

Local Support Organisation_____

FINANCIAL POLICY

Date:_____

LIST OF ABBREVIATIONS

ABBREVIATION	WHAT IT STANDS FOR
BoD	Board of Directors
PCF	Petty Cash Fund
LSO	Local Support Organisation
FC	Finance Committee
PC	Purchase Committee
PO	Purchase Order
YoP	Year of Purchase
DoP	Date of Purchase
WDV	Written Down Value

Policy Statement

To enable and ensure cost effective and efficient financial management and an environment of trust, probity and transparency in financial operation which is well documented and authorities duly defined and responsibilities clearly identified.

Eligibility

This document and policies are eligible to all financial operation of the LSO.

Implementation

The finance committee of the LSO, General Secretary, Manager and Treasurer are responsible for implementation of this policy but overall responsibility of maintaining the books of accounts and annual audit lies with each member of the Executive Committee of the LSO.

Review and Modification

This policy document shall be reviewed by the Executive Committee every two years unless required earlier and modification would be incorporated into a revised document after approval by the General Body.

1. Financial Documents

The following document will be used for financial documentation and accounting:

- 1.1.1 Acknowledgement for receipts
- 1.1.2 Receipt voucher
- 1.1.3 Payment voucher for payments through banks
- 1.1.4 Journal voucher for adjustments and accruals
- 1.1.5 Purchase requisition form for purchases
- 1.1.6 Comparative statement of quotations for purchases
- 1.1.7 Purchase order for purchases
- 1.1.8 Travel claim form for travel of staff
- 1.1.9 Claim/adjustment form for expenses and adjustments
- 1.1.10 In case of CIF and any other micro credit programme, loan appraisal and approval documents and loan register

2. Books of Accounts and Other Records

The following books of accounts, records and register will be maintained by the LSO.

- 2.1 Petty cash register
- 2.2 Bank book
- 2.3 General ledger
- 2.4 Trial balance
- 2.5 Balance sheet and Income and Expenditure Account
- 2.6 Members register (register of members with detail of fee if any)
- 2.7 Bank reconciliation statement – monthly of all bank accounts on excel sheet

- 2.8 Pay roll – monthly on excel sheet
- 2.9 Stock register
- 2.10 Fixed assets register
- 2.11 Loan appraisal and approval for and loan register. Statements of due and overdue loans will be prepared on monthly basis

3. Advance Against Expenses and Adjustments

Cash advances will be kept to an absolute minimum. Priority will be given to direct payment to supplier/service provider through cheques/drafts after receipt of goods and services. Cash advances will be approved according to the authority matrix. Cash advance will be given only for LSO activities. Cash advance for LSO members is only allowed in case of official travel. The following guidelines will be followed:

- 3.1 Request for advance – three days before the activity or travel
- 3.2 Adjustment of travel advance – within 7 days after travel
- 3.3 Adjustment of advance against activity – within 10 days after completion of the activity/assignment

4. Banking

LSO will open bank accounts in the name of LSO through a proper resolution passed by the Board of Directors mentioning the bank name and the exact detail of the signatories for category A and category B with their allowed limits. All the bank accounts of LSO will jointly be operated by two signatories one from each group. All cheque books of bank accounts will be kept under proper lock & key and LSO accountant will be responsible of their safe keeping.

5. Payment Voucher Check List

- Printed invoice/bills
- Verification with budget heads
- Other relevant documentations
- Proper authorization according to authorities details
- Payment voucher must be signed by two signatories of cheque

Limits for Signatories

Limits	Signatory A	Signatory B
Upto Rs.5,000/-	Chairperson/General Secretary	Treasurer
Upto Rs.30,000/-	Chairperson	Treasurer
Over Rs.30,000/-	Chairperson	Treasurer

6. Petty Cash Fund Policy

Petty cash fund of Rs. 5,000/- is established with the approval of the Chairperson to meet expenditures of minor amount which incur on daily basis.

6.1 Responsibility:

LSO accountant is responsible to maintain petty cash fund.

6.2 Obligation and Limitations:

1. PCF should be used to pay bills of small amounts and reimbursements to employees for authorized expenditure up to Rs.500/=.
2. Disbursements will only be made against the approved bills or invoices.
3. Petty cash expenses will not be made through the daily cash revenues

6.3 Establishment /Security of fund:

1. The custodian (LSO accountant) should be solely responsible for maintaining PCF at the respective office.
2. The petty cash is kept in a safe place under proper lock and key.

6.4 Reimbursement of fund:

1. In order to ensure that PCF account never gets exhausted the custodian of Petty Cash Fund should prepare reimbursement statement when 2/3 of the total balance of PCF fund is consumed or otherwise 1/3 is remaining.
2. The custodian of PCF should prepare the summary of petty cash expenses and will reimburse after approval of the manager.

7. Fixed Assets:

An item meeting the following criteria will be classified as a fixed asset:

- Tangible property
- With a useful life of more than one year
- Of value greater than Rs.3000/- per item

7.1 Categories:

- Motor vehicles
- Equipment & Appliances
- Furniture & Fixture
- Computer & Related Equipment

7.2 Capitalization:

All assets over Rs.3,000/- per item will be capitalized.

7.3 Procurement:

- Approval will be required for acquisition of all fixed assets and other materials and services in accordance with the Authorization Limits. Moreover, approval will be required for all types of purchases and procurements for LSO Projects according to the terms and conditions set out in the TOP.
- All assets will be purchased through Purchase Committee (PC).
- Chairman is authorize to appoint PC
- Chairperson of LSO and Accountant will be permanent members of PC along with two members from Executive Committee
- Presence of any three members is mandatory
- Chairperson LSO will be the convener of PC
- PC will call quotations and prepare comparative statements of quotations
- At least three quotations are mandatory and in case of single supplier, reasons should be stated.
- On the base of comparative statement of quotations PC will place order for purchase
- On the receipt of fixed assets PC will inspect the assets according to the terms and conditions set in the purchase order.
- If the asset found according to the specification than PC will arrange payments otherwise return to the supplier stating the reasons.

7.4 Coding and documenting:

LSO management will keep proper record of assets and take into fixed assets register after assigning proper asset code.

7.5 Sale of Fixed Asset

All fixed assets will be sold after determination of its written down value. Any gain or loss on the sale of fixed assets will be recorded in the books of accounts. The Purchase Committee will dispose of fixed assets through auction.

8. Valuation and record keeping of goods and fixed asset received as donation

All such items will be valued at the current market price and recorded in the books of accounts as donation. The Purchase Committee will carry out the valuation.

9. Financial Reporting

- LSO will prepare monthly, quarterly and annual financial reports on need basis and share with the Executive Committee, General Body and other stakeholders
- The Trial Balance will be prepared monthly or at least on quarterly basis
- The Income and Expenditures Account and Balance Sheet will be prepared on monthly or at least on quarterly basis
- In case of CIF or micro credit programme, the statements of due and overdue loans will be prepared on monthly or at least quarterly basis. The income and expenses incurred on the CIF/micro credit will be worked out on monthly or quarterly basis and recorded in the books of accounts and posted in the general ledger.
- In case of endowment or trust fund, the income and expenditures on such funds will be worked out on quarterly basis and recorded into books of accounts

10. Currency

All financial transactions and bank accounts of the LSO will be in Pakistani currency except when transacting in a foreign currency is the requirement of a donor agency.

11. Audit of LSO Accounts

- The LSO will establish a three member Finance and Audit Committee (F&AC) for auditing its accounts. The F&AC will be established by the Executive Committee from amongst its members and will report to it. The F&AC will carry out audit of LSO accounts on quarterly basis and report to the Executive Committee.
- The financial accounts of the LSO will be audited by a qualified external audit firm on yearly basis. The external auditors will be appointed by the General Body at the

recommendation of the Executive Committee. The audit report will be presented and approved by the General Body.

12. Taxes

The LSO will pay all taxes except those for which the LSO has availed exemption.