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INTRODUCTION

Legal Status and Background

Society for the Protection of the Rights of the Child ("SPARC") is a Non-Government Organization ("NGO") registered as a society in Pakistan on 17 December 1992 under the Societies Registration Act XXI 1860 having its registered office at Islamabad. SPARC was established to act as an advocacy group for child rights. From its initial focus on protecting breast feeding against the marketing of baby milks and foods, SPARC expanded its work to include other issues such as child labor, juvenile justice, education and violence against children. SPARC has also, from time to time, taken up issues that ultimately affect the condition of children in Pakistan such as corruption and freedom of association.

In 2003, SPARC received the United Nations Recognition Award in recognition of its work on highlighting the plight of children and promoting the rights of children in Pakistan. In 2006 SPARC received USAID certification under the USAID institutional Management Certificate Programme (IMCP). In 2015 Pakistan Center for Philanthropy (PCP) awarded certificate to SPARC.

Purpose

SPARC financial management systems are a series of financial policies and procedures which guide operations and lay out how SPARC uses and manages its money. Financial procedures manual brings all these together in one document. It helps to establish financial controls within the organization that ensure accuracy, timeliness and completeness of financial data. The manual is generally used by finance and admin staff, but it can also act as a reference for Directors, Managers and other staff.

Copies of this manual should be kept in all offices where they are available for easy reference and readily accessible to staff from the National Finance Manager in the Islamabad office; and the Finance staff in the Provincial Offices. All employees are requested not to copy any portion of this Manual for personal use or for any other purpose.

Procedure to update Manual

The Financial manual will be updated on the recommendations of SPARC head office and approval of SPARC Board of Directors. No changes in this Manual shall be effective unless signed by the Executive Director.
Control System

SPARC has two control systems, external control by the stakeholders and internal control by the management. At the end of each financial year, an external audit of organization’s projects and financial transactions is conducted. An independent firm of chartered accountants conducts such an audit.

As regards internal control system, its main objective is to safeguard the asset of the organization, ensure reliability of the accounts and achieve operational efficiency and effectiveness of the organization.

The organization is expected to build up a control environment with the following key fundamentals:

- Honesty,
- Ethical and principled morals,
- Ensuring that staff, at all levels, is competent to carry out the duties assigned to them.

The other key elements of the control environment are the communication of information and monitoring. Pertinent information must be communicated within the organization so that well-informed personnel may make well-informed decisions. Monitoring requires not only formal procedures such as internal audit, but cultivation of a culture of recommendations for improvements to existing systems and procedures.

Under the umbrella of this control environment the organization, through this manual, has developed policies and procedures to meet specific control objectives.
A. OVERALL ACCOUNTING SYSTEM

1.1 Basis of Accounting

SPARC accounts shall be prepared under the historical cost convention.

1.2 Accounting Year

The financial year of SPARC shall be from January 1 to December 31.

1.3 Receipts

Receipts include the grants from the donors, funds arising from local donations, rendering of services; dividends and interests etc., shall be recognized as revenue on receipt basis.

1.4 Expenses

Expenses at the time of disbursement, except at the end of the year where they accrue, shall be recognized.

1.5 Chart of Accounts

Flexible and appropriate chart of accounts shall be maintained and developed in order to cater to the present and future monetary transactions with an objective of coming up with timely, accurate and meaningful reporting to the Management and Donors. The chart of accounts will act as a guiding and reference tool to the finance personnel while they post accounting entries in their respective head of accounts.

In order to keep a vigilant control over accounting framework of the SPARC, no accounting personnel is allowed to make amendment (including opening a new head of account) in the chart of accounts unless specific written approval thereof is duly sanctioned by the National Finance Manager. For this purpose, a written request would be required to be filled up by the initiating officer desirous of altering the present structure of chart of accounts.

1.6 Vouchers & Forms

The finance personnel will be responsible to record and maintain financial records through five types of pre numbered printed vouchers i.e. bank payment voucher, cash payment voucher, bank and cash receipt vouchers and journal vouchers with related correspondence, accounts, statements, supports, etc. For effective and accurate maintenance of accounting records, a set of internal Forms have been designed which will be used for initiating and recording financial transactions.

a. Payment Voucher

- Payment can be made after approval of payment voucher. Payment voucher shall be supported with bills or other relevant supporting documents from admin
department. Such supports will be scrutinized by the Finance Department prior to their submission for sanction of payment before the approving authority.

b. Receipt Voucher

- Receipt voucher shall be prepared to record the receipts and collections in bank accounts and cash.

c. Journal Voucher

- Journal voucher shall be prepared to record the adjustments against advances, accruals and non-cash transaction used for auditing purpose.

1.7 Books of Accounts/ Records

SPARC shall also keep and maintain the following:

- Cash/ Bank Book
- General Ledger
- Salary Register
- Bank Statements & Reconciliations
- Fixed Assets
- Register
- Purchase Requisition
- Employee Personal Files
- Invoices
- Delivery Challans
- Bank Deposit Slips
- Check Books
- Purchase Orders
- Receipts

And any other record and information considered necessary.

1.8 Recording Business Transactions

All the financial transactions shall be processed and recorded within a reasonable time of happening of any event. The test of ‘reasonableness’ will be judged on basic criteria as to availability of timely, accurate, and meaningful information for internal and external users of financial statements.

The National Finance Manager shall ensure that SPARC’s books of accounts reflect true picture of its financial affairs and no significant event is deferred from appropriate recording.

1.9 Pre Numbering Entries

All entries shall be allotted sequential numbers according to the printed pre numbered vouchers so as to ensure completeness and proper authorization. Any entry recorded out of
the prescribed sequence should require immediate and thorough scrutiny to dispel the impression of any deliberate event.

1.10 Review of Accounting Entries

All accounting entries shall be submitted to the National Finance Manager for his ratification. Such entries shall not be considered unless they are supported through documentary evidences.

The individual preparing such entries should be responsible to ensure accuracy and genuineness of the recording. After ratification from the Assistant Finance Manager, such accounting entries along with supporting information, statements, invoices, etc. are to be submitted to the National Finance Manager for final approval.

After necessary approval, such entries should be posted in their relevant head of account. If this is not possible due to peculiar nature of the transaction, the matter should be referred to the superior personnel for proper guidance.

1.11 Segregation of Duties

In order to keep a meaningful check over the financial management of SPARC and reporting, segregation of duties is a must by National Finance Manager, whenever practicable.

Segregation of duties means distributing the execution of one activity over more than one person in order to ensure that no single individual is capable of handling the whole of a transaction individually.

If it is not practical to segregate any duty due to its operational nature and/or limited staff members, the Regional Managers should ensure that all transactions are duly authorized and supported with necessary documents and properly recorded in books of account in a timely manner. Moreover, the National Finance Manager should closely monitor the financial/non-financial reports and take timely decision on it.

1.12 Audit Trial

At the time of approving the accounting entry, the National Finance Manager shall ensure that adequate and reliable audit trial of the subject transaction exists and that the entry should be easily auditable at the time of internal or external audit. Such audit trial would, ideally, start from the financial statements and end up at the related source document(s).

1.13 Custody of Accounting Records

All the accounting records including ledgers, statements, accounts, vouchers, invoices, banking records, record of procurement and sales, etc. should be in the custody of finance department. The National Finance Manager should ensure that adequate facilities exist for custody of records. Such records should be kept and maintained for a minimum five years from the relevant year-end.
1.14 Computerized Accounting Software

As SPARC shall maintain its accounts in recognized accounting software, it is to be ensured that effective access controls are in place to restrict abuse of control environment. Regular backups will be ensured for safeguarding data.

1.15 Banking Arrangements

a. Separate Accounts for each Donor’s Funds

SPARC shall maintain and operate separate bank accounts for each donor.

b. Opening and Closing of Bank Accounts

(i) As soon as new project commence and if a new bank account require, National Finance Manager will raise request for opening new bank account for approval from the Executive Director and Board before the first check is issued for the project payment.

(ii) Board of Directors shall pass the resolution for the new concerned bank. The resolution (See Annexure I) shall specify the authorized signatories to the account and payment limits. For each bank account, there should ideally be at least two joint signatories, the office in charge and the concerned finance person.

(iii) Any changes to the signatories or closure of the project bank account should be authorized and communicated to the bank by the Executive Director.

(iv) The Bank Account Name shall preferably be the same as the SPARC Title.

Accessibility of the check books should be strictly limited to Accountants and National Finance Manager or any other person designated by National Finance Manager in case of limited staff. National Finance Manager will insure monthly Bank reconciliation statement for each bank account.

1.16 Payroll & Related Costs

a. Monthly Salary

An individual’s salary is to be disbursed according to the terms and conditions mentioned in her or his appointment letter.

All employees, unless the employee is unable to open a bank account due to peculiar circumstances, should be paid through cross check issued in their name. At the time of approval of employees’ salary or expenses for the month, a detailed report for each employee will be prepared containing the following information:
• Name of the Employee
• Monthly salary
• Advance sanctioned to the employee
• Monthly deduction on account of advance
• Any other payroll related information

The above report will be furnished by HR manager to the National Finance Manager for necessary changes before monthly salary disbursements.

b. Payroll Taxes

At the time of salary disbursement, income tax will be deducted as per Rule 44(2) of Income Tax Rules 2002. The deducted tax shall be deposited into the Government treasury through e-filling challah.

A statement of tax deducted out of staff payroll will need to be prepared on monthly basis under Rules 44(2) of the Income Tax Ordinance and filed with the Income Tax Department.

Additionally, a statement of tax deducted over the year is required to be prepared under rules 44(1) and filed with Income Tax Department.

The parameters for computation of withholding income tax from payroll will be reviewed on a regular basis, especially after the announcement of the Federal Budget and modification(s) shall be incorporated on an immediate basis.

1.17 Correction of Entries

The National Finance Manager shall ensure that in case of omission, error of classification, etc., the correction should be routed through him. To confirm this procedure in the computerized accounting software, access controls should be placed which prohibits and restricts the individual responsible for data entry from re-entering and accessing the recorded data.
B. FINANCIAL PLANNING

Budgets

Budget is a set of interlinked plans that quantitatively describes SPARC’s projected future operations in accordance with the mission statement. Budget used as a yardstick against which to measure actual operating results, for the allocation of funding and as a plan for future operations.

2.1 Annual Budget

SPARC’s annual budget will be prepared by the National Finance Manager by comparing budgeted revenues with expected revenues, keeping in view surpluses and projects balanced budgets. Annual budget will be prepared on the basis of detailed work plan and sources of revenues provided by the Executive director and Programme Development Manager. Leading the organizational future policy, Executive director will provide existing donors commitments and expected partnerships.

The mandatory budget revisions shall be practiced reflecting the new donor agreements during the year.

2.2 Project Budget

All financial activities of any project revolve around detail of activities in project documents, (See Annexure II) breakdown of proposed project activities with title, time frame, location, numbers, human resource involved etc., for exact budget costing by the finance department, Executive Director or his/her designated staff shall discuss and provide approved project activities Notes/details and final work plan to the Finance Manager for budget preparation five days before the dead line of submission.

2.3 Expense Budget

An expense budget is a detailed budget of expenses to be incurred on monthly basis by regional/field offices; (See Annexure III) it shows the breakdown of each individual expense of the budgeted activity. Regional Managers/Programme Managers shall furnish monthly expense budget for approval from Executive director well before beginning of next month to avoid delays. Approved budget shall be transferred in regions for smooth execution of project activities and shall be booked as advance.
C.  ACCOUNTING POLICIES AND RECOGNITION CRITERIA

3.1  Restricted Funds

The restricted fund comprises the accumulated surplus and deficit of donations and grants for which the donor has specified an intention to support a particular aspect of activities together with income accruing directly from those restricted funds. Surpluses are held until they are fully expended or returned at the end of the respective grant period.

3.2  Unrestricted Fund

The unrestricted fund includes financial aid provided for encouragement of short and long term support of operational activities without any adherence to compliance of specific conditions.

3.3  Allocation of Common Costs

Common costs are those that are used for more than one activity and cannot be allocated to a single project activity. Examples of such costs could be:

- Rent
- Staff Salaries
- Utility Bills
- Depreciation of computers, vehicles, furniture & fixtures

Common costs should be allocated to the activities on a consistent basis.
D. INVESTMENT POLICY

Purpose:

This policy establishes investment objectives of SPARC reserve funds (Endowment) which are funds to be held in reserve to support the future operations. The policy primarily gives guidelines and eligible securities related to endowment funds held by SPARC for secure investment purposes.

4.1 Delegation of Responsibilities

The Board of Directors has a direct oversight role regarding all decisions that impact SPARC endowment fund. The Board has delegated supervisory responsibility to Audit & Finance Committee of SPARC.

4.2 Responsibilities of the Board

The Board shall ensure that its fiduciary responsibilities concerning the proper management of SPARC institutional funds are fulfilled through appropriate investment consistent with policy and procedures. Based on the advice and recommendations of the Audit & Finance Committee, the Board shall:

- Select, appoint and remove members of the Committee.
- Approve investment policies and objectives that reflect the long-term investment-risk orientation of the endowment.

4.3 Investment Considerations

The Audit & Finance Committee must recommend best investment possibilities. All individuals responsible for managing and investing SPARC institutional funds must do so in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In making any decision relative to the institutional funds investment three committee members’ approved/signed documents of comparative statement must be recorded.

4.4 Guidelines for Investing

The investment goal of the fund is to achieve a maximum return. The following possibilities apply for the Investment:

1. Invested in Government securities NIT units, a collective investment scheme authorized or registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003,

2. Bank Term Deposit Receipts, Mutual Funds, Bonds

E. Expenses by Employees

5.1 Travel Reimbursements

a) In accordance with section 5 of SPARC’s Employees Manual, all employees using private or public transport are entitled to claim reimbursement. In this regard they will be required to furnish a traveling voucher to the finance manager and a brief report if they use any transport for official purposes. If the employees visit outside the city they will be required to send a Short Activity Report (See Annexure IV), narrating the activity and the destinations where they had travel.

b) It is necessary for the claim that every employee making a traveling claim fills out the Travelling Form (See Annexure V), mileage along with the original receipts given by the public transporters. Travel Reimbursement (See Annexure VI) will be filled by the activity participants.

5.2 Expenditures Reimbursements

All expenditures during field visits will be adjusted against the advance or reimbursed to the employee on submission of expenditures / adjustment form (See Annexure VII) along with signed Short Activity report. (See Annexure IV)

5.3 Entitlements

a) All Provincial offices shall be entitled to use telephone and fax machines. Their bills should not exceed the limits stipulated by the Islamabad Office from time to time.

b) Office phone should be used sparingly for private calls; and long distance calls should be made for short durations.

c) In accordance with section 5 of SPARC’s Employees Manual overtime will be paid to support staff.

5.4 Payments

As a general rule all payments should be through cross cheques upon the presentation of complete supporting documents by the admin department including petty expense and payment shall be made to any supplier or other person for the work actually done or when the original receipts are actually received.
Cheque signing authority matrix for payments is following

<table>
<thead>
<tr>
<th>Cheque Signed by</th>
<th>Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>500,001 and above</td>
</tr>
<tr>
<td>Director with National Finance Manager or National Administration Manager</td>
<td>500,000 and below</td>
</tr>
<tr>
<td>Regional Manager and Regional Finance Officer</td>
<td>100,000 and below</td>
</tr>
</tbody>
</table>

a. Bank Payments

Bank signatories nominated through board resolutions shall not sign any cheques made in favor of his or her name.

b. Advances

a) Salary Advance: Those employees who are the permanent employees of SPARC and worked for more than a year can apply for an Advance salary. The Advance can be up to one gross salary of the employee and must be paid back within three months.

b) Activity Advance: The objective of Activity advance is to meet the various field activity payments in cash where it seems impractical to manage payments through bank as well as from petty cash. Filled Activity advance request (See Annexure VIII) will be submitted to the finance department before two days of the activity, normally new working advance will not be issued before settlement of previous advance, settlement of the advance will be within five working days after the activity on filled and signed adjustment/expenditure statement (See Annexure VII) along with bills, reports and supporting, any outstanding balance after the settlement will be deducted.
F. FINANCIAL REPORTS

Financial statements shall present fairly the financial position, financial performance and cash flow of SPARC, fair and faithful presentation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenditures set out in the framework.

6.1 Who Needs the Reports

Financial reports are review by the Executive Director, Donors and those managers responsible for managing projects. However, SPARC Islamabad Finance Department also need to ‘give an account’ of their stewardship to a wide range of stakeholders.

The table below summarizes the main recipients of reports and why they need this information.

<table>
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<tr>
<th>Role</th>
<th>Need</th>
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<tbody>
<tr>
<td>Project Managers:</td>
<td>To know how much money and resources are available for their projects and what has been spent so far according to the expected outputs and narrative report</td>
</tr>
<tr>
<td>Regional Managers:</td>
<td>To keep an eye on how regional overall project funds are being used, especially compared to the original plans and outputs to help plan for the future</td>
</tr>
<tr>
<td>Finance Staff:</td>
<td>To make sure that there is enough money in the bank to continue project activities and SPARC needs to run its programs</td>
</tr>
<tr>
<td>Executive Director /Board of Directors:</td>
<td>How resources are being used transparently within the time frame to achieve SPARC’s objectives</td>
</tr>
<tr>
<td>Donors:</td>
<td>To make sure that their grants are being used as agreed and that the project’s objectives are being fulfilled</td>
</tr>
</tbody>
</table>

During the financial year, accounting information is summarized and turned into Management Accounts to monitor progress against the budget; and at the end of the year, the records are used to produce the Annual Accounts (i.e., the Balance Sheet and Income and Expenditure Account) to report on the outcome. Periodically SPARC required completing special progress reports to donor agencies.

6.2 Management Reporting

Managers need financial information throughout the financial year to monitor project progress. Ideally, management reports should be produced quarterly or at least twice in a year. Since the reports are produced so that managers can take decisions about the future management of SPARC, the meetings of the Board should be set to coincide with the Management Accounts cycle so that the information is timely available.

There are two kinds of reports that will be of use to managers:

- The Budget Compared to Actual Performance Report
- The Cash flow Report.
6.3 The Budget Compared to Actual Performance Report

A Budget versus Actual Report takes budgeted income and expenditure for the reporting period and compares it with the actual income and expenditure for the same period. The difference between the two figures is known as the ‘variance’ and this will be used to assess as to how significant it is.

The figures for the report come from the main books of account. Each month the records are reconciled and summarized to give a summary of all transactions. Since the accounts have been set up to be consistent with the budget headings, no additional analysis is required.

6.4 Variance Analysis

This involves looking at the significant variations from the budget and seeking to explain why it exists and what can be done to remedy the situation. Variances are often described as either ‘favorable’ (generally good news) or ‘adverse’ (generally bad news):

Favorable means:

- when actual income is higher than the budgeted amount; or
- When actual spending is lower than budgeted.

Adverse means:

- when actual income is lower than the budgeted amount; or
- when actual spending is higher than budgeted

It is helpful to analyze the causes of variances and to see as to whether it is a permanent or temporary variation. This will be the result of one or more of the following:

- a change in price
- a change in volume
- a change of plan
- a change in timing

6.5 Finance Records and Filing

a) The books of accounts shall be computerized and maintained at the Islamabad head office. They could be maintained manually by the Provincial Offices subject to availability of resources and know how.
b) All Grants should be received through the bank accounts of the Islamabad Office. These funds shall be further transferred to our Regional Offices on their monthly budget request (See Annexure III) by sending it via e-mail to Finance Department along with the projection sheet.

c) The books of accounts shall include:


b. Petty Cash book at each location where cash payments are involved.

c. Ledger account for each donor.

6.6 Reporting Procedures and Deadlines

a) The bank reconciliation shall be done on a monthly basis at the Islamabad Office and Provincial Offices and bank statements should be sent by the Provincial Offices for each month. (See Annexure IX)

b) By the tenth of each month, each Provincial Office should report financial activity of the previous month to the Islamabad Office where the reports shall be reviewed and a consolidated report shall be prepared for a general overview of total program costs.

In addition, monthly financial report shall be prepared by Provincial finance officers for review and discussion with the regional manager/project manager to monitor project progress and budget request for upcoming month.

c) The relevant program staff responsible for program event to the Finance Department should identify budget head(s) clearly.

d) Program activities/ Monthly budgets should be planned in a way that all such program activities are commenced and completed within relevant grant period(s) and/or financial year-end. These activities should be carried out only in accordance with the proposal and budget as agreed upon with the donor.

e) Required reports and information should be provided by the program staff, i.e., expected program activities during the month would help finance to maintain a smooth cash flow.

f) Efforts should be made to provide reports/ information for audit purposes as this would help to avoid delays in audit work completion. Care and attention should be paid to avoid any possible delays eventually delaying Annual Progress Report.
g) Miscellaneous receivables, i.e., reimbursements from the Provincial Offices should be collected by the Islamabad Office on a timely basis i.e., maximum one month.

h) Correct account coding (line item) should be charged so that program activity would be in line with budget spending and accurate accounting reports are prepared.

i) No bank or cash book balance should be recorded as over-drawn and checks and/or cash payments should be made after checking the bank or petty cash balances as this would help to avoid overdrawn accounts.

j) Payables and accruals should be accurately cleared and on a timely basis i.e., maximum one month.

k) It is the responsibility of the Islamabad Office to submit to donors all required reports to provide supporting documents and information to the donor.

l) Monthly required budget, cash demands to the Islamabad Office should be made as early as possible so that cash demands are reviewed and checked thoroughly and delayed transfer of funds to Provincial Offices could be avoided.

m) Rental lease payments should always be supported by a copy of signed lease agreement.

n) Consultancy contracts should be provided for payments to consultants.

o) In case the utility bills are paid after the due date, the surcharges will be paid by the defaulting SPARC employee from his/her own pocket. If in case the delay is caused by the management fault or due to lack of funds than a narrative should be written on the payment vouchers approved by the assigned person.

p) The Provincial Offices should keep copies of the bills so that in case an original bill is lost they can claim payment through the copied bill.

q) The National Finance Manager will not entertain any claim of bills, if it has not been presented in two months’ time.

If any claim is delayed by more than two months’ time then only the Executive Director can approve the bills upon submission of a written request from the concerned staff member with justification as to why the claim has been delayed.

r) Documentation and record in support of monthly financial reports shall be retained by the location and made available to the Islamabad Office.
Provincial Offices should transfer complete financial record upon request by the Islamabad Office as and when required.

s) Any expenditure, incurred by the Provincial Offices, which has not been approved by the Islamabad Office, shall not be considered as part of expenses.

### 6.7 Approvals

All approvals shall be done in Islamabad head office. All vouchers shall be prepared and entered into the accounting software by Finance and administration officer of the regional office once it has been check by the Regional Managers and verified that the expenses are of correct nature and according to the budget approved by the Head Office Islamabad.

Personnel authorized to approve expenditure are:

<table>
<thead>
<tr>
<th>Value of Purchase / Service request</th>
<th>Approval Required from</th>
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<tr>
<td>Up to Rs. 50,000</td>
<td>Manager Finance</td>
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<tr>
<td>Up to Rs. 500,000</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Above Rs. 500,000</td>
<td>Board of Directors</td>
</tr>
</tbody>
</table>

The above limits shall apply to all payments other than monthly salary, which will be approved by the Directors.

Once the Vouchers haven been prepared and checked by required persons and entered into the accounts shall be sent to Islamabad office. Following is the check list of the documents required at the time of submission of the accounts to Head office Islamabad:

- Financial Statements
- Bank Statements
- Bank reconciliation
- Vouchers with proper supporting and list of the vouchers for cross check.
- Payroll approved by the Regional Manager
- Tax deduction challan copies
- Quotations if required
- Cash count statement
G. Audit

a. The Audit Exercise

- The audit shall be conducted on an annual basis. The auditors will be appointed in BOD meeting. SPARC will endeavor to get its financial statements audited by renowned and reputed firm of Chartered Accountants.

- External auditors will be changed after every five years. If, for any reason this is impractical, SPARC may at a minimum, request for rotating the partner in charge of its audit engagement.

- Every year between January and April, SPARC shall carry out an audit exercise for its annual consolidated financial statements through a certified commercial Audit Firm.

- For this purpose, Project Managers and Finance Department shall prepare all the technical, substantive and financial reports, according to the set guidelines, which will be examined and certified by the Auditors.

- Executive Director and National Finance Manager shall ensure that all queries raised by the auditors during and after the audit are responded to the satisfaction of the auditors.

- The findings of the draft audit report must be discussed in detail with the Executive Director and his/her comments must be included in the final report. After detail review of draft audit report by the board members, financial statements shall be approved and signed by the board.

- It will be the management responsibility to take adequate, timely and corrective actions to address the weaknesses identified by the external auditors in their management letter.

b. Internal Audit

There will be an Internal Audit Function in the SPARC. On availability of Internal Auditor regular audit shall be conducted otherwise The National Finance Manager or his designated staff from Islamabad office shall conduct an audit on regular basis or minimum biannually.

7.1 Scope of Work

- Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective

- Instituting special projects, value for money studies or other investigations on any matter specified by any whistle blowing or National Finance Manager or Executive Director or Board of Directors.

- Determination of measures to safeguard assets of the organization
Performing substantive testing of the financial transactions and account balances executed by the organization.

The Internal Audit Function shall also carry out a follow up exercise to check up the corrective measures taken by the management as a result of its previous reports submitted highlighting weaknesses of internal control.

7.2 Internal Control System

- Examination of the appropriateness, the relevance and the functioning of the Internal Control System, through the control and evaluation
- Internal Organization (structures, functions, tasks, authority, responsibilities, methods, procedures, etc.),
- existence, respect and application of laws, regulations and instructions
- protection of resources and assets
- prevention of errors and fraud
- quality and viability of the information system and the reporting
- Examination of the observance of the contract conditions of the project (or the phase) by the contracting parties.
- Examination of the consideration of remarks stemming from previous audit reports.

Financial statements of the project and opinions thereon, including:

- Balance sheet of the project.
- Profit and loss statement of the project (clearly reflecting, should it be the case, the capital contributed by each donor during the accounting period).
- Statement of source and application of funds of each donor.
- Opinion of the auditor on the financial statements of the project, indicating if they are in all respects a true and correct representation of the expenditures incurred and the revenue obtained and conform to generally accepted accounting principles.
- Budget comparison of the project, including comments on important deviations.
- List of investments, furniture and equipment acquired by the project during the accounting period.
ANNEXURES

Annexure I  Bank Resolution
Annexure II  Project Budget
Annexure III  Expense Budget
Annexure IV  Short Activity Report
Annexure V  Staff Travel
Annexure VI  Participants Travel
Annexure VII  Expenditures/Adjustment
Annexure VIII  Advance Request
Annexure IX  Bank Reconciliation
SPARC’s Board of Directors in its meeting held on ………………… at Islamabad passed the following resolution:

RESOLVED that the following new bank accounts of SPARC shall be opened:

…………… Bank Limited Islamabad

and shall be operated, including but not limited to signing checks, making deposits, withdrawing and paying money, from time to time, by

Chairperson …………… or Board Member…………………… or Executive Director ……………………………with at least one of the following two signatories:

The Finance Manager, …………………
The Administration Manager, ……………

FURTHER RESOLVED all checks of the above new accounts exceeding Rs 500,000 (Five Hundred Thousand) shall be signed by Chairperson …………… and Board Member…………………………

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<thead>
<tr>
<th>BUDGET CATEGORY &amp; Notes</th>
<th>YEAR 1</th>
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<th>YEAR 2</th>
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<th>TOTAL</th>
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<tbody>
<tr>
<td>BUDGET CATEGORY &amp; Notes</td>
<td>Unit</td>
<td>Quantity</td>
<td>Unit Price</td>
<td>%</td>
<td>Subtotal</td>
<td>Unit</td>
<td>Quantity</td>
<td>Unit Price</td>
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<td>6. TOTAL BUDGET REQUESTED</td>
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# Expense Budget

**Monthly Budget Request**

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<th>Code</th>
<th>Categories</th>
<th>Total Budget</th>
<th>Balance Budget</th>
<th>Budget Request for the month</th>
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<td>B</td>
<td>OFFICE COSTS</td>
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<td>B3</td>
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<tr>
<td>D</td>
<td>TRAININGS/WORKSHOPS/SEMINARS</td>
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<td>E3</td>
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</table>

| Grand Total | |

Current Bank Balance: …………………. Date: …………………

Prepared by Admin & Finance Officer: Date:

Checked by Regenal/Project Manager: Date:
Short Activity Report

Project Title:

Project Partner:

Activity Performed by:

Exact title of the event: Meeting with stakeholders

Location, date & time:

Objectives of the event:

Number of participants:

Profile of participants/stakeholders involved (as mentioned in the activity plan):

Short description of activity:

How it has or will contribute to towards the output:

-------------------------------------------

Name & Signature of Person responsible for organization of the above activity)
# Travelling Form

**Employee Name:**
**Project Title:**
**Activity Code:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>From ---</td>
<td>To km</td>
<td></td>
</tr>
<tr>
<td>Name of Participant:</td>
<td>Phone No.</td>
<td></td>
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</table>

**Complete Address**

**Phone No.**

**Departure from**

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Mode of Travel (Please tick)</th>
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<tbody>
<tr>
<td></td>
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<td>Air</td>
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<td>Others</td>
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<td>Taxi</td>
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</table>

**Arrival at destination**

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<tr>
<th>Date</th>
<th>Time</th>
<th>Mode of Travel (Please tick)</th>
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<tbody>
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<td>Others</td>
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<td>Taxi</td>
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</table>

**Return from Seminar/workshop/consultation station to back home**

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<tr>
<th>Date</th>
<th>Time</th>
<th>Mode of Travel (Please tick)</th>
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<tbody>
<tr>
<td></td>
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<td>Others</td>
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**Details of expenditure Please attach Original Bills**

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<th>From</th>
<th>To</th>
<th>Distance (Km) (if by road)</th>
<th>Amount</th>
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Total claimed: Rs.

**Payment approved/Paid by the organiser:**

Rs.

Name: ____________________________  Signatures ________________________

1) Certified that reimbursement of the above claim has not been received from any other source.
2) Certified that I have received the approved payment against my travel claim.

Traveler Name (Signature)

Note: Ticket Jacket or Ticket must be submitted with this form
# Adjustment/ Expenditures Statement

**Employee Name:**

**Designation**

<table>
<thead>
<tr>
<th>Date</th>
<th>Nature of Expenses/Detail</th>
<th>A/C Code , Budget Head</th>
<th>Donor/ partner</th>
<th>Amount Rs.</th>
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Total -

Total Advance Rs..

Total Expenses Rs. -

Balance Cash Rs. - Cash deposited in UBL Bank Sign

Balance Rs.………………return by Cheque no. . . . . In favor of SPARC Date

Submitted by

Approved by
ADVANCE REQUEST FORM

Requested by: ___ _____________________________________________

Nature of Advance  Travel  Salary  Activity/Operating

For Travel

By Road:  By Air:

From: _____________________ To: _____________________

To: _____________________

Travel Date: _____________________ Return Date: _____________________

Booking details ___________________________________________________________________

________________________________________________________________________________

For Salary Advance

I attest that I haven’t received Salary Advances from SPARC during the previous twelve months:
I request and acknowledge that the repayment of my Salary Advance will be carried out as a payroll deduction
within three months.

Amount Requested (1 gross salary) :Rs………………

Repayment Months (1)……………… (2) …………… (3)………………………..

For Activity /Operating Advance

Project Title: Uplifting the state of underprivileged children in a slum area of Islamabad ( MSM)

Activity Title:… ........Code........Activity Date…

Activity /Participants’detaill__

I acknowledge that the expenditures details with original bills and short activity report will be submitted within 3 days
after the activity expenses and In the event I resign from or am terminated by SPARC before the advance is repaid or
adjusted in full, my signature below authorizes SPARC to deduct the balance of the advance from my salary or any amount
that would be due to me.

Amount Requested Rs………………………………………………………………………Sign ………………………………………..

______________________   _________________________
Verified By           Approved By
BANK RECONCILIATION STATEMENT

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<thead>
<tr>
<th>Bank Statement Period:</th>
<th>Bank Statement Sheet Number:</th>
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<table>
<thead>
<tr>
<th>Amount</th>
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<tbody>
<tr>
<td>Balance on bank statement:</td>
</tr>
<tr>
<td>Total Deduction:</td>
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<td>Total Deduction:</td>
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<td>Total Addition:</td>
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<td>Total Addition:</td>
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</table>

**Adjusted balance on the bank statement:**

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<tr>
<th>Balance on bank book:</th>
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</table>

Prepared by:
(Name, Designation & Signature)

Approved by:
(Name, Designation & Signature)  Date:  ________________

Remarks: