
Initiative For People In Need (IPN)



BUDGET, ACCOUNTS AND AUDIT POLICY

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

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INTRODUCTION:

Initiative for People in Need (IPN) is a non-government, not-for-profit and non-religious impartial organization established in January, 2012. IPN was officially registered on April, 04, 2013 under the office of the provincial registrar joint stock companies & societies Peshawar, KP, under the registration of societies act XXI of 1860, with registration no 134/5/7361.

Goal:

The ultimate goal of the establishment and existence of IPN is human welfare through reaching the unreachable, the most vulnerable, and above all the neediest.

Vision:

IPN envisages a developed & just society which is free from all kinds of discrimination based on race, color, religion, language & ethnicity.

Mission statement:

To bring a positive change in the society while meeting the miseries of people and peoples' empowerment through peoples' participation, mobilization of available resources, a pool of professional humanitarian aid workers, & philanthropists leading to sustainable development.

IPN's Core Values:

Following are the core values of the organization which determines the way and direction of actions for those who are associated with it.

1. Professionalism.

We are professionalism in terms of organizational environment and delivery of services.

2. Team work.

We believe in team work for better, effective and efficient results of activities carried out.

3. Accountability.

We believe that we are accountable to all the stakeholders we are connected with or having any direct or indirect relationship.

4. Networking.

We believe in networking for reciprocal learning, sharing of experiences and delivering the better results.

Financial Planning

1. A full Organization budget will be prepared annually.
2. A budget review will be undertaken after six months.
3. Project based budget will be prepared according to the project at the time of proposal submission.

Bank Accounts

INITIATIVE FOR PEOPLE IN NEED (IPN) is a bank account holder and all income and expenditure must go through that bank account to bring an ease to the audit process on one hand and to ensure transparency on the other hand.

The signatories to the IPN bank account are the Chairman and Finance Secretary. Programs Officer/Program Manager or one member from BOD as the Chairman may decide will be added to any donor funded project to bring ease to the process and also to strengthen the process with transparency. Two signatories are required on each cheque.

Income / Receipts

- All income is receipted.
- All income is banked into the IPN bank account.
- No unbaked income is used for petty cash

- All Income, no matter how small, is always banked by the end of the month.

Expenditure

- All expenditure must have an approved budget allocation.
- All bills must have approval from competent and concerned authority.
- No blank cheques are to be signed solely by any cheque signatory.
- All payments exceeding Rs.10,000 are to be paid by Cross cheque payment.
- Every cheque payment must have a Payment Voucher completed.
- Each Payment Voucher is to be authorized by the people who sign the cheque it relates to.
- Payment vouchers are to be signed by the person who receives the cheque wherever possible.
- Separate Payroll records are to be kept for all salaries and wages.
- Small payments under 5,000 may be paid using the Office petty cash, at the discretion of the Programs Officer/program Manager/administrative officer.
- The office petty cash must not be exceeded Rs. 100,000
- No cash cheques are to be issued over Rs. 10,000
- Over Rs. 10,000 of bills three quotations will be called for the particular expense.

ACCOUNTING POLICIES

- The accounts are prepared under the General Acceptable Accounting Principles (GAAP).
- Cash and cash equivalents are carried in the balance sheet at cost.
- Operating Fixed Assets are stated at cost less accumulated depreciation.
- Fixed Assets are depreciated at declining balance method.
- Income and Expenditure is to be accounted for the preparation of all kinds of vouchers i.e. Bank Receipt Vouchers BRV, Bank Payment Vouchers BPV, Cash Receipt Vouchers CRV, Cash Payment Vouchers CPV and Journal Vouchers JVs.
- All the above vouchers should be recorded in accounting software named Peachtree or any other one available and in use.
- Up to the limit of Rs. 5,000 Admin will approve, under the limit of Rs. 10,000 ED will approve and above PKR. 10,000, Chairman will approve the payments.
- Bank reconciliation is carried out on monthly basis.

- The bank reconciliation is to be checked by the Executive Director and Manager Finance.

REPORTING

- ❖ A monthly bank reconciliation report is prepared and printed. This reconciliation is reviewed and checked by Finance Manager and counter signed by the executive director.
- ❖ It is to be attached to the bank statement it relates to and filed in the Bank Statement file.
- ❖ Quarterly Financial Status Report of each project is submitted within the stipulated time i.e. the first week after the completion of the quarter.
- ❖ Income and Expenditure reports for the Organization are to be prepared and printed by the Accountant/admin and finance officer/Finance manager.
- ❖ After approval, checking and signed by the Finance Manager, duly countersigned by the Executive Director, the quarterly financial status report should be submitted to donor and then filed in a separate file.

Communication with Regional Offices (If any..)

- Advance ledger maintained at Head Office by the name of regional office similarly an HO ledger will be maintained by the regional office.
- When 80 percent limit of the advances is crossed, the regional office accountant physically visit the head office along with the following documents;
 - ✓ HO Ledger
 - ✓ All kind of voucher along with supporting documents and ledgers
 - ✓ Advance ledger
 - ✓ Attendance sheet
 - ✓ Employees List
 - ✓ Format of the full payment during the month as per attached sheet
- After the clarification of the advances against salaries and expenses, the head office will pass the journal vouchers for the adjustment.
- The head office will further paid advance amount to fulfill the 100% and will pass an advance entry against region.

Record Keeping

The following records are to be kept and maintained by staff. The files are to be kept in a safe and secure place known to and approved by the Finance Manager and Executive Director and Chairman.

Physical records: Receipts books, cheque books, income file, payment voucher file, bank statement file, and Monthly Income and Expenditure files.

Electronic records: The Excel cashbook is to be backed up on a weekly basis onto a diskette or USB Drive (Data Pen).

At the end of the financial year, the financial records for that year are to be archived and stored in a safe place.

Annual Accounts and Audit

- Annual Accounts are to be prepared by the Finance manager on project based as well as on year based.
- Auditor should be selected every year in the meeting of finance committee/BoD.
- Annual Accounts are to be audited from the Quality Control Review (QCR) Firms.
- Accounts are to be prepared separately of each project.
- After the preparation of each project accounts, the consolidation must be ensured for the audit.
- Annual Accounts are to be presented to members at the Annual General Meeting.

MISUSE OF FUNDS:

- Any suspected misuse or misappropriation of funds will be investigated by the Administrative Officer.
- During investigation, fair procedures should be adopted and followed. Investigation once completed and the facts clearly established, the Chairman / Finance Manager will take appropriate action. For minor issues this may be kept to internal disciplinary action. For serious offences, the matter will be referred to the Police.

- The Chairman will inform the Board of any serious offences and the suggested action to be taken.
- The action will be taken only the BoD members present an approval in written.

Capitalization Policy for Capital Assets

To capitalize means to turn a cost into an asset rather than expense. For example, costs for business start-up are considered long-term costs, rather than expenses for only one year, so they are capitalized. If a cost is capitalized, it shows up on the balance sheet as an asset; loans associated with capital assets show up as liabilities. A capital asset is a piece of property that meets all of the following requirements:

- a) The asset is tangible and complete.
- b) The asset is used in the operation of the society "s activities.
- c) The asset has a useful life of longer than the current fiscal year.
- d) The asset is of significant value.

The following significant values will be used for different classes of assets:

Class of Capital Asset	Significant Value
Machinery and Equipment	Rs.25, 000 or more

Capital assets may be acquired through donation, purchase or may be self-constructed. The asset value for donations will be the fair market value at the time of the donation. The asset value, when purchased, will be the initial cost plus the trade-in value of any old asset given up, plus all costs related to placing the asset into operation. The cost of self-constructed assets will include all costs of construction.

Depreciation Policy:

The “written down value” method of depreciation should be utilized to depreciate capital assets, except for land, over the estimated useful lives of the related assets principally as follows:

Kitchen Equipment	15 to 25 years
Computer Hardware	5 to 10 years
Electrifications	15 to 25 years
Outdoor Equipments	15 to 25 years
Miscellaneous Equipment	10 to 50 years
Furniture and Fixtures	15 to 25 years

_____ **POLICY DOCUMENT ENDS** _____

Approved by: Members Board of Directors