FINANCIAL POLICY

Aiming Change for Tomorrow

Approved in BOD Meeting held on 7 July 2012
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Policy amendment : Aug 13, 2026.
Amended by : Board of Directors (Through Resolution)
Amended Section : Section # 07 subsection 7.2.7 (Page # 17).

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1 Introduction

The purpose of this manual is to outline the financial management procedures for ACT INTERNATIONAL. The manual represents good practices for financial management and internal control and should be followed by ACT INTERNATIONAL internally. ACT INTERNATIONAL aims to align itself or be compatible to the international society systems while improving its financial management skills. This manual will help ACT INTERNATIONAL to:

Record all financial transactions

Monitor and control expenditures

Satisfy statutory reporting requirements

Ensure timely and accurate financial and management reporting to the donors

This manual provides an opportunity to disseminate the standard for effective financial management and internal control systems. It provides guidance about reporting systems and other relevant information related to funding management, cash flows, budgeting procedures, systems of approval etc.

The manual has been developed in a participatory way and through consultations between the Programs, Finance, Administration, Personnel of ACT INTERNATIONAL.

The manual will be updated on an annual basis with the lessons learnt through the implementation of financial procedures. It will be done in the form of additions and corrections proposed by the users of the manual after approval of the General body/ Chairperson.

2 Overall Accounting Control

2.1 Governance

ACT-International firmly believes in attaining the highest standards of good governance recognizing the fact that a smooth execution of strategies mainly depends on the quality of governance. The existing procedures of the organization ensure accountability to keep its functions transparent which attract both our employees and the network partners. ACT-International is resolute to adhere to its vision, mission and values and derive core principles which subsequently influence all our programmes and plans of action.

ACT- International has a highly qualified human resource with sound professional ethics in their respective areas of work. At all hierarchal levels of the organization, from its Board of Directors to the lower level managers, ACT- International has circumspectly selected its team which is committed to mission, vision and values of the organization.

ACT- International board comprises of 7 members, who have been nominated on the basis of their services for the well being of society, additionally, they have a deep understanding of the development context of Pakistan. The Management Unit of ACT- International comprises of 4 positions lead by Chief Executive Officer and includes Manager Finance & Operations, Manager HR, Manager Programmes and Manager Policy, Research & Communications.

2.2 Internal Accounting Control

Internal accounting control consists of the plan of organization, procedures and records related to the safeguarding of assets and reliability of financial records. An effective internal control system includes the Cheque and balances required or the appropriate authorization and recording of transactions and ensures that access to assets is limited to authorized personnel. Each transaction should be divided into tasks that are completed by different individuals in order to increase the chance of detecting unintentional errors and preventing fraud. As an example, the person who approves vouchers for payment should not prepare or sign Cheque. Staff with physical access to cash, such as the petty cashier, should not record the receipt or disbursement of cash. The chart below includes other examples of the appropriate segregation of duties:

Person Who	**Should Not**
Prepares Vouchers	Approve Vouchers
Prepares Cheque	Sign Cheque
Has Access to Blank Cheque	Post Payments to the Ledger
Receives Cash	Record Cash Receipts
Is Responsible for the Physical	Perform the Physical Inventory of Assets

Security of Assets

Maintains Driver Logs Monitor Fuel Usage

Staff training and documentation of policies and procedures are also elements of our internal control System. For every transaction there are four (4) basic tests that are consistently applied – completeness, validity, accuracy and maintenance.

2.3 Completeness

Each element of a transaction must be documented and recorded. For example: A cash payment to an employee requires the signature of the employee as evidence of payment.

2.4 Validity

- ✓ Is the disbursement to a verifiable vendor or employee?
- ✓ Is there tangible evidence, such as a receipt, purchased item or report that confirms that the item was received or the service performed?

2.5 Accuracy

- ✓ Is the amount recorded as received or disbursed correct?
- ✓ Are all-relevant charges recorded?

2.6 Minuteness

After a Cheque has been approved for payment and recorded, it should be impossible to make changes, such as adding a zero to the amount or changing the payee name, to be made to that Cheque. Close supervision is vital to ensure that control systems are working and that weaknesses will be identified and corrected.

3 Funding Sources, Financial Set-Up and Accounting Principles

3.1 Funds

Funds are the voluntary contribution from international and national donors and individual philanthropists to support ACT INTERNATIONAL in implementing development programs as well as emergency response and relief operations. ACT INTERNATIONAL policy is to develop a system for transparent use of these funds and report to the donor on timely basis. Project funds are kept in separate bank accounts in local as well as foreign currency (if required) with the title alike with project name.

The main source of ACT INTERNATIONAL funds are comprises “Overhead Cost” charged from various donors and consultancy fee for various assignments. ACT INTERNATIONAL also receives donations from philanthropist in local and foreign currency. ACT INTERNATIONAL funds are maintained in local and foreign currency accounts with the title name of “ACT INTERNATIONAL”.

3.2 Financial Set-up

Under the Chief Executive Officer (CEO) Finance Manager is responsible for financial operations in ACT INTERNATIONAL with the finance staff in HO. The main role of finance department in ACT INTERNATIONAL is to develop and maintain internal & accounting controls; maintain accounting record, prepare financial reports, provide technical advice to management and coordinate in external audits.

3.3 Accounting Principles/ Policies

3.3.1 Accounting Years

The financial year of the organization is from 1st July to 30th June (12 months). The method of accounting use by the organization will be accrual.

3.3.2 Book Keeping

ACT INTERNATIONAL accounting system is followed by International Accounting Standards of Global Accounting Practices. To be a modern organization in NGO Sector, ACT INTERNATIONAL desires to increase the use of advanced information technology to function effectively and efficiently. Therefore, the book keeping of financial transactions in ACT INTERNATIONAL offices is maintained with software accounting package called “Sidat Hyder Financials”. This software is capable to generate various kinds of reports as per management and donor requirements are;

- ✓ Annual Financial Report ,
- ✓ Quarterly Donor Financial Report,

- ✓ Budget Variance Analysis Donor wise,
- ✓ Monthly Report ,
- ✓ Trail.

3.3.3 Chart of Accounts

The chart of accounts are designed with digits numeric numbers (for donor, for main expense, for sub. expense, for project location and for General Ledger), linked to program activity level in order to produce fare value of financial movements of the projects. Every project has unique activity code for entering the financial data into the system.

3.3.4 Books of Accounts/ Records

ACT INTERNATIONAL keeps and maintains the following financial and accounting record:

- ✓ Vouchers (Payment, Receipts and Journal)
- ✓ Cash / Bank Book
- ✓ General Ledger
- ✓ Bank State Payments & Reconciliation's
- ✓ Fixed Assets Register
- ✓ Purchase Requisition
- ✓ Employee Contracts , Payroll
- ✓ Insurance Records (Vehicle , Building, Employee)
- ✓ Cheque Books
- ✓ Purchase Orders
- ✓ Contracts and agreements
- ✓ Trial Balance
- ✓ Financial Statements
- ✓ Tax Statements

And any other record and information considered necessary for the purpose.

3.3.5 Custody of Accounting Records

All the accounting records are kept in the custody of the accounts department in HO and Regional Office. The Finance Manager ensures that the record should be kept in a way that it can be retrieve easily and quickly and adequate facilities exist for custody of such records. ACT INTERNATIONAL keeps the record for a minimum of 5 years from the relevant year-end.

3.3.6 Safe guard of Accounting Data

Finance department is responsible for the proper safe guard of computerized accounting data. For this, proper passwords are being placed on computers hosting the accounting software and

on accounting software to prevent the unauthorized access. Finance Manager has discretion to allow access in finance department for the use of accounting software.

It is the responsibility of finance department to take proper backups of the accounting data on daily basis. A monthly back up should be taken soon after the closing of month. The data should be properly stored at least on two devices and must be prevented from unauthorized access other hazards.

3.4 Valuation of Fixed Assets

ACT INTERNATIONAL's operating assets are valued at cost less accumulated depreciation. ACT INTERNATIONAL uses straight-line method to allocate depreciation over the periods by which the cost of an asset is divided by the number of years. However ACT INTERNATIONAL uses annual depreciation charge formula by which a full charge is made in the year in which an asset is purchased and no charge is made in the year of sale.

3.5 Recognition of Revenue and Expenditure

ACT INTERNATIONAL is using accrual base accounting therefore all income and expenditures recognized in the period in which it occurred.

4 Procedure for Budget Preparation and Revision

4.1 Definitions

Budget is an estimation of cost involved in performing activities of the targeted results to achieve the goals and objectives of the entire program. In other words it is a financial plan for a project that expresses the cost of resources needed to implement activities in order to achieve an objective, and state their sources. It is a transformation of program activities in financial plan. The budget is part of a good planning process. Budgets are used to help implement activities; calculate the estimated income and expenditures; co-ordinate activities; communicate plans; motivate staff by setting clear targets; monitor and evaluate performance of the project in particular and organization's management in general.

Plans and budgets need to be realistic in terms of what funds will actually be received and available (income) and in terms of what can actually be implemented (expenditure). Delivery of realistic plans and budgets improves organisational credibility and therefore donor confidence.

4.2 General Principles for budgeting

ACT INTERNATIONAL use following principals while budgeting a project

- ✓ Identify the objectives of the proposed project
- ✓ Identify the source and level of funding
- ✓ Consider level of inflation and price hike
- ✓ Careful analysis of external factors influencing a project
- ✓ Link the budget to activity level, output level and project level and divide into months/quarters/years.
- ✓ Consideration of salary increase and increments, insurance and fringe benefits.

Budgeting within the framework of total project funds available

4.3 Budget in Project Financial Management Cycle

- ✓ **Planning**
  Setting the objectives and deciding what this will mean in terms of income and expenditure, within the overall strategies of the programmes. The budget should be elaborate by ACT INTERNATIONAL , and where relevant supported by the donor.

- ✓ **Monitoring**
  Measuring actual income and expenditures against the planned amounts is known as financial monitoring. Financial reports/statements identify the differences between budgeted and actual figures. Good monitoring improve both project implementation in terms of realisation of project objectives and should prevent deficits.

- ✓ **Implementing**
  Ensuring that sufficient financial resources exist for expenditures to progress as per the agreed plan.

- ✓ **Reporting**
  Expenditure will be reported to donors against the budget, which is drawn from the plan and budget established during the planning process. Donor confidence will increased with sound reporting against budget hence the need for realistic plans and budgets.

4.4 Project Budget Revision

Evaluating through a general review how closely objectives have been achieved and identifying new parameters for the project is known as budget revision.
When differences between budgeted and actual figures are significant, Project Manager wants to insert any new activity due to some reason or if the activity cannot be completed within the activity budget, the budgets might need to be revised. Following conditions are applying during the budget revision.

4.5 Budget approval/Authorisation

- ✓ Donor will approve the project budget and revisions as forwarded by the Chief Executive Officer.
- ✓ Excess of expenditures over the budget in particular activities can be authorized by donor in any percentage (normally 5%-10%) if it does not exceed the limit of originally approved total budget for the project and if it is in line with planned activities.
- ✓ Any additional new activities or a budget line of a project should have to be approved by the donor.
- ✓ ACT INTERNATIONAL operational budget and revisions if any will be approved by Chief Executive Officer.

4.6 Budget currency

The standard currency for budgeting is the local currency (Pak Rupees) as well as foreign currency of the donor.

4.7 Budget Format

Project budget will be prepared on the format provided by the donor, otherwise on any standard format available for this purpose will be used. ACT INTERNATIONAL operational budget will be prepared on the approved format.

5 Banking Management

5.1 General

ACT INTERNATIONAL is responsible to manage the project funds in a secure, efficient and effective way. Every financial transaction should be documented and where possible should be from banking channel. ACT INTERNATIONAL operates separate bank accounts for each project in Head Office level as well as in Regional Level. New bank account can only be opened with the approval of Chief Executive Officer of ACT INTERNATIONAL. Regional office only has Local Currency bank account to meet the operational/administration requirement in the regional offices.

5.2 Need of Foreign currency accounts and operating procedures

Foreign Currency Bank Accounts are opened on the demand of the donor, for the purpose to transfer the project funds in foreign currency from donor account to project account for implementation of activities.

ACT INTERNATIONAL will also maintain its own foreign currency accounts for the following purpose:

- ✓ Unexpected Emergency Operations
- ✓ Overseas training, workshop and seminar expenses/reimbursements
- ✓ External Consultant Fee service fee
- ✓ In some cases payment of airfare etc.
- ✓ Overseas charity account.

5.3 Procedures for Opening Project Bank Accounts

Following procedures are applying for the opening of new bank accounts for the projects.

- ✓ Program section sends a request to Finance section of HO for opening separate bank accounts as per donor requirements.
- ✓ Finance Section prepare a mandate letter and complete the bank forms based on information provided by Program office and submit to CEO for Board approval.
- ✓ CEO will put the request to Board for approval and give the mandate to the bank to open new bank account on the name of the specific project.
- ✓ The Finance section provide necessary documents to the bank along with mandate letter and coordinate with bank to get the process done.

5.4 Procedures for closing Project Bank Accounts

- ✓ Finance section may after settling all the project obligations and receipts will prepare a mandate letter and submit to CEO for approval to close the project bank account.
- ✓ CEO will authorise the request and give the mandate to the bank to close the bank

account and transfer the fund (if any) to ACT INTERNATIONAL account.

- ✓ The Finance office will provide necessary documents to the bank along with mandate letter and coordinate with bank to close the accounts.

5.5 Transfer of remaining funds of phased out projects

In the circumstances where the project has been phased out and the balance is laying down in the project bank account, the CEO can give approval to transfer the remaining funds back to the donor or transfer the funds to other projects in coordination with the project donor. If permitted by the donor CEO may approve the transfer of the remaining funds to ACT INTERNATIONAL reserved account.

Whenever such transfer is made it must be notified to the donor through CEO and documented for book keeping purposes.

5.6 Bank signatories

All project bank accounts will be operated with joint signatories. With the approval of Board the CEO will operate ACT INTERNATIONAL bank accounts along with other two signatories. CEO will be the principal signatory at Head Office level. The signatories at HO level can be:

- ✓ Chief Executive Officer
- ✓ Program Manager
- ✓ Manager Finance

The signatories at Regional level can be:

- ✓ Regional Head
- ✓ Program Manager / Coordinators
- ✓ Project Officer

In order to change (add/delete) the authorised signatories of the bank accounts following procedures will apply:

- ✓ Finance Section will prepare a letter to issue and revoke the mandates of authorized signatories to CEO for Board approval.
- ✓ With the approval of Board CEO will sign the mandate letter and send to Finance Section for further process.
- ✓ The Finance office will provide necessary documents to the bank along with mandate letter and coordinate with bank to add/delete the authorized signatories.
- ✓ The person whose name has been deleted will delegate with immediate effect after the approval of CEO.

5.7 Voided Cheque:

Cheques that are to be voided must be marked *VOID* in large letters across the front of the Cheque. Any signature on the Cheque should be blacked out or torn off. The actual voided Cheque should not be discarded but recorded and kept in the Cheque register.

5.8 Security

Cheque stock must be stored in a locked area or a safe with access limited to only authorize personnel such as senior finance staff. All cheques must emboss with project name. Cheque MUST NEVER be pre-signed and left blank to be filled in at a later time.

6 Transfer of Funds

6.1 Definitions

Funds requisition form is the summarized reflection of planned budget for activities that are going to be held in the following days/week/month. The Project Managers are responsible for providing the funds requisition form after making the plan for any project activity.

6.2 Fund Transfer Procedures

Following procedures will apply in order to process funds requisition for projects:

- ✓ Separate fund request will be prepared for each project and on activity basis
- ✓ Any team member of the project will prepare fund requisition, based on the approved/revised project budget on the most recent program plan.
- ✓ The request must be on prescribed form and signed accordingly.
- ✓ All necessary information of the project such as number of participants, rate of per diem to be paid, number of days, proposed venue etc should be provided in the request.
- ✓ The Project Manager/Coordinator will review the requisition and send it to regional finance section, at least 7 days before the tentative date of activity(s) by hand, e-mail or by fax, after singing it accordingly.
- ✓ Regional Finance Administrator will analyze the requisition in close coordination with the Project Manager/Coordinator and put it before the Regional Head for approval.
- ✓ After approval the same will be forwarded to Head Office for release of funds.
- ✓ Funds transfers will take normal 5-7 working days time to be realized. However, in case of emergency (to be justified) it will take 3 working days to be realized.

6.3 Fund Transfers System

- ✓ Fund Transfer to Regional Office from Main Office:
  - ➢ Head Office finance section will prepare a fund transfer letter as per requisition and put it to CEO for Approval.
  - ➢ The approved letter will then be sent to the bank for transfer of funds from main project account to Regional Office project account.
  - ➢ Head Office will send information about the transfer to Regional office via e-mail and Regional finance section will make confirmation accordingly.
- ✓ Fund Transfer to Field Offices from Regional Office :
  - ➢ Field offices will submit the cash requisition request, dully signed by the field coordinator or any other designated authority, to Regional Office.

- Regional Finance will analyse the data and confirm the outstanding balances of Field Offices.
- Regional Finance will further coordinate with the Project Manager if needed and then present the request to Head of Region for approval.
- Funds will be released to Field Office via bank transfer or directly by cheque/cash as convenient under the circumstances.

7 Payment Procedures & Authorization

7.1 Definition

Payment procedures are the guidelines for processing the payments through bank and cash and the authorisation is the given mandate to approve such transactions of financial activities.

7.2 Payment procedures

A duly completed Supplies/Services Request Form (SRF) is submitted to the support services section. The supplies/services are ordered through a quotation/tender process depending upon the nature/value of the required supplies/services. Quotations should be signed by the procurement committee to ensure that the sealed quotations are received.

A procurement committee is formed for each supplies/services procurement process having a value of more than PKR 99,999. After analysis of the comparative statement the supplier/services provider will be finalized by the procurement committee and its financial approval will be taken according to financial scheme of delegation. A Local Purchase Order (LPO) will be issued for the supply of all fixed asset items. It is mandatory to mention on the LPO that payment will be made within fifteen working days of receipt of the invoice and supplies/services.

Once the supplies/services have been received and verified by the receiving officer, a supplies/services received note is prepared. Thereafter, the invoice from the supplies/services provider along with all supporting documents will be processed by the support services section. A duly completed Payment Request Form (PRF) will be prepared and attached to the payment documents by the support services section and approved by the relevant budget holder. This PRF shall bear a cross reference to the Supplies/Services Request Form (SRF), Local Purchase Order/Contract and Supplies/Services Received Note (SRN). All completed PRF along with supporting documents will be reviewed by the support services section and forwarded to the finance section. Documentation applicable for payment processing will vary with the value of the payment. Duly completed PRF will be attached along with the documents relevant to that payment as follows:

7.2.1 If the payment is less than Rs. 99,999

- ✓ Duly completed Supplies/Services Request Form (SRF);
- ✓ One quotation from the supplier/services provider;
- ✓ Copy of the Supply Received Note (SRN);
- ✓ Original invoice submitted by the supplier/services provider;

- ✓ Completed Payment Request Form (PRF) along with all supporting documentation attached;
- ✓ Payment Request Form (PRF) shall be forwarded to the finance section along with the handing/taking note separately for cash and bank payments;
- ✓ Finance section shall process and clear the payment within five working days after the complete documentation is received.

7.2.2 If the payment is more than Rs. 99,999 and up to Rs. 1,499,999

- ✓ Duly completed Supplies/Services Request Form (SRF);
- ✓ At least three sealed quotations with an invitation for request of quote mentioning complete specifications from the supplier/services provider;
- ✓ Comparative statement duly signed by the procurement committee with financial approval as per scheme of delegation;
- ✓ Copy of the Local Purchase Order (LPO)/duly signed contract copy;
- ✓ Copy of the Supply Received Note (SRN);
- ✓ Original invoice submitted by the supplier/services provider;
- ✓ Completed Payment Request Form (PRF) along with all supporting documentation attached;
- ✓ Payment Request Form (PRF) shall be forwarded to the finance section along with the handing/taking note separately for cash and bank payments;
- ✓ Finance section shall review the payment, if any documentation is missing, the payment request will be returned to the submitting authority for completion;
- ✓ Finance section shall process and clear the payment within five working days after the complete documentation is received.

7.2.3 If the payment is more than Rs. 1,499,999 and up to Rs. 9,999,999

- ✓ Duly completed Supplies/Services Request Form (SRF);
- ✓ Copy of tender notice/tender documents circulates among Pre Qualified Vendors.
- ✓ Copy of all the bids received against the tender and signed by the procurement committee members;
- ✓ Bid analysis report/comparative statement signed by the procurement committee;
- ✓ Duly signed contract copy;
- ✓ Copy of the Supply Received Note (SRN);
- ✓ Original invoice submitted by the supplier/services provider;
- ✓ Completed Payment Request Form (PRF) along with all supporting documentation attached;
- ✓ Payment Request Form (PRF) shall be forwarded to the finance section along with the handing/taking note separately for cash and bank payments;

- ✓ Finance section shall review the payment, if any documentation is missing, the payment request will be returned to the submitting authority for completion;
- ✓ Finance section shall process and clear the payment within five working days after the complete documentation is received.

7.2.4 If the payment is more than Rs. 9,999,999

- ✓ Duly completed Supplies/Services Request Form (SRF);
- ✓ Copy of tender notice/tender documents advertised in the newspapers;
- ✓ Copy of all the bids received against the tender and signed by the procurement committee members;
- ✓ Bid analysis report/comparative statement signed by the procurement committee;
- ✓ Duly signed contract copy;
- ✓ Copy of the Supply Received Note (SRN);
- ✓ Original invoice submitted by the supplier/services provider;
- ✓ Completed Payment Request Form (PRF) along with all supporting documentation attached;
- ✓ Payment Request Form (PRF) shall be forwarded to the finance section along with the handing/taking note separately for cash and bank payments;

- ✓ Finance section shall review the payment, if any documentation is missing, the payment request will be returned to the submitting authority for completion;
- ✓ Finance section shall process and clear the payment within five working days after the complete documentation is received.

7.2.5 Payment Modes

Bank payments and cash payments are the two main modes of payment in ACT INTERNATIONAL.

7.2.6 Bank Payments

All payments above the stipulated threshold of PKR 10,000/- should be made through crossed cheques or process through banking channel.

In the case of purchase against donor funds, ACT INTERNATIONAL policies and/or policies and compliance guidelines of the respective donor shall be applicable; whichever have the stronger compliance requirements.

[1] Financial policy Section # 07 Subsection # 7.2.6 of Aiming Change for Tomorrow (ACT) has been updated as per recommendation of Pakistan Centre for Philanthropy (PCP) and Approved by BOD.

7.2.7 Payment procedure implemented in AI is hereunder:

- ✓ Upon receipt of Payment Request Form (PRF) documents, the Finance Officer shall review/process the payment. This shall include compliance checks as per the applicable rules, procedures, forms and formats required to process the payment under review.
- ✓ The finance officer will ensure that the invoices are maintained with Donor Name, Code, of each project.
- ✓ The finance officer will review the cheques and attached documentation before sending these to Programme manager for final approval and sign-off.
- ✓ The signed cheques shall be photocopied and attached to the payment documents.
- ✓ Original cheques shall be delivered to the payees through courier or by hand delivery.
- ✓ In case of local supplies/services providers, they shall be informed by telephone to collect their cheques.
- ✓ Proper signature/receipt shall be obtained from the authorized receiver of the cheque at the time of handover of the cheque.

7.2.8 Cash Payments

Cash payments are an important part of ACT INTERNATIONAL payment process. The purpose of establishing office petty cash is to meet the payment of small projects and day to day office expenses. As much as possible in practical terms the amount should be minimal and calculated on daily or weekly need basis.

7.2.9 Payment procedure implemented in AI is hereunder:

- ✓ In the weekly payment cycle, one day shall be designated for making cash expense, reimbursement of travel expenses to staff, payment of per diems, issuance of new floats and settlement of previous floats.
- ✓ In case of utilities/communication bills, payment may be made through cash as per actual bill to avoid any penalty/blockage/cut off of services.

While making payments through cash all the requisite procedures shall be applicable as described in the bank payment process and must be complied with.
In emergency operations, scope of petty cash payment will be defined by the situation and the nature of disasters/Work.

7.3 Authorization on Payments

- ✓ All payment requests/vouchers processed at Head Office level must be authorized by Manager Operations/Regional Program Manager and validated by Finance Manager.
- ✓ All the payment requests processed at regional level must be approved by Head of Region and validated by Project Coordinator/Manager.

8 Petty Cash Management

8.1 Purpose of establishing petty cash

The most common payments from office petty cash are petty expenses, normal wear and tear at office, projects/office supplies and utilities, per-diem allowance, reimbursement of field trip expenses made by staff and all such payments which cannot be paid through banking system. In emergency operations, scope of petty cash payment will be defined by the situation and the nature of disasters/Work.

8.2 Maintenance of petty cash

The petty cash will normally be maintained on requirement basis in Head Office, Regional and field offices. The volume of petty cash will be determined by Finance Manager in consultation with CEO at HO and Regional Finance Administration in consultation of Regional Head at regional level.

Petty cash should be maintained in Local currency and in case of any special need (e.g. emergency evacuations, overseas training and workshop etc) petty cash may be maintained in USD/EURO/GBP.
Petty cash should be placed in safe/locker, and only the Finance Officer can handle the keys.

9 Working Advance

9.1 Objective and purpose of working advance

The objective of working advance is to meet the various field activity payments in cash where it seems impractical to manage the payments through bank as well as from office petty cash. For example:

- ✓ Office management cost at project site-office utilities and supplies, labour charges and incentives etc.
- ✓ Travel and per-diem expenses to be paid at field level.
- ✓ Training & workshop/meeting cost-Participants per-diem, travel, accommodation, stationeries and office supplies, refreshment and miscellaneous expenses related to training and workshop at community level.
- ✓ Field visit expenses for monitoring and supervision purpose.
- ✓ Participation in overseas training, workshop and seminars.

It enables program staff to implement the activities in the communities and to manage the site office efficiently. It is finance officer's responsibility to provide needful technical support and guidance to prepare the working advance request as well as working advance report for the liquidation of working advances.

9.2 Procedures for issuance of advances

Following procedures will apply for the issuance of working advances:

- ✓ The requester will submit a request for a working advance to finance unit , explaining the purpose of working advance.
- ✓ Normally new working advance will not be issued without the settlement of previously taken working advances.
- ✓ The receipt of requested working advance will be obtained from working advance holder after the payment is made.

9.3 Working advance settlement and reporting

Working advance holders are responsible to prepare working advance reconciliation report in order to liquidate outstanding advances and submit to finance unit after getting approval from Project Manager.

- ✓ The working advance report should have to be made in accordance with the standard working advance report format and supported by all relevant documentation.
- ✓ The completed working advance report will be signed by working advance holder and submitted to Project Manager for approval.
- ✓ The Project Manager will review and approve the working advance report to ensure it is in line with planned activities and program budget and that all the supporting

documentation is correct and complete and in accordance with finance and logs procedures in close coordination with finance officer/ Regional Finance Coordinator.

- ✓ The working advance holders are requested to settle their working advances soon after the completion of activity. Any working advance taken for particular training, seminar, workshop to be conducted in the field has to be reported back to finance within reporting month after the completion of entire activity.
- ✓ Any outstanding balance after the settlement of working advance will be deducted from the next cash advance.
- ✓ Maximum PKR 150,000/- paid as advance in head office level, field office level paid maximum amount 50,000 as per nature of expense after approval
- ✓ In case of Reimbursement the amount will be reimbursed on the actual expenses after approval the relevant authority. The reimbursement limit will depend the on the situations.
- ✓ No capital items can be purchased through working advance. The working advances are limited to purchase of minor consumable goods and supplies required for the activities.

9.4 Authorization

The working advance request will be authorized by Project Manager and validated by Finance unit. In case of regional office it must be authorized by CEO.

Annex: Working advance request

Annex: Working advance reconciliation

10 Staff Salaries, Advances and other Social Benefits

10.1 General

With regard to staff salary, allowances and other social benefits ACT INTERNATIONAL follows the Human Resource Policies.

10.2 Payment of Salary

Salaries to project staff as well as office staff will be paid on consolidated basis from ACT INTERNATIONAL bank account. Most staff members are charged in more than one project and their salary is budgeted as a percentage or co-funding. Salary will be paid by bank transfer or through cross cheque however support staff will be paid in cash up to Rs.10, 000.

10.3 Advances against Salary

ACT INTERNATIONAL policy is to facilitate its employees if by genuine reasons one needs some financial assistance in shape of advance salary. An employee may get maximum advance equivalent to his/her one month salary/fee. No advance will be given until the settlement of previous advance. The deduction of any instalment should not be less than 10% of the net salary and not more than in 12 instalments.

10.4 Payment procedures for Advance

An employee who wants to avail the facility should;

- ✓ Apply on prescribed advance form
- ✓ Get approval from Project Manager and send it to Head Office through Regional Accounts offices.
- ✓ Finance Manager will put to the CEO for approval
- ✓ If approved the payment will be made through cross cheque or in cash (if less then Rs.10,000)

10.5 Travel and per-diem allowance

Travel & Per-diem allowance will pay as per travel policy of ACT INTERNATIONAL. In case of fully sponsored international travel by any institute/donor/organization only incidental allowance will be paid as per ACT INTERNATIONAL travel policy.

10.6 Over Time Payment:

ACT INTERNATIONAL discourages work of any staff member after the office hours and on weekend. If any employee require to work on weekend or in excess of normal working hours this must be approved by proper authority. He/she will be entitled to claim overtime in

accordance with ACT INTERNATIONAL overtime rules, once enforced. Without overtime Policy the section 10.6 will be considered ineffective.

10.7 Tax liabilities

ACT INTERNATIONAL withholds the income tax from the monthly salary/remuneration from project as well as ACT INTERNATIONAL staff as per specified rates of Federal Board of Revenue. ACT INTERNATIONAL encourages the employee to fulfil the obligation to own the National Tax Number and pay taxes to the government.

11 Financial Reporting

11.1 Definition

Financial Reporting is the set of standard reports which reflects the status of income and expenditures, flows of the funds and performance of the planned activities in financial language. It is an important marketing tool for the internal management and external donors which provide analytical financial information of the project activities and create opportunities for future funding sources. Sound and adequate financial reporting system increases the efficiency as well as the goodwill of organization. .

As the programmes are funded by different donors, reporting requirement and audit requirement will vary from donor to donor and ACT INTERNATIONAL have to follow donor's guidelines. The ACT INTERNATIONAL internal reporting system is fully compatible with donor's reporting requirements.

11.2 Project Financial Reporting

Head Office has to prepare project financial reports that reflect complete information of financial transactions for entire reporting period of a project on a stipulated date set by donor. The reports are prepared on the format provided by the donor or on standard format (if not provided). Project Financial Report may includes:

- ✓ Statement of expenditures for the current period.
- ✓ Statement of expenditures prior period.
- ✓ Approved/revised project budget.
- ✓ Activity wise unspent balance.
- ✓ Activity wise burn rate in percentage.
- ✓ Funds reconciliation statement.

11.3 ACT INTERNATIONAL Closing of Books of Accounts and Financial Statements

Head office has to prepare all books of accounts and Financial Reports in PKR as a part of audit requirement with the reflection of financial transactions for entire year. Financial Report includes following:

- ✓ General Journal
- ✓ Ledgers
- ✓ All types of Vouchers
- ✓ Bank Reconciliation Statements
- ✓ Cash count/verification
- ✓ Outstanding advances (if any)

11.4 Standard Reporting Currency

Unless it is special requirement from the specific donor, all financial statements are being prepared in local currency. In case of use of foreign currency, unless agreed with the donor, the rate at which the last funds are transferred to project's PKR account is used for the conversion of PKR figures into foreign currency.

11.5 Exchange Gain and Loss

In case the budget is approved in foreign currency any gain or loss due to the fluctuation of exchange rates will be charged to individual project. Project fund will increase in case of gain or otherwise.

12 Audit

12.1 General

All funded programs will be audited if required by the donor, annually or at the end of the project. The cost of audit will be borne by the donor and report will be submitted to the donor not later than three months after the completion of the project. ACT INTERNATIONAL should have to be audited on an annual basis not later than three months after the closing of financial year.

12.2 Preparation for audit

For the preparation of audit all set of annual financial reports should have to be ready before audit firm proceeds the audit of the programs. In addition, we should have to be able to provide the development contract of the program, budgets, action plan, procurement file and other relevant correspondence as deemed necessary for auditing. Project Managers and the Finance Manager are responsible to coordinate with audit and deliver the necessary documents to auditor as required.

12.3 Procurement of Audit Services

The following procurement principles should be applied specifically to audit compliance services:

- ✓ In case donor wishes for the audit of a project a provision must be made in project budget at the time of approval. The Auditor will be hired by ACT INTERNATIONAL through bidding procedure unless arranged by the donor. The same procedures will be adopted in case of annual audit of ACT INTERNATIONAL.
- ✓ The selection process will be carried out by Head Office.

12.4 Selection Criteria for Procuring audit firms

The standard ACT INTERNATIONAL procurement procedures will apply for the selection of audit firms. The audit firms should have to be nationally/ internationally recognised i.e. the firms must be independent and able to deliver audit services in accordance with IFAC.

- ✓ The audit firm must be nationally recognized, which means:
  - That the signing audit partner must be a Chartered Accountant or Cost & Management Accountant.
  - That the national body must be a member of IFAC, and
  - That the audit firm should be part of a network or group with internationally recognized procedures for quality review of their audit work.
- ✓ The audit firm does not necessarily need to be an international organisation, but the audit procedures used must be internationally recognized and quality assurance must be regular and well documented.

- ✓ The financial audit must be carried out in accordance with IFAC standards.
- ✓ The audit firm must have experience of three years and must demonstrate the necessary experience and qualifications in auditing

12.5 Deadlines of annual audit

The audit of the funded programs (if require by the donor) should have to be completed within three months after the closing of the project.
All original documents related to the project from the field must be sent to Head Office at the end of the project.

The audit arrangements must specifically require the audit firm to report separately:

- ✓ The financial audit opinion
- ✓ The performance audit opinion
- ✓ The auditor's report
- ✓ The auditor's recommendations to the project management/ACT INTERNATIONAL management

The audit opinions must report on the document about which they are specifically expressing an opinion; the financial report and/or the management performance report. The auditor's report must contain certain specific information about the audit work performed and other formal statements and declarations. The auditor's recommendations to the project management is a "service document" where the auditor may present certain recommendations; typically to improvement of internal controls, the accounting procedures, etc. Such recommendations should always be commented on by the project management.

ACT INTERNATIONAL

Approved Authority Matrix effective January 1, 2012

S #	Description	Authorizing Proposal and Contracts to Donor	Authorizing Lease/ employment/ Rental agreement contracts	Purchase of contract of supplies or consultancies procurement	Personal Expenses of all staff	Disposing of Fixed Assets Following policy	Authorizing monthly payroll
1	Chairperson	Above 1 b	Above 1.5 M	Above 1.5 M	N/A	Above 1 M	N/A
2	CEO	1 B	1.5 M	1.5 M	1 m	N/A	No Value Limit refer to note below
3	Managers	N/A	N/A	0.99 m	0.05 m	N/A	N/A
4	Coordinators	N/A	N/A	0.3 m	0.012 m	N/A	N/A
5	Project Officer	N/A	N/A	0.05 m	.005 m	N/A	N/A

Note:

- Only CEO can authorize monthly payroll
- Above the CEO Limit Chairman BOD will be authorizing person as per delegation of Financial Scheme.
- All administrative expenses will be approved and authorized by RPM within given delegation of the Financial Scheme.

Ammendment#2

Policy amendment : Aug 13, 2026.
Amended by : Board of Directors (Through Resolution)
Amended Section : Section # 07 subsection 7.2.7 (Page # 17).

S.No	Name	ID #	Membership	Ph. No	Signature
1	Mr. Sazed ul Hassan	35202-6543978-1	Chairperson	0345-5576454	
2	Prof Farkhanda Aurangzeb	54400-4895286-0	Member	0321-8001170	
3	Dr. Bushra Aizaz	82203-1135528-6	Member	0346-8502112	
4	Muhammad Javid Malik	61101-0488964-3	Member	0333-5129462	
5	Babar Aziz	61101-3686940-9	Member	0300-5011222	
6	Dr. Zaineb Hafeez	37301-3531962-6	Member	0044-758368520	
7	Ms. Farzana Yaqoob	37405-5480398-2	Member	0334-5363333	
8	Mubashar Nabi	61101-9146195-7	Founder President	0301-8562934	