

NATIONAL DISABILITY & DEVELOPMENT FORUM (NDF)



**NDF-NFINANCIAL MANAGEMENT POLICY &
PROCEDURE MANUAL**

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1. Introduction

The purpose of this document is to set out in summary form the main financial policies and procedures through which (Organization Name) conducts the financial aspects of its operations.

This document should be made available to all Organization staff. It is intended that this Finance Summary Policies & Procedure document be the reference point on financial matters for the organization management team. It is the responsibility of the Chief Executive Officer (ED) to ensure compliance with the regulations contained in this manual.

The Finance Policies and Procedures Manual should be used in conjunction with other guidelines developed by Organization:

This document is confidential and it is the property of (Organization Name).

1.1 Financial Management

Financial management consists of planning, organising, controlling and monitoring the financial resources of the organisation to achieve set objectives.

1.2 Financial Objectives

The objectives of the finance department will be to:

- Make effective and efficient use of resources in order to fulfil commitments to stakeholders, beneficiaries and donors.
- Maintain financial records and documentation to internationally accepted accounting standards in order to provide relevant, accurate and reliable financial information which complies with all applicable regulations.
- Establish and maintain an effective internal control environment to minimise the risks to the organisation arising from fraud, misappropriation and error.

1.3 Structure of the Finance Summary Policies & Procedure

The Finance Summary Policies & Procedure Manual consist of 20 sections, as follows:

1.3.1 Section 1: Introduction

Contains a description of the overall financial management and objective of the manual.

1.3.2 Section 2: Finance team Roles & Responsibilities and organogram

Contains a description of the roles and responsibilities of the organization Finance function including senior management team and budget holder. Also include the organogram of the finance team

1.3.3 Section 3: Chart of Account

This section describes overview of the organization Chart of Account, the account string and details of its different components.

1.3.4 Section 4: Internal Controls

This section describes overview of the overall internal controls of the organization to safeguard funds and assets and ensure that resources are used efficiently and effectively

1.3.5 Section 5: Delegation of Authority

The day-to-day processes of organization financial management at different authority level are described. It also include format for authorization matrix format that need to be update and approved time-to-time basis.

1.3.6 Section 6: Purchasing & Payments

This section runs through the process and types of procurement process, types of the procurement and that how the organization will authorize the incurring expense and different types of the payments.

1.3.7 Section 7: Cash Management

The day-to-day processes of Organization Cash management are described. This includes Approval and documentation of Cash expenditure, Processing of Cash payments and receipts, Maintenance of cashbooks, Control of cash holdings, cash limit and advances and float

1.3.8 Section 8: Bank Management

The day-to-day processes of Organization Bank management are described. This includes: Bank Account in the name of the organization, Opening/Closing of the Bank Account, Number of signatories, Bank Reconciliation statements

1.3.9 Section 9: Payroll Management

Describes how the organization will manage payroll- Processing, authorizing and transfer of the salaries.

1.3.10 Section 10: Accruals

Outlines the procedures to be followed for accruals. This section includes; Definition of accruals, Accrued Expense types, reporting and supporting documents, Format for reporting accrued expense

1.3.11 Section 11: Advances

Describe general rule for advance to the third parties.

1.3.12 Section 12: Fixed Assets Management

This section describes how organization will properly managed its fixed assets. This includes: Definition of fixed assets, Fixed assets register, Transfer and disposal of the fixed assets

1.3.13 Section 13: Stock

Outline definition, recoding and handling of the stock.

1.3.14 Section 14: Tax

Describe compliance of Income/sales tax ordinance/act and registration with federal and provincial revenue authorities.

1.3.15 Section 15: Accounting system and reporting

This section will outline the types/categories of income, recording and accounting treatment of the income.

1.3.16 Section 16: Income

This section will outline the types/categories of income, recording and accounting treatment of the income.

1.3.17 Section 17: Internal Organization Budget

This section will outline the types/categories and preparation of the organization budget

1.3.18 Section 18: Safe guarding

This section will outline the policies regarding safeguarding the different stakeholder of the organization.

1.3.19 Section 19: Internal & External Audit

This section will outline the types of audit (Internal, external and donor)

1.3.20 Section 20: Formats

This section will include different finance and logistics formats for reporting and documenting.

2. Finance team Roles & Responsibilities and organogram

The roles and responsibilities for financial management and control are set out below. The key staff involved in the (Organization) finance systems are:-

- Senior Management- Chief Executive Officer , program manager and the operational manager.
- Finance Team – Finance Manager and the finance team.
- Project / Department staff - Budget-holders.

2.1. Senior Management

Chief Executive Officer (C.E.O), program manager and, operational manager are required to:

- Ensure that budgets are prepared in line with the country strategic plan and organisational objectives.
- Be accountable for Organization funds, assets and interests and to safeguard them from inefficient or inappropriate use.
- Develop and apply adequate financial and other management controls as required by Organization and donors.
- Comply with established policies, plans and procedures.
- Ensure sufficient staff are available to meet the financial policies and procedural requirements.

2.2. Finance Team

2.2.1. Finance Manager (FM)

Job Purpose / Summary:

The finance manager will enable smooth operations of the finance activities and maintenance of financial records. To lead and coordinate the effective management of finance and general administration functions in Finance department, Finance Manager will support program manager in budgeting, and donor reporting and ensure that financial reports are effectively used by program team.

Duties and Responsibilities:

1. Financial Management

Finance manager will be overall responsible for financial management of the organization. S/he will ensure that appropriate finance systems are maintained, and that all procedures and controls are implemented.

Performance Standard

- Compliance with standard financial policies and procedures

- Cash count sheets every two weeks
- Cash flow and request top-ups from head office
- Monthly approved payroll
- Month end cashbooks and bank books supported with financial ledgers
- Proper financial filing system
- Actual expenditure versus budgets reports.
- Midterm and Final financial reports to donors
- Provide support to the office in all other financial matters
- Manage the Cashier/Admin Assistant
- Review and enhance systems of financial control

2. Transport Management

Finance Manager will be responsible for vehicle/transport management of the organization. S/he will be responsible for proper maintenance of the vehicle and will ensure that log book is timely maintained and have contract with petrol pump for fuelling (Please note that these are Operational Manager responsibilities but in case due to funding or other reasons there is no operational manager then FM takes following responsibilities).

Performance Standard

- Office has vehicles appropriate to its needs
- Fuel vouchers system for all vehicles and the generator
- Vehicle request form
- Agreement with the fuel supplier is valid, fair and works well
- Agreement with the vehicle owners is valid, fair and works well
- Proper log book is maintained
- Prepare monthly vehicle/fuel reports

3. Administrative

Finance Manager will be responsible for overall office administration. S/he will analyse the phone bill, produce private bills for private usage and a summary report. S/he will manage the purchase, distribution, use and repairs of all office equipment (e.g. computers and photocopier). S/he will negotiate any changes to the property contract, or improvements to the property, with the landlord (Please note that these are Operational Manager responsibilities but in case due to funding or other reasons there is no operational manager then FM takes following responsibilities).

Performance Standard

- Timely payment of all utility bills
- Have updated assets register
- Updated agreements with different stockholders
- Proper security register
- Oversee all administrative filing and records, and archiving
- Manage the Watchmen, the Cook, and the Cleaner

4. HR Management

Finance Manager will be responsible for human resource management. S/he ensures that all staff has valid contracts and job descriptions, and that they understand them. S/he will ensure that staff moves from step to step up their grade as appropriate. S/he will manage the recruitment of all new staff (Please note that these are Operational Manager responsibilities but in case due to funding or other reasons there is no operational manager then FM takes following responsibilities).

Performance Standard

- Maintain HR records, including staff lists, staff files

- Maintain the leave register
- Updated agreement with all staff
- Payroll sheet

2.2.2. Finance Officer (FO)

Job Purpose / Summary:

The finance Officer will responsible to assist in smooth operations of the finance activities and maintenance of financial records. To assist and coordinate the effective management of finance and general administration functions in Finance department Finance Officer will support Finance Manager in budgeting, and donor reporting and ensure that financial reports are effectively used by program team.

Duties and Responsibilities:

1. Bank/Cash Payments

Finance Officer will be responsible for making cash and bank payments in accordance with financial procedures of the organization and will ensure proper supporting documents available with the voucher and availability of the budget.

Performance Standard

- Collect and examine supporting documents for payments
 - a. Supply Request
 - b. Request for Quotation
 - c. Quotations
 - d. Quotations/Bid Analysis form
 - e. Purchase Order/Agreement
 - f. GRN
 - g. Invoice
 - h. Copy of Cheques
 - i. Receipt acknowledgment on supplier letter head
- Ensure that documents and signatures are valid
- Prepare payment vouchers, and receipt vouchers
- Prepare cheques/payment orders and ensure that they are properly delivered

2. Salary payments

Finance office will be responsible for preparation of monthly staff payroll and payment of the salary to staff and ensure proper supporting documentation available.

Performance Standard

- Proper payroll sheet with columns of additions, deductions and net salary
- Tax is deducted on payroll
- Supporting time sheet available with the vouchers
- Attendance sheet
- Leave record
- Payment of salary through bank transfer or cross cheque
- Receipt acknowledgement from staff

3. Bookkeeping and Financial Reporting

FO will ensure that staffs adhere to internal controls; make necessary accounting adjustments and keep books of accounts as per standard procedures. S/he will review field books of accounts. S/he will do day to day payments, adjustments. S/he will coordinate internal/external audits. S/he will be responsible for donor financial reporting.

Performance Standard

- Record all transactions, on manual/computer systems as appropriate.
- Proper Ledger available for each budgeted head
- Maintain Cash Book
- Maintain Bank Book
- Maintain float, loan and salary advance registers
- Bank and Cash reconciliation statement
- Midterm Financial report
- Final financial report

4. Manage the petty cash:

FO will be responsible for managing for petty cash for day to day cash payments.

Performance Standard

- Ensure that supporting documents/signatures are valid
- Prepare petty cash vouchers
- Be responsible for petty cash held in the office
- Prepare Petty Cash Form, and request additional cash as necessary
- Carry out cash count every two weeks

5. Proper filing:

FO will be responsible for proper finance filling. S/he will be responsible for keeping all financial record in an effective and efficient manner

Performance Standard

- Ensure that all accounts records are filed in an orderly manner
- Produce bills for staff use of vehicles, photocopier and phone
- Personal file or properly managed
- Copies of all agreement

2.3. Budget-holders

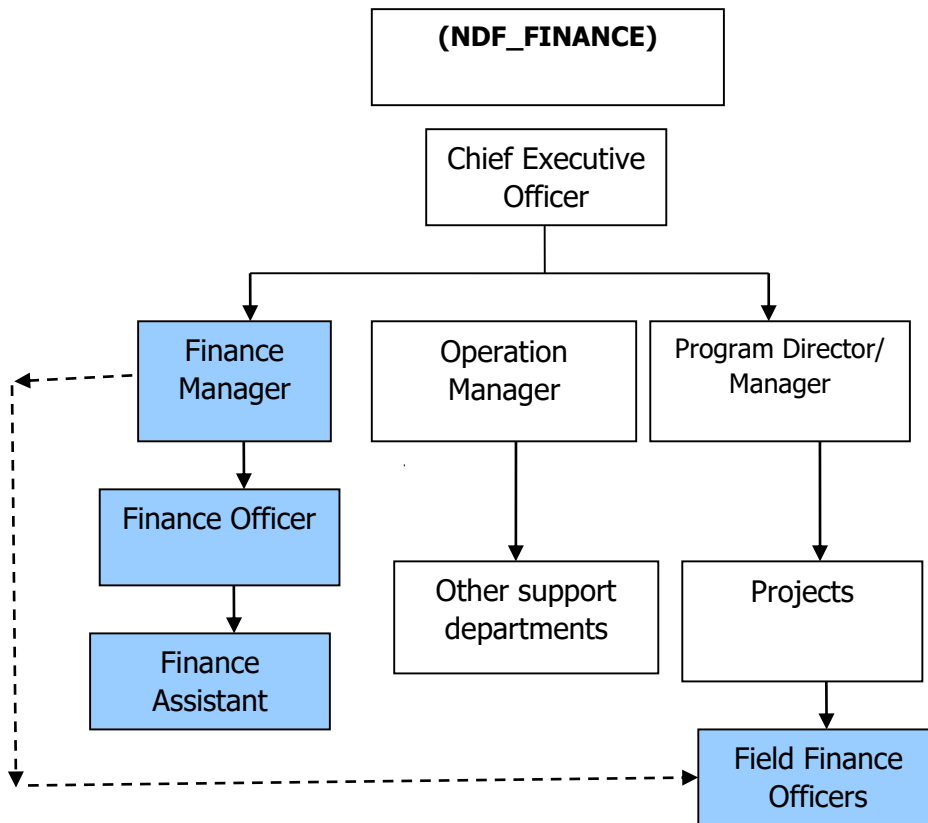
Budget holders are required to:-

- Prepare budgets carefully to ensure that the timing and cost of planned work is accurately reflected, while taking relevant donor requirements (if any) into consideration.
- Ensure that expenditure is authorised prior to payment being made and in accordance with budget, policies, rules and regulations.
- Review project spend compared to budget on a monthly basis and revise when appropriate. Any potential over/under spends that cannot be met by a budget revision must be brought to the attention of the Chief Executive Officer.
- Monitor donor budget (if any) and assist in finalisation of donor reports.

2.4. Organogram:

The finance Team Organogram consist of the following staff

Organogram



3. Chart of Account

The purpose of this section is to introduce the standard Chart of Accounts used by the organization, and to outline the rules applicable to these accounts. The Finance Manager is responsible for the organization Chart of Accounts and its regular update.

Account Code Structure

Every organization have its standard CoA account based on its accounting software/system and management needs.

Each account code consists of four segments (four columns for coding/segments). When setting up codes, all four segments must be completed. If no detail is required in a certain segment, then a series of zeros should be entered in that segment.

Segment 1	Segment 2	Segment 3	Segment 4
Nominal Code	Project Code	Donor Code	Job Code
Consists of 4 digits	Consists of 4 digits	Consists of 4 letters	Consists of 4 digits
Nature of Transaction	Type of Project	Donor contract unique identifier code	Code for specific expense analysis

Below, we describe how each segment is used;

Segment 1 – Nominal Code

Each nominal code is made up of four digits in the range 0000 to 9999, and describes what the income, expenditure or Balance Sheet item it represents is, as opposed to where or whom it relates to.

The nominal codes available have been divided into ranges representing different types of income and expenditure. To allow for meaningful analysis and comparison of financial information, the type of income/expenditure represented by a nominal code must conform to the type of income/expenditure represented by the code range to which it belongs.

Please note also that some nominal code ranges may not be used by the organisation but are blocked for possible use in the future.

Code	Budget Heading	Classification Guidance
0000-0099	Staff costs	Salaries, training costs, medical costs, allowances, social insurance, cessation benefit, etc.
0100-0199	Non Food Items (NFI) for Distribution	Plastic sheeting, mosquito nets, blankets, bowls, pots, clothes, buckets etc. Generally used in an emergency context.
0200-0299	Food for Distribution	Wheat, cooking oil and sugar etc. Generally used in emergency / health programmes where there is a nutrition / feeding component to the activities
0300-0399	Engineering and Construction costs	Those costs associated with the physical construction of structures or the rehabilitation of structures (e.g. schools, feeding centers, compound construction) including the materials / labor / contracts associated with the construction. This does not include costs of supplies and materials for use in the building (e.g., desks & chairs in a school) – these should be coded to Other Supplies.
0400-0499	Medicines and Medical Equipment	Medicines (drugs) and supplies (e.g. bandages/scissors/ gauze etc.) and specific medical equipment (e.g. cold chain equipment/trolleys etc.)
0500-0599	Agricultural Inputs	Specific agricultural supplies such as seeds, hoes, wheelbarrows, garden tools etc.
0600-0699	Other Program Supplies	This is a generic heading that will cover any supplies that do not fall under the other specific supply lines above.
0700-0749	Distribution and Transport Rental costs	Freight and any other charges associated with moving or distributing supplies e.g. road haulage, airfreight, storage costs, loaders/unloaders and porters. The ongoing costs of organization' vehicle fleet are not included here.

0750-0799	Capital Equipment	Any purchases of equipment (Asset with a useful life of +1 year, value +PKR 10,000) where ownership is retained by the organization e.g. vehicle, laptop, photocopier.
0800-0849	Organization Transport costs	Costs relating to running costs of the vehicles (i.e., cars, motorcycles). Costs may include driver, mechanic, fuel, repairs, insurance.
0850-0949	Organization Administration Cost	This relates to the Administration costs like stationary, office rent, utilities etc
Banks & Cash		
1000-1024	Head office Bank	Country Head Office bank a/cs
1025-1049	Project Bank	All project office bank accounts
1050-1064	Head office Cash	Country Head Office cash holdings
1065-1089	Project Cash	All project office cash holdings
Current Liabilities		
1200-1249	Accruals	
1250-1299	Creditors	Include individual control a/cs for Net Salaries and Tax here.
Long Term Liabilities		
1300-1325	Opening Balance on Cessation Benefit	At the start of each year, balances on 4926 and 4927 are transferred to this account.
1326-1326	Additional Cessation Benefit Provision	Changes in provision are posted here.
1327-1327	Cessation Benefit Payments	Payments of cessation benefit are posted here.
1328-1399	Other long-term liabilities	

Segment 2 – Project Code Range

Sub Sector	From	To
Shelter	2001	2049
WASH	2101	2149
NFI	2201	2249
Agriculture	2301	2349
Emergency Preparedness	2401	2449
Others	2501	2549

Segment 3 – Donor Code Range

Donor Income Category	Donor Contract Code Range	Donor Contract Name
European Union	EU000-EU999	EU (European Union Humanitarian Assistance)
ECHO	EC000-EC999	ECHO (European Commission Humanitarian Assistance)
USAID	BH000-BH999	BHA (Bureau of Humanitarian Assistance) ^a
UN Agencies	FA000-FA999	FAO
	GL000-GL999	Global Funds
	UD000-UD999	UNDP
	UH000-UH999	UNHCR
	UI000-UI999	UNICEF
	WF000-WF999	WFP
	HI000-HI999	HIVOS

Segment 4 – Job Code Range

Range from	Range to	Description
0001	1000	Staff – A unique job code for each staff member (by person, and not position)
1001	2000	Office Running Cost – One job code for office running cost
2001	3000	Office Transport Cost – One job code for Transport activities
3001	4000	Program – One job code for program activities

4. Internal Control

A system of internal control consists of a set of comprehensive and sufficiently detailed policies, procedures and checks designed and implemented to provide management with a reasonable assurance that the organisation can achieve its objectives and goals. If properly operated, a system of internal controls will minimise losses and assist the detection of errors and omissions in the accounting records. It will also help to safeguard funds and assets and ensure that resources are used efficiently and effectively.

There are several different categories of internal controls such as delegated authority, segregation of duties, reconciliations, cash control and physical control.

- The Finance Manager is obliged to continuously review and enhance systems of financial control, seeking to minimise the risks of fraud or misappropriation.
- One of the most important controls in a finance department is segregation of duties. Essentially this involves ensuring that different members of staff have responsibility for

different accounting and financial duties, and no single task is executed from the beginning to its conclusion by any single person. By segregating various responsibilities, this acts as a self-control mechanism as well as reducing the possibility of fraud.

- Another important control is that of passwords and access rights to Organization's assets, financial information and records. These must be tightly controlled and informed on a "need to know" basis only.

All other categories of internal control are dealt with in their relevant sections.

5. Authority Delegation

Chief Executive Officer (C.E.O), by necessity, delegates the day-to-day responsibility for expenditure to the management team. In order to maintain overall control of expenditure, the C.E.O should ensure that delegated authority levels are clearly established. In making these delegation decisions, the Chief Executive Officer must weigh up any delegation of responsibility against the potential risks which may result from the loss of control. When approved, the authority delegation should be shared with staff, especially those who will be processing and approving expenditures and payments. Each authoriser should only authorise items within the area for which S/he is responsible like the admin manager should not approve program cost and the opposite would be true for program manager. In general, a budget holder or others who are delegated responsibility to manage a part of budget or authorised to approve the expenditure should be granted the ability to authorise the incurring expenditure so that proper budgetary control can be exercised. Persons not responsible for budget should not be allowed to become an authoriser like finance or logistic staff etc.

Where any authoriser is going to be absent from work for a period of time for any reason, they will inform the C.E.O who will select a replacement for the specific time period. Staff member in their period may not exercise their authority level unless approved by C.E.O.

5.1) The extent of limits and the rules of authority must be set out in an authorisation schedule. The schedule should clearly state who can authorise, what type of expenditure, up to what value they can do so and the context / circumstances when these rules will apply. The Chief Executive Officer must, for the most part, rely on his/her own judgement of individual skills and experience when drawing up the schedule. Only the Chief Executive Officer has the authority to change the authorisation schedule. The schedule should be as simple as possible and clearly understood by all staff. Please contact FM or C.E.O to get latest copy of the financial delegation framework.

All staff should refer to the schedule when planning to purchase an item or service. Staff should be expected to adhere to the letter and the spirit of the schedule e.g. if payment for a single purchase was split up in order to evade the financial authorisation limits, that would be a serious abuse of the purpose, if not the letter of the rules.

5.2) It may be necessary, on occasion, for a budget holder to temporarily (or permanently) delegate some of their authorisation responsibilities. When the budget holder is not in the office and cannot be reached, the authority delegation arrangements in place should allow for another staff member to assume the budget holders responsibilities smoothly and effectively. This arrangement must be within approved delegation framework.

The extent of the delegation should be recorded by the budget holder – for what transactions, what value and for what time period – and informed to the Finance Manger (may be through an email)

Again, judgement is called for when delegating budget holder authority. Delegation should only be made to those staff members who have demonstrated a sufficient understanding of the budget and of general finance. In much the same way that the ED is ultimately responsible for all the country's budgets, regardless of the delegation levels, the budget holder is still responsible for his/her own budget regardless of what decision making has been delegated.

5.3) The principle of “segregation of duties” should be remembered when setting the authorisation schedule. This principle states that no one person should be able to control the entire payment process. For example, the person who handles cash and bank payments (cashier) should not record the payments on the system and neither the bookkeeper nor cashier should be involved in the authorisation of payments. Where several people are involved in the process, this reduces the opportunity for abuse.

It is relatively easy to maintain segregation of duties in larger offices. It may be difficult to do so in smaller offices. However, country management must make every effort to ensure that duties are segregated as much as possible, especially for those dealing with cash or bank accounts and those dealing with procurement and payments. The same individual should never be responsible for purchasing and then paying for those purchases in the field.

It is particularly important that nobody should be allowed to authorise reimbursement of his/her own expenses. In remote locations, senior manager expenditure must be initially authorised by the person next in line and subsequently reviewed by his line manager where the opportunity arises. Likewise, C.E.O expenditure should be initially authorised by the FM and reviewed by the Board during board meeting.

It is important to note that the Authorisation Matrix is a living document which should be reviewed and updated on a regular basis in line with contextual and staffing changes. In the instance of a sudden onset emergency, it is important that C.E.O negotiate and approve a revised Authorisation Matrix as a matter of priority to ensure emergency provisions and other large value items can be procured within an appropriate and compliant timeframe.

5.1. Authorization Matrix Format Payment approval

Designation	Limit-From	Limit- To	Remarks
President	500000	No limit	
C.E.O	100000	500000	
Program Manager	50000	100000	
Finance Manager	25000	50000	
Project Manager	5000	25000	
Officers			

5.2. General guidance on different Authorisation

This section covers the different approval and authorisation limits.

Budget Approval
Annual Plan and Annual Budget/Budget Revisions ("Budgets"): After the review of senior management, C.E.O will share the budget/revision with board for approval
Bank Management
Changes to Bank Signatories: C.E.O and FM should sign relevant correspondence
Opening & Closing Bank A/C: C.E.O and FM should sign relevant correspondence
Request for new cheque book: C.E.O and FM should sign relevant correspondence
Fund transfer between bank accounts: ED and FM should sign relevant correspondence
Operational Expenditures/payments and contracts
General Expenditure Approval Limits: Authoriser have authority to sign all documents involved in procurement process as above authority matrix
Supplier/contractor/rental contracts: C.E.O and anyone delegated by C.E.O to sign the contract
Procurement
Waivers: Organisation waiver weakens the control environment thereby involve donor and board. All waiver must be first approved by the donor and then by internally on C.E.O is authorized to approve the waivers. However, it is the responsibility of the C.E.O to present all waivers in BoD meeting agenda.
IT Purchase
IT purchase: Before C.E.O approves, the IT items specification must be validated from IT staff
Travel & Training
Overseas Travel: C.E.O approval is required
In country Travel : Any authority can approve within his/her allowed limit
Staff Development: C.E.O approval is required recommended by line manager
Payroll & Taxation
Monthly Payroll: C.E.O approval is required
Staff salary Advance: C.E.O approval is required
Tax deduction and Deposit to Govt Dept.: C.E.O or FM approval is required
Managing Staff Matters
Hiring of staff to fill vacant positions: C.E.O approval is required
Annual salary scale review: C.E.O approval is required
Annual COLA review: C.E.O approval is required
Annual Increment: C.E.O approval is required
Staff Medical/Life cost: C.E.O approval is required
Floats & Cash Payment Limit
Field Advance/ Float Issuance: Any approving authority as per allowed general expenditure limit. Floats above the staff allowed limit be approved by C.E.O.
Cash Payment Limit: PKR 10,000 and below

6. Purchasing & Payments

6.1. Procurement

5.1) Procurement by the organization is a major component, and this document provides an overview of the procurement process that is to be followed organization. Points to be taken care An Authority Delegation document exists and is being adhered to, purchases are approved in advance before being carried out, organization is required to follow the minimum standards laid down below for each of the threshold limits as detailed below However, please note that under special circumstances the ED/Senior management decide the threshold based on the analysis of risk, etc..

6.1.1. Cash Purchase

If the value of the services/supplies/works falls within the threshold range of PKR 1/- to PKR 10,000/- the Organization can process the procurement from petty cash directly. The process for this petty cash purchases is as follows:

1. Job card Requisition and get it approved
2. Obtain an invoice from the supplier
3. Cash payment

6.1.2. Single Quote:

If the value of the services/supplies/works falls within the threshold range of PKR 10,001/- to PKR 25,000/- the Organization can process the procurement by getting a single quote from a relevant supplier after conducting a market survey of rates from different suppliers. The process for this single quote procurement is as follows:

4. Prepare a Supplies Request (SR)/Purchase Requisition and get it approved
5. Collect a single quotation
6. Get the approval of the quote
7. Issue the Purchase Order to the supplier
8. Receive the delivered goods
9. Complete the goods received note
10. Obtain an invoice from the supplier
11. Make the payment though a bank transfer or cross check
12. Get written acknowledgement of the payment

6.1.3. Three Open Quotes:

If the value of the services/supplies/works falls within the threshold range of PKR 25,001/- to PKR 100,000/- the organization can process the procurement by getting three open quotes from the relevant suppliers to ensure a market survey of rates from different suppliers. Quotations must always be received on suppliers letter headed paper. Once quotations have been collected a formal evaluation process should be completed. The process for this three open quotes procurement is as follows:

1. Prepare a Supplies Request (SR)/Purchase Requisition and get it approved
2. Collect three open quotes
3. Make Quote Evaluation Form (QEF)
4. Get the approval of the quotes
5. Issue the Purchase Order to the supplier
6. Receive the delivered goods
7. Complete the goods received note
8. Obtain an invoice from the supplier

9. Make the payment through a bank transfer or cross check
10. Get written acknowledgement of the payment

6.1.4. Sealed Quotation Procurement Process

If the amount of the supplies/services/works falls within the threshold range of PKR 100,001/- to 1,500,000/- the Organization shall collect a minimum of three sealed quotations. The following process shall be followed for sealed quotation procurements:

1. Prepare the SR/ Purchase Requisition with detailed specifications in consultation with the relevant specialist e.g. Shelter Engineer, Livestock Specialist, Agriculture Specialist etc. for the supplies/services/works required and get authorization according to the delegation framework.
2. Prepare the Request for Quotation (RFQ) with the following information: the item name, complete specifications, terms of payment, delivery location, deadline for submission of sealed quotations, and quotation opening date.
3. Provide a copy of the RFQ to relevant suppliers and get acknowledgement (sign/stamped/date) on the second copy from the supplier.
4. Form the Procurement Committee (PC) with a minimum of three relevant staff including one member from BOD. In case of 'high-risk' procurements based on the volume or type of goods being procured, a larger list of PC committee must be formed. For example, a team of 7 or 8 committee members should be used. For voting purposes, it is advisable to have an odd number of participants.
5. Open the sealed bids and prepare comparative bid statement/Quotation Evaluation Form (QEF). All Procurement Committee members shall also sign on the bids submitted by the suppliers in addition to the QEF.
6. The Procurement Committee should now prepare their recommendations providing justification for the selection of the supplier. When getting the approval of on the QEF from the appropriate authority on the recommendation made by the Procurement Committee, please note that the approving authority must not be a member of the Procurement Committee.
7. Conduct a reference check and physical capacity assessment (Reference check or the capacity assessment is required where procurement is of high amount or where the bidder's previous experiences is not clear from the profile of bidder/s or where organization has no previous working experience with the shortlisted bidder/s)
8. Prepare the Supplier Agreement or Purchase Order.
9. Receive the delivered goods and randomly check the quality.
10. Complete the goods received note.
11. Obtain an invoice from the supplier.
12. Make the payment through a bank transfer or cross check.
13. Get written acknowledgement of the payment.

6.1.5. Open Tender Procurement Process

If the amount in the SR is PKR 1,500,001 and above- the NDF will need to follow an open tender procurement process. Organization is required to follow the following steps for an open tender process:

1. Generate the SR with complete specifications and get it approved according to the delegation frame work.
2. Prepare the tender pack and get the same approved from Concern Logs team in Islamabad.
3. Publish the tender notice/advertisement in two national dailies with wide circulation.
4. Issue the tender pack to interested bidders.
5. Form the Bid Committee with at least two members from Concern.
6. Sign a declaration of impartiality and confidentiality.
7. Open the bids in front of suppliers and get attendance.

8. Prepare the comparative bid statement/Quote Evaluation Form and get signatures of Bid Committee and suppliers.
9. Re-sign the declaration of impartiality and confidentiality.
10. Evaluate the bids.
11. Conduct the capacity assessment of supplier(s).
12. Prepare tender recommendations and get them approved according to the delegation framework.
13. Notify the supplier(s).
14. Prepare contract.
15. Delivery of goods.
16. Issue the goods received note.
17. Obtain and process the invoices.
18. Make the payment.
19. Get written acknowledgement of the payment.

Prepare the Request: Generate the SR/Purchase Requisition for the materials/services to be purchased, get the approval according to the delegation framework. As the SR is the cornerstone of the procurement process, it is therefore vital that all information requested in the form is complete. An SR should have following minimum information:

- name, title, and signature of the person requesting/generating the SR;
- location where the SR is being generated;
- date on which the SR is being completed;
- name of the items, specifications, and quantity;
- estimated cost of the items requested;
- delivery location;
- name, title, and signature of approving authority; and
- date on which the request is approved.

Prepare Tender Pack: the procurement team will be responsible for the tender pack and will share with management for review and approval.

Tender Notice/Advertisement: In order to increase the outreach of the tender notice, tender advertisement should be published in two reputable newspapers with wide circulation (One national and one local-level Urdu newspaper). One week's notice (at least five working days) should be given for submission of the bids, and the Organization should provide an email address in the tender advertisement or upload the tender pack on its website (referring to the website address in the tender advertisement). This will ensure that the remote suppliers can compete in the bidding process. The Organization cannot publish the tender advertisement before review and approval of the tender pack by Concern.

Collection of Bid Documents by Interested Suppliers: Any interested suppliers can collect empty tender formats from the office address that is provided on the tender notice. Interested suppliers can also collect the tender pack by sending an email to relevant staff. If a tender advertisement specifies that tender packs will be available on the website, it must upload the tender pack onto website. Interested supplier can then download the tender pack from the website. If the tender advertisement specifies a fee for collection of the tender pack, maintain the record of all fees it collects and will provide receipts to the suppliers for the fee.

Receipt of Bids: The suppliers can submit the bid in person or through courier to the address stated in the tender notice. Receipt time and date of the bid must be recorded. All the bids should be numbered and placed in numerical order in a sealed tender box. If the bidder submits the bid in

person, the Organization should provide the supplier with a receipt acknowledging that it has received the bid. The time and date of receipt of the bid must be recorded.

Formation of the Procurement Committee: a Procurement Committee of at least three relevant staff members. If the bid involves technical materials (e.g. shelter, hand pumps, etc.), the relevant engineer should be also be on the procurement Committee. At least one representative of Donor must be on the procurement committee with equal rights to that of the other members of the procurement committee (if required by the donor). The person authorizing the SR should not be the part of Procurement Committee.

Pre-Tender Opening Meeting: The representative from Donor (if required) must arrive at the office (or the designated venue for the tender-opening session) well in advance of the start of the tender-opening session. The Procurement Committee will discuss the tender-opening process. The Organization should take minutes of pre-tender opening meeting and the tender-opening session.

Tender Opening/Bid Evaluation: The tender must be opened in the presence of representatives from the bidders and rates announced publically. The committee should prepare an attendance sheet, noting the presence of the Procurement Committee members and the supplier's representative by their signatures.

Declaration of Impartiality and Confidentiality: All members of the Procurement committee must sign a declaration in impartiality and confidentiality before and after the opening. Should any of the committee member notice that a bidder is related/known to him/her in any manner, and /or has a conflict of interest he/she must declare the same immediately and withdraw his/her membership from the procurement committee.

Comparative Bid Statement/Quote Evaluation Form: The Organization must prepare the comparative bid statement/Quote Evaluation Form during the bid-opening session. On the comparative bid statement/Quote Evaluation Form, the procurement committee and the suppliers present at the tender opening should sign on the bid evaluation form. The Organization will provide a copy of the signed comparative bid statement/Quote Evaluation Form to the participants in the bid-opening session, including the supplier's representative.

Bid Evaluation Criteria: The procurement committee must evaluate the bids keeping in view the principals of value for money. Concern also maintains a list of blacklisted suppliers that will be shared with the procurement committee before the tender opening to ensure that the committee does not consider any black listed suppliers.

Physical Capacity Assessment of the Bidders: The organization shall conduct the capacity assessment of the bidder selected during bid evaluation. During assessment session, the relevant team members will review the original experience documents (Previous Supplier Agreement/Purchase Orders) of the bidders and conduct an analysis of capacity of the suppliers.

Tender Opening Report: The tender report and evaluation should provide a snapshot of the whole tender process, justifying the selection and rejection of suppliers. The Procurement Committee must sign the tender report/evaluation and get the recommendations approved from the relevant authority.

Notification to Suppliers: The relevant staff member will notify both the successful and unsuccessful suppliers in writing by sending separate letters to each of the suppliers.

Contract with the Supplier(s): The relevant staff will prepare a draft contract and share it with management for approval. The draft contract will be reviewed by Donor (If required), and, after

feedback, the organization will sign the contract with the suppliers. The supplier's contract should be signed by the head of the organization (or the senior staff authorized for signing of the contract).

6.1.6. Open International Tender Procurement Process

The exact same procedure will be adopted for international tender procurement process as detailed in article 3 with the exception that the tender advertisement must be also published in one international newspaper published out-side Pakistan (In-addition to three national dailies mentioned above). In addition to this, a 30 days' notice must be given for the submission of bids in case of an International Tender. .

6.2. PAYMENTS

6.2.1) The budget holder will authorise the incurring of expenditure in accordance with the approved financial delegation framework. Actual payments for authorised transactions will normally require a separate authorisation. This payment authorisation provides an additional level of security and provides a means of monitoring payments.

6.2.2) There are Four types of payments made in Organization:

- Cash / petty cash payments
- Float payments / working advances
- Bank transfers
- Cheque payments

All payments except float is processed based on properly filled in and approved Payment Request form (available in pack). Floats are issued and cleared using Float Form (available in pack). Advances to staff to carry out expenditure (floats) should be recorded and closely monitored.

All payments need to be authorized by appropriate authority as per financial delegation framework before payment is processed (ie cheque is prepared/signed or cash paid). In the case of cheque payments and bank transfers, the signatories will act as final payment authorisers. No person should authorise his/her own expenditure. Direct supervisee can authorize expenditure for his/her line manager only in exceptional circumstances.

6.2.3) Before authorising a payment, the authoriser should consider the following and fill in the payment request:

- Has the appropriate budget holder correctly authorised the expenditure?
- Have the Organization / donor purchasing procedures been followed?
- Do the quantities and values purchased agree to the original purchase order / supplies request?
- Is the correct supporting documentation available for the payment e.g. invoice?

All paid invoices, and other supporting documentation, must be stamped and marked as paid to avoid duplicate payments and/or fraud. Cheque payments are preferred in all cases, where possible.

Finance shall review all supporting documents for a payment and may request additional documents and/or information where applicable, before processing the payment.

7. Cash Management

7.1) Cash holding limits for each office, will be defined by Finance Manager in consultation with respective senior management or C.E.O. These will vary from area to area depending on availability of, and access to banks.

Finance Manager in consultation with respective office management will decide the following and communicate them to those responsible for cash management:

- Minimum and maximum amount of cash allowed in safe and petty cash box in head office and program area. Details remain with relevant finance staff and are to be disclosed to others only on need-to-know basis with prior approval of FM.
- Minimum and maximum amount of cash allowed to be transferred from bank to head office and from head office to programme area. Where insurance facilities are available, this limit should not exceed the insured amount. Details remain with relevant finance staff and are to be disclosed to others only on need-to-know basis with prior approval of FM.
- Maximum cash payments to suppliers allowed is Rs. 10,000. Cash payments should be kept to a minimum. Any cash payments over specified threshold should be properly justified and approved by appropriate authority.

The level of cash actually held in offices is confidential information and should be made available on a strict “need to know” basis only.

All money transfer requests made by project offices must be supported by cash flow projections and all in-country transfers of money must be authorised in advance. Bank to bank transfers are the preferred method of transfer. Fund transfers also need appropriate approval according to Organization financial delegation framework. Physical cash transfers should only be made between offices as a last resort. A written acknowledgement should be provided immediately upon receipt of the cash.

7.2) The security of cash, safe and chequebooks is a high priority. The safe should be located in a place, which is not attached to an outside wall and not in public view. Organization uses fire proof safes, which should be cemented to the floor. The Finance Manager is responsible for the main safe at head office. The most senior manager in the branch office is responsible for the safe at the branch office. The safe key should be with the Finance Manager, or senior manager (whichever is applicable). Cash should be locked in the safe at all times when not required. At head office level, the Chief Executive Officer and Finance Manager (or his/her designate) are the only two people permitted to hold safe keys and lock combinations (if any). In the field offices, the manager (office Incharge) should have access to the safe. Spare keys for all safes, including petty cash, should be kept with the C.E.O. The C.E.O will not usually open the safe without first consulting with the Finance Manager or the relevant manager in field offices.

7.3) The petty cash box should have a practical limit of cash which is not exceeded. Cash should be accessible by only one person at any given time.

In the case of the person in charge of the safe going on holidays or field visits, a formal handover procedure should be carried out, involving a joint cash count of the money in the safe being signed off by both parties. The Finance Manager should be informed about the person who will provisionally take charge of the safe, in advance.

7.4) At the head office and in all field offices the petty cash (in a locked cash box) is to be maintained by the Finance Officer for daily payments. At the end of the working day, the petty cash box should be reconciled and locked by the Cashier and then, placed in the safe. The petty cash keys will be held by the Cashier, not by the safe key holder.

The petty cash should operate on an imprest basis, which means that it should have a fixed maximum value which is never exceeded. When expenditure is made from petty cash, and the balance is reduced to a certain minimum level, then an equivalent amount will be transferred from bank to the petty cash box to restore the original balance.

7.5) All locations, where cash is held, are obliged to conduct, at a minimum, a cash count and reconciliation (available in pack) on a weekly basis, in relation to the main safe, and on a daily basis, in relation to the petty cash box. This cash count must be documented and must be checked on a weekly/random basis by a third person, who has no direct cash-handling responsibilities. The Finance Manager or a senior manager in project office, must verify the cash reconciliation and investigate any differences that may arise.

Along with the daily and weekly cash count, the Chief Executive Officer or operation/Program Manager in head office and the senior manager in the program offices must carry out a monthly cash count and sign off the monthly reconciliation. A summary listing of all cash and bank balances, along with float and personal account balances should be provided to the Finance Manager at month end. Spot checks and surprise cash-counts are advisable by senior management staff.

The reconciliation on the last working day of the year is required for audit purposes. This must be verified by the Finance Manager and the Chief Executive Officer in head office and by a senior manager and administrator in the program office.

7.6) If there is a shortage in cash, this shortage will be deducted from the salary of the person responsible for cash. If the missing money is subsequently recovered, then the person who paid for the loss should be reimbursed. If excess cash exists, the amount should be posted to Sundry Income until such time as it is clarified.

7.7) All incoming cash should be handed over to the cashier in finance immediately and should be checked carefully for forgeries. Forgeries can arise from either dealings with the bank, third parties and even staff. To reduce this risk, care should be taken when withdrawing money from the bank, ensuring that the notes are checked before leaving the bank. Also, the cashier should not generally facilitate the exchanging of large notes for third parties or staff because of likely difficulties in tracing the source.

Upon discovery of forged notes, the Finance Manager must be notified immediately. After satisfactory investigation, the forgeries need to be written off and destroyed. The Chief Executive Officer or senior management can authorise up to (Rs. 50,000). Any amount over (Rs. 50,000) must be authorised by the Board. In agreement with board, ED or senior management should decide this threshold.

7.8) For all Organization offices, an insurance policy should be taken out for cash in transit and for the cash in the safe, to protect from losses. Insurance should be reviewed every year to cover cash in safe and in transit. Administration Department shall assist with the insurance.

7.9) A float (also called working advance) is a cash advance given to authorised staff in order to carry out organisational expenditure. The need for a float might arise under the following circumstances:-

- Where cash payments are required.
- Where value of the purchase is unknown.
- Where authorised staff are required to make payments on behalf of the project/organisation while away from the office.

The authorised staff member settles the float by returning with relevant documentation as proof of payment together with any surplus cash.

The person to whom cash is advanced is known as the float holder. Floats should not be issued to anyone outside of the organisation. Float limit is one month gross salary (unless otherwise specifically) authorised by appropriate authority per financial delegation framework.

7.10) The issuing of floats needs to be tightly controlled and recorded in the float logbook. Floats can only be issued up to the float holders' limit and each individual float holder can only hold one float at any one time. Sub floats are not allowed. In exceptional circumstances, permission may be granted for a second float by the float holder's line manager, provided that there is proper justification. A float holder cannot authorise his/her own float.

7.11) Floats can only be used for the purpose for which they were originally authorised and issued.

7.12) Floats should be retired in the office in which they were first issued. Taking floats from an office other than the base office of the staff member is discouraged. When issuing floats to authorised staff from a different office, the cashier must first consult with the cashier of the requestor's base office to ensure that he/she is not holding another float. In special circumstances, another office can provide a second float, as long as the float holder settles the second float before he/she leaves. It is the responsibility of the float authoriser to know the relevant budget code. A senior manager in the second office must authorise the expenditure.

7.13) Every effort should be made to retire floats as soon as the purpose is served or maximum within two week of their issue. Exceptions can be made for authorised programme staff that spend long periods away from the office in remote/inaccessible areas. Float holders, when retiring their old float, must give back any unspent money before taking a new float. Where a staff member fails to account for a float within an agreed period of time, the outstanding balance may be deducted from salary. In so far as is possible, all floats should be cleared before 31st December (financial year end) and outstanding floats at financial year end should be kept to a minimum.

8. Bank Management

8.1) All bank accounts must be in the name of 'Organization'. The Chief Executive Officer is the only person who has full authority to give permission for the opening and closing of bank accounts.

The FM must regularly review bank accounts and process closure of any accounts that are no longer required. Only government and banks with wide circulation should be considered as these banks are deemed to have less risk attached to them. Whenever bank accounts are opened closed, or changed, full details of selection and closure or change should be documented by Finance team.

8.2) The Chief Executive Officer must designate all signatories for all official transactions including the ordering of new chequebooks. There must always be a minimum of two signatories for any bank transactions (withdrawals, signing cheques, instructions for bank transfers or other payment forms). All forms of communication with the bank should be on Organization Name headed notepaper and should have the Organization stamp. For this reason, the Organization stamp must be kept in a safe place at all times when not in use.

The Chief Executive Officer must be a signatory on all bank accounts. For all bank accounts, the Chief Executive Officer should give a written advice to the Bank Manager with the authorised names of the signatories. Where possible, most senior staff available should be preferred to be on signatory list.

For any banking transactions, a minimum of two authorised signatories' signatures will be required. When signatories are signing the cheques, they must verify the backup documentation. If an employee, who is a signatory, is leaving, the Finance Manager should take measures and advise Chief Executive Officer to appoint the new signatory at least one week before the employee leaves. Similarly FM should do necessary arrangement for removal from signatory list the staff leaving the Organization.

A minimum of two people (e.g. driver plus one other) must also be involved in the physical process of cash withdrawals from bank accounts. Where transactions are large or conditions are insecure, an

additional person should be included. It is advisable not to set standard pattern in terms of timing, person, and route followed to go to bank for cash withdrawal.

8.3) Chequebooks, when not in use, should be kept in the safe. When writing a cheque, it is important to complete the cheque stub also. If a cheque is cancelled for any reason, the cancelled cheque should be mutilated and attached to the stub; cancelled cheques must not be disposed of or destroyed. Blank cheques must not be signed under any circumstances. Advance-dated cheques should not be allowed.

8.4) If a cheque is lost, the bank should be immediately informed by telephone, to stop payment of the cheque. A letter should be sent to the bank, in duplicate, for the attention of the Bank Manager. One copy stays in the bank and the other returns to finance with the bank stamp.

The bank account should not be overdrawn, under any circumstances. Minimum balance for each bank account is defined and should be maintained all time.

8.5) Bank statements should be obtained from the bank for each account at the end of each month, as promptly as possible and arrangements are made for e-statement. Upon receipt of the statements, bank reconciliation must be completed every month and reviewed by someone other than the person who normally handles and prepares bank transactions. They must then be approved by the Finance Manager or Chief Executive Officer /PM for head office bank accounts and by the senior manager, authorised to do so, for the branch bank accounts. The bank statement must be attached to the reconciliation.

In dealing with banks, management must ensure that they are in full compliance with the counter terrorism policy of the organisation.

9. Payroll

9.1) It is the responsibility of the Finance Manager to ensure that proper salary records are kept for all local staff, (according to Organization's HR regulations e.g. contract, salary scale and other entitlements). The Finance Manager must also ensure that salaries are paid on a timely basis.

9.2) Where possible, all salaries should be settled by bank transfer or cheque rather than by cash. The maximum limit for cash payment is suggested to be PKR 10,000 with exception to salary payment upto PKR 20,000 that can be paid through order cheque. Where salary is paid in cash, a written acknowledgement must be obtained from the recipient.

9.3) All payrolls must be reviewed and authorised by the senior manager (as per the authority delegation), prior to disbursement. The Finance Manager should ensure that a commentary is provided for any variations in payroll, when compared to the previous payroll.

9.4) Where an employee is leaving the Organization, any outstanding dues must be settled by the employee before final salary payment.

9.5) Staff advances not generally permissible (salary or otherwise). Only in unusual circumstances should a salary advance be permitted subject to organization HR policy. On these rare occasions, the maximum advance would be equal to one month's salary. Such advances are at the Chief Executive Officer 's/ Board discretion and if approved, they must be repaid within the next three months.

9.6) The organisation may not offer guarantees to any third party for staff loans or other debts.

10. Accruals

10.1. Introduction

Accruals is a term used in accounting to recognize revenues and expenses that have been earned or incurred, respectively, and for which the related payments have not yet been received or paid out. Accruals are needed to ensure that all revenues and expenses are recognized within the correct reporting period, irrespective of the timing of the related cash flows.

Accruals consist of those cost of goods/services received within the period where payment has not yet been made at period end.

Accruals are a key part to the closing process used to create financial reports under the accrual basis of accounting; without accruals, financial reports are considerably less accurate and misleading.

10.2. Accrued Expenses

Accrued expenses are the obligations to pay for goods or services that have been received or supplied but for which payment has not yet been made.

An accrued expense is an expense that has been incurred, but for which there is not yet complete documentation received.

Background:

Most of the Organization record their accruals at the end of the Period/Financial Year/Project on an estimated basis. Donor reports are prepared on the basis of these accruals. Any accrual inappropriately booked may result in reporting incorrect figures to the donor(s) and may result in financial and legal implications at a later stage.

Procedure:

To justify an accrual, there must exist documentary evidence to support the accrued amount (e.g. a Goods Delivery Note or an external surveyor's written assessment, invoice, GRN, attendance sheet etc.).

Accruals should not be made solely on the basis of budget, estimates, previous expenses trends, a supplies request or a cancellable contract (i.e. one from which either party can withdraw). When booking accruals, Organization regulations must be taken into consideration.

Accruals cannot be booked simply to utilise the balance Budget or Grant. If the costs have not been incurred and/or are not adequately supported, then they must not be recorded

There are two types of accruals to be recorded;

1. Accruals Based on Previous Months Invoices:

Invoices received after cut-off date: In this case accruals are booked on the basis of previous month's invoices. A copy of these invoices should be attached with the relevant accrual voucher. The documentation is also relevant for audit purposes.

a) Example: Utility Bills, Recurring security services invoices, drinking water bills etc.

Supporting Documents:

i) Last month paid bill

ii) Last month invoice & copy of contract (In case of Consultant/Advisor/Rent/Security Services)

Note: Please do not accrue the cost of Gas, Telephone and Electricity bill until the exact amount of the bill is known (the bill amount can be obtained from the respective utility website (For instance – PTCL bills can be downloaded through PTCL Website even before the actual bill is delivered). In such cases print-out of the bill should be attached with the accrual voucher.

2. Accruals based on Purchase Order/Contract:

Where goods have been received or services performed - In these cases attach the PO/Contract, together with other supporting documentation such as email confirmation, goods received note (GRN/certificate/attendance/report) that proves the goods have been received and/or the service performed. Cross refer the accrual template to the supporting documentation. Each piece of supporting documentation is to be numbered in a sequence starting from 1 to XXX and that number must be recorded on the accrual template (mentioned below). This is done for audit trail and to make review as easy as possible. Examples;

- b) Construction/Supplies contracts
- c) Consultant payments
- d) Accrued salaries and wages.
- e) The accrual voucher must be cross referenced with the previous payment voucher against which the previous month payment was made.

Supporting Documents:

- i) Invoice received
- ii) Contract/Agreement/Purchase Order (PO's)
- iii) Goods Received Notes (GRNs), attendance sheet, work completion certificate, final report by a consultant (output).

11. Advances to Suppliers /Contractors/Consultants

11.1) As a general rule, advances to suppliers/ contractors and consultants will not be given, unless:

- A valid contract is signed
- A proven track record exists
- The nature of the service/supply requires advance payment
- Minimum risk is involved
- Work in progress can be proven and assessed

11.2) In accordance with Organization's Procurement Policy/Logistics Manual, advance payments should be avoided if at all possible. Significant advances should only be made with the approval of the Chief Executive Officer .

In general, advances to suppliers should initially be charged to debtors and subsequently expensed as the contracted work progresses or as goods/services are received.

12. Fixed Assets

12.1) A fixed asset is an item with a useful life of more than one year life and with a cost of or more than Rs. 10,000. Fixed assets are recorded as an expense at the time of purchase, hence no depreciation arises.

It is mandatory that each fixed asset has an identification number attached to it at time of purchase. If possible, it should be clearly marked as the property of the Organization to discourage theft. Assets are coded according to the coding scheme adopted in Organization Fixed Asset Management System.

12.2) A fixed asset register must be maintained for all assets including donated assets. The register should consist of the following:

- Asset ID number.
- Date of purchase.
- Asset type e.g. Camera / Computer / Vehicle.
- Detailed description of asset e.g. Canon camera model 219.
- Cost (including transport and other costs if significant).
- Location.
- Donor (if applicable).
- Date of disposal.
- Reason for disposal.
- Disposal authorisation.
- Comments – any other relevant information.

Admin or Log Officer otherwise finance officer is responsible of maintaining the fixed asset register. If IT officer does not have a clear understanding of Organization's fixed asset rules and procedures, they may seek clarification from the finance team.

A member of the finance team must verify this register annually, with a member of the Logistics Department. The person who normally maintains the fixed asset register should not be involved in this process. A copy of the verification, together with any recommendations, must be given Finance Manager and to the Chief Executive Officer .

12.3) The funder of the asset (if any), and the name of the funded project (if relevant), must be recorded in the asset register.

12.4) When an asset is transferred from one location to another, the transferor should prepare a transfer form in triplicate. Organization transfers assets using Good Delivery Note. One copy stays with transferor; two copies go to the transferee. Upon receipt of the asset, the transferee signs both copies, keeps one and returns one to the transferor. The asset register must be updated accordingly.

12.5) When assets become available for disposal, this must be done in a fair and transparent manner. If there are assets that are obsolete, a report should be prepared, listing the assets that are obsolete and the proposed action. This report needs to be approved by the Chief Executive Officer . The Chief Executive Officer may approve write-offs of fixed assets up to a net realisable value (NRV) of Rs. 50,000; Anything above this requires approval from the Board.

In the case of the sale of an asset, Organization should look for maximum realisable value. One possible action is to list all assets for sale and allow all interested parties to put in a tender. It is important that Organization receives market value for the assets even if sold to employees. No member of the disposal committee that is deciding the fate of certain assets is eligible to bid for those assets. All disposals must be documented and all legal restrictions (e.g. technical certificates, registrations etc) and donor restrictions must be taken into account.

12.6) All assets should be kept in a secure location. All necessary security regulations need to be put in place to minimize the risk of theft or damage. All assets should be insured.

13. Stock

13.1) All stock items are expensed when purchased. There is one exception. Where items are purchased for future bulk emergency response, and not for specific projects, these will be treated as stock items.

In the case of bulk amounts of fuel purchase, these should be recorded as prepayments and not as stock items. Fuel is a known expense which is guaranteed to be used over time but due to circumstance and/or scarcity in the market, bulk purchases of fuel are required.

13.2) Where bulk supplies are purchased for a specific project and funded by a donor, and remain unused at the end of the funding period, these need to be expensed as normal but disclosed clearly in the donor narrative report. If unused and of significant value, then, depending on donor regulations, the amount may need to be deducted from reported expenditure, to avoid overcharging the donor.

13.3) Stock records must be maintained and regular stock counts undertaken.

The Finance Manager should receive a copy of the all stock movement report. The finance team should carry out periodic (at least annual) stock checks and surprise stock checks.

14. Taxation

14.1) Income TAX must be deducted as per Income Tax Ordinance 2001 when making payments including salaries and supplies. Deducted tax and tax reports/returns will be deposited to the relevant revenue authority on a timely basis as per Income Tax Ordinance 2001 requirements.

14.2) Sales TAX must be deducted as per Sales Tax ACT 1990 when making payments for supplies and services. Deducted tax and tax reports/returns will be deposited to the relevant revenue authority on a timely basis as per Sales Tax Act 1990 and provincial revenue authority requirement.

14.3) Registration The organization must be registered with relevant federal and provincial revenue authorities.

Concern Pakistan has developed a guideline manual for the stakeholders to refer to the relevant applicable tax laws in Pakistan. This booklet must not be considered as a substitute to the Income Tax Ordinance 2001 or Sales Tax Act 1990 which are regularly updated through Finance Acts & SROs. Please refer to the Tax manual (Tax year 2021-22).

15. Accounting system and reporting

15.1 Introduction

'Organization' financial year is either from January to December or July to June. During the year, the Finance Department produces numerous reports for a variety of stakeholders, including Country Management, budget-holders, and donors.

Reports to Country Management and budget holders should be on a monthly basis, while the frequency of reports to donors should comply with donor requirements.

Board meets XXXX times a year; to enable country Finance to finalise the relevant budgets and reports in time for these meetings, it is important that all reporting deadlines be met.

Finance Manager must adhere to these deadlines and ensure their systems facilitate this. Where difficulties arise in meeting deadlines, prior notice should be given to Chief Executive Officer .

15.2 Timetable for reporting

Quarterly and year end reporting with year starting January

Month	DATE	Reports to Dublin	Relates to
JAN	31 st **	Qtr 4 Financial Reporting and Year end schedules	Previous year
APR	30 th	Qtr 1 Financial Reporting	Current year
JUL	31 st	Qtr 2 Financial Reporting)	Current year
OCT	31 st	Qtr 3 Financial Reporting	Current year

Budget and Budget Revisions

JAN	14 th	Budget Revision 1	Current year
JUL	14 th	Budget Revision 2	Current year
SEP	14 th	Annual Summary Budget	Following year

The dates in this schedule may vary slightly from year to year; countries will be informed of any changes. Deadlines relating to other tasks are detailed in the relevant section of this manual.

The timing as to when donor reports are sent will be dependent on the donor agreement. The organizations are authorized to incur costs based on the budget and the terms of the agreement. If

5. Donor reports

As and when required by donor agreement, financial reports are produced by the finance manager for review by the management, where upon they are sent to the donor for approval.

6. Audited financial statements

At the year end, finance manager send the financial reporting pack to Chief Executive Officer /board for approval, the audited financial statements for the country (when completed) and other information required by organization's auditors. Once the audit of organization's financial statements is complete, they are sent to board member for approval

16. Income

16.1) generally income categorize as:

- Cash received from international donors.
- In compliance with country laws and regulations, cash received from the general public for specific and non-specific donations. (Restricted general donations (RGDs) and general donations (GDs) respectively).
- Other non-programme related income e.g. sale of an asset / bank interest.

16.2) Income is accounted for on a cash-receipts basis.

16.3) All income must be received directly in Organization bank accounts. The country operation has immediate direct access to these funds. It is the Finance Manager's responsibility to correctly record all income in the general ledger, and to retain adequate documentation of same.

Any other incidental income received from, for example, the sale of assets, will generally also be received into the bank account. This type of income should be regarded as being available to fund the approved budget (subject to donor guidelines, see below for details). it is not available for discretionary purposes.

Where incidental income arises from donor funded activities, for example, the sale of an asset which was originally purchased with donor funds, then the management must take extra care in accounting for this income i.e. donor guidelines should be consulted to decide whether to record it as income or to offset it against funded expenditure.

Any refund of expenditure which may arise, for example, from the sub-let of buildings or personal phone calls, should not be considered as income but will be offset against expenditure.

17. Internal Organisational Budget

17.1) A budget is an activity plan expressed in financial terms, which provides the direction for the organisation's resources. It is the tool that holds management accountable for the resources with which they have been entrusted.

When compiling a budget, each budget holder must consider:

- What activities are required / what items will be purchased?
- How much will be spent?
- Where will the activity / expenditure take place?
- Who will fund the cost of the expenditure?
- How will the expenditure be accounted for / recorded?
- When will the expenditure occur?

17.2) Budget preparation is the responsibility of each individual Programme and operational manager i.e. budget holders. The collation, review and analysis of the budget is the responsibility of the Finance function under supervision of Finance Manager. The Chief Executive Officer must approve the budget before submission to Board and/or donors. Budgeting is a participatory process and as such it is essential to have good collaboration and communication between programmes, support and finance staff during this process.

The recommended approach is “zero-based” budgeting or “bottom up” budgeting. By this we mean that expenditures must be justified each year and not arrived at simply by adding a percentage to previous years. This does not mean, however, that we do not look at historical costs/trends during the budget process. Analysis of past experience in terms of costing and resource needs should be an integral part of the budgeting process. The budget must be fully detailed by activity to ensure that exact plans are outlined and it must be broken down by months.

If a budget holder engages in expenditure on activities outside of the initial activity plan, or if an activity will cost significantly more than what was budgeted, approval must be sought in advance from the Chief Executive Officer.

17.3) The budget process involves the preparation of a full annual budget with three revisions during the actual year of the budget. Revisions are required where any significant changes occur in funding/income/expenditure. The first revision follows on from the annual budget; the second revision follows on from the first and so on. The third budget revision is especially important as it is the final revision of the year and the last chance to make best estimates of funding, income and expenditure for the year. The third revision should also be the most accurate as it will include actual figures for the first six months of the year.

Also where a donor funded project exists, the expenditure must also be line with this budget, meaning that budget-holders must align their operational budget with this donor budget.

17.4) All budgets (both donor and annual budgets) must be continually monitored and reviewed by Management and budget holders on a regular basis. If any under/over spend arises, it is the responsibility of the budget holder to take the necessary action to ensure the budget is a good reflection of planned activities.

As a general rule, we do not have any authority to incur expenditure which has not been included in a budget approved by the governing body, Board. Hence the budget process should also be used as an opportunity to review financial performance against the donor budget, and to assess whether a budget revision request, no cost extension etc might be required.

18. Audits Internal & External

External Audit

18.1.1) NDF’s financial year is from 1st July to 30th June. The scope of the audit is set out in the letter of engagement. In addition, management will request the auditors to provide a comprehensive management letter to help improve systems and controls.

The audit needs to be performed by a reputable firm which operates to international standards, and the signed audited financial statements must be available to head office before 30th September (within three months of the financial year closing). Management should endeavour, where possible, to ensure that the audit fees are within 0.5% of annual income. The auditor selection documents and process is available in pack.

18.1.2) Where a donor requires a separate audit, the audit work should be scheduled for the same period as the annual audit work, if possible. The price should be negotiated for both audits simultaneously. This saves money and also time spent dealing with auditors.

18.1.3) The audit report must agree with the above time line. If the audit report is going to be different because of changes made since the financial reports were submitted, Chief Executive Officer need to be notified of the changes and they must also approve them. If there is a risk that the audit report will be qualified, prior notification must be given to Chief Executive Officer .

18.1.4) Organization needs to get at least two copies of the audit report; The government or other bodies may ask for a copy of the audit report, these must be given only with the approval of the Chief Executive Officer . Organization must retain a copy of each year's audit report from the first year of operation until the end.

18.1.5) If Organization receives a management letter from the auditors, this is confidential and should not be disclosed to third parties, unless authorised by the Chief Executive Officer .

Internal Audit / Inter Office Audit

18.2.1) Comprehensive internal audits will be carried out by an Internal Auditor/Finance manager, according to internal audit/Finance department plans.. It is important that the management team engage fully with the Internal Auditor/finance manager to fully benefit from the audit. The purpose of the audit is to assist the management team in identifying problem areas that they may or may not be aware of by conducting an independent review.

18.2.2) The views of the senior management team provide an important input to the audit work. Prior to the internal audit taking place, the senior management team should consider their risk management situation and how the audit could help them.

18.2.3) The Internal Auditor during the course of the audit should review and confirm any points arising with the management team. Towards the end of the audit the internal audit report will be drafted by the Auditor. This will form the basis of the end of audit meeting between the Internal Auditor and the management team.

18.2.4) The format of the internal audit report includes a section for "Management Comment" under each recommendation. This is to formally document the management team's views of the recommendation and how and when it will be addressed. All action points will be followed up by the Internal Auditor to ensure that they are fully addressed.

18.2.5) Sometime after the audit a follow up questionnaire will be sent out to find out how the audit was perceived in the Organization The survey will cover:

- Professionalism.
- Customer focus.
- Challenge.

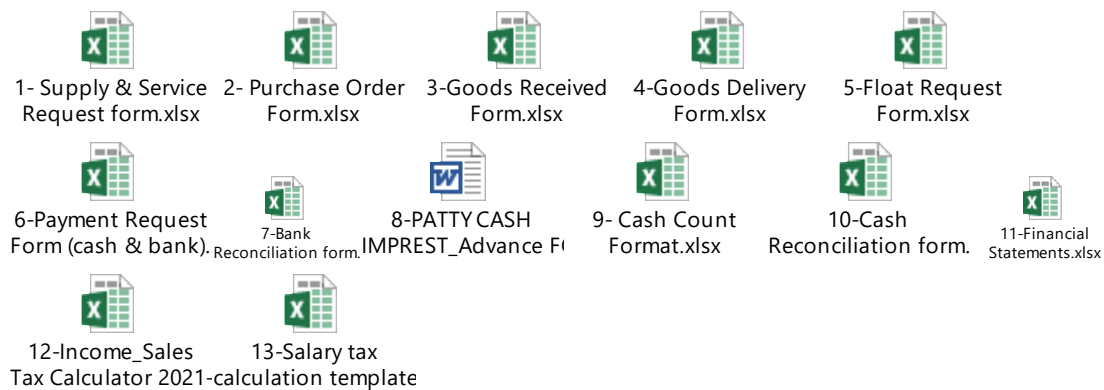
- Teamwork.
- Quality of solutions/recommendations.

The feedback from the questionnaire will be used to continuously improve the audit programme.

19. Formats

This section include different formats for recording and reporting

1. Supply/service Request form
2. Purchase Order form
3. Goods Received form
4. Goods Delivered form
5. Float/Advance Request form
6. Payment Request form (Cash/Bank)
7. Bank Reconciliation form
8. Petty Cash advance form
9. Cash Count
10. Cash reconciliation form
11. Financial Reporting Form (FRP)
12. Tax calculator 2021-22



The End