



New Consultancy and Relief Organization

7/1/2021

Admin & Finance Policy and Procedure



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1. FOREWORD

This Finance and admin policy and procedure is developed with a view to bring harmonization in the NCRO activities.

The manual is aimed at regulating internal day to day affairs of NCRO and is not purported to address legal or other issues outside organization. For issues outside organization, reference to laws and regulations issued by government authorities should be made.

Besides implementation of this manual, any law and regulation applicable to NCRO must be properly complied with and this is the responsibility of top management to ensure that nothing is being done in violation of government laws and regulations applicable to NCRO.

This manual shall come into force w.e.f the date (1 July 2021) when Board of Directors NCRO approves the updates of this manual. Scope of this manual extends to all finance and admin activities. It includes all financial as well as administrative aspects of activities of NCRO. All the staff members are responsible to make themselves familiar with its contents and for proper implementation of the same. Failure to comply with these regulations will be met with appropriate actions

The manual includes policies and procedures, while different standard formats are put as appendixes.

As the Board of Directors approves this manual, any future changes should also be approved by Board of Directors before incorporating in this manual.

This manual should be reviewed regularly to see if any updates are lagging or if any procedures should be changed.

NCRO Director





2. AUTHORIZATION LIMITS

2.1 Delegation of authority

Director can delegate all or any of his powers to any person. However such delegation of powers shall be made in writing. Standard letter of delegations is appended in appendix (see appendix 1)

Particular	Board of Directors	Director	D. Admin/Finance Manager	Provincial Office Manager
Budget authorization		According to grant letters and boards authorization	If delegated	If delegated
Request purchases		According to approved budget	According to approved budget	If delegated
Expenditure approval				
Up to 500 USD				According to approved budget
Up to 2,000 USD			According to approved budget	
Above 2,000 USD		According to approved budget		
Contracts				
Up to 3 months (one time)			According to approved budget	



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			and Director authorization	
More than one 3 months		According to approved budget and boards authorization		
Advances				
To Regional offices		According to approved budget		

Particular	Board of Directors	Director	D. Admin/Finance Director	Provincial Office Manager
To Employees for expenditures				
Up to USD 500			According to approved budget	
Up to USD 2,000		According to approved budget		
Above USD 2,000		According to approved budget and boards authorization		
Advances against salary		According to rules and regulations		
Payroll	Budget GM	Budget of Central office	Budget of regional offices	Budget of regional offices



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Cheque/transfers		According to approved budget	If delegated	If delegated
Signatories		Yes	Yes (if delegated)	Yes (if delegated)



3. ACCOUNTING POLICIES

NCRO will follow the GAAP (generally accepted accounting principles) in implementation of this manual to ensure that financial reporting is transparent and consistent from one accounting period to another.

The following are the GAAP:

1. **Regularity.** NCRO accounting staff should apply GAAP rules as standard practice.
2. **Consistency.** NCRO accounting staff should apply the same standards through each step of the reporting process and from one reporting cycle to the next, paying careful attention to disclose any differences.
3. **Sincerity.** NCRO accounting staff should provide objective and accurate information about the NCRO finances.
4. **Permanence.** NCRO accounting staff should use consistent procedures in financial reporting, enabling NCRO finances to be compared from report to report.
5. **Non-compensation.** NCRO accountants should provide complete transparency of positive and negative factors without any compensation. In other words, they do not get paid based on how good or bad the reporting turns out.
6. **Prudence.** The financial data should be based on documented facts and is not influenced by guesswork.
7. **Continuity.** The financial data collection and asset valuations should not disrupt normal business operations.
8. **Periodicity.** The financial data should be organized and reported according to relevant accounting periods. For example, revenue or expenses should be reported within the corresponding quarter or other reporting period.
9. **Materiality.** Accountants must rely on material facts and disclose all material financial and accounting facts in financial reports.
10. **Good Faith.** There is an expectation of honesty and completeness in financial data collection and reporting.

The following significant accounting policies are adopted by NCRO and consistently applied in preparation of financial statements of the organization.

3.1 Accrual Basis of Accounting

Financial statements are prepared using Accrual basis of accounting except grants from donors, which is recognized on cash basis of accounting. Accrual basis of accounting requires that the effect of transactions and other events be recognized when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting record and reported in the financial statements of the period to which they relate.



3.2 Financial Roles and Responsibilities

NCRO Finance Manager is responsible for all financial activities; preparation of payrolls, reporting (trail balance, balance sheet, general journal, ledger & bank reconciliation, revenue, finance cost, tax expenses, operational expenses)

Finance Manager is responsible for all types of vouchers and expenditures record keeping in registered quick book desktop software along with hard copies in the file.

3.3 Annual Budget

- FM develops reporting for finance section, programs and operating units, as required.
- Writes reports on highly sensitive and high risk areas.
- Plans master budget, central support budget, flexible budget and program budget.

3.4 Financial Reporting and Monitoring

- Reviews quarterly and sometimes monthly
- Prepares a summary of all funding sources, expenditures and reserves available for future use
- Enlists outstanding commitments of programs, individuals and project capitals
- Provides management with the necessary information for making strategic decisions at any time during the year.

3.5 Cash Withdrawal Procedure:

Three authorized signatories shall sign each cash withdrawal cheque. Once in a while when one or two of the signatories are not available, the director can alone sign the cheque.

3.6 Fixed Assets

All the fixed assets are charged to Income and expenditure account in the year of purchase. Though a separate fixed assets register is maintained to exercise control over fixed assets.

3.7 Stocks and Stores

Stocks usually include stationery items. Such items do not have material value, therefore stationery is charged to Income and Expenditure Account when purchased.

3.8 Revenue

3.8.1 Grants

- Grant received in cash is recognized on accrual basis of accounting.
- Grant received in kind are not reflected in financial statements, except fixed assets received as donation. Fixed assets received as donation are recorded as grant in kind using fair market value of fixed assets received on the date of acquisition.



3.8.2 Interest Income

- Interest earned on banks and is recognized as and when credited to the bank account.

3.9 Foreign currency transactions

3.9.1 Initial recognition

Foreign currency transactions are recorded initially in reporting currency using the exchange rate prevailing at the date of transaction. For practical reasons, exchange rates on first working day of every month are used for recording foreign currency transactions incurred in the respective month.

3.9.2 Reporting on subsequent balance sheet dates

Monetary assets and liabilities denominated in foreign currency are reported in financial statements using closing rate at Balance Sheet date. Examples of monetary assets are cash in hand, cash at bank, advances given to employees, any other loan given or received from other agencies etc.

3.9.3 Recognition of exchange gain and loss

Exchange difference arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognized as income or as expenses in the period in which they arise.

4. OPERATING BANK ACCOUNTS:

4.1 Bank Account Opening:

Bank account for the project funds shall be opened only in a nationally recognized bank or any other bank authorized by the central bank of the country (Da Afghanistan Bank).

Necessary authorization to open any bank account or alter its manner of operation would need to be got in writing from the necessary authority. A separate bank account can be opened depending upon the project need.

Each project requires opening a separate bank account. The Finance Manager takes the following steps for opening a new bank account.

- Presents Valid Business Registration Certificate to the bank.
- Business Address Proof.
- Introduces three authorized signatories including the director.



- Residential address proof.
- Memorandum of Association and Articles of Association.

4.2 Authorized Signatories

Every check/instrument is signed by at least two signatories

A staff that has access to bank account and cash account is not entitled to be an authorized signatory.

4.3 Authority to Sign

The authority to sign should lie with selected executive members of NCRO. The bank is authorized to undertake any written instructions, signed by two of the signatories, for transacting any financial business from time to time.

4.4 Closing of Bank Accounts

Any bank account not required to be operated must be closed immediately. The Finance/Accounts person has to take the matter with the Competent Authority and procure in writing the obtaining necessary resolution. When it is decided to close a bank account, the following actions should be completed:

Transfer balance in the account (leaving the minimum amount required) to the other bank account. Surrender all the check leaves to the bank under a receipt.

After receipt of the resolution, deliver it to the bank under receipt and transfer the balance to another account.

Confirm closure of the bank account and transfer of balance to the competent.”

5. CASH HANDLING

5.1 Cash Account and Transactions

Cash transactions are to be resorted only for petty expenses and when /where banking facilities are not available. As per Income Tax Rules, no claim exceeding \$_1000__ should be settled through cash payments. These should invariably be by account payee checks only. As a matter of procedure and control, the attempt should be to minimize the number of cash transactions.

5.2 Daily Cash Balance

The denomination of the closing balance of the cash should be entered below this and signed by the Accountant. This register has to be maintained from the beginning of the financial year. A fresh register has to be started at the beginning of every financial year. Maximum and minimum cash limits have been fixed as: maximum \$ 8000_ and minimum \$5000_.

5.3 Withdrawal of Cash from Bank

- a) The Cash Withdrawal Form/Money Indent to be filled up and signed by the staff handling cash.
- b) The cash balance available and the estimated expenses would need to be computed.



- c) The authorized persons must verify the requirement before signing the check for withdrawal of cash.
- d) The signature of the person presenting the check and receiving the cash should be attested on the back side of the check by one of the authorized signatories.
- e) A Cash Receipt (Contra) voucher to be prepared and accounted for by the accountant on the same day.
- f) The Cash Account (Manual) to be updated for receipt of the Cash.

Cash Payments

- a) Cash payments will be made only after preparing the Payment voucher.
- b) All vouchers should be pre-printed with machine made serial numbers
- c) The Voucher has to be approved by the competent authority before payment.(as per the requirement of individual projects)
- d) The Payee must sign the voucher for having received the payment.
- e) In case the competent person is not present, the voucher must be verified/approved by any other person standing-in for the person per before release of the payment.
- f) As per Income Tax Rules, no cash payment of more than \$__1000_ is permitted.
- g) All cash payments above \$_30_ should be receipted with a revenue stamp as per the provisions of the stamp act
- h) The number of cash payments has to be reduced by converting settlements through check

5.4 Cash Payments.

- i) In special conditions such as labor payment or any other payments in the project site, where there is no banking facility, the amount of cash received from bank will be exceed and will be calculated based on the amount need for the project site.

5.5 Cash Verification

- a) The competent authority should physically verify the cash balance occasionally and compulsorily at the end of the month.
- b) The Cash Account record should be signed by the person handling the cash and the person in charge of finance as and when the physical verification of cash is carried out.



c) Any discrepancy noticed during the physical verification should be recorded and reported in writing to the person concerned immediately.

5.6 Controls to be exercised

- a) Third parties should not be allowed access to the accountant or the safe. Cash should be paid to them in the front office.
- b) Cash is handled by only one designated person who is responsible for it.
- c) A fixed 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 to be strictly observed.
- e) Accounting of cash receipts/payments is done on a daily basis.

5.7 Petty Cash

- a) Petty cash shall be maintained on an imprest basis. At any given time, the cash and receipts in the cash box shall total the imprest level. The level shall be maintained at \$__1000__.
- b) Only the accountant will handle petty cash. Actual cash will be spot-checked and verified by the supervisor/finance manager at least once per week. The staff person in charge of the fund will reimburse for any discrepancies.
- c) All requests for petty cash must be signed by an authorized supervisor/finance manager on a pre-numbered voucher.
- d) A check to replenish the fund shall be issued when the fund is low, and at the end of every month.
- e) The cash and vouchers shall be kept in locked box or safe.”

6. ACCOUNTING SYSTEM

- MAIN FEATURES
- NCRO has centralized Accounting system.

6.1 Regional offices



NCRO has established regional offices in different provinces of Afghanistan. Projects are implemented and monitored in regional offices. Donor reporting is the responsibility of central office.

Complete financial record is not maintained in the regions. Instead following books are maintained manually.

6.1.1 Cash Book/Bank Book

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

Single-column cashbook is maintained in each regional office (see appendix 2). Separate cashbook is maintained for each currency such as Afghanis, US Dollars etc. Similarly, Bank Book is maintained for each bank account, if any, maintained in regional offices (see appendix 3).

Monthly cash summary (see appendix 4) is prepared in each currency. These summaries are sent to central office along with original vouchers and supporting documents.

A double column cashbook that can act as a bankbook or a single column cashbook (in case a bank book is maintained separately) has to be maintained.

No cutting or alterations should be made in the cashbook. Correction fluid should also not be used. Any mistake should be corrected by passing a rectification entry.

Cashbooks have to be written regularly (as and when a transaction takes place). All cash balances should be inked up regularly.

The Cashbook has to be tallied checked and signed by the competent authority or any other appropriate authority every month.

Cashbooks should always remain at the office.”

6.1.2 Store Register

Store register is maintained for controlling use of stationery. Store register include quantitative data of stationery purchased, consumed and stock in hand (see appendix 5).



6.1.3 Advance ledger

Advance ledger includes individual accounts of employees who have taken advances.

6.2 Central office

Central office maintains complete books of accounts including cashbooks, bankbooks and ledgers for all the regions as well as for central office.

Accounting record of central office includes central office data as well data pertaining to each regional office. Transactions incurred in central office are recorded on daily basis. Transactions incurred in regional offices are recorded on monthly basis after vouchers and summaries have been received from regional offices.

Following books of accounts are maintained at central office.

6.2.1 Cash Book/Bank Book

Single-column cashbook is maintained in each central office (see appendix 2). Separate cashbook is maintained for each currency such as Afghanis, US Dollars etc. Similarly, Bank Book is maintained for each bank account (see appendix 3).

6.2.2 Store Register

Store register is maintained for controlling use of stationery. Store register include quantitative data of stationery purchased, consumed and stock in hand. (see appendix 5)

6.2.3 General Ledger



General ledger mainly includes account heads including incomes, expenses. Besides these, General Ledger also includes account for any loan receivable or payable. Expense and income accounts are separately maintained for each donor (see appendix 6).

6.2.4 Advance ledger

Advance ledger includes individual accounts of employees who have taken advances (see appendix 6).

6.3 Vouchers

Vouchers are the source documents used for recording financial aspect of transactions in books of accounts. Following types of vouchers are used for data entry.

6.3.1 Cash / Bank Receipt Voucher

Cash receipt voucher is used to record Cash receipt while Bank Receipt voucher is used for recording bank receipts (see appendixes 7 and 8).

6.3.2 Cash / Bank Payment Voucher

Cash payment voucher is used to record Cash payments while Bank payment voucher is used for recording bank payments (see appendixes 9 and 10).

6.3.3 Journal Voucher

Journal vouchers are used to record transactions not involving Cash or Bank. Journal voucher is also used for recording Cash deposits and withdrawals (see appendix 11).

6.3.4 Design of vouchers and Voucher Numbers



Vouchers have been designed in order to enable the multi-dimensional reporting. Each and every transaction is classified on the basis of all or some of the following criteria before being recorded. Each voucher includes following information.

- Voucher type
- Currency
- Donor
- Project
- Account head
- Amount (original currency)
- Exchange rate

Voucher number is designed in alpha numeric form. There are five parts of voucher number to include following information.

❖ **Location**

Particular	Codes
Kabul	KBL
Ningarhar	JAL
Kunar	KUN
Laghman	LAG

❖ **Transaction type**

Transaction types are represented by the following codes respectively.

Voucher type	Transaction type	Code
Bank receipt voucher	for Bank receipts	BR
Cash receipt voucher	for Cash receipts	CR



Bank payment voucher	for bank payments	BP
Cash payments voucher	for cash payments	CP
Journal voucher	for transactions not involving cash/bank or cash deposits and withdrawals	JV

❖ **Number**

Last part will include sequential numbers such as 1, 2,3....

Voucher No. “154” is an example to illustrate the above.

One sequence of voucher numbers is used for all types of vouchers. Vouchers are filed in sequence for easy access. This makes easy keeping track of voucher numbers and help in filing the vouchers. New sequence of voucher numbers is started.

❖ **Project Contract Number**

Project contract **number will be shown to**

6.4 Chart of Accounts

NCRO has standard chart of accounts. Chart of Accounts has been established according to the activities and specific reporting needs of NCRO (see appendix 12).

6.5 Reporting Currency

Reporting currency of NCRO is US Dollars OR as per donor and Afghan government requirement

7. TRANSFER OF FUNDS



Transfer from Central Office to Regional Offices

7.1 In order to carry out respective projects and programs, Central office transfers funds to regions.

The Program Manager (PM)/Provincial Office Manager (POM), in co-operation with the Finance Manager/Officer, have the responsibility to prepare the program budget and expected time for money transfers, following the budget guidelines (see Chapter 6 “Budgeting and Reporting”) This will provide a better overview of the cash needs resulting in efficient cash management.

7.2 Request for funds transfer

Provincial Office Manager/Program Manager (if he/she is in region) or in his/her absence Line officer gives a written request to the Finance Manager/Officer. Request should include information about amount of funds required, Donor, and Project and nature of expense for which fund is required. If this is done over phone, the operator is responsible for putting the request in writing.

Finance Manager/Officer forwards the request to Director. Funds are transferred to regions after Director approves the request specifying the mode of transfer as well. Finance department intimates regional office about the transfer of funds to region and copy is sent to Program manager. Regional office sends back confirmation of funds received to central office finance department.

7.3 Modes of transfer

Transfer should be made using following modes.

- **Through Bank**
- **Hawala**
- **Through NCRO staff**

Funds should be transferred preferably through bank. Other modes should be considered only if bank transfer is not possible. Transfer through NCRO staff should be the last option as it is risk prone. It is important to note that transportation of large cash sums involves security risk.



Hawala

A related topic here is “Hawala”. NCRO utilizes the service of money exchangers. These money exchangers have a network throughout the region. Money exchanger arranges for the agreed amount of money to be transferred to a particular place. Once the agreed amount of money is received in the concerned region, a confirmation is sent to the central office. In the central office the money exchangers is paid the sum transferred by him plus an agreed commission for the services.

Transfer through NCRO staff

In case any other means of transfer is not available, then funds can be transferred through NCRO staff. Before sending the money, security situation should be confirmed in order to avoid as far as possible any unwanted event. However this practice should not be done regularly as includes high risk.

Prior approval of Director is must before sending money through NCRO staff.

8. ADVANCES

Issue of official advances to employees is routine practice. Advances to staff includes for travelling, purchasing or other purposes. There are two broad categories of advances namely:

8.1 Advances for official expenses

The following procedures are used for official advances:

- The employee who requests for advance fills in the Advance Form (see appendix 13). One advance form is used for one currency. If one needs advance in more than one currency, then he fills in separate advance forms for each currency required.
- Finance Officer checks if the employee has any outstanding advances. He then mentions any outstanding balance against the employee on the Advance form. Usually an employee is not authorized to receive any advance if he/she has any pervious balance outstanding to his/her name. However, in exceptional circumstances the Director, PM or POM may allow him to receive further advance.



- The form is then taken to the person authorized to PM or POM for approval. If the amount of advance requested is beyond the authorization limit of PM or POM See Chapter No.1 “Authorization Limits”, he/she will forward it to Director for approval.
- After approval, the Finance Assistant/Cashier pays advance and acknowledgement of the payee is obtained on the payment voucher.
- Advance form is attached to the Payment Voucher. The transaction is then recorded in books against employee’s name (see chapter No.3 “Accounting system”).

8.2 Liquidation of Advance

- After the employee incurs the expenditure, detail of expenditure incurred is mentioned on expenditure summary form (see appendix 14), supported by the original bills. Expenditure summary form is got approved See chapter No.1 “Authorization Limits”.
- Besides expenditure is accompanied by Advance Liquidation Form filled by the employee (see appendix 15).
- The balance unspent is paid to Finance Assistant/Cashier. In case of over expenditure Finance Assistant/Cashier reimburses the over expended amount. Advance is then adjusted in books.
- An official advance can under no circumstances be used for personal reasons.
- Advance should be cleared within reasonable time limit.
- Following personnel are authorized to have a permanent petty cash with them due to the nature of their job.

• Provincial Manager	USD 1000 (float advance)
• Purchasing officer	USD 500 _____
• Transport/Logistic officer	USD 500 ____
• Drivers	USD 50

8.2.1 Advance against salaries



The general rule is that staff is not allowed to take out advances against salaries.

Advances may only be given against salaries in exceptional circumstances, with a written approval by the Director. The amount of advance shall not exceed one month's salary, which shall be fully deducted in salary.

The normal procedure should be to deduct a set amount from the employee's salary over a few months.

Some Additional General Rules

Private Advances vs. Official Advance

Advances for official expenses should not have any influence on personal advances (against salaries). A clear distinction should be made between official and personal advances and both advances should be adjusted on separate basis.

Currencies of advances

Advance can be given in any currency. However advances given in different currencies should be recorded separately in the original currency (not the reporting currency).

Adjustment of advance against salaries

Advance given to employees against salaries should be adjusted in currency in which advance is given i.e. the original currency. Further, advance shall be given to employees in the currency in which they are drawing salaries.

In case of advances given to employees before implementation of this manual, those shall be adjusted in the currency in which employees are drawing salaries.

Adjustment of advance for expenses

Advances given for official expenses can be exchanged into another currency. It will be reported to finance clearly stating the amount exchanged, the amount received, and the conversion rate. Support of conversion must be attached.

Example:



- 1) Project Manager takes an advance of USD 2,000 for project expenditure.
- 2) Project Manager exchanges USD 1,000 to Afs. 50,000 and obtains the receipt for the exchange.
- 3) When coming to the office to clear his advance, Project Manager has spent USD 900 on fuel and food costs and Afs. 45,000 on site workers incentives.
- 4) The Advance form in USD should then include US\$. 1,000 exchanged to Afs., and USD 900 on fuel and food costs. He then pays back USD 100 to the Finance Assistant/Cashier.
- 5) A new Advance form has to be filled in mentioning exchange of USD 1,000 to Afs. 50,000. Then the cost of site workers incentives is reported as Afs. 45,000 and Project Manager pays back Afs. 5,000 to the Finance Assistant/Cashier.



9. BUDGETING AND REPORTING

9.1 Introduction

Budgeting is the key factor for successful implementation of a project. Budget serves as planning and control tool. As planning tool, budget provides information about expected/planned cost of a project, expected income from the project and fund requirements for the project. As control tool, it helps implement the project in such a way that ensures that targets are achieved and actual results are in line with planned results.

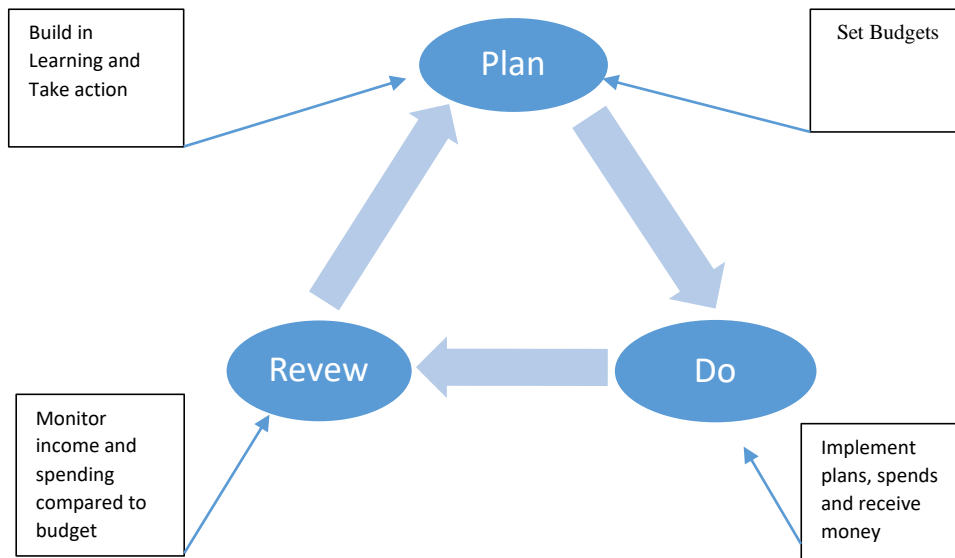
Budget is a financial plan for the whole year. Budget preparation assumes immense importance in that it forms a basis for all the activities and operations of NCRO. Budget is an estimate based on assumptions about future. Unrealistic assumptions may lead to incorrect estimates and in turn unrealistic budget and will consequently lead to huge budget variances/lapse of the projects in case actual cost of the projects materially exceeds the budget. Thus all the care should be taken to prepare a realistic budget.

Not only does the budget form the basis for one or more year's operations, but it is also the base for our funding applications to the various donors. At the end of a project, the donor will investigate how NCRO has dispersed the funds and will also compare actual results with approved budget. Small variances may be tolerated without any major problem; however, large variances from the original plans may pose questions about the organisation's operations. As such, it is important that the budget reflects the actual activities planned, and that the expenditures are recorded accurately.

9.2 Budgeting Guideline

Whether you're overseeing the budget for NCRO or a project, good budget management is essential for success. By budget we mean the amount of money that an organization plans to raise and spend for a set purpose over a given period of time.

The Plan, Do Review Cycle



At NCRO, we recommend using the Plan–Do–Review process. This is a process, which means that rather than creating a budget and never changing it, you create a plan, monitor progress, and make decisions throughout the project lifecycle to help it stay on track financially. This may mean adjusting the budget – the key is to do that at the right time, for the right reasons.

The program cycle and the financial cycle should work in conjunction with one another, not separately. Budget plays an important role in every stage of NGO work: planning, organizing, monitoring, and controlling the resources of an organization to achieve its objectives.

9.2.1 How to prepare a budget (PLAN)

The first step with any budget is to understand what it’s for. That comes from the project team, who sets program and project objectives and plans the work that needs to happen in order to meet the objectives.

Budgets are then prepared with estimates of the costs involved in running the project activities. Proposals are prepared to raise the required funds. Budgets are then used to plan each phase of project implementation.



A good format to start with is a detailed budget worksheet that can later be summarized or re-coded as needed. After the budget has been prepared it needs to be approved by the Executive director and/or the Board.

9.2.2 Implementing the budget (DO)

This is where the project team does the work they planned for, following the project plan and budget. They will receive funds, spend them and critically, account for the transactions. This process is supported by financial and accounting policies and procedures, such as for delegated authority and procurement.

- The person with the responsibility for implementing a budget is called a **‘budget holder’** and is usually a program or project manager, not a finance person.
- They use the budget as a guide, checking BEFORE Spending that items are budgeted for, and lining up what’s been spent with the appropriate budget lines.
- Budget holders should focus on **delivering the project objectives** within the total budget rather than on spending all the cash outlined in the budget.
- Over or underspending **within reasonable limits** are not a problem, as long as there are good explanations (but check your funding agreement conditions, as some can be more restrictive than others).

9.2.3 Monitoring the budget (REVIEW)

Throughout the project, the team will review progress by comparing the original plans to what actually happened, using the actual data compiled during the Do phase to prepare what is called budget monitoring reports.

Managers use the monitoring information to help the project stay on track. Knowing where the budget is being overspent or underspent can help them identify different actions to take – if needed – to make sure the project succeeds.

What makes a good budget?

1. CLARITY

Budgets should be clear so that other people can understand them easily.

2. CONTEXT

Always add notes to explain any estimates or assumptions you make. A budget should tell a story, not just be a list of numbers.



9.2.4 CONSISTENCY

Use the same list of accounts codes in your budget that you're already using for the overall organizational budget.

2. TEN TOP TIPS: A BUDGET MONITORING CHECKLIST

<i>What to check</i>	<i>What to look for</i>
<i>1. Accounting basis</i>	<ul style="list-style-type: none"> • <i>Is the report compiled on a cash or accruals basis?</i> • <i>Are there outstanding commitments? If so, how does that affect the results?</i>
<i>2. Validity of 'actuals' figures</i>	<ul style="list-style-type: none"> • <i>How recent are the figures? Are they complete?</i> • <i>Is the report within 2 - 3 weeks of the reporting period?</i>
<i>3. The bottom line</i>	<ul style="list-style-type: none"> • <i>Is the overall result (surplus or deficit) within budget?</i> • <i>If not, is the overall variance significant at this stage of the project or program? An outcome of plus or minus 10% is considered reasonable.</i>
<i>4. Sub-totals for 'family groups'</i>	<ul style="list-style-type: none"> • <i>Is spending overall on target across the group?</i> • <i>An outcome of plus or minus 10% is considered reasonable.</i>
<i>5. Overall expenditure</i>	<ul style="list-style-type: none"> • <i>Is expenditure broadly in line with the budget, within plus or minus 10%?</i> • <i>Are there any significant outstanding commitments that could substantially affect the figures shown?</i>
<i>6. Overall income</i>	<ul style="list-style-type: none"> • <i>Is income broadly in line with the budget?</i> • <i>Are there any large sums of money outstanding or delayed?</i> <i>If yes, what is being done to retrieve them?</i>
<i>7. Unusual or unexpected results</i>	<ul style="list-style-type: none"> • <i>Are there any results that stand out as being unusual or unexplained?</i> • <i>This could be an indication of miscoding, fraud, or misuse of funds, so follow up as appropriate.</i>



<i>8. Significant variances in line items</i>	<ul style="list-style-type: none"> • Are the reasons for the variances explained and reasonable? • Don't just concentrate on overspent items. • Underspending can also be critical for programs as it suggests delays.
<i>9. Consistent results across linked line items</i>	<ul style="list-style-type: none"> • Do linked budget lines (such as activity-related costs) tell the same story or do the results look illogical?
<i>10. Supporting narrative reports</i>	<ul style="list-style-type: none"> • Do the figures tell the same story as the accompanying narrative project report?

3. BUDGETING: SET YOURSELF UP FOR SUCCESS

We know that a checklist can help even the most experienced of us stay on track. We put the following together as a helpful set of guidelines.

1. Collaborate:

Be inclusive

Preparing a useful budget is best done as a team. Include beneficiaries, program, and finance staff to make sure you're seeing all sides of the issue. It can't be just "left to the accountant"!

A good budget process involves asking questions:

1. What are the objectives of the project?
2. How will we measure success?
3. What will be done to reach those?
4. What resources will be needed s?
5. What will these resources cost (including people)?
6. Where will the funds come from?
7. Is the result realistic?

As a group, work through the questions. We mentioned included beneficiaries: we know it's not always possible, but if you want to encourage participation and a sense of local ownership, then it helps if representatives of the beneficiary groups are actively involved in setting the budget. This is a best practice for NGOs.

2. Prepare:



Set up a timetable

Building a budget covers several stages: it doesn't happen all at once. For instance, you may have to gather information at different times from different people and groups; discuss activities with different members of staff and beneficiaries; estimate costs; negotiate with funders; see how different team budgets fit together across the organization; and finally get the budget approved by senior staff or donors.

Given all the steps involved, create a timeline and get started much sooner than you think you need to. This could be four to six months before the start of the financial year, depending on the size of your organization and the size of the project.

3. Explain:

Write down notes and assumptions

Different people will need to use the budget for different purposes. That means the budget has to make sense even to those who weren't involved in creating it or managing it. They should be able to pick it up and understand it without any additional explanation.

You can do that by presenting your information clearly, with explanations and context. This is especially important if staff change during the life of a project. For example, take notes on all budgeting assumptions and how calculations were made, and keep those with the budget.

4. Replicate:

Use consistent budget headings

When you are setting up or reviewing a budget, use the same descriptions and budget headings for your project as those that are used in your NGO's overall financial accounts and reports. The budget items and accounting records will be much easier to monitor, if they use the same descriptions and budget headings.

One way of achieving consistency is to prepare a budget outline. For instance, this could list all the main types of income and expenditure that a project or department might have in a typical year. It can help jog people's memories and remember all the relevant costs.

5. Justify:

Estimate costs



A previous budget, either from a prior year, or a similar project, can be helpful as a starting point; but it might also be inaccurate or outdated.

One approach is to make a list of all the things you will need for each specific activity, and then work out the number and unit cost of each item. Using those details, you can produce a summarized budget for each budget category. It's also easy to update if quantities or unit costs change.

6. Take care:

Avoid contingencies

Try to avoid adding a 'bottom line' percentage for so-called 'contingencies' on the overall budget. Generally, it is not an accurate way of calculating a budget. It is better to calculate and include a contingency amount for separate items in the budget – e.g. a salaries contingency or fuel contingency, if needed.

Remember that every item in your budget must be justifiable. Adding one bulk percentage on the bottom is difficult to justify – and also difficult to monitor.

7. Remember:

Don't forget forgotten costs

Don't forget the forgotten costs! Or more accurately, don't underestimate all the elements it takes for a successful project. It's better to ask funders (and help them understand the true costs), then to ask for less than you truly need, and run the risk of a project not being successful

Here are some of the most overlooked costs:

- Staff related costs (e.g. recruitment costs, training, benefits and statutory payments)
- Start-up costs (e.g. publicity)
- Overhead or core costs (e.g. rent, insurance, utilities)
- Transport costs (e.g. moving goods around the country)
- Vehicle running costs
- Equipment maintenance (e.g. for photocopiers and computers)
- Governance costs (e.g. board meetings, AGM)
- Audit fees

If you don't include them in the budget, then you may not have enough funds to pay for them!

8. Ask:

Reach out for help



(And another perspective)!

Creating a budget by yourself is difficult. Find yourself a ‘budget buddy’ to check your draft budget with a critical eye. This could be a work colleague or someone doing a similar role in another NGO. Even if you’ve created many budgets in the past, someone with a fresh perspective might make it even stronger.

Top Tips for Monitoring and Reviewing Your Budget

Creating your budget is only one step in the budgeting process.

You also need to keep an eye on how you are doing against what you had planned, and to carry out a proper review at the end of the budgeting period. Use these top tips to monitor and review your budget successfully.

Effective monitoring

Make monitoring a priority

If things are going off course, you need to know about it as soon as possible so that you can take any necessary action. It is a good idea to mark budget monitoring as a top priority item on the appropriate team meeting agenda. Try to avoid ‘urgent’ agenda items being given precedence over budget discussions. Even better, hold a separate budget monitoring meeting or set time aside with individual team members to explore any major variances in depth.

Focus on the main issues

At budget, monitoring meetings stick to the highlights and big issues. You may want to acknowledge smaller budget items that are proceeding according to plan, but you do not need to discuss them. Use your time to concentrate on important issues.

Look out for warning signs

All things going well, you should not be surprised by anything on your budget report. Your operational management activities ought to have led you to expect what you see. If this is not the case then either:

- the budget is wrong
- you are doing the wrong things; or
- no clear link has been made between your operational plans and decisions, and your budget

If you are taken aback by your budget report, it is time to start finding out why.



Take appropriate corrective action

If your budget does go off course, don't leave corrective action until it is too late to do anything. For example, imposing blanket spending restrictions in the last couple of months of a budget year is unlikely to get your budget back on track.

When things go wrong, make sure that you all agree on the corrective action that you need to take and assign responsibility accordingly. Document what you have agreed and issue the note of the meeting within 24 hours.

While it is important to take timely action if your budget is not going according to plan, it is just as important to avoid making snap decisions, or to alter your budget at the slightest sign of a problem. Carefully think through any planned corrective action before implementing any changes. You may wish, for example, to consider if your action might have any undesirable or unintended side effects. Will it happen in time for the next monitor report or is it likely that you will not see the results for more than two budgeting periods?

Communicate progress – the good and the bad

It can be motivating for your team or department to hear good news, e.g. that you are 20% ahead of budget for the quarter. So share good results with your team if and when appropriate. Similarly, don't hold back bad news unless there is

a very good reason for doing so. If you believe that you are heading for an overspend, sharing this information early may encourage employees to redouble their efforts, e.g. focusing more effort on sales, or offering suggestions about what they and the rest of your team or department can do to reduce expenditure.

Effective reviewing

Review promptly

As your budgeting period (e.g. quarter end, financial year) draws to an end, it is important to start putting some review plans in place. This means booking a date soon after your budget ends to get together with the relevant people to discuss how you performed against your budget.



Review thoroughly

It is important to reflect on all aspects of the budgeting process, from drafting and negotiating your budget to monitoring it throughout the budgeting period. Before holding a budget review meeting, look over any key documentation and note down some relevant discussion points, for example:

- the approved budget you worked to, and the main budget items listed
- whether you met your original budget, and any mitigating factors that need to be taken into account if you did not
- key activities in the budgeting process, and how well these went
- who was involved in the budgeting process, their responsibilities and whether these were met
- any major assumptions that were made in preparing the original budget, and what impact (if any) these have had on your budget

It is also a good idea to seek input from others who may not necessarily be involved in the budget review meeting itself.

For example you may wish to get feedback on your budget from your manager and also team members who were involved in the construction or spending of your budget. You may even wish to get some constructive feedback from a member of your finance department.

The review of budget vs actual expenditure is carried out for projects with the duration of 12 months or more on a quarterly basis along with documented action plan and for projects with duration of 6 months or less on monthly basis.

Establish key learning points

Once you have had a chance to conduct a thorough review, it is important to list the key lessons learned. These should then be translated into agreed action points, with someone (it may be you) taking responsibility for implementing each action. Keep a note of these actions handy when you come to draft your next budget, as this will remind you of any changes that need to be included in the budgeting process.



Related Items

Related Resources

The Importance of Tracking and Monitoring Your Budget

9.2 Procedure for making project budgets

Budget is prepared for an activity, project, department, or whole organization. The most important and basic item in budget preparation is “Cost Unit”. Cost item is some identifiable item to which some cost can be allocated. Cost unit may be different in different situation, e.g. while preparing budget for construction of building, cost units includes cement, sand, and iron etc to be used in construction.

Budget preparation process is joint task of program and finance departments. Program department provides estimate of level of activity or in other words estimated number of cost units to be used, estimated cost of cost unit, expected time for the project completion and other program related information. Finance department has an important role in putting financial and non-financial information together and giving it a shape of financial forecast.

Following procedures should be used for preparation of the budget.

1. Program manager prepares the budget using following guidelines.
 - a. Market prices of items should be based while preparing a budget. Proper survey should be conducted to collect market prices.
 - b. Level of activity should be estimated based on some realistic assumptions.
 - c. Prices should be adjusted for expected inflation factor; however maximum adjustment should not exceed 10% of original prices.
 - d. If quantity or prices are not known from similar activities, action should be taken to collect information from other agencies
 - e. Support functions should be included as a percentage OR as separate indirect cost lines, depending on donor regulations. If a percentage is not used please make sure all acceptable cost (salary monitoring, communication, audit etc) are included.
 - f. All budgets should be made in Afghani and converted to reporting currency at an exchange rate prevailing at the time of preparing proposal.



2. Donor guidelines are used for formats and standards etc.
3. The Finance manager checks the budget to ensure that budget is prepared according to donor requirements, and format is compatible with information system.
4. The budget should be approved by the Director
5. The budget is sent to the donor for approval.
6. After the grant approval, the budget may require revision if required by approved budget. In such case the relevant line manager revises budget. While revising budget specification of approved budget should be kept in view.

The finance department should have all approved budgets, budgets applications and grant letters in their files. The admin department needs copy of budget related to support functions.

9.3 Internal reporting

Finance Manager/Officer prepares quarterly financial reports for presentation to Board of directors. Such reports are forwarded to relevant line managers so that they can give their feedback on budget variance. Line manager are responsible to give written justification of any material variances. Such report is presented in quarterly workshops to be held within three weeks after the end of each quarter. After presentation in quarterly workshop, such reports along with written justification of material variances are submitted to Director for approval. Quarterly financial reports are prepared in standard format (see appendix 16).

9.4 External financial reporting

Donor reports are made according to donor format and within time frame specified in grant letter by donor.

Over all financial statements of NCRO should be issued within three months of close of financial year.



9.5 External Audit

External audit of financial statements of NCRO will be done by a Chartered Accountants' firm.



10. FOREIGN CURRENCY TRANSACTIONS AND EXCHANGE GAIN AND LOSS

10.1 INTRODUCTION

Activities of NCRO are carried in various parts of Afghanistan. As monetary system in Afghanistan is not yet stable, multiple currencies are being used in business community in different areas. NCRO also keeps all the currencies required for the purpose of smooth functioning of its activities.

10.2 REPORTING CURRENCY

The reporting currency of NCRO is US dollars. “Reporting currency” means the currency used in presenting the financial statements. Currencies other than reporting currency are called “Foreign currencies”

AFS currency will be used for reporting to Afghan government as per Central bank exchange rate.

10.3 ACCOUNTING POLICY

As per accounting policy mentioned in Chapter No.2 “Accounting policies” exchange gains and losses on foreign currency transactions are recognized as income or expense in the period in which they arise. For detail about accounting policy please refer to chapter No.2.

10.4 FOREIGN CURRENCY CONVERSION

An important topic about foreign currencies transactions is physical conversion of currencies. Below is given procedures adopted by NCRO for currency conversion.

Currency conversion means physically converting one currency into another. Since NCRO operates in a multi-currency environment, it often converts one currency into another. Following procedure is followed for currency conversion.



- i. If a specific currency required is not available in cash or bank account, bank is intimated to convert money from other currency account to the required currency account. However it should be ensured that bank uses exchange rates issued by State Bank (Da Afghanistan Bank).
- ii. In case bank facility is not available, the bank is not following the official rates, or bank rate is sufficiently lower than open market rate, then cash may be converted in the open market.
- iii. Finance Assistant/Cashier obtains three quotations from the list of the approved money exchange dealers. Another person should also verify rates from dealers. The person verifying the rate should be from admin.
- iv. Finance Assistant/Cashier prepares comparative statement (see appendix 17) mentioning rates offered by different money exchange dealers, and gets it approved from Director/Provincial Office Manager.
- v. The person approving conversion selects the most favorable quotation (keeping in view quotation rate, security risk involved or any other matter).
- vi. If a quotation offering highest rate is not selected, reason is written on the face of comparative statement or justification is attached to comparative statement.
- vii. The successful money exchange dealer is asked to bring the agreed converted currency to NCRO office if possible.
- viii. Payment is made to the money exchange dealer for the amount of the actual currency exchanged when he brings the currency required.

10.4.1 Data flow

The accounting treatment for currency conversion is as follows.

Original currency

When a currency is converted into another, “Cash Payment Voucher” is prepared in original currency i.e. the currency converted into another.

Converted currency

In the converted currency, “Cash Receipt voucher” is prepared.



11. INTERNAL CONTROLS

Following general internal controls are in operations for general transaction.

1. Cash float

2. Bank

11.1 Cash float

11.1.1 Cash Receipts

When cash/cheque is received, Finance Assistant/Cashier prepares cash memo (see appendix 18) in duplicate and gives one copy thereof to the payer as token of receipt.

Finance Assistant/Cashier then prepares cash receipt vouchers “CRV”.

Cash receipt Vouchers is then checked and verified by finance officer.

11.1.2 Cash Payments

Payments up to USD 1,000 may be made in cash. Above such limit, payment should be made through bank. However for the time being, due to lack of good banking system in Afghanistan, cash payments may be made over the stated limit. After banking system starts functioning, the above ceiling must be implemented.

Cash payment must not be made before the payment is approved by person authorized (see chapter No.1 “Authorizations Limits”).

Cash payment voucher “CPV” is prepared by Finance Assistant/Cashier.

Acknowledgement of the payee must be obtained on the face of Cash payment voucher, or in case of a firm, acknowledgement should be received on that firm’s letterhead.

Finance Assistant/Cashier stamps as “PAID” all the bills at the time of payment.

CPV is then checked and verified by Finance officer.



11.1.3 Other controls

- Finance Assistant/Cashier is the person responsible for keeping cash in safe custody.
- Cash should be kept in locker and Finance Assistant/Cashier is the only person to have access to the locker.
- Cash receipts and payments should be timely entered in books.
- Finance Assistant/Cashier is responsible to make daily reconciliation's of cash balance (as per books) with physical cash in hand.
- Finance Assistant/Cashier performs cash count twice a month in the presence of two witnesses. Finance Assistant/Cashier and both the witnesses shall sign Cash Count Form (see appendix 19). Any discrepancy shall be reported to Finance Manager/Officer.
- Cash ceiling for central office is USD 8,000 and USD 5,000 for regional offices, however in regional offices cash must be spent immediately after it is received. The cash ceiling can be increased by Finance Manager for a limited time period after Director Approval.
- Program Manager, Finance Manager and Director have the authority to ask for surprise Cash count.

11.2 Banks

11.2.1 Separate bank account for each donor

Separate bank account should be maintained for each donor.

11.2.2 Inter donor payable/receivable account

Funds of one donor should only be used for that donor's activities. However, in case of temporary cash shortage, one donor's funds may be utilized temporarily for other donors. When such is the case, an inter donor payable/receivable account is created. Inter donor payable account must be reconciled each month.

11.2.3 Co signatories

There should be at least two signatories for every bank account.



11.2.4 Bank receipts

- Cheques received should be immediately deposited in bank if it is more than US\$ 1,000.
- Bearer cheques should be crossed before depositing into bank.
- When cheque is received and deposited in bank or an amount is directly received in bank, Finance Assistant/Cashier prepares Bank receipt voucher “BRV”.
- Photocopy of cheque should be attached with Bank receipt voucher.
- Bank receipt voucher is checked and verified by finance officer.

11.2.5 Bank payments

- Bank payment must not be made before the payment is approved by person authorized (see chapter No.1 “Authorization Limits”).
- Bank payment voucher “BPV” is prepared by Finance Assistant/Cashier.
- Acknowledgement of the payee must be obtained on the face of Bank payment voucher, or in case of a firm, acknowledgement should be received on that firm’s letterhead.
- Photocopy of each cheque should be attached to Bank payment voucher.
- Finance Assistant/Cashier stamps as “PAID” all the bills at the time of payment.
- BPV is then checked and verified by finance officer.

11.2.6 Deposits in and withdrawal from banks

- When cash is deposited in bank “Cash Payment Voucher” is prepared
- When cash is withdrawn from bank, “Bank Payment Voucher” is prepared.

11.2.7 Reconciliation’s

Bank reconciliation’s should be made for each bank account on monthly basis. Finance officer is responsible for preparing Bank Reconciliation.



12. FIXED ASSETS AND STORE

12.1 Definitions

Fixed Assets are long-term (more than one year), non-expendable asset held by an organization for

Administrative purpose

Rental to others

Use in productions and supply of goods and services

12.2 Fixed Asset

12.2.1 Accounting policy

All the fixed assets are charged to Income and expenditure account in the year of purchase (see Chapter No.2 “Accounting Policies”)

12.2.2 Fixed asset register

To achieve control over fixed assets, Fixed Assets Register is maintained (see appendix 20). Only those assets with a purchase value of more than USD 30 are registered in fixed asset register, while assets with a value of up to USD 30 are recorded in separate list. Office Manager is responsible for maintaining fixed asset register.

12.2.3 Fixed Asset Codes

Codes are assigned to each individual asset at the time of receipt. Six digit Fixed asset code (000001 and onward) is assigned and mentioned in Fixed Asset Card (see below). It is also pasted



on asset for easy identification and reference. Codes are assigned only to those assets, which are registered in fixed asset register. Assets recorded in list are not assigned codes.

- Assets are classified under following major classes
 - Building
 - Vehicles
 - Furniture and fixture
 - Computers and accessories
 - Electric equipments
 - Communication equipment
 - Office Equipment
 - Medical equipments
 - Heating and kitchen equipments

12.2.4 Receipt of assets

Admin Manager/Assistant shall receive asset purchased. The requisitioning person inspects the asset received for quality, specification and condition. If it meets the required criteria, Admin Manager/Assistant prepares Fixed Asset Card (see appendix 21) in duplicate and assigns code to the asset. The Admin Manager/Assistant updates fixed assets register accordingly.

The Admin Manager/Assistant retains one copy of Asset Card and sends the other to finance department to be attached with Payment voucher.

Any documentation of Donor requirements or special conditions should be filed together with asset information

12.2.5 Assigning and transfer of assets

The Admin Manager/Assistant assigns assets to individual staff members. The person receiving the asset signs the standard Asset Assignment Form (See appendix 22). The Admin Manger/Officer files the form. The Admin Manager/Assistant updates the fixed asset register to record assignment of asset.



Any harm done to the asset should always be explained by the responsible in a report. If the harm is rising from gross neglect or misconduct on the part of the employee responsible the value should be claimed.

At the time the assignment of the asset ends, a qualified person inspects quality of the asset and the signs the original Assignment form for cancellation.

An asset shall not be transferred directly from one employee to another. Transfer should be made through Admin Manager/Assistant. When an asset is transferred from one employee to another, Admin Manager/Assistant updates the Fixed Asset Register to change the name of responsible personnel.

An asset of NCRO (not used on daily basis) must not be kept in personal custody by any employee.

12.2.6 Disposal of assets

When an asset is no longer useable for any reason, it will be disposed of (subject to any restriction imposed by donor or some other authority).

Any fixed asset can be disposed off with prior approval of the Director.

12.2.7 Modes of disposal

Asset will be disposed in following modes

- Private sale
- Open/closed bidding
- Scraping
- Donation



12.2.8 Private sales

Asset with a purchase value of up to USD 500 can be sold to anyone including NCRO employees. Items purchased in set form will be considered as one unit, while other items may be considered individually.

Sale by auction (open/closed bidding)

An asset with value of more than USD 500 will be sold by open or closed bidding whichever is appropriate. The auction may be publicised externally through newspaper or any other appropriate media keeping in view cost and benefit. Purchase and auction committee shall be responsible for conduct of a transparent auction. After bidding, Purchase and auction committee will prepare comparative statement (see appendix 23) and decide the successful bid.

Scraping ?

Director can approve scraping of an asset. All scraped items should be registered as such.

All assets above 2000 USD must be sold, even if their condition is ruined. ?

Donation

An asset can be donated only after the Director's approval, irrespective of cost of asset.

When an asset is disposed of, Admin manager shall update Fixed Asset Card and fixed asset register accordingly.

12.3 Physical Verification of Fixed assets



- 1) Physical verification of store and fixed asset shall be performed once a year in first two weeks of January. However, donor requirement should be kept in mind. Proper cut off procedures should be adopted to ensure that relevant assets and stock are subjected to verification.
- 2) At least two persons, one from finance department and one from admin department, authorised in this behalf by Director, will perform physical verification.
- 3) Physical verification report will be made and any discrepancy will be investigated and resolved accordingly. Final report will be forwarded to Director for approval. It will mention the results of physical verification including the discrepancies found.
- 4) The registers should be updated after the Director approves the report.
- 5) Sporadic verification shall be performed if requested by any line manager or Director. A person authorised by Director can randomly inspect the Fixed Asset Register.



13. PURCHASING/PROCUREMENTS

13.1 Purchasing policies

Efforts should always be made to get the best quality for the lowest possible price. To ensure this, goods should be purchased in bulks where storage can be made available.

Some donors have specific requirements concerning purchases and these should always be checked before any larger purchase.

Furthermore, to ensure appropriate control with the quality and price of goods there is established threshold of authorization for purchasing. It should be clear from the above that it is strictly against NCRO policy to split up purchases or bills to avoid these thresholds.

13.2 Procurement procedure

The person who requests an item fills in a Requisition Form (See appendix 24) and which is approved by the concerned line manager. If an employee requests for something which is covered in the budget of line manager other than his Line Manager, then he will get the request form recommended from his Line manager before getting it approved from concerned line manager. Request form is prepared in duplicate (in triplicate if required).

Requisition is sent to store where it is checked for availability. In case it is not available requisition is forwarded to Procurement/Logistic officer.

If the item is to be purchased the following thresholds apply:

If the value of purchase is larger than USD 500 at least three quotations will be obtained. Comparative statement (see appendix 25) will be prepared and successful quotation selected.



Procurement officer is authorised to make purchase up to USD 500. In case of purchases of USD 501-1000, Procurement officer will be responsible for calling quotations and selecting successful quotation.

In case of purchases of more than USD 1000, Procurement and Auction committee will call quotations and select the most favourable one. The committee shall consist of at least three members i.e. one person from concerned department, one person from finance department and one person from logistic department. In case of purchases by finance or logistic department, the procurement committee may comprise of two persons.

If the purchase is larger than USD 2000, Director shall himself participate in the procurement committee. If Director is not available or busy, he may assign another person in writing to participate in procurement committee.

14. TRANSPORTS AND LOGISTICS

14.1 Transport of goods

14.1.1 Use of NCRO owned vehicles

NCRO owned vehicles are used in first instance, for transportation of goods from and to regional offices and sites. The concerned department fills in Vehicle authorization form (see appendix 26). Vehicle authorization slip is then got approved from Admin Manager. Transport officer releases vehicle to the concerned department for the purpose.

14.1.2 Use of leased vehicles

In case quantity or nature of goods to be transported is such that they cannot be carried through NCRO owned vehicles, then leased vehicles may be used for transportation of such goods. Transport officer is responsible to arrange the vehicles in such case. Transport officer calls for at least three quotations from three different transport companies. Transport officer prepares comparative statement (see appendix 25). Admin manager will select suitable quotation. A



contract may be entered into and signed by Transport officer/Admin manager with selected transport company before goods are handed over to them.

14.2 Vehicle use

14.2.1 Official use (local areas)

All NCRO staff is allowed to use NCRO owned vehicles for official purpose. If an employee needs vehicle for official use in local area, he fills in Vehicle authorization slip and gives it to the Transport officer after getting it approved by Admin Manager at least two hours before departure time, stating the purpose and location, and time of departure and arrival. It helps the administration department meet the needs of all the employees requesting for vehicle. If two employees have official work in same locality, it is better that both the employees use one vehicle. If more employees request for vehicle at a time and it is not possible to meet every one's request due to non availability of sufficient number of vehicles, then vehicle should be allowed to the employees on the basis of priority of the work.

14.2.2 Official use (Outstation)

If vehicle is needed for outstation official visit, the concerned employee fills in Vehicle authorization form and gets it approved from Admin Manager. Vehicle authorization slip should be forwarded to Transport officer at least two days before the date when vehicle is required. Intimation in advance helps to ensure the availability of the vehicle when needed. Vehicle authorization slip specifies the expected time and date of the departure and arrival of the vehicle. Admin Manager approves vehicle authorization form; however approval of request depends on security situation in the area where visit is planned. Vehicle shall be allowed only when there is not any security risk; otherwise the staff should use rented vehicles for official trip. Admin Manager checks beforehand security situation, through ANSO office, of the area where it is planned to send vehicles.

14.2.3 Private use (general staff)

Use of NCRO vehicles for personal reasons is not allowed in normal circumstances. However in case of any emergency or genuine/credible reasons, Director may allow a staff member to use the vehicle for personal reason. An employee allowed to use vehicle for private use shall be charged as follows.



Per diem of driver

Fuel charges @ one liter per 7 km

Service charges @ Afs 2 per km

14.3 Other controls over vehicle use

Following internal controls are in place in order to ensure safe custody and proper use of vehicles.

14.3.1 Persons authorized to drive NCRO vehicles

Drivers and Transport officer are the only personnel authorized to drive the NCRO vehicles in normal circumstances. In exceptional circumstances Director may authorize any other person to drive the vehicle.

14.3.2 Vehicle Log Books

The vehicle logbook (see appendix 27) is maintained for each vehicle in order to avoid any possible misuse of vehicles. Vehicle logbook is used to record information about use of vehicles. Mileage is checked before every trip and recorded in vehicle logbook, after arrival from trip mileage is again checked and recorded in vehicle logbook in order to know total distance traveled in each trip. Purpose, date and time of trip are mentioned in vehicle logbook and the person using the vehicle signs it.

The transport officer is responsible to ensure that vehicle logbooks are maintained properly. At the end of month, Transport officer prepares a vehicle logbook summary, which shows distance vehicles have been used for in different projects.

14.3.3 Fuel of vehicles

Every NCRO driver has Afs. 10000 advance for the fuel of the vehicles. The driver is responsible to keep the vehicle fuel tank always full specially in the weekend. Driver signs all the fuel bills



and clears his advance with transport officer once a week unless advance is spent earlier. The transport officer registers the bills in the fuel consumption form (see appendix 28) kept by the transport officer. Transport officer checks fuel consumption at the end of every month with distance covered. Standard for fuel consumption is set at 7 km per liter. If actual consumption deviates substantially from the standard, investigation is carried in order to find out reason for such deviation. Necessary action is taken accordingly to control fuel consumption.

Vehicle logbook summary and fuel consumption form are used to calculate amount of fuel expense to be charged to different projects. Copies of both these documents are sent to finance department where fuel expense is charged to different projects according to mileage used for each projects.

14.3.4 Periodical maintenance

Routine maintenance is done of each vehicle after each 2,000 km running. Routine maintenance includes changing engine oil and oil filter, body wash, and cleaning the air filter. Diesel filter are changed after 4,000 km running. Transport officer is responsible of maintenance and mileage record for each vehicle. Transport officer maintains Vehicle service form (see appendix 29), which is checked by Admin Manager on monthly basis.

14.3.5 Routine checking

It is driver's responsibility to do routine checking of vehicles every morning including checking of oil, water, brakes oil etc.

14.3.6 Other maintenance

The driver and the transport officer are responsible for the maintenance of the vehicles. It is driver's responsibility to check daily the vehicles in the morning and report to the transport officer if it requires any repair and maintenance. The transport officer is obliged to prepare the vehicle authorization form (see appendix 26) and get it approved from the admin manager before sending the vehicles to the workshop. Both the driver and transport officer should be present in the workshop at the time of changing parts of the vehicles. The transport officer fills in the expenditure summary form (see appendix 14) and gets it approved from Admin manager.



14.3.7 Charging of vehicle fuel and repair expense to different projects

Vehicle fuel and repair charges are charged to NCRO admin in the whole month. At the end of month when finance department receives vehicle logbook summary, different projects are charged as for fuel and repair charges and credit is given to NCRO admin as follows.

14.3.8 Fuel expense

Standard fuel consumption is calculated by dividing total distance covered in each project on standard rate (7 km per liter or according to the norm of fuel expenses for deferent type of vehicle), standard fuel consumption is multiplied by average price of fuel prevailed in the month to calculate expense to be charged to the project.

14.3.9 Service charges

Projects are charged @ Afs. 2 per kilometer used in respective projects.

14.3.10 Vehicle authorization form

All staff requesting NCRO Vehicles is obliged to receive Vehicle authorization form from the transport officer. In case Transport officer is not available they can refer to the admin manager. Watch man will not allow any vehicle to go out of the NCRO compound without vehicle authorization slip.

Vehicle authorization form will also be used if the vehicle is to driven to workshop for routine or other repair.

14.3.11 Use of rental vehicle project base

For most of the project especially in remote area rental vehicle will be used. For rental vehicle all information for use of vehicle will be shown in bid invitation and contract, there will not be need



for logbook, fuel consumption calculation and authorization form for use of vehicle. These vehicles will be used directly by project staff according to the agreed condition shown in the service contract for rental vehicle.



15.COMPUTERS AND COMMUNICATION

15.1 Computers

Following are the procedures which should be adopted to ensure the computer security.

15.1.1 Security & virus protection

Domain based windows 2000 server provides maximum security to all users. So this should be installed on main server of the NCRO Local Area Network. Through resource sharing, the users are able to share information with each other within their security set up. One hard drive should always be dedicated for data storage. Directories should be created for individual and group users in public and private folder, where users can save their information for sharing and data backup. User's personal directories should be completely protected from unauthorized access.

The entire network computers should be completely protected from virus threat. The users should take following necessary steps to protect their computer from virus infection.

- They should ensure that anti-virus program is running on their individual computers and anti-virus icon is active on task bar.
- Weekly anti-virus update definition file should be installed on the system.
- They should not open emails or attachment from unknown source.
- They should scan all files for viruses at least once a week.
- Disks scanning and defragmentation should be run on all computers at least once in a month to make sure drives are in good condition.
- The user must switch off all the equipment, when they finish their routine work at the end of day. They should also ensure that computers are properly shut down. Especially laptop computer, which needs to be properly shut down before it is moved from one location rather than transferring into hibernated mode. If laptop computer is moved while it is in hibernated mode it may damage hard drive and result in data loss.
- No external device will be attached to any computer while it is turned on.
- This is user responsibility to keep secret their ID and password from everybody.
- Playing and installations of Computers Games are not allowed.
- Personal prints are not allowed on NCRO Computers.



15.1.2 Data backup

One drive on server should be dedicated only to back up all the NCRO data. Users should be able to save a copy of their data on server backup drive, where it could be backed up on monthly bases.

It is user responsibility to transfer their data to the backup drive on weekly bases. In case data is not transferred in time, concerned user will be held responsible for any loss of data from his/her local drive. IT department must backup all the data stored on back up drive on monthly basis. Data is usually backed up on Compact Disk.

15.1.3 Confidentiality and rights on NCRO data

The data stored on every computer belongs to NCRO. No one is allowed to share NCRO data with outsiders or to leak out any internal information/data. It is concerned person's duty to store the data on protected location.

In case data is required to be shared with partner organizations in connection with any joint venture or some official purpose, proper authorization will be taken before hand from line manager for transferring data to external organization.

No one is allowed to take data from NCRO, when he/she finishes job contract with organization.

15.1.4 Internet usage

Internet is accessible on entire NCRO Computers. Users are able to surf on the Internet and send and receive their emails. NCRO has the following guideline for the Internet usage.

- Surfing for fun is not allowed during office hours
- No one is allowed to download movies, music and pictures from the Internet.
- Watching pornographic sites or movies are strictly prohibited on NCRO Computers.
- The messengers can extremely slow down the network speed, all the messenger software except yahoo, are not allowed to be installed and used on the NCRO computers.
- Listening music directly from the Internet is not allowed. It could slow down the network speed.



- The users will not register their official email address on any server in world for personal reason. (Forms or software downloading)
- Official emails are allocated to user for NAC day to day business. None of official email addresses will be forwarded to any outsider for any reason.

16.FILING

Major Type of Files

In central office as well regional office, there are separate files are being maintained for all NCRO project, vehicles, equipment's, contract and personnel.

Regional offices should also send to the central office a copy of every important document, such as contracts, vehicles purchase/registration documents and the personal documents of staff. Following are the major types of files maintained in NCRO for different purposes.

- Personal files
- Vehicle files
- Equipment files
- files

These are discussed separately below.

16.1 Personal Files

Personal files are maintained updated in the central office for the entire local and expatriate staff. Personal files includes following information and documents.

- Employee's CV
- Application Letter
- Completed Test Papers if written test has been taken
- Reference Check Guide (at least two references must be checked)
- Offer Letter
- Employment Contract
- Employee's Tazkira
- New Hiring Form ? (signed)



- Job Description
- Leave Forms
- Evaluation Forms
- Insurance Policy ?
- Recommendation Letters
- Formal Complaint Letters
- Warning Letter
- Resignation or Dismissal Letters
- Clearance Form
- Home Map

Admin assistant is the person responsible for keeping personal office in safe custody. All the personal files should be kept locked and only the Admin Manager, Director and Admin Assistant should have access to these files.

The personal file should be kept secret. Nobody other than the above-mentioned staff is allowed to open and read the personal files of other staff members..

The personal files should be updated on regular basis and at least once a year. The person responsible for updating of personal files is Admin Assistant; however it is the responsibility of Admin manager to make sure that these files are updated in time.

16.2 Vehicles files

Separate file is maintained for each vehicle. Vehicle files include following information.

- Vehicle purchase document (original)
- Registration documents
- Copy of asset card which kind of card is that?
- Any other important document, if any

Original document of all the vehicles (whether use in central office or regional office) shall be kept in central office. Copies of these documents shall be kept in vehicles. The Transport officer is responsible for keeping necessary documents in vehicles.



Vehicles files should be kept locked and in safe custody. Director, Admin Manager and Admin Assistant should have access to these files. Admin Assistant is responsible for maintaining and updating of vehicle files. However Admin manager has the responsibility to ensure that these files are updated and kept in safe custody.

16.3 Equipment files

Separate files are maintained for all the equipment's that meet the criteria for recognition as fixed asset. Equipment files include following information.

Purchase document (original)

Copy of asset card ?

Any other important document, if any

Admin Assistant is responsible for maintaining and updating of equipment files. However Admin manager has the responsibility to ensure that these files are timely updated.



17. APPENDIXES

17.1 Appendix 1: Letter of Delegation of Powers

Appendix 1

Letter of Delegation of Powers

Reference: _____ Date: _____

I hereby delegate the following powers and responsibilities to _____, (title)

- 1. Authorize purchases within authorized budgets up to _____.
- 2. Sign contracts up to _____ within the authorized budget IF the contract period is within the budget timeframe.
- 3. _____
- 4. _____

The authorized person signs this letter to confirm that he or she has understands the authorizations.

NCRO rules and regulations have to be followed in all cases independent of authorizations. This authorization shall remain valid until I cancel this letter.

Director

Person authorized

17.4 Appendix 4_Monthly cash summary

NCRO
MONTHLY CASH SUMMARY
_____ OFFICE
FOR THE MONTH OF _____

PARTICULAR	US Dollars	Afghanis	Currency 3	Currency 4
OPENING CASH IN HAND				
RECEIPTS				
PAYMENTS				
CLOSING CASH IN HAND				
CASH IN HAND AS PER HEAD OFFICE				
<i>(To be filled in by Head office finance staff)</i>				
DIFFERENCE				

Prepared by

Checked by

17.5 Appendix 5_Store Register

NCRO
STORE REGISTER



_____ OFFICE

Store Item _____

Date	Issue No.	Particular	Quantity		
			Receipt	Issue	In hand

17.6 Appendix 6_Leger

Address: Main/ Office: Nangarhar province, Jalalabad City, Nahya-E-3, West Street of Marastoon (Street #7), House # 22.

Website: <http://ncro-afg.org>



NCRO
General Ledger/Advance Ledger

Table with 6 columns: Date, Voucher No., Memo, Debit, Credit, Balance. The table is currently empty.

17.7 Appendix 7_Cash Receipt Voucher

CASH RECEIPT VOUCHER

OFFICE



CURRENCY _____

Voucher No. _____ Date: ____ / ____ / ____ Exchange rate: _____

Received from: _____

Donor /GL	Location	Project	Account	Description	Amount
Total					

Amount in words: _____

Narration: _____

Prepared by

Checked by

Approved by

17.8 Appendix 8_Bank Receipt Voucher

BANK RECEIPT VOUCHER

_____ OFFICE

Appendix 8



CURRENCY _____

Voucher No. _____ Date: ____ / ____ / ____ Exchange rate: _____

Received from: _____ Bank Account: _____

Donor /GL	Location	Project	Account	Description	Amount
Total					

Amount in words: _____

Narration: _____

Prepared by

Checked by

Approved by

17.9 Appendix 9_Cash payment Voucher

CASH PAYMENT VOUCHER

_____ OFFICE



CURRENCY _____

Voucher No. _____ Date: ____ / ____ / ____ Exchange rate: _____

Paid to: _____

Donor /GL	Location	Project	Account	Description	Amount
Total					

Amount in words: _____

Narration: _____

Prepared by Checked by Approved by Recipient acknowledgement

17.10 Appendix 10_Bank payment Voucher

BANK PAYMENT VOUCHER



_____ OFFICE
CURRENCY _____

Voucher No. _____ Date: ____ / ____ / ____ Exchange rate: _____

Bank Account: _____ Cheque No. _____

Paid to: _____

Donor /GL	Location	Project	Account	Description	Amount
Total					

Amount in words: _____

Narration: _____

Prepared by Checked by Approved by Recipient acknowledgement

17.11 Appendix 11_Journal Voucher

JOURNAL VOUCHER



_____ OFFICE

CURRENCY _____

Voucher No. _____ Date: ____ / ____ / ____ Exchange rate: _____

Donor /GL	Location	Project	Account	Description	Debit	Credit
Total						

Amount in words: _____

Narration: _____

Prepared by

Checked by

Approved by



17.12 Appendix 12_Chart of Accounts

CHART OF ACCOUNTS

Account code	Head of account/sub head of account
Assets	
1001000	Loans Receivable-USD
1003000	Loans Receivable-AFS
1007004	Advances to Employees-USD
1007005	Advance against salary-USD
1007006	Advance for expenses-USD
1009000	Advances to Employees-AFS
1009001	Advance against salary-AFS
1009002	Advance for expenses-AFS
1011000	Advances Others-USD
1013000	Advances Others-AFS
1014000	Security Deposits
1015000	Security fo Telephone
1016000	Security of Electricity
1017000	Security of Gas
1017001	Security of House
1017002	Security of Membership
1017004	Prepaid Insurance
1017005	Prepaid Rent
1018000	Fund Receivable
1019000	Interest Receivable USD
1020000	Interest Receivable AFS
1021000	Bank Accounts-USD
1022000	
1023000	
1025000	
1026011	Bank Accounts-AFS
1026012	
1026013	
1027000	
1027001	Cash in hand-USD



1027002	Cash in hand-USD-KBL
1027003	
1028000	
1028001	
1028002	
1029003	Cash in hand-AFS
1029004	Cash in hand-AFS-KBL
1029005	
1030000	
1030001	
1030002	

Liabilities

2001000	
2002000	
2003000	
2004000	
2005000	
2006000	Payable to money changer USD
2007000	Payable to money changer PKR
2008000	Payable to money changer AFS
2011002	Accrued Expenses
3004000	

Income

4001000	Grants
4002000	Community Contribution
4003000	Project Income Administration Income
4004000	Other Income

Expenditures

5001000	Project input materials
5001001	Animal foods
5001002	Cement consumed
5001003	Dai kits
5001004	Fertilizers
5001005	Food Cost Patients/Trainees
5001006	Labor wages
5001007	Library/Books/Print/stationery



New Consultancy and Relief Organization

Admin & Finance Policy And Procedure

5001008	incentive to project staff
5001009	Medical Equipment
5001010	Medicines
5001011	Metal consumed
5001012	Miscellaneous expenses
5001013	Other project material
5001014	Publications
5001015	Sapling/Trees
5001016	Seeds
5001017	Seminars and courses
5001018	Soap and disinfection material
5001019	Stipend, Pocket money
5001020	Timber and wooden mat consumed
5001021	Tools & Equipment
5001022	Tools and equipment's consumed
5001023	Transportation
5001024	X ray and laboratory equipment
5002000	Expat. Salaries and Benefits
5002001	Expat. Boarding and lodging
5002002	Expat. Employer's fee
5002003	Expat. Home travel
5002004	Expat. Insurance
5002005	Expat. National Insurance
5002006	Expat. Other benefits
5002007	Expat. Private pension
5002008	Expat. Security arrangement
5002009	Expat. supplements
5002010	Expat. Travel costs
5002011	Expt. Salaries
5003000	Local Salaries and Benefits
5003001	Local Staff Bonus
5003002	Local Staff Food Cost
5003003	Local Staff Gift and allowances
5003004	Local Staff Insurance
5003005	Local Staff Other benefits
5003006	Local Staff Overtime
5003007	Local Staff Per diem



New Consultancy and Relief Organization

Admin & Finance Policy And Procedure

5003008	Local Staff Salaries
5003009	Local Staff Transport Allowance
5003010	Local Staff Travelling exp
5003011	Other cost and benefits
5004000	Overheads
5004001	Accommodation/hotels
5004002	Audit Cost
5004003	Bank charges/commission
5004004	Consultancy
5004005	Coordination
5004006	Electricity
5004007	Equipment/Furniture
5004008	Gas
5004009	Generator/water pumps
5004010	Heating
5004011	Impact and monitoring charges
5004012	Insurance
5004013	Membership/subscriptions
5004014	Miscellaneous overhead
5004015	Newspaper and periodicals
5004016	Office/house rent
5004017	Partners Admin charge
5004018	Postage
5004019	Printing and Stationery
5004020	Repair and maintenance
5004021	Representation
5004022	Security arrangements
5004023	Telephone/Fax/Mail
5004024	Training/courses
5004025	Translation
5004026	Transportations
5004027	Vehicle running/maintenance
5004028	Water
5005000	Exchange Gain/Loss



17.13 Appendix 13_Advance Form

ADVANCE FORM (ADVANCE FOR EXPENSES)

_____ **OFFICE**

Date: ____/____/____

Form No. _____

Advance requested by: _____

Currency: US\$ / AFS /

Amount requested _____

Purpose: _____

Advance outstanding against the employee

(To be filled in by cashier) _____

Prepared by

Cashier

Approved by

Recipient acknowledgement



17.14 Appendix 14_Expenditure Summary Form

EXPENDITURE SUMMARY FORM

OFFICE

CURRENCY

Date:

Expenditure incurred by:

S.No	Donor / GL	Location	Project	Account	Description	Amount
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
Total						

All bills must be numbered and attached to this form. Please cross out lines not used when the form is checked and signed.

Prepared by

Checked by

Approved by



17.15 Appendix 15_Advance Liquidation Form

ADVANCE LIQUIDATION FORM

Name: _____

Department: _____

Currency: US\$ / AFS /

Date: _____

Advance Amount:

Amount spent:

Cash Left/ (Over spent):

Prepared by:

I hereby acknowledge that I have received the amount over spent

Received by:

Balance Cash received by Cashier

Balance received by

Expenditure Summary form must be attached to Liquidation form