and
 - To decrease a credit account, it must be debited.
- In preparing the accounting entries, the Accountant must decide what accounts are to be debited and credited. Several questions must be answered:
 - What accounts from the Chart of Accounts will be affected by this transaction, both the account numbers and the names?
 - Do the accounts normally have a debit or credit balance?
 - Is the account balance to be increased or decreased?

If debit and credits do not balance at the end of the day, the problem or error needs to be located before the opening of the KERORIPCO on the next business day. The Accountant must go back through the day's transactions to find the error. Daily balancing of the records reduces the time it takes to locate recordkeeping errors. The first step in locating the differences between the debits and credits is to determine the actual difference. Just knowing the actual difference may help locate the error.

If no clue is forthcoming, then it will be necessary to retrace every entry. When trying to locate an error some of the mistakes that may have occurred include:

- A transaction may not have been completed,
- Addition and subtraction errors may be involved,
- Transposition of numbers may have occurred,
- The debit and credit entries may have been incorrectly posted as such, and
- The figures on the cash vouchers and/or journal vouchers could have been misread.
- Agreement between the debits and credits is no guarantee that errors have not been made. It just means that the debits and credits are in balance. The following types of errors may go undetected, even if the debits and credits agree:
 - Debits and credits may have been posted to the wrong accounts,
 - A transaction may have been omitted,
 - A transaction may have been posted twice, and most rarely
 - Identical errors may be involved or an error that has a compensating error to offset it.

BASIC CONCEPTS AND GENERAL PRINCIPLES

The basic concepts and general principles of the detailed accounting principles and standards for the KERORIPCO are:

SEPARATE ENTERPRISE

The KERORIPCO is a separate corporate entity requiring the maintenance of comprehensive accounting records and financial reporting practices to provide meaningful information to members, staff, the BOD, the Supervisory Committee, the regulators, and interested third parties.

GOING CONCERN CONCEPT

The KERORIPCO should normally maintain its accounts as a “going concern” on the basis that its operations will continue indefinitely. Therefore, assets and liabilities should represent the value to the KERORIPCO as a “going concern” and should not present liquidation values. Whenever unusual circumstances indicate a limited life for the KERORIPCO, e.g., if the KERORIPCO liquidates, the “going concern” concept no longer applies. As a result, a statement of realistic assets and liabilities and appropriate revenues and expenses may require adjustments. These adjustments could include:

- Re-evaluation of the CF portfolio to recognize discounts on sales and collection of CF,
- Evaluation of the realizable value of fixed assets in liquidation, and
- Re-evaluation of the carrying value of deferred charges and deferred advances, etc.

MONETARY BASIS FOR ACCOUNTING

State account values in terms of the amounts (Uganda shillings) involved at the time transactions occur. Recording each transaction in terms of one-currency units provides the best feasible indicator of its relative impact on the overall operations of the KERORIPCO. It also permits the identification of the number of assets, liabilities, equity, income, or expenses represented by the transaction.

CONSISTENCY IN ACCOUNTING FROM PERIOD TO PERIOD

Follow consistent accounting practices from one accounting period to the next. Should a material change in accounting treatment occur, disclose the facts on KERORIPCO financial statements. Include the effect upon the balance sheet and the changes in net income for the period. For example, if the KERORIPCO converts to the full accrual system of accounting because assets reach a certain level, it should make a complete conversion at one time and report the conversion on the current period financial statements.

TIMELY RECOGNITION IN ACCOUNTING RECORDS

Record accounting transactions promptly so all material information applicable to each accounting period shows in the records. Provide for estimated losses to be sustained in the collection or conversion of CF, and for other assets via charges against current expenses, to properly recognize the reasonable value of assets, liabilities, and capital in accounting records and financial reports. Estimate amounts for accruing income or expenses if actual amounts are not known and cannot be determined readily. Absorb differences between the actual and estimated amounts in the operations of the subsequent accounting period.

MATERIALITY

Recognize material facts relating to the KERORIPCO's financial activity in the accounts and report them in financial statements. International Accounting Principles provide that a statement, fact, or item is material if its omission or misstatement could influence the economic decisions of relevant users based on the financial statements. The accumulation of many small items, each of which in itself would not be “material”, would be “material” if the overall effect would tend to influence the judgment and conduct of a reasonable person.

CONSERVATIVE ACCOUNTING

Maintain accounting records on a conservative basis. Make reasonable provisions in the accounts for potential losses on assets and the settlement of liabilities. Do not materially overstate nor understate its assets, liabilities, revenues or expenses.

ACCOUNTING AND DIVIDEND PERIODS

The accounting period is the period selected by the KERORIPCO to close its books. The KERORIPCO must close its books at least annually at the end of the fiscal year.

FISCAL YEAR

The fiscal year of the KERORIPCO should track the calendar year beginning on [1st January of the fiscal year in Uganda] and ending on [31st December of the fiscal year in Uganda]. KERORIPCO will submit a formal request to the relevant government department if required to get the accounting period approved.

BRIEF OUTLINE OF THE PRESCRIBED ACCOUNTING SYSTEM

The accounting records of KERORIPCO should be maintained on an accrual basis. Strict compliance with the accrual basis of accounting is recommended for KERORIPCO after its assets reach UGX 20,000 or more at the end of the accounting period.

ACCRUAL BASIS

The accrual basis of accounting provides the most complete, conservative and informative record of the financial activities of the KERORIPCO. Accrual accounting refers to the method under which liabilities and expenses are recorded when incurred, whether or not paid, and income is recorded when earned, whether or not received.

Financial statements prepared on the accrual basis inform users not only of past transactions involving the payment and receipt of cash but also of obligations to pay cash in the future and of resources that represent cash to be received in the future. For example, each day of the month the KERORIPCO earns mark-up on all CF and investments outstanding. However, the members normally make monthly payments, on the 15th of the month.

The KERORIPCO using accrual-based accounting would accrue for the 15 days of the month that the KERORIPCO had earned the mark-up but had not been paid for because the member-only pays once a month.

International Accounting Standards (IAS) requires the use of accrual accounting. IAS is used in businesses throughout the world and consist of the financial accounting and reporting assumptions, standards, and practices that a company must use in preparing external financial statements.

THE BASIC COOPERATIVE ACCOUNTING SYSTEM DESCRIBED

For KERORIPCO the majority of entries originate with the receipt or disbursement of cash. Other entries are relatively few in number and consist generally of adjustments or transfers between accounts, establishment, and maintenance of an allowance for loan losses, write-offs of bad loans, and recording depreciation of tangible fixed assets. In addition, following the accrual basis of accounting KERORIPCO should make entries to record accrued income and expenses.

Records of Original Entry and Record of Final Entry

A bookkeeping system can be broken down into two distinct parts: Records of Original Entry (the Journal and Cash Record) and Records of Final Entry (General Ledger). In addition, the Cash Voucher or its equivalent and the Journal Voucher or its equivalents serve as memorandum records of the original transactions and the sources of entries in the Journal and Cash Record.

The Records of Original Entry

The Records of Original Entry are diaries of the transactions as they occur. The Journal and Cash Record is the main record used for this purpose. Each day's cash receipts, disbursements and other transactions are entered in the Journal and Cash Record in chronological sequence. Thus, a running history of each day's transactions is kept and may be summarized as needed. At the end of a given period, usually the month-end, the total of all transactions about each account can be obtained by totaling the debit and credit columns of the Journal and Cash Record. The accuracy of the entries can be proved in part by balancing the debit columns against the credit columns.

The Record of Final Entry

The Record of Final Entry is General Ledger. This record serves as a means of summarizing the entries in a form that will enable the Accountant to prepare reports on the results of operations to date. Entries in General Ledger consist of posting (simply transferring) the debits and credits (either individually or in total at the end of the month) for each account in the Journal and Cash Record to the corresponding account in General Ledger and computing the net balance for each account. The result obtained shows the current balances of the credit union's accounts and the results of operations for the period.

If the General Ledger account is a debit account, it must be remembered that the debit figure from the JCR must be added to the last monthly total on the ledger page and the credit figure must be subtracted to obtain the new General Ledger balance. Conversely, if the General Ledger account is a credit account, the debit figure from the JCR must be subtracted and the credit figure must be added to obtain the new credit balance. The result obtained shows the current balances of the KERORIPCO's accounts and the results of operations for the period.

To support detailed transactions in the General Ledger account and provide for the account reconciliation, it is necessary to provide detailed information about this account with a record known as a Subsidiary Ledger. In this situation, the accounts in General Ledger are control accounts only, with detail supporting these control accounts carried in the subsidiary ledgers. Subsidiary records are balanced with related control accounts every month and the reconciliation, or other proof of balancing, is retained. The subsidiary ledgers are imperative for all accounts with a lot of activity or for accounts where more than one item is being accounted for. A subsidiary ledger has the following advantages:

- It isolates for the individual member the transactions that affect their account only, all on a single ledger. Not only will the member benefit from having a subsidiary ledger, but so also will customers or creditors who do business with the KERORIPCO
- It eliminates from the General Ledger a great amount of detail relating to assets, liabilities, and capital accounts.
- It permits easier location of errors by grouping accounts and maintaining control on these groups.

- It aids internal control by separating the different groups of accounts and assigning responsibility for their control and maintenance.

For example, in the general ledger account for furniture depreciation, all of the depreciation amounts are summarized as one end of month amount. Subsidiary ledgers are necessary for each piece of office furniture because of the KERORIPCO is depreciating all the office furniture for various lengths of time and different amounts.

A subsidiary ledger is not necessary for a general ledger account that is for one item, such as one of the KERORIPCO investments. The subsidiary for this account would be the statement received from the institution in which the investment was made stating the current investment balance and value. The Individual Share, Savings and CF Ledgers are also examples of subsidiary records, which show the detailed savings and CF transactions of each member.

The Savings and CF accounts in General Ledger reflect the total transactions with all members. These General Ledger accounts are the Control Accounts since they act as a control or check over the numerous postings to the individual or subsidiary ledgers. Subsidiary records are balanced with related control accounts monthly and the reconciliation, or other proof of balancing, is retained.

GENERAL LEDGER, SUB LEDGERS, AND AC RECONCILIATIONS

GENERAL LEDGER

The general ledger is a comprehensive record of individual accounts on the chart of accounts. The chart of accounts is a listing of general ledger account numbers and account names. The general ledger accounts contain entries of a specific asset, liability, capital, income, or expense. Accounting computer systems will print various levels of detail for general ledger reports. Subsidiary ledgers and account reconciliations support the general ledger.

SUBSIDIARY LEDGERS

Subsidiary ledgers store the details of certain general ledger accounts. Subsidiary ledgers support general ledger accounts. The use of subsidiary ledgers may reduce the number of general ledger accounts. The fewer the number of accounts, the easier it is to avoid errors and find them when they occur. Subsidiary ledgers are often set up for CF, cash, investments, prepaid expenses, fixed assets, shares and savings, capital, income, and operating expenses. The better the system of organizing account details in subsidiary ledgers, the easier it is to avoid errors and find them when they occur.

ACCOUNT RECONCILIATIONS

Account reconciliations prove account balances regularly. Accounting staff will typically prepare these at least monthly. Accounts such as cash and bank accounts require reconciliation weekly or daily.

SUMMARY OF ACCOUNTING CYCLE

A review of the accounting cycle shows that the data flows in a logical sequence. Completion of the accounting cycle steps enables the Accountant to combine and summarize all of the KERORIPCO transactions in two concise statements, which all KERORIPCO must produce at least monthly – the Statement of Financial Condition or Balance Sheet and the Statement of Income and Expenses. The cycle is as follows:

- Member comes to pay (deposit) or withdraw funds to/from the KERORIPCO This is the same whether a manual or computerized system is being used.
- Complete an official receipt (OR) for cash received or disbursed and a journal voucher for a non-cash item (transaction). Ensure that the correct accounts are being debited and credited and that the entry is in balance (the debits equal the credits). For the computerized system, the computer-generated receipt is the evidence used for member deposits and withdrawals.
- Ensure that all entries at the end of the day balance and that the amount of the cash received (collected) are equal to the bank deposit. This is the same whether a manual or computerized system is being used.
- Perform all non-cash item entries as necessary, such as corrections, closing entries, provisions for CF losses, charge offs, equipment and building depreciation, etc. This is the same whether a manual or computerized system is being used.
- Record all of the information from the ORs and Journal Vouchers after the days' work in the Journal and Cash Record. This should always be done daily to reduce the possibility of making an error and to reduce the time it takes to find and correct the error. This is performed automatically with computerized systems.
- At the end of the month, after ensuring that all is in balance, summarize and transfer all of the information in the JCR to General Ledger for each account. If the KERORIPCO is computerized, this is usually performed by the computer with several keystrokes.
- Ensure that all subsidiary ledgers (bank reconciliations, individual member share, savings and CF ledgers, investment statement balances) balance with the KERORIPCO's general ledger balances. This is the same whether a manual or computerized system is used.
- Prepare the financial statements (the Statement of Financial Condition and the Statement of Income and Expenses). This is the same whether a manual or computerized system is being used.
- Close the income and expense accounts at the end of the accounting period to the undivided earnings accounts. This is performed by the computer with several keystrokes or commands.
- Prepare the final or "after closing" statements (in which the net income has been "closed" into the undivided earnings). This is the same whether a manual or computerized system is being used.

FINANCIAL STATEMENTS

The Statement of Financial Condition or Balance Sheet:

The balance sheet reports the KERORIPCO's financial position at a point in time. The balance sheet is best thought of as "a snapshot of the KERORIPCO's financial position". The balance sheet is normally prepared as of the last day of each month. The next day the balance sheet numbers are different because of member transactions, purchases of investments and office equipment, etc.

The total of the assets on the Balance Sheet should always equal the sum of the liabilities and capital accounts. This relationship is best expressed by the following equation:

ASSETS = LIABILITIES + CAPITAL

The balance sheet lists the assets, liabilities, and capital of the KERORIPCO and shows its financial condition. Assets are items of value that the KERORIPCO owns. Typical KERORIPCO assets include cash and cash equivalents, investments, CF, accounts receivable, prepayments, fixed assets (building, furniture, and equipment).

Liabilities represent amounts owed to persons or legal entities. Typical examples of such items would be member share savings, accounts, and borrowings payable, taxes, dividends on member share savings payable and accrued expenses. The member savings and share account balances are accounted for at the actual value of the accounts. Capital is made up of the following accounts: member share investments, subordinated shares, undivided earnings, regulatory reserves and other required reserves, and net income or loss. The capital accounts represent the accumulated net income/losses from past KERORIPCO operations. If the KERORIPCO was liquidated, remaining capital would be divided up amongst the members after all KERORIPCO liabilities or losses were provided for.

The Income and Expense Statement

The Income and Expense statement reflects the gross amount of income earned and the total amount of expenses incurred during the period and allows users to determine if the KERORIPCO made a profit. If gross income is greater than the total amount of the expenses, the difference represents a net gain from operations during that particular period and is reflected as an increase in the undivided earnings and capital. If the expenses are greater than the income, a loss occurs and there is a decrease in undivided earnings or capital. The net gain or income after all expenses, dividends and the mark-up on liabilities and regulatory requirements that have been met is available for members in the form of ownership share dividends.

- At the end of the fiscal year, all the income and expense accounts are "closed" or transferred to the net income or loss summary account. This debit or credit balance is then "closed" or transferred to the undivided earnings, which is a capital account. Closing accounts is necessary to reduce the income statement account balances to zero so that these accounts can be used to collect the revenue and expense transaction data for the following accounting period. Closing accounts

does not occur with balance sheet accounts; they collect transaction data throughout the life of the KERORIPCO, not just the accounting period. Three steps are necessary to close the income statement accounts and to transfer the resulting balance in the net income or income summary account to undivided earnings:

- All income statement accounts with credit balances are debited and the income summary account is credited in an amount equal to the total debits.
- All income statement accounts with debit balances are credited, and the income summary account is debited in an amount equal to the total credits.
- The balance in the income summary account is transferred to undivided earnings. If earnings activities result in net income, the income summary is debited and undivided earnings are credited. On the other hand, if a net loss results, retained earnings are debited and income summary is credited. If the KERORIPCO is automated this is performed by the computer with several keystrokes or commands.
-
- PRINCIPLES AFFECTING THE RECORDING IN BS ITEMS
- Full and fair disclosure is defined as the level of disclosure a reasonable person would provide to the KERORIPCO's members to fairly inform them of the financial condition and the results of operation of the KERORIPCO
- The financial statements described above must provide full and fair disclosure of all assets, liabilities, and capital including a limited number of valuation accounts as may be necessary to present fairly the KERORIPCO's financial position. This also includes all income and expense accounts necessary to present fairly the results of the KERORIPCO's operations for the period covered by the report.
- The principles and standards of accounting relating to assets of the KERORIPCO using accrual-based accounting are as follows:
- Assets are considered to be something of economic value that is used to satisfy the wants or needs of the members. Assets are normally recorded at their cost to the KERORIPCO
- Cash (teller cash, vault cash, petty cash, and KERORIPCO current accounts in banks) is recorded at the amount on hand at the KERORIPCO as of the date of the financial statement. Cash on deposit or hand should be recorded in separate accounts from other cash accounts. Each category of cash should be shown separately on financial reports, other than change funds or petty cash.
- Investments (bank saving and term accounts, other financial investments) are recorded at the cost of the investment to the KERORIPCO the values of investments

should not be written up to the current market value. If there is a significant decline in the value of the investment, that decline should be recognized if the KERORIPCO will receive less at the investment maturity or the KERORIPCO is going to sell the investment before maturity and will have to recognize the loss.

If the KERORIPCO is going to hold the investment to maturity and will receive the purchase value of the investment than the KERORIPCO does not need to recognize the loss. If the KERORIPCO is to recognize the loss it is done so by using the Allowance for Investment Loss account, which is a contra asset. The account has a credit balance. This account reduces the value of the investments. The offsetting or debit entry is to an expense account "Provision for losses on investments" established for this purpose.

- **Farmers' credit Financing Outstanding** should be recorded to reflect their unpaid balances as of the date of the financial statement.
- **Provision for Loan Loss** is to be maintained to represent all known and potential CF losses. This is a contra asset account, which means that the account has a credit balance instead of a debit balance as the other asset accounts have. The effect of this contra asset account is that it reduces the value of the CF outstanding.

The norms and standards for funding the provision for the CF loss account are established in compliance with the regulative standards and requirements of the KERORIPCO's internal policy. The method used by the KERORIPCO is as follows:

- a) 35 per cent of the unpaid balance of CF 31 to 90 days past due shall be included in the provision for CF loss account to provide for potential losses
- b) 50 per cent of the unpaid balance of CF 91 to 180 days past due shall be included in the provision for the CF loss account to provide for potential losses
- c) 100 per cent of the unpaid balance of CF past due above 180 days shall be included in the provision for the CF loss account to provide for potential losses.

At the end of each month before the monthly financial statements are prepared the KERORIPCO management has to determine that the provision for the CF loss account is adequate to meet the requirements. As for any other major expense item, the KERORIPCO should budget an amount (part of the annual budget process) that will be expensed monthly through the provision for the CF loss account (expense account).

This amount will be based on history, a percentage of the outstanding CF balance, current delinquency, the economic situation, and policy requirements. If for some reason there is an unexpectedly large increase in the amount needed in the provision for the CF loss account, that amount is to be expensed immediately. A large adjustment may not be

expensed over several months to reduce the impact on the KERORIPCO's income. The KERORIPCO must always realize all Credit Facility (CF) potential losses when they are identified. To provide full and fair disclosure, the provision for CF losses account must always be adequate for all known and/or expected losses.

- **Accounts Receivable** represents anything that is owed to the KERORIPCO by partners and third parties. They are to be recorded to reflect their unpaid balances. In case the receivables are not paid based on the contract or the probability of their repayment is minimal the KERORIPCO should recognize a loss on these accounts to present their true value. If the KERORIPCO is to recognize the loss it is done so by using the Allowance for Accounts Receivable Loss account, which is a contra asset. The account has a credit balance. This account reduces the value of the receivables. The offsetting or debit entry is to an expense account "Provision for losses on accounts receivables" established for this purpose.
- **Accrued Return on Investments** earned but not received will be accrued and recorded as of each financial statement in the amount and terms based on the investment contract. The debit entry will be to accrue return on investments (asset account) for the amount that was earned during the accounting period and the credit is to Income on Investments (income account) for the same amount. As the return is received the accrued return on investments (asset account) will be credited and Cash debited.
- **Accrued Return on Member CF** that has been earned but not yet received is recorded or debited as an asset in the Accrued Return on Member CF account (asset) and the corresponding credit is to Shared Profit on Member CF (income account). This accrual is necessary when member CF payments do not correspond with the end of the accounting period. Commonly CF payments are made once a month. As of the month-end financial statement date, the KERORIPCO has earned a profit for a certain number of days (since the last CF payment to the month-end) but has yet to receive payment, so this amount is accrued for in the month-end financial statement to present full account disclosure. CF profit accrual should be discontinued for all CFF that are more than 2 months delinquent. Mark-up payments received for these CF will be recognized only upon receipt of the CF payment. The repayment of mark-up becomes more doubtful as to the delinquency increases. If the KERORIPCO has a high delinquency level in the CF portfolio it may choose to record all CF profit (mark-up) on a cash basis, as it received.
- **Advances** represent the amount given by the KERORIPCO in advance to different parties as payment for future delivery of services and goods, against which the actual expense should be adjusted in future. The advances should be exchanged

for delivery of goods and services or returned by the supplier (party). They are to be recorded to reflect their unpaid (unconfirmed by delivery of goods and services) balances. In case the services and goods are not delivered as agreed or the contract is terminated the outstanding amount (fully or partially) should be returned (collected). If it cannot be returned within 6 months, it should be fully expensed.

- **Prepaid Expenses** are costs of a material amount that affect subsequent accounting periods. These costs or expenses are amortized over the accounting periods, to which they are applicable. For example, if the KERORIPCO had to pay rent for the whole year in a single payment during the 1st month of the year, then the Accountant would establish a prepaid expense account and expense 1/12th of the expense each month throughout the year until the prepaid account reached a zero balance. In this way the KERORIPCO would not report a large expense during the 1st month of the year; the expense would be evenly distributed throughout the period to which the expense was attributable. The KERORIPCO can also amortize deferred organization costs over a period not extending beyond the year incurred and the two subsequent fiscal years.

- **Fixed Assets** should be recorded by the following principles:

- a) The purchase of fixed assets should be recorded at cost. The cost of acquisition is the net purchase price of the asset plus all incidental costs necessary to put the asset in condition for use, such as freight, installation cost, etc. If the property is exchanged for the acquired asset, then cost is recorded as the amount of cash paid plus the recorded amount of the asset surrendered. No gain, if any, should be recognized on the transaction; the entire indicated loss on the exchange, if any, should be recognized. If the property is acquired through the exchange without cost, the fair market value should be used as the cost.
- b) The KERORIPCO's BOD may establish an amount value limit – UGX _____, under which fixed assets will be recorded as a current expense instead of established as a fixed asset and depreciated. Depreciation of KERORIPCO fixed assets is the charge allocated to an accounting period under a system, which aims to distribute the cost of the fixed assets, less salvage value (if any) over the estimated useful life of the asset. Depreciation is an equal amount that is expensed each month; it reduces the value of the asset as the asset is being used by the KERORIPCO. Depreciation is a contra account; it reduces the value of a KERORIPCO fixed asset. It has a credit balance. The KERORIPCO should maintain a depreciation record for each depreciable item. The management should use the straight-line method to compute the monthly amounts of the depreciation to be charged.
- c) To prevent fraud, assets should be depreciated to an established minimum or salvage value such as UGX _____ so that they are not removed from the general ledger or the KERORIPCO inventory. If the fixed assets were depreciated on the KERORIPCO records to zero,

then they could be easily removed from the premises since there would no longer be a record of them.

- d) A fixed asset is retired when it is fully depreciated. However, KERORIPCO management may decide to continue to use it in the operations of the KERORIPCO and keep it on the balance sheet at the salvage value. When a fixed asset is broken or destroyed it should be fully depreciated and retired based on a written decision (directive) of the KERORIPCO's management. In case the fixed asset value is as material as the KERORIPCO's management can apply administrative sanctions to the responsible staff.
- **Other assets** are all assets that do not fall in the above categories. They are to be recorded at cost.
 - **Assets Pledged.** The KERORIPCO should disclose the nature and extent of KERORIPCO's assets pledged to secure debts in the financial statements.
 - **Liability.** An essential characteristic of a LIABILITY is that the KERORIPCO has a present obligation and the settlement of the obligation will cause an outflow of KERORIPCO resources. Liabilities should be recorded at their actual amounts or, if the actual amounts are not known, they should be recorded based on reasonably accurate estimates.
 - **Member Share Savings** are accounted for at their actual amount deposited based on the deposits agreement (passbook) with the KERORIPCO. The KERORIPCO offers various types of member share savings at varying dividend rates and maturities depending on member needs and subject to rates, terms, and conditions as established by the KERORIPCO's BOD. Share savings types offered include pledged share savings, regular share savings, development share savings, and certificate share savings.
 - **Member share savings** that have a stated or declared dividend rate are to be accrued for in the Dividends Payable on Share Savings. The member must receive the stated or declared rate and amount. The dividends are accrued based on the stated or declared dividend rate by debiting the Dividend Cost on Share Savings (expense account in Income Statement) and crediting Dividends Payable on Share Savings (liability account in the Balance Sheet). Dividends on share savings are to be accrued monthly or at the end of the shortest dividend period offered by the KERORIPCO on any type of account in the terms specified in the deposit contract and conditions approved by the BOD.
 - **Accounts Payable** consists of all bills that have been received and are due for payment but as of the date of the financial statement remain unpaid. They also include KERORIPCO's accrued operational expenses that have not been paid yet. They should be recorded at actual cost based on the bills and contracts.

- **Deferred Revenue** consists of revenue received in advance, but applicable to subsequent accounting periods. The KERORIPCO should record deferred revenue separately and amortize by crediting income account during subsequent periods as the revenue is earned based on the contractual terms.
- **External Credits Payable** are funds that the KERORIPCO has borrowed. The amount recorded is the outstanding amount payable on the notes.
- **Other liabilities** are all other liabilities that do not fall in the above categories. They are to be recorded at cost.
- **Capital.** An essential characteristic of CAPITAL is that the represents the members' ownership interest and accounting difference between assets and liabilities. Rewrite
- **Members Ownership Shares** are classified as capital on the KERORIPCO's Statement of Financial Condition. Each member must have the minimum amount in ownership shares established by the KERORIPCO's bylaws and internal policies to access all KERORIPCO services. Shares are recorded at the actual amount received from a member or the capitalization of dividends. Shares can be paid a dividend only after operating expenses, dividends on share savings and capital adequacy requirements established by regulatory agencies and/or the KERORIPCO's bylaws and internal policies have been made.
- **Subordinated Shares** are classified as capital on the KERORIPCO's Statement of Financial Condition and represent the amount of equity presented by the permanent donors. Subordinated shares are recorded at the actual amount received from a member or capitalization of dividends. Subordinated shares can be paid a dividend based on the contractual arrangements with donors (investors).
- **Regulatory Reserves** are required by the regulatory agencies or the KERORIPCO's bylaws and internal policies to ensure adequate and quality capitalization of the KERORIPCO's cannot distribute dividends on ownership shares until the regulatory reserves' requirements are met. Regulatory reserves are increased from undivided earning by debiting undivided earnings account. They are cumulative and can be decreased only if an increase was caused by technical mistake or error.
- **Undivided Earnings** is the account in which all past net incomes and losses are accumulated. At the close of each accounting period, the income and expense accounts should be closed in the Net Income/(Loss) account, after which the balance of the Net Income/(Loss) should be transferred to Undivided Earnings. Other miscellaneous charges should be made to undivided earnings only for a correction of an error for material amounts that represent

adjustments affecting prior accounting periods. Material errors in such financial statements could include arithmetic mistakes, the misuse or deletion of information, mistakes in the applications of accounting principles or procedures and improper interpretations of the accounting aspects of major transactions. Correction of an error should result in the restatement of the prior year's financial statement to disclose the correction of the error. The KERORIPCO should not treat normal recurring corrections and adjustments which are the natural result of the use of estimates inherent in the accounting process as prior-year adjustments. Normal recurring corrections include changes in estimated assets losses, accumulated depreciation on disposed assets, and estimated dividends. These changes are properly recorded as transactions affecting the current year in the appropriate income and expense accounts. The determination of net income for the period must include all items of profit and loss recognized during a period.

- **Net Income** is the difference between all income and expense items for the current accounting period.

PRINCIPLES AFFECTING THE RECORDING OF INCOME AND EXPENSES

- **All income**, expenses, gains, and losses affecting each accounting period should be recorded through income and expense accounts. Income and expenses from regular KERORIPCO operations should be segregated from any extraordinary income or expenses, which occurred during the period. For a detailed description of all the income and expense accounts see the document entitled "Chart of Accounts".
- **Income encompasses** both revenues and gains. Revenue or income arises in the course of the ordinary activities of the KERORIPCO and gains arise from non-operational or unusual occurrences. Revenue should be accrued for when earned but not yet received as of the date of the financial statement or dividend (payment) period. The entries are to the Accrued Revenue on CFF or Investments (debit) and Shared Profit on Member CF or Income from Investments (credit). The KERORIPCO Core-Banking System will calculate the amount to accrue. The KERORIPCO should maintain supporting documentation for the accrual basis.
- **Shared profit** accruals should be discontinued on CF that are 2 months delinquent. Profit on CF more than 2 months delinquent should be accounted for only when payments are received. Charges should be recorded as income when received. Income accounts normally have a credit balance.
- **Expenses encompass** losses as well as other expenses that arise in the course of KERORIPCO operations. Expenses relate to current operations and should be paid and recorded promptly when due. If, however, at the end of the month there are invoices that are for past expenses that have yet to have been paid they should be recorded as current

month expenses and accounts payable until paid. Significant amounts of expenses paid or accrued that apply to future periods should be recorded as prepaid or accrued expenses and amortized over the periods to which they are applicable.

- **Fixed Assets**, as discussed in the previous section, are depreciated monthly over the life of the asset through an expense account.
- **Prepaid and Accrued Expenses** are included in expenses monthly for amortization of the pre-paid and/or accrual of anticipated expenses for material expenses such as the rent, annual meeting, annual audit, etc.
- **Cash Overage and Shortages** arising in the processing of cash transactions should be recorded as debits or credits to this expense account daily as the cash differences occur. Adjustments to the cash over and short expense account are made whenever the error which caused the cash overage or shortage is determined and the proper account can be identified and debited or credited.

SECTION 4: CASH OPERATIONS PROCEDURES

POLICY INTRODUCTION

This policy sets the standards and requirements for the Kei-Rodo Rice Producer Cooperative Society Limited (KERORIPCO) on the establishment, administration and monitoring of cash funds. Detailed cash handling policies and procedures are critical to the KERORIPCO works with cash on a day-to-day basis. Cash handling involves the planning and control of cash management to efficiently meet day to day cash needs of the KERORIPCO, investing temporary idle cash to earn revenue and safeguarding cash from potential fraud and theft.

POLICY REVIEW

The KERORIPCO BOD is responsible for formulating, reviewing, and adjusting this policy. At least on an annual basis, the Board shall review the policy and make changes if necessary, so that it is reflective of daily operations and applicable legislative requirements.

SCOPE AND RESPONSIBILITY

This policy shall apply to all offices, divisions and departments of the KERORIPCO. The KERORIPCO MANGER and the Accountant shall be responsible for the administration of the accounting, monitoring compliance and auditing of cash funds. The BOD and Supervisory Committee shall check compliance with the following policy and procedures and shall ensure that all accounting and reporting requirements are accomplished in an accurate and timely manner.

SAFEGUARDING CASH

Safeguarding cash from fraud and theft is critical for the KERORIPCO. Cash is easy to conceal and transport and desired by everyone. Cash control is closely related to the accounting system. Free access to the accounting system makes it easy to conceal embezzlements. Therefore, careful control of cash receipts and payments is essential. The following safeguarding principles should be implemented and strictly followed:

SEGREGATION OF DUTIES

- The most important internal control for cash is to segregate the physical handling of a transaction from its recording and supervision.
- Duties of personnel should be segregated and clearly defined for purposes of check and balance. No single employee can handle a cash transaction from beginning to end. Two or more people should be involved in as many different cash handling procedures as possible.
- The cashier or any person holding cash should not be allowed to perform cash recording or reconciliation.

CONTROL OF UNUSED FORMS

- Official Receipts and Cash Disbursement Voucher must be pre-numbered and recorded in the Accountable Forms Register Book.
- The Accountant is responsible for the safekeeping, controlling and checking the usage of Accountable Forms. Under no circumstances such cash disbursement voucher booklets will be made available to any unauthorized person/custodian.
- Booklet assigned to the cashier shall be marked issued in the Accountable Form Register Book, cashier will be required to acknowledge by signing adjacent to the booklet number in the register book.

SAFEKEEPING OF CASH

- The cashier is provided with a drawer with a lock to which he or she alone has access, and it should be locked up at all times. Whenever he or she is on leave or leaves the area for more than an hour the key will be left with the designated person appointed by the Manager.
- Cash retained on the premises overnight should be kept at minimal levels and should be placed in the vault after it has been reconciled at the end of the day.
- The safe/vault that is used to keep cash overnight should be fireproof and have a system of at least dual access (two keys, codes, combinations). The combination and keys should be changed whenever the persons authorized for access are changed. There should be at least dual control on safe/vault that should be distributed as follows:
- Access to the vault room is assigned to the cashier and Manager. The first key or combination from the vault door should be with the cashier and the second key (combination) with the Manager.
- The first safe (level) of the vault will be used for cash safekeeping. The first key (combination) of this safe (level) is assigned to the cashier and the second - to the Accountant.
- The second safe (level) of the vault will be used for the safekeeping of collateral and other important documents. The first key (combination) of this safe (level) is assigned to the Accountant and the second - to the Manager.
- Cash collected during the day should, after the proper reconciliation and balancing with the general ledger, be deposited intact on the same banking day.
- The KERORIPCO should change its cash safes immediately if the Accountant and Cashier are not sure about the proper functionality of their safes. The new safe keys MUST be kept ONLY with the Accountant and the Cashier: no copies should be provided to any third parties, KERORIPCO employees or

officials. This is required to ensure that only specific persons at the KERORIPCO will be responsible for the keys.

- No personal cash belonging to the KERORIPCO's staff or any other individuals should be kept in the cash drawers or safe/vault, except for the pledged collateral items.
- The KERORIPCO should be extra careful in moving funds between the Bank and the KERORIPCO. If the amount of funds is large, then the funds should be moved in several transfers, not one big transfer. The KERORIPCO must try to use bank services on cash transfer to the KERORIPCO and back from KERORIPCO to bank depending on the amount of transfer and the costs associated with such transfers. The KERORIPCO must pay its vendors via bank cheques whenever possible.

CASH RECONCILIATION

- Daily, the Accountant should conduct the cash counter of the daily collection to ensure that the actual cash and the cash reflected in the daily cash collection report and the general ledger are reconciled.
- At least once a month (or the end of the month) the Accountant shall conduct general cash count to the cashier's petty cash fund, cash kept in the vault including collection for the day to reconcile actual cash counted with the cash account balance in the balance sheet.
- Any difference in the actual cash will be dealt with immediately and report to the Manager and BOD. Any case of cash deficit should be investigated thoroughly. If a cashier is found to be responsible for the deficit, then he or she should be penalized and required to replenish the deficit cash amount. In the case of a significant deficit, the cashier should be dismissed from his or her position and most likely from the KERORIPCO and the lost funds should be collected from the cashier. Any amount of cash overage will be booked to Accounts Payable and if there are no justifiable claims within six (6) months after it occurred, the amount will be booked to Unclaimed Balances for the period of (2) years. Thereafter, UGX 100 will be booked as income every month until the whole amount is consumed.
- The Supervisory Committee should routinely, but not less than once a quarter, perform unannounced (surprise) cash counts. The surprise cash count should be done by employees or elected officials that are not usually involved in the daily cash reconciliation.
- To determine the accuracy of the cash in the bank account balance, a reconciliation of the book and bank balances shall be done monthly by the Accountant and to be reviewed by the supervisory committee.
- The results of the daily, monthly and surprise cash counts should be documented and signed (confirmed) by the responsible employees and/or elected officials.

CASH RECORDKEEPING

- All cash disbursements should be properly authorized (at least two persons should authorize any disbursement) and supported by documents (contracts, invoices, etc.).
- All cash receipts should be pre-numbered, properly controlled, and contain adequate payment details and signatures of the authorized persons.
- All receipts and checks should be entered into the accounting system in the numerical sequence.
- All voided checks and receipts should be marked as such.
- There should not be any pre-signed checks and vouchers.
- All receipts should be prepared only when supporting documentation is present and after such documentation is verified.
- All cash receipts should be balanced with the general ledger on the daily basis.

OTHER CONTROL MEASURES

- All members/borrowers should be encouraged to obtain receipts for all cash transactions.
- Members should present their Passbook each time they make transactions with the KERORIPCO. No passbook: no transactions.
- To prevent theft and fraud at KERORIPCO, each staff member working for KERORIPCO MUST provide a guarantee letter of a senior ranking government official or a well-known trader or a well-respected person in the community. The guarantors should agree to guarantee the character of the staff members and make them available in case they run away stealing funds or other valuables from KERORIPCO or its members. These letters can be in any of the national languages of Uganda.

ACCESS TO SAFE AND VAULT

Part of the internal control requirements for the KERORIPCO is the use of certification of cash safe combination and keys. The certification should be done as follows:

- Certification (see Appendix #1) must be signed by the KERORIPCO's primary and alternate holders of cash safe combination and keys.
- Each holder must submit the same in a sealed and signed envelope to the Board's Chairman and/or their respective regional TAs including changes if there are any.
- Change of combination is recommended to be done every ninety (90) days or anytime when required due to security reasons and whenever there is a handover of access.

- Written hand-over of keys and combination should be duly signed by the staff/s concerned.
- In case of loss of money due to negligence, staff/s concerned will be obliged to replenish the loss amount and should be also punished through disciplinary actions, suspension or termination.
- In handling the cash safe/vault, it is always compulsory to have dual access level so none can access the vault alone. The following must be strictly followed:
- Access to the vault room is assigned to the cashier and Manager. The first key or combination from the vault door should be with the cashier and the second key (combination) with the Manager.
- The first safe (level) of the vault will be used for cash safekeeping. The first key (combination) of this safe (level) is assigned to the cashier and the second to the Accountant.
- The second safe (level) of the vault will be used for the safekeeping of collateral and other important documents. The first key (combination) of this safe (level) is assigned to the Accountant and the second - to the Manager.
- In the absence of any of the above-mentioned persons assigned with access to the vault, their access may be devolved to other staff members not usually involved in cash handling (CF officer).
- A 3rd responsible person (any staff) should always be present when the vault is opened by the first two.
- There should always be two (2) staff and one (1) witness present when opening and closing the vault.
- KERORIPCO should change its cash safes immediately if the Accountant and Cashier are not sure about the proper functionality of their Safes. The new safe keys MUST be kept ONLY by the Accountant and the Cashier; no copies should be provided to any third parties, KERORIPCO employees or officials. This is required to ensure that only specific persons at the KERORIPCO will be responsible for the keys.
- Every time the responsible persons open the vault it should be logged in the special journal (book) for audit purposes. Those who opened and closed should sign in to the logbook for confirmation. Below is a sample format of the logbook:

SETTING UP THE CASH LIMIT

Date	Time	Name of staff	Activity	signature (Open & Close vault only)
8-8-10				
8:00	Staff 1 [name]		time in	
8:15	Staff 2 & 3 [name]		open vault field work	
8:50	Staff 4 [name]		close vault	
4:20	Staff 5 & 6 [name]			

Depending on the volume of over-the-counter transactions, the KERORIPCO can set up a cash box for tellers/cashiers containing a reasonable amount of cash of different denomination to avoid frequent access to the cash safe/vault. For each transfer of cash from/to the vault to/from the teller's box the cash transfer slip should be prepared and signed by the Accountant and the respective teller.

The current cash limit for an individual teller's cash box is set at the level of UGX.

The cashier/teller should be provided with a drawer with a lock to which he or she alone has access and should be locked at all times. Whenever s/he is on leave or leaves her/his area for more than an hour, the key should be left with the designated person appointed by the MANGER. It is the responsibility of the teller/cashier to secure his or her cash drawer and the cash box and minimize cash in the drawer by regularly transferring excess amounts to the vault for security. No amount of cash should be used for personal transactions.

Cash-In-Vault Limit:

To maintain the level of security and safekeeping of cash in the KERORIPCO, only minimal levels of cash should be retained on the premises overnight and it should be placed in the safe vault after it is reconciled at the end of the day.

- The current daily limit of cash in the vault (cash that can be kept in the KERORIPCO's vault overnight) is UGX.
- Any excess thereof should be deposited to the KERORIPCO's bank depository account, covered by a bank deposit slip, signed by the cashier and Accountant/MANGER and properly booked in the accounting system on the same day. A copy of the deposit slip should be securely kept and attached with the monthly bank reconciliation.
- No personal cash belongs to any of the KERORIPCO staff or any other individuals can be kept in the cash drawers or safe/vault.

Setting-up and Handling of Petty Cash:

The KERORIPCO can set up a petty cash fund with a sufficient amount to cover minor expenses for the daily operations of the KERORIPCO like transportation cost of staffs, office supplies, photocopying charges, incidental meals and other small expenses. The current petty cash limit is UGX.

All expenses should be covered by receipts or petty cash vouchers (if receipts are not available) duly signed by the responsible staff/person paid and approved by the Accountant and the Manager. Cash balancing against receipts or vouchers should be done by the cashier and verified by the Accountant daily before putting the petty cash box inside the cash safe at the end of the day.

As soon as the petty cash fund is depleted, a summary of expenses (report) should be prepared by the cashier/Accountant and approved by the Manager before petty cash replenishment can be done.

Setting-up of Bait Money:

The KERORIPCO may set up bait money in a considerable amount (preferably UGX 1,000) which may help trace or identify culprit/s in cases of theft, hold-up or robbery. This should be part of the teller/cashier's box which is taken out from the vault at the start of the day and returned at the end of the day. A schedule of bait money containing the cash denominations and serial numbers must be prepared by the cashier, checked by the Accountant and noted by the Manager. This list will be placed separately in a sealed envelope preferably inside the cash vault. Below is a sample format of the schedule and may be changed every ninety (90) days:

Kei-Rodo Rice Producer Cooperative Society Limited

Date:.....

SCHEDULE OF BAIT MONEY

Denomination	No. of Pieces	Amount	Serial Number
1,000			
500			
100			
50			
20			
10			
TOTAL			
Prepared by:	Checked by:	Noted by:	
Teller/Cashier	Accountant	MANGER	

CASH COUNT/RECONCILIATION**Cash Counting and Proof sheet:**

Two (2) staff, preferably cashier and Accountant (or Manager) are required to do cash count daily and the cash count sheet should be duly signed and certified by both at the end of the day. Any disparity of amount in the daily cash collection report, the general ledger against the actual cash counted should be investigated and reported within the day to the Manager. Any unreported incident is subject to disciplinary action. The sample format of the cash count sheet is attached as Appendix 2.

Surprise Cash Count:

A surprise cash count should be done at least twice a month. It should be done by the Manager or elected officials (Supervisory

Committee), who are not usually involved in the daily cash reconciliation. The Supervisory Committee should routinely, but not less than once a quarter, perform unannounced (surprise) cash counts. The Manager or elected officials themselves in the presence of the cashier and Accountant should complete the surprise cash count and document the results in the cash count sheet duly signed by the cashier, Accountant (or the Manager) and the participating elected officials. Any case of cash difference against the system-generated report should be investigated thoroughly. If a cashier is found to be responsible he or she should be penalized and required to replenish the deficit cash amount. In the case of a significant deficit, the cashier should be dismissed from his/her position and most likely from the KERORIPCO

CASH SHORTAGE/OVERAGE

Cash Shortage:

Any amount of cash shortage should be accounted for and reported immediately. All means should be explored in locating any amount of difference before declaring it as such. Once declared, on the same day the person responsible should make an incident report checked by his/her immediate supervisor, confirmed by the Manager. Depending on the case the shortage must be replenished (paid) by the responsible staff either immediately, or on an instalment basis. Regardless of the cash shortage replenishment disciplinary action or suspension should be applied to the responsible person(s). Below are the required actions in case of the cash shortage:

Up to UGX 100 - written reprimand, the cash shortage shall be paid within 15 days

UGX 101 - 200 - written reprimand, the cash shortage shall be paid within 30 days, 30 days suspension

UGX 201 - 600 - written reprimand, the cash shortage shall be paid within 45 days, permanent suspension from any cash handling position

UGX 600 & above - written reprimand, the cash shortage shall be paid within 60 days, subject to termination

Regardless of the amount, the responsible staff will be subject to termination after three (3) instances of cash shortage in a year not including instances of proved erroneous posting. However, three (3) instances of erroneous postings of transactions when error correction cannot be done render the staff member subject to a written reprimand and possible dismissal from any cash handling position.

Cash Overage:

Any amount of cash overage should be accounted for and reported immediately. All means should be explored in locating any amount of difference before declaring it as such. Once declared, on the same day the person responsible should make an incident report, checked by his/her immediate supervisor, and be submitted to the Manager.

Any amount of cash overage will be booked to Accounts Payable and if there are no justifiable claims within six (6) months after it occurred, the amount will be booked to Unclaimed Balances for the period of (2) years. Thereafter, UGX 100 will be booked as income every month until the whole amount is consumed.

CASH RECEIPTS SYSTEMS AND PROCEDURES

Forms and Books

The following source documents and books should be used by the KERORIPCO when recording and accounting for the cash receipts:

- Official Receipt (OR)
- Bank Deposit Slip (DS)
- Subsidiary Ledger (SL)
- Membership Permanent Share Capital Ledger
- Savings Deposit Ledger
- CFF Ledger
- Daily Cash Collection Report (DCCR)
- Daily Cashier Summary Report (DCSR)
- Cash Receipts Book (CRB)
- General Ledger (GL)

Official Receipt

The Cashier is responsible for the KERORIPCO for all cash received and subsequent cash deposits to the bank account.

A pre-numbered Official Receipt (OR) duly signed by the Cashier or any employee authorized to receive cash, is issued to the payer to confirm the receipt of cash.

Official Receipt (OR) is issued in three (3) copies and distributed as follows:

- OR-1 (original) - to the payer (member)
- OR-2 (duplicate) - to accounting/Accountant
- OR-3 (triplicate) - cashier documents/filed to Daily Cash Collection Report

The numerical sequence of the ORs issued by the cashier is checked by the Accountant daily before recording in the Cash Receipt Book (CRB). The total amount of cash receipts in the ORs is compared by the Accountant against the daily collection report and bank deposit slip (DS). All copies of cancelled ORs are stapled, preserved and retained in the booklet and marked as "CANCELLED"

Depositing cash to the bank account

Cash collection should not be mingled with the revolving fund.

Cash receipts retained on the premises overnight are to be kept to a minimum and they should be locked up in the vault.

Cash received during the day should be deposited intact on the same banking day.

The cashier is responsible to receive cash and issue the corresponding Official Receipt (OR)

Should employee(s) other than the cashier be authorized to receive cash, they should also use pre-numbered ORs. These employees should hand over daily collection together with the used and unused ORs and Daily Cash Collection Report (DCCR).

Upon handover of cash collections, the Cashier should put his/her initials at the back of stub copy of the last ORs issued and sign the DCCR to indicate that collections have been duly handed over to him/her.

The Accountant is responsible for the safekeeping, controlling and checking the usage of ORs through a logbook.

Bank deposit slips (DS) are prepared in three (3) copies and

distributed, after bank validation, as follows:

- DS-1 (original) - to the bank
- DS-2 (duplicate) - attached to the voucher
- DS-3 (triplicate) - attached to Daily Cashier Summary Report

Finance and Accounting Reports

At the end of the day the cashier or other employee authorized to receive cash and the Accountant should prepare the following reports reflecting the cash receipt transactions:

REPORTS	PERSON RESPONSIBLE
DAILY REPORTS	
1. Daily Cash Collection Report	Cashier
2. Daily Cashier Summary Report	Cashier
3. Cash Receipt Book	Accountant
MONTHLY REPORTS	
1. Monthly Cash Position Report	Cashier

Persons/Unit Involved	Basic Responsibilities
1. Cashier	<p>1. Receives cash from:</p> <ul style="list-style-type: none"> • Payer • Bank Withdrawal • Partner Agency <p>2. Prepares and issue Official Receipts in three (3) copies, indicating the amount received from Payer, Bank or Partner Agency.</p> <p>OR will be distributed as follows:</p> <p>OR-1 – to be issued to the payer, partner agency</p> <p>OR-2 - to be transferred to the Accountant and attached to the Cash Receipt Book</p> <p>OR-3 - to be attached to Daily Cash Collection Report (DCCR)</p> <p>1. Post the OR to the member/borrower passbook</p> <p>2. Prepares and up-date DCCR as the transaction occurs</p> <p>3. At the end of the day</p> <ul style="list-style-type: none"> • Detaches OR-2 from the booklet and attach to DCCR • Add the amount shown in DCCR • Reconciles DCCR with the total collections on hand; and • Prepares the Daily Cashier Summary Report (DCSR) based on the DCCR and other pertinent documents during the day. • Prepares the bank deposit slip in three (3) copies • Deposit intact collections to the bank • Obtain two (2) copies of the validated bank deposit slip and forwards it to the Accountant

2. Accountant	<ol style="list-style-type: none"> 1. Receives the OR-1 and passbook from the Cashier 2. Post the OR-1 to the individual member/borrower subsidiary ledger (SL) 3. Return passbook and OR-1 to the member/borrower 4. At the end of the day: Receives DCCR with OR-2 and other pertinent documents such as bank withdrawal slip from the cashier; 1. Checks the following data shown in the DCCR: <ul style="list-style-type: none"> • Entries against the OR-2 and other pertinent documents for the day • Check mathematical computation of DCCR total • Reconcile DCCR with the total collections on hand; • Check total cash balance reflected in the Daily Cashier Summary Report (DCSR) as against the total cash on hand; • Records daily the collections based on the DCCR in the Cash Receipts Book (CRB) 2. Receives the two (2) validated bank deposit slip from the cashier 3. Attach validated bank deposit slip (DS) as follows: <ul style="list-style-type: none"> • Validated DS-1 attach to Cash Disbursement Voucher (CDV) • Validated DS-2 attach to DCCR 4. Reconciles the total amount reflected in the validated deposit slip against the DCCR 5. At the end of the month; <ul style="list-style-type: none"> • Fools and cross foot the CRB • Post all pertinent data or total of per account from the CRB to the General L1e9d5ger (GL) • Safely keep the following <ol style="list-style-type: none"> a) DCCR with ORs and validated DS b) DCSR c) Other accounting/financing documents
3. Manager	<ol style="list-style-type: none"> 1. At the end of the day: <ul style="list-style-type: none"> • Review and approve the DCCR and DCSR

All records in the above three journals shall coincide with the source documents (official cash receipts and bank deposit slips) and each other.

Recording of Receipt

The detailed procedures for the cash receipt cycle and its recordkeeping are included below:

Cash Disbursement System and Procedures Forms and Books

The following source documents and books should be used by the KERORIPCO when recording and accounting for the cash disbursements:

- Cash Disbursement Vouchers (CDV) Supporting Documents:
 1. Savings/Time Deposit Withdrawal Slip
 2. Membership Withdrawal forms
 3. Cash Advance Slip
- Daily Cash Disbursement Report (DCDR)
- Cash Advance Slip (CAS)
- Daily Cashier Summary Report (DCSR)
- Cash Disbursement Book (CDB)
- General Ledger

Cash Payment

All Cash Disbursement Vouchers (CDV) should be pre-numbered and properly supported by the documents (contracts, invoices, etc.). The Accountant should review and check the validity of the CDV and its supporting documents.

- The CDV is prepared in two (2) copies and distributed as follows:
 - CDV-1 (original) - to the payee
 - CDV-2 (duplicated) - to accounting
- Then CDVs shall be forwarded to the Manager for approval.
- CDVs covering disbursements over the amount the Manager is authorized to approve shall be pre-audited by the supervisory committee and approved by the Chairperson of the BOD.
- All disbursements should be made only based on approved CDV with supporting documents attached.
- Upon release of cash, the cashier will stamp "PAID" all copies of CDV and its supporting documents indicating therein the date of payment.
- The CDV will be signed by the payee to acknowledge the receipt of payment upon release of cash.
- For any cash disbursement transactions with a third party (not a member), the cashier should require the payee to issue an official receipt or other evidence in exchange for the cash.

General Procedure

Persons/Unit Involved	Basic Responsibilities
Cashier	<ul style="list-style-type: none"> • Prepares Cash Disbursement Vouchers (CDV) based on the supporting documents and the corresponding subsidiary ledgers.
Accountant	<ul style="list-style-type: none"> • Posts (CDV) to subsidiary ledgers upon the occurrence of the transactions • Reviews CDVs and the adequacy of the supporting documents • Forwards the CDVs to the MANGER for approval
Manager	<ul style="list-style-type: none"> • Reviews CDVs and the adequacy of the supporting documents and approve by signing the CDV.

Detailed Procedures

Persons/Unit Involved	Basic Responsibilities
1. Cashier	<ol style="list-style-type: none"> 1. Prepares Cash Disbursement Voucher (CDV) in two (2) copies based on the supporting documents and forwards the CDV and supporting documents to the Accountant for checking. 2. Upon receipt of CDV-1 and 2 with supporting documents approved by the MANGER and Accountant, records the cash in the daily disbursement report. 3. Releases the cash to the payee, receives his/her confirmation signature on CDV-1 and 2 and posts the transaction to the member/borrower's passbook. 4. Stamps "PAID" on the CDVs indicating the date of payment. 5. Files CDV-2 and forwards CDV-1 with supporting documents to the Accountant.
2. Accountant	<p>Receives from various sources documents supporting the cash disbursement, such as:</p> <ol style="list-style-type: none"> a) For cash purchases or payment of payables <ul style="list-style-type: none"> • Suppliers Sales Invoice (SSI) or Suppliers Official Receipts (SOR) b) For payroll <ul style="list-style-type: none"> • Daily Time Record (DTR) • Payroll Summary Sheet c) For Petty Cash Replenishment <ul style="list-style-type: none"> • Petty Cash Vouchers (PCVs) • Petty Cash Replenishment Summary Reports (PCRS) with attached supporting documents d) For CFF releases <ul style="list-style-type: none"> • Duly accomplished and approved member's CFF application forms. e) For Employees and Officers Cash Advances <ul style="list-style-type: none"> • Duly accomplished and approved cash advance slip (CAS) <ol style="list-style-type: none"> 1. Reviews and checks the documents and forwards the same to the cashier for CDV preparation. 2. After receipt of the prepared CDV from the cashier, forwards it with all supporting documents to the MANGER for his approval. 3. At the end of the day: <ol style="list-style-type: none"> a) Receives CDV-1 with supporting documents from the cashier; b) Records CDV-1 in the Cash Disbursement Book (CDB) in a chronological manner daily. c) Adds up all paid CDVs for the day and reconciles with the total cash outflow reflected in the Daily Cash Disbursement Report (DCDR) and the Daily Cashier Summary Report (DCSR) of the cashier. d) Posts the CDV-1 to the individual member/borrower's subsidiary ledger (SL).

3. Manager	<ol style="list-style-type: none"> 1. Receives the CDV-1 and 2 with supporting documents from the Accountant. 2. Reviews CDVs for adequacy and compliance with the supporting documents approves and signs CDV in case everything is in order. 3. Forwards approved CDV-1 and 2 with supporting documents to the cashier for payment or returns the documents to the Accountant for the adjustment and correction.
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Petty Cash Fund System and Procedures:

Main Features

Petty Cash Fund System and Custodianship

- An amount of UGXwill be set up as a petty cash fund to take care of minor disbursements to respond to savings/time and share capital withdrawals of members to facilitate efficient service to the member depositor.
- The funds are maintained on an advance system: at any given time, the total fund balance on hand and the un-replenished disbursements should be equal to the total fund being maintained.
- The funds are in the custody of the cashier. Access to and responsibility for the funds is limited to the cashier.

Petty cash fund should not be merged with the daily collection; it should be kept in a separate drawer.

Petty Cash Fund Voucher

- Petty cash fund disbursements must be supported by an approved petty cash fund voucher (PCV) with supporting documents.
- PCVs should be approved by the manager or designated

alternate before any payment is made.

- PCVs will be signed by the payee to acknowledge the receipt of payment upon release of cash.
- The cashier should require the payee to issue an official receipt or other evidence in exchange for the cash.

After payment, the PCV and its supporting documents are numbered and stamped "PAID" with the date of payment noted thereon in ink.

Petty Cash Fund Replenishment

The cashier shall request petty cash fund replenishment when 80per cent of the total fund is used up, by preparing a replenishment summary with paid PCVs attached to it. The cashier forwards the replenishment summary to the Accountant for checking and approval, and then the cashier prepares a cash disbursement voucher (CDV) to replenish the fund.

Surprise Cash Count

Regularly, but not less than once a month, the Accountant, MANGER or supervisory committee conducts a surprise count of the petty cash fund and prepares a report reflecting the cash count results.

General Procedure

Persons/Unit Involved	Basic Responsibilities
1. Cashier	<ol style="list-style-type: none"> 1. Takes care of the disbursement from petty cash fund and prepares petty cash fund voucher. 2. Prepares petty cash fund replenishment summary 3. Prepare cash disbursement voucher for replenishment
2. Accountant	<ol style="list-style-type: none"> 1. Checks petty cash fund replenishment summary against petty cash fund vouchers. 2. Reviews CDVs for the adequacy of supporting documents and signs CDVs. 3. Forwards the same to the MANGER for approval.
3. Manager	<ol style="list-style-type: none"> 1. Reviews the propriety of petty cash fund disbursements and approves petty cash fund vouchers and cash disbursement vouchers.

Detailed Procedure

Persons/Unit Involved	Basic Responsibilities
1. Cashier	<ol style="list-style-type: none"> 1. Receives billing, approved withdrawal slip, and approved membership withdrawal from the payee. 2. Prepares petty cash fund voucher (PCV) in one (1) copy based on the supporting documents and forwards it to the Accountant for checking and to the Manager or designated alternate for approval. 3. Checks that the PCV is properly approved by the Manager or designated alternate. 4. Disburses cash to the payee 5. Numbers the PCV 6. Stamp "PAID" on the PCV and supporting documents and files temporarily until the next replenishment.
2. Manager or designated alternate	<ol style="list-style-type: none"> 1. 1. Receives PCV together with the supporting documents 2. 2. Reviews propriety of disbursements from petty cash fund. 3. 3. Determines whether the amount requested is within the policy and approves PCV then forwards it to the cashier for payment.

Petty Cash Fund Replenishment Procedures

Persons/Unit Involved	Basic Responsibilities
1. Cashier	<ol style="list-style-type: none"> 1. Prepares petty cash fund replenishment summary report (PCFR) when 80 per cent of the fund is used up and attached paid PCVs with supporting documents. 2. Forwards PCFR with attach paid PCVs and supporting documents to the Accountant for checking and approval. 3. Prepares cash disbursement voucher (CDV) to replenish the fund and forwards it to the Accountant for review and checking.
2. Accountant	<ol style="list-style-type: none"> 1. Receives PCFR together with the paid PCVs and supporting documents from the cashier. 2. Checks PCFR against paid PCVs and supporting documents and simultaneously review accounts charged against the individual PCVs make necessary corrections if needed. 3. Indicates account distribution of the paid PCVs.

APPENDIX 1: CASH SAFE COMBINATION AND KEYS CERTIFICATION

This certifies that I am the primary/alternate holder of the Cash Safe Combination and/or keys of Kei-Rodo Rice Producer Cooperative Society Limited (KERORIPCO).

I am aware of the KERORIPCO's policy for maintaining the confidentiality of the combination and or the security of the keys and I accept complete responsibility for acting following that policy. I am also aware that I have to change the cash safe combination every ninety (90) days or every other time it is required for security reasons.

Cash Safe Combination:..... Date Changed:..... Cashier's Name & Signature:
 (primary) Cash Safe Combination: Date Changed: Manager's Name & Signature:..... (alternate) Cash Safe Key/s (how many):
 Accountant's Name & Signature:.....(primary) Cash Safe Key/s (how many):.....
 ..Credit Officer's Name & Signature:..... (alternate)

NOTE: You must send a sealed copy of this certification to the National Association.

APPENDIX 2 CASH PROOF SHEET

Kei-Rodo Rice Producer Cooperative Society Limited Place:		
As of Date:		
Denomination	Quantity	Amount
50,000		
20,000		
10,000		
5000	X	
2000	X	
1000	X	
Total Bills:		
	X	
Total Coins:		
Add PETTY CASH/BAIT (AMOUNT):		
GRAND TOTAL:		
TOTAL CASH BASED ON THE ACCOUNTING RECORDS:		
DIFFERENCE (cash shortage or overage):		
Prepared by:		
I hereby certify that the above total amount as to its denominations is true and correct as counted and verified by me as of the end of the day: These funds represent all cash funds of the KERORIPCO for which I am accountable. If there is a cash short or over condition noted, I agree with the difference.		
Checked by:		

Remarks (Any amount of Shortage or Overage must be reported or explained to TAs on the same day):

SECTION 5: INTERNAL CONTROLS POLICIES AND PROCEDURES

POLICY INTRODUCTION

These policies and procedures set the standards and requirements for the Kei-Rodo Rice Producer Cooperative Society Limited (KERORIPCO) on establishing of internal controls system and determine the methods and measures to be used to control the KERORIPCO's daily operations safeguard its assets and prevent possible mistakes and errors.

Internal controls are mechanisms, policies, and procedures used to minimize and monitor operational risks. The internal control system presents a management mechanism aimed at control of everyday activity of the KERORIPCO, including:

- Operational policies and procedures.
- Segregation of duties and responsibilities.
- Performance of internal and external audits.
- Supervision for everyday transactions and accounting; and
- Control of expenses.

To deter employees and/or members from committing a dishonest or fraudulent act the controls must be thorough and comprehensive. However, internal controls by themselves are not enough. They will be effective only if they are reinforced by the KERORIPCO's internal culture, policies and procedures, information systems, training, and supervision of staff.

Usually, fraud is perpetrated by falsifying or altering documents, embezzling funds, omitting the effects of transactions, recording non-existent transactions, and/or incorrectly using accounting policies and procedures. Weak internal controls not only allow for the perpetration of fraud but also allow for errors and unintentional mistakes to go undetected for a long period. Usually, these errors individually do not represent a large number of funds, however, the cumulative total can be material and the time needed to correct the error significantly.

POLICY REVIEW

The KERORIPCO BOD is responsible for formulating, reviewing, and adjusting this policy. At least on an annual basis, the Board shall review the policy and make changes if necessary, so that it is reflective of daily operations and applicable legislative requirements.

SCOPE AND RESPONSIBILITY

This policy shall apply to all departments of the KERORIPCO. Responsibility of management includes the constant supervision, review and revision of the internal control system. Employees responsible for critical elements of the internal control environment must report directly to management. As a part of their reporting, they should be able to discuss the adequacy of

the internal control environment and make suggestions for improvements.

Each KERORIPCO's department must have internal controls in place for all transactions processed and such control is to be included as part of the responsibilities of all employees with the KERORIPCO's Manager having ultimate responsibility. The KERORIPCO's Supervisory Committee along with the BOD shall determine periodically whether internal controls are adequate to protect member funds. All Supervisory Committee reports should be made in writing with objectives, audit procedures used, conclusions and recommendations noted. Annually the external audit shall comment on the adequacy of KERORIPCO's internal controls.

OBJECTIVES OF INTERNAL CONTROLS

The primary objectives of internal controls are to:

- Safeguard assets and member savings.
- Verify the efficiency and effectiveness of the operations;
- Assure the reliability and completeness of financial and management information.
- Prevent fraud and mistakes; and
- Ensure compliance with applicable laws and regulations.

Internal controls can be broken down into two categories – accounting and administrative controls. These two categories are not mutually exclusive; some of the procedures and records involved in accounting control also apply to administrative control.

ADMINISTRATIVE CONTROLS

Administrative Controls - Administrative control is a Manager responsibility that directly affects the success or failure of the KERORIPCO. These controls establish lines of authority and responsibility, segregate the operating and recording functions, and provide for the hiring of qualified employees. The effective plan for administrative control should contain the following at a minimum:

Accounting System – The BOD should adopt an accounting system that is flexible in its capacity and rigid in its controls and standards. The system should provide timely, accurate, and useful data to all employees. All staff should be adequately trained on the system before performing transactions that affect general ledger and member accounts.

Written Policies and Procedures – The KERORIPCO's policies are established by the BOD to direct operations and establish clear limits and authority. The written policies should

be accompanied by the written operational procedures. Procedures describe “how” to do a job. Regardless of the KERORIPCO’s size, written policies and procedures are imperative. Policies and procedures let all employees know what is expected of them, how they should perform their job duties, and what the consequences are if they do not perform them as required. Written policies and procedures also enable the KERORIPCO and its employees treat all member clients consistently. These policies and procedures should be included in a regularly updated operations manual. The manual should clearly define the steps required for each transaction, explain how to handle exceptions, and delineate lines of authority. Employees should be required to review all policies that pertain to their position during initial job training and annually thereafter.

Board’s Approval and Monitoring of Information - In addition to policy, the BOD establishes control and direction through the annual budget and the longer-term business plan that they develop, approve, and review periodically. The BOD should request, at least monthly, the following reports to monitor the financial condition of the KERORIPCO:

- Balance Sheet;
- Income Statement;
- Cash Flow and Liquidity Analysis;
- Comparison of Actual Results to Budgeted Figures;
- Outstanding Investments;
- Delinquent CF; and
- Savings and Shares.

Cash Control - Cash is the most liquid and accessible asset to most employees. As such, controls to prevent the conversion of this asset by officials or employees for their personal use should be established. Adequate cash controls include:

- Surprise cash counts that are performed routinely;
- Cashiers being required to balance the contents of their cash drawer with the general ledger total daily. Cashiers should not be allowed to leave the KERORIPCO until the drawer balances or the difference has been recorded as income or expense;
- Cash limits established for the total amount that can be kept on the KERORIPCO’s premise, in the vault, and each cashier’s drawer;
- Limited access to the vault and cashier drawers to those individuals responsible for the funds in the vault or drawer;
- Immediate verification under the dual control of cash upon receipt;
- Counting of cash under dual control if tellers transfer funds to or from the vault or another teller;
- Documentation of all transactions made by and between cashiers with a receipt;
- Vault and cashier drawers equipped with adequate, functioning, locking devices; and
- Prohibiting cashiers and employees to transact business on their accounts or those of their relatives. (Relatives are defined as grandparent, parent, brother, sister, spouse, son, daughter, grandson, granddaughter, spouse or

brother or sister, brother or sister of a spouse, spouse or brother or sister of the spouse, niece, nephew, uncle, aunt, or first cousin.)

Segregation of Duties – The participation of two or more persons in a transaction creates a system of checks and balances and considerably reduces the opportunity for fraud. The KERORIPCO should assign duties so no one person dominates any transaction from beginning to end. For example – A person handling cash should not post to the accounting records; a Loan officer should not disburse loans proceeds for advances they have approved, and those having authority to sign checks should not reconcile bank accounts. In situations where this separation of duties is not possible, because of limited staff, the Supervisory Committee should perform additional procedures to offset the lack of adequate control.

Dual Control – Accessing vaults, files, or other storage devices should require at least two keys or combinations under the control of at least two different people. Effective dual control mandates that all employees carefully guard their key or combination. If these procedures are in place, this important control feature can only be bypassed by collusive activity between staff members. Examples of items that should be under dual control are vault cash, negotiable collateral, investment securities, checks, pre-numbered cash receipt and disbursement vouchers, dormant savings accounts, and spare keys to cashier drawers.

Protection of Assets – A principal method of safeguarding assets is to limit access to authorized personnel only. Protection of assets can be accomplished by:

- Developing operating policies and procedures for cash control;
- Establishing dual control over cash;
- Conducting periodic physical inventories of the KERORIPCO’s assets;
- Protecting assets by purchasing adequate insurance;
- Requiring the use of passwords to access the computer system and changing passwords no less than quarterly; and
- Limiting physical access to cash and the computer system.

Zero Tolerance – The KERORIPCO should have a culture that supports internal controls and does not tolerate excessive errors or fraud. These values can be promoted by establishing:

- Severe consequences for fraud are written, conveyed verbally, and strictly followed. Fraudulent acts should be met with swift and permanent action in every case – no exceptions;
- Clear negative consequences for staff with excessive error rates;
- A performance-based incentive system that rewards high productivity and low error rates;
- Competitive salaries that reduce the motivation to commit fraud;
- Training that explains the reasons behind internal controls and emphasizes how fraud and errors hurt the institution and its members; and
- Procedures in place that allow employees to confidentially report suspected cases of fraud to management.

Personnel Policies – Personnel policies should specifically state the consequences for fraudulent acts and excessive errors so each employee understands the ramifications of such actions. Employees should be familiar with the personnel policy; a review of this policy should be part of each employee's initial training. The policy at a minimum should:

- Require management to check references of prospective employees;
- Include written position descriptions that define the duties, responsibilities, and performance standards for each position;
- Require written performance appraisals of all employees annually.

To prevent theft and fraud at KERORIPCO, each staff member currently working for KERORIPCO MUST provide a guarantee letter of a senior ranking government official or a well-known trader or a well-respected person in the community. The guarantors should agree to guarantee the character of the staff members and make the staff available in case he/she runs away, stealing funds or other valuables from KERORIPCO or its members.

Rotation of Personnel – From time to time, employee job functions should be rotated unannounced. The rotation should be of sufficient duration to discover any fraud. Besides being an effective internal check, rotation of personnel is a valuable aid in the KERORIPCO's overall training program as employees learn how to perform other jobs. The cross-trained employee can substitute when other employees take vacations, are absent, or are rotated.

Succession Planning – The ongoing success of the KERORIPCO will be greatly impacted by the ability to fill key management positions in the event of resignation or retirement. Succession planning should address the KERORIPCO Manager and other senior management positions. The existence of a detailed succession plan that provides trained management personnel to step in at a moment's notice is essential to the long-term stability of the KERORIPCO

Mandatory Vacations – The KERORIPCO should have a vacation policy that requires all employees to take at least 5 consecutive working days off (frequency?). During this time, they should have no access to the KERORIPCO records. An uninterrupted work schedule frequently is needed to embezzle funds unnoticed.

Quality Control – The Supervisory Committee should implement a review process, also known as internal auditing, to determine that management and staff comply with the KERORIPCO's policies and procedures.

ACCOUNTING CONTROLS

Accounting Controls - Accounting controls should provide reasonable assurance that staff performs transactions according to management's direction and their authorization level. In addition, transactions should be recorded, and financial statements prepared according to accepted accounting principles. The KERORIPCO's records must reflect its actual financial condition, structure, and results of operation. The following controls should be part of the internal control

environment and should be helpful both to inform the KERORIPCO's BOD and to enhance managerial effectiveness:

Daily Posting – Posting records daily will maintain each day's activities separate and distinct from another day's work. This makes it much easier to locate errors and make corrections. At least monthly, staff must individually prove and balance each general ledger account with its supporting subsidiary ledger, including zero balance accounts with activity during the month.

Subsidiary Records – No less than monthly accounting staff should balance subsidiary records such as share and CF ledgers, bank and investment statements and individual cashier records with the respective general ledger control accounts. A staff member, other than the preparer of the subsidiary and reconciliations between the subsidiaries and general ledger accounts, should review the periodic reconciliations and document their reviews.

Internal Reports – The KERORIPCO should design their accounting systems to facilitate the preparation of internal reports (e.g. Delinquent CF, Dormant Savings Accounts, Negative Share Accounts, etc.) necessary to review key areas of operation. A staff member who is not involved in the transactions should regularly review all of the reports. The review of the reports should be documented, and any irregularities discussed immediately with the KERORIPCO's MANGER.

Recording of Transactions – The KERORIPCO should use transparent accounting practices that are prescribed by accepted accounting principles to record all transactions. The recording of transactions should be consistent from one accounting period to the next. The KERORIPCO may not defer expenses or accelerate income to manipulate earnings.

Sequential Numbering – Sequentially numbered instruments used for items such as checks, cash receipt and disbursement vouchers, journal vouchers, passbooks and share certificates assists in reconciling and controlling used and unused items. The KERORIPCO should retain unissued, pre-numbered items under dual control.

Audit Trail – The KERORIPCO's records and systems should provide an audit trail (i.e. paper documentation) that allows for the tracking of each transaction from its inception to completion. The documentation should include the name of the individual making the transaction, the date of the transaction, how much it is for, and what general ledger accounts it affects. Some of the more common record-keeping deficiencies include:

- General ledger entries that fail to contain an adequate description of the transaction.
- Lack of permanent and satisfactory records on cash items and overdrafts.
- Teller cash sheets that do not contain adequate details.
- Investment subsidiary ledger that fails to list all necessary information.
- Bank account reconciliations that are not current or fail to reflect the description and disposition of outstanding items.

- Inadequate details concerning debits and credits to the cash account.
- Correcting record-keeping errors by erasing instead of crossing through the error.
- Numerous corrections each month.
- Failure to make daily postings to the accounts and records.
- Failure to promptly close the books each month; and
- Failure to review exception and other internal control reports.

Audit Program – The KERORIPCO should have an adequate audit program. The KERORIPCO should employ the expertise of an external auditor to perform the annual audit. At the same time, the supervisory committee should perform the account verification and internal audit functions. Ideally, the KERORIPCO should have an audit program that consists of the supervisory committee performing regular internal audit and an annual external audit performed by an independent third-party accounting firm.

The scope of the internal audit depends on the size of the KERORIPCO and the number and complexity of the services offered. Regularly and periodically the Supervisory Committee should perform at the minimum: bank reconcilements, cash counts, review of employee and official's Loan and advances, review of activity within accounts designated as dormant, and review of expenses and the supporting documentation.

SECTION 5: HUMAN RESOURCES PROCEDURES

POLICY INTRODUCTION

The purpose of this policy is to set standards and rules for the Kei-Rodo Rice Producer Cooperative Society Limited (KERORIPCO) in relations to its employees. This policy is developed in compliance with the applicable laws and regulations of the [country name], and KERORIPCO's bylaws.

Employment with the KERORIPCO is at will. Employees have the right to end their work relationship with the KERORIPCO, with advance notice, for any reason. The KERORIPCO has the same right. No representative of the KERORIPCO, other than the MANGER or BOD, has the authority to enter into an agreement of employment for any specified period and such agreement must be in writing, signed by the MANGER and/or BOD and the employee.

No employee or an individual being considered for employment, transfer, promotion or layoff shall be favoured or subjected to discrimination by management because of race, creed, colour, disability, national origin, sex, religion, veterans' status, or age.

POLICY REVIEW

The KERORIPCO BOD is responsible for formulating, reviewing, and adjusting this policy. At least on an annual basis, the Board shall review the policy and make changes if necessary, so that it is reflective of its operations and applicable legislative requirements. The BOD shall approve all exceptions to this policy.

EQUAL EMPLOYMENT OPPORTUNITY

The KERORIPCO is dedicated to the principles of equal employment opportunity in any term, condition, or privilege of employment. The KERORIPCO does not discriminate against applicants or employees based on age, race, sex, religion, national origin, veteran status, disability, or any other status protected by the law. This prohibition includes verbal or physical conduct which has the purpose or effect of substantially interfering with an individual's work performance or creating an intimidating, hostile or offensive work environment. This policy applies to all employees including Manager, supervisors, coworkers, and non-employees such as members, customers, clients, vendors, consultants, etc.

All employees are expected to conduct themselves in a professional and businesslike manner at all times. Inappropriate conduct that could lead to a claim of harassment is expressly prohibited by this policy.

If an employee believes there has been a violation of this policy or harassment based on the protected classes outlined above, they should use the following complaint procedure. The KERORIPCO expects employees to make a timely complaint to enable the KERORIPCO to promptly investigate and correct any behaviour,

which may violate this policy.

The employee should report the incident to the Manager, or to the Chairman of the BOD, who will investigate the matter and take appropriate corrective action. The KERORIPCO will make reasonable efforts to keep complaints confidential. If the KERORIPCO determines that an employee's behaviour violates this policy, appropriate disciplinary action will be taken against the offending employee, up to and including termination of employment.

GENERAL EMPLOYMENT POLICIES

REQUIREMENT FOR REFERENCES

To prevent theft and fraud at KERORIPCO, each staff member currently working for KERORIPCO MUST provide a guarantee letter of a senior ranking government official or a well-known trader or a well-respected person in the community. The guarantors should agree to guarantee the character of the staff members and make the staff available in case he/she runs away, stealing funds or other valuables from KERORIPCO or its members.

REQUIREMENT FOR PRE-APPROVAL

The KERORIPCO, must obtain the approval of the Board for any recruitment of Manager and Accountant positions at the KERORIPCO. The proposal of such positions must always introduce competent, merit-based individuals for approval at least one week before the required recruitment date. The proposal sent to chairperson board of director must always be accompanied by a recent résumé of the proposed individual.

Also, the approval of the Chairperson must be obtained on any removal and termination of the KERORIPCO Manager or Accountant. A written explanation with full details must be sent by either the KERORIPCO and or the Manager one week before the termination of such employees. Proposals sent to the board for removal of such employees must also be accompanied by a plan to fill such positions both in short and long terms.

EMPLOYMENT OF RELATIVES

The KERORIPCO wishes to give any qualified applicant the opportunity for employment with it whether related to present employees or not.

However, certain circumstances are avoided, such as where:

- A person would be in a position to supervise their relative.
- A person would have access to confidential information including payroll and personnel records of their relative; or
- Staff members audit, verify, receive and/or are entrusted with money handled by their relative.

In cases of marriage between two employees, if any of the above situations apply, one or both employees must transfer to a different role, or a different line of supervision or accounting must be instituted.

These guidelines apply to all categories of employment, including full time, part-time and temporary classifications. (Relatives are defined as grandparent, parent, brother, sister, spouse, son, daughter, grandson, granddaughter, spouse or brother or sister, brother or sister of the spouse, spouse or brother or sister of a spouse, niece, nephew, uncle, aunt, or first cousin.)

HOURS OF WORK, LUNCH AND REST PERIODS

WORKWEEK

The KERORIPCO's standard workweek is from Monday to Friday except for regular special holidays and public holidays. Saturday and Sunday shall be rest days.

HOLIDAYS

The KERORIPCO's employees are entitled to the following paid holidays each year: Attach – Holidays schedule

EXCEPTIONS:

WORK HOURS

- Employees who are on leave without pay on the day immediately preceding a holiday may not be paid holiday pay if they have not worked on such a holiday
- When the day immediately preceding the holiday is a non-working day, an employee shall be entitled to holiday pay if s/he worked on the day immediately preceding the non-working day.
- An employee whose job duties require work during the holidays should do so (i.e. guards).
- The standard workweek is 40 hours per week and will be based on the governmental working hours of Uganda.
- The Manager may fix a different schedule of certain employees should the exigencies of the service warrant. It is the employee's responsibility to see to it that their time is reported accurately.

BREAK TIME

LUNCH BREAK: Employees are allowed to take up an hour for lunch.

PRAYER BREAK [in Muslim countries]: Each employee is given 10 minutes break during prayer time.

JOB DESCRIPTIONS

Every employee should receive and acknowledge receipt of a) job description upon signing their employment contract with the KERORIPCO. The responsibilities and duties given in a specific job description should not be understood as exhaustive of the responsibilities and duties which the incumbent is expected to perform.

The supervisor on a temporary or permanent basis may assign other duties compatible with those mentioned in

the job description. Other duties may be assigned as being "compatible" even if they are not performed by anyone else in that office. The KERORIPCO has the right to revise job descriptions at any time.

BUSINESS ATTIRE AND DEPORTMENT

The appearance and actions of the employees have a direct bearing on the KERORIPCO's image before the public. As a general rule, the public expects the KERORIPCO to present a professional attitude, one that will give its members a feeling of confidence in the KERORIPCO's ability to handle their financial affairs.

Therefore, the KERORIPCO expects employees to use good taste in these matters by avoiding extremes in dress, hairstyles, and office conduct. Management reserves the right to exclude anything it considers unprofessional. If the employee has any questions about appropriate attire, he/she should contact the supervisor.

ALCOHOL AND DRUGS

The KERORIPCO is committed to a safe, healthy and productive work environment for all employees, free from the effects of illegal or non-prescribed drugs and alcoholic beverages. The use of drugs and alcohol alters employee judgment resulting in increased safety risks, employee injuries, and faulty decision-making. Therefore, the possession, use, or sale of controlled substances or alcohol on KERORIPCO's premises or during work time is strictly prohibited. Furthermore, coming to work under the apparent influence of alcohol, a controlled substance or abuse of any other substance is prohibited.

CASH DRAWER AND TRANSACTION ACCURACY

Employees are expected to maintain a high degree of accuracy in performing transactions and to safeguard their cash drawer. The following employee actions will not be tolerated:

- Taking or "borrowing" money from a cash drawer.
- Mixing of funds in cash drawers e.g. using cash drawer funds to make personal change
- Any unresolved cash drawer overages or shortages.
- Four or more resolved cash drawer overages or shortages per month.
- Any cash or check transaction inaccuracies amounting cumulatively to UGX _____.

PERSONAL BUSINESS TRANSACTIONS BY EMPLOYEES

An employee is strictly forbidden to process or approve any transaction for him/her, any family member or on any account in which the employee has signing authority. This prohibition extends to transactions for someone with whom the employee has a spousal or spouse-like relationship.

These transactions include, but are not limited to the following:

- Deposits
- Withdrawals
- Change of information on file through a file maintenance transaction

TRAVEL EXPENSES

BUSINESS USE OF PERSONAL VEHICLE

The MANGER must authorize the use of personal vehicles on KERORIPCO's business in advance. Reimbursement will be at the standard automobile rate. Employees must maintain a safe automobile and operate it under all current state automobile regulations.

LODGING, MEALS, and MISCELLANEOUS TRAVEL EXPENSES

Employees required to travel on KERORIPCO business is entitled to have their reasonable expenses reimbursed to them. Employees should always shop for the best value. All overnight travel arrangements should have prior approval by the Manager. Limits for lodging, meals and miscellaneous travel expenses are approved by the KERORIPCO's management.

TRAVEL EXPENSE REIMBURSEMENT

Employees that are subject to travel expense reimbursement must file an expense report. The KERORIPCO will reimburse travel expenses monthly, or as needed, if the travel expenses are such that they would create an undue financial burden to the employee.

CODE OF CONDUCT

Employees are prohibited from soliciting for themselves or a third party (other than this KERORIPCO) anything of value for any business, service or confidential information of the KERORIPCO, and from accepting anything of value (except compensation from this KERORIPCO) in connection with the business of the KERORIPCO either before or after a transaction is discussed or consummated.

Exceptions to the prohibitions above are permitted for:

- Acceptance of meals, refreshments or entertainment, all of the reasonable value and in the course of a meeting or other occasion the purpose of which is to hold bona fide business discussions provided that these expenses would otherwise be paid for by the KERORIPCO as a reasonable business expense.
- Acceptance of advertising or promotional material of reasonable value, such as pens, pencils, notes pads, etc.
- Acceptance of discounts or rebates on merchandise or services that do not exceed those available to other members of the KERORIPCO
- Acceptance of gifts of reasonable value that are related to commonly recognized events such as a promotion, wedding, retirement, or holidays.
- Acceptance of civic, charitable, educational or religious organizational awards for recognition of service and accomplishments.

Employees shall not become involved in outside business interests or employments that give rise to a conflict of interest. The Manager may make exceptions to the Code of Conduct for employees, and the BOD may make exceptions to the Code of Conduct for the Manager.

PERSONNEL RECORDS

A complete personnel file shall be maintained for each employee. The personnel files shall contain all employee records relating to performance evaluations, promotions, grievances, disciplinary actions and record of training offered to or completed by the employee.

Upon written request, an employee shall have the opportunity to review his/her personnel file. A supervisor shall be present during the review.

SALARY ADMINISTRATION

CLASSIFICATION OF EMPLOYEES

Wages are based on the job description for the type of work performed. For a guideline, wage ranges are set using the average wage rates for this type of work paid in the Province. Wages at the time of hire are negotiated based upon overall employee qualifications, which include skill, education, background experience, and formal training. The Manager can negotiate employee wages, so long as the total wage budget set by the BOD is not exceeded.

REGULAR FULL-TIME EMPLOYEES

Employees hired to work 35 - 40 or more hours per week. They are eligible for the KERORIPCO's various benefits as described.

SCHEDULED PART-TIME EMPLOYEES

Employees scheduled to work a regular weekly schedule of at least 20 hours and not more than 34. The specific days and number of hours ordinarily do not vary from one week to another. They are eligible for the KERORIPCO's various benefits as described.

NON-SCHEDULED HOURLY EMPLOYEES

Those who have no fixed weekly schedule and normally work 19 hours or less per week. Hourly employees are not entitled to participate in the KERORIPCO's benefits program.

TEMPORARY EMPLOYEES

Temporary employees may be hired on an as-needed basis. Temporary employees do not participate in the KERORIPCO's benefits program.

STATUS CHANGES

Personnel who go from part-time to full time or full time to part-time shall have their annual leave accrual, and/or other benefits as they may apply, adjusted effective the date of status change, but not to affect any leave or other benefits already accrued.

OVERTIME PAYMENT

An employee can be eligible for overtime pay. The KERORIPCO's employees are eligible for overtime at one and one-half times their regular rate of pay for all hours worked more than forty hours per workweek. Overtime work is discouraged. However, when it is necessary, either the Manager or the employee's immediate supervisor must approve it in advance following the available budget.

PAYMENT OF WAGES

The standard paydays for full-time employees are the 15th and the last day of the month and include compensation through the payday for salaried employees. Salary advances to employees are prohibited unless the employee is in a genuine need and is approved by the BOD.

If the employee has authorized deductions these will be reflected in the employee's net pay. In addition, by law, the KERORIPCO is required to make withholdings from wages for Income Tax and Social Security.

SALARY CHANGES

The BOD will review the Manager's salary annually. The Manager will be absent from the board meeting while the salary is reviewed. The Manager and/or the employee's direct supervisor shall recommend any salary change for the remainder of the staff.

BONUS/INCENTIVE PROGRAMS

The BOD may approve bonus and incentive programs or other compensation programs, as they deem appropriate.

PERFORMANCE APPRAISAL

Performance appraisal is the process that provides the employee feedback on their performance. How well you do your job is an important factor in determining your merit increase. The KERORIPCO endeavours to conduct annual reviews of each employee's performance. If more than one year has passed since the last appraisal, the employee is encouraged to advise his/her supervisor of this fact.

EMPLOYEE BENEFITS

The KERORIPCO's benefits program includes the following:

- Paid Holidays
- Paid Annual Leave (Vacation, Essential and Sick Leave)
- Educational Programs

PAID HOLIDAYS

At least six paid holidays a year are provided for full time and scheduled part-time employees. They include all official holidays declared by the government of the [country name]. Non-scheduled hourly and temporary employees are not paid for time off. A holiday falling during a non-paid leave of absence is not paid.

SCHEDULING ANNUAL LEAVE

This is the responsibility of the KERORIPCO to prepare the annual recreational leave schedule for the employees on a turn basis. Seniority is recognized in the initial choice of vacation dates - seniority by position and then by length of service among employees holding the same level position. Full-time status does not of itself give scheduling preference over part-time status.

The Manager and/or the employee's immediate supervisor shall approve all annual leave in advance. The Chairman of the Board shall approve the Manager's annual leave.

Vacations may usually be scheduled during any month of the year. However, due to the requirements of the work schedule certain periods during the year may not be available for vacation. These will vary by department.

ANNUAL RECREATIONAL LEAVE

Annual leave (recreational, sick, and necessary and urgent) is not included in the general and public leave days.

Employees are entitled to 20 successive days of paid recreational leave per year. This is transferable to the following year based on an urgent requirement of the KERORIPCO subject to the agreement of the employee. Employees may utilize the annual recreational leave in turn based on a schedule prepared by the KERORIPCO in consultation with the employee. The employee may utilize up to a total of ten days of his/her accrued recreational leave based on urgent requirements in any six months.

Employees accrue their 20 days' annual leave during the year (i.e. at the rate of 1.2 days per month). During his/her first year of service, a newly recruited employee accrues leave at that rate but is not be entitled to take recreational leave until he/she has served in the KERORIPCO for eleven consecutive months.

The KERORIPCO is duty-bound to pay the wage and other allowances of the employees in advance for their recreational leave period. If the employee has not utilized the whole or a part of the recreational leave and is separated or transferred from the KERORIPCO, he is be entitled to the wage of the unused leave in proportion to the period of work done during the year.

ESSENTIAL LEAVE

In addition to annual recreational leave, employees are entitled to up to ten days' essential leave with pay every year. Urgent leave in periods not exceeding three days can be utilized by sending a notice. For longer periods a written request must be submitted for approval.

Employees are entitled to (up to 10) days of urgent leave in the following cases: 1- Marriage, Death of Father, Mother, Brother, Sister, spouse, son, father in law, mother in law, uncle, aunt and birth of a new baby.

SICK LEAVE

Employees are entitled to 20 days of sick leave with pay and other allowances per year. The employee's sick leave for up to three days can be granted based on a written notice. If the employee's sickness lasts for more than three consecutive days, then a certificate of the medical doctor of the health institute and, in places without physicians, the certificate of the village headman or Province, will be considered as valid certificates. In case the employee requires more than 20 days of sick leave, he/she may utilize his other leaves as well.

If the employee's sickness lasts for longer than the period mentioned above, additional paid leave can be granted to him/her if a certificate of the competent governmental and or non-governmental health centre is produced.

MATERNITY LEAVE

A female employee is entitled to 90 days of paid maternity leave. Thirty days of this leave is granted to her before delivery and

the rest (sixty days) is granted to her after delivery. In case of an abnormal type of delivery; or the birth of twins or multiple births, 15 days' more paid leave will be granted to her. Salary and other supplementary allowances will be extended to her on the receipt of valid certificates issued by the relevant hospitals.

After the completion of the maternity leave, the staff member has to report to duty within five days. If she fails to do so, she will not be entitled to the salary and supplementary allowances.

VARIOUS TYPES OF LEAVE FOR NEWLY RECRUITED EMPLOYEES

- During the first 6 months of their employment with the KERORIPCO, an employee is only entitled to take up to 50% of the annual sick and or essential leave entitlement. Thereafter the normal entitlement applies.
- An employee is not entitled to maternity leave during the first twelve months of their employment with the KERORIPCO
- An employee is not entitled to take Hajj Pilgrimage leave during the first twelve months of their employment with the KERORIPCO

EDUCATIONAL PROGRAMS

The KERORIPCO aims to provide opportunities for directors, elected committees, management and staff to attend meetings, conferences and other educational sessions that provide desired training, improve their depth of understanding in technical areas, or share ideas helpful to the development or operation of the KERORIPCO

The KERORIPCO may pay the necessary training costs and/ or provide managerial and staff training time. The Manager, for scheduling conflicts, appropriateness, timeliness, and budgetary reasons, must approve all employee classes.

ELIGIBILITY

All regular employees are eligible for educational programs except the following:

- Hourly employees with less than one year of service.
- Full-time employees who have not completed their initial 3 months of employment.

Directors and elected committee members are eligible for educational programs.

IN-SERVICE EDUCATION

The Manager shall prepare a program of training, including induction training and ongoing refresher training, to ensure that each member of staff is equipped with the skills and knowledge required for the proper fulfilment of their respective roles and to comply with any legislative or other external requirements for knowledge and skillsets pertinent to their respective roles.

In addition, the Manager may prepare a program for the development of permanent staff, both managerial and non-managerial, so that each may have the opportunity to develop optimum skills for his/her position. The KERORIPCO may conduct in-service professional short and long term training courses individually and in groups to improve the professional levels of the employees, get them experienced and develop their work-related

skills to assist them to develop into new roles within the KERORIPCO These in-service training programs are eligible for all employees.

AUTHORIZATION

The BOD shall authorize expenditures for training for the Board, elected committee members and the Manager. The Manager shall authorize expenditures for training for the staff.

EMPLOYEE FINANCIAL ADVANCES

Employee financial facilities are available at market rates per the KERORIPCO's Credit policy.

WORKERS' COMPENSATION

In the event an employee is injured on the job, he/she may be entitled to benefits under the provisions of the Labor Code and other applicable legislative acts. Under the precepts of the law, the KERORIPCO, like all employers, provides these benefits.

ATTENDANCE AND TIME OFF

TIME RECORD

The Accountant has the responsibility of keeping regular employee's time records. This record serves three (3) purposes: to calculate pay, to keep track of the total working hours and to track leave usage.

- All personnel shall record work attendance by registering in their Time Card. It is the employee's responsibility to see to it that their time is reported accurately.
- The Manager must certify its correctness before the Timesheet goes to the accounting section for payroll computation. False entries shall be dealt with accordingly.

ATTENDANCE

If an employee is unable to report for work, he/she must personally notify his/her immediate supervisor by phone as early as possible and in no case later than his/her starting time. Failure to do so will not be tolerated.

When working hours begin, the employee should not only be in the office but should already be at his/her position ready to commence work without delay. Tardiness on three or more occasions in a given month is automatically considered excessive even if the tardiness amounts to only a minute or two on average. Excessive tardiness will not be tolerated.

In the event of illness or inability to report to work

- Employees must notify their supervisor before and not later than their scheduled reporting time.
- The supervisor may request a daily report and a medical certificate regarding the absence.
- If the absence is for a prolonged period, the employee must keep his/her supervisor informed of the developments affecting his/her absence.
- Failure to report an absence from work may result in disciplinary action that may include termination of employment unless such failure to report on duty is beyond the employee's control.

Absence from workstation

1. If an absence is unavoidable but justifiable, the employee shall inform the supervisor of the inability to report for work not later than 10:00 a.m. to allow work adjustments.
2. Failure to notify the supervisor and present a justifiable reason shall render the absence unexcused.
3. Excused absences shall be taken against the employee's leave credits.
4. Unexcused absences shall be taken against the employee in the following manner:
 - Shall be deducted from the employee's salary every payday.
 - Shall be reflected in the periodic Performance Appraisal and shall affect the employee's chance for rewards and recognition.
 - Shall be taken as grounds for disciplinary action.

Inclement Weather or Security Warnings

- If because of extreme weather or security warnings the employee is unable to travel to work s/he may opt to take the day without pay or as a vacation day.
- If the KERORIPCO is unable to open, opens on a delayed basis, or closes early due to inclement weather or security warnings, all employees will be notified. Time lost under these circumstances may be paid if the employee was regularly scheduled to work.
- Those employees that report to work on a day when management decides to open late or close early will get a full-day pay.

PUNCTUALITY

Punctuality is not only limited to reporting on time but also includes starting work at the expected hour and with the proper observance of work breaks. It also means getting the work done with deadlines set by the Manager or BOD.

An employee who arrives any time after his/her official reporting time shall be considered tardy. The KERORIPCO understands that occasionally, situations may arise in which an employee needs to be late for personal reasons. Employees are allowed to be late in such cases, provided that they have obtained prior approval from their direct supervisor.

HABITUAL TARDINESS is committed, if an employee is a late ten (10) times in a month. Employees who commit habitual tardiness will be subjected to disciplinary action.

Tardiness records of the employee are entered into his/her file and are given due weight in the performance appraisal.

ATTENDING TO PERSONAL MATTERS DURING OFFICE HOURS

- Employee leaving the office for personal business: permission should be first obtained from the direct supervisor as to the expected time of leaving and return, purpose and intended whereabouts.
- Permission to leave work during office hours shall be granted only for very urgent reasons.

- Time spent for personal matters above One hundred Twenty (120) minutes shall be considered under-time and shall be deducted from salary.

UNDERTIME

- Employees are not allowed to leave their post earlier than the regular off time. Except for emergency reasons, employees should request under-time from the Supervisor/ Manager before leaving the office.
- Unapproved under-time will be subjected to disciplinary action.

LEAVE OF ABSENCE

Leave of absence consists of pre-approved voluntary time off without pay. Where leave of absence is granted for a period of one week or less, the employee may return to their role within the KERORIPCO. After longer periods of leave of absence the KERORIPCO may reinstate an employee to employment when in the opinion of the KERORIPCO it is practical to do so, but the KERORIPCO does not guarantee reinstatement of an employee to the former role. When the employee is available to return to work, the employee is free to apply for any vacancy available and may be considered along with other applicants. The KERORIPCO will not continue medical and other insurance benefits for an employee on leave of absence. Holidays and annual leave will not continue to accrue.

A leave of absence is granted for a specific period of up to three months. It may be extended at the request of the employee, subject to management's discretion.

A request for a leave of absence must be made in writing and in advance of the leave. The Manager must approve leave of absence. The BOD must approve a leave of absence for the Manager.

TERMINATION OF EMPLOYMENT

The essential instances for the termination of the work contract are as follows:

- Agreement of both parties.
- Completing the particular employment contract.
- Retirement.
- Death.
- Disability or incapacity that will render the employee unable satisfactorily to perform the jobs.
- Cessation of work for being more than six months (except following leave entitlements.).
- Dissolution of the KERORIPCO or reduction in the number of the staff.
- Final conviction to prevent work continuation.
- Repeated breach of rules after disciplinary warnings.
- If the worker refuses his assignment to his previous job.
- If the probationary period has not been satisfactory.

In cases where the employment contract is terminated, it is the KERORIPCO's responsibility to pay any accrued worker salary and other allowances. If he/she dies, it should be paid to his/her legal inheritor. In case the work contract is terminated at the initiative of the KERORIPCO, this is the responsibility of the KERORIPCO to inform the worker within a month.

NOTIFICATION TO TERMINATE THE CONTRACT

A worker can terminate the non-fixed term employment contract with a one-month written notice to the KERORIPCO. Before the contract expires, an employee can annul the fixed-term employment contract with or without notice in the following cases:

- Breach by the KERORIPCO in fulfilling the obligations outlined in the work contract or breach in the rules of this policy and applicable legislation.
- In case the employee has a prolonged and incurable disease or disability that will render them unable satisfactorily to perform their jobs.

LABOR RULES AND STANDARDS

LABOR DISCIPLINE IMPLEMENTATION METHODS

Employees are required to observe discipline in the institution. Labour discipline is ensured through the following ways:

- Labour discipline in the KERORIPCO is maintained and safeguarded through establishing conscious relations and attitudes among employees toward their work.
- Observation and complete application of methods for understanding employee concerns and engendering satisfaction among employees.
- Encouraging employees to work honestly.
- Application of disciplinary actions in case of violations.

RESPONSIBILITIES OF THE KERORIPCO

Sound management of work is the KERORIPCO's responsibility in the following areas:

- Create favourable conditions to improve the level of feedback from employees. Ensure the application of labour and production discipline.
- Ensure labour security and safety at work.
- Interact responsibly to the needs and demands of the employees.
- Application of legislative requirements regarding labour, conditions, workplace safety etc.

OBLIGATIONS OF THE EMPLOYEE

The employee is bound to pursue the following:

- Satisfy the requirements of their Job Description.
- Productive and honest work.
- Job discipline.
- Timely execution of legal orders and instructions of supervising authorities.
- Improve work output.
- Improve output quality.
- Service and Technology discipline.
- Safety rules and working environment hygiene.
- Protection of fixed and non-fixed assets of the KERORIPCO, and their efficient and rational utilization.
- Improve professional skills and using standards defined by responsible authorities.

- Protect job and professional secrets.
- Sound attitude with other employees and member-clients.
- Avoid disturbing other employees in performing duties and service lines.
- Be familiar with and observe KERORIPCO rules including, but not limited to, rules for the handling of cash and valuable assets, rules for attendance and punctuality, rules for the use of KERORIPCO IT systems and other equipment, rules and requirements for appropriate behaviour in the workplace.

JOB DESCRIPTIONS

- The work method is regulated through Job Descriptions prepared and approved by management.
- The KERORIPCO is required to familiarize the employees with JDs of the KERORIPCO, and ensure their implementation.

STAFF REWARDS

In return for performing work in the best possible way, raising work output, improving the quality of products, saving materials, using initiative and innovation in work performance and winning competitions at work, employees may be encouraged and rewarded in the following ways:

- Reward in cash or material;
- Granting a letter of acclamation;
- Granting a letter of appreciation;
- Granting a medal or a title;
- Granting other rewards as described in the relevant legislative documents; The conditions and way of rewarding the staff shall be determined by the KERORIPCO's management.

PUNISHMENT OF STAFF

Hopefully, it will not be necessary to discipline or discharge employees. There may be times, however, when it becomes necessary to formally correct the performance of individuals and, in some cases, to terminate the employment relationship.

The KERORIPCO may impose counselling or disciplinary action including termination whichever, in its judgment, most effectively resolves the problem. Any action taken by management in an individual case should not be assumed to establish a precedent in other circumstances.

The KERORIPCO's management will take recourse to the following punitive measures, as the case may be when the employees violate labour discipline rules:

- Advice or suggestion.
- Warning;
- Deduction of subsistence expenses (wage);
- Transform of position
- Termination of the labour contract.

IMPLEMENTATION OF DISCIPLINARY ACTION

When the KERORIPCO applies and imposes the punitive measures, it shall bear in mind the circumstances, under which violations have been committed, the situation of the person when resorting to a violation as well as the worker's service record, conduct and behaviour.

- Disciplinary action against the employee shall be implemented after an explanation of his/her violation per law.
- Only one punitive measure can be applied in each case of violation against labour discipline; the measure will be issued in writing, and after being registered, it will be formally brought to the notice of the offender.

Reward and punishment mentioned in this policy, except advice and suggestions, are recorded in the Employee Record File.

It shall be the responsibility of management to ensure that any unsatisfactory performance or behaviour by an employee is brought to their attention in good time so that they are allowed to improve. Management will also make appropriate coaching available to employees in such a situation. However, in a case of a serious breach of rules, dishonesty, violence, or other intolerable behaviour, the KERORIPCO may summarily dismiss an employee, having first allowed them to answer the allegations against them. A decision to summarily dismiss an employee may only be taken by the Manager or acting Manager and shall be reported to the BOD at its next meeting.

FINANCIAL RESPONSIBILITY OF EMPLOYEES

All employees are obliged to assume a responsible attitude toward the property and assets of the KERORIPCO and to take measures to prevent damage from being occasioned to them. The MANGER is obliged to ensure that working conditions for employees are satisfactory and to ensure full protection of assets used by employees.

An employee will be held responsible for damage sustained by the KERORIPCO during the work period only when the damage inflicted has been the result of the employee's offence. Employees will not be held responsible for damage arising from the ordinary progress of work. If the damage sustained by the KERORIPCO is due to the offence of several employees, then the amount of compensation, therefore, will

be determined separately for each worker and in proportion to the type and degree of his responsibility.

PROBLEM-SOLVING

If the employee has a problem concerning a work-related matter, s/he should discuss it frankly with his/her immediate supervisor or the KERORIPCO's Manager. Normally, this discussion should occur within 3-5 days of the incident, or on a timely basis. Discussions held promptly will enhance the KERORIPCO's management ability to resolve concerns while they are still fresh in everyone's mind. If the employee is not satisfied after discussing the problem with his/her supervisor, or if it is inappropriate to go to his/her supervisor, then employees are encouraged to go to the Manager. If the problem still cannot be resolved, employees may submit a written complaint or explanation of the problem/concern to the BOD for review and the final decision about the situation.

INSPECTION

To safeguard the property of employees, the members and the KERORIPCO, and to help prevent the possession, sale and use of illegal drugs on KERORIPCO's premises, entry into the KERORIPCO's premises may be subject to searches or inspections.

This process includes the inspection of items such as packages, parcels, purses, handbags, briefcases, lunch boxes or other possessions or articles carried to and from KERORIPCO's property. If the employee has personal items, which s/he would not like, subjected to such inspection, these items should not be brought onto KERORIPCO's premises. In addition, the KERORIPCO reserves the right to search KERORIPCO property that is used by the employees, such as, an employee's locker, office, desk, computer, e-mail, voice-mail, and Internet files. Inspections may be conducted at any time at the discretion of the KERORIPCO's management.

The KERORIPCO initiated search does not necessarily imply an accusation of theft or that an employee has broken a rule. Employees refusing to cooperate with or submit to a search will be subject to termination. Any such search will be carried out with the employee's knowledge and they will have a right to be present during the search and to have an independent witness present as well.

APPENDIX 1: SAMPLE JOB DESCRIPTIONS FOR MANGER

POSITION TITLE: MANAGER of the KRORP COOP.LTD

REPORTING RESPONSIBILITIES

Reports to: BOD of the KERORIPCO

Supervises All executive staff of the KERORIPCO

PRIMARY DUTIES & RESPONSIBILITIES

The MANGER is responsible and accountable for the overall direction and administration of programs and services provided by the KERORIPCO; ensures that all aspects of the KERORIPCO's activities obtain maximum profits commensurate with the best interest of members, partners, employees, and the public. Provides the highest level of member relations and service, and ensures compliance with KERORIPCO's policies and procedures. The position of the Manager is directly responsible for attaining all established KERORIPCO's operational and financial goals.

SPECIFIC DUTIES & RESPONSIBILITIES

- Responsible and accountable for the KERORIPCO's daily operations, implementation of the approved written policies and procedures, achievement of the business and strategic plan targets, and the overall protection of the KERORIPCO's assets.
- Responsible for the KERORIPCO's compliance with the accounting and reporting requirements.
- Responsible for compliance with requirements for the maintenance of documents.
- Represents KERORIPCO's interests in the [country name] and other countries as needed.
- Responsible for hiring and training of new staff
- Responsible for motivating and training of staff to keep up with a high standard and positively deal with member requests and complaints
- Responsible for supervision of staff according to overall KERORIPCO policy
- Responsible for setting employee goals and objectives
- Responsible for development of staff to maximize potential
- Responsible for regular monitoring of staff performance
- Responsible for monitoring of and assistance to staff with work progress
- Responsible for establishment and maintenance controls to ensure the full protection of the members' funds and KERORIPCO's assets
- Responsible for drafting/developing KERORIPCO's policies and practices
- Responsible for implementation of procedures and systems to maximize operating efficiency
- Responsible for coordination of financial and budget activities for maximum operational efficiency
- Responsible for control and facilitation of the preparation and analysis of performance reports
- Review performance data (financial and operational reports) to monitor and measure performance, goal progress and operations quality
- Responsible for interaction with the local public and government organizations, development agencies, etc
- Must be involved with business planning and draft/develop the KERORIPCO's policies by regularly following the different changes in the financial regulations
- Responsible for evaluation of the profitability of the various plans formulated by different KERORIPCO's departments and discusses them with the BOD

- Responsible for analysis and distribution of strategic goals and budgets to different programs and departments
- Must ensure that the financial strategies are followed, the operations are cost-effective and the revenues are maintained
- Has to endorse membership application to the BOD for approval
- Has to endorse withdrawal of membership to the BOD for approval
- Has to approve the opening and closing of member accounts
- Has to endorse all CF application for the approval of the Credit Committee
- Has to approve the cash advances to staff.
- Has to approve all cash disbursements
- Responsible for one of the combinations on the vault and safe and has to ensure correctness & accuracy of the cash in vault per record & actual cash balance daily
- Has to ensure compliance to the computerised accounting systems & procedures, including generation of daily MIS reports for monitoring and daily back-up of computerized systems & records.
- Recommends to the BOD the acquisition of Fixed Assets and ensures the maintenance of the Fixed Assets of the KERORIPCO
- Responsible for the overall safety and security measures of the KERORIPCO
- Has to regularly monitor & evaluate daily operations as against targets & plans.
- Has to ensure that KERORIPCO's by-laws, policies, BOD meeting minutes, contracts, mortgagee's documents, office forms are properly kept and available anytime
- Has to comply with all other duties & responsibilities that may be required of him/her from time to time.

RIGHTS AND AUTHORITIES

- To fulfil the above-stated responsibilities Manager has the following rights:
- Has the right to act on behalf of the KERORIPCO without power of attorney, issue administrative orders and directions compulsory for all KERORIPCO's employees.
- Has the right to attend the BOD meetings with an advisory vote.
- Has the right to hire and terminate the employment of the KERORIPCO's employees.
- Has the right to independently make decisions on operations of the KERORIPCO except for those included in the authority of the members general meeting and BOD based on the legislative requirements, KERORIPCO's bylaws and internal policies.
- Has the right to manage the assets and property of the KERORIPCO
- Has the right to conclude agreements on behalf of the KERORIPCO
- Has the right to issue authorizations and open current and other accounts in banks and other financial institutions.
- Has the right to determine staffing requirements
- Has the right to delegate work duties to staff
- Has the right to allocate the use of available resources
- Has the right to organize and manage business meetings
- Has other rights as stated in the legislative documents, the KERORIPCO's bylaws and internal policies

EDUCATION AND EXPERIENCE

- University/High school degree
- At least three years experience in finance or a relevant area
- Knowledge of business and management principles and practices
- Knowledge of strategic planning
- Knowledge of human resource management principles and procedures
- Knowledge of basic economic and accounting principles and practices
- Knowledge of office administrative procedures
- Proficient in relevant software applications

KEY COMPETENCES

- Needs to have exceptional leadership skills as s/he has to motivate the entire KERORIPCO and lead by setting an example her/himself
- Should have the presence of mind and have quick decision-making abilities
- Must have good communication and networking skills and needs to impart instructions smoothly to the subordinates
- Needs to be a man/woman of integrity and should be honest in dealings without misusing his/her power
- Must be organized, be able to keep calm in high-pressure situations, and be able to work under pressure and do overtime when necessary
- As s/he may have to deal with irate members/partners, in such cases need to be cordial with them and help them understand the various rules
- Must possess decision-making ability
- Must be aware of the latest rules and follow government regulations during the development and/or recommendation of KERORIPCO's internal policies
- Must be very good with numbers
- Must be discreet and understand the importance of information confidentiality

Employee is accountable for non-compliance with this Job Description under Employment Contract and legislation of Uganda

This Job Description is made in two copies. One copy is given to the Employer and one copy is given to the Employee.

I am familiar and agree with this Job Description (Employee),

Date:

Signature:

APPENDIX 2: SAMPLE JOB DESCRIPTIONS FOR ACCOUNTANT

POSITION TITLE: Accountant of the KRORP COOP. LTD

REPORTING RESPONSIBILITIES

Reports to: MANAGER of the KERORIPCO

Supervises Accounting staff, cashier, the KERORIPCO

PRIMARY DUTIES & RESPONSIBILITIES

Responsible and accountable for applying accounting principles and procedures analysing financial information, maintaining accurate and reliable books of accounts, preparation of accurate and timely financial reports and statements and ensure appropriate accounting control procedures.

SPECIFIC DUTIES & RESPONSIBILITIES

Compile and analyse financial information to prepare financial statements including monthly and annual accounts, ensure financial records are maintained in compliance with acceptance policies and procedures.

- Ensure all financial reporting deadlines are met
- Prepare financial management reports
- Ensure accurate and timely monthly, quarterly and year-end close
- Establish and monitor the implementation and maintenance of accounting control procedures
- Resolve accounting discrepancies and irregularities
- Continuous management and support of budget and forecast activities
- Monitor and support taxation issues
- Develop and maintain financial databases
- Financial audit preparation and coordinate the audit process
- Ensure accurate and appropriate recording and analysis of revenues and expenses
- Analyse and advise on business operations including revenue and expenditure trends, financial commitments, and future revenues
- Analyse financial information to recommend or develop efficient use of resources and procedures, provide strategic recommendations, and maintain solutions to business and financial problems
- Ensure the start of day/end of day procedures in the computerized accounting system
- Ensure that the cash in vault per record reconciles with the actual/physical cash, conduct cash count daily.
- Ensure that all daily transactions are entered correctly in the computerized accounting system.
- Generate daily transaction report (list) and reconcile with the source (supporting) documents (contracts, official receipts, cash vouchers, etc.), make the adjustments/corrections if necessary, based on the Manager/s approval.
- Generate daily reports, including Daily Transaction Listing, Daily trial balance, Daily Cash Count Sheet, another end of the day required reports.
- Control timely and full completeness of the Daily Time Sheet for all employees.
- Prepare payroll sheet and other documents required for salary and benefit payments to employees.
- Prepare Cash Disbursement Vouchers (CDV) and ensures that all disbursements have the required supporting documents.
- Prepare Journal Vouchers for any non-cash transactions and adjusting journal entries
- Ensure that the KERORIPCO's property is properly maintained and safely kept.
- Perform other tasks as may be required by the Manager.

EDUCATION AND EXPERIENCE

- Accounting degree or equivalent
- Knowledge of accepted accounting practices and principles
- Knowledge of economic principles
- Knowledge of auditing practices and principles
- Knowledge of applicable laws, codes and regulations
- Knowledge and experience of related computer applications
- Usually a minimum of 3 years experience in the management of financial systems and budgets, financial reporting, financial data analysis, auditing, taxation and providing financial advice
-

KEY COMPETENCES

- Attention to detail and accuracy
- Planning and organizing skills
- Strong communication skills
- Information and task monitoring
- Problem analysis
- Judgment and problem-solving
- Supervisory skills
- Stress tolerance
- Must be discreet and understand the importance of information confidentiality Employee is accountable for non-compliance with this Job Description under Employment Contract and legislation of the [country name].
-

This Job Description is made in two copies. One copy is given to Employer and one copy is given to Employee. I am familiar and agree with this Job Description (Employee),

Date:

Signature:

APPENDIX 3: SAMPLE JOB DESCRIPTIONS FOR CASHIER

POSITION TITLE: Cashier of KRORP COOP LTD.

REPORTING RESPONSIBILITIES Reports to Accountant of the KERORIPCO

Supervises: Tellers (if any)

PRIMARY DUTIES & RESPONSIBILITIES

Responsible and accountable for accurate and efficient processing and recording of the KERORIPCO's cash transactions including accepting deposits and withdrawals, processing CF payments and disbursements, other cash payments. The KERORIPCO cashier undertakes transactions and interacts directly with members. S/he is like the frontline of the KERORIPCO operations as s/he are usually the first employee that the member or potential member sees at the KERORIPCO S/he should promote and advise on the KERORIPCO's products and services. S/he is also most likely to detect fraudulent transactions and help prevent losses at the KERORIPCO

SPECIFIC DUTIES & RESPONSIBILITIES

- Receive and count cash at beginning of the day and/or shift
- Issue official receipts after every disbursement or receipt of cash and correctly identify and enter the transaction in the cash book
- Accurately count every cash disbursement or receipt
- Inspect (validate) all cash receipts to prevent false bills and coins
- Open new accounts for members based on the sources documents properly authorized by the Manager and chief Accountant
- Identify member-customers, validate disbursement vouchers and disburse cash
- Accept cash and deposits and check the accuracy of deposit slips (vouchers)
- Process all cash withdrawals
- Receive and verify CF payments
- Record all transactions promptly, accurately and in compliance with the KERORIPCO's policies and procedures
- Balance cash in cash drawer at end of each day/shift
- Prepare daily cash position report & conducts cash count in the presence of the Accountant or Manager
- Deposit all cash collection for the day to the bank
- Generate following daily reports: Daily Cash Position Report, Teller's Cash Summary Report
- Answer inquiries regarding savings and CFF accounts and other KERORIPCO's related products
- Attempt to resolve issues and problems with member's accounts
- Explain, advise on and promote KERORIPCO's products and services to members and potential members
- Prepares the documents concerning all cash transactions processed
- Act as custodian of the inner grill key or cash vault combination
- Perform other tasks as may be required by the Accountant and Manager.

EDUCATION AND EXPERIENCE

- School diploma or equivalent
- Some clerical, administrative, cash handling, sales or customer service experience preferred
- Knowledge of customer service principles
- Relevant computer skills
- On-the-job training must be provided

KEY COMPETENCES

- Strong numerical ability
- Good listening and communication skills
- Member service orientation
- Accuracy and attention to detail
- Problem-solving
- Honesty and integrity
- Judgment
- Stress tolerance
- Adaptability
- Must be discreet and understand the importance of information confidentiality

The employee is accountable for non-compliance with this Job Description under the Employment Contract and legislation of Uganda. This Job Description is made in two copies. One copy is given to the Employer and one copy is given to the Employee.

I am familiar and agree with this Job Description (Employee)

Date:

Signature:

APPENDIX 4: SAMPLE JOB DESCRIPTIONS FOR MDO

POSITION TITLE: Membership Development Officer of the Islamic Investment and Finance Cooperative.

REPORTING RESPONSIBILITIES Reports to MANAGER of the KERORIPCO

Supervises: None

PRIMARY DUTIES & RESPONSIBILITIES

Responsible and accountable for recruiting new members and developing and/or strengthening the participation of the existing members in the activities and affairs of the KERORIPCO

SPECIFIC DUTIES & RESPONSIBILITIES

- promote the KERORIPCO's products and services within the members and potential members
- fix the schedule of Pre-Membership Education Seminars (PMES) or Membership Orientations and coordinate with the Manager to conduct the PMES
- initiate activities and programs that will enhance membership participation and patronage to the products and services of the KERORIPCO
- conduct CF orientation
- conduct initial screening of prospective members
- endorse to the Manager applications for membership for the further approval of the BOD
- prepare the list of newly accepted members for the month
- Conduct exit interviews of members to find out the reasons for withdrawal and if possible persuade them to continue their membership. The interview must be documented.
- endorse to the Manager applications for membership withdrawal for further approval by the BOD
- Prepare a list of withdrawn members for the month.
- initiate programs, mechanisms, and activities that will ensure member satisfaction
- perform PR functions on behalf of the KERORIPCO to members and partners
- perform marketing duties for the general programs, services and products of the KERORIPCO
- conduct membership and market research for business planning activities
- Perform other tasks as may be required by the Manager.

EDUCATION AND EXPERIENCE

- School diploma or equivalent
- Some experience in promotion, public relations and marketing preferred
- Knowledge of customer service principles
- Knowledge of marketing research procedures
- Excellent computer skills
- On-the-job training must be provided

KEY COMPETENCES

- Member service orientation
- Good motivator with commendable interpersonal skills.
- Good presentation skills, both verbal and written
- Good listening and communication skills
- Ability to work under pressure and meet the deadlines
- Problem solving
- Honesty and integrity
- Judgment
- Stress tolerance
- Adaptability
- Must be discreet and understand the importance of information confidentiality

Employee is accountable for non-compliance with this Job Description under Employment Contract and legislation of the [country name].

This Job Description is made in two copies. One copy is given to Employer and one copy is given to Employee.

I am familiar and agree with this Job Description (Employee)

Date:

Signature:

APPENDIX 6: SAMPLE JOB DESCRIPTIONS FOR LOAN AND SAVING OFFICER

POSITION TITLE: Loan & Savings Officer of the KERORIPCO

REPORTING RESPONSIBILITIES Reports to Manager of the KERORIPCO

Supervises: Loan & Savings Assistants (if any)

PRIMARY DUTIES & RESPONSIBILITIES

Responsible and accountable for soliciting, negotiating, underwriting and coordinating the approval of credit facilities to the KERORIPCO's members in compliance with the KERORIPCO's policies and procedures; ensures good quality of Credit portfolio, develops business checking and confident relationships with members, gathers personal and financial information on potential borrowers to ensure their creditworthiness; and promotes the KERORIPCO's products and services by maintaining good member relations and referring members to appropriate staff for new services.

SPECIFIC DUTIES & RESPONSIBILITIES

- Accepting, underwriting, analysis and endorsement of the credit applications in compliance with the KERORIPCO's policies and procedures
- Consult the members on credit products and requirements to the applicants
- Identify the credit requirements of KERORIPCO members and be able to suggest to them the right credit option available for them by referring to the required documents and providing an explanation of the full credit procedure and duration.
- Interview prospective members/borrowers, assist them in the preparation of the Credit Application Form and make requests for specified credit information.
- Ensure that prospective members/borrowers have the required compensating balance for the credit they are applying for.
- Contact applicants and their references to verify information in the credit application or as required for completing the paperwork.
- Verify and examine the completeness and accuracy of the required information and documents submitted by prospective members/borrowers
- Analyse the applicants' financial status, property evaluations and credit rating to determine the feasibility of granting credits.
- Prepare credit work-up sheet and ensure completeness of pertinent documents and information as enumerated in the credit procedures.
- Check the completeness of the credit documents required before endorsement to the Manager & credit committee for approval
- Review and endorse credit applications to the Manager & the credit committee.
- Check credit Promissory Notes and other related contracts (agreements) and ensure that they are accurate and complete, and under policies.
- Ensure that the credit Promissory Note and other required documents are complete and signed in the presence of all concerned parties
- Maintain and update individual credit folders of the member/borrowers.
- Open a credit account in the system based on the written approval of the credit Committee
- Conduct credit pre-release orientation
- Ensure the credit proceeds are released to the member/borrower by the KERORIPCO's policies and procedures
- Ensures the proper utilization of the credit funds by the member/borrower
- Monitor credit payments made by the member/borrowers daily

- Analyse ageing of credit portfolio
- Ensure that the KERORIPCOUs targets on credit releases & collection are met
- Promote the KERORIPCO's credit programs to local communities.
- Convince people to join the KERORIPCO
- Provide information on other KERORIPCO's services including savings and other products.
- Perform other tasks as may be required by the Manager.

EDUCATION AND EXPERIENCE

- School diploma or equivalent
- Experience in preparing agreements, resolving client queries and handling credit issues.
- Thorough familiarity with financial markets and Shariah-compliant financing
- Strong knowledge of laws and rules on financing and debt collection
- Have an understanding of the working principles of banks and financial institutions.
- Should be efficient in business mathematics.
- Needs to be verbally fluent and know both the working and regional language
- Excellent computer skills
- On-the-job training must be provided

KEY COMPETENCES

- A good motivator with commendable interpersonal skills.
- Good listening and communication skills
- Member service orientation
- Strong numerical ability
- Accuracy and attention to detail
- Problem-solving
- Honesty and integrity
- Judgment
- Stress tolerance
- Adaptability
- Must be discreet and understand the importance of information confidentiality

Employee is accountable for non-compliance with this Job Description under the Employment Contract and legislation of Uganda.

This Job Description is made in two copies. One copy is given to the Employer and one copy is given to the Employee.

I am familiar and agree with this Job Description (Employee),

Date:

Signature:

APPENDIX 7: SAMPLE JOB DESCRIPTIONS FOR SECURITY GUARD

POSITION TITLE: Security Guard of the KERORIPCO

REPORTING RESPONSIBILITIES Reports to Manager of the KERORIPCO

Supervises: None

PRIMARY DUTIES & RESPONSIBILITIES

Responsible and accountable for the security, safety and order at the KERORIPCO

SPECIFIC DUTIES & RESPONSIBILITIES

- has to ensure that no malpractice or suspicious activity is being carried out in the premises which would damage or be harmful to property or people
- guard the property against thieves and robbers
- if unable to control a situation by himself, to inform the police and take assistance from them
- station himself outside the gate and inside the KERORIPCO's compound all day & night (24/7)
- police security guards are not allowed to stay inside the office unless required by the Manager or any authority from the KERORIPCO management
- Make a round inspection of the building and inspect doors and locks for any sign of forced opening or tampering. Any signs of tampering should be reported immediately to the Manager or other officer in charge of the KERORIPCO
- record in the logbook the date, time and the name of the key custodian who opens and closes the main KERORIPCO door and steel grille
- Record the time of arrival of employees and contractual personnel in the daily attendance record in the logbook or ensure that all employees have punched in the Bundy clock.
- Conduct body check-up on all entering employees and visiting members before gaining entrance to the main KERORIPCO gate. Any member who will not comply to this requirement will not be allowed to enter the office no KERORIPCO member or visitor shall be admitted inside the office before or after office hours without due approval of the Manager or Officer-In-Charge
- record the admission of members/visitors after the KERORIPCO office hours upon the discretion of the Manager
- check the content of any package and unwieldy bags brought in and outside the premises
- request the employees and members to leave firearms, packages, unwieldy bags, umbrellas and other items at the entrance
- inspects the premises of the KERORIPCO after office hours if possible together with the KERORIPCO Officer- In Charge to determine that the premises are clear of visitors, members and strangers
- Perform other tasks as may be required by the Manager.

EDUCATION AND EXPERIENCE

- Experience in security services
- Completion of special security courses is preferred
- Criminal Background Check
- Reading and writing literacy

- On-the-job instructions must be provided

KEY COMPETENCES

- Physical fitness
- Ability to correctly respond and take immediate decisions in the time of crisis
- Good interpersonal skills.
- Good listening and communication skills
- Problem-solving
- Honesty and integrity
- Stress tolerance
- Adaptability
- Must be discreet and understand the importance of information confidentiality

The employee is accountable for non-compliance with this Job Description under the Employment Contract and legislation of the [country name].

This Job Description is made in two copies. One copy is given to the Employer and one copy is given to the Employee.

I am familiar and agree with this Job Description (Employee),

Date:

Signature:

APPENDIX 8 SAMPLE JOB DESCRIPTIONS FOR CLEANER

POSITION TITLE: Cleaner of the KRORP COOP. LTD

REPORTING RESPONSIBILITIES Reports to Manager of the KERORIPCO

Supervises: None

PRIMARY DUTIES & RESPONSIBILITIES

Responsible and accountable for the provision of cleaning and logistical support to the KERORIPCO A cleaner performs the delicate tasks of cleaning, maintenance and repair that are needed. The need for cleanliness, hygiene and safety is universal. The cleaner's task affects the quality of work of everyone in the institution. Everyone likes to work in an environment that is clean, safe and healthy. A cleaner makes your office or building comfortable, clean and safe.

SPECIFIC DUTIES & RESPONSIBILITIES

- Assess the cleanliness and hygiene situation of the establishment and detect current and potential problems.
- Perform common household tasks to maintain a clean workplace. This may come in the form of sweeping floors, cleaning walls and windows and disposing of the trash.
- Ensure that confidential material that is to be disposed of is handled appropriately
- Make simple repairs that do not need professional help. Such repairs can include repairing wall panels and the like.
- Perform simple security measures such as locking doors and closing windows after office working hours.
- Continuous monitoring of the cleanliness of facilities and other equipment.
- Inform the management of the need for extensive repairs and other major renovations in the work area or office.
- Perform simple sterilization procedures such as boiling rugs and other cloths.
- Monitoring hazards in the establishment such as those related to fire and electricity.
- Clean walls, windows and corridors in case of snow or other debris.
- Ensure cleanliness and hygiene in restrooms and other places in the building.
- Always present her/himself clean & neat at all times
- Ensure cleanliness of the office premises at all times
- Wipe the office tables & equipment before the KERORIPCO staff used it for the day. Clean the floor in the morning and during the breaks.
- Always keep away the used glass & plates & wash them immediately
- Keep glasses/plates & other kitchen utensils clean & available at all times
- Ensures that all office equipment and facilities are clean & free from dust
- Keep kitchen supplies & cleaning materials in a secured place. Keep it locked.
- Make requisition to Manager for kitchen/cleaning supplies
- Perform other tasks as may be required by the Manager.

EDUCATION AND EXPERIENCE

- Criminal Background Check
- Hygiene principles understanding
- Reading and writing literacy
- On-the-job instructions must be provided

KEY COMPETENCES

- Accuracy
- Good interpersonal skills.
- Good listening and communication skills
- Honesty and integrity
- Adaptability
- Ability to work under pressure

The employee is accountable for non-compliance with this Job Description under the Employment Contract and legislation of Uganda.

This Job Description is made in two copies. One copy is given to the Employer and one copy is given to the Employee.

I am familiar and agree with this Job Description (Employee),

Date:

Signature:

SECTION 7: PROCUREMENT PROCEDURES

POLICY INTRODUCTION

These policies and procedures outlined in this document establish standards and guidelines for the Kei-Rodo Rice Producer Cooperative Society Limited (KERORIPCO) for the procurement of supplies, equipment, construction, and services to ensure that they are obtained as economically as possible through an open and competitive process and that contracts are managed with good administrative practices and sound business judgment.

As the KERORIPCO is a member-owned organization this policy and related procedures ensure expenditure of member funds in a way that results in the most advantageous outcomes for the members. These outcomes will be achieved when procurement is conducted by staff that appreciate and understand this policy and confidently apply the related procurement procedures.

This policy is developed in compliance with the applicable laws and regulations of Uganda, and KERORIPCO's bylaws.

POLICY REVIEW

The KERORIPCO BOD is responsible for formulating, reviewing, and adjusting this policy. At least on an annual basis, the Board shall review the policy and make changes if necessary, so that it is reflective of the institutional needs, local market competition, daily operations and applicable legislative requirements.

All KERORIPCO's officials, Manager and employees are obliged to accurately and fully comply with this policy. All KERORIPCO's executive staff members and Manager are responsible for ensuring that procurement activity within their responsible business areas is carried out per this policy and applicable legislative requirements. The KERORIPCO's staff should fully establish the institutional procurement needs and develop effective procurement solutions from an early stage to drive down costs and improve quality in the goods and services to be procured.

The KERORIPCO's Supervisory Committee will be responsible for ensuring that this policy is carried out adequately and that it achieves the goals for which it was created. The Supervisory Committee's members will determine if the policy is being complied with periodically (preferably monthly and no less than quarterly) reviewing a sample of procurement contracts funded. The audit will be concluded by a written report including findings and recommendations to the KERORIPCO's Manager with a copy to the BOD.

DEFINITION

The term "Procurement" refers to the process by which goods services and works are acquired by the KERORIPCO from third parties. This is a lifecycle process that covers from the initial purchase concept through to the end of the life of the purchased asset or service.

CODE OF CONDUCT

A Code of Conduct shall govern the performance, behaviour and actions of the KERORIPCO, including elected officials, employees, directors, volunteers, or agents who are engaged in any aspect of procurement, including – but not limited to – purchasing goods and services; awarding contracts and grants; or the administration and supervision of contracts.

- No employee, official, volunteer or agent of the KERORIPCO shall participate in the selection, award or administration of a bid or contract funded by the KERORIPCO if a conflict of interest is real or apparent to a reasonable person. Restart numbering
- Conflicts of interest may arise when an employee, official, volunteer or agent of the KERORIPCO has a financial, family or any other beneficial interest in the vendor firm selected or considered for a contract.
- No employee, official, volunteer or agent of the KERORIPCO shall do business with, award contracts to, or show favouritism toward a member of his/her immediate family, spouse's family or to any company, vendor or concern who either employs or has any relationship to a family member; or award a contract or bid which violates the spirit or intent of the applicable procurement laws and policies established to maximize free and open competition among qualified vendors.
- The KERORIPCO's employees, officials, volunteers or agents shall neither solicit nor accept gratuities, gifts, consulting fees, trips, favours or anything having a monetary value above UGX from a vendor, potential vendor, or from the family or employees of a vendor, potential vendor or bidder; or any party to a sub-agreement or ancillary contract.
- As permitted by-laws, rules, policy or regulation, the KERORIPCO shall pursue appropriate legal, administrative or disciplinary action against an employee, official, volunteer, vendor or vendor's agent who is alleged to have committed, has been convicted of or pled no contest to a procurement-related infraction. If said person has been convicted, disciplined or pled no contest to a procurement violation, said person shall be removed from any further responsibility or involvement with funds management, procurement auctions or bids.

PROCUREMENT POLICIES AND PRINCIPLES

The following principles should be adhered to in the procurement of materials and services by the KERORIPCO:

- **Fair Competition:** The KERORIPCO should treat all bidders with fairness and ensure that they are given the same level of information when preparing quotations or tenders.
- **Conflict of Interest:** Situations of conflict of interest with the KERORIPCO should be declared to the KERORIPCO following the principles set in this policy.
- **Cost-effectiveness:** Quotations and tenders should be evaluated not only on competitiveness in pricing but also on factors such as the quality of the products/services and track records of the bidders.
- **Transparency:** To ensure transparency, tender documents should provide all the necessary information to facilitate the submission of appropriate and competitive tenders.

TYPES OF PROCUREMENT

The following types of procedures should be adopted according to the amounts and nature of the procurement of goods or services:

- Open Tendering (applicable to procurements of value exceeding UGX). Notice of tender invitations should be advertised in the public press for free-response by all interested suppliers or contractors.
- Restricted or Single Tendering (applicable to all types of procurement): This type of tendering applies to procurements of goods or services that can only be provided by a limited number of suppliers or suppliers who are sole agents or patented distributors. Therefore, only one or several suppliers or contractors will be invited to submit written tenders. Sufficient justification should be made for prior approval by the authorized person before proceeding to the tendering exercise.
- General Procurement (applicable to procurements of value below UGX.....):
 - **Written Quotation:** After obtaining approval from the authorized person written quotations should be sought from three (3) suppliers, whose goods or services meeting the requirements. The lowest quotation meeting the requirements should be accepted.
 - **Verbal Quotation:** To enhance administrative efficiency, verbal quotations from not less than two suppliers or contractors may be used for procurement of miscellaneous item or service that costing UGX. or below. The responsible officer must make a record of the verbal quotations for review and verification.

PREFERRED SUPPLIERS

The KERORIPCO may utilize a Preferred Supplier for the purchase of certain goods and services. The purpose of this practice is to gain a price advantage through bulk buying power and to reduce

the need for quotations/tenders by authorized purchasing officers.

The preferred suppliers are identified on a special list. The performance of the KERORIPCO's Preferred Suppliers must be re-evaluated at least every twelve months to ensure that the preferred suppliers are providing the optimum level of quality, service and value for money to the KERORIPCO. The decision to add a supplier to the list is made through consultation between the BOD and the Manager of the KERORIPCO. The need to add a supplier to the list arises when particular goods or services are being purchased regularly (i.e. more than twice in three months). When deciding to add a supplier to the Preferred Suppliers List, at least three possible suppliers must be investigated, and the following factors are taken into consideration.

- Price of the goods or services to be provided
- Quality of goods or services to be provided
- Warranties offered by supplier
- Reliability of supplier
- Delivery schedules
- Payment terms
- The capability of the organization, including experience and track record
- Development and promotion of local business and industry

TENDERING PROCEDURES

The following summarizes the stringent tendering procedures to be followed:

Tender documents/quotations

The KERORIPCO's responsible procurement officer should prepare the tender documents/quotation proforma and provide all the required information in the documents to facilitate bidding from suppliers. The information should include tender specifications and requirements, conditions of contract, required quantity of items and service and timing of provision, assessment criteria, tender closing date and time, the place for depositing the tender, the contact person, and the officer to whom enquiries may be made. The information for the tender should be approved/authorized by the KERORIPCO's Manager.

As far as possible, the officer responsible for seeking quotations from the suppliers/contractors should not be the approving officer for the acceptance of the quotations in the same procurement exercise.

Submission of Tenders/Quotations and Opening of Tenders

Unless in the exceptional circumstance of urgency, tenderers should be allowed sufficient time to submit their tenders. Tenderers must submit their tenders before the tender closing date and time specified in the tender documents. Any tenders

received after the tender closing time shall not be considered. Tenders/quotations should be deposited in the tender box by tenderers in person. For confidentiality, the tender box should be properly locked with a padlock, and the respective key should be separately kept by the KERORIPCO's Manager.

To ensure fairness of the procedures, the tenders/quotations should be taken out of the tender box immediately after the tender closing time. All tenders/quotations received after the tender closing time will not be processed. The responsible officer and Manager shall open the tenders/quotations simultaneously and shall each initial beside the quotation figures as confirmation.

Tender/Quotation Evaluation

In general, tender evaluation should be carried out by an assessment panel consisting of at least three (3) staff members. Evaluation of quotations of small amounts may be carried out by the Manager or other authorized staff member. Tenderers should be required to submit price information and technical information. Appropriate weights should also be given to the two areas. It is normal practice for the assessment panel firstly to evaluate and award an assessment score on technical aspects of the proposals before evaluation of the price information. The assessment panel should conduct a preliminary evaluation of the tenders based on the required information and documents stipulated in the tender documents. This will ascertain full compliance with the stipulated conditions and requirements.

The assessment panel should select the most competitive and cost-effective tender among the eligible tenders by evaluation according to the pre-set assessment criteria. For contracts involving higher construction costs or requiring higher standards in technology and service areas, a scoring system should be adopted for giving scores terms of tender

price, tenderer's reputation, track records and management quality, as well as the professional and technical standard of staff for implementation of the project/service.

The assessment panel shall prepare a tender evaluation report to state its recommendations and justifications. Where a scoring system has not been adopted and the successful tenderer is not the lowest bidder, full and sufficient justifications must be stated in the evaluation report.

Acceptance of Tender

The assessment panel should submit the evaluation report to the KERORIPCO's officers and officials for approval based on the guideline set in paragraph (f) "Approval and Authorization" of this section. After endorsement and approval of the election result, the successful tenderer should be officially notified by post and be invited to enter into a contract with the KERORIPCO. For the protection of commercial secrets, it should be ensured that disclosure of the details shall not lead to the revelation of any tender information provided in confidence by other tenderers. Should none of the tenders received be able to fulfil the required specifications and conditions, the tendering exercise should be cancelled. The original specifications and conditions should be amended as necessary for purpose of re-tendering.

The procedure of Handling Complaints

The KERORIPCO should be committed to maintaining a fair and open procurement system. Tenderers who consider themselves being treated unfairly can complain addressed to the KERORIPCO's BOD.

Approval and Authorization

Approval or authorization should be sought from the following person(s) before inviting suppliers to submit quotations and/or selecting suppliers for seeking quotations:

Value of the Materials or Services to be Procured	Procurement authorized by	Tender approved by

Procurement contracts for the amount above UGX.....should be approved by the KERORIPCO BOD.

SECTION 8: CREDIT POLICIES AND PROCEDURES

POLICY INTRODUCTION

These policies and procedures of Kei-Rodo Rice Producer Cooperative Society Limited (KERORIPCO) set the authorities, rules and framework to operate and administer Credit facilities effectively and in compliance with all applicable laws and regulations of Uganda. The KERORIPCO's by-laws and internal policies provide members with Credit products that are accessible and useful to them in improving the quality of their income and the financial situation of their families.

The credit facility is an essential element of the KERORIPCO's operations and therefore the appropriate controls and procedures need to be in place. This policy is complemented with credit procedures and is consistent with the appropriate legislation of Uganda and the relevant regulatory and contractual requirements. It is the objective of the KERORIPCO to serve the borrowing needs of members through Credit Financing and to establish a long-term financial relationship with each member while avoiding any unnecessary risk by providing a framework within which the responsible personnel can operate promptly, with confidence, relative uniformity, and flexibility.

The KERORIPCO is envisioned to be a prime mover in regional development via the savings mobilization of members. "Thrift" is therefore encouraged amongst members to increase the level of individual savings. In other words, members are only able to generate economic activity in their locality when their resources are pooled and utilized for the common good.

Access to credit facilities and savings services matter in the economic circumstances and quality of life of individuals. These financial services help KERORIPCO members to meet their household and business goals by expanding their options and increasing the productivity of their resources. Savings allows depositors to store current income as assets for future use, while Credit facilities also allows borrowers to invest or consume against expected future income. The KERORIPCO will function as a financial advisor to its members. Members who are denied Credit facilities will be given financial advice so that they can improve their financial situation.

The KERORIPCO may only grant credit to those members who have a good reputation and are creditworthy, and whose credit application complies with the KERORIPCO policies. No member in good standing of the KERORIPCO will be denied any service due to discrimination based on race, colour, religion, national origin, sex, marital status, age (provided that the applicant can enter into a binding contract).

POLICY FORMULATION, IMPLEMENTATION AND REVIEW

The KERORIPCO BOD is responsible for formulating, reviewing, and adjusting these policies and procedures. At least on an annual basis, the BOD shall review the policy and make changes as necessary so that it is reflective of the members' needs, local market competition, daily operations and applicable legislative requirements.

The KERORIPCO's Credit Committee, Manager and employees are obliged to accurately and fully comply with these policies and procedures. The Credit Committee will be responsible for the approval or denial of Credit facilities (CF). The Credit Committee should consist of three (3) members of the board. An additional one (1) members must have financial analysis expertise preferably the credit officer or the accountant.

It is the Credit Committee's responsibility to consult the respective local elders to ask about the character of applicants (i.e. where they don't know the applicants). The Credit Committee must provide Credit portfolio evaluation reports (i.e. delinquency and other statistical reports) to the BOD on monthly basis.

The KERORIPCO's BOD will be responsible for ensuring that this Credit policy is carried out adequately and that it achieves the goals for which it was created. BOD members will determine if the policy is being complied with periodically (i.e. preferably monthly and no less than quarterly) reviewing a sample of Credit granted and denied and all Credit facilities issued to officials and employees of the KERORIPCO. An audit will be concluded by a written report including findings and recommendations to the KERORIPCO's CEO with a copy to the BOD.

CREDIT FACILITIES PORTFOLIO STANDARDS

Based on regulative and safety requirements, all CF are subject to the following standards, which should be strictly followed:

- The KERORIPCO shall not issue any CF to non-members.
- The KERORIPCO shall issue CF only in local currency.
- The terms and conditions of all services, including CF services provided by a KERORIPCO to its members, shall be made public and readily available to members and potential members.

- Any credit agreement concluded with a member-borrower shall be accompanied by a written contract that indicates the rights and responsibilities of both the KERORIPCO and the member, including a clear statement of the amounts owed by whom, to whom, and when. It will also be necessary to produce a detailed repayment schedule (Note: unless repayment of the principal and mark-up is payable as a lump sum at the end of such agreement).
- The KERORIPCO shall not issue CF to a member where the purpose is to buy additional shares in the KERORIPCO.
- The KERORIPCO shall strictly monitor and keep accurate records of the number of days every CF product is delinquent in any required payment under the CF contract.
- The KERORIPCO shall comply with the requirement for pledged shares viz Total Pledged Shares/Total Member CF *100per cent is more than 10per cent.

The KERORIPCO shall comply with the maximum risk for one borrower requirement: (i.e. the Largest CF for one borrower or group of related borrowers)/(Non-redeemable shares + Capital Reserves)*100per cent is less than 5per cent

- The KERORIPCO shall comply with the maximum level of CF to administrators requirement: i.e. (the Total amount of CF and CF to elected officials and employees)/(Non-redeemable shares + Capital Reserves)*100per cent is less than 25per cent
- The maximum or medium CF amount per member or group of related members shall be less than 10,000,000 or equivalent
- The KERORIPCO should not refinance any CFs to borrowers
- The KERORIPCO shall not restructure any delinquent CFs unless approved by the BOD.
- The KERORIPCO shall not engage in any transaction with elected officials, employees or their relatives where the terms and conditions of such transaction are less favourable to the KERORIPCO than the terms and conditions of similar transactions with other persons.
- Relatives are defined as grandparent, parent, brother, sister, spouse, son, daughter, grandson, granddaughter, spouse or brother or sister, brother or sister of the spouse, spouse or brother or sister of the spouse, niece, nephew, uncle, aunt, or first cousin.

CREDIT FACILITY ELIGIBILITY

The maximum amount, which anyone member may be indebted to this KERORIPCO, is Ugx 10,000,000. At the same time, the KERORIPCO shall comply with the maximum risk for one borrower requirement: i.e. (the Largest Credit facilities for one borrower or group of related borrowers)/(Non-redeemable shares + Capital Reserves)*100per cent is less than 5per cent. Both of these limitations shall be applied at the time when the Credit Facilities decision is made. The

KERORIPCO is allowed to disburse Medium Credit facilities of up to Ugx 10,000,000.

Medium CFs are only for business purposes. Such CFs can also be given for agricultural purposes, such as farming machinery, but not for farm working capital such as crops, etc. The maximum term allowed for Credit Facilities are 24 months. Membership in the KERORIPCO is open only to individuals who are within the field of membership as defined in national/local bylaws. Any KERORIPCO member is eligible to access CF services provided by the KERORIPCO as long as he/she meets the eligibility criteria and policy set for the CF product. The KERORIPCO is not permitted to accept an CF application from a non-member who is not in the KERORIPCO's field of membership. No officer or staff member of the KERORIPCO will, in any manner, discourage a member from applying CF. The KERORIPCO will accept and consider an application from any member who wishes to submit a request for CF. All applications for CF shall be made in writing and shall state the purpose for which the CF is desired and the security offered if any. Verbal requests shall not be accepted. Only application forms that are completed in all details shall be accepted. Whenever possible (and considering the best interests of both the member and the KERORIPCO), the KERORIPCO shall attempt to make a counteroffer to any applicant, who is denied the amount of CF they are seeking. Any member may appeal the denial of any CF. The appeal must be in writing to the BOD. Any member who has caused the KERORIPCO a loss is not eligible to receive an CF unless the loss is completely paid back. Once the loss has been fully repaid the member shall be eligible for financial services under the KERORIPCO policies and standards. To promote savings and deposit growth, all borrowers must have a minimum balance, which is 10 per cent of the CF amount at the KERORIPCO to obtain an CF.

CF PURPOSES

CFs will be for agricultural, business or personal purposes. The following types are acceptable:

Agricultural CFs, including:

- Livestock
- Crop (wheat, rice, corn, vegetables)
- Leasing for Farm Machinery

Business CFs, including:

- Trading
- Services
- Manufacturing

Community Group CFs, including:

- Small business groups
- Small farmer groups

Personal CFs

- Real estate purchases
- Vehicle purchases
- Home Improvements
- Furniture, Computer, Appliance purchases
- Educational Expenses
- Personal or Vacation expenses

CF PORTFOLIO COMPOSITION

The CF portfolio composition must be diversified to reduce the inherent risk across the different CF types. Because of this, the following limits by CF type have been established.

- CF Type Maximum per cent of TOTAL CF Portfolio
- Business CFs __per cent
- Agriculture CFs __per cent
- Community Group CFs __per cent
- Personal CFs __per cent

The KERORIPCO total CF portfolio must be maintained at the level of 70per cent-80per cent of total assets, while the remaining 20per cent shall be used to meet the infrastructure needs and liquidity requirements of the business.

CFS TO OFFICIALS AND EMPLOYEES

Members of the BOD, Credit Committee, and employees may borrow from the KERORIPCO provided that the application and personal financial verifications are completed in all details. All officials and employees accessing CF services shall undergo the same processing and evaluation as other members. No CF to any official or employee shall be on terms more favourable than those extended to other persons borrowing from the KERORIPCO. All CFs to officials and employees shall be approved by the Credit Committee. The Credit Committee CFs shall be also approved by a majority vote of the BOD. None of the Credit Committee members has a voting right on his/her CFs or the CFs of his/her closes relatives or affiliated parties.

The Supervisory Committee will be informed of all CFs granted to the board, Credit Committee and Supervisory Committee members, or employees with CFs granting authority. No employee, Credit Committee member, supervisory committee member, or BOD member shall have any part in approving, processing, or disbursing CFs on their account, that of a relative, or that of an individual where the appearance of a conflict of interest may result. Relatives are defined as grandparent, parent, brother, sister, spouse, son, daughter, grandson, granddaughter, spouse or brother or sister, brother or sister of the spouse, spouse or brother or sister of a spouse, niece, nephew, uncle, aunt, or first cousin.

CONCENTRATION

No member or group of members who are considered to be related such as family businesses or closely related family members (i.e. those dependent on the same source of income) may receive secured or unsecured loans, or be obligated to the KERORIPCO in excess of 5per cent of total capital or Ugx_____, whichever is the less.

RISK CONTROL OF CFS

The main risks faced by the KERORIPCO on its CF operations are Credit Risk, Market Risk, Policy/Regulatory Risk, Liquidity Risk, and Transaction Risk.

1. Credit Risk

Credit risk is the most significant risk associated with loans. A borrower's business production and ability to repay the loans can be affected seriously by various factors, some of which are not directly under the borrower's control. Credit risks in adverse conditions may result in the borrower's inability to repay the loan to the KERORIPCO. Credit risk is most simply defined as the potential that a borrower will fail to meet its obligations under the agreed terms. The goal of credit risk management is to maximize the KERORIPCO's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The KERORIPCO needs to manage the credit risk inherent in the entire loan portfolio as well as the risk in individual loans. A sound credit risk management program will include the following areas:

- Establishing an appropriate credit risk environment;
- Operating under a sound loan granting process;
- Maintaining an appropriate credit portfolio administration, measurement and
- monitoring process; and
- Ensuring adequate controls over credit risk.

2. Market Risk

Markets can be sensitive to highly variable supply and demand conditions that may directly affect the borrower's capacity to repay where the expected price at the end of the CF term is significantly lower than the expected price at the time the CF was first issued. Similarly, prices on business inputs may fluctuate such that increased cost of fuel, seeds, fertilizers, agrochemicals and farming services, labour etc. may reduce or eliminate expected profits at the end of the CF term. To access and control market risks, the KERORIPCO should closely monitor market conditions and attempt to receive as much information as possible about price and demand fluctuations.

3. Policy/Regulatory Risk

Policy/regulatory risk is the risk associated with the potential change in the laws and/or regulations related to the particular industry of the borrower's business, occupation, country or security environment with the potential to negatively affect the borrower's repayment ability.

4. Liquidity Risk

Extensive CF programs can result in higher liquidity risk in the KERORIPCO, especially if there is a high concentration of CFs sensitive to seasonal demand. The KERORIPCO's liquidity can become strained for example if crop losses or unfavourable market conditions result in the deferral of CF repayments. Therefore the KERORIPCO should correctly structure the CFs repayment schedule (ensuring adequate cash inflow) and avoiding the concentration of particular CF types.

5. Transaction Risk

Transaction risk primarily results from the numerous documentation, inspection, control and monitoring

requirements associated with CF operations (including this CF policy and procedure document). An inadequate understanding of these requirements, or failure to comply with them, may lead to serious weaknesses, including ultimate collection problems. When this occurs, it is most often the result of the Credit Committee, management and CF officers' inappropriate assumptions about a borrower's business plan, budget or his/her capabilities. Therefore internal training/ education programs directed to improving the knowledge and skill levels of the KERORIPCO's employees and elected officials are crucial. Management should also periodically test the knowledge of the KERORIPCO's policies and procedures by regular review with responsible officers and staff.

CREDIT COMMITTEE AUTHORITY

The Credit Committee is appointed by the KERORIPCO's BOD and has the responsibility of acting on CF applications subject to the restrictions set forth by internal policies, the KERORIPCO's bylaws, and by the legislation which governs the operations of the KERORIPCO. The Credit Committee has the authority to approve CFs. The committee will meet no less frequently than weekly, but as often as necessary to approve CFs in a timely fashion. It is the Credit Committee's responsibility to ensure that the approval, denial, and actual granting of all types of CFs comply with this policy. The duties of the Credit Committee are as follows:

- The Credit Committee may, by majority vote, approve or deny any application for CF that does not violate any provisions outlined in this policy.
- The Credit Committee shall hold meetings as the business of this KERORIPCO may require however not less frequently than weekly.
- The Credit Committee shall inquire into the character and financial condition of each applicant to ascertain their ability to repay fully and promptly the obligations incurred by them.
- Subject to the limitations outlined in this policy, the Credit Committee shall ensure that any security furnished shall be adequate in quality and consistent with sound financing practices.
- Where the applicant is unknown, the Credit Committee shall consult, at a predetermined and limited cost approved by the BOD, the respective Legitimate Local Authorities to ask about the character of the applicants.

When acting on CF applications, the Credit Committee shall consider the following factors:

- The amount and regularity of receipt of funds which the borrower(s) intend(s) to rely upon for payment.
- The borrower's other commitments and anticipated financial needs over the term of his or her obligation to the KERORIPCO;
- The purpose of the CF, keeping in mind the best interests of the borrower(s) and the KERORIPCO both;

- The frequency and purpose of previous CFs;
- Past as well as present credit experience with the KERORIPCO, other financial institutions, and other creditors.

CREDIT COMMITTEE AND/OR CF OFFICER DOCUMENTATION

The KERORIPCO Credit Committee, Credit officer and the Manager will keep a record of all CF requests approved and denied. The information for each CF request should include: date of CF, name of borrower and account number, the purpose of CF, amount of CF requested and/or approved, collateral offered, date CF was approved, date CF was issued, or reason for denial (see Appendix #3: CF register logbook and Appendix #14: Resolution of approving committees). This will act to verify that an CF is made according to the conditions set by this policy. CF collateral will not be released until full repayment of the CF. The Credit Committee shall review all modification of the original CF terms and then provide recommendations to the BOD. The BOD will have the final decision-making authority if the original CF terms are modified. Modifications only take place in proven, documented and emergencies.

CF APPROVAL PROCESS

When all the necessary CF documents have been obtained as described in the CF Procedure section, the CF request will be given to the Credit officer for preparatory work. All CF applications that do not pass the evaluation process at the Manager's level will be automatically deferred and returned to the Credit officer. Every potential first-time borrower shall be required to be present during the scheduled Credit Committee meeting for an interview. If a member is a good payer in his/ her previous CF, or the CF is fully secured by share or savings at the KERORIPCO, another interview at this time may not be necessary. The interview process focuses on the member's CF qualifications and the condition and value of the collateral (if any is offered to secure the CF), to help the Credit Committee to make an informed decision. If the Credit Committee does not feel that they can approve an CF as requested, they may make a counter-offer in which case the member has 7 business days to accept or reject the counter-offer.

CREDIT FACILITY (CF) DENIALS

The member should be informed in writing of all CF denials. The reason for the denial should be specifically stated. The written denial notice shall be made available to the member at the KERORIPCO's office within 7 business days from the denial decision. Credit counselling will be offered to the member in the hope of improving his/her position so that he/she will be eligible for CF consideration in the future.

CREDIT FACILITY (CF) PAYMENT

The first CF payment (including principal and admin charges) will be made within 30 days of granting the CF in the majority of cases. An exception to this rule would be CFs that are paid weekly, quarterly and via a lump sum. Given the KERORIPCO's liquidity needs, however, the majority of CF payments will be on

a monthly payment schedule. In the case of agricultural CFs, should the borrower's income not warrant monthly payments, then quarterly and lump sum payments of principal will be accepted. The administration charges however will continue to be paid monthly.

CF payments will be accepted on any KERORIPCO business day. Evidence of payment will always be by a written receipt (or a slip confirming payment from the borrower's share or savings account). A member may repay their CF before maturity without any penalty being imposed.

COMPENSATING BALANCE

Borrowers should deposit the equivalent to 10 per cent for agricultural, personal, and business purposes of the requested CF amount. This amount cannot be withdrawn until the loan is fully paid. At the same time, the KERORIPCO is eligible to deduct pledge savings of delinquent borrowers from the unpaid amount of their CFs to disclose the real level of the portfolio at risk.

REQUIREMENTS FOR CO-SIGNERS

The Credit Committee and/or Credit Officer(s) should never ask for a co-signer if the primary borrower cannot demonstrate both the intent and the ability to repay the Loan. A co-signer can be accepted as an additional guarantor for the CF repayment when there are concerns over the member's lack of credit history, length of employment, or employment history/job stability.

The co-signer should be financially more stable than the primary borrower and have the ability to repay all CF principal and admin charge payments. Except as set out below, no member may have more than one co-signer per CF. If more than one co-signer is necessary, it is considered doubtful that the borrower can repay the CF. The exception is the case of Medium CFs with amounts of up to Ugx 10,000,000. In these cases, the KERORIPCO is required to have at least two guarantors to guarantee such CFs. If applicable, the KERORIPCO may also require the borrowers to present original property documents to the KERORIPCO as collateral (i.e. in addition to the two guarantors).

The co-signer shall not be a relative or individual who is dependent on the primary borrower for their livelihood (e.g. the spouse is always a poor choice for a co-signer). If the primary borrower falls into difficulty, the spouse will usually suffer financially from the same problem and will similarly be unable to repay the CF. An individual may not co-sign for more than one outstanding CF unless they have shares or savings available to secure the CF. The co-signer's ability to repay must be determined and supported by documentation such as completed application, proof of income, disclosure of all debts, etc. The pledge of the co-signer shall be checked and signed by the city mayor or a relevant equivalent position of authority. That said the KERORIPCO is encouraged to register guarantors of CFs as members of the KERORIPCO to increase membership.

Who Are Qualified To Become Co-Signers?

The persons listed below can be qualified to act as co-signers provided they are willing to provide the information needed in the

evaluation, to undergo credit investigation, and to take on the responsibility of a co-signer/guarantor.

- Any member in good standing who can pay in cases where the primary borrower becomes delinquent.
- The nominated Borrower's employer if they are willing to implement a salary deduction scheme in cases where the primary borrower becomes delinquent.
- Any reputable person known to the borrower who has: a permanent source of income; is residing and permanently working within the area of operation; and has a higher creditworthiness than the primary borrower.

Who Are Not Qualified To Become Co-Signers?

- The individuals listed below are not qualified to become the co-signers for CF:
- The KERORIPCO's employees and elected officials are not allowed to become cosigners for any member.
- Members/borrowers who become delinquent for three (3) consecutive installments are disqualified as co-signer. Such members can resume being co-signers where repayment of CF is continued and the delinquent payment is recovered in full.
- A borrower's relative or any individual who is dependent on the primary borrower for their livelihood. (Relatives are defined as: grandparent, parent, brother, sister, spouse, son, daughter, grandson, granddaughter, spouse of brother or sister, brother or sister of spouse, spouse of brother or sister of spouse, niece, nephew, uncle, aunt, or first cousin.)

Responsibility of a co-signer

- It is the primary responsibility of the co-signer to ascertain the credit standing of the member before signing the application for the CF guarantee.
- The co-signer is equally liable for the CF in should the primary borrower fail to repay his/her CF.
- When a member's payment becomes delayed, the co-signer shall assist in the collection of the delinquent repayment.
- After completion of the collection efforts against the delinquent member (i.e. without any success and no later than in 2 months after the primary borrower becomes delinquent), the co-signer shall pay the outstanding CF balance he/she guaranteed.

Protection of a co-signer

- Every CF shall be supported by an analysis of the primary borrower and cosigner's repayment capacity.
- No CF secured by the co-signer shall be processed and approved unless the co-signer is briefed on his/her responsibilities, and the credit standing of the primary borrower.
- Information regarding the eligibility or non-eligibility of intended co-signers shall be made readily available to borrowers.

- CF processing personnel shall not endorse (whether formally or informally), any grossly delinquent borrower to a prospective co-signer, nor shall they refer names of prospective co-signers to the same.
- It shall be the responsibility of the Credit Committee and staff to inform and update the co-signer on the status of the CF he/she has guaranteed.
- The KERORIPCO is responsible for the strict implementation of the collection policies of overdue CFs before requesting the co-signer to repay the CF.

Member as co-signer

A Member who is a co-signer of a delinquent borrower will not be granted an CF where the primary borrower fails to pay the CF for three (3) consecutive installments.

SERVICE CHARGE

The borrower shall pay the service charge for CF processing. A service fee of 1per cent of the CF amount but not less than Ugx 50,000 shall be collected from the borrower prior to the CF disbursement, or alternatively deducted from the CF proceeds for each CF disbursed.

PREFERENCE OF CF PAYMENTS

Payments on CF received from a debtor shall have the following payment preference:

1st – Service Charge Due

2nd - Admin Charge Due

3rd – Principal Amount Due

THE CF PROCESS

The CF process starts with the CF orientation, which is conducted Daily, Weekly, or Monthly by the responsible CF officer. During the orientation, the responsible officer distributes to potential borrowers all critical information pertaining to the CF services of the KERORIPCO, such as CF purposes, CF amounts, CF terms, mark-up rates (i.e. admin charges), eligibility criteria, application procedures, required documentation, CF underwriting procedures, required guarantees or collateral, monitoring and collections procedures, delinquency sanctions, and other information as required by the members.

Step 1: Accomplishment of CF Forms

The KERORIPCO's officials and employees shall not discourage any member from submitting an CF application. All CF requests must be received in writing on the approved CF forms. Each time a member makes a request for CF, he/she should fill out a new CF application (Appendix#1: CF Application Form). The borrower should include in the application form all personal information, as this will be used as the source data for interview. The more information the borrower provides the easier to evaluate the application and come up with a sound decision.

Members shall submit the CF application and attach the following:

- Certificate with applicant's picture and if possible endorsement from the

Legitimate Local Authorities

- Photocopies of ownership documents of collateral offered (i.e. if any tangible property is offered as the security for the CF)
- Photocopies of all documents related to the co-signer (i.e. co-signer pledge form, application, proof of income, disclosure of all debts, etc.)
- Photocopies of all documents related to the purpose of the CF (i.e. business permits, National Identity Card, Certificate of Land or Livestock or Farm Ownership)

Step 2: Interview and Counseling

Except for deposit-secured CF and members with excellent payment histories, every member submitting an application shall have an interview with Credit Officer (CO) or the Manger in order to:

- Elaborate on the information in the application (i.e. name, residence & business/farm address, etc.),
- Verify the CF need and purpose,
- Better understand the business, financial status, and sources of income of the applicant (from business, farming, livestock or employment)
- Provide credit counseling about the wise use of credit
- Determine applicant's reliability according to their personal history and references,
- Establish a personal relationship,
- Cross-sell other KERORIPCO services and educate the member about the KERORIPCO philosophy

Step 3: Credit/Background Investigation (CIBI)

It is not always possible to assume that what the borrower discloses is necessarily true, especially those experiencing financial problems. The responsible Credit Officer shall visit the place of business/farm to assess and validate the volume of daily transactions the business/farm has, and use the tools required to determine both repayment capability and credit worthiness. There must be enough data to work with, and doing evaluation on incomplete data would affect the reliability of the conclusion or interpretation about the borrower. It is critical to the borrower for the KERORIPCO to have access to sufficient information since the approval or disapproval of the CF is partially based on KERORIPCO assumptions in the context of the facts gathered. Credit investigation should cover the following areas of concern:

- Credit history with the KERORIPCO (i.e. this can be validated through the Banking System)
- Credit history with other creditors (i.e. cross-validate information provided by applicants with stores, banks, suppliers, lessors or credit bureau if available)
- Investigation with the employer of the member (if employed)
- Family lifestyle (cross-validate information with relatives, friends, neighbors and legitimate local authorities)

- Investigation with the proof/certification of financial capacity of the borrower
 1. Guarantees
 2. Source/s of income
- Sketch plan of the borrower's & co-signor's shops (i.e. if they live in unplanned areas), farm and residence to be included on the back of collateral appraisal form (real property appraisal) (Appendix# 9 Collateral Appraisal Form)
- Pictures of borrower's & co-signor's shops, farm or livestock
- Pictures of borrower/s & co-signor/s together to signify their agreement
- Co-signor/s information sheet (Appendix#7) and Co-signor/s agreement (pledge) (Appendix#8), which is the legal instrument that holds the debtor responsible supported by co-signor/s picture/s together with the principal borrower and national ID
- Credit history with the KERORIPCO and other financial institutions
- Length of residence
- Reputation in the community and with other organizations
- Family status – number of dependents
- Lifestyle and standards (i.e. how much they value thriftiness & savings, spending habits, people living beyond their means, bad habits/actions: e.g. involvement in drugs, gambling, alcoholism and other illegal activities)
 1. Relationship in the family
 2. Other personal references

Data Validation:

- Repayment records and length of membership with the KERORIPCO can be validated through banking system data.
- Repayment records from other financial institutions are hard to validate if there is no official inter-financial information exchange to check the borrower's credit history. Hence, the CF officer should be very skillful in cross-validating information provided by the borrowers with other sources such as neighbors, business associates, and legitimate local authorities.
- Residency can be validated through interviews with key legitimate local authorities (tribal elders), if any.
- Moral standing (i.e. respectability and relations with family and community) can be obtained by interviewing neighbors and individuals who are known to have knowledge of the applicant). The requirement on positive local elder's certification is a response to this data requirement.

For the secured CF, the collateral offered is also appraised using the Collateral Appraisal Form (Appendix#9). The Credit officer makes the appropriate recommendation/s in the Credit Investigation Report (Appendix#10) when and where applicable. If any adverse information prohibiting the potential borrower from the CF receipt is learned at this stage, there is no need to proceed to the next step in the CF process.

Step 4: Credit Risk Assessment and Evaluation

Determining an applicant's credit risk is the most important aspect of the credit evaluation process given the borrower's creditworthiness is the first line of defense against the CF suffering loss. This analysis should be complemented by visits to the place of business or farm to assess the volume of daily transactions the business or farm has.

Because this is often difficult to analyses, the Manager, Credit Officer or Credit Committee (i.e. whoever has the most experience), should perform this task. The overall credit risk for each CF applicant is determined through credit rating methodology, which is based on the "5Cs of credit" evaluation. The Credit officer should use the Credit Investigation Report (Appendix#10) to collect all requested information and assign ratings for each category.

The 5Cs of Credit involves the evaluation of the following key items of the borrower's creditworthiness: Character, Capacity, Collateral, Capital, and Conditions. To come up with the overall credit rating each category is weighted with these specific percentages: character is worth 25 per cent; capacity, 45 per cent; collateral/co-signer, 10 per cent; capital, 15 per cent; and credit conditions, 5 per cent.

Character (25 per cent) – Character is one of the most important "C's". It covers the "people" aspect of lending. The KERORIPCO should assess the borrower's business experience, business and personal references, and personal credit and integrity. The member's reputation is the traditional criterion the KERORIPCO will use to judge the potential borrower. In determining someone's character, the following information should be analyzed:

- Length of membership

Capacity (45 per cent) – represents the borrower's ability to repay the debt. Does the member have the financial capacity to repay the CF? The KERORIPCO should review historical and projected financial performance to determine whether or not the borrower can repay their CF obligation. The borrower's cash flow must meet a ratio above the proposed debt repayment to ensure repayment (i.e. even if there is a decline in performance). The borrower shall have enough capacity to fully repay the CF in cash so the KERORIPCO is able to fund additional CF demand, savings withdrawal, and the payment of operating expenses. To assess this, the following should be reviewed:

- Length and stability of business/employment
- Purpose of the CF. Will it be used for income-generating activities?
- Disposable income (See Appendix#4 Statement of Income and Expenditures): {Total income - Total Expenditures & Cash Outlays - Contingencies (20per cent of Total Expenditures & Cash Outlays)}

The resulting value shall then be used to calculate the Adjusted Debt Capacity. (Note: The calculation should include all business and family expenses of the borrower. The borrower will always cover personal expenses prior to payment to the KERORIPCO).

- Trend of the business/personal income. Has it grown over past years?
- Does the requested CF repayment plan correspond with the borrower's cash flow (payback period)?
- Is the Return on Investment (ROI) of the business adequate to meet the payment requirements?
- Adjusted Debt Capacity calculation. The resulting value must not exceed the CF monthly amortization.

ADJUSTED DEBT CAPACITY CALCULATION

The declared net income or net disposable income of the borrower should be adjusted for: (1) unforeseen events or circumstances that would reduce the applicant's income or increase his expenditures (e.g. illness, other household emergencies, possible net income reduction due to unforeseen events); (2) undeclared CFs or borrowing of the borrower; and (3) errors in the assumptions or estimates used in preparing the applicant's Profit and Loss Statement and the Source of Income and Expenditures Statement. The adjusted Net Income or Net disposable Income is referred to as "Adjusted Debt Capacity". The rate used to adjust the applicant's debt capacity is referred to as "Adjusted Repayment Capacity Rate" (ARCR). The ARCR used is 35per cent. The formula used to compute the applicant debt capacity will depend on the mode of payment of the borrower as follows:

- For monthly, Consolidated Net Monthly Income multiplied by 35per cent
- $ARCR = ADJUSTED\ MONTHLY\ DEBT\ CAPACITY$ Unclear
- For weekly, Consolidated Net Weekly Income multiplied by 35per cent
- $ARCR = ADJUSTED\ WEEKLY\ DEBT\ CAPACITY$.
- For product cycle, Consolidated Net Income multiplied by 35per cent
- $ARCR = ADJUSTED\ DEBT\ CAPACITY\ AFTER\ THE\ PRODUCT\ CYCLE$

If the result of the computation is lower than the required amortization of the CF amount applied by the borrower, the Credit officer should not automatically disapprove but rather make some recommendations to the borrower as to the proper way to resolve the situation. The options would be:

Option 1: If the income considered is not enough to cover the repayment terms of the CF, expand to include undisclosed other income of the borrower as applicable (Note: still subject to verification).

Option 2: Ask the borrower to provide collateral aside from co-makers.

Option 3: Reducing the amount of the CF according to his/her adjusted debt capacity.

For business CF, it is often difficult to verify income especially where there are no financial records. However, to analyze the borrower's business activities the CF officer can review monthly sales and expenses in the form of:

- Sales receipts
- delivery receipts or inventory list

- utility payments
- rental payments (if applicable)
- Business Profit & Loss statement (i.e. P&L, see Appendix#5) showing the business/farm net income of the borrower to be accomplished by the borrower who is engaged in business/farming. The P&L statement shall be prepared and signed by the applicant.
- Consolidated Statement of Income & Expenditures (see Appendix#4) is a detailed illustration of the income and expense of the borrower including both business and personal income and expenses. The business net income is transferred from the Business Profit and Loss Statement (i.e. Net Disposable Income must not be bigger than the monthly amortization or liquidity ratio [liquid asset/liquid liability]. This ratio is ideally 1:1
- Income Statement & Balance Sheet (for CFs amounting Ugx 10,000,000 and above)
- Bank Statements (six months to 1 year)

Data Validation:

- Determine the costs of goods sold for the business, inputs and production yields for agriculture by having an updated price list of costs:
 1. for business-cost of purchases, labor, materials, supplies & others
 2. for agriculture-cost of inputs (fertilizers, pesticides, seeds, labor)

This can be shown in the Business Profit & Loss Statement - Appendix#5. CF officers should have this data given a miscalculation on prices of costs on sales and inputs can impact profitability of the borrower and therefore his/her payment capacity.

- For agriculture, it is also necessary to have 'agri-efficiency' indicators that could be used as a basis for calculating the gross incomes of farming enterprises. These efficiency indicators, which can be obtained from the Ministry of Agriculture of Uganda can include the following:
 1. Crop yields (in kilograms) per hectare
 2. Expected weight of a particular livestock after a certain period of time for CFs on cattle or sheep fattening
 3. Average milk output per cow for CFs on dairy farming

There is a need to have an updated list of prices of products and 'agricommodities'. For business, this can be obtained from the owners themselves and from neighboring competitors. For 'agri', the MAIL has a market information system that could be useful in calculating gross sales and net incomes for certain 'agri-commodities' such as wheat, rice, corn, vegetables and livestock. Since prices may vary among provinces, market information on prices should be secured from provincial offices. The same principle (i.e. using market information systems/ updated price lists) could be used for other types of CFs also.

For service type CFs, it is useful to have an updated price list of the services being offered. This price list could be developed by interviewing a number of providers for the same service (e.g. tailors, haircutters, drivers, etc). Data can then be triangulated with a number of known customers for a particular type of service.

- Experience shows that costs of input and price of output calculations are where errors can occur in the CF appraisal process. Thus, it is very important that the data sets mentioned should be on hand to guide the accuracy of profitability estimates.
- For salaried applicants, use-certified gross salary less personal & household expenses.

Collateral/Co-signer (10 per cent) – these are guarantees or specific assets pledged to secure the requested loan. The borrower can be required to provide it as the secondary source of repayment. The collateral or co-signer requirement reduces the risk exposure, but do not repay the Loan. If the borrower's character and capacity are weak, collateral will not make a good Loan. Obtaining collateral is a means of gaining control over some of the borrower's capital.

The following collateral types can be considered and accepted as additional security for the credit repayment:

- Savings and deposits - up to 90 per cent of deposit amount
- Real estate - Fair Market Value multiplied by 80 per cent equals the assessed Value which multiplied by 50 per cent then equals the credit Value
- In accessing the value and the adequacy of the collateral, the KERORIPCO must ensure that:
- The collateral can be easily converted into cash at the appraised value, i.e.:
 1. That the value of the collateral is conservative.
 2. There is a market for the collateral should it have to be sold to repay the CF.
- The requested CF term corresponds with the useful life of the collateral.
- Where the value of the collateral is greater than the requested CF amount - that this meets the KERORIPCO's policy on valuation.
- The collateral value can be determined by a reputable source.
- It can be easily repossessed to pay off the CF. Note: It is often difficult to gain entrance to someone's home to repossess household furnishings.
- That the KERORIPCO has clear title to the collateral, free from lien and encumbrances
- The borrower or co-maker's spouse has a will and consents to provide the asset as the collateral for the CF.
- The co-signer meets the requirements set in the Section 16 of this policy. For Medium credit amount with amounts of up to Ugx 10,000,000, the KERORIPCO must ensure they are safe investments. Specifically, the KERORIPCO is required to have at least two guarantors to guarantee such loans. If applicable, the KERORIPCO may also require the borrowers to present original property documents to the KERORIPCO as collateral, in addition to two guarantors

Data Validation:

- The usual practice is to have business person as co-makers. A careful inspection of the shop could provide data on whether the worth of the co-makers' business is equal or more than the loan being applied for.

- Always perform an inspection of the collateral to insure that it is in good shape and can be sold for at least the amount of the loan.
- Often it is difficult to obtain documents (there could be none) as to whether the co-maker's business or assets are free from encumbrances or liens. Thus, the loan officer has to rely on public knowledge, preferably from close business associates, key leaders in the sector or Legitimate Local Authorities.
- The consent of the spouse should be received in writing.
- The co-signer's application and pledge should be received in writing (Appendix #7 and #8) and analyzed/verified by the Credit officer.

Capital Accumulation (15per cent) – This is the borrower's net worth (total assets less total liabilities). In assessing capital accumulation it is necessary to determine whether:

- The member has made steady, even if slow, growth in assets and that the profit earned is reinvested (or alternatively is every penny earned immediately spent?),
- The member saves consistently at the Cooperative,
- The member saves for reasons other than the credit requirement deposit,
- The net worth of the borrower (i.e. their total assets less total liabilities) is favorable and positive.

Data Validation:

- In many of cases, borrowers only deposit money with the Cooperative society for credit purposes (i.e. compensating balances, pledged savings, etc). Banking System records should be used to validate the savings record of borrowers in the Cooperative society. The bank statements serve as the basis on which to validate savings in other financial institutions. These and a list of all other borrower's assets less all liabilities can establish the borrower's capital status.
- With regard to the asset base of borrowers, this could be challenging to verify if assets in [insert country name], particularly land, have no concrete proof of ownership (e.g. land titles). A practical way of validating claims to assets would be to triangulate information presented by the borrowers again with the Legitimate Local Authorities, or key business leaders in the village where the borrower resides. For example, a farmer's claim that he is actively tilling ten hectares of rice could be validated by the Society's supply shop-owner where he buys seeds, fertilizers and chemicals (the amount of farm inputs could indicate the actual farm size cultivated). Likewise, this can also be validated with the people from trading centers where he sells his farm produce.

Credit Conditions (5 per cent) – This refers to the economic situation at the time of the loan request, its impact on the borrower's business, and its capacity to repay the requested loan. The Society's liquidity at the time of the member's loan application also impacts the ability to make the loan. It is important to remember that extenuating circumstances can affect the borrower's ability to meet a new financial obligation.

These can range from a labor strike to personal circumstances such as an illness in the family. In assessing the credit conditions the following should be addressed:

- Is the credit within the limits established in this policy?
- Is the borrower's business environment comparatively favorable?
- Are the weather condition supporting or disrupting the borrower's business?
- Does the borrower have the necessary stable market for sales of its products?

Data Validation:

- For business, observing carefully the location, seasonal demand, and its target market (i.e. whether viable or not) as to the duration of the loan can validate this.
- For 'agri-type' credit, the loan officer needs to receive the required information from the Ministry of Agriculture of Uganda that can provide a more accurate forecast of expected climatic conditions for the upcoming production

periods. Likewise, data from the ministry may indicate the expected volume of harvest for a particular crop, and this in turn may give an indication of the expected market prices when harvest is ready, i.e., law of supply and demand interplay.

Credit Rating - is used to determine the probability of the borrower to pay the loan. The credit rating is determined based on the Credit Investigation Report (Appendix#10), which includes specific questions with corresponding points for each category of the 5Cs evaluation. The credit rating is calculated as the total of all points after the Credit officer answers on all applicable questions based on his analysis.

The credit rating must be used by the Credit Officer for all types of Loans (i.e. to rate the borrower and should also serve as the basis for the decision of the Cooperative Society's Credit Committee). This credit rating shall serve as a guide to categorize the borrower's repayment capacity and probable needs regarding additional collateral requirement and level of supervision.

The below table describes the credit rating categories based on the total score summarized from the Credit Rating Scale:

Credit Rating	Description	Decision/Requirements
70% and Below	Very high risk	Disapproved, since it has high probability of failure to pay the loan.
71% to 80%	High risk	Approved, but needs collateral/co-signor/s and close supervision.
81% to 90%	Average risk	Approved, but needs any collateral/co-signor/s and sustained supervision.
91% to 100%	Low risk	Approved with or without Collateral except for Ugx 10,000,000 or greater loans, supervision is minimized

The loan recommendations on loan approval/denial/or deferral should be based on the Credit Investigation report and overall rating of the loan application.

Step 5: Credit evaluation and analysis

Data gathering takes more time than the actual analysis. After the gathering and analysing of the

data, the Loan officer shall make the following steps in order to come up with a sound decision as to whether to endorse the Loan application to the Manager for final recommendation and/or further presentation to the Credit Committee.

- Determine the amount of Loan that the borrower needs.
- Determine how much amortization amount he/she is going to pay either daily, weekly, semi-monthly or monthly for his/her loan.
- Calculate the applicant's adjusted debt capacity as shown in Credit Investigation Report
- Analyse the loan application for compliance with the criteria set by this policy and other internal documents.
- Make sure that all documents required for loan approval are valid and available.
- Develop the recommendations for the Manager and the Credit Committee on the approval or denial of the Loan application, including sustainable arguments for either.

- Fill out loan work-up sheet that summarizes the Loan request (see Appendix# 12) based on all supporting forms and information.

The Loan officer should then endorse the Loan application, and together with all supporting documents submit to the Cooperative Society's Manager for review and final recommendations/endorsement. Loan applications which do not pass the screening process at Manager's level are returned to the Loan Officer with the appropriate recommendations. Disapproval of credit should always be stated in the Resolution of Approving Committee Form (Appendix#14). In case of disapproval, the loan Officer and Manager should discuss the reasons and both agree on the matter to avoid any future conflict.

Contents of a Loan folder for presentation to the Credit Committee:

The loan file (following verification by the loan officer), at a minimum, must contain the following verified information and should be in tabled in the appropriate order before presenting Credit proposals to the Credit Committee for approval:

Application

- Credit application. The application should be properly completed and signed by the Accountant, confirming that borrower's compensating balance is in compliance with the requirement (i.e. 10per cent for business agriculture CFs, refer Appendix #1)
- National Identification Card
- Local council Endorsement/Certificate (if any) (Appendix #2)
- Picture/s of the borrower and co-guarantor (preferably together in 1 picture) & in their shop/farm.
- Certificate of Land/Livestock/Farm Ownership
- Photo copies of borrower's & co-signor's business permits (for business loan)

Credit analysis documents:

- Business Profit & Loss Statement of Borrower – Farming (Lump) (Appendix #5-2)
- Business Profit & Loss Statement of Borrower – Livestock (Appendix #5-3)
- Cooperative Credit Work-up Sheet (Appendix #12)
- Co-signed Information Sheet (Appendix #7)
- Co-signer Agreement including both signature and finger prints (Appendix #8)
- Assignment of Deposits & Share Capital w/Authority to Debit with both signature and finger prints (Appendix #11)
- Result of Interview with References (Appendix #6)

Credit Rating & Evaluation and Collateral Appraisal:

- Collateral Appraisal (i.e. With sketch plan of borrower's shop, farm or residence included on the back of documentation and calculation of the overall rating) (Appendix #9)
- Credit Investigation Report (Appendix #10)

Recommendation & Approval

Resolutions of Approving Committees (Credit Officer, Manager, Credit Committee) (Appendix #14)

Step 6: Approval of Credit by the Credit Committee

It is the Credit Committee consisting of 3 members that is designated to approve or disapprove Credit proposals. Every credit request should be presented by the Credit officer and Manager and supported with all required documents, so that questions and clarifications can be easily addressed and responded to and delays avoided. Credit applications that do not have a written recommendation from the Manager will be automatically deferred and returned to the Credit Officer. When approving Credit facilities, the following must be strictly followed:

- For loans up to Ugx 5,000,000 – Resolution of Approving Committee must include the resolution of the Credit Officer, Manager and at least 2 of the 3 members of the Credit Committee
- For loans above Ugx 5,000,000 - Resolution of Approving Committee must include the resolution the Credit officer, Manager, at least 2 of the 3 members of the Credit Committee, and 1 representative of the board.

- For board of Directors, Officers, Staff and other Related Interests (DOSRI) accounts, relatives of the credit applicant in the committee should exclude themselves from the evaluation and approval process. Credit applications of any member of the Credit Committee should be approved by the majority of the members of the BOD. Likewise, Credit applications of any member of the BOD should be approved by the majority of the Credit Committee. (Relatives are defined as: grandparent, parent, brother, sister, spouse, son, daughter, grandson, granddaughter, spouse of brother or sister, brother or sister of spouse, spouse of brother or sister of spouse, niece, nephew, uncle, aunt, or first cousin.)

It is the responsibility of management and the officials to use members' savings and shares wisely, and because of this, certain credit requests will need to be denied. The loan applications may be disapproved where the applicants or co-signers exhibit any of the following characteristics:

- Member or co-signer has a bad credit history;
- Doubt about the quality of personal references;
- Frequent job changes;
- Insufficient payment capacity to repay the loan in its entirety;
- Inability to verify the borrower's income;
- Current delinquent loans or obligations at the Cooperative Society or other financial institution;
- Collateral value or compensating balance is not adequate;
- Members who do not wish to or cannot disclose information about their financial status;
- Members who provide false information in their Loan application;
- Members that have caused the Cooperative Society or another financial institution to incur a loss;
- Members that have a questionable reputation;
- Members with personal and/or a family problems;
- Unprofitable business or occupation;
- Loans to be used for granting sub credits (**usury**);
- Loans applied for by a member to be used by a third party; and
- Loan to be used for speculative activities.

If the loan application is deferred or disapprove, it will be returned to the Manager and then to the Credit Officer, with the Resolution of Approving Committee Form stating clearly the reason/s for Credit disapproval and/or the remedial measures to be complied with (including applicable deadlines), duly signed by the Credit Committee and other responsible officers/committees.

If the Credit Committee does not feel that they can approve a credit as requested, they may make a counter-offer and in such circumstances the member has seven (7) business days to accept or deny the counter-offer. When a counter-offer is given, the offer will usually be for a smaller Credit

amount and/or include more collateral to better secure the Loan. This may also occur where the Cooperative Society does not have enough liquidity. Members shall be notified regarding the status of their loan request within seven (7) business days after the Credit Committee made the loan decision.

For deferred and disapproved loan, the Manager will explain to the member the reason(s) and/or remedial measures to be taken. The member should be informed in writing of all credit denials. The reason for the denial should be specifically stated. The written denial notice shall be made available to the member at the Cooperative Society's office within seven (7) business days from the denial decision. Credit counseling will also be offered to the member in the hope of improving his/her position so that he/she will be eligible for loan in the future.

Step 7: Credit Documentation

If the Loan is approved (i.e. taking into account the requirement for all applicable loan documents to be included in order and properly signed with fingerprints), the majority of the members of the Credit Committee will affix their signatures in the Resolution of the Approving Committee Form.

The following actions must be completed at this time:

- Credit Officer will inform the member-borrower (MB) of the schedule of release and ask for additional requirements if any, based on the resolution of the approving committees. The Credit Officer will require the borrower to deposit at the Cooperative Society the compensating balance (10 per cent for business and agriculture, community group and salary loans) – i.e. where this was not done prior to the loan review by the relevant approving committees.
- Credit Officer will prepare the Loan Repayment Schedule (to be generated by Banking System) that should be given to the member-borrower upon Loan release.
- Credit officer will prepare the loan Promissory Note (Appendix #13) that should be signed and fingerprinted by the borrower (including any other legal documents), which must be duly signed and fingerprinted before releasing the loan proceeds.
- For control purposes, the Accountant must be the officer who prepares the Disbursement Memo or Cash Disbursement Voucher (CDV) for individual borrowers based on the approved loan terms stated in the Resolution of the Approving Committee Form (Appendix#14).
- The Accountant must ensure that the required compensating balance is deposited by the member-borrower, and confirm it with signature on the loan Application Form (Appendix#1). The Accountant also must issue a Pledge Share Savings passbook and Loan passbook, signed and checked by the Accountant/cashier and Manager.
- The Manager will review all the Credit release documents, approve the booking of the loan in the Core-Banking System and sign the CDV before submitting it to the Accountant and cashier for the actual release of loan funds.
- The Manager and the Loan Officer shall determine who among the borrowers are to be released through bank

account after validation of information regarding the availability of supply of items that borrowers wished to withdraw their loan proceeds.

Step 8: Loan Release

Before the actual loan release (and during the time in which the Accountant will be engaged in preparing the CDV to be signed by the borrower), the Loan Officer and Manager will conduct a Pre-Loan Release Orientation, emphasizing the wise use of their borrowed money and their loan obligations. This will include the effect of late payments on them and to the Cooperative Society both. They will also discuss the Loan release procedures set up for the two fund disbursement systems that the Cooperative Society is using – i.e. the Banking systems.

Step 9: Credit Monitoring and Collection

Ongoing monitoring is a key component of the vigilance necessary to ensure safe and sound Credit operations. This includes not only monitoring of the borrower's operations and financial condition, but also independently keeping up with market events that may affect the borrower. Naturally, the Cooperative Society should intensify its inspections and other monitoring activities for those Credits carrying higher risk when there is reason to believe that a borrower's financial condition or the pledged collateral may be deteriorating.

Inspections and evaluations of the borrowers' operations (business) will be performed by qualified Cooperative Society's officers, typically the Credit officers who recommended the Loan for approval. However, all delinquent loans recommended and monitored by the same Credit officer will be monitored by another qualified Society's officer (i.e. Collection officer and/or Manager). Moreover, as with any confirmation process, greater credibility is given to the results of monitoring and evaluation if inspections are conducted on an unannounced basis. The Credit officers must be aware of the market conditions in their area, which gives them a sense of what to expect of the borrower's business conditions, and should be able to compare the particular borrower's business performance to the average performance in the area.

Monitoring that goods or equipment purchased and Credit funds are being used in compliance with

the Credit agreement together with ensuring that Credit will not become delinquent are the most

challenging parts in the whole Credit cycle. The Cooperative Society has to take the importance of monitoring and collection into account in recruiting for those who will be responsible for monitoring and collection – i.e. Collections Officers. Collections officers will perform Credit monitoring and collection in close coordination with the Manager and Loan Officer recommending the original Loan for approval.

The principle steps of Credit monitoring are listed below:

- Every week the Manager and Credit Officer will monitor the loan repayment schedule generated by the Banking system. This should include all loan expiration and installment dates

planned for any given week. The repayment schedule is generated based on the individual Member-Borrower's Credit Repayment Schedule and Credit Releases Report entered in the Banking System. The Credit Officer (or Collection officer) will contact the individual member-borrowers at least 5 days before their due dates to remind them of their repayment schedule.

- From those member-borrowers that are not able to come to the Cooperative Society office to pay their loan installments, the payment will be collected by the Collection Officer at their homes or business sites (if the situation warrants). A provisionary receipt with serial number will be issued to the member-borrower if the payment is collected outside of the Society Cooperative's office. The official receipt will be issued after the Cashier receives the payment and validates it in the Banking system. Issuance of any Official Receipt outside of the Cooperative Society will only be allowed with proper daily monitoring. There should be only one (1) OR booklet assigned for use outside of the Cooperative Society, which should be surrendered by the Collection Officer at the end of the day and reconciled by the Cashier and Accountant to ensure strict monitoring.
- The Manager will monitor the collection results on a daily basis and if necessary (especially with delinquent borrowers) visit the borrower (i.e. alone or together with the Collection Officer) with any missed payment details and request the co-signors to assist them in collecting the repayments from the delinquent principal borrowers they have guaranteed. The Cooperative Society collects Credit repayments from the co-signers in cases where the principal borrowers will not be able to pay their Credit as specified in the Credit contract. Detailed procedures regarding collection from co-signers are included in the Cooperative society's "Collection policy and procedures".
- On a daily basis the Accountant will prepare a Credit Collections Monitoring report based on the individual Credit repayment schedules in order to monitor Credit repayment performance and to determine who amongst the member-borrowers have failed to make timely and full payments.
- The collection process shall be a team effort; therefore the monitoring report will guide not only the Manager and Collection officer, but all Cooperative society professional staff to support the taking of appropriate actions on borrowers who fail to pay on time.
- Loan delinquency should be monitored through the Aging Analysis that can be generated by the Core-Banking system, prepared by the Credit Officer or Manager on a daily, weekly or monthly basis. This document should be submitted to the society on the 15th and 30th of each month for external monitoring.

Detailed principles and procedures for Credit collection are included in the Society's "Collection policy and procedures".

CREDIT INTERNAL CONTROLS

Given it is often difficult to have sound internal controls due to the limited number of employees, it is important wherever possible to limit opportunities for fraudulent or illegal activities. With this in mind the following internal controls are suggested in addition to the above policies and procedures.

- All Credit files and/or original legal Credit documents should be kept in a safe, secure, fireproof area.
- The Credit officer, Manager, and Credit Committee will record all Credit requests approved, denied, or responded to via a counter-offer. The information for each Credit request should include: borrower account number and name; date of Credit request; amount of Credit request; Credit purpose; Credit co-signer name and account number; Credit collateral; Credit term and admin charge rate (including the date the Credit was approved); and, counter-offer given or denied.
- Under no circumstance is anyone but the Credit Committee or BOD to modify an loan's original terms and conditions.
- Credit officers, Credit Committee and Board members shall sign all Credit approval minutes for which they were part of.
- All Credit applicants must pass the interview with the Credit officer, Manager and/or Credit Committee prior to Credit approval. This will help to avoid fraudulent Credits.
- All Credit funds to be disbursed and/or assets transferred personally to the member-borrower require confirmation of the receipt of funds and/or goods with signature and fingerprints.
- All Credit contracts should be numbered and the notes used in sequential order. All Credit note numbers shall be recorded in an Credit register along with the borrower's name.
- Each borrower is to have his/her own Credit file where all Credit paperwork is retained. The member's name and account number are to be shown on the outside of the file. The files should be organized by the borrowers' last name. ? family name?
- Cases where the Credit repayment is not made directly at the KERORIPCO cash desk shall be limited, and in all such cases shall be carefully reconciled between the KERORIPCO and member-borrower.
- The Accountant should compare the Credits issued with the Credit approval list on a daily basis so no Credit is issued without the proper approval and authorization of all responsible KERORIPCO officers and committee members.
- Manager and responsible Credit and Collection officers shall monitor the Credit repayment daily. The Accountant shall provide the Credit repayment report generated by the Core-Banking System based on individual Credit repayment schedules.
- As much as is possible, the Credit officer responsible for Credit underwriting and analysis shall not be involved in the Credit collection process.
- As much as possible, the Manager and responsible Credit Committee members shall attempt to make personal unannounced visits to delinquent member-borrowers in order to check the Credit status information provided by the Collection officer.
- The Supervisory Committee should periodically review the Credit approval minutes to ensure that no Credit have been granted to fictitious people.

- It is important that officials and employees are aware of the makeup of the Credit portfolio and periodically analyze it. Considerations when analyzing the portfolio include:
 1. Total number and amount of Credit
 2. Number of Credit denials
 3. Ratio of Credit approved to applications received
 4. Average Credit size
 5. Number and amount of short, medium, and long term Credit
 6. Number of Credit and percentage according to Credit collateral and type
 7. Ratio of borrowers to members
 8. Ratio of Credit to assets
 9. Ratio of Credit delinquent more than 1 month to total Credit
 10. Ratio of net Credit charged off (i.e. total Credit charged off for the period less any LOAN recoveries) to outstanding Credit
 11. Number and amount of delinquent Credit per individual or body with Credit approval authority

In addition to the above review, the Supervisory Committee (SC) will (on a quarterly basis) review a sample of recently approved Credits to ensure all policies and procedures have been followed.

CREDIT PRODUCTS, DESCRIPTION, TERMS AND POLICIES

A summary table of Credit products and their corresponding terms and conditions approved by the BOD of the KERORIPCO is attached as Appendix 1 to this policy, and shall be posted in a prominent place in the KERORIPCO and its branches for the convenience of members.

AGRICULTURAL Loan – financial assistance extended to qualified members for agricultural purposes. This may include working capital to buy seeds, fertilizer and to pay for labor of farm workers.

ELIGIBILITY TO BORROW

- Has attended the membership and lending orientation
- Has complied with the required Compensating Balance (Share Savings) of 10per cent of the amount applied for. For those members who lack the capacity to meet the 10per cent CB, they can comply for a lesser percentage of the amount applied for provided the status of low capacity of the member shall be identified by the LLAs, who have knowledge of the member in addition to endorsement from the Credit Committee of the Board.

LOANABLE AMOUNT

The Credit officer/Credit Committee shall determine the amount based on the 5 Cs and the credit worthiness of a borrower. This amount however shall not exceed 5x the

member's savings & share capital combined (10x in cases where low capacity to repay is proven), and a maximum of US\$500 (for 1st time borrowers).

Succeeding loans will be based on the borrower's capacity to repay. For such purposes as farming machinery for example, the maximum LOAN amount can be up to US\$10,000.

SERVICE FEE AND ADMIN CHARGES

- A service fee of 1per cent of the loan amount but not less than Uganda shillings 50,000 shall be deducted from the Loan proceeds.
- Admin charges or "mark-up" is 2per cent per month based on the diminishing balance to be paid monthly. However, where the borrower has no other source of income to pay the admin charges monthly as determined by the Credit officer, a lump sum payment shall then be granted.

TERMS AND MODE OF PAYMENT

- The term of the Loan shall be based on the production cycle but not to exceed eight (8) months. For such purposes as farming machinery, a maximum Credit term can be up to 24 months.
- Mode of payment of principal is Lump sum for short-term Credit. For longterm credit, regular payments should include both mark-up and principle.

CREDIT SECURITY

The amount of credit shall be fully secured by:

- Pledges of co-signer(s), to be checked and signed by either the city mayor or reputable witnesses
- Endorsement from the local elders (if possible)
- Real estate mortgage
- Deposits (i.e. Pledge Savings, Regular Savings and Share Capital) Or a combination of the aforementioned (i.e. whichever is applicable and acceptable to KERORIPCO).
- At least two guarantors are required to guarantee medium loan. If applicable, the KERORIPCO may also require the borrowers to present original property documents to the KERORIPCO as collateral, in addition to two guarantors.

CREDIT RENEWAL

- The borrower may apply for credit renewal after full repayment of the current credit.
- Three (3) consecutive non-payment of installment/amortization on any current credit may disqualify the borrower from credit renewal.

BUSINESS LOAN – financial assistance extended to members engaged in business to generate additional income. The loan may include working capital for inventories/stocks to be sold, salaries of the workers, and other overhead costs. For example loan provided to a grocery shop/convenience store.

ELIGIBILITY TO BORROW

- Has attended the membership and lending orientation.
- Has complied with minimum compensating balance (Share

Savings) of 10per cent of the amount applied for Business loans.

- The applicant shall present proof/evidences that she/he is personally engaged in any of the following micro-enterprises for at least 6 months:
 1. Merchandising store
 2. Trading (buy & sell)
 3. Photo shop
 4. Furniture shop
 5. Pharmacy
 6. Bakeshop
 7. Eatery/food shop
 8. Craft/Handicraft
 9. Beauty parlour/barber shop
 10. Motor/machine repair shop
 11. Transport service
 12. Tailoring/dress shop
 13. Fruit/food vending
 14. Construction/school supplies
 15. Other service provide

LOANABLE AMOUNT

The Credit Officer/Credit Committee shall determine the amount based on the 5 Cs and the credit worthiness of a borrower, but not to exceed 5x of their savings & share capital (6.7x in cases where the low borrower's capacity is proved) and the maximum of Uganda shillings 500,000 (i.e. for 1st time borrowers). Succeeding Credit will be based on the borrower's capacity to pay. Maximum amount approved should not exceed Uganda shillings 10,000,000.

SERVICE FEE AND ADMIN CHARGES

- A service fee of 1per cent of the amount but not less than US\$2 shall be deducted from LOAN proceeds.
- Admin charges or "mark-up" is 2per cent per month based on the diminishing balance to be paid daily, weekly, semi-monthly, or monthly.

TERMS AND MODE OF PAYMENT

- The term of the Credit shall be determined by the Credit Officer/Credit Committee based on the reasonable cash flow of the borrower, but shall not exceed six (6) months. Mode of payment may be daily, weekly, semimonthly or monthly.
- For employees or salaried members having stable monthly salary income who want to apply for the credit for an acceptable purpose, the maximum term of payment is twelve (12) months.
- For Medium Credit the maximum term allowed is 24 months.

LOAN SECURITY

The amount of Credit shall be fully secured by:

- Pledges of co-signer(s), to be checked and signed by reputable witnesses or the local leader

- Endorsement from the local elders (if applicable)
- Real estate mortgage
- Deposits (i.e. Pledge Savings, Regular Savings and Share Capital) Or a combination of the aforementioned whichever is applicable and acceptable to the KERORIPCO.
- For Medium Credit at least two guarantors are required to guarantee such Credits. If applicable, the KERORIPCO may also require borrowers to present original property documents to the KERORIPCO as collateral, in addition to two guarantors.

EVALUATION OF COLLATERAL

- Credits secured by real estate mortgage must not exceed seventy per cent (70 per cent) of the appraised value of the real estate property. While the valuation for the land improvements and building shall not be more than 70 per cent of the appraised value less depreciation.

CREDIT RENEWAL

- The borrower may apply for Credit renewal after full repayment of the current Credit.
- Three (3) consecutive non-payment of installments/ amortization of the current Credit may disqualify the borrower from credit renewal.

COMMUNITY GROUP LOAN (CG-L) – financial assistance extended to the group of farmers-members who have no access to individual agricultural loan product due to lack of collateral to offer. For example five or more borrowers jointly receive a Tractor service loan from KERORIPCO.

ELIGIBILITY TO BORROW

- Must be a group of farmers (i.e. members of at least 5 individuals and not more than 10 individuals).
- Have all attended the orientation meeting and have elected a leader.
- Has complied with the share saving requirement which is 10per cent of the credit amount as a compensating balance for the CG-Loan.

LOANABLE AMOUNT

- The Loan officer/Credit Committee shall determine the amount based on the 5 Cs and the credit worthiness of a borrower, but not exceed 5 times their share savings and not more than Uganda Shilling 500,000 for each client.
- CG - Loan as a group will determine the amount of loan to be received by each individual CG-L client. Provided however that no individual in the group shall receive more than 20per cent of the total loan granted.

SERVICE FEE AND ADMIN CHARGES

- A service fee of 1per cent of the amount but not less than Ugx 50,000 shall be deducted from the loan proceeds.
- Admin charges or "mark-up" is 2per cent per month based on the diminishing balance to be paid monthly. However if the group has no other source of income to pay the admin charges monthly as determined by the loan

TERMS AND MODE OF PAYMENT

- The term of the loan shall be based on the production cycle but should not exceed nine (9) months. Mode of payment may be daily, weekly, semimonthly or monthly.
- Mode of payment of principal is Lump sum.

IN CASE OF DEFAULT IN PAYMENT

- If one individual borrower within a CG-Loan defaults, the other remaining members must pay the portion of the defaulted client;
- If the other CG-Loan members fail to repay the defaulted amount and the CG-Loan remains delinquent for more than 60 days, all members of the defaulted CG-Loan will be ineligible for further credit.

LOAN SECURITY

- The amount of Loan shall be fully secured by group mutual guarantee. Meaning, if CG-Loan individuals fail to pay the other individuals within the CG-Loan, the group must pay the defaulted payment/balance.

CREDIT RENEWAL

- The group may apply for Loan renewal after full repayment of the current loan.
- Three (3) consecutive non-payment of installments/ amortization of any current loan may disqualify the group from loan renewal.

COLLECTION

- The CG-loan Leader has the responsibility to collect the loan payments of his/her CG-loan members and maintain the record book of the CGL members with all details and signatures;
- The CG-Loan Leader will then take the collected loan payments and hand them to an KERORIPCO cashier.

SECTION 9: LOAN COLLECTION POLICIES AND PROCEDURES

POLICY INTRODUCTION

This policy includes the guidelines and procedures on collection of funds issued to the members of the KERORIPCO based on the Credit Financing (loan).

This policy sets the authorities, standards and norms on the collection of the loan in compliance with the letter and intent of all applicable laws and regulations of Uganda and the KERORIPCO's by-laws and internal policies.

The purpose of the policy is to address the problem of delinquent loans by determining the cause of delinquency and resolving the matter. Through a correctly established collection process the KERORIPCO should continually seek to reduce its exposure to loss resulting from adverse circumstances, poor loan quality, and member disputes.

POLICY FORMULATION, IMPLEMENTATION AND REVIEW

The KERORIPCO BOD is responsible for formulating, reviewing, and adjusting this policy. At least on an annual basis the Board shall review the policy and make changes if necessary so that it is reflective of the KERORIPCO's delinquency exposure, members' needs, local market competition, daily operations and applicable legislative requirements.

The Manager of the KERORIPCO is responsible for coordinating the collection efforts of the KERORIPCO in accordance with this policy. The Manager may choose to delegate the day-to-day collection activities to a designated employee or with more difficult delinquent borrowers to the court.

The KERORIPCO's Supervisory Committee will be responsible for ensuring that this policy is adequately carried out and that it achieves the goals for which it was created. The committee will regularly (preferably monthly and no less than quarterly) determine if the policy is being complied with and review a sample of delinquent loans including those already collected and those not yet collected.

DELINQUENCY DEFINITION

A delinquent loan is defined as any loan in which a payment required under the loan contract has not been received in full. Depending on the payment schedule the payment could be all of the principal and mark-up due or a monthly principal and mark-up payment(s).

REPORTING DELINQUENCY

Delinquency is automatically calculated on the daily basis by the Core-Banking System. Delinquency report should be

prepared every 15th & 30th of each month to allow for efficient monitoring and timely correction actions by the KERORIPCO's Manager and the Credit Committee. The timely calculation of delinquency along with the recognition of possible losses and creation of allowances will ensure the accuracy of the KERORIPCO's accounting records and financial statements. Delinquency report as of the end of the month shall be presented to the KERORIPCO's BOD at the monthly board meeting along with the financial and income statements. The BOD shall supervise the overall collections of loan and authorize the writing off of uncollectible financial advances, i.e. their removal from the books.

When disclosing delinquency, the entire outstanding loan balance has to be reported as delinquent, not just the amount of the delinquent payments.

The delinquency categories reported are:

- Delinquent loan between 1- 30 days
- Delinquent loan between 31-60 days
- Delinquent loan between 61-90 days
- Delinquent loan between 91-180 days
- Delinquent loan between 181- 360 days
- Delinquent loan over 360 days

The delinquency report should include the following information:

- The members account number,
- The members name,
- The loan type (purpose)
- The date the loan was made (issuance date),
- The original amount of the loan (original balance),
- The current loan amount (outstanding balance),
- The current delinquency status in days,
- When the last loan payment was received and if it was a full payment,
- The loan collateral or co-signer
- Any actions taken by the KERORIPCO to collect the loan, and
- Any comments about the borrower's ability to repay the loan.

In addition on a monthly basis the Manager shall review and present to the KERORIPCO's BOD list of restructured loan indicating the reason and term of the restructuring. The six reporting tables included in Appendix 5 stipulate detailed information required that include Delinquency Analysis, Write off and Recovery information, Delinquency causes, loan portfolio distribution, Delinquency Targets by aging category and loan rescheduling.

DELINQUENCY CALCULATION

A payment is not considered delinquent until after its due date. The loan is considered delinquent starting from the next day after the payment was due in accordance with the agreed repayment schedule. The delinquency for an loan should be calculated based on the loan agreement.

Therefore, on the loan repayable monthly, the actual number of full months of delinquency is one less than the number of delinquent payments. Is this correct? Is it necessary? If one payment is to be made at loan maturity, which includes principal and mark-up then the loan will not be delinquent until 31 days have passed from loan maturity. If loan mark-up payments are due throughout the life of the loan, delinquency will be calculated on the payment or non-payment of these mark-up payments. If a payment is made which is less than the due amount, then that is considered one delinquent payment.

PHILOSOPHY REGARDING DELINQUENT LOANS

It is important that the members realize that every necessary action will be taken by the KERORIPCO to recover a delinquent loan. These actions include:

- Contacting delinquent borrowers and their co-signers consistently about the loan (s),
- Following up immediately when a promised payment is not received from the borrower,
- Repossessing collateral in a timely fashion before it loses its value, and
- Using the courts to collect from delinquent borrowers who do not respond to collections performed by the KERORIPCO employees. Delinquent loan, in which the member has left the immediate membership area of the KERORIPCO, shall be watched carefully, so not to lose contact with the member or the collateral.

COLLECTION CONTACTS

- If an loan payment has not been received after 1 day of the stated payment, a telephone call will be made to the borrower. Telephone calls will be made until the member is reached.
- If the member is not reached over the phone within 3 days of the stated payment a personal visit should be made.
- If the borrower cannot be reached personally within 5 days of the stated payment a written reminder (see appendix 1) will be sent to the borrower and copied to any cosigner;
- This notice shall inform the borrower of his/her delinquency and of any collection measures that KERORIPCO will take in case of non-payment and shall request the payment to be made to the KERORIPCO no later than 5 days from the date of the notice. This first contact should be friendly, in hopes that the borrower has just forgotten to make the payment and is financially capable to make the full payment.

- At the same time, when the payment is 5 days late the borrower's and co-signer's share and saving accounts will be blocked for the delinquent amount due. In other words, they will be unable to draw their savings balance below the delinquent payment amount.
- If no payments have been made within 10 days a second notice (see appendix 2) should be sent and copied to any co-signer and phone contact and/or personal visit should be made to the borrower. This reminder requests payment upon receipt but not more than 5 days from the date of the notice and/or contact. This reminder should be more severe in its content than the first one and will notify the borrower that failure to pay will possibly lead to problems with obtaining LOANS in the future.
- If no payments have been received within 20 days a third notice (see appendix 3) is sent, phone contact or a personal visit is made to the borrower and co-signer. This notice requests payment in 5 days from the date of the notice. This notice will indicate the severity of the borrower's delinquency and the likelihood that action will be taken to collect the LOAN to using judicial process, repossession of collateral or applying the borrower and any co-signer's share and savings amount to pay the delinquent loan.
- If no payments have been received within 30 days, and if the borrower and/or cosigner's savings are available to make the payment, the amount required to pay the outstanding loan will be withdrawn from the savings account.
- If these initial measures do not obtain the desired results the KERORIPCO may proceed collecting the debt using judicial process after 2 months of delinquency. It's not clear at this point whether these procedures apply where it is only periodical payments that are delinquent. It would seem appropriate at some stage when a number of periodical payments have been missed to call in the whole debt early.
- Any time when KERORIPCO becomes aware that the borrower's initial payment source (automatic payment or payroll deduction) has been terminated, the KERORIPCO should contact the borrower immediately. The KERORIPCO should obtain information on how the borrower will further make the payment and should verify the borrower's address, phone number, place of employment, and personal references to ensure that all the current information is valid in case the loan becomes delinquent.

** Phone contacts will be made continuously during this time frame and a record of these calls will be made on the individual's collection cards. All letters sent to the member will be copied and placed in the borrower's loan file.*

TELEPHONE/PERSONAL VISIT CONTACTS

Phone calls and/or personal contacts are much preferred and normally more effective than collection notices. It is very easy for the delinquent borrower to throw the notice away. With a personal contact the collection officer can discuss with the borrower the importance of making the monthly payments on time. It can be determined if there is some reason (maybe

job loss) that has caused the borrower to become delinquent. Important information can be obtained such as: when the promised payment will be received, who will make the payment, how much will the payment be for, and how will they make the payment (salary, savings, a loan from a friend, etc.). With a personal contact the collection officer can also assess the condition and approximate value of the collateral, if it is a collateralized loan.

When a telephone contact or personal visit has been made, the collection officer shall determine the reason why the borrower failed to make his/her payment, what the financial circumstances of the borrower are and where and when the borrower can most be readily contacted by telephone.

He or she shall also make a request for immediate payment of all arrears on the loan, and attempt to obtain a commitment from the borrower to pay with the specific date. The collection officer should then follow up the commitment on. Follow-up will first include a phone call to the borrower to find out why the borrower broke his/her commitment. At this point, the co-signer should also be contacted with the requirement to make the payment. All correspondence shall be documented in the collection records.

If events have resulted in an inability for the debtor to immediately repay the delinquent loan payment, the responsible KERORIPCO officer should determine when such payment would be possible.

The collection officer should be concerned about which method best protects the KERORIPCO and also the long-term interest of the borrower. In collections, the collection officer must balance the need to treat the KERORIPCO's members with every courtesy while protecting the assets of the membership. A telephone call and/or personal visit to a member for collection purposes must consist of a call/visit to the residence or place of business as described below:

- **Messages:** In the absence of the borrower the collection officer may leave his/her name and the telephone number for the member to call back. The collection officer should not divulge the purpose of the call/visit to any third party that is not a close relative or co-signer for this borrower.
- **Collection Card Notation:** Each time a call/visit is made, regardless of the results, a notation must be made stating the date of the call/visit, the place called/visited, if a message was left, the conversation with the debtor, any promises agreed to, and the date and amount of payment promised.
- **Place of Employment:** The collection officer should not call/visit the place of employment if the borrower tells the KERORIPCO not to contact him/her at his/her place of employment until 20 days have passed after the first notice.
- **Third Party Contacts:** The collection officer may contact third parties to obtain information about the location or whereabouts of the borrower. At the same time the collection officer may not divulge the nature or extent of the borrower's relationship with the KERORIPCO, make derogatory statements about the borrower, or divulge any confidential information known to the KERORIPCO.

- **Legitimate Local Authorities helping loan collection:** The Legitimate Local Authorities could be held to account in the case of delinquent loan contractors that were certified by them earlier say in what way or ways. They will also understand that if many loan contractors belonging to their communities become delinquent, sanctions will be placed on those communities in terms of restricting access to the financial services of KERORIPCO.

REPOSSESSION/SALE OF COLLATERAL

The KERORIPCO may repossess the collateral of a delinquent loan in accordance with the laws of Uganda. Although the KERORIPCO does not enjoy the thought of repossessing a member's goods, at times it becomes necessary. Considering the emotional and legal aspects relating to this process, good judgment is extremely important. It can be a voluntary or involuntary repossession. The collateral should be repossessed timely before it loses any more value and sold to repay the loan.

Once the decision on repossession is made, every attempt should be made towards a voluntary repossession before proceeding to the less than appealing option of involuntary repossession. If the member agrees to turn in the security, a "voluntary repossession statement" must be signed by the borrower and/or collateral owner and maintained in the borrower's loan file for the further registration of the property title on the KERORIPCO's name.

The sale of the repossessed collateral will be in accordance with prevailing legislation within Ugandan. The proceeds from the sale of the property will be applied as described in the section entitled "Preference of loan Payments". When security/collateral is registered under the KERORIPCO name it is ready for sale. To sell the voluntarily repossessed collateral the KERORIPCO must receive three written bids and the property will be sold to the highest bidder. No property should be sold to any KERORIPCO employee or their immediate family members. If the sale is more than the total balance due (includes all legal costs, storage costs, repair costs, and repossession costs), the amount over is given back to the member or collateral owner.

In order to sell the property, the KERORIPCO must have the following forms: 1) title, 2) bill of sale, and 3) agreement on the voluntary repossession. If there is a deficiency balance (the difference between the outstanding loan balance and the amount the collateral was sold for, the court will decide if the member is responsible for paying this amount. It may be paid in one payment. If this is not possible, then payments should be made until the deficiency balance is paid.

If the member fails to repay the debt in the allotted time frame and will not voluntarily surrender the collateral, then it becomes necessary to repossess the security involuntarily. Involuntary repossession should commence as soon as the KERORIPCO receives judicial approval. For all involuntary repossessions and collections performed

by the court, payments will be made to the court and then remitted to the KERORIPCO. Involuntary repossession of the collateral should commence upon approval by the courts. Repossession is undertaken through use of certain legal mechanisms. Such legal mechanisms, depending on the type of security can be:

- Taking over property of the debtor (this alternative would be used for unsecured loans or if the value of the pledged collateral is insufficient to cover the outstanding balance),
- Taking over the collateral (in the case where the asset was pledged as loan collateral), and
- Taking over the property of a co-signer (to be used when the loan was guaranteed by a co-signer).
- These options are used with the appropriate procedural forms in accordance with the current legislation of Uganda.

LEGAL/JUDICIAL PROCESS

Occasionally when all other collection attempts fail, the KERORIPCO has no other choice but to take legal action and start judicial process against a delinquent account. To improve the chances of success it is vitally important that the KERORIPCO strictly follow the legal requirements. It is important to provide the borrower and the co-signer all chances and rights to cure the debt on the loan prior to starting any legal action. It is preferred that a professional attorney handle all legal action on behalf of the KERORIPCO. All legal fees incurred will be charged to the borrower, hence adding to the total debt owed to the KERORIPCO.

Before proceeding with the judicial process the KERORIPCO must do the following:

- Determine the amount of the debt based on the last day before undertaking these measures,
- Determine the unpaid principal and mark-up due,
- Calculate any additional charges as specified in the loan agreement to compensate for the loss resulting in the delay of receiving the instalment payment(s),
- Determine costs incurred during the loan recovery process caused by borrower's failure to fulfil his/her obligations, as specified in the loan agreement,
- Determine the possibility of placing a lien on property of the debtor and/or third party,
- Establish the existence of such property, its value, and location,
- Determine the existence of liens by other creditors or the rights of others (such as minors) on the borrower's property,
- Consider the cost and time of placing a lien on the borrower's property in relation to the amount of the delinquent debt, and
- Take appropriate measures to determine the location of

the borrower should it not be known. In special cases the KERORIPCO may delay commencing or continuing legal action to collect the loan. However, such decisions must be well documented and justified.

NOTIFICATION OF CO-SIGNER

The co-signer is equally liable for the loan in case the primary borrower fails to repay his/her loan. When a member's payment becomes delayed, the co-signer shall assist in the collection of the delinquent repayment. In case of a delinquent payment, the co-signer has to be contacted at the same time the primary borrower is. The co-signer should receive all notices that the borrower does. The co-signer should always be made aware of the delinquency.

Action to recover from the co-signer shall be taken after completion of the collection efforts against the delinquent member and it becomes apparent that he/she is not going to pay, but no later than in 2 months after the loan becomes delinquent. The co-signer shall be required to pay the outstanding loan balance he/she guaranteed. Outstanding balance or periodical payment?

COLLECTION SYSTEM

When a member becomes delinquent a collection card (see appendix 4) will be established for the borrower. The system can be manual or computerized. The collection officer will organize the cards according to the days of month. The key to this system is consistent daily follow up on all promised payments, letters sent, personal contacts made, etc.

When the borrower's payment is 1 day late the collection card will be made up for the delinquent loan. The copy of this card and all notices sent will be kept in the borrower's loan file. The original collection card will be put in the collection file system. The designated KERORIPCO employee – collection officer shall be responsible for the accurate maintenance of the collection file system.

The collection file system will be maintained as follows:

- There will be dividers for each day of the month and behind the day in which the borrower is to make the payment the card is to be placed. When the borrower makes a 123promise to pay for the 20th of the month, the promise will be noted on the card and placed behind the 20th of the month.
- All actions taken to collect the delinquent loan, any promises to pay, or comments made by the borrower will be recorded on this card. It is important that all of this information is placed in writing for legal purposes and to verify both to the officials and the borrower all that has been said and done with regards to the delinquent loan.
- The 1st collection letter is sent and it gives the member a maximum of 5 days to make a payment, then the collection card will be placed behind the divider for the day 5 in the future.
- First thing each workday the person who is in charge of

collecting will make or attempt to make contact with all borrowers who did not make a promised payment on the previous day.

- If contact is made with the borrower who did not make a payment and a believable promise to pay is made again, then the card will be placed behind the new payment date.
- If contact is not made or it does not appear that the borrower will make the payments then it should be decided whether to start judicial process and repossess the collateral or change the loan terms so that the borrower is able to pay (see loan Restructuring and Extensions).

LOAN RESTRUCTURING

loan restructuring occurs when the KERORIPCO gives the borrower new payment conditions, different from the ones originally stipulated, because the borrower cannot make the payments in a timely fashion, according to the original terms.

The conditions necessary to approve the loan restructuring are such that there is a permanent change in the basis on which the loan was granted. Examples are: loss of a crop due to weather conditions for the agricultural loans, loss of job for personal loans, catastrophic disasters etc. All loan restructuring is to be approved by the Credit Committee or the BOD. The KERORIPCO Manager or any individual employee does not have authority to approve loan restructuring.

The following conditions must be met to approve loan restructuring:

- Whatever caused the borrower to have trouble making the loan payments has been changed or solved. For example- if the member lost his job, he must have a new one before an loan restructuring can be granted.
- Three full monthly payments or 3 payments at an agreed upon (between the Credit Committee or board and the borrower) reduced payment are to be made prior to any loan restructuring. This is important; it demonstrates the borrower's desire to repay the loan.
- All mark-ups (admin charges) must be paid up to date. Under no circumstances should the mark-up be added to the principal balance when the loan is restructured.
- All guarantors shall also sign the restructured loan, and shall be notified when an agreement for payments different from the original terms is reached;
- The borrower must present all the documents required for a new loan.
- Analysis of the borrower's capacity to repay the loan under the new conditions should be conducted as for any new loan application.

The loan workout plan is an example of the loan restructuring. In order to recover the loan funds

that were initially granted to the borrower, the loan workout plan may be developed. Often this involves the member paying the

outstanding mark-up and then the loan is rewritten at a lower mark-up rate or for a longer term. This approach allows the member to afford the monthly payments. This should be used only with borrowers who demonstrate a real desire to repay the loan. Members should not think that they could lower their monthly payments by being delinquent at the KERORIPCO.

EXTENSION OF LOAN TERMS

The loan term extension is defined as an extension of the payment date granted to the borrower. There are many possible reasons why granting a member an extension agreement would be in the best interest of the KERORIPCO. When used properly, extension agreements can develop positive memberrelationships.

If the payment of an loan is temporarily interrupted and the member cannot make the agreed upon payment an extension may be granted but only for valid reasons. Extensions are often used if there has been a temporary fluctuation in the conditions faced by the borrower so that he or she is not able to make a timely payment, but the key assumptions on which the loan was granted have not changed.

Circumstances could include disability, death of a family member or temporarily reduced income. Under such valid reasons the member can apply for an extension on his or her loan. The member and the KERORIPCO will negotiate the terms of the extension and the revised payment schedule. The extension should be granted only after three regular monthly payments and if the borrower is showing good faith. In some cases such as loss of income the KERORIPCO can consider waiving the three months payment limits.

Whenever KERORIPCO has to extend loan terms it should try to improve its risk situation. This can be done by asking for more collateral, obtaining a co-signor, or by requiring that a significant payment on the owed principal be made.

Extensions should be requested before the monthly loan payment is due. What if they are made after that? All loan extensions have to be approved by the Credit Committee or the BOD. The Manager and employees have no authority to grant an extension.

The maximum loan extension that can be granted is for 3 months. loan that have a maturity of less than 6 months can receive only a single extension with duration of one month. loan with maturity 125 between 6-12 months can be extended only a single extension for no more than 3 months. For loans with the maturity greater than 1 year, several extensions can be granted but the total of the extensions cannot be for more than 3 months. The reason for the extension must be documented in writing. If for some reason the extended loan becomes delinquent, no further extensions can be granted.

The BOD shall approve any exceptions from these norms.

THE USE OF THE EXTENSION AGREEMENT SHOULD BE CLOSELY MONITORED TO ENSURE THEY ARE NOT USED AS AN ARTIFICIAL METHOD TO REDUCE DELINQUENCY.

Under no circumstances is the loan extension process to be used simply because the member

cannot pay or to remove the loan from the delinquency list. If the loan extension is used improperly, the KERORIPCO is:

- Understating delinquency,
- Increasing liquidity problems, (if the borrower pays the mark-up (administrative charge) but the principal amount is extended then there is no access to loan funds for other KERORIPCO's members), and
- Decreasing the chance of full loan repayment as with each extension the borrower's ability to repay becomes more questionable.
- KERORIPCO should keep in mind the following items before extending the loan term:
- Qualification Criteria – Only those loan can be extended which are paid to the extent of 70 – 80 per cent.
- Evidence – KERORIPCO has to see if there is any evidence of payment:
 1. For example a person comes and pays two installments at a time and requests extension of the remaining loan. KERORIPCO might consider rescheduling this.
- Adverse Conditions – KERORIPCO has to see if there is any type of adverse conditions:
 1. If the harvest is not received yet and is expected soon;
 2. If a major earning member of the family has died;
 3. In case of natural disaster (only if it is expected that the borrower will have the ability to pay after some time);
- And if the market conditions have changed drastically, for example the price of inputs has gone up or the price of outputs has drastically decreased. KERORIPCO should carefully analyze the situation before any decision is taken to extend an loan. Every loan does not automatically qualify for extension. Note: Once the loan and the Markup is rescheduled, there is no need to add additional charges into the same.

LOAN REFINANCING

loan refinancing is defined as granting a new loan to a delinquent borrower in order to repay the currently delinquent loan with the purpose of hiding the delinquency problem. loan refinancing is prohibited.

CHARGING LOAN OFF

When both management and the officials decide that the loan is uncollectible it is to be written off.

The loan should be recommended to the BOD for charge off as a loss, when all collection efforts have been exhausted and the loan is considered uncollectible. The loan can be written off only if it is delinquent for more than 180 days.

Another option is to remove the loan that recognized as "loss" (100per cent allowed) from the general account of the general ledger and place it in another asset account entitled "Problem Assets" instead of charging it off. With this accounting entry the appropriate loan account is not overstated and the non-performing loan s are clearly disclosed on balance sheet. These loans can be written off as soon as they are deemed to be uncollectible after all litigation actions are completed.

The loan write off does not mean that the KERORIPCO cannot continue collection efforts. They should continue in hopes that the borrower's financial situation will improve and they will be able to repay the KERORIPCO.

How long should this go on for? All loan write offs are approved by a majority vote of the BOD. The amount approved for charge off is to be less the amount received after liquidating the collateral and the member's savings or shares. The approval of the write off should be noted in the minutes of the BOD with the following information: the borrower name, account number, and the charged off amount.

RECOVERIES MADE ON CHARGED-OFF LOANS

When an loan is charged off, only the principal amount is charged off to the allowances for probable losses account (contra asset). All recoveries on charged off loan s will be credited to the provision for probable loss account (expense).

PREFERENCE OF LOAN PAYMENTS

Payments received from the debtor shall have the following payment preference:

- Legal or collection costs
- Administrative Charge or Mark-up
- Principal Amount

COLLECTION INTERNAL CONTROLS

In small KERORIPCOs it is often difficult to have sound internal controls because of the limited number of employees. Wherever possible it is important to limit opportunities for fraudulent or illegal activities. With this in mind the following internal controls are suggested along with the above policies and procedures:

- Persons who approve or disburse loans should not be permitted to work in the collections area.
- If possible, collection officers should be not have access to cash.
- All other employees should be made aware of all delinquent accounts, so that delinquent members are not allowed to withdraw the amount of the delinquent payments or available savings from their accounts.

- The collection officer should regularly, not less than weekly, report to the Manager on all collection efforts made and results achieved.
- An officer other than collection officer (might be the Manager), should contact/visit all severely delinquent borrowers to verify the status/information reported by the collection officer. Such visits should be unannounced.
- Periodically both management and the officials should determine how Loans were removed from the delinquency report. There are only 3 ways an loans can be removed from the delinquency list:
 1. The member fully repays the loan.
 2. The loan is charged off to the Allowances for Probable Loss account.
 3. The terms of the loan were changed by restructuring or extending the loan.
 4. The terms of the loan were changed artificially by manipulating the loan due dates.
 5. Management and officials should ensure that the loan due dates are not being manipulated in order to lower KERORIPCO delinquency.

