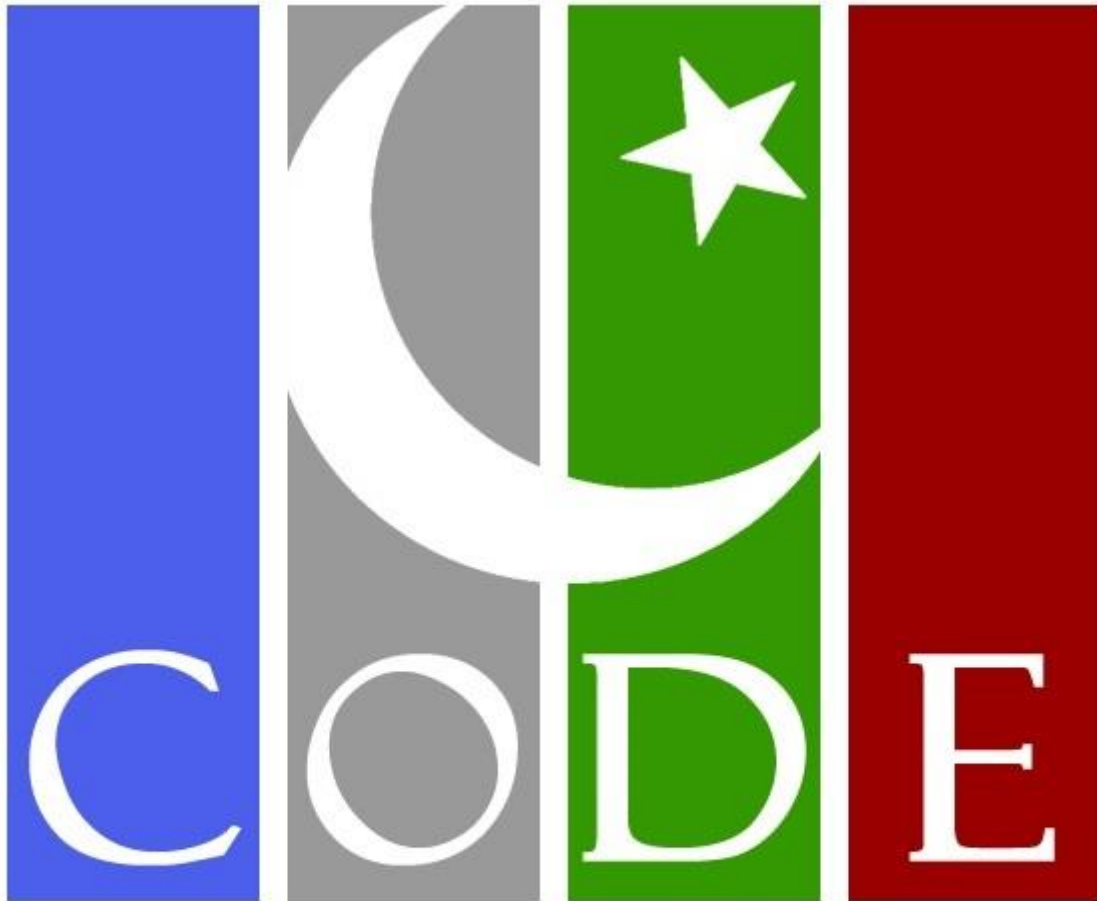


FINANCE MANUAL








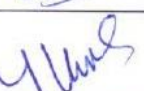
CURSOR OF DEVELOPMENT
AND EDUCATION PAKISTAN

CODE PAKISTAN

June, 2019

In the exercise of powers conferred upon it under Article 7(b) of the Constitution of CODE PAKISTAN, the Executive Committee in its meeting held on June 24, 2019, agreed on and unanimously assented to the following financial policy for the Organization. The meeting was attended by,

Signed by members of the Executive body, CODE PAKISTAN

S. No	Name	CNIC No	Signature
1.	Dilawar Khan	61101-8303883-9	
2.	Aarish Ullah Khan	17301-3456349-5	
3.	Ataullah Khan	15307-5727433-1	
4.	Saba Imran	61101-0113786-6	
5.	Mohsin Ali Turk	16202-0886262-5	
6.	Adnan Iqbal	61101-4959483-3	
7.	Usman Ali Shah	17301-1091724-7	

Introduction

Purpose of this Manual

1. This manual has been designed to help CODE PAKISTAN staff to streamline and improve their accounting systems in light of the national and international financial standards and meet CODE PAKISTAN accounting and reporting requirements.

Scope

2. The manual primarily focuses on the financial and accounting aspects of CODE PAKISTAN. Some of these aspects are connected to other issues, such as recording of financial transactions, making financial reports for donors, or dealing with Income Tax matters. Therefore, a limited discussion of these matters is also given.

Authority

3. This is a composite manual to help strengthen the accounting systems of our staff in general. The contents of this manual may have varying degrees of authority.

Compliance with Pakistani Laws

4. These are requirements prescribed by Pakistani laws as interpreted by the designers of this manual. The manual is designed so that there is no conflict with the legal requirements.

Modifications to this Manual

5. The Executive Committee shall, from time to time, review this manual and pass amendments and modifications in accordance with the national and international financial policies. The amendments or modifications, if any, shall be duly published for the information of all concerned.

Terminologies

6. Today, there are no terms or words that can meet everyone's approval. We have tried to use words that are common. In this context, 'NGO' means CODE PAKISTAN, a developmental organization that mainly implements programs/projects directly. Often we have used the word 'you' when addressing the donor providing funds for any ongoing program/project, which has been termed as 'grant'. 'Accountant' means the person who looks after your accounts. Throughout this manual, Developmental Organization refers to **CODE PAKISTAN**.
7. If you need any clarifications
 - You can discuss the matter with your auditors/advisors; or
 - You can speak to the concerned CODE PAKISTAN program/project person; or

- You can contact CODE PAKISTAN office.
- You can write to the Executive Committee, with a copy to CODE PAKISTAN.

Grant Conditions

8. **CODE PAKISTAN** policy on grants includes the following provisions:
 - a) Efforts will be made for the availability of sufficient funding for the attainment of objectives of the organization and to meet operational and program/project requirements. The grants so obtained shall be used for the activities of the agreed project alone and not utilized for any purpose not mentioned in the financial technical proposal for the project.
 - b) The grant shall not be used for a purpose other than those outlined in the appended budgets and program/project plans and it shall not be used as a source of income or profit. In case there is any leftover budget/fund on completion of the project, it shall be returned to the donor agency or disposed of in the manner as the donor agency directs. However, if the donor agency/organization did not issue any instructions for the leftover budget, after three successive notices with 30 days interval each, the Executive Committee will be authorized to decide on it on expiry of thirty days after the final notice. The total expenses of the program/project will not exceed the approved amount as prescribed in the budget/grant agreement, however, in case of overspending due to any justifiable or authentic reason, prior intimation, and approval from the donor/Executive Committee/President (as the case may be) will be required.
 - c) The Organization ensures compliance with the policies of the state or with the accounting rules and regulations of the registration authority or with any requirement specified by the donor agency/Executive Committee.
 - d) **CODE PAKISTAN** will clearly state the NGO contribution where it has done so in any intervention.
 - e) All financial disbursements of PKR 10,000 and above will be paid through A/C Payee check or bank transfer.
 - f) All assets funded to **CODE PAKISTAN** should be clearly coded. The same shall not be sold or pledged with any financial institutions. In the event of the project being withdrawn before the date of completion, all such assets like vehicles, computers and office equipment, furniture and fixtures, and engineering equipment, etc. will be returned as per grant agreement or by approval from the Executive Committee.
 - g) **CODE PAKISTAN** shall use the standard format for financial transactions.
9. The Organization undertakes to execute the program/project and manage the funds in double entry system on a cash basis and according to the standard accounting practices prescribed by the Institute of Chartered Accountants of Pakistan for non-profit making organizations.

10. It is the responsibility of the organization to maintain an auditable accounting system. The books of accounts of the organization shall at all times be open to audit by the donor agency or by auditors appointed by **CODE PAKISTAN**.

Standards to be Maintained

General

11. **CODE PAKISTAN** will maintain its accounts in the double entry system of accounting. The accounts are maintained as per the standard accounting practices prescribed by the Institute of Chartered Accountants of Pakistan and follow cash basis of accounting (and Hybrid System as and when needed).
12. Transparency would mean 'not just doing it, but seen to be doing it'. This means that for every transaction there should be adequate supporting documentation and cross-references at every stage. Even though authorization of the cash memo may have been done by the concerned competent authority, it is possible for an auditor to ask for evidence that the snacks were indeed purchased for the meeting and not for, say, the staff's entertainment. It is thus inevitable to prepare adequate records of the meeting so as to establish the fact that it did actually happen. The above is just an instance to explain the maintenance of the accounting trail, which is a necessary part of financial transparency.
13. There shall be a full-time skilled accountant to maintain the book of accounts of the projects funded for **CODE PAKISTAN**.
14. **CODE PAKISTAN** shall submit to the Executive Committee one copy of their consolidated annual audit report within 3 months from the close of the financial year. These should show each **CODE PAKISTAN** project as a separate item of income and should bear a certificate to the effect that the grant was expended in accordance with the terms agreed with **CODE PAKISTAN** along with an auditor's certificate confirming the total income and expenditure in respect of **CODE PAKISTAN's** grant.

CODE PAKISTAN Issues

15. It is important to note that **CODE PAKISTAN** will record and maintain minutes of not only the Executive Committee meetings but also of the management body if any. In addition, minutes of all official meetings held, such as internal staff meetings and with field workers, shall be documented and preserved for future reference.

Governance

16. It is the responsibility of the organization to manage the interventions by the Executive Committee to exercise a great deal of fiduciary responsibility to ensure that the funds are spent in a manner in which best results are obtained, that the funds are expended to the purpose that they were meant for and that the whole process is done transparently. Provision of services is not an end itself but the creation of an enabling environment

which would enable the overall development of the target group socially and economically so that they can transcend the current barriers and become empowered enough to manage their own affairs has to be ensured. Processes and procedures that have been prescribed need to be scrupulously followed and accountability of all involved in the decision-making process to the target community has to be given primacy.

Leadership

17. The management of the organization would have to exhibit a great deal of leadership in bringing in the participation of the auxiliary staff. Leadership cannot be external in origin at all times and leadership within the organization being reached to has to be developed. The development of the second line of leadership is crucial for the success of the intervention.

Income / Cost Recovery

18. **CODE PAKISTAN**, being a not-for-profit organization, shall not earn any interest on its project-related bank deposits, or any income generated from program/project activities. However, if the donor agency requires its funds to be kept in a savings/profitable account, the profit so earned on the amount of grant shall be reimbursed to the donor agency, as per its requirements and rules. This fact shall be duly recorded in the book of accounts as well as audit and annual financial reports.

Activity Based Accounting

19. The concept of activity based accounting would include activity planning, activity-based costing and reporting would need to be followed. This would help track expenditure against each individual activity and help identify the cost-effectiveness of each individual activity. **A financial MIS would need to be in place to assist decision making and maintain a regular check on day to day spending. For that matter, the Executive Committee will approve necessary expending in respect of the purchase of an MIS system and its subsequent updating on a periodic basis.**

Financial Year

20. Financial Year of **CODE PAKISTAN** will start on July 1st and end on June 30th.

Financial Procedures

Accounting Procedures

21. **CODE PAKISTAN** management will ensure to clarify all procedures to all staff to make sure that accountability is a joint responsibility and does not rest solely with the Finance section.

22. The Finance section is to ensure that:

- a) The payment has been properly authorized.
- b) The payment is charged to the correct expenditure head.

- c) The payee details are correct.
- d) The person initiating the payment will ensure that the correct amount has been authorized.
- e) The particular expenditure was necessary and due.

Maintaining Accounting Trail

23. Every transaction would be traced back and forth since the account books are maintained in a set pattern.
24. The trail is as follows:
- a) Expense -> Cash Memo/Invoice -> Voucher -> Cash Book -> Ledger -> Trail Balance -> Income and Expenditure Statement -> Balance Sheet.
25. Hand in hand with an accounting trail, we can trace what we can call a programmatic trail:
- a) Work plan -> Activity to be performed -> Authorization from the Program/project Head for the expense related to the activity -> Perform the Activity -> Maintain the relevant program/project records.
26. The accounting trail is important as it helps to check/countercheck expenditure incurred/activities done and thus helps in maintaining a transparent system.

Petty Cash Management/Cash Receipts

27. There is, on multiple occasions, a need for **CODE PAKISTAN** to make payments of relatively small amounts for which payment by check would not be efficient or cost effective. To provide a source of cash (currency) in hand for such disbursements, it is appropriate to maintain a special cash supply that is designed as a Petty Cash Fund. Petty Cash Fund shall be maintained against a proper record of which the maximum limit would be of PKR 50,000/- and a minimum limit would be of PKR 20,000/-.
- a) Administrative/Logistic Department will initiate the petty cash process and will hold it.
 - b) Imprest fund that is replenished for exactly the amount expended, once established, the general ledger balance for an imprest fund does not change except by management decision.

Policy Statement

28. The general disbursement policy of **CODE PAKISTAN** is to issue checks for goods and services. However, to facilitate certain business transactions, expenditures, up to PKR 9,999/-, may be paid for or reimbursed out of petty cash. The policy for payment of petty cash expenses from the fund is as under:
29. In order to control the cash payments, **CODE PAKISTAN** shall maintain petty cash imprest system, the maximum and minimum amount disbursement of which shall be from PKR 1/- to PKR 9,999/-, depending on the need or as determined from time to time

by the President of **CODE PAKISTAN**. The limit will be confirmed through an internal memo.

30. Director Finance shall be responsible for the safe custody of the petty cash under the immediate supervision of the Executive Director/Senior Director Finance.
31. In case the Director Finance is on a long leave, the President/Chief Executive may designate any other team member to hold petty cash on his/her behalf, after proper handing and taking over before and after the leave.
32. The custodian of the fund must ensure that the fund given to him/her is adequately safeguarded.
33. No advance shall be issued to employees from the Petty Cash Fund.
34. No loans, salary advances, or personal check encashment activities are allowed with the use of Petty Cash Fund.
35. Only one Petty Cash Fund would be established for Head Office and one for (any) field office of **CODE PAKISTAN**.

Approval and Payment Process from the Petty Cash Fund

36. The policy facilitates the reimbursement of the expenses actually incurred by the employee while on official duty or in connection with or on behalf of **CODE PAKISTAN** Program/Project; it, at the same time, makes payment for goods or services rendered to **CODE PAKISTAN** Program/Project within the limit of petty cash policy.
37. The employee seeking reimbursement of expenses shall produce the appropriate Petty Cash Form duly approved by the appropriate authorities and supported by relevant documents to the Petty Cash Custodian. The submission of cash memos/cost documents can be dispensed with in case of expenses for which cash memos cannot be obtained such as bus fare, taxi fare, and postage, etc. Reimbursement claim of an amount of up to PKR 9,999/- shall be paid for in cash by the Imprest Holder while that in excess of PKR 9,999/- shall be paid by check by the Finance Department.
38. The employee seeking reimbursement from the Petty Cash Fund will first fill in the Petty Cash Form and confirm that:
 - a) The proper Petty Cash Form has been filled.
 - b) The description of expenditure has been mentioned.
 - c) The relevant Account Codes/Budget Account Line has been assigned.
 - d) The Petty Cash Form is supported by the original purchase invoice if required. No payment will be made on a photocopied invoice.
 - e) The nature of goods/services being paid for is consistent with the business of the **CODE PAKISTAN** Program/Project.
 - f) The goods were received in good working order or that services were performed.
39. The employee will then forward this duly filled Form to the approving authority. The approving authority then signs the Form and puts a date on it. The approving authority should ensure that:

- a) The claim is in accordance with entitlement under **CODE PAKISTAN** rules.
 - b) The amount of expense claimed is reasonable.
 - c) The amount of expense has been pre-approved and has actually been incurred.
40. After approval, the employee will produce this completed form to Petty Cash Custodian.
41. Petty Cash Custodian, before making the payment, shall:
- a) Ensure the accuracy of the calculation.
 - b) Obtain acknowledgment of receipt from the payee on the Petty Cash Form.
42. The Petty Cash Form along with the invoices shall be stamped "PAID" by the Petty Cash Custodian.
43. The recording of cash receipts and disbursements shall be done in a timely manner. All petty cash receipts and disbursements in PKR should be recorded on the same day of the receipts and payments in the Petty Cash Book/Ledger. The Petty Cash Ledger on Microsoft Excel sheets shall comprise the following details:
- a) Transaction Date.
 - b) Reference Number.
 - c) GL Account Code.
 - d) Amount Paid.
 - e) Balance Amount.

Note: Cash transactions are to be resorted to only for petty expenses or during emergency situations for up to PKR 20,000/- lunch for retreat meetings, utility bills, freight charges, travel expenses, postages, etc. and when/where banking facilities are not available. Otherwise, payments should be invariably made by account payee checks only. As a matter of procedure and control, attempts shall be made to minimize the number of cash transactions.

Replenishment of Petty Cash Fund

44. The Petty Cash Custodian will prepare the Payment Authorization Form and attach the Petty Cash Ledger along with the cash count sheet to his/her supervisor for review and verification.
45. Petty Cash Custodian's Supervisor will count the cash available with the Petty Cash Custodian and will compare it with the cash count sheet. The supervisor will also review and verify the petty cash vouchers and will compare it with the petty cash ledger. The Supervisor will then sign the petty cash count sheet, Petty Cash Ledger and the Payment Authorization Form and will forward them to the Finance Department for review.
46. The Finance Officer will review, verify and sign the petty cash replenishment documents and will forward them to President **CODE PAKISTAN** or designate for approval.
47. The President or designate will review and approve the replenishment documents and will return to the Finance Department for processing. The Finance Officer will then prepare the Cash Disbursement Voucher and the check payable in the name of the Petty Cash Custodian and will attach the replenishment documents with the voucher and will

forward to PM/budget holder for review. PM/budget holder will verify and sign the voucher and will forward to the President for approval.

48. The President will sign and return the replenishment voucher and check to the Finance Department. The Finance Officer will then deliver the check to Petty Cash Custodian. After data entry, the voucher and supporting documents will be canceled by the Finance Officer to prevent their re-use.
49. The Cash Disbursement Voucher will then permanently be filed with all supporting documentation in numerical, sequential order along with with other **CODE PAKISTAN**'s cash disbursement vouchers by the Finance Officer.

Regular Petty Cash Count

50. On the close of business for each day, Petty Cash Custodian will have to perform cash count by himself/herself and will document it along with other vouchers.

Surprise Petty Cash Count

51. President/Chief Executive shall appoint any person independent of cash operations to carry out the surprise petty cash count at least once in a month.
52. The person conducting surprise petty cash count will ensure that the petty cash vouchers and the cash in hand agree with the petty cash book maintained by the Petty Cash Custodian through a physical cash count and will fill in the details in the Cash Count Form.
53. Record of such counts shall be maintained for compliance and audit purposes and any significant difference shall be notified to the President or designate and the custodian will be required to provide a written explanation in such cases.

Points to Remember

54. Following points are worth remembering in this regard:
 - a. Petty Cash Fund Custodian should not confuse his responsibility regarding petty cash, with his other duties. Petty Cash Fund Custodian ensures that all programs/projects use a standardized Petty Cash Voucher Form for any disbursement from the fund.
 - b. Travel advance refunds and other cash receipts should not be routed through the Petty Cash Fund.
 - c. One Petty Cash Transaction cannot exceed the equivalent of PKR 9,999/- in local currency.
 - d. Petty cash voucher and supporting documents should be stamped "PAID".
 - e. Petty cash replenishment is recommended at 60% usage of the fund. Petty cash must be replenished on the second last day of the month regardless of the cash in hand balance.
 - f. Unannounced petty cash count will be carried out at least once a month by an employee independent of the cash functions. The significant difference should be

notified to the President or designate and the custodian will be required to submit a written explanation in such a case.

Cash Receipt

55. Monitoring all cash receipts is the most important part of the Finance Department's duties. President should review on a monthly basis the Cash Report Listing/Cash Count and Fund/Project (Commitment) Status Report prepared by the Finance Department. It is the responsibility of the President to ensure that maximum effort is made by the program/project to make the most effective use of **CODE PAKISTAN's** cash balances.
56. The recording of cash receipts should be done in a timely manner. All deposits should be made the same day of receipt where possible or on the next working day. All cash receipts should be documented with a receipt form to be given to the individual(s). Submission of the monthly financial reports shall not be delayed due to the non-receipt of the bank statements.
57. Local currency receipts must be acknowledged by a pre-numbered cashier's slip in triplicate and recorded in the Cash Receipt Ledger or template via a **CODE PAKISTAN** Cash Receipts Voucher.
58. The flow of documents to record the receipt/donations is as under:
 - a) Cash or check received from **CODE PAKISTAN** staff, vendor or partner will be forwarded to the Finance Department.
 - b) After approval by Senior Finance Officer, the Finance Officer will prepare cash receipt slip in triplicate. The original copy will be issued to the person giving the cash or check.
 - c) Finance Officer will then prepare a cash/check deposit slip and deposit it in the bank account on the same day or next working day.
 - d) Finance Officer will then prepare a Cash Receipt Voucher and attach a copy of the check and a deposit slip with the voucher and will forward it to Senior Finance Officer for his/her review.
 - e) Senior Finance Officer/Executive Director will review the Cash Receipt Voucher to ensure that all information is correct and complete and after putting his/her signature, the voucher, and attached documents will be forwarded to the President or his designate for approval.
 - f) The President or designate will review the voucher and upon verification that the Cash Receipt Voucher is correct and complete, the President or his designate will sign the voucher, thereby indicating that the items recorded on the voucher be added to the **CODE PAKISTAN** Cash Receipt Ledger.
 - g) The signed Cash Receipt Voucher will then return to the Finance Department for posting.

- h) After the posting in GL, the voucher and supporting documentation will then be stamped "PAID" with the date and the concerned projects indicated to prevent their re-use.
- i) The Cash Receipt Voucher will then be permanently filed with all supporting documentation in numerical, sequential order along with other **CODE PAKISTAN** Cash Receipt Vouchers by the Finance Officer.

Controls to be exercised

59. The following controls are to be exercised in this connection:

- a) Third parties shall not be allowed to access the Finance Section or the safe, and cash shall be paid to them preferably in the front office.
- b) Cash is handled by only one designated person who is responsible for it.
- c) A specific period of time has to be fixed for cash disbursements. Only emergency payments can be released during other times.
- d) Maximum and minimum cash limits are to be strictly observed.
- e) Accounting of cash receipts/payments is to be done on a daily basis.

Advances

60. Amounts paid to any staff member for meeting official expenses should be charged under the head Activity Advance, keeping an account of them against their Employee Number/ Identification. Staff can obtain advances primarily for the following expenses:

- a) Operating/Program/Project Advance.
- b) Salary Advance.
- c) Travel Advance.

61. Managers shall get approval from the President, whereas Field Staff/Supporting staff shall get approval from the respective line managers. All such requests shall be made in a **prescribed format** and duly approved by the competent authority as per the delegated authority limits after the finance department has duly noted any previous outstanding in the person's name.

Controls to be exercised

- 62. Requests submitted should be complete in all aspects and the purpose clearly mentioned. In case any member of the staff is traveling, the period, including the date, and purpose should be specified.
- 63. The amount outstanding against a staff member should be settled within the month the advance is taken unless the staff member is traveling on the last days of the month.
- 64. It is compulsory that there are no advances outstanding as on 30th June, the end of the financial year or at the project end date.

Operational & Program/Project Advances

65. It is the policy of **CODE PAKISTAN** to record the operational advances to employees as Short Term Operating Advances and to settle those balances through the receipt of cash or liquidating documentation from the indebted staff.
66. All receivables and advances are assets of **CODE PAKISTAN**; they should be accounted for with the same care and diligence as cash. All receivables and advances must be properly classified, maintained at a minimum level and aged properly.
67. Short Term Operating Advances to employees are allowed in the following cases:
 - a) The amount given to an employee for purchasing particular goods for **CODE PAKISTAN**.
 - b) No advance will be issued to any employee that has not accounted for all previous advances.

Tracking of Short Term Advances.

68. The tracking of short term operating advances is very important. Tracking the receivables due to **CODE PAKISTAN** from an employee who has reconciled his/her advance but has not yet reimbursed **CODE PAKISTAN** for the cash remaining from an unsettled advance or “underspent” advance is such an example.
69. Monitoring all receivables is a critical part of the Finance Department duties. President should review at least once on a monthly basis the aging of an advance report prepared by the Finance Department or vision to be fully aware of the receivables due from the employees to **CODE PAKISTAN**. Employees should be expected to reimburse **CODE PAKISTAN** for amounts due within 7 working days or the established time frames. It is the responsibility of the President to ensure that maximum effort is made by the program/project to collect these important assets of **CODE PAKISTAN**.
70. The receivable remains on the **CODE PAKISTAN** books until the cash owed to **CODE PAKISTAN** by the employee is repaid or the receivable is written off.
71. The following is the document flow for establishing and liquidating the short term operating advances:

Short Term Operating Advance - Establishment

72. The employee seeking advance for purchasing or some arrangements need to fill the Advance Form, get the signature from the authorizing staff and submit it to the finance department for further review and processing.
73. The Finance Officer will check the status of the previous advance, if any, of the concerned employee. The Finance Officer will make notations on the Advance Form whether any previous advance is outstanding against the employee or not, and in case of any outstanding advance, the Finance Officer will need the special approval from the President to release the next advance, or payment will be paused until the previous advance is settled by the employee.

74. After approval from the President or his/her designate, the Advance Form will be forwarded to the Finance Department for the payment processing. The Finance Officer will prepare the voucher and will issue the check in the name of the employee. The Finance Officer will get the required signature of the authorized signatories on the Payment Voucher as well as on the check. The Finance Officer will deliver the check to the concerned employee after obtaining the acknowledgment on the voucher/copy of the check. The voucher along with supporting documents will be filed in respective files after posting an entry in the ledger by the Finance Department. After data entry and posting, the voucher and supporting documents are thus canceled to prevent it from re-use.

Short Term Operating Advance - Liquidation

75. Short Term Operating Advance will be liquidated through Advance Liquidation Form submitted to the Finance Department by the concerned employee, duly completed and authorized by the Project Manager along with supporting documents.
76. The Finance Officer will prepare cash receipts in triplicate, whereby the original copy will be issued to the employee for his/her record, second copy to be attached with the voucher and the third copy shall remain in the cash receipt pad.
77. If the liquidation of advance equals the advanced amount, the liquidation shall be recorded on a General Journal Voucher.
78. If the liquidation of advance exceeds the advanced amount, the processing of the liquidation along with the payment for the additional amount payable to the employee should be recorded by using Cash Disbursement Voucher.
79. If the liquidation of advance is less than the advanced amount, then liquidation along with the employee's personal check or cash for the unspent portion of the advance will be combined and recorded on a Cash Receipt Voucher.
80. Finance Officer will prepare the respective voucher and get it signed from the authorized signatories along with the check in case of cash disbursement. In case of cash disbursement voucher, the Finance Officer will deliver the check to the concerned employee after obtaining the acknowledgment on the voucher.
81. Then voucher along with supporting documents will be filed in the respective file after posting an entry in the ledger by the Finance Department. After data entry and posting in the ledger, the voucher and supporting documents are thus canceled to prevent it from re-use.

Salary Advance

82. It is critical that all staff of **CODE PAKISTAN** understand the difference of **CODE PAKISTAN** terminology between a Salary Advance and a Loan. Approval of a salary advance may be granted by the President but not for an amount in excess of the amount of salary as yet unpaid to the employee for the current pay period i.e. current month.
83. All loans, on the other hand, while they exceed the quantitative limits of the salary advance, must only be approved by the President. Loans will be considered **ONLY IN**

EXCEPTIONAL SITUATIONS, such as medical or other family emergencies that a local **CODE PAKISTAN** staff member might be experiencing.

84. Salary Advance represents funds issued to staff/employee with the understanding that the amount advanced will be recovered through deductions against wages to be paid to the employee. A salary advance may be issued for pay to be earned while on vacation or to fulfill an emergency need for funds to respond to a personal financial crisis, such as an illness in the family, an accident, or an eviction notice. In general, **CODE PAKISTAN** discourages the issuance of salary advance for reasons other than those specified above.
85. Salary advance if granted, is to be limited to the amount that the employee would be entitled to receive as net pay in his/her next paycheck. Salary advance must be recovered via payroll deduction or by reimbursement from the employee (if applicable).
86. Only full-time regular employees who have completed 6 months of employment with **CODE PAKISTAN** are eligible to apply for the salary advance, temporary employees are not eligible to receive Salary Advance. If an employee resigns or is dismissed before settling his/her salary advance, the remaining balance must be deducted from the severance pay or any other amount due to that employee.
87. A salary advance is not to exceed the amount of salary as yet unpaid to the employee for the current pay period. Salary advance must be liquidated in full prior to issuance of another advance.

Process

88. It is against the **CODE PAKISTAN** policy for an employee to approve his/her own payroll advance. To request a salary advance, the employee must submit a proper application on the prescribed format to his/her immediate supervisor for a recommendation.
89. On the Salary Advance Request Form, the requesting employee shall state the reason(s) for the request and the amount needed, providing information about previous salary advances received from **CODE PAKISTAN** and consent to the repayment of the amount advanced through a payroll deduction. The employee must attach with the Form any supporting external documentation as evidence to justify the need and must also prepare a salary request indicating the amount of the advance requested.
90. The Salary Advance Request Form must also contain a statement by the employee consenting to the repayment of the Salary Advance, if granted, to **CODE PAKISTAN** via payroll deduction. Upon completion, both the Form and the supporting document(s) shall be submitted to the employee's immediate supervisor.
91. The employee's immediate supervisor will review the Salary Advance Request Form as submitted by the employee and will indicate his/her concurrence or disapproval of the request on the documents. If the immediate supervisor recommends the request by putting his/her signature on the Form, then he/she will route the Salary Advance Request Form to the President for final approval.

Salary Advance - Establishment

92. The Salary Advance Request Form will be forwarded to the Finance Department to consider any outstanding financial obligations owed to **CODE PAKISTAN** by the employee. The Finance Department should refer to the Aging of Receivables and Advances Report to ascertain the existence of any such balances. If the employee does have any un-reconciled/unsettled advance balance or has outstanding dues payable to **CODE PAKISTAN**, then the Finance Department must inform the President or his/her designate of these facts prior to getting final approval.
93. The President after according approval will route back the Salary Advance Request Form to the Finance Department. The Finance Officer will then prepare the Payment Voucher and check of the requested amount and will submit to the Program/Project Manager (PM) for review. The PM will review the voucher and required documents and after putting his/her signature, he/she will forward it to the President for final approval for payment. The Finance Officer will deliver the check to the concerned employee after obtaining the acknowledgment on the voucher/copy of the check. The voucher along with supporting documents will be filed in respective files after posting an entry in the ledger by the Finance Department.

Salary Advance - Liquidation

94. Salary Advances are intended to assist a staff member during the current pay period until payday. Salary Advances should never be carried over into a subsequent pay period. It is the Finance Department's responsibility to ensure that all salary advances are deducted from the employee's pay automatically.
95. Salary Advance must be liquidated in full prior to issuance of another advance.
96. The Finance Officer will record the deduction from the employee's pay for the salary advance during the processing of payroll in the next pay period. The liquidation will be recorded at the same time when the payroll expense is recorded.

Travel Advance

97. Travel Advance represents amounts issued to **CODE PAKISTAN** employees for estimated expenses to be incurred during approved business trips.
98. Travel Advances are to be recorded in the respective business units against which the expenses are to be incurred. If the traveling employee expects to incur expenses against more than one business unit during the trip, **CODE PAKISTAN** shall issue a single travel advance and record it in one business unit.
99. All receivables and advances are assets of **CODE PAKISTAN**, they should be accounted for with the same care and diligence as cash. All receivables and advances must be properly classified, maintained at a minimum level and aged properly.

100. Travel advances must be liquidated within 5 working days after the field trip. No further advance would be issued unless the liquidation of previous travel advance is not submitted. However, relaxation can be provided if field visits are concurrent.
101. When an employee returns the unspent amount of travel advance, the Finance Officer must prepare Cash Receipt in triplicate and issue an original copy to an employee for his/her record, the second copy is to be attached with the Cash Receipt Voucher and the third copy should remain in the Cash Receipt Pad.

Process

102. It is against **CODE PAKISTAN's** policy for an employee to approve his/her own travel advance. For travel advance, the employee will submit a signed Travel Authorization Form to his/her immediate supervisor which indicates the reason for the advance, the amount needed, the length of the trip and the donor source/project to be charged. The request form should include a preprinted statement to the effect that the advance is to be accounted for or returned within five business days of the employee's return from the trip and should specify the standard limits (expressed in units of currency) for domestic and international travel advances as approved by the President. Backup approval authorities should be designated beforehand, in the event of the employee's immediate supervisor not being available at the time of the request. For a Travel Advance request by the President, approval should be obtained via email OR in hard form from the Chairman Executive Committee or the request may be signed by the President' immediate subordinate, if the Chairman Executive Committee is not available.
103. It is **CODE PAKISTAN's** standard practice that all advances for travel within the country of issuance, regardless of the recipient employee's home base, are made in prevailing operating currency used by **CODE PAKISTAN** that issues the advance. No Travel Advance may be issued to an employee who has not accounted for all previous Travel Advances.
104. Travel Advance is established by Cash Disbursement for travel advance, later liquidation of travel advance and expenses incurred by the recipient of the advance are less than the amount originally advanced. The recipient of the advance, therefore, owes cash to **CODE PAKISTAN**. The Finance Department will liquidate the portion of the advance supported by expenses. This will result in the remaining balance due to **CODE PAKISTAN** in the Travel Advance account. The remaining balance is required to be paid at the time of the submission of the liquidation form. If the remaining balance is not paid at this time, the Finance Department must reclassify the travel advance, if required, to the "Accounts Receivable" on a separate Journal Voucher. This voucher will properly state the balance now due from the employee and fully liquidate the travel advance.

Travel Advance - Establishment

105. **CODE PAKISTAN** employee must submit duly filled Travel Authorization Form indicating amount needed, the reason for travel, length of trip and the donor

source/project to be charged to his immediate supervisor/PM. The supervisor/PM will submit it to the President for approval with his/her recommendation. The President after approval will route the Travel Authorization Form to the Finance Department for payment of Travel Advance.

106. The Finance Officer will check the status of previous travel advance, if any, of the concerned employee and process accordingly. In case the Travel Advance Request is rejected either by the President or by the Finance Officer, the application will be returned to the respective employee.
107. The approved Travel Advance Request will be forwarded to the Finance Department, the Finance Officer will then prepare the Payment Voucher and check of the requested amount and will submit to Program/Project Manager (PM) for review. The PM will review the voucher and required documents and after putting his/her signature he/she will forward it to the President for final approval for payment. The Finance Officer will deliver the check/cash to the concerned employee after obtaining the acknowledgment on the voucher/copy of the check. The voucher along with supporting documents will be filed in respective files after posting an entry in the ledger by the Finance Department.

Travel Advance - Liquidation

108. This step applies to the settlement of amounts advanced for business-related travel to employees who are assigned to a given **CODE PAKISTAN** program/project, either as regular employees or as temporary duty personnel. Amounts advanced to employees who are assigned to another **CODE PAKISTAN** program/project or to the donor, should be liquidated at the **CODE PAKISTAN** office that serves as their home base.
109. Settlement of this account involves the liquidation of the amount advanced via the submission of the Organization's standard TEV format of Travel Expense Vouchers (TEVs). It is required that approved TEVs for the trip taken be submitted to the Finance Department within 5 days of the employee's return from the authorized trip.
110. If the total of the approved TEVs submitted equals the advanced amount, the TEVs should be recorded on a General Journal Voucher.
111. If the total amount of the approved TEVs submitted exceeds the advanced amount, the processing of the TEVs along with the payment for the additional amount due to the employee should be recorded using a Cash Disbursement Voucher.
112. If the total amount of the approved TEVs is less than the advanced amount, then the TEVs along with the employee's personal check or cash for the unexpended portion of the travel advance be combined and recorded on a Cash Receipt Voucher.
113. For the unspent amount of travel advance, returned along with TEVs, the Finance Officer must prepare cash receipt in triplicate and issue original to the employee for his/her record, second copy to be attached with the voucher and the third copy should remain in cash receipt pad.

114. **CODE PAKISTAN** employee must submit Travel Expense Vouchers (TEVs) duly recommended by his/her project head to the Finance Department along with receipts.
- a) Receipts are cash memos, paid bills for accommodation, meals, **CODE PAKISTAN** business related other expenses (such as cost of the film roll, film roll developing & printing, stationery items, tolls, parking fees, etc.) Transportation bill used Air Ticket Jackets and Boarding Passes, etc.
 - b) In the absence of any valid receipt, such an expense can only be acceptable on the production of a valid note from respective **CODE PAKISTAN** staff and approved by supervisor/budget manager.
115. The Finance Officer after checking the attached receipts and accuracy of figures will route the TEV to President for his/her approval. President will approve the TEV and will forward to the Finance Department for processing.
116. The Finance Officer will attach the TEV and other documents supporting the expenses incurred and disbursement or cash receipt to the Voucher, as applicable, before it is submitted to the Project Manager or Budget Manager for review. The Project Manager or Budget Manager will review the voucher and required documents and after putting his/her signature he/she will forward it to the President or his/her designate for approval.
117. The approved voucher and supporting documentation will then be returned to the Finance Department for entry of the voucher into the Quick Book. The voucher along with supporting documents will be filed in the respective file after posting an entry in the ledger by the Finance Department. After data entry and posting, the voucher and supporting documents are thus canceled to prevent it from re-use.

Operating of Bank Accounts

Bank Account PKR

118. One bank account for the project funds shall be opened in any scheduled bank of Pakistan. Necessary authorization to open any bank account or alter its mode of operation would need to be obtained in writing from the Executive Committee of **CODE PAKISTAN**.

Authorized Signatories

119. The proposed signatory of any project is President **CODE PAKISTAN**.

Bank Account Foreign Currency

120. Same signatories are proposed and according to project funds requirement, the amount can be transferred at prevailing bank exchange rates for the day instead of exchanging from the local market.

Addition/Deletion of Bank Signatories

121. From any bank account, the addition/deletion of signatories can be made. The Finance Department will have to take the matter with the competent authority to seek necessary resolution in writing from the Executive Committee.

Closing of Bank Account

122. Any bank account which is not required to be operated must be closed immediately. The Finance Department will have to take the matter with the Competent Authority to seek necessary resolution in writing from the Executive Committee. When it is decided to close a bank account, the following actions should be completed:

- a) Transfer balance to the other bank account (leaving the minimum amount required as closure charges if any).
- b) Surrender all the remaining check leaves to the bank under a receipt.
- c) After receipt of the resolution, deliver it to the bank under receipt and confirm closure of the requested bank account.

Banking Transactions

Bank Receipts

123. The following procedure would be adopted for bank receipts:
- a) All receipts are to be acknowledged by issuing an official receipt. The date of receipt, its accounting and the date of deposit of the check/instrument to the bank account should be the same.
 - b) The bank deposit slip should be attached with the Bank Receipt Voucher.
 - c) No receipt should be issued on the last day of the month if the instrument cannot be deposited with the bank on the same day.

Interest Income

124. All interest income over bank accounts accruing for **CODE PAKISTAN** funds should be reflected in the organizational financial reports and donors will be informed accordingly.

Bank Payments

125. The following procedure would be adopted for bank payments:
- a) Bank Payment Voucher has to be prepared before preparing any check.
 - b) Check should not be prepared, for whatever reason, if sufficient balance is not available in the bank account.
 - c) All vouchers have to be verified and approved before payment is released.
 - d) Payment has to be made only against original bills/invoices and claims. Any type of copy of bill/invoice or claim should not be entertained.

- e) All supporting documents should be attached with the Bank Payment Voucher and filled according to the serial number.
- f) Checks shall be written legibly and doubly ensured that the amount in words and figures are the same.
- g) All checks have to be crossed, a rubber stamp stating "A/c Payee Only - Not Negotiable" should be placed on the face of every check. Bearer checks should be discouraged but can be issued in special circumstances with the approval of the President.
- h) Postdated checks are not to be issued.
- i) The check number should be written on every Bank Payment Voucher.

Bank Charges

126. Bank charges incurred during a transaction will be charged to the respective activity of the budget head provided there is no provision of bank charges in the budget.

Controls to be exercised

127. The following controls will be exercised with respect to bank transactions:
- a) All letters/instruments to the bank should be signed by the authorized signatories only.
 - b) Checks shall not be signed in advance and un-cashed checks shall be canceled within a reasonable period.
 - c) Specimen signatures shall be left around.
 - d) Check books shall always be kept under lock and key. Only authorized persons shall be allowed to handle them.
 - e) Using a carbon (black side up) under the check will leave an impression on the backside of the check making it difficult to alter.
 - f) Provision of a receipt shall be insisted upon after payment by check.
 - g) Bank reconciliation shall be done on a monthly basis.
 - h) Stopping a payment request shall be immediately submitted to the bank in case of check getting lost.
 - i) The leftover stubs of the check leaves shall be properly filled. Date, payee name and amount shall be written on stubs. Used checkbooks along with the leftover stubs shall be preserved as part of the accounting record for future reference.

Bank Reconciliation statement

128. This has to be done every month to ensure the balances as per the bankbooks and the passbooks tally. Finance Officer will prepare the report which is to be verified by the PM and approved by the President at the end of every month. Bank reconciliation report should be submitted before every 10th day of the next month.

Invoice Validation

Voucher

129. The voucher is a basic document which is prepared to record any transaction that takes place. The following policy should be followed with respect to vouchers:
- a) Serially pre-printed vouchers should be prepared for all transactions.
 - b) Vouchers shall be issued officially to a designated person who should be responsible for the custody and accounting of the same.
 - c) The voucher shall not be overwritten. In case it is, it will be canceled and retained for future inspection.
 - d) Unutilized or canceled vouchers shall be retained in the voucher book/file for inspection by the auditor subsequently and shall not be destroyed under any circumstances.
 - e) Vouchers and cash memos need to be stamped with a rubber stamp of a particular project or agency.
 - f) A "PAID" stamp should be put on all the payment vouchers for which payment has been made.
 - g) Vouchers need to be approved by the person initiating the expenditure (who can sign on the supporting documents as well) and another authorized signatory.
 - h) No voucher shall be passed for payment without supporting documents.

Information, vouchers should have;

130. Vouchers shall have the following minimum information:
- a) The name of the organization and place.
 - b) Date of preparation of voucher and pre-printed voucher number. The concerned project name and line item under which it is charged and the description.
 - c) Columns for approval by the Finance Officer, Project Manager, and President.
 - d) Columns for recipient's signature.
 - e) Narration - there should be detailed narration in support of the classification showing the description of the transactions.

Checks before passing a voucher for payment

131. The following checks will be performed before passing a voucher for payment:
- a) Whether required supporting documents are present.
 - b) Checking the supporting documents for detailed scrutiny.
 - c) Payment should be made only against a valid invoice in the original.
 - d) Approved by concerned person and authorized signatory.
 - e) Verification of accuracy in accordance with the order/letter/other documents if any.
 - f) Verification of numerical accuracy.
 - g) Checking of advance payments made, if any, or details of part payments made, if any.

- h) Making sure that payment has not been made twice e.g. by making all extra copies of bills as “extra copies” and by making all paid vouchers as “paid”.
- i) For any payment through check, the recipient’s signature shall be obtained on the letterhead/acknowledgment receipt.
- j) Ensure that payments are made on time.
- k) All payments shall be made by checks. Payment by cash shall be restricted to minor purchases and where inevitable.
- l) For any payment through cash, the receiver’s signature is to be obtained on the invoice.
- m) It should be ensured that the vouchers are not overwritten. In cases where it is necessary to correct the figures, the figures originally written should be scored out and the new figures entered. The person preparing the vouchers as well as authorizing the payment shall then initial the corrections made.

Supporting documents for vouchers

132. Following is a list of supporting documents for a voucher:
- a) All bills should be original.
 - b) Payment should not be made against a quotation, tender, bill, copy of the bill, or a fixed bill.
 - c) GRNs and invoices should be verified by the person initiating the payment.
 - d) It is the responsibility of the procurement section to buy goods/services in the project office and to check each bill for its validity, i.e. check that the description of items, number of items, cost per unit and total cost, date of bill and name of payee (i.e. name of project) are accurate. Payments should be made only after checking these details.
133. Any mistake/ discrepancy should be pointed out to supplier/vendor before payment and if an alteration is necessary, the supplier/ vendor should make the change right then and put his/her initials and date. If this results in a change in any of the amounts on the bill, it is particularly important that the supplier/vendor clearly writes himself/herself on the bill the payment received in words. The management reserves the right to accept or reject such altered bills. A better option would be to obtain a fresh bill if possible.
134. No other alteration in the original bill by the project staff is normally permissible. If at all an alternate is unavoidable e.g. a mistake in the date by supplier/vendor which was not corrected, such a bill shall be brought to the attention of the manager of the project who shall change it and initial it and a note should be put on the bill explaining why the alteration was necessary. The management reserves the right to accept or reject such a bill.
135. Invoices should be in the name of the organization/project and should not be in the name of the project staff. Where bills are in the local language, please indicate briefly in English the purpose/items on the bill.

Selected Items of Cost

136. Following are the selected items of cost:

Budget Items	Allowable Expenditures	Supporting Documentation	Mode of Payment
Personnel	Salaries of the staff involved in the Project.	Approved Payroll Records.	By A/c Payee Check or Bank Transfer to Individual Accounts.
Stationery	Purchase of books and stationery.	As per bills. To be entered in the consumable register as per format.	Any purchase above PKR 10,000/- by check & below by cash.
Telephone & Fax	Telephone & Fax.	As per bills. All calls identified to the project will be allowed.	Cash / Check / PO/DD
Postage	Postage stamps, Revenue stamps & Courier.	As per postage register maintained.	Cash / Check
Office Rent	Rent of Project Office.	Rent receipt, lease/rent deed.	By A/c Payee check
Electric Charges	The electric bill for the project office.	As per bill. In case of the shared meter then sub-meter needs to be installed.	By cash if below PKR 10,000/-
Photocopying charges	Photocopy of documents related to the project.	As per bills, details of what is being photocopied, how many copies @ rate.	By cash if below PKR 10,000/-
Maintenance	Tea, newspaper, sweeper, etc.	As per bills. Voucher.	By cash
Printing	Printing of vouchers /reports, claim forms, etc.	As per bills.	By A/c payee check
Insurance	Insurance of Capital Assets, staff insurance of the project.	Insurance bills.	By A/c payee check
Local Travel	Bus fare, bus passes, auto fares incurred by staff to cover project area.	Copy of bus pass, in case of rest by local, travel claim form.	By Cash
Outstation Travel	This includes transport, boarding, and lodging expenses.	Travel tickets to be enclosed, boarding and lodging bills and travel details to be mentioned in the voucher.	By Cash / Check

IEC Material	Printing of brochures, stickers, leaflets, etc.	As per bills and to be entered in IEC register. The L/F of the register to be mentioned on the bill. Sample for all IEC materials developed to be available for verification and record.	By A/c payee check /DD/PO
Meeting Expenses	Expenses incurred towards official meetings.	As per bills.	By cash if below PKR 10,000/- / Check
Program Activities	An expense incurred towards any project activity.	As per bills.	By Check
Needs Assessment	Field costs, local travel, forms printing and photocopy.	As per bills and claim forms.	By Cash
Staff Development	Exposure visits training etc. for staff.	On approval from the society of different projects.	By Cash

Maintaining a Cash Book

137. A cashbook is a primary book of entry that is prepared after a voucher for a particular transaction. The cashbook records all transactions in which cash/bank receipts are involved by following the double entry system.

Recording in the Ledger

138. The following provisions should be followed with respect to Ledgers:
- Ledgers should be maintained according to the component in the budget.
 - Posting to the ledger should be done regularly.
 - Editing or alterations of figures should be done through Journal Entry.
 - It shall be ensured that the ledger balances tally with expenditure figures shown in the expenditure statement.

Journalizing

139. Journal Vouchers are used to book entries in the accounts which do not have any effect on the cash book or bank book. Accordingly, booking of provisions, transfer of entries from one code to another or correction of wrong entries is routed through the journal. Journal Vouchers have to be treated with the same importance as a bank or cash payment vouchers.

140. The following points should be adhered to:

- a) All vouchers having the effect of charge to expense shall have authorization from the competent authority.
- b) Detailed narration shall be reflected in the journal voucher in order to validate the need for passing the entries.
- c) The journal voucher shall have supporting documents attached to it.
- d) The manual vouchers have to be preserved in serial order.
- e) Journal vouchers for giving the effect to cash or bank accounts are not allowed. These have to be done through the payment/receipt voucher only.

Accounting Files/Records

141. Account books and other documents are being maintained at CODE PAKISTAN.
 - a) Cash Payment / Receipt Vouchers.
 - b) Bank Payment / Receipt Vouchers.
 - c) Journal Vouchers.
 - d) General Ledger.
 - e) Fixed Assets Register.
 - f) Budget copies of various grants.
 - g) The file containing Bank Mandate and authorized signatories.
 - h) Communication and Utilities File.
142. The Cash Book, Bank Book, and Journal Book in hard form and the soft form must be maintained duly signed by the Finance Person and Program Head of the Organization on a monthly basis and should be filed along with the vouchers for verification and audit.

Old Records Retention

143. By following the Income Tax Law, **CODE PAKISTAN** has to keep the old accounting records for at least 07 years. For practical purpose also, a period of ten years is sufficient.
144. Cash books, ledgers, assets and stock registers, cash log (or rough cash book), vouchers, vehicle log books, etc. form part of the accounting record and should be kept. In case the accounts are computerized, there will be a need to keep printed copies of these, keeping computer files on CDs or hard disks are not sufficient.
145. The registers and cash books etc. can simply be labeled and stored. After the audit is over (or even before that), the vouchers can be stitched. Simple book-binding (using cardboard and thread) shall be sufficient. The voucher files will then be labeled and kept in tin boxes. The boxes shall be kept safely, in a dry place.

Financial Planning and Budgeting

Planning Budgets and Approvals

146. It is necessary for every activity taken-up by us to be interpreted in financial terms and get the approval of the concerned competent authority. Such interpretation takes the form of budgets detailing each and every component of the activity so that a clear evaluation of the total activity and the components thereof can be made by, before approval.
147. However, most of the times the expenses incurred on these activities are part of our program budget and specific grants are allocated for such expenses and would require only simple sanctions. It is, therefore, necessary that the budgets for such activities are prepared at the time of preparation of the plan itself.
148. The processes to be followed are as follows:
- a) The budget shall be project based and there shall be a separate budget for each project undertaken by CODE PAKISTAN, irrespective of the duration of the project.
 - b) Budget for each project shall be prepared at the time of preparation of technical proposal and bidding/submission to the donor agency. Same shall be, however, open to amendment/modification on the basis of discussion and agreement with the donor agency.
 - c) Budget for each activity to be prepared giving a breakdown of sub-activities, personnel, travel and other related costs.
 - d) While budgeting for the personnel cost, CODE PAKISTAN would also budget the social security, personal security and health insurance for the human resource hired for a particular project.
 - e) The budget has to be verified and certified to ensure that the costs are realistic as compared to the activities and the budget captures all the required costs for such activities only. In case there is any leftover amount on the closure of the project, same shall be disposed of in accordance with the procedure laid down in Rule 8 of th.
 - f) Budget for each project shall be initially prepared by the Director Finance under the supervision of the Senior Finance Officer/Executive Director and reviewed and approved by the Executive committee, before submission to the donor agency. The president and executive director may, however, negotiate with the donor agencies on the amendment, increase and decrease in the budget and shall seek approval of the executive committee on the amended version.
 - g) Wherever there is the procurement of supplies and services for such activities, the formalities with regards to multiple quotations/tenders, evaluations, etc. have to be followed.

Budget Planning and Management

149. Following are the provisions with respect to budget planning and management:
- a) A budget is an estimate of the amount of money to be received and to be spent for a specified purpose in a given time.
 - b) The budget sets a framework for reporting and analysis.
 - c) Budgeting never stands completely alone, but rather flows out of the managerial process of setting objectives and strategies and of building plans. It is especially and intimately related to financial planning.
 - d) While accounting, separate sub-codes to be created for every activity under the main grant code, so that the utilization of the budget can be monitored activity-wise.
 - e) Project budgets will be prepared as per donors' requirements and scheduled accordingly.
 - f) Budgets related to the organization (central budget), if any, will be prepared at least one month before the next financial year and Executive Committee will approve the budget before the start of the next fiscal year.
 - g) Objectives of the program along with activity plans must be completed before starting the budgeting process.
 - h) Changes in strategies for the forthcoming year based on the past experience have to be unanimously decided by the executive committee and the budget should be accordingly formulated.
 - i) Resources are required to be listed out to achieve these activities and cost them.
 - j) All line items in the budget must flow from planned activities.
 - k) The budget should be as detailed as possible with justifications and breakup of costs matched against each activity.
 - l) When budgeting for subsequent year/phase, cost increased due to inflation, exchange rates, etc. would need to be kept in mind.
 - m) All expenses have to be reviewed against the budget on a monthly basis.
 - n) The project's management shall verify the quarterly reports against the budget, analyze causes for variance and take appropriate action.

Reports

Monthly Accounts

150. The financial reports and schedules as prescribed should reach the relevant persons before 5th of the following month as per the following frequencies. The following reports on financial information will be produced by Finance/ Accounts for internal and external use. The management must ensure and review the below activities are performed as per their frequency:

Activity	Description	When	Frequency	By Whom	To Whom
Cash	Shows reconciliation of daily physical cash count and cashbook balance				
Bank Reconciliation	Reconciliation of bank statement and cashbook balances	End of month	each	Finance / Accounts	Management
Advances	Shows unsettled advances by staff as at month end	End of month	each	Finance / Accounts	Management
Income and Expenditure	Shows transfers from Income and Expenditures	Every month	six	Finance / Accounts	Management / Funding Agencies
Assets and Liabilities	Shows assets value and their financing	Every month	six	Finance / Accounts	Management

Monthly Expenditure and Variance Report

151. A Monthly Expenditures and Variance Report that reflects the expenditures incurred during the month for each line item and the total expenditures incurred for the month. It also gives the cumulative expenditures incurred to date and the available balance on the budget. The report is due by the 5th day of the ensuing month. Where there is a budget variance, particularly over spending on a budget line item, or the introduction of a new set of activities in a budget column, the report should state if the variance is:

- a) Permitted under the terms of this grant;
- b) Approved in writing and copy of the approval attached;
- c) Unanticipated and requires approval.

Receipts and Payment Account

152. This is like a summary of the cash and bank book and starts and ends with the cash and bank balances. It differs from income and expenditure statement in that the income and expenditure statement does not show details of loans, sale of assets, recovery of staff advances, etc. At the end of every quarter, a receipt and payments account is prepared.

Preparation of Final Accounts

153. Final accounts include a balance sheet and income and expenditure account and a receipts and payments account would need to be drawn up at the end of the year.

Computerized Accounts

154. The following provisions apply to computerized accounts:

- a) A good online help system.
- b) Preview and editing of reports on screen.
- c) The facility of sub-ledger or similar classification of transactions.
- d) The memory of repeat transactions.
- e) Security restrictions to prevent people from changing data by mistake.
- f) Backup of data files.
- g) Backup routines shall be employed to ensure that the total loss of data can never occur. In this regard, backup of the organization file shall be carried out daily on either separate CDs/flash drives/hard drives for the daily record. Weekly and monthly records should be kept as well. Senior Finance Officer/any designated finance person will be responsible for backup.

Internal Control Measures

155. In addition to setting up adequate internal control measures, the management shall ensure from time to time to perform these checks to safeguard assets:

- a) Cash count (physically)
- b) Physical verification of Fixed Assets
- c) Proper authorization of payments

Vouchers	Daily / any time
Cash reconciliation, Bank reconciliation, Advance summary, Monthly cash forecast	Monthly basis
Quarterly Cash flow statement, Physical verification of Fixed Assets	Quarterly
One year Income and Expenditure report for the entire organization	Annual
One year Balance Sheet for the entire organization	Annual

Management Information Report

156. The Finance Officer will prepare and consolidate the reports and will submit to relevant persons as the case may be, with a copy to the Sr. Finance Officer before 10th of every month.

157. These reports are under 6 heads and are explained below:

- a) **Bank & Cash Balances:** This will reflect the utilization of funds received and also will furnish a broad indication of how much has been spent on grants and on office /admin expenses. The opening and closing balances should be in agreement with the Bank book.

- b) **Analysis of Expenses against Budget:** This is the variance report on management expenses budget and reflects whether the trend of expenses has to be reviewed in order to avoid any negative variation and take corrective action as necessary. Every positive and negative variance has to be commented upon while citing reasons for variance and the corrective action proposed.
- c) **Grant Utilization Status:** It is necessary to review on a monthly basis the utilization status of the grant budget in order to ensure that the actual spending is as per the planned budget and the phasing of utilization.
- d) **Statutory Compliance (I.Tax):** The implications of non-compliance of statutory provisions are very serious and it is, therefore, necessary that the management is kept informed about the compliance or otherwise of these provisions. This report becomes useful for managers to monitor adherence to the requirements and due dates.
- e) **Fixed/Consumable Assets:** The Assets Register needs to be maintained as per the format. Authorization of the same needs to be done on a regular basis.
- f) **Pending Advances:** It is necessary to review the statement of funds lying with outsiders and staff on a monthly basis to identify whether any deposit/advance is lying unadjusted or overdue for settlement. While it is possible that the actual date of payments and the purpose of which the deposit/advance was given gets obliterated by the passage of time, this report will regularly give details of such funds lying elsewhere.

Supervisory Mechanisms

158. **CODE PAKISTAN** should follow a supervisory plan which consists of a supervisory checklist at all levels and the frequency of supervisory activities. Details about the frequency of monitoring, reports, feedback should be included. Problem-solving training for the person being supervised and mechanisms for identification of training needs should be built in.

Legal and Statutory Matters

Income Tax

159. Deduction of with-holding Tax and other applicable Government Taxes at source from all eligible payments, at the prevailing rates specified by the Government, is the responsibility and liability of **CODE PAKISTAN**. Failure to deduct tax and issue certificates for such deductions within the stipulated time attracts penalty under the Income Tax Ordinance. As the rates of tax deduction change periodically, the Finance Department would indicate the applicable rate of tax deduction as and when there is any change in the rates.

160. Although the Income Tax Act specifies the upper limit of the amount of payment in a financial year beyond which tax has to be deducted, it is better to start deducting tax right from the first payment, irrespective of the value, if we are likely to deal with such a party in the future also. This will ensure that no payment escapes deduction of tax even by oversight.
161. The tax deducted during a month has to be deposited to the Govt. account latest by 7th of the subsequent month. It is necessary that separate challan receipts are filled in for each category of tax deduction, like Contracts, Rent, Brokerage, payment to professionals, etc. The due date of 7th is taken for credit to the government account and not the date of deposit. It is, therefore, necessary to do the deposit one or two days before the 7th.
162. After deposit of tax, the office will prepare the TDS certificate in Form 16A and forward it to the competent authority for signature, together with the original challan receipts and a statement of tax deductions.

Deed and Agreements

163. Any agreement which bids **CODE PAKISTAN** for any liability, like regular rent payments, will be entered into only after it is cleared by the relevant authority. After signing of the agreements, a copy should be forwarded to the Finance Section for record keeping purposes.
164. Service agreements like computer and other office equipment can be finalized and signed by the authorized person in association with the Finance Department. It should, however, be ensured that the terms of the agreements are equitable and should not be unnecessarily burdened with additional liability by virtue of such agreements.
165. In all agreements, an Exit Clause is mandatory as it would then be possible for the Organization to terminate it in the event of non-performance by the other party or due to some other changes in the operations. The computer and related equipment should be verified with the Technical Support Analyst in order to ensure that the technical aspects required are suitably covered in the contract.
- a) **CODE PAKISTAN will provide a detailed analysis of budget variance to the concerned donor as per project and Donor requirements.**

Legal Entity / Legal Representation

166. Any filing of suits, representing our NGO Partners in a court of law, or giving evidence or appearing as a witness in a suit filed by or against the Organization with a judicial authority can be done only with the written authority of the Competent Authority. The particulars of such cases should be forwarded to the relevant authority for proper documentation and issuance of such authorization letter.

Audit

167. The purpose of an audit is to ensure that the Organization is fulfilling its stated mission while adequately safeguarding the resources provided by donors and grants. An auditor will ask questions about general office procedures, review how transactions were recorded by tracking them through ledger and files, visit sub-offices and field-offices to confirm that programs are being implemented in accordance with donor agreements, assess compliance with grant regulations and make a determination as to the overall adequacy of the system of internal control.

External Audits

168. The Executive Committee will approve the appointment of auditors to conduct the audit under TOR furnished for them by **CODE PAKISTAN**. The Auditor so appointed shall audit the books of accounts as per the terms of reference given to them. The Auditor shall have access to all the audit reports of the grantees and sub-recipients of the funds.

Cost of External Audit

169. The cost of an external audit would be borne by **CODE PAKISTAN**. The President of **CODE PAKISTAN** shall fix the remuneration and it shall form part of the project cost.

Internal Audit

170. Subject to the availability of funds, an internal auditor will be appointed who will be responsible to carry out time to time auditing of the projects as well as the central accounts. However, in view of non-availability of funds, such function may be performed by the respective managers of the projects as designated by the President.

Proposed List of the Financial Documents

171. Following is the list of proposed financial documents:

Form	Particulars	Used By
Fin-1	Program Activity Form	All staff
Fin-2	Activity Advance Form	All staff
Fin-3	Summary of Bills	All staff
Fin-4	Cash Payment Voucher	Finance Section
Fin-5	Cash Receipt Voucher	Finance Section
Fin-6	Bank Payment Voucher	Finance Section
Fin-7	Bank Receipt Voucher	Finance Section
Fin-8	Journal Voucher	Finance Section

Fin-9	Bank Reconciliation Statement	Finance Section
Fin-10	Cash Flow Statement	Finance Section
Fin-11	Budget Monitor	Management / Finance Section
Fin-12	Trial Balance	Finance Section
Fin-13	Balance Sheet	Finance Section
Fin-14	Cash Forecast / Cash Demand	Finance Section
Fin-15	Cash Count Certificate	Finance Section
Fin-16	Grant Track Sheet	Management / Finance Section
Fin-17	Monthly Payroll	Finance Section / HR
Fin-18	Pay Slip	Finance Section / HR
Fin-19	Final Clearance Form	All staff
Fin-20	Income Tax Certificate in lieu of deduction of Income Tax	Finance Section

Staff Social Security Fund (Staff SSF)

172. Since **CODE PAKISTAN** is a Non-Profit Organization, social security, health, and personal insurance and gratuity, etc. of the staff would be dependent on the financial grant of the donor agency, if allowed for the purpose.

Deduction

173. If approved by the donor agency in the budget, **CODE PAKISTAN** would ensure deduction from the salaries and reimbursement to the staff, in accordance with the law for the time being in force and the requirements and rules of the donor agency. The Director Finance will ensure maintaining a proper record and separate account for all such deductions if any.

Signatories

174. To operate Staff SSF Bank Account, the three officials of **CODE PAKISTAN** mentioned below will be the authorized Bank Signatories. Among three signatories, the President's signature is compulsory and the other two signatories may be the Vice

President and the Project Manager. The operating instructions will be the President's signature along with anyone from the other two signatories.

Payroll

175. The payroll process ensures that employees are paid accurately and on time and that **CODE PAKISTAN** complies with payroll policy & procedure and payroll tax laws. The payroll process consists of practices and procedures which streamline the payroll aspect of the organization, guarantee accuracy in wage computation & tax liability and record keeping.

- a) Salaries would be paid on a monthly basis and in a way that is appropriate and facilitative for staff and **CODE PAKISTAN** to administer.
- b) Total monthly compensation will be directly deposited into the employee's bank account or paid through cross check. Total monthly compensation of all employees, to the extent possible, shall be paid during the last week of the month.
- c) Payments of total monthly compensation shall be made net of all statutory and other deductions, such as Staff SSF, if any, income tax, loan installment, etc. as per legal and any other requirements in force.
- d) For the purpose of prorating the daily compensation during joining and cessation of employment, monthly salary is divided by the number of calendar days of the month in which the employee joined or his/her employment ceased.
- e) Individual salary levels will be highly confidential.

Process:

176. HR Officer will initiate the Salary Process or Payroll Process. HR will submit:
- a) Salary computation sheet of each employee.
 - b) Updated leave status of each employee.
 - c) Timesheets or attendance sheets of all employees.
 - d) HR Memo request for staff salaries.
 - e) HR will submit the above-mentioned documents to the Finance Department for review, PM or Budget Manager for verification and President for approval.
 - f) After approval of President, the Finance Department will process the payment.

Inventory Management

177. Goods purchased during the process of implementation of any project are meant for either distribution to the community or for use in the office. Such procurements are although properly documented with the Logistic Section and the Finance Section during the payment, there are still many items which are assets for the Organization. Such items/goods, therefore, need to be properly recorded in the books other than Finance. The Logistics Section with the involvement of the IT Section will maintain a database of assets purchased during the course of various procurements. Such items may include but

will not be limited to computers, printers, furniture, office appliances, data sticks, mobile phones, multimedia and TVs/LCDs/LEDs, etc.

178. A proper inventory register will be maintained in the head office of **CODE PAKISTAN** where the assets will be recorded in an electronic database at the time of purchase. This software will be updated on a quarterly basis (or as the management decides) and a printout of the entire inventory will be taken on a quarterly basis. This will be authenticated by the signatures of the Admin Officer and the President on a quarterly basis.
179. In case any item is damaged during the course of use, the relevant user of the damaged item will report to the Logistics Section. This report will be instantly recorded in the database and also in the record register. If the damage is big enough, the management will decide if any penalty will be levied upon the user.
180. It is the policy of **CODE PAKISTAN** to manage its property effectively and minimize misuse, loss, and damages. Proper property management includes the physical count of all fixed assets and a proper recording system.

Fixed Assets

181. Fixed Assets/Capital Assets means the purchase of tangible long-lived assets (greater than one year & minimum three years life) and the cost is above PKR 10,000/-. Fixed Assets minimum lifetime period will be 03 years from the date of purchase of the assets. The decision to dispose of fixed assets is the discretion of the President and without his/her approval nothing can be disposed of.
182. All IT equipment, computers, laptops, desktops, and printers, etc. will have the maximum lifetime period of 03 years, office equipment lifetime period will be 05 years, furniture & fixture lifetime period will be 07 years and for vehicles, maturity lifetime period will be 05 years. After attaining maturity, these assets can be offered for dispose-off /auction by the President.

Consumable or Low-Value Assets

183. For all consumable low-value assets which cost up to PKR 10,000/- and whose life is below one year, the stock register will be maintained with indents duly signed by the requester. Although the Executive Committee are the real owners of **CODE PAKISTAN's** all assets, the Executive Committee can delegate authority of approval to the President for disposition of stock register inventory items.

Procedure

184. Once a new fixed asset or consumable asset is purchased, it is the responsibility of the Procurement Officer to provide a copy of the delivery receipt to the person responsible for the inventory, prior to delivery to the concerned department. The staff responsible for inventory should mark/assign number for the new asset in an easily assessable or visible location and record the data on the inventory list/register.

Disposal / Auction Mechanism

185. The ownership of the organization and all its assets lies with the Executive Committee and the Executive Committee is the final authority for the disposition of assets of the organization. Hence, approval of the Executive Committee is pre-conditioned for the disposal of assets. Fixed assets in poor condition or in no condition to be used should be disposed of either by selling or scrapping. Admin Department in consultation with President and the President in consultation with Executive Committee can decide to dispose of the items by internal and by external bidding where appropriate. Admin Department must investigate the condition of assets; list of all items should be prepared and submitted to the President. This list should be circulated to all staff for sale and seal bids should be submitted to the Admin Department. **CODE PAKISTAN** staff will be given preference and the first opportunity to buy.

Procedures for Disposal of Assets

186. The following procedure will be adopted with respect to the disposal of **CODE PAKISTAN** assets:

- a) Physical verification report of inventory to be prepared by the inventory custodian.
- b) The report will be shared with the President or Management.
- c) President or Management recommendation for auction.
- d) President will share this with the Executive Committee for approval.
- e) After Executive Committee approval, auction administration will circulate this list to all staff of **CODE PAKISTAN** for quoting the bidding price against auction items or will follow open tendering procedures.
- f) Sealed bids from the staff will be submitted to the Admin Department.
- g) President will constitute a Bidding Committee.
- h) Bidding Committee will decide the bids opening time, date and place.
- i) Sealed bids will be opened and signed by each member of the Bidding Committee.
- j) Consolidated result of successful bidders against each item will be signed by each member of the Bidding Committee and will be approved by the President.
- k) This list should be given to the Administration for collecting the money for each successful bidder against the inventory item and the Administration will take signatures from the receiver.
- l) After completion, the Administration should submit total amount with all supporting documents of the auction to the Finance Department and will get a receipt.
- m) Finance Department should deposit in the **CODE PAKISTAN** bank account and will file this document.
- n) The administration should also file a complete set of this document for future references.

- o) Inventory Officer will share the inventory with the President after the maturity of assets estimated life and the President will put a request for disposition to the Executive Committee.
- p) The Executive Committee will decide in the best interest of the organization and after their approval, the Procurement Officer or Inventory Officer will send a written request to appropriate vendor or will prepare the Expression of Interest for public tendering in the local and national newspaper. The invitation or expression of interest must be in writing or published in the local/national newspaper and shall be signed by the Procurement Officer.
- q) While the bids are being received, the Procurement Officer or Inventory Officer should take names and addresses of the prospective bidders and should send them to the President for the approval of bid opening by the selected Auction Committee.
- r) Auction Committee will fix a time for collectively opening the sealed bid box in presence of bidders who care to attend and open each bid in front of one another and each member will initial and put a date on each bid. The Auction Committee will collectively review the bids and compare them on the basis of price and overall value.
- s) The Committee will then give all signed quotes to the Procurement Officer or Inventory Officer to complete the bid comparison sheet. Once there is consensus and the form is complete, each bid member must sign their concurrence on the bid comparison sheet. If there is a lack of concurrence the Bid Comparison Committee must meet with the President to discuss the case and make a plan to resolve the issue.
- t) After the selection of successful bidders by the Bid Committee, the Procurement Officer will prepare a successful bidder list and will notify the winning bidder.
- u) Upon receipt of bidding amount from the successful bidder the requesting bidder must inspect the goods and sign a good receiving note, that is then filed by the Procurement Officer and acknowledgment of cash receipt signed by the Procurement Officer.
- v) The Procurement Officer should complete all the bid documents, e.g., Bid Comparison Sheet (BCS), Goods Receiving Note (GRN), original receipt and the total amount and will forward to the Finance Officer to proceed with a timely deposit.
- w) Once the total amount of bidding is deposited into the bank account of the Organization, the Finance Officer must provide copies of the deposit slip with all supporting documents to the Procurement Officer for completion of the files.