

# Survivors Nepal

Financial Manual

2017 (2074 BS)

Policy number:	SN-001	Version:	2016
Drafted by:	Ram Chandra Lohani	Approved by Board on:	December 9, 2017
Responsible person:	Arya Shakya	Scheduled review date	December 8, 2018

## Contents

Introduction.....	3
Guiding principles.....	3
The survivor is guided by the five-guiding principles:.....	3
Scope of Financial Manual.....	3
Objectives .....	3
Organization Structure .....	3
Fundamentals assumptions.....	4
Basis of accounting.....	4
Financial Accounts.....	4
Finance .....	4
The Survivors Nepal Finance Structure .....	4
Organization Chart.....	5
Finance function.....	5
Specific function of Finance.....	5
Duties of Finance officer.....	6
Budgets preparation & Control with Executive Director.....	6
Bank & Cash Management.....	6
Bookkeeping.....	6
Reports .....	6
Audits.....	7
Budget Preparation.....	7
Expenditure.....	7
Payments.....	8
Types.....	8
Required Supporting Documents .....	9
Cash & Petty Cash.....	9
Bank Payment.....	9
Internal control .....	11
Delegated Authority.....	11
Separation of Duties .....	12

## **Introduction**

Survivors Nepal is a movement that sprouted out during early response to Nepal Earthquake 2015. It strives to continue working on recovery and rehabilitation of societies most affected by the earthquake and ultimately be a platform for Nepalese to unite and act.

Survivors operate within an "end-to-end" model, where lifesaving services are taken to the end-users and are carefully coordinated at each stage of the supply chain. Survivors comprises of a team of committed individuals, from development and business sectors who believe in solution-oriented response to development, unlike common models that are top-down with a one-size-fits-all approach.

## **Guiding principles**

The survivor is guided by the five-guiding principles:

- a. Community Centric,
- b. Solution Oriented,
- c. Value for Money,
- d. Transparent &
- e. In Solidarity with the Survivors.

## **Scope of Financial Manual**

This Finance manual outlines the accounting policies and financial management procedures followed by The Survivors Nepal based on GAAP and NAS. The areas which are not covered in this manual, The GAAP principal will be the base for implementation.

This manual supersedes all previous communication/reference etc for The Survivors Nepal. However, this manual needs to be updated from time to time to take account of changing policies within organization or Donor agency.

## **Objectives**

The main objectives of this financial manual are as follows.

- a. To provide a clear understanding of the rules and financial procedures adopted by The Survivors Nepal.
- b. To standardize the financial System in Projects & Program.
- c. To standardize the forms, formats and Books of accounts in projects & program.
- d. To Foster the close coordination between Donor, Corporate office & project office.

## **Organization Structure**

- a. Survivors Nepal is a legally registered non-for-profit organisation with Social Welfare Council in Nepal with the registration no. 41431
- b. Survivors has a 7-member elected executive committee that provides overall guidance and support to the operational team in the Survivors Secretariat based in Kathmandu, Nepal.
- c. Survivors has 5 members advisory committee that provides advisory, support and guidance to the executive committee.
- d. An operational team, comprising of an Executive Director, Program Coordinator, Finance Officer and an Engineer makes Survivors light and effective team.

- e. Survivors global council has 7 members who represent Survivors work and interest in UAE, Germany, Japan, Denmark, USA and Singapore.

## **Fundamentals assumptions**

### **Basis of accounting**

The financial accounts of The Survivors Nepal are prepared & produced on an accrual basis based on double entry system. Any exceptions to the accrual basis must be approved by the Treasurer and must be listed under significant accounting policies in the Notes to the Accounts in the annual Audit Report.

### **Financial Accounts**

The financial year is 1st Day of Sharwan to 31 Ashad as per the Nepal official Calendar. The account shall be prepared on the basis of local currency i.e. Nepalese Rupees (NRP). Whereas separate report can be produced in another currency for the specific donor if required, in accordance with requirements in the agreement signed with the donor.

### **Accounting Software**

The Survivors Nepal will maintain a TALLY software for recording of the financial transactions. The software will produce financial information to support financial reporting and monitoring.

Security features include:

- Each user of the accounting software will have an individual password.
- The Treasurer and Finance Officer will be the only staff with administrator access to the software
- The software will be regularly backed-up

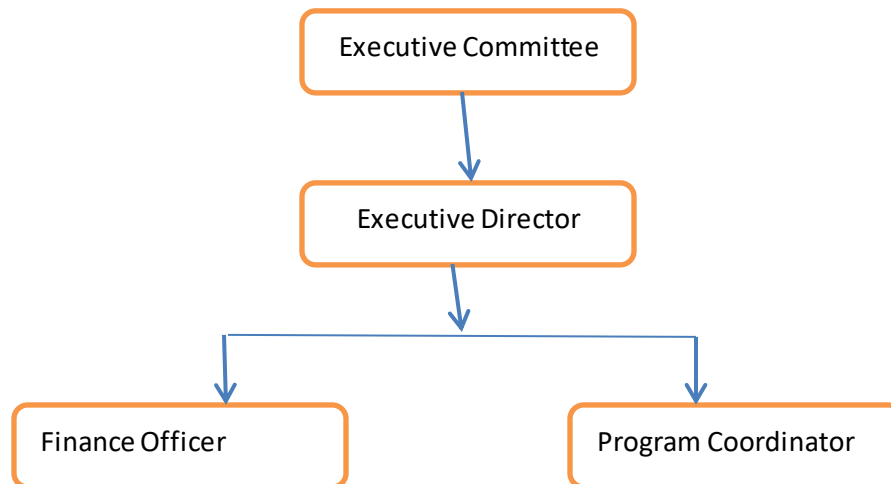
## **Finance**

### **The Survivors Nepal Finance Structure**

The executive Director has overall responsibilities for the operation of the Financial Function of The Survivors. The program co-coordinator and finance officer shall be the part of finance Team.

Finance officer reports to the Executive director and operates under the guidance of Treasurer as and when required. The Executive Director reports directly to the President, Vice-president or his designated authority.

## Organization Chart



### Finance function

An effective finance function will ensure that

- a. The resources of the organisation are utilised in the most efficient, cost effective and transparent manner.
- b. All resources are used wholly and exclusively for the purpose of achieving programme objectives.
- c. The organisation is equipped to render an accurate, timely and transparent accounting of all resources expended.
- d. Project wise or Donor wise accounting.
- e. Management is properly advised on financial strategy and accounting policy.

### Specific function of Finance

The staffs involved in the finance function are expected to perform their duties in a highly professional manner, in particular to:

- a. Ensure the timely preparation of financial statements, which accurately reflect operational activities.
- b. Ensure that The Survivors adheres to a financial prudent planning strategy.
- c. Foster the good name and reputation of The Survivors by ensuring adherence to the laws of Nepal and the stipulations of donor agreements.
- d. Ensure that the organisation abides by the rules of its Financial Management Manual, Policy of Employment and Procurement Policy.
- e. Ensure the implementation of an effective internal control & check system which safeguards the organisation's assets and ensures responsible stewardship of donor funds.
- f. Be responsible for the updating of the Financial Management Manual, which documents Accounting policy, book-keeping procedures, rules, regulations, practices and Procurement/ Disposal policy.
- g. Respect the confidentiality of all information relating to The Suvivors Nepal.
- h. Facilitate the conduct of financial audit exercises. Provide all required information without delay during the course of the Audit.

All finance staff must be fully familiar and committed to the Strategy, policies, objectives and goals of The Survivors Nepal.

### **Duties of Finance officer**

#### **Budgets preparation & Control with Executive Director**

- a. Coordinate the preparation of Project Budgets, Grant Agreement, Annual Budget, Budget Re-allocations and Present to the Executive Committee in advance to the commencement of Project.
- b. Establish and maintain an effective Budgeting System and Control.
- c. Prepare monthly financial report and present with variation if any to Executive Committee every month.

#### **Bank & Cash Management**

- a. Ensure that Bank accounts held by The Survivors are operated correctly by those Authorities duly mandated.
- b. Ensure that cash withdrawals are based on approved projects from designated accounts.
- c. Ensure that all bank accounts are properly reconciled at the end of each week. Any missing transactions or mistakes in the accounts system should be corrected. The only differences between the bank statement and accounts system should be timing differences (uncleared cheques or receipts in transit). The reconciliation sheet will be prepared by the finance officer and approved by the Treasurer.
- d. Ensure that all balances are maintained at a minimum level.
- e. Ensure the realisation/settlement of any advance within maximum 7 days and all Debtors & Creditors balances within a maximum of 45 days.
- f. Ensure, where practical, that all assets are properly insured
- g. Ensure that expenditure incurred has been properly authorised, within approved cash limits, can be justified by supporting documentation.
- h. Ensure competitive bidding in procurement. Minimum 2 quote for any purchase more than 10000.00 and from the listed vendor only.
- i. Ensure no Cash payment for more than 5000.00.
- j. Ensure settlement petty cash weekly basis.

#### **Bookkeeping**

- a. Ensure the safe custody of all vouchers, receipts, files, ledger printouts, trial balances and financial reports.
- b. Ensure the monthly reconciliation of inter project current accounts.
- c. Ensure all monthly ledger accounts printouts are properly reconciled with trial balances/financial reports.
- d. Ensure the safe and proper usage of all computer equipment used by finance staff in the office.
- e. Instigate the development of appropriate excel template to meet the needs of management and financial information.

#### **Reports**

- a. Weekly Petty cash report.
- b. Cause the preparation of monthly consolidated financial reports by the 7<sup>th</sup> Day of the following month.
- c. Present summary analysis (interpretation) of financial results for discussion by Executive Committee.
- d. Prepare a monthly & annual cash flow statement for the project.
- e. Present a monthly budget variance analysis, highlighting projected deficits/surpluses

- f. Prepare a statement on Fixed Assets / Stores by 31<sup>st</sup> Ashad of every financial year.

### **Audits**

- a. Liaise with the Auditors to ensure that the auditors can start their work on time and in a manner which does not disrupt the work of The Survivors Finance.
- b. Take all steps necessary to ensure the timely completion of the annual audit.
- c. Address all issues raised in the management letter issued by the auditors.
- d. Ensure that audit reports are submitted to all donors and Member by due dates.
- e. Prepare an action plan for Audit issues.

### **Budget Preparation**

### **Grant Agreement**

The Grant Agreement will show the approved budget for the period of the grant. This is based on the detailed budget prepared and approved during the grant making process. This becomes the baseline budget.

### **Annual Budget**

By 1<sup>st</sup> week of Ashad the executive Director, project coordinator in collaboration with finance officer must submit a details work plan and budget to the program coordinator for the following year. This plan should be prepared in excel sheet as a financial plan with details assumptions.

However, relief work budget can be prepared as and when required basis in consultation with executive committee subject to available free fund.

### **Budget re-allocations**

Budgetary adjustments may be required to respond to program realities. Budget adjustments will need to be pre-approved by the Grantee in these cases:

- Activities that are not included in the approved budget
- Budget changes related to salaries/staffing
- Other specific budget changes as advised by the Grantee.

### **Expenditure**

Expenditure incurred must be wholly and exclusively for project implementation purposes- i.e. consistent with the aims and objectives of fund and project. Non project expenditure has to meet through office operation fund.

Supporting documents for all expenditure should clearly explain for what purpose expenditure was incurred.

Apart from Relief project, all other project base expenses have to be acknowledged by the beneficiary.

### **General rules**

All costs charged to the grant must:

- be attributable to activities in the approved budget and workplan.
- be approved.



- have sufficient supporting documentation
- be reasonable

Costs cannot be double charged (i.e. the same cost cannot be charged in the budget).

### **Travel and training costs**

General principles include:

- Travel-related costs must reflect the real cost incurred by the employee and should not contain an element of additional remuneration.
- Travel should be cost efficient.

### **Professional services**

Consultants and service providers should be selected through a competitive procurement process.

External professional services should produce specific deliverables on a timely basis.

Consultancy fees should be consistent with local market practice charging 15% TDS as per current Nepalese law.

### **Health products, furniture and equipment**

Purchase of all items should follow the procurement procedures for all purchases.

For health products, the products procured should be of assured quality.

### **Communication materials**

Communication materials should be procured using the procurement process.

### **Indirect costs**

For indirect costs such as electricity, utilities, telephone, and internet, the reported cost must be based on actual costs incurred, with no margin or profit element.

### **Payments**

#### **Types**

Specifies the type of supporting documentation required before payment can be made and booked as program expenditure.

#### **The main expenditure categories are:**

- a. Project wise/ Objective wise activities as per Agreements
- b. Staff Remuneration (Salaries & Allowances)
- c. Utilities i.e. Telephone, Electricity, Internet, water etc
- d. Office Supplies
- e. Printing & Stationery
- f. Fixed Assets
- g. Conveyance & Transportation
- h. Fuel & Lubricants
- i. Bike & Vehicle Repairs
- j. Consultants Remuneration
- k. Training
- l. Materials

- m. Rental Agreements
- n. Credit disbursements
- o. Payments to other organizations/agencies

## Required Supporting Documents

### Cash & Petty Cash

- a. No payment shall be made from Cash book. Cash book needs to maintain for temporary record of Cash received if any.
- b. Any collection in Cash book needs to deposit in the designated bank account within 2 working Days.
- c. Petty cash is used for small value expenses up to a maximum of NRs 5,000. Petty cash expenses must be for eligible items of expenditure, must be approved, and must have adequate supporting documentation.
- d. Self-declaration is generally used when an employee of the Survivors Nepal does not own bill and then claiming the small expenses occurred during the field visit or official work through self-declaration voucher after being approved by the executive director.
- e. All petty cash payment need to approved by Executive Director and ensure the following.
  - a. Only Petty expenses can be paid from Petty cash.
  - b. Maximum Ticket size should not be more than NPR 5000.00.
  - c. Received acknowledgement and Party bill is mandatory.
  - d. Per day single payment Voucher needs to be prepared with necessary supporting and get approved before posting.
  - e. Appropriate account head with project name if any need to mention in face of Payment Voucher.
  - f. Voucher need to mark as PAID for payment & Posting.
  - g. Unless otherwise, Petty cash needs to settle on a weekly basis by Friday.

A sample of petty cash and self-declaration voucher is shown in Annex 1.

### Bank Payment

- a. Payment voucher needs to be prepared for all Bank Payment transaction.
- b. Payable amount working sheet need to enclose.
- c. Bill details need to mention in Voucher.
- d. Need to sign by the Executive Director before preparation of cheque or processing.
- e. Two signatures are required for all cheque payments and bank transfers. (Niraker Shrestha, Vice-President; Ram Chandra Lohani-Treasurer and Jayram Pudasaini-Executive Director)
- f. All payments will be made by All payments will be made by *a/c payee cheque/ draft*. Bearer cheque may be considered only in exceptional cases, which should be justified in the covering letter.
- g. Various bank accounts used for different projects are as follows:
  - Laxmi Bank – 00511148851 (project fund / relief)
  - Laxmi Bank – 00511150333 (office support fund)
  - Laxmi Bank – 00511150908 (US Nepal – Community Resource Center for Reconstruction)
  - Laxmi Bank – 00511151730 (Help Nepal – School building reconstruction)
- h. A sample of payment voucher is shown in Annex 2.
- i. Finance officer needs to ensure the following documents.
  - a. Utilities

- Copy of Registration (in file)
- Monthly bill with receipt
- Detail statement of Phone/ Fax/ Internet
- Agreement (if on rental basis in the file)

b. Conveyance, Travelling & Transportation.

- Travel /transportation Order (Mode of travel, No of days, Date of return, purpose etc)
- Travel Expenses report with original supporting.

A sample of transportation claim is shown in Annex 3.

c. Salary

- Salary sheet.
- TDS working sheet.
- Letter of increment or changes if any.
- Attendance record.
- Leave statement.

d. Office Supplies, Printing & Stationary & Fixed Assets.

- Approved Quote copy with a Comparison chart.
- Purchase Order.
- Good received Note.
- Original Bills.

e. Training

- Approved proposal with the cost Estimation.
- Brochure if available.
- Course contains.
- Agreement with Training Party.

f. Repairs & Maintenance.

- Repair estimate.
- Repair request form.
- In case of an accident, initiation of an insurance claim.

g. Project or Program Materials.

- Approved proposal with a list of materials.
- Purchase order
- Goods receipt Note
- Bills
- Advertisements/ Original Bids/ Comparative Chart/ Quotations etc (in the file as per the process)

- h. Consultation.
  - Agreement
  - Terms of Reference (where ever applicable)
  - Request letter for payment from organization/ person
  - Other supporting, if selected competitively
  - Approval from Country Representative
  
- i. Payment to other organization.
  - Agreement (with detail terms & conditions)
  - Audit report (with detail accounting of funds)
  - Request letter of payment.
  - Approval from Representative

### **Internal control**

Internal controls system (ICS) help to manage the internal risks that it faces on a day-to-day basis. If operated properly, they will avoid losses and detect errors and omissions in the accounting records. The ICS covers the entire range of established procedures, methods and controls for the purpose of ensuring the proper functioning of activities

Internal controls are intended to ensure that proper accounting records are maintained, assets are properly safeguarded, management and donor policies are followed and dishonesty is discouraged. It lay out rules and guidance to staff before we do anything to minimize risks during implementation so that we can find mistakes or losses after they have happened to improve systems. Controls are also very important in protecting all those who handle the financial affairs of the Survivors Nepal as they remove any suspicion of, or temptation to, dishonesty.

There are several different categories of internal controls:

- a. Delegated Authority
- b. Separation of Duties
- c. Reconciliation
- d. Cash Control
- e. Physical Control

### **Delegated Authority**

The Survivors Nepal delegates authority to the Executive Director for the day-to-day running of the Survivors activities. The Survivors Nepal carrying various programs at a different part of Nepal and being cost effective & busy organisation it is not practical to expect one person to make all the decisions and authorizes all transactions. The Executive Director will, therefore, further delegate authority to office bearer (i.e. Finance officer & Program Coordinator) and may seek help from Executive Board to relieve the load and to ensure smooth operation during absences of key staff.

### ***Delegated Authority Document***

The Survivors Nepal shall decide in advance who should do what in finance procedures. It is good practice to record what has been decided in a *Delegated Authority document*; its purpose is to clarify who has the authority to make decisions, commit expenditure and sign legal undertakings on behalf of the The Survivors Nepal so that there is no confusion about responsibility.

The Delegated Authority Document should include instructions for such duties as:

Placing and authorising orders for goods and services

- Signing cheques
- Authorising staff expenses
- Handling incoming cash and cheques
- Access to the Cash and petty cash
- Checking and authorising accounting records
- Signing legal undertakings (Contract, agreements)

The Delegated Authority document must be approved by the Country Director and should be reviewed every year to ensure it is still appropriate to current needs. It should also outline handover arrangements to carry out the activities during the absence of key personnel. A breach of delegated authority is a serious matter and should be dealt by Executive Committee.

### ***Authorization Rules***

When writing a delegated authority document there are some basic rules which should be observed:

- **The lowest level of authority is defined** – it is taken for granted that those higher up the management ladder will also have the same authority.
- **No one should authorise any transaction from which they will personally benefit.** This lays the individual open to claims of impropriety and calls into question the integrity of the organisation.
- **Sub-ordinates must not authorise payments to Superior** – they must be passed to someone who is more senior in the management structure.

Any limits or conditions that apply to delegated authority must be clearly defined. For example, a person may be authorized to commit expenditure up to a specified amount or within certain categories of expenditure or within budget.

### **Separation of Duties**

In order to protect those operating the procedures and to prevent any temptation to misuse funds, there must be a separation of the various duties within the finance procedures.

Segregation of duties is critical for the effective internal control in any organisation. It reduces the risk of both erroneous and inappropriate actions. Segregation of duties is a deterrent to fraud because it requires collusion with another person to perpetrate a fraudulent act.

In general, the approval function, the accounting and reconciliation function, and the asset custody function should be separated from employees. These functions require at least two sets of eyes. If the project is managed by a small number of employee and these functions cannot be separated, a detailed supervisory review of related activities is required.

No one person should:

- Initiate the transaction
- Approve the transaction
- Record the transaction
- Reconcile balances
- Handle assets
- Review reports

Specific examples of segregation of duties:

- The person who requisitions the purchase of goods or services should not be the person who approves the purchase.
- The person who requisitions the purchase of goods or services should not be the person who reconciles the monthly financial reports.
- The person who approves the purchase of goods or services should not have custody of the cheques.
- The person who maintains and reconciles the accounting records should not have custody of the cheques.
- The person who has custody of assets should not be responsible for processing the accounting records for those assets.
- The person who has custody of assets should not be the person who approves the purchase of assets.

## **Procurement**

### ***Procurement procedure***

Procurement will be conducted following these principles:

- Contracts shall be awarded only to responsible contractors/suppliers that possess the ability to successfully perform the contracts.
- No more than a reasonable price (as determined, for example, by a comparison of price quotations and market prices) shall be paid to goods and services.

All procurement should be planned in advance and recorded in the quarterly procurement plan.

The procurement plan shall list:

- Purpose of procurement
- Description of goods, services or works
- Estimated cost
- Date required
- Method of procurement (e.g. direct assignment, quotations or competitive bidding)

### ***Procurement method***

A Procurement Procedure sets out the steps and conditions that have to be followed by staff to acquire goods and services so that the objectives of the Survivors can be fulfilled efficiently and effectively. It is a prime example of separation of duties in action.

The procedure will:

- Outline the process and authorities for ordering, receiving and paying for goods and services;
- Describe which method of payment or acquisition is to be used for different goods and services – for example, when it is acceptable to use petty cash (this should be rare), bank transfers (e.g. salaries) or suppliers' accounts (e.g. stationery, petrol);
- Clarify when it is necessary to obtain quotations from suppliers – e.g. 3 quotations for all expenditure over NRs. 10,000.00.
- Include a list of Approved Contractors/ Suppliers.

### ***Cheque Singing***

The Survivors should have a panel of cheque signatories from which to select the required number of authorising signature. There should be sufficient people nominated to ensure efficient administration of payments. Signatories should be regularly reviewed and the list updated.

It is usual to have more than one signature on a cheque to help avoid fraud. Never ask the signatories to sign the blank cheques for future use as it avoids the whole purpose of having more than one signatory.

Annex 1

Format of Petty cash voucher/self-declaration voucher



Petty Cash-Voucher/Self-declaration voucher

Survivors Nepal  
Thapathali, Kathmandu,  
Nepal.

No. ....

Date:

.....

Description	Amount(Rs.)

Charged to: \_\_\_\_\_

Prepared By: \_\_\_\_\_

Approved By: \_\_\_\_\_

Received By: \_\_\_\_\_





