



# FINANCIAL POLICY MANUAL-2014

(Revised Edition- 2024)

**IPN — An Agent for Social Change & Development in Pakistan.**

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## **A. INTRODUCTION:**

*This section provides an overview of IPN and the purpose and scope of this manual.*

### **I. History and Mandate of IPN**

**IPN** is a non-profit, non-religious & non-political, research, relief & development organization. It was established back in 2012 and was officially registered on April, 04, 2013 under the office of the provincial registrar joint stock companies & societies Peshawar, KPK, under the registration of societies act XXI of 1860, with registration no 134/5/7361.

The mandate of the organization is to reach to least reached communities, to reach to marginalized communities and above all to the needy and vulnerable people in the country with missionary zeal and fervor.

### **II. Scope of IPN Work**

Initiative for People in Need (IPN) is a national non-governmental organization. The organization's purpose is to mobilize both financial and material resources and improve the life standard of the people living in its areas of operation in particular in other parts of the country in general. Activities supported by IPN are organized within the following general programming areas:

- Education with focus on Mother Tongue Based Multilingual Education.
- Health & hygiene
- Enterprise Development
- Emergency Relief and Rehabilitation
- Disaster Management
- Civil Society, Peace, and Justice
- Protection and promotion of Indus Kohistani culture
- Environmental protection
- Advocacy on grave human right issues and awareness raising programs

### **III. Objective of this Manual**

- a) This manual is designed to assist IPN employees in understanding the work of IPN and to allow them to familiarize themselves with IPN's financial Regulations, Procedures, and Policies.
- b) This Manual contains the organization's financial policies. The provisions of this Manual apply to all staff working in IPN.
- c) IPN is committed to maintain a pleasant, professional working environment where the contribution of each employee is treated with respect and attention.
- d) The policies in this Manual shall be applied fairly and equally.
- e) This manual has been compiled with respect to Pakistan Labor Laws.

### **IV. Distribution and Coverage of this Manual**

- a) The Finance Manager (FM)/Finance Officer (FO) is responsible for the distribution of the manual to all sections and Program Managers. One copy of this manual is to be retained in each department/section and must be accessible to all employees and supervisors.
- b) The Finance Manager ensures that each new employee has access to this manual after his/her recruitment.
- c) This manual is valid for every employee of the organization.

### **B. CASH RECEIPTS:**

*This section provides an overview of IPN's Cash Receipts policy and procedure within IPN, from policy statement up to the financial documentation flow.*

#### **I. Policy Statement**

Monitoring all cash receipts is a critical part of IPN's Finance Department's duties. Program manger should review the Cash Report on monthly basis. The recording of Cash Receipts should be done in a timely manner. All deposits should be made the same day

of receipt where possible or in the next banking day. All cash receipts should be documented with a receipt form to be given to the individual(s) providing the monies. Proper reconciliation of all cash receipts should be performed on monthly basis upon receipt of the bank statement(s). Submission of the monthly financial reports should not be delayed due to the non-receipt of the bank statement

## **II. Procedure**

**NOTE:** The cashier's slip is NOT the IPN Cash Receipts Voucher. The cashier's slip acknowledges receipt of cash and is given to the individual or entity presenting cash. Cash Receipt Voucher is the document on which IPN codes are written and approved for entry to the office Cash Receipts ledger. There are three copies of the cashier's slip; one is given to the individual or entity presenting the cash or check to IPN; one is to be attached with voucher and one remains in the cashier's slip book and this applies to Pak Rupees currencies type.

## **III. Flow of Documents**

The flow of documents to record the receipt/donation is as under:

- a. Cash or check received from IPN staff, vendor or partner will be forwarded to Finance Manager.
- b. After approval by PM, the Finance Officer will prepare cash receipt slip in triplicate. Original shall be issued to person giving the cash or check.
- c. Finance Officer (FO)/finance assistant shall then prepare a Cash/check deposit slip and deposit it in to bank account on the same day or next working day.
- d. Finance Officer shall then prepare a Cash Receipt Voucher and attach the copy of check and deposit slip with Voucher and forward it to Finance Manager for his/her review.
- e. FM will review the Cash Receipts Voucher to ensure that all information is correct and complete and putting his/her signature he will forward the Voucher and attached document to CEO or his/her designate for approval.

- f. The CEO or designate will review the voucher and upon verification that the Cash Receipts Voucher is correct and complete, the CEO or his/her designate will sign the voucher, thereby indicating that the items recorded on the voucher be added to the IPN Cash Receipts Ledger/ledger.
- g. The signed Cash Receipts Voucher (CRV) is then returned to the Finance Department for entry or posting into the books by the data entry staff.
- h. After data entry and posting, the voucher and supporting documentation is then canceled to prevent their reuse.
- i. The Cash Receipts Voucher is then permanently filed with all supporting documentation in numerical, sequential order along with other IPN Cash Receipts Vouchers by Finance Officer.

**C. PETTY CASH:**

*This section provides an overview of the IPN Petty Cash policy and procedure within IPN, from policy statement up to the financial documentation flow.*

**I. Policy Statement**

There is a frequent need for IPN's Program/sub offices to make payments of relatively small amounts for which payment by check would not be efficient or cost effective. To provide a source of cash (currency) on hand for such disbursements, it is appropriate to maintain a special cash supply that is designated as a Petty Cash Fund. Petty Cash Funds should be maintained on an imprest basis. Imprest fund that is replenished for exactly the amount expended, once established, the general ledger balance for an imprest fund does not change except by management decision.

**Policy Statement**

The general disbursement policy of IPN is to issue checks for goods and services. However, to facilitate certain business transactions, expenditures, up to PKR. 2,999 may

be paid for or reimbursed out of petty cash. The policy for payment of petty expenses from fund is as under:

- In order to control the cash payments, IPN's finance department shall maintain petty cash imprested system, the maximum and minimum amount of which shall be from PKR 0 to PKR (Pakistani rupees ) 30,000, depending on the need or as determined from time to time by the Chief Executive Officer (CEO). The limits will be confirmed through internal memo.
- Petty Cash Fund must be kept in Iron Safe. There should be two copies of the key for this safe. Imprest holder will keep one key and other key will be with the Finance Manager.
- Two persons should open safe when needed in the absence of Imprest holder, that is one from Finance department and second any designated IPN staff.
- Fund custodian must ensure that the fund given to him/her is adequately safe-guarded.
- Travel Advances cannot be issued to employees from the Petty Cash Fund.
- No loans, salary advances or personal check cashing activities are allowed with the use of petty cash money.
- Only one Petty Cash Fund would be established for one Sub Office of IPN.

#### **I. Policy Statement**

At the time of establishing Petty Cash Fund or changing the Imprested Holder, balance for Petty Cash Account 10500 should be established.

Cash in hand plus petty expense receipts/memos should always equal the authorized Imprest amount. CEO shall assign a petty cash fund custodian, who shall be known as Imprest Holder.

#### **II. APPROVAL AND PAYMENT PROCESS FROM PETTY CASH FUND**

The policy necessitates reimbursing the expenses actually incurred by the employee while on official duty or in connection with or on behalf of IPN's programs; at the same



time make payment for goods or services rendered to IPN Program within the limit of petty cash policy.

The employee seeking reimbursement of expenses should produce to Petty Cash Custodian with appropriate Petty Cash Form duly approved by appropriate authorities and supported by relevant documents. The submission of cash memos can be dispensed with in case of expenses for which cash memos cannot normally be obtained such as Bus Fare, Taxi Fare, and Postage etc. Reimbursement claim of amount up to and not exceeding PKR. 2,999/- shall be paid for in cash by the Imprest Holder while that in excess of PKR 2,999/- by check from Finance Department using Payment Authorization Form. The employee seeking reimbursement from Petty cash will first fill in the Petty cash Form and confirms that:

- a. Proper Petty Cash Form has been filled.
- b. Description of Expenditure has been mentioned.
- c. Relevant Account Codes have been assigned.
- d. Ensure Petty Cash Form is supported by original purchase invoice if required. No payment will be made on photocopied invoice.
- e. Ensure that nature of goods/services being paid for is consistent with the business of the IPN's Program/sub offices Program.
- f. Ensure that goods were received in good working order or services were performed.

Employee will then forward this duly filled Form to approving authority as defined in the signature flow chart in place.

The approving authority then signs the Form and put date on it. **The approving authority should ensure that:**

- a. The claim is in accordance with entitlement under IPN's Program's Rules.
- b. The amount of expense claimed is reasonable.
- c. The amount of expense has been pre approved and actually incurred.

After approval, the employee will produce this completed form to petty cash custodian.

Petty cash custodian before making the payment shall:

- a. Ensure the accuracy of calculation.
- b. Obtain acknowledgment of receipt from the payee on the petty cash Form.

The Petty cash Form along with the invoices shall be stamped "PAID" by petty cash custodian.

The recording of cash receipts and disbursement should be done in a timely manner. All petty cash receipt and Disbursements in Rupees should be recorded the same day of receipt and payments in Petty Cash Book/Ledger. The petty cash ledger on Excel shall comprise of the following details:

- a. Transaction Date
- b. Reference Number
- c. GL Account Code(10500)
- d. Amount Paid
- e. Balance Amount

### **III. REPLENISHMENT OF PETTY CASH FUND**

- Petty Cash Custodian will prepare Payment Authorization Form and attach petty cash ledger along with cash count sheet to his/her supervisor for review and verification.
- Petty Cash Custodian's Supervisor counts the cash available with petty cash custodian and compares it with cash count sheet. Supervisor also reviews and verifies the petty cash vouchers and compares it with petty cash ledger.
- Supervisor then signs on petty cash counts sheet, petty cash ledger and Payment Authorization Form and forwards to finance department for review.
- Finance Officer reviews, verifies and signs the petty cash replenishment documents and forwards it to CEO.
- CEO reviews and approves the replenishment documents and returns to finance for processing.

- FO then prepares Bank payment voucher and the check payable in the name of the petty cash custodian and attaches the replenishment documents with the voucher and forwards to Finance Manager (FM).
- FM verifies and signs the voucher and forwards it to CEO for approval.
- CEO signs and returns the replenishment voucher and check to finance.
- FO then delivers the check to petty cash custodian. After data entry the voucher and supporting documents are cancelled by FO to prevent from reuse.
- Bank payment Voucher (BPV) is then permanently filed with all supporting documentation in numerical, sequential order along with other IPN's Cash Disbursements Vouchers by Finance Officer.

#### **IV. REGULAR PETTY CASH COUNT**

On close of business for each day petty cash custodian needs to perform cash count by him/her self and has to document it along with the other vouchers.

#### **SURPRISE PETTY CASH COUNT**

CEO shall appoint any person independent of cash operations to carry out Surprise Petty Cash Count at unannounced times at least once a month.

Person conducting surprise petty cash count will ensure that the petty cash vouchers and the cash-in-hand agrees with the petty cash book maintained by petty cash custodian and do the physical cash count and fill up the Cash Count Form.

Record of such counts should be maintained for compliance and audit purposes. Significant difference should be notified to CEO and custodian needs to provide a written explanation in such cases.

#### **V. POINTS TO REMEMBER**

- a. Petty Cash Fund Custodian should not perform any other cash functions.

- b. Petty Cash Fund Custodian ensures that IPN Program uses a standardized Petty Cash Voucher form for each disbursement from the fund.
- c. Travel advance refunds and other cash receipts should not be routed through the Petty Cash fund.
- d. One Petty Cash Transaction cannot exceed the equivalent of PKR 2,999.
- e. Petty cash vouchers and supporting documents should be stamped "PAID".
- f. Petty cash replenishment is recommended at 60 % usage of the fund. Petty cash must be replenished on 2nd last day of the month regardless of cash in hand balance.
- g. Unannounced petty cash count minimum once a month by an employee independent of the cash functions. Significant difference should be notified to ED custodian need to provide a written explanation in such cases.

**D. ACCOUNTS RECEIVABLE EMPLOYEES:**

*This section provides an overview of the IPN Accounts Receivable Employees policy and procedure within IPN's programs and offices, from policy statement up to the financial documentation flow.*

**I. Policy Statement**

It is the policy of the organization to record the amounts due from employees as Accounts Receivable and to settle those balances through the receipt of cash or liquidating documentation from the indebted staff.

All receivables and advances are assets of IPN's Program/sub offices. They should be accounted for with the same care and diligence as cash. Receivables or advances may be written off as per the Organization's Policy. All receivables and advances must be properly classified, maintained at a minimum level and aged properly.

Accounts Receivable-Employees (GL:101000) balances arise from cash outlays made on behalf of employees for their personal benefit and for which repayments from the respective employees are required. Accounts Receivable–Employee transactions should be recorded only in donor source.

Employees’ receivables are allowed in the following cases:

- While paying to the Hotel or the guesthouse any facility availed during the field trip that’s not covered under the IPN policy.
- Personal portion of air ticket already approved by CEO.
- The personal calls made from the official landline or the cell phone.
- The reimbursement to IPN on account of personal usage of IPN vehicle with the prior approval of CEO.
- Any amount that is paid on behalf of International staff and not covered under his/her benefit e.g. Cable charges, Newspaper bill, Internet charges etc.

## **II. Tracking and Monitoring**

The tracking of accounts receivable is very important. Tracking the receivable due to IPN from an employee who has reconciled his/her advance but has NOT yet reimbursed by IPN for the cash remaining from an unsettled advance or “under spent” advance is such an example.

Monitoring all receivables is a critical part of Finance Department’s duties. Executive Director should review “Aging of Receivables and Advances” reports produced by the IPN FIANCE SYSTEM or Vision to be fully aware of the receivables due from the employees to IPN’s Program/sub offices on a monthly basis. Employees should expect the reimbursement for amounts due within SEVEN (7) Working days or on the established time frames. It is the responsibility of the Executive Director to ensure that maximum effort is made by the program to collect these important assets of the Organization.

**The receivable REMAINS ON THE IPN' BOOKS until the cash owed to IPN by the employee is repaid or the receivable is written off.**

### **III. ACCOUNTS RECEIVABLE EMPLOYEES - ESTABLISHMENT**

The admin department will put the staff receivable code (if any) while preparing the Payment request for the following:

- a. Invoice from Travel Agent.
- b. Invoices from Hotel or Guesthouse.
- c. Bills from Telephone and internet
- d. Invoice/bill from Cable Service Providers, Newspaper Hawkers, and Internet Service Providers.

FO make notations on the Payment Authorization Form whether previous month receivable is outstanding against the employee or not and in case of any outstanding receivable Finance needs the special approval from the CEO to establish next receivable without the liquidation of previous month receivable from employee.

After approval from CEO, the Payment Authorization Form goes to finance for payment. Finance Officer prepares BPV (bank payment voucher) and record the receivable from employee using respective code of employee. FO cuts the check in the name of the respective vendor.

FO gets the required signature of authorized signatories on Payment Voucher and check.

FO delivers the check to the administration department along with acknowledgment receipt.

After data entry, the voucher and supporting documents are thus cancelled to prevent it from reuse.

FO files the BPV along with the supporting documents in respective file.

#### **D. Accounts Receivable Employees**

The Finance Manager will raise separate invoices for each staff in PKR on monthly basis for the charges that staffs are required to reimburse to IPN/PK.

#### **IV. ACCOUNTS RECEIVABLE EMPLOYEE - LIQUIDATION**

The concerned staff will settle the outstanding receivables within seven days from the date of receipt of invoice from finance.

Staff will be required to submit the liquidation through Advance Liquidation Form submitted to finance department by the concerned employee duly completed and authorized by the department manager along with the supporting documents. Staff will be required to submit separate liquidation for and PRP. FO must prepare cash receipt in triplicate and issue original to employee for his/her record, second copy to be attached with voucher and third copy should remain in cash receipt pad. If the liquidation equals the receivable amount the liquidation should be recorded on a General Journal Voucher. If the liquidation is less than the receivable amount, then liquidation along with the employee's personal check or cash for the un-expended portion of the advance will be combined and recorded on a Cash Receipt Voucher. Finance Officer prepares the respective voucher and gets the required signature of authorized signatories on the voucher. FO cancels the voucher and supporting documentation to prevent it from reuse. FO files the voucher along with the supporting documents in respective files and after inserting the entry into the ledger.

#### **E. Short Term Operating Advances**

*This section provides an overview of the IPN Short Term Operating Advances policy and procedure within IPN's Program/sub offices, from policy statement up to the financial documentation flow.*

#### **I. Policy Statement**

It is the policy of IPN's Program/sub offices to record the operational advances to employees as Short Term Operating Advances and to settle those balances through the receipt of cash or liquidating documentation from the indebted staff.

All receivables and advances are assets of IPN. They should be accounted for with the same care and diligence as cash. Receivables or advances may be written off as per the IPN Policy. All receivables and advances must be properly classified, maintained at a minimum level and aged properly.

**Short Term Operating Advances to Employees are allowed in the following cases:**

The amount given to an employee for purchasing of particular goods for IPN

No advance will be issued to any employee that has not accounted for all previous advances.

**II. Tracking and Monitoring**

The tracking of short term operating advances is very important. Tracking the receivable due to IPN from an employee who has reconciled his/her advance but has NOT yet reimbursed IPN for the cash remaining from an unsettled advance or "under spent" advance is such an example.

Monitoring all receivables is a critical part of Finance Department's duties. Executive Director should review on at least once on a monthly basis the Aging of Receivables and Advances reports produced by the IPN FIANCE SYSTEM. Or Vision to be fully aware of the receivables due from the employees to IPN's Program/sub offices. . Employees should be expected to reimburse IPN for amounts due within SEVEN (7) Working days or the established time frames. The receivable REMAINS ON THE IPN' BOOKS until the cash owed to IPN by the employee is repaid or the receivable is written off. The following is the document flow for establishing and liquidating the Short Term Operating Advances



### **III. SHORT TERM OPERATING ADVANCE-ESTABLISHMENT**

The employee seeking advance (GL CODE) for purchasing or some arrangements needs to fill the Payment Authorization Form, get the signature from authorizing staff as per applicable signature flow chart and submit to finance department for further review and processing.

Finance Officer (FO) will check the status of the previous advance, if any, of concerned employee. FO make notations on the Payment Authorization Form whether previous advance is outstanding against the employee or not and in case of any outstanding advance Finance needs the special approval from the CEO to release the next advance or payment will be paused until previous advance is settled by employee. After approval from CEO Form goes to finance and finance manager will forward it to finance officer for payment. Finance Officer prepares BPV voucher and cuts the check in the name of the employee. FO gets the required signature of authorized signatories on Payment Voucher and check.

FO delivers the check to the concerned employee after obtaining acknowledgment on BPV voucher. FO files the BPV along with the supporting documents in respective files and post entry in Ledger. After data entry and posting, the voucher and supporting documents are thus canceled to prevent it from reuse.

### **IV. SHORT TERM OPERATING ADVANCE - LIQUIDATION**

Short Term Operating Advance will be liquidated through Advance Liquidation Form submitted to finance department by the concerned employee duly completed and authorized by the department manager along with supporting documents.

FO must prepare cash receipt in triplicate and issue original to employee for his/her record, second copy to be attached with voucher and third copy should remain in cash

receipt pad. If the liquidation of advance equals the amount advanced the liquidation should be recorded on a General Journal Voucher.

If the liquidation of advance exceeds the amount advanced, the processing of the liquidation along with the payment for the additional amount payable to employee should be recorded using a Bank payment voucher.

If the liquidation of advance is less than the amount advanced, then liquidation along with the employee's personal check or cash for the unspent portion of the advance will be combined and recorded on a Cash Receipt Voucher.

Finance Officer prepares the respective voucher and gets the required signature of authorized signatories on the voucher and on check in case of cash disbursement. In case of Bank payment voucher FO delivers the check/ to the concerned employee after obtaining acknowledgment on BPV voucher. FO cancels the voucher and supporting documentation to prevent it from reuse. FO posts entry into the ledger and put the voucher along with supporting documents in respective files.

## **F. SALARY ADVANCE**

*This section provides an overview of the IPN Salary Advance policy and procedure within IPN's Program/sub offices, from policy statement up to the financial documentation flow.*

### **I. Policy Statement**

It is critical that all staff of IPN understand the difference of IPN terminology between a Salary Advance and a Loan. Approval of a Salary advance may be granted by the ED but NOT for an amount in excess of the amount of salary as yet unpaid to the employee for the current pay period i.e. current month.

All loans, on the other hand, while they exceed the quantitative limits of the salary advance, MUST ONLY BE APPROVED BY ED for local staff. Loans will be considered ONLY IN EXCEPTIONAL SITUATIONS, such as medical or other family emergencies that a local IPN staff member might be experiencing.

Salary Advances represent funds issued to staff/employees with the understanding that the amounts advanced will be recovered as deductions against wages to be paid to the employees. A salary advance may be issued for pay to be earned while on vacation or to fulfill an emergency need for funds to respond to a personal financial crisis, such as an illness in the family, an accident, or an eviction notice. In general, IPN discourages the issuance of salary advances for reasons other than those specified above.

Salary Advances, if granted, are to be limited to the amount that the employee would be entitled to receive as Net Pay in her/his next paycheck. Salary Advances must be recovered via payroll deduction or by reimbursement from the employee (if applicable). Transactions affecting this account are to be recorded in General Operations.

Only full-time regular employees who have completed TWELVE MONTHS of employment are eligible to apply for salary advances. Temporary employees are not eligible to receive Salary Advances. If an employee resigns or is dismissed before settling his/her salary advance, the remaining balance must be deducted from the severance pay or any other amount due to that employee.

Salary advances are allowed only for staff salary advances are approved and advanced from Donor only.

Salary advances are not to exceed the amount of salary as yet unpaid to the employee for the current pay period. Salary advances must be liquidated in full PRIOR to issuance of another advance. No loans to Staff may be issued without prior approval from CEO.

## **II. Process**

It is against the Organization's policy for an employee to approve her/his own payroll advance. To request a Salary Advance, the employee must submit the following to her/his immediate supervisor for recommendation.

On the form, the requesting employee should state the reason(s) for the request and the amount needed, providing information about previous salary advances received from IPN and consent to repayment of the amount advanced through a payroll deduction. The employee must attach to the form any supporting external documentation (e.g. eviction notice) as evidence to justify the need and must also prepare a Payment Authorization Form indicating the amount of the advance requested. The Salary Advance Request Form must also contain a statement by the employee consenting to the repayment of the Salary Advance, if granted, to IPN via payroll deduction. Upon completion, both forms and the supporting document(s) should be submitted to the employee's immediate supervisor.

The employee's immediate supervisor reviews the Salary Advance Request Form as submitted by the employee and indicates his/her concurrence or disapproval of the request on that document. If the immediate supervisor recommends the request, s/he then also signs the Payment Request as the initial authorizer and routes the Salary Advance Request and the Payment Request to ED for final approval.

For Staff employees, the submission should be routed to the IPN's Finance Department.

## **III. SALARY ADVANCE - ESTABLISHMENT**

Requests for salary advances staff are first received by the Finance departments, to consider outstanding financial obligations owed to IPN by the employee. The Finance department should refer to the Aging of Receivables and Advances Report by Vendor Code to ascertain the existence of any such balances.

If the employee does, in fact, maintain any non-reconciled/settled advance balances or outstanding receivables due IPN, then the Finance department MUST inform the Executive Director of these facts prior to get his approval. CEO after approval route backs the application of salary advance to Finance Department. The FO then drafts a Payment Voucher and check in the amount of the advance request and submits them to the PM. FM reviews the voucher and required documents, signs the voucher and forwards it to CEO. Chief Executive Officer will sign on the Payment Voucher as a final approval for payment. Normal Payment Voucher recording and filing procedures apply.

#### **IV. SALARY ADVANCE - LIQUIDATION**

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

#### **V. SALARY ADVANCE - WRITE-OFF**

Bad Debt provisions do not apply to this account. By proper execution of payroll deductions and account monitoring for all account balances should be collected within the specified periods. Salary Advance write-offs should be virtually nonexistent. In the event of the rare need to perform a direct write-off of an account,

#### **G. TRAVEL ADVANCE**

*This section provides an overview of the IPN Travel Advance policy and procedure within IPN's Program/sub offices, from policy statement up to the financial documentation flow.*

## **I. Policy Statement**

Travel Advances represent amounts issued to IPN employees for estimated expenses to be incurred during approved business trips. Travel Advances to employees are to be charged to A/C. Travel Advances to employees of other IPN's Program/sub offices. s should be kept to an absolute minimum. Travel Advances are to be recorded in the respective business units against which the expenses are to be incurred. If the traveling employee expects to incur expenses against more than one business unit during the trip, the IPN's Program/sub offices shall issue a single travel advance and record it in one business unit. The IPN's Program/sub offices at its option charge the advance either to Donor Source GL Code or to the business unit to which most of the anticipated expenses shall apply, however, if later is not consistently followed then former should be practiced. When the advances are liquidated, however, the expenses must be charged to the appropriate business units. All receivables and advances are assets of the Agency. They should be accounted for with the same care and diligence as cash. All receivables and advances must be properly classified, maintained at a minimum level and aged properly.

Travel advance must be liquidated within Five (5) working days after field trip. No further advance would be issued unless the liquidation of previous travel advance is not submitted. However relaxation can be provided if field visits are concurrent. When an employee returns the unspent amount of travel advance, Finance Officer must prepare Cash Receipt in triplicate and issue original copy to employee for his record, second Copy to be attached with Cash Receipt Voucher and third copy should remain in Cash Receipt Pad. No receivables or advances may be written off without prior approval from IPN Office of Finance.

## **I. Process**

It is against the Agency's policy for an employee to approve her/his own travel advance. To request a Travel Advance, the employee must submit to her/his immediate supervisor a signed Travel Arrangement Form which indicates the reason for the

advance, the amount needed, the length of the trip and the business unit (donor source/project) to be charged. The request form should include a preprinted statement to the effect that the advance is to be accounted for or returned within five business days of the employee's return from the trip and should specify the standard limits (expressed in units of currency) for travel advances as approved by the Executive Director. Backup approval authorities should be designated beforehand in the event the employee's immediate supervisor is not available at the time of the request. For a Travel Advance requested by the Executive Director (ED), approval should be obtained

It is the Agency's standard practice that all advances for travel within the country of issuance, regardless of the recipient employee's home base, are made in the prevailing operating currency used by the IPN's Program/sub offices. that issues the advance. No Travel Advance may be issued to an employee who has not accounted for all previous Travel Advances.

Travel advance is established by Cash Disbursement for Travel Advance, later liquidation of travel advance and expenses incurred by the recipient of the advance ARE LESS THAN the amount originally advanced. The recipient of the advance therefore, owes cash to IPN. The Finance department will liquidate the portion of the advance supported by expenses. This will result in the remaining balance due to IPN in the Travel Advance account. The remaining balance is required to be paid at the time of the TEV submission.

If the remaining balance is not paid at this time, the Finance department must reclassify the travel advance if required to the "Accounts Receivable - Employee" account on a separate Journal Voucher. This voucher will properly state the balance as now due from the employee and fully liquidate the travel advance.

### **III. TRAVEL ADVANCE - ESTABLISHMENT**

IPN employee must submit Travel Authorization Form indicating the amount of travel advance on prescribed form recommended by his / her department head to Executive

Director/CEO after approval routes the TRF to finance department for payment of travel advance. FM receives and sends it to the concerned FO for payment and book keeping. FO checks the status of previous Travel Advance, if any, of concerned employee. FO makes notations on the application whether previous advance is outstanding against the employee or not and send it to the Finance Manager for his review and decision. FM checks and if previous travel advance is not liquidated within 5 working days discuss it with CEO for the causes and get his approval for the next Advance. CEO after approval returns the Travel Authorization Form to the PM for necessary action.

FM in case the Travel Advance Request is rejected either by the PM or the CEO returns application to the respective employee. FM in case Travel Advance Request is approved sends to the FO for disbursement. FO on receipt of the Travel Advance Request prepares Bank payment voucher along with check or mode of payment specified by requestor. FO gets the required signature of authorized signatories on Bank payment voucher and Check. Deliver the check/cash to the respective employee after obtaining acknowledgment on Bank payment voucher. FO files the application and supporting and BPV in respective files and post entry in Ledger.

#### **IV. TRAVEL ADVANCE - LIQUIDATION**

This step applies to the settlement of amounts advanced for business-related travel to employees who are assigned to a given IPN's Program/sub offices either as regular employees or as temporary duty (TDY) personnel. Amounts advanced to employees who are assigned to another IPN's Program/sub offices or should be liquidated at the IPN office that serves as their home base.

Settlement of this account involves the liquidation of the amount advanced via the submission of Agency's standard TEV format of Travel Expense Vouchers (TEV's). It is required that approved TEV's for the trip taken be submitted to the local Finance Department within five days of the employee's return from the authorized trip.



If the total of the approved TEV's submitted equals the amount advanced, the TEV's should be recorded on a General Journal Voucher. If the total amount of the approved TEV's submitted exceeds the amount advanced, the processing of the TEV's along with the payment for the additional amount due the employee should be recorded using a Bank payment voucher. If the total amount of the approved TEV's is less than the amount advanced, then the TEV's, along with the employee's personal check or cash for the un-spent portion of the travel advance, be combined and recorded on a Cash Receipt Voucher.

For the unspent amount of travel advance, returned along with TEV, FO must prepare cash receipt in triplicate and issue original to employee for his/her record, second copy to be attached with voucher and third copy should remain in cash receipt pad. IPN employee must submit Travel Expense Vouchers (TEV's) recommended by his/ her department head to Finance Department along with Receipts.

Receipts are cash memos, paid bills for accommodation, meals, IPN business related other expenses (such as cost of film roll, film roll developing printing, stationery items, tolls, parking fees, etc.), transportation bills, used Air Ticket Jackets and Boarding Passes, etc. In absence of any valid receipt such an expense can only be acceptable on production of a valid note from respective IPN staff and approved by supervisor/budget manager. FO after checking the attached receipts and accuracy of figures routes the TEV to CEO for his/her approval. CEO approves the TEV and forwards it to PM for processing the TEV.

FM receives and sends it to the concerned FO for recording the settlement and book keeping. FO attaches the TEV and other documents supporting the expenses incurred and the disbursement or receipt of cash should be attached to the Voucher, as applicable, before it is submitted to the PM for review. FM after his/her review of documents and voucher for completion, then sign off on the voucher and route it along with supporting documentations to ED or his/her designate for approval. The approved

voucher and supporting documentation are then returned to the Finance Department for entry of the voucher into the IPN Finance system or System General Ledger.

After data entry and posting, the voucher and supporting documentation are then canceled to prevent their reuse. FO files the voucher in respective files and post entry into the IPN Finance system.

## **V. TRAVEL ADVANCE - WRITE-OFF**

Bad Debt provisions do not apply to this account. By proper execution of payroll deductions and account monitoring, all account balances should be collected within the specified periods. Travel Advance write-offs should be virtually nonexistent. In the event of the rare need to perform a direct write-off of an account, Note that write-offs should only be charged to expense against donor source

## **H. FIXED ASSETS**

*This section provides an overview of the IPN Fixed Assets policy and procedure within IPN's Program/sub offices, from policy statement up to the financial documentation flow.*

### **I. Policy Statement**

The purpose for Fixed Assets policy is to define the steps and procedures to follow in accounting for additions, transfers and dispositions of fixed assets and the related depreciation expense.

A "fixed asset" is ANY piece of equipment, furniture, vehicle or building improvement purchased by IPN for IPN' use REGARDLESS of price. All fixed assets acquired by field offices make up part of the Agency's net worth. It is critical that the Head office of Finance receives notification on the acquisition and/or disposal of all fixed assets so that an accurate picture of the Agency's net worth can be calculated.

Fixed Assets or Capital Assets according to Fixed Assets Policy are defined as purchases of tangible long-lived assets (3 years or greater) having a cost of PKR 400,000 or greater. This includes group purchases (for example, an aggregate purchase of office equipment of PKR 400,000 or more, although the individual value of the equipment is less than PKR 400,000. Costs for repairing a fixed asset, even if the repair costs exceed PKR 400,000 are not considered fixed assets.

All capital assets must be recorded on a Fixed Assets Notice Form regardless of what Donor Source was used in acquiring the item. This form is to be submitted to the Office of Finance

### **Cost Share/ Matching Cost**

The terms cost share or matching cost are used to define that portion of project or program costs not borne by funds from donors, as a provision of the funding agreement.

### **Cost Splitting**

This is the method of allocating the cost and use of a single fixed asset (including separate individual components of a group purchase fixed asset) to more than one project. For example, if Laptops is purchased and is used 60% on one project and 40% for a second project the cost would be split 60% - 40% between the two business units. If the usage changes, for example, if the 40% project ends and the vehicle is designated for another purpose for 40% of its use, a Fixed Asset Notice form would be prepared transferring that portion of the Laptops to the new project's business unit.

### **Fixed Asset Notice Form (FAN)**

This is the document used to report fixed asset activity (purchases, transfers and disposals) to IPN and the related information about that activity. This form is available on the intranet under the Finance Forms.

## **Fixed Assets**

Fixed asset purchases are those expenditures for tangible long-lived assets (having a useful life of 3 years or more) with a cost of PKR 400,000 or greater and titled to IPN, including qualifying group purchases. Any installation and shipping costs should be included as a part of the cost of a fixed asset. Once an item is initially recorded as a fixed asset it remains a fixed asset until disposition, regardless of whether its subsequent depreciated book value drops below PKR 400,000.

## **Group Purchases**

Group purchases are purchases of individual items that would be considered fixed assets, separately cost less than PKR 400,000, but that are related to each other for a common purpose and which aggregate PKR 400,000 or more. Following are the examples: A new office is opened and fully furnished and no one furniture or equipment item has a cost greater than PKR 400,000 but the aggregate of all these integrated items is PKR 400,000 or greater.

An integrated computer network is set up, including a server, tape drive, printer and three connecting PCs with an aggregate cost of PKR 400,000 or more. Group purchases should be given a group name (such as "Group Purchase #1, for example). A single purchase requisition or request for several items that total PKR 400,000 or more does not automatically

Procurement qualified as a group purchase to be capitalized rather than immediately expensed. For example, if one newly hired employee needs a laptop and three other staff need new laptops because their laptops are obsolete or damaged, and all are purchased together with each item costing less than PKR 400,000, none of the purchase would be capitalized because the purchases are unrelated.

## **Repairs**

Repairs are costs to refurbish an existing fixed asset, even if the repair costs exceed PKR 400,000 would not be considered fixed asset expenditures unless the useful life of the asset, Capacity of production had been significantly extended. If expenditure is made (a major repair) which is believed to extend the useful life of an existing asset Head office should be contacted to determine if that cost should be capitalized. Examples of repairs not extending the useful life of the asset:

Repairs to the bodywork of a vehicle damaged in an accident.

Repainting IPN offices (painting is not considered fixed asset expenditure except as a part of the initial construction cost of property).

## **Inventory of Assets**

Based on the principle of stewardship of resources, it is IPN's policy to manage its property effectively, and minimize misuse, loss and damages. Proper property management includes the physical counts of equipment and proper recording system. All IPN property such as equipment, furniture and fixed assets, should be recorded through the inventory system, regardless their funding source. Donor requirements for inventory records should be reviewed on case by case as they may differ as to the minimum value required.

Fixed Assets inventories of IPN's Program/sub offices should include all fixed assets (all tangible, long-lived assets with an individual or group cost of PKR 400,000 or more). All related group purchase component items should be individually listed consecutively under a common group asset name with a subtotal of their aggregate cost. The inventory should also include all tangible assets with a cost of PKR 40,000 or more but less than PKR 400,000 are not classified as fixed assets. This portion of the inventory should be segregated from the listing of fixed assets. The purpose for this latter listing is to provide Head office with a record of items held by the IPN's Program/sub offices for insurance or other purposes. The report should reflect all of the relevant items "owned"

by that IPN's Program/sub offices. . Asset should be identified by the Donor Source number and Project Number under which the assets were purchased or for which they are currently in use, and the acquisition dates. Assets disposed of during the current year should continue to be included on the listing. Additions and dispositions should reconcile with submitted Fixed Asset Notice Forms. Inventory totals for assets costing PKR 400,000 or more (including group purchases) should reconcile with totals in the IPN's Program/sub offices.

Once a new equipment/furniture is purchased, it is the responsibility of the Procurement Officer/Admin to provide the person responsible for the inventory with a copy of the Delivery Receipt prior to delivery/handover to concerned staff. The staff responsible for inventory should mark the equipment/furniture with permanent marker, in an accessible location with the proper inventory numbers and record its data on the inventory list.

## **II. Inventory/Property Records**

### **Inventory list should include:**

- a. All tangible long-lived assets with a cost of PKR 20,000 or greater.
- b. All electronic items.
- c. Transferable items (tables, bookshelves, filing cabinets.)
- d. All vehicles should be recorded (by the chassis number and the license plates).
- e. Items capitalized as a result of a group purchase rules should be included in the inventory.

### **The format of the inventory list should include:**

- a. IPN Property Number
- b. Number/Quantity of Units
- c. Serial Number/Model Number
- d. Des Edition of Property

- e. P.O. Number/Voucher Number/Donor Source(DSPN) and Project Number
- f. Date of Purchase
- g. Asset cost at the time of purchase (Pak Rupees)
- h. Present Condition
- i. User/Location

### **IPN Numbering:**

2.1.1.1 IPN number includes location and number of item as recorded (e.g. IPN/Besham/01). Multiple component items (i.e. Computers–CPU, Monitors, Keyboards) should be marked as a single inventory items with letters to distinguish different components (e.g. IPN/Besham/411 A–monitor, IPN/Besham/411B–CPU).

2.1.1.1.1 For aggregate purchases of PKR 400,000 or more, one number should be used to relate each item of the purchase, to the single Purchase Order (e.g. IPN/Besham/411A1.... A2).

### **III. Physical Counting**

At least two individuals, one from Administration, one from Finance, should conduct a Physical Count of Fixed Assets. The count should be done once a year. Both participants should sign and date the completed inventory form.

All the loss, damages and other discrepancies from the previous inventory should be documented and signed.

### **IV. Transfers, Losses and Dispositions**

If any equipment/furniture is transferred from one department/office to another (within the agency), the person/department in charge of the equipment should notify the staff

in charge of the inventory. The lost items should not be removed from the inventory list. They should stay on the list until the following year, and recorded lost/destroyed/stolen (written in the column – Present Condition). Assets disposed of the current year should continue to be included on the listing with a notation regarding the disposition and any proceeds received. Additions and dispositions should reconcile with Fixed Assets Notice Form,

## **V. Reporting to Head Office**

A copy of the inventory should be forwarded to Head office quarterly. Sub-Offices, should consult with the Administration in the main office for compliance with this policy. All fixed asset expenditures must have either been approved in the original Board budget or be approved for budget maintenance by the Regional Director or Deputy Executive Director prior to requisition or purchase. Policies and procedures for purchases of assets up to PKR 40000 please refer to procurement manual for details to acquire fixed assets. Policies and procedures for purchases of assets from PKR 40000 to PKR 400000 please refer to procurement manual for details to acquire fixed assets. Policies and procedures for capital purchases over PKR 400000 please refer to procurement manual for details to acquire fixed assets.

All Fixed Asset purchases must be listed on FAN. This form must be submitted to the Head Quarter Office of Finance and Management in the month of purchases.

Depreciation of fixed assets will be carried out by the Head office of Finance and will be transferred to the IPN's Program/sub offices through intra-agency file.

## **VI. Purchase Process and Financial Records for Fixed Assets**

### **PURCHASE PROCESS:**

Please refer to procurement manual details to prepare request and acquire fixed assets.



Please refer to procurement manual for requisition and approval and details to acquire fixed assets. Please refer to procurement manual for Biding/Quotations process and details to acquire fixed assets. Procurement Department will then prepare Purchase Order and get it approved from CEO. A copy of the same will be forwarded to Finance Department for advance payment if applicable as per conditions of P.O. Admin department will receive the delivered goods. They will check the quantity and quality received against the ordered quantity, quality from the Purchase Order Form.

If discrepancies found the goods should be returned and invoices should not be processed further until the required goods are not supplies

If the goods received are as per purchase order. The admin should cross check the Invoice with purchase order price and quantity. Verify the invoice and put its remarks for the amount of payment. Payments Authorization Form should then be prepared by the requesting Department and provide all information required on Payment Authorization Form (PRF) and forward it for review and further approval from CEO.

CEO after review and approval will forward Payment Authorization Form and supporting documents to Finance Department for payment to supplier.

## **VII. Financial Records:**

The Finance Officer will then prepare a Bank payment voucher to record the purchase. On the Payment voucher, the Finance department will record the following transactions, depending on the size and funding of the purchase. Debit the appropriate IPN Concern project account for the item purchased; Credit in IPN bank account from which the check is issued. Standard procedures for Bank payment voucher approval, recording and filing procedures apply.

The Finance department will, in the month of purchase of the capital item, record the purchase on the Monthly Financial Report and send the Fixed Assets Notice Form to Head Office of Finance. This Form is required for fixed assets purchased regardless of price.

FAN will be submitted with the Monthly Financial Report to Head office in the month of the purchase. IPN Office will then add the item to the Agency's Fixed Asset Register and, if necessary, establish a depreciation schedule for the item.

A "fixed asset" is ANY piece of equipment, furniture, vehicle or building improvement purchased by IPN for IPN' use REGARDLESS of price. All fixed assets acquired by sub offices/program make up part of the Agency's net worth. It is critical that the Head office of Finance receive notification on the purchase and sale/donation of all fixed assets so that an accurate picture of the Agency's net worth can be calculated. Depreciation of fixed assets will to be carried out by the Head office of Finance. All sales/donations of capital equipment must be listed on a Fixed Assets Notice Form. Field offices must obtain prior approval from appropriate level at Head office before it is decided to dispose off a fixed asset held by IPN field office (either through sale or donation or other disposition of the asset).

#### **Fixed Asset Sold by IPN**

If the fixed asset has been sold, the Finance department will draft a Cash Receipts Voucher to record the cash proceeds from the sale. On the Voucher, the Finance Officer will:

- Credit the appropriate IPN Revenue Account, Proceeds from Sale of Furniture and Equipment Proceeds from Sale of Vehicles"
- Debit will go to the appropriate IPN bank account receiving the cash.
- Standard Cash Receipts Voucher approval, recording and filing procedures will apply.

#### **FIXED ASSET DONATION BY IPN**

If the item is disposed off other than by sale (i.e. donated, destroyed, stolen, etc.), then there is no financial activity for the Finance department to note on the Monthly

Financial Report. The submission of the Fixed Assets Notice Form to notify the HQ Office of Finance for the donation is the only paperwork required of the field office.

#### **FIXED ASSET NOTICE FORM (FAN)**

The Finance department will record the sale or donation of the Fixed Asset on a “FAN. This form will be forwarded with the Monthly Financial Report to the Finance Office at Head office in the month of the disposal of the Fixed Asset. IPN Office of Finance will then delete the item from the Agency’s Fixed Asset Register.

#### **VIII. ASSETS DONATED TO IPN**

Fixed assets received by IPN as In-Kind Contributions are recorded at fair market value, and documented, in accordance with policy regarding receipt of In-Kind Contributions. Once these assets are received and recorded they are treated the same as other fixed assets acquired by purchase as described above and are subject to the depreciation rules set by head office . The initial entry to record the receipt would be:

- Debit appropriate Fixed Asset account, as is applicable general ledger account list
- Credit is the revenue account for In-Kind Fixed Assets)

#### **Fixed Asset Notice Form (FAN)**

The Finance department will record the sale or donation of the Fixed Asset on a “FAN. This form will be forwarded with the Monthly Financial Report to the Finance Office at Head office in the month of the disposal of the Fixed Asset. IPN Office of Finance will then delete the item from the Agency’s Fixed Asset Register.

#### **IX. Transfers between Business Units**

Assets may be transferred from one donor source or project to another in whole or in part (assets for which the cost has been split between more than one project) if their use changes. Such a transfer, where appropriate, would be done even when the fixed asset was purchased for use with a grant or temporarily restricted donor source and, as

such, was expensed at the time of purchase. This insures tracking the assets current usage and that any gain or loss on ultimate disposition is related to the donor source the asset is being used for at the time of disposition. Permission must be received from the proper authority for a transfer or other disposition from a grant project to another project. Once reported IPN will record the transfer.

### **Assets in Completed Projects**

Any fixed assets in service with projects that become completed and closed must be transferred to another business unit. If Assets are not designated to be used in a new project they should be transferred to Donor Source. Otherwise, fixed assets not yet fully depreciated would continue to generate depreciation to completed projects or upon final disposition of the asset a gain or loss could result that would be recorded to the closed project.

Prior permission must be received from the proper authority for a transfer or other disposition from a grant project to another project.

### **FIXED ASSET NOTICE FORM**

All fixed asset transfers must be listed on the Fixed Asset Notice Form (FAN). For transfer of qualifying group purchases all individual items purchased should be detailed, with a subtotal for the group. For transfers of single assets of a group purchase a Fixed Asset Notice form should be completed only for the component item or items being transferred. For a change to a portion of the allocation on a fixed asset whose cost has been split between more than one business units, the Fixed Asset Notice form must be completed to include the entire asset and its new allocation.

All of the requisite requirements for completing the Fixed Asset Notice form, such as the date a transfer become effective (date a transferred asset is placed in service in the new business

## **I. LIST OF ACRONYMS AND ABBREVIATIONS**

IPN= Initiative for People in Need

FM= Finance Manager

CEO = Chief Executive Officer

FO= Finance Officer

CRV= Cash Receipts Voucher

PKR=Pakistani Rupees

GL Account Code=General Ledger Account Code

BPV= Bank payment Voucher

PM= Program Manager

P.O = Purchase Order

DSPN) =Donor source project number