



DEWA

Finance Policy

TABLE OF CONTENTS

Chapter-3		Accounting, Reporting & Internal Controls	
Serial #	Sub Serial#	Details	Page Number
3.1		Basic Rules Governing Accounting & Reporting	
3.2		Chart of Accounts	
3.3		Use of Vouchers / Source Documents	
	3.3.a	Correction of Entries	
3.4		Recognition Criteria	
3.5		Segregation of Duties	
3.6		Accounting Records/ Safe Custody	
3.7		Banking Matters	
3.8		Expenditures & Payroll	
3.9		Management of Non-Current Assets	
	3.9.a	Disposal of Assets	
3.10		Matters Related to Audit, Reporting and Taxation	

1. General Principles

1.1 The stated objectives of DEWA are,

All activities, resources and finances are dedicated to these goals.

1.2 DEWA expects the highest standards of integrity and professionalism from all those associated with it. This policy manual exists to help management, staff and volunteers achieve those standards.

1.3 The Finance Manual of **DEWA** is designed to ensure the overall effective management of the organization's financial resources. The policies and procedures contained herein are prepared to help ensure accurate, comparable, fair and consistent reporting of financial transactions.

The policy intends to:

1.1.1. Facilitate timely preparation of accurate financial statements:

1.1.2. Establish guidelines for effective control of operation, general & administrative expenses:

1.1.3. Ensure effective accounting for and control of assets: and

1.1.4. Effectively meet organization's objectives.

2. Financial Rules and Regulations

2.1 Currency:

DEWA transacts and maintains its records in the local currency i.e. Pakistani rupees (PKR).

2.2 Financial Year:

The Financial year of DEWA runs from 01 July– 30th June.

2.3 Book Keeping System:

DEWA is maintaining proper bookkeeping System in Ms Excel/Manual (Ledger and Sub-Ledger)/Software.

2.4 Retention of Documents

All financial records voucher and documents shall be preserved by **DEWA** for at least Five years before disposal. The duration may be increased/decreased as per donor requirements.

3. Bank Accounts

3.1 Payments

3.1.1. All payments above PKR =10,000/- should be made through crossed cheque with exception of payments to staff (e.g. Training/Activity Advance, travel advance and reimbursement, etc.) and utilities charges.

3.1.2. Power to open a bank account lies with the Executive Body. The board of directors is empowered to open any number of accounts in any currency at any location in Pakistan as permitted by Law and as required by DEWA's operations.

3.1.3. The bank account shall be jointly operated. The following may be authorized signatories of DEWA.

1. President
2. Executive Director
3. Program Manager
4. Finance and Admin Manager
5. A designated board member
6. Any other person authorized by Board.

3.1.4. Cheque should be signed or transfers approved only when all back-up documents have been attached like quotations, invoices, delivery receipts, vouchers etc.

3.1.5. **DEWA** may not sign for the transaction that can be seen to benefit him / her personally (his / her own salary: advances, reimbursements, air tickets, etc.) in these cases, the individual should seek the authorization and signature of another signatory.

3.1.6. All cheque books should be kept safely under lock and key. All used cheque book should also be kept in safe place. The Admin and Finance Department Head will be responsible for safe custody of cheque books.

3.1.7. All cheques dispatched should be recorded in a Cheque Dispatch Sheet. This shall be the responsibility of Finance Manager/Finance officer dispatching the cheque.

3.1.8. Any lost cheque should be reported to the bank immediately with instructions of stop the payment of the cheque.

3.2 Bank reconciliation

- 3.2.1** Bank accounts for the previous month shall be reconciled at the beginning of every new month.
- 3.2.2** All the entries on the bank statement shall be checked against back-up documentation recording income and expenditure (e.g. receipts, cheque stubs, cash logs etc)
- 3.2.3** Reconciliations shall be done by Executive Director and Finance Manager.
- 3.2.4** Any problems should be reported to Executive Director.

4. Documentation of Transactions

4.1 General Transactions

4.1.1. All the business transactions whether cash or non-cash shall be entered into ledgers through pre-numbered vouchers prepared by finance assistant/officer/**manager** duly approved by the Executive Director. Following voucher types are used:

Payment Voucher

For all the disbursements, a payment voucher shall be prepared. The format of payment voucher shall include details like posting account reference, gross amount payable, deductions to be made, net amount payable and description of the activity.

Receipt Voucher

The receipt voucher shall be prepared to record the cash and bank receipts of the organization. The format of receipt voucher shall include account posting reference, gross amount due, deductions made by the sender and the net amount received.

Journal Voucher

Journal vouchers shall be prepared to record the non-cash transactions i.e., the transaction which does not involve actual inflow or outflow of funds. The

common examples where Journal Vouchers are used are recording of accruals, depreciation, cash in hand, advances, bank profits etc.

4.1.2. Vouchers will be numbered sequentially and it is a must that these vouchers be pre-printed. Supporting documentation for this transaction must be attached to this voucher. Once a voucher is approved, the transaction is recorded in the accounting system. Vouchers are stored in numerical order month-wise.

4.1.3. Funds received from donors are deposited into the relevant bank account (Project based). A Bank Receipt Voucher is prepared indicating the source of funds and account to which the funds have been deposited. The full amount of fund should be recorded as a receipt. Any arising bank charge/commission will be recorded separately as expenditure.

4.1.4. All requests for payment need to be supported with evidence of prior approval of the expenditure before funds can be disbursed. Such as documented in an approved Travel Request, over time request, or purchase Request Form.

4.1.5. In the case of routine office expenses such as utility or phone charges, this approval is implicit from the time the service is initiated: approval of invoices therefore recognizes that the services already rendered.

4.1.6. All other disbursements must be approved in advance. Once payments are made, vouchers should be duly stamped " PAID" to clearly reflect status and thereby avoid any possibilities of double payments.

4.1.7 Income tax at source must be deducted from all payments with following exceptions:

- i. Where exemption certificate / proof provided by the vendor as per the income Tax Ordinance 2000 of Pakistan.
- ii. Where payment is being made in cash out of the petty Cash (for small transactions):

4.1.8 Where payment is being made to a staff member/ participant for any seminar / conference on account of reimbursement of expenses incurred on behalf of DEWA.

4.1.9 Current prevailing rules and rates of Income Tax should be followed at the time of making payment.

4.1.10 This covers general operating expenses such as utility bills (electricity, gas, water), communication (telephone, mobile phone, internet), POL etc. all such

payments should be made within due dates unless there is a justifiable reason for delay. The admin section should adopt a proactive approach to obtain the bills in time if these are not delivered in a routine manner.

- 4.1.11** DEWA purchases the general office supplies on need basis. The purchase request is reviewed by the Finance and Administration officer and approved by the Executive Director prior to making the purchase. The admin and procurement team should initiate procurement process as and when required in line with the Procurement Policy.

4.2 Externally funded projects

- 4.1.12** Project funds are restricted incomes that have been provided to accomplish particular goals. Under no circumstances should they be used for any purpose other than the purposes agreed with the funder and stated in the contract or other official documents.
- 4.1.13** The project manager shall inform the leadership immediately if it becomes clear that a project cannot be satisfactorily completed. The project manager, under direction from the leadership, shall discuss the issue with the funder and offer to return any outstanding project funds as appropriate.
- 4.1.14** Details of project expenditures shall be kept separate within the budgets, books and accounts to allow management to easily identify how much has spent and what amount of funds are remaining for outstanding project activities.
- 4.1.15** It is the responsibility of the designated project manager to ensure that all project targets are met. Any targets that are likely to be missed should be highlighted and reported to the leadership.
- 4.1.16** It is the responsibility of the designated project manager to ensure that all project reports for donors are produced as required by the contract.

5. Payroll

- 5.1** Salaries are paid in last week of the month. Partial salary payment shall be calculated on a calendar day's basis.

5.2 An attendance sheet/Time Sheet for members of staff shall be the basis of the preparation of salaries. When a new staff member is hired, a copy of the new employee's contract (letter of employment) and joining report should be attached to his/her voucher of his/her first month's salary payment. Recruitment for new staff positions is based upon the availability of funding.

5.3 A payroll schedule shall be prepared by the accounts assistant / admin assistant. Finance officer listing all staff, their respective bank account numbers, current salary, post and CNIC. This schedule shall be reviewed by the Finance & Manager/ Officer and approved by the Executive Director. Either Bank Instruction Letter for direct credit to employees' accounts or cross checks shall be prepared for transfer of salaries. Copies of instructions sheet duly acknowledged by the bank or copies of cross cheques shall be kept in files along with payment vouchers.

6. Advances

6.1 Official advances are making to staff, particularly to cover expenses to be incurred outside of permanent duty station. Any advance to staff should be recorded as an asset, and should be adjusted in the accounting system upon completion of liquidation formalities.

6.2 Official advances are extended for:

- I. Travel purpose.
- II. Workshops / Seminars/Training/Activities
- III. Any other purpose authorized by the Executive Director, President and mandated Board Representatives.

6.3 The prepaid expense that have been paid for in advance (such as office rent), and the period for which they have been paid might not have expired at the date of generating the financial statements.

6.4. One-month salary can be advanced to an employee in case of an emergency or urgent need. The advance should be adjusted fully in the following month's

salary. An employee can get a maximum of two salary advances in any financial year. The employee should have completed his/her probation period before qualifying for such an advance. Salary advance is not given during probation period.

7. Reserves

7.1 Management Statement

- 7.1.1 **DEWA** shall update/revise its reserve policy at the end of each fiscal year (in June).
- 7.1.2 The Reserves Policy states that the NGO retain a particular sum of funds for the purpose of ensuring that the NGO has sufficient resources to meet possible contingency situations and to allow for response to new situations and opportunities.
- 7.1.3 This Policy will next be reviewed by Executive Director and Finance Manager by the end of Fiscal year.

7.2 Use of Reserves

- 7.2.1 Free reserves can be used for office management purposes and for the payment of core staff.
- 7.2.2 Any expenditure of reserves must be approved by President, Finance Secretary and General Secretary of **DEWA**.

8. Annual Reports, Accounts and Audits

8.1 Accounting and Audit Management Statement

- 8.1.1 The DEWA shall produce a yearly Annual Report (July to June) and Accounting Report (July to June) in the 1st Quarter of the following financial year.
- 8.1.2 Finance Section will be responsible for coordinating the preparation of the narrative section.

- 8.1.3** Finance Section will be responsible for coordinating the preparation of the financial section.
- 8.1.4** Executive Director will host an internal meeting to appoint an external Audit firm in April/May of each year.
- 8.1.5** Executive Director/Finance Manager/Officer will be responsible for liaising with the external Auditors.
- 8.1.6** Finance Section/Reporting Officer will be responsible for presenting the combined draft Annual Report to Executive Director/President.
- 8.1.7** Executive Director will sign the final Annual and Account Reports.
- 8.1.8** Executive Director will be responsible to file the Annual Report and Accounts with Government entities in each year.
- 8.1.9** Executive Director will be responsible to keep the original audited accounts and its backups in a safe and dry place.