



TRUST FOR DEMOCRATIC EDUCATION AND ACCOUNTABILITY

FINANCIAL MANUAL

2014

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A NOTE ON PRONOUNS

On occasions in this manual, 'he' is used for "he or she", 'him' for 'him or her' and so forth. Whilst we try to avoid this practice, it is sometimes necessary for reasons of style. No prejudice or stereotyping according to gender is assumed or intended.

DOCUMENT HISTORY

Date of Approval	Effective Date	Version	Issues / Comments	Description of Change / Event / Activity*

*A review, approval, amendment, revision or approvals of amendments are examples of events. All events / activities shall be recorded in chronological order.

Issue Date:

Revision:

LIST OF ABBREVIATIONS

Admin Dept.	Administration Department
BoT	Board of Trustees
BPV	Bank Payment Voucher
BRV	Bank Receipt Voucher
CEO	Chief Executive Officer
CRV	Cash Receipt Voucher
CPV	Cash Payment Voucher
DFG	Director Finance & Grants
EF	Endowment Fund
FO(s)	Finance Officer(s)
F&A	Finance & Accounts Department
GL	General Ledger
HoD	Head(s) of Department(s)
HR	Human Resource
IA	Internal Auditor
IA dept.	Internal Audit Department
IT Associate	Information Technology Associate
JV	Journal Voucher
MF	Manager Finance
PO F&A	Programme Officer Finance & Accounts
Project FO	Project Finance Officer
RRF	Restricted Reserve Fund
TDEA	TRUST FOR DEMOCRATIC EDUCATION AND ACCOUNTABILITY
PC	Procurement Committee
WHT	Withholding Tax

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**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

THE MANUAL

THE MANUAL

INTRODUCTION

This is a customized Financial Management Manual of TDEA prepared by in-house resources. It has been prepared after defining the information requirements of TDEA and is for the specific use of the organization and its employees.

The purpose of this manual is to provide guidelines for consistent accounting treatment of financial transactions. Accordingly, the policies and disclosure requirements pertaining to various heads of financial statements are designed to provide guidance in the understanding of transaction and adherence to the reporting requirements of Trust Act 1882 and applicable Accounting and financial reporting framework.

Overall responsibility rests with the BoT to establish and maintain a system of internal control, prepare and present financial statements in conformity with the approved accounting and financial reporting standards and the relevant provisions of the Trust Act 1882. However, day to day implementation is to be carried out by the management, which in turn reports to the board regarding financial position and performance of the trust.

The manual will help to smooth the operations of TDEA by providing the management timely information for control and decision making. It will help to facilitate corrective action before things go wrong. It is intentionally written in straight and easy language that makes it user friendly and one can learn from it on its own.

CLARIFICATION, UPDATING AND ADMINISTRATION

Amendments/additions may only be approved by CEO/TDEA Board. Once a policy amendment has been approved and is ready to be incorporated in the manual, the responsibility will shift to Finance Director/Manager. In order to advise staff of specific changes, s/he will issue circulars to the custodians of the manual, along with a copy of the amended policy for review and advise them to ensure that proper dissemination of this information has occurred. Finance Director/Manager will then ensure that the amendment is incorporated into all the copies of the manual. It will be crucial that the amendment is assigned the proper numbering and is dated accurately. Finance department shall ensure that the superseded manual sections are removed from the master copy to a "superseded sections" file and the date of supersession annotated in the relevant section.

Requests for clarification or explanation of any policy shall be addressed to the Director Finance.

As and when required, the manual should be updated to incorporate changes in:

1. International best practices of finance;
2. Local regulations or legislations governing the financial management process.
3. Management considerations



It shall be the responsibility of Director Finance with the approval of CEO/BoT to ensure that the manual is constantly updated to meet the changing needs of the organization and governing laws.

The manual shall be presented to the BoT for its approval after its development the first time and thereafter, and no subsequent amendment can be made to the manual without approval of the BoT. The manual will be implemented for six (6) calendar months to check its applicability and a final approval will be sought from the BoT based on testing and resulting amendments.

Confidentiality

This policy manual is the property of TDEA for the exclusive use of its authorized employees to facilitate in performance of day to day finance and accounting activities and provide guidance and direction in connection with those accounting transactions, procedures, and reports. Under no circumstances should it be removed from the office premises, or copied with a view to disseminating the information contained herein to outsiders.

Authorized employees have an obligation to respect this element of confidentiality regarding the manual and its contents.

CUSTODY AND ACCESS

This manual will remain in permanent custody of the following:

- Director Finance; and
- Manager Finance;

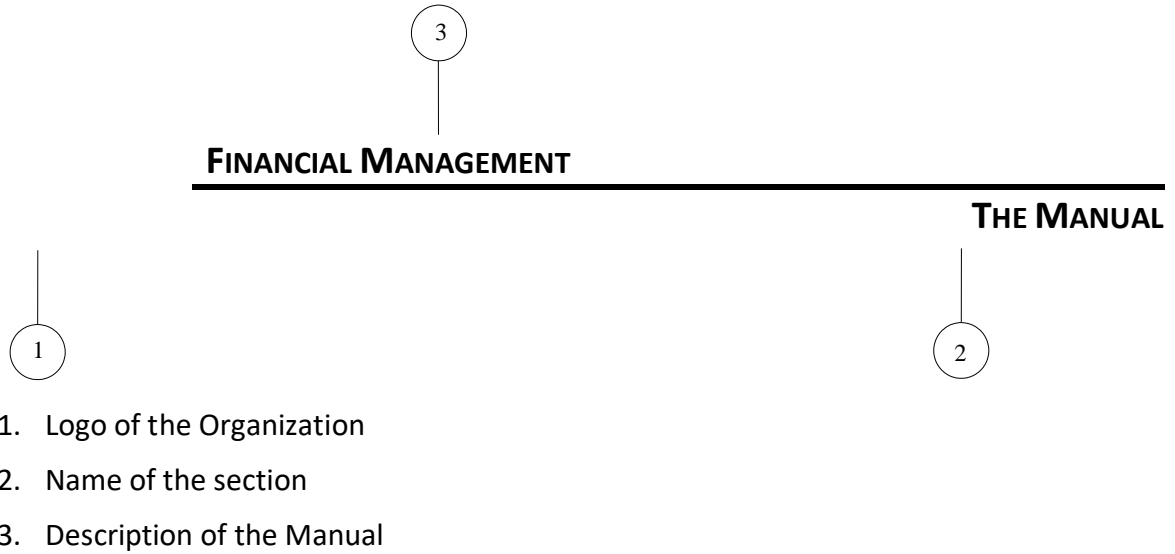
Copies of the Manual must not be provided to any external party without the prior written approval of the CEO. However, access to this manual will not be restricted from such external parties who are entitled to it in accordance with the provisions of any law for the time being in force or by virtue of performance of their duties.

The Manual is the property of TDEA and must be returned to TDEA when the concerned employee leaves the organization or is assigned to a position, which does not require the use of the manual. Unauthorized use or copying of the manual is strictly prohibited.

USING THE MANUAL

This section describes the basis to use Financial Management Manual effectively.

HEADER

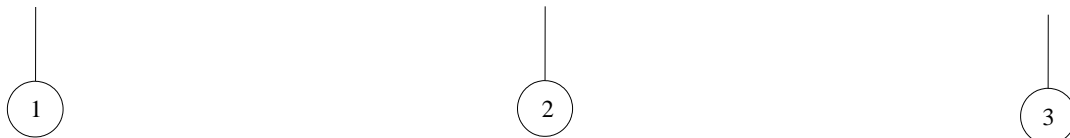


FOOTER

Issue Date:

Revision Date:

11



**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

THE ORGANIZATION

THE ORGANIZATION

INTRODUCTION

Trust for Democratic Education and Accountability ("TDEA") was established under the Trust Act 1882 on 11 October 2008. TDEA is situated at Building 1, Street no 5, G-7/2, Off jasmine Road, Islamabad.

THE MAIN OBJECTIVES OF TDEA:

The main objective of the organization can be elaborated as follows:

The objectives of TDEA are as follows:

- To educate people irrespective of age, gender, race, ethnicity, creed or religion about their democratic rights and responsibilities and the significance of engaging in all forms of democratic processes for democratic governance.
- To engage people and civil society in carrying out democratic accountabilities such as election observation, oversight of legislatures, government oversight and any other such activities as may be decided by the Board.
- To undertake research and bring out periodic print and online publication in areas it deems fit in order to inform its work and for democratic education of general public: and
- To build capacity of civil society organizations and their networks working for the advancement of democratic awareness, education and participation of general public.²

¹ Added Clause in Twenty First Meeting of Board of Trustees, Resolution No: bot21/04/15

² Added Clause in Twenty First Meeting of Board of Trustees, Resolution No: bot21/04/15

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

FINANCE AND ACCOUNTS DEPARTMENT

FINANCE AND ACCOUNTS DEPARTMENT

FINANCE & ACCOUNTS DEPARTMENT

This manual outlines the standard operating policies and procedures of F&A functions thereby containing detailed procedures and principles for preparation of financial statements and other financial information of TDEA. F&A dept. undertakes the financial and accounting functions relating to collection, recording, classifying, summarizing, analyzing and reporting of financial information.

OBJECTIVES OF F&A DEPARTMENT

The F&A dept. performs dual functions of financial management and accounting and reporting of financial information up to the satisfaction of its stakeholders by meeting international best practices prevailing across the world. In this regard, F&A dept. shall work to achieve the following objectives:

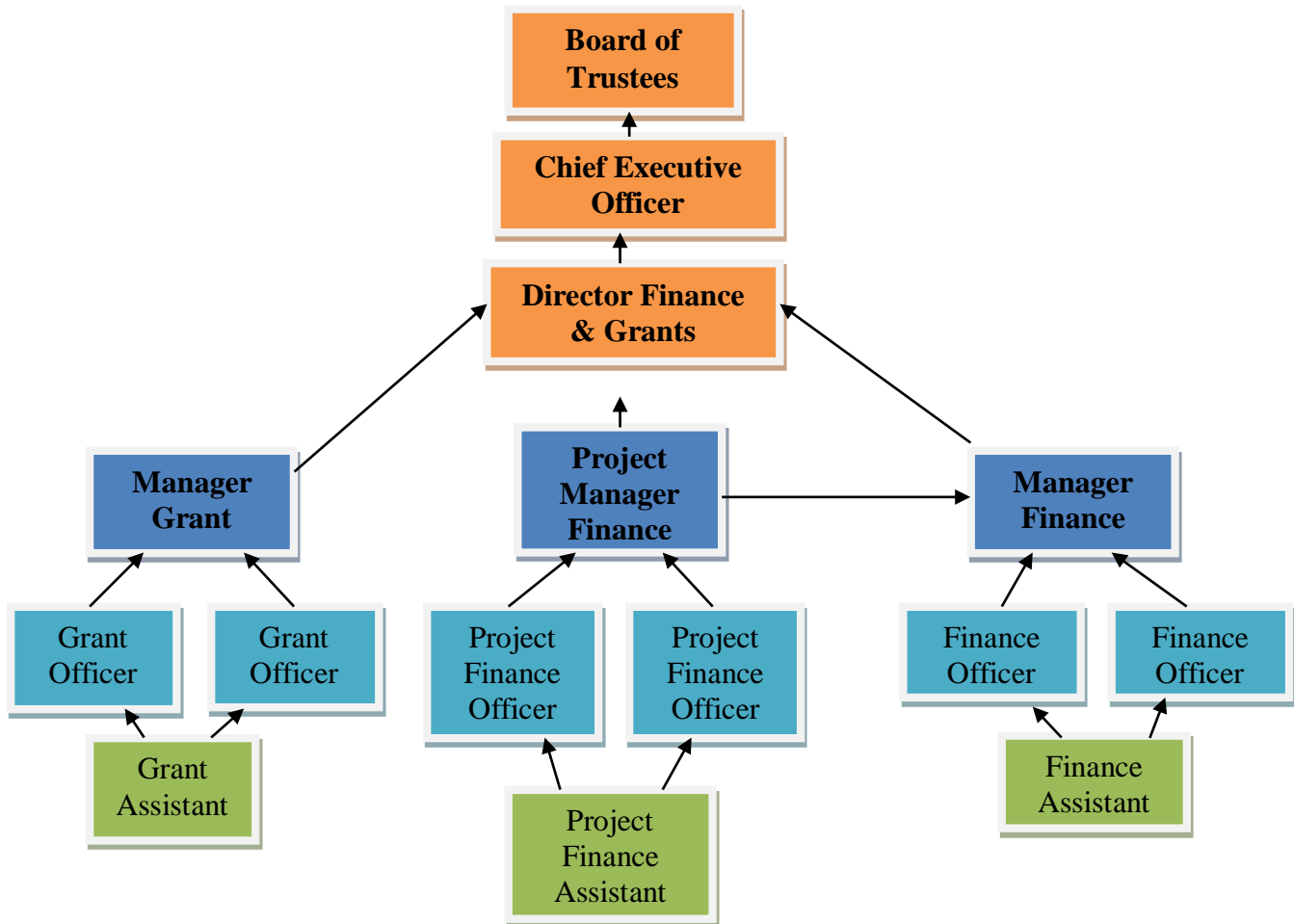
- To identify all the relevant processes underlying the preparation of the Financial Statements;
- To identify the reports along with the periodical submission timelines, which are to be generated by F&A Dept. to assist management in decision making and to assist in the monitoring of the grants provided;
- To identify the responsibilities of F&A personnel in respect of respective reporting responsibilities;
- To ensure that F&A personnel discharge their responsibilities in accordance with the guidelines provided in this manual; and
- To ensure that delegation of duties and authorities has been properly done to facilitate personnel in performing their due roles effectively.

FINANCIAL MANAGEMENT

FINANCE AND ACCOUNTS DEPARTMENT

DEPARTMENTAL STRUCTURE OF F&A DEPARTMENT

The functional organogram of F&A Dept. is presented below reflecting the reporting lines of all the related positions:



in case of absence of CEO, all powers related to Finance and Accounts activities as mentioned in this Manual shall be performed by the Director Finance & Grants.

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

KEY POSITIONS AND RESPONSIBILITIES

KEY POSITIONS & RESPONSIBILITIES

Below are the descriptions of the key positions in the F&A Dept. and the organization. The descriptions include the reporting lines for these positions and broad terms of duties.

FINANCE AND ACCOUNTS (F & A)

Following are the TORs of the F&A approved by the Board and need to be taken into account:

- The F & A shall be responsible for making recommendations to the Board of Trustees of TDEA;
- Reviewing Annual Budget in detail for submission to the Board for approval;
- Reviewing TDEA Financial and Accounting Policies from time to time;
- Suggesting strategic plans in terms of financial sustainability of TDEA;
- Reviewing budget utilization on a quarterly & six monthly basis;
- Assessing the proposals for investments and selecting the options;
- Reviewing draft audited accounts, board letter and auditor's report along with the detailed Management Letter of the auditors and making recommendations to the Board;
- Reviewing pay scales and employees rules and making recommendations to the Board for approval;
- Approving procurements/investments as per "delegation of authority "; and
- Any other task that may be assigned by the Board of Trustees of financial matters.

DIRECTOR FINANCE AND GRANTS

DFG shall report to, CEO. The duties of DFG shall include but are not limited to:

- Primary responsibilities shall include conducting the monthly operations review, identification of areas for cost reductions and operational improvements, annual budget process, periodic forecasting, and periodic analysis of operational performance;
- Provide support to CEO and projects, through information analyses (e.g. current processes, actual performance vs. budget and prior year budget, etc.);

FINANCIAL MANAGEMENT

KEY POSITIONS & RESPONSIBILITIES

- Ensure preparation of periodic reports regarding TDEA's progress towards its goals, including updating and making changes as required by the Board;
- Ensure the achievement of TDEA's mission on time and within budget by monitoring the implementation of effective internal controls (Standard Operating Procedures) and also assess credibility of controls through internal and external audits;
- Preparation of operational data/analysis for publication on various programmes throughout TDEA (Management, Donor Funds, Consultancy Income, Operations, etc.) for CEO, and Board who rely on/benefit from the information to make informed business decisions;
- Ensure arrangements and timely completion of external audit and facilitate the monitoring visits and audits by funding agencies and donors;
- Ensure that all operations and activities of TDEA are conducted in accordance with laws, regulations, TDEA's code of business conduct, Corporate Governance, sound business practices, and other policies, procedures and practices approved by the Board;
- Oversee the compliance with different government departments (SECP, Tax, etc.) for matters pertaining to legal and operational aspects of TDEA;
- Formulating strategic and long-term business plans and shall identify the liquidity requirements and surplus funds available for timely investment purposes;
- Oversee the preparation of year-end financial statements in compliance with the local governing laws and regulations in a timely manner; and
- Any other duty as prescribed in this Financial Management Manual and as CEO and Board shall assign to perform.

MANAGER FINANCE AND ACCOUNTS - TDEA

Manager Finance and Accounts shall be reportable to DFG. The MFA roles and responsibilities shall include but are not limited to:

- Provision and interpretation of financial information, analyzing change and advise accordingly;
- Monitoring and interpreting cash flows and predicting future trends;
- Conducting reviews and evaluations for cost-reduction opportunities;
- Managing TDEA's accounting, monitoring and reporting systems;

FINANCIAL MANAGEMENT

KEY POSITIONS & RESPONSIBILITIES

- Updates in Fixed Asset register and proper calculation of impairment, revaluation etc. under specific provisions of International Financial Reporting Standards;
- Preparation of annual financial statements according to the governing laws and regulations and necessary calculations at year-end as prescribed in this manual;
- Supervise the transfer of assets among different departments;
- Shall supervise that the annexure are being used properly and the approval of respected authorities;
- Producing accurate periodic reports as prescribed in this manual to specific deadlines;
- Review, consolidation, amendments and presentation of budgets;
- Supervision of updates in Computerized Accounting and Financial Information System (Quick Books Business One);
- Assisting DFG in Tax matters;
- Supervise the functioning of Finance and Accounts department;
- Preparation of Financial Statements of TDEA and coordination with External and Donor agency audit; and
- Any other duty as prescribed in this Financial Management Manual and MF delegate him to perform.

FINANCE AND ACCOUNTS OFFICER

Finance and Accounts Officer shall be reportable to MF, his/her role and responsibilities shall include but are not limited to:

- Ensure proper accounting, book keeping and financial management of the programme;
- Compile and sort documents and preparation of documents such as invoices, cheques and substantiating business transactions;
- Deposit of banking instruments and maintenance of records;
- Verify and enter details of business transactions, such as funds received, disbursed and update accounting books;
- Compute and record charges, refunds, rentals, and similar items;

FINANCIAL MANAGEMENT

KEY POSITIONS & RESPONSIBILITIES

- Computation and recognition of indirect cost recovery, timely ascertainment of profit on bank deposits, calculation of gain or loss on foreign currency conversion etc.;
- Preparation of Bank Reconciliations for projects by Project Officer;
- Effectively coordinate for communication with banks, vendors and project teams;
- Finance Officer shall Coordinate for preparation and Project FM shall prepare and amend budgets;
- Perform monthly payroll calculations and arrange for funds to be transferred to employee accounts;
- Preparation of annual physical count reports, maintenance of cheque book and cheque book register and other correspondence related to banks;
- Deduction of tax, preparation of tax statements and maintenance of tax records;
- For projects, Project FO shall prepare bank and payroll reconciliation for review;
- Preparation of financial and other periodic reports for TDEA and Donors;
- Coordinate with external and internal auditors as specified by PO F&A and MF; and
- Any other duty which Finance and Accounts Officer and MF assign them to perform.

ASSISTANT FINANCE OFFICER(S)

Assistant Finance Officer(s) are reportable to Finance and Accounts Officer and MF (when required), their roles and responsibilities are include but not limited to:

- Verify and post details of business transactions, such as funds received and disbursed;
- Verification of computed charges/interests, refunds, rentals and calculation of gain or loss on disposal and similar items;
- Effectively communicate with banks, vendors, project teams and FO/Project FOs;
- Perform Bank Reconciliation, monthly payroll reconciliation and arrangements for funds to be transferred to employee accounts;

FINANCIAL MANAGEMENT

KEY POSITIONS & RESPONSIBILITIES

- Perform physical count and coordination for preparation of report;
- Coordinate for preparation, review, amendments and presentation of budget;
- Coordinate with external and internal auditors;
- Preparation and coordination for preparation and review of periodic reports for donors as specified in donor agreements;
- Maintain/Update Computerized Accounting and Financial Information System (Quick Books Business One); and
- Any other duty as prescribed in this Financial Management Manual and as PO F&A and Manger Finance assign him to perform.

GRANT MANAGER

As defined in Grants Manual

GRANT OFFICER (S)

As defined in Grants Manual

GRANT ASSISTANTS (S)

As defined in Grants Manual

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

**BASIS FOR THE PREPARATION OF FINANCIAL
STATEMENTS**

BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

BASIS OF MEASUREMENT

The objective of designing this framework is to assist those who are responsible for the preparation of the financial statements, to improve the quality of financial reporting by TDEA, thereby providing adequate information to the users of the financial statements.

Financial statements also show the results of the stewardship of management, and the accountability for resources entrusted to the management. Those users who wish to assess the stewardship or accountability of management do so in order that they may make economic decisions on, for example, whether or not to finance activities to be carried out by TDEA.

Financial Statements shall be prepared using the accrual basis of accounting except for cash flow information.

Financial year of TDEA shall be a period for twelve (12) months commencing from July 01st of each year and ending on June 30th of next year. Financial Statements shall be prepared accordingly.

ACCOUNTING CONVENTION

Financial statements shall be prepared under the historical cost convention except for staff retirement benefits which shall be measured by using actuarial assumptions.

FIXED ASSETS AND DEPRECIATIONS

ASSET CAPITALIZATION POLICY

The objective of this policy is to ensure that TDEA follows a uniform policy for capitalization of its fixed assets.

Each item of Fixed Asset costing PKR 10,000 and above and having a useful life of more than one year shall be capitalized and depreciated over its estimated useful life. All fixed assets capitalized shall be included in the Fixed Assets Register. Items costing less than PKR 10,000 or having a useful life of less than one year shall be charge as an expense in the year of purchase. Fixed assets shall be stated at cost less accumulated depreciation and any recognized impairment losses.

FINANCIAL MANAGEMENT

BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Normal repairs and maintenance shall be charged to income as and when incurred whereas major renewals and improvements shall be included in as asset's carrying amount or shall be recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other expenses shall be charged to income during the period in which they are incurred.

ASSET DISPOSAL

Any asset that has become redundant for use due to any reason (e.g. a new asset has been purchased to replace the existing one) shall be disposed.

TDEA's Procurement Committee shall be responsible for managing the disposal of the respective asset. The concerned asset can either be sold in the open market by way of advertising in the newspaper, or to employees at market price or as decided by the management of TDEA from time to time.

Gain or loss on sale or disposal of fixed assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) shall be recognized in the period of its occurrence.

▪ **DE-RECOGNITION**

An item of property and equipment shall be derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) shall be recognized in the period of its occurrence.

▪ **DEPRECIATION**

Useful lives shall be determined by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

TDEA shall review the appropriateness of the rate of depreciation, useful lives and residual values used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets shall be made for possible impairment on an annual basis. In making these estimates, TDEA shall use the technical resources available with the Trust.

The assets' residual values, useful lives and methods shall be reviewed, and adjusted if appropriate, at each financial year end. The effect of any adjustment to residual values, useful lives and methods shall be recognized prospectively as a change of accounting estimate.

FINANCIAL MANAGEMENT

BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Depreciate shall be charged applying the reducing balance method whereby the cost of an Asset shall be written off over its estimated useful life. Full month's depreciation is charged in the month of Purchase while no depreciation is charged in the month of disposal TDEA shall use the following rates for the calculation of depreciation.

SR. NO.	DESCRIPTION	DEPRECIATION RATE (%)	ESTIMATED USEFUL LIFE (YEARS)
1	Building	5%	20
2	Motor vehicles	20%	05
3	Fixtures & Fittings	45%	10
4	Computer Equipment	65%	3
5	Office Equipment	45%	6.67
6	Lease hold Improvements	35%	5
7	Mobile phones	75%	3 ³

REVALUTION

³ Added Clause in Twenty Fifth Meeting of Board of Trustees, Resolution No: bot25-07/17-01

Before Amendment

SR. NO.	DESCRIPTION	DEPRECIATION RATE (%)	ESTIMATED USEFUL LIFE (YEARS)
1	Building	5%	20
2	Motor vehicles	20%	05
3	Fixtures & Fittings	10%	10
4	Computer Equipment	33%	3
5	Office Equipment	15%	6.67

FINANCIAL MANAGEMENT

BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Subsequent to initial recognition of an asset, it may be carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, provided that fair value can be measured reliably.

IMPAIRMENT

The carrying amount of TDEA's assets shall be reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount shall be estimated in order to determine the extent of the impairment loss. Impairment loss is recorded on a judgmental basis, for which, provisions may differ in future years based on actual experience.

RELATED PARTY TRANSACTIONS

- TDEA shall disclose all the transactions with the related parties which includes the nature of related party relationship as well as information about the transactions and outstanding balances;
- The related parties shall comprise of:
 - Projects/Partner Organizations working under the umbrella of TDEA;
 - The Trustees, key management personnel and entities over which the directors are able to exercise significant influence;
 - The Employees' Provident Fund.
- Remuneration of the CEO shall be disclosed in notes to the financial statements of TDEA;
- All transactions involving related parties shall be entered under contractual terms and conditions subject to the approval of the BoT;
- Some of the related party transactions that TDEA may enter into are as follows:
 - Purchases or sales of goods on behalf of its related parties;
 - Purchases or sales of property and other assets;
 - Rendering or receiving of services on behalf of related parties;
 - Lease agreements on behalf of related parties;
 - Provision of guarantees or collateral on behalf of related parties;
 - Commitments on behalf of related parties; and
 - Settlement of liabilities on behalf of related parties.

FINANCIAL MANAGEMENT

BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

INTANGIBLE ASSETS AND AMORTIZATION

Intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets includes software, patents, copyrights, motion picture films, customer lists, mortgage servicing rights, licenses, import quotas and franchises which shall be stated at its cost less accumulated amortization.

SHORT TERM DEPOSITS

HELD-TO-MATURITY

Any investments with fixed maturity, where TDEA has both the intent and the ability to hold to maturity, are classified as held-to-maturity and the organization carried at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method. For investments carried at amortized cost, gains and losses are recognized in the income and expenditure account when the investments are derecognized or impaired, as well as through the amortization process. Interest earned or incurred is recorded in "Interest Income" in income and expenditure account. Assets in this category are included in the current assets except for maturities greater than 12 months which are classified as non-current assets.

GENERAL AND SPECIFIC PROVISION

TDEA shall recognized a provision in the balance sheet when the Trust has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Estimates of the amount of provisions and liabilities recognized shall be based on current legal and constructive requirements. Because actual outflows can differ from estimates due to changes in circumstances, the carrying amounts of provisions and liabilities shall be regularly reviewed and adjusted to take account of such changes.

ADVANCES AND OTER RECEIVABLES

These shall be recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Known impaired receivables shall be written off when identified. However, doubtful receivables or recoveries shall be fully provided for.

FINANCIAL MANAGEMENT

BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, at banks and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment that has a maturity of three months or less from the date of acquisition shall qualify as a cash equivalent.

ACCRUALS, LIABILITIES AND OTHER PAYABLES

Liabilities for trade and other amounts payable shall be carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Trust.

REVENUE RECOGNITION

GRANTS

Grant shall be recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

▪ CAPITAL GRANTS

Grants received for purchase of fixed assets shall be initially recorded as deferred revenue income upon receipt. Subsequently, these shall be recognized in the income and expenditure account, on a systematic basis over the periods necessary to match them with the carrying value of the related assets.

▪ REVENUE GRANTS

Grants of a non-capital nature shall be recognized as deferred income at the time of their receipt. Subsequently, these shall be recognized in the income and expenditure account to the extent of actual expenditure incurred. Expenditure incurred against grants committed but not received, shall be recognized directly in the income and expenditure account and reflected as a receivable from donors.

INTEREST INCOME

Profit on bank deposits and term deposits received during the year shall be recognized as income as and when received. Whereas, profits accrued at the yearend shall be recognized on a time proportionate basis using the effective interest rate method.

CONSULTANCY INCOME AND MANAGEMENT/SUPERVISION FEES

Income generated from management/supervision and consultancy services shall be recognized as income when the related services are provided.

FINANCIAL MANAGEMENT

BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

RENTAL INCOME

Rental income arising from operating leases shall be accounted for on a straight line basis over the lease term. Incidental expenses and lease incentives granted shall be recognized as an integral part of the total rental income, over the term of the lease.

INVESTMENT PROPERTY

The Trust shall apply the cost model on its investment property. Accordingly, investment property shall be stated at cost less accumulated depreciation and impairment losses, if any. Cost shall comprise acquisition and other directly attributable costs.

Depreciation shall be calculated on the cost of the building using the reducing balance method and shall be charged to the income and expenditure account to write-off the depreciable amounts over the estimated useful life of the investment property.

Depreciation on additions shall be charged from the date of the addition till the date of disposal. Renewals and replacements shall be recognized in the carrying amount of investment property, if it is probable that the future embodied economic benefits will flow to the Trust. Other maintenance and repairs shall be charged to the income and expenditure account as and when incurred. Gains or losses on disposal shall also be taken to the income and expenditure account.

FOREIGN CURRENCY TRANSACTIONS

The financial statements shall be presented in Pak Rupees, which shall be the Trust's functional and presentation currency. Foreign currency transactions during the year shall be recorded at the spot rate on the date of the transactions. Monetary assets and liabilities in foreign currencies shall be translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation shall be taken to income or deferred revenue grant as appropriate.

STAFF RETIREMENT BENEFITS

DEFINED CONTRIBUTION PLAN

The Trust operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the Trust and the employees, to the fund at the rate of 4.17% of the basic salary of employees. The liability in respect of provident fund shall be recognized at the fair value of contribution outstanding.

DEFINED BENEFIT PLANS

The Trust shall operate a funded gratuity scheme for all its eligible employees. The liability recognized in respect of gratuity shall be the accumulated value of the defined

FINANCIAL MANAGEMENT

BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

benefit obligation under the scheme at the reporting date less any provision created for gain/loss.

The gratuity obligations shall be calculated at one (1) gross salary per year calculated at 1/12 each month. In order to streamline the charging of costs, charging of gratuity will start before the employees complete the qualifying period. The gratuity is charged to the respective cost center where the employee is charged on monthly basis and at the year-end a provision is created for adjustments to the cost center. In cases where employees leave the organization before their eligibility period expires, a credit will be given to the cost center. In case of transfer of eligible employee to another project at a higher salary, the differential increase in gratuity will be charged to the new project/ cost center. The gratuity fund is invested in high quality Government securities, TDRs which have terms to maturity approximating to the terms of the related obligation.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities shall be recognized when the Trust becomes a party to contractual provisions of the instrument. These shall be initially measured at cost which is the fair value of the consideration given and received, respectively. These financial assets and liabilities shall be subsequently measured at amortized cost. The Trust shall derecognized financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments.

OFF-SETTING

Financial assets and liabilities shall be set-off in the balance sheet, only when the Trust has a legally enforceable right to set-off the recognized amounts and intends, either to settle them on a net basis, or to realize the assets and settle the liabilities, simultaneously.

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

**CHART OF ACCOUNTS AND QUICK BOOKS
MAINTENANCE**

CHART OF ACCOUNTS AND QUICK BOOKS MAINTENANCE

With QuickBooks we can track what's owed and who owes it, and then expend time and effort to collect it. All of the effort you spend on the money your customers owe you is called tracking accounts receivable (or, more commonly, tracking A/R).

QuickBooks offers several tools and reports that simplify this necessary chore. The real value in accounting software is the reporting power. The reports you create in QuickBooks are reports you'd have to spend hours generating if you were using a manual bookkeeping system or tracking amounts in a spreadsheet. Additionally, in QuickBooks you can change, customize, and manipulate these reports to get all sorts of information about your business.

POLICIES

01. Each project maintains its separate books for each donor, which are subsequently consolidated at Head Office level by MF.
02. Manager Finance shall be responsible for financial maintenance of Accounting software (i.e. QuickBooks) regarding that project;
03. Chart of Accounts (COA) shall form the basis of financial records of TDEA;
04. DGF shall review the COA for each project at least once a year;
05. Manager Finance shall be responsible for proper implementation and usage of COA in his own project and also ensure that COA is in line with other projects;
06. The GL shall be the primary information repository for TDEA's activities. Accordingly, the GL's coding structure and values (its "chart of accounts") must be maintained accurately to ensure the integrity of TDEA's financial reporting;
07. Any modifications (additions, deletions or changes) to the COA shall be with the approval of Manager Finance but if the modification is not in line with COA of other projects then approval of DGF shall also be required.

PROCEDURES

QUICK BOOKS MAINTENANCE

01. QuickBooks Maintenance shall be carried out by Finance Officer of relevant project includes following functions:

FINANCIAL MANAGEMENT

CHART OF ACCOUNTS AND QUICK BOOKS MAINTENANCE

- COA maintenance;
 - Implementing partners;
 - Utilities; and
 - Other financial functions as specified in different sections of this manual.
02. All changes on account of QuickBooks maintenance shall be verified by Manager Finance before being carried out.

PREPARATION AND AMENDMENT OF COA

01. All accounts shall have titles and numbers that indicate specific ledger accounts such as Cash, Furniture (Fixed Assets), Accounts Payable, etc.;
02. Accounts shall be arranged in the same sequence in which they appear in the financial statements, i.e., asset accounts should be numbered first, followed by Long term liability, current liability, retained earnings, Endowment fund, Revenue or expense accounts as follows:

DESCRIPTION	ACCOUNTS
Petty Cash	12000
Bank Accounts	13000
Accounts Receivables	11000
Current Assets	14000
Non-Current Assets	15000
Current Liabilities	16000
Long Term Liability	17000
Retained Earnings	31000
Endowment Fund	32000
Revenue/Grants	41000
Expense	60000

FINANCIAL MANAGEMENT

CHART OF ACCOUNTS AND QUICK BOOKS MAINTENANCE

03. Unassigned number sequences shall be left open within each group of accounts to provide for additional accounts which may be added later;
04. Each account shall be given a short title description that is brief but allows the reader to quickly ascertain the purpose of the account;
05. In case of an amendment (addition/ deletion/ editing), relating to a head of account, Manager Finance shall amend it and subsequently, after getting approval from the DGF, the COA shall be updated in the Accounting Software to facilitate working of other employees;
06. The F&A staff shall also be informed and trained, if required, on how to operate the new/amended COA under the supervision of Manager Finance;
07. Account codes shall only be closed / inactivated with the approval of Manager Finance. In case of Main Accounts, approval of DGF shall also be required; and
08. **Account Code:** Account code explains the nature and category of the account i.e. fixed asset, current asset, Long term liability, current liability, retained earnings, Endowment fund, Revenue or expense.

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ACCOUNTABILITY**

RECORDING OF TRANSACTIONS

RECORDING OF TRANSACTIONS

POLICIES

01. The F&A department shall be responsible for the generation and proper posting of Journal entries to the GL and for the maintenance of the accounts to ensure accuracy, validity and reliability of financial records.
02. This policy shall apply to all F&A staff with involvement in recording the accounting transactions.
03. Following types of vouchers/documents shall be used for the recording of accounting transaction in QuickBooks:
 - Payment (Bank and Cash Payment Vouchers)
 - Incoming Payment (Bank and Cash Receipt Vouchers)
 - Journal Voucher

PAYMENTS

All payments shall be made after the approval of payment vouchers supported by bills and/or other relevant documents as per the authority limits given below. Such supporting documents shall be checked by the designated person in the Finance Unit (Finance Officer) prior to their submission for approval of payment before the approving authority.

Following types of transactions shall be recorded through Purchase orders in QuickBooks:

- All Payments to Vendors (suppliers, Service Providers, Consultant) ;
- All Payments that have WHT Effect
- Advances to Organization involving GL Accounts e.g., Advance payment to Partner Organizations etc.
- All Advances to Staff (Personal and Operational);
- All Utilities payments;
- Payment of Tax withheld from different vendors and employees;
- Payments of Benefits deducted from employees' salaries i.e., Provident Fund, Severance, Leave encashment, and EOBI etc. and the employer's contribution related to these deductions;

FINANCIAL MANAGEMENT

RECORDING OF TRANSACTIONS

- Any account settlement or payment on account to Partner Organizations. All Reimbursements e.g., Reimbursement to Partner Organizations, Employees;
- Payment of Management Fee / Indirect Cost.

There are two ways to pay vendors in QuickBooks: You can enter the bill you received into QuickBooks and then pay it later, or you can simply write a check without entering a bill. This chapter covers paying vendors, either by paying the bills you entered into QuickBooks or writing a check without entering a bill first. It also shows you how to link expenses on those bills to customers, so you can later send an invoice to the customer in order to be reimbursed for the vendor expense. Some businesses don't use A/P; they don't enter vendor bills at all. They pay bills using direct disbursements, which mean using the Write Checks feature. Most businesses use a combination of bills and direct disbursements. They enter bills when they receive a physical bill from a vendor and use a direct disbursement to pay vendors that don't send bills (such as rent, COD delivery charges, petty cash, and so on).

In making payments at TDEA, Finance Officer will print bank payment voucher detailing Payee name, Basic Description, Bank Account and Check number, then proper checks shall be prepared.

The screenshot shows the 'Bank Payment Voucher' form in QuickBooks. The form includes fields for Vendor, Class, Drop Ship To, Template, Date, and Voucher No. Below these is a table with columns for Account Code, Budget Code, Description, and Amount. At the bottom, there are checkboxes for 'To be printed' and 'To be e-mailed', a Memo field, and buttons for 'Save & Close', 'Save & New', and 'Clear'.

For Preparing Checks, Select "Write Checks" from the Home window, then following box will appear, and then fill it accordingly.

FINANCIAL MANAGEMENT

RECORDING OF TRANSACTIONS

Write Checks - Company Checking Account

Previous Next Save Print Find Journal Attach

Bank Account: Company Checking Ac... USD Ending Balance: USD 37,695.99

Pay to the Order of _____ No. To Print
Date: 02/01/2013
USD 0.00

Address _____ USD

Memo _____

Order Checks

Expenses: USD 0.00 Items: USD 0.00 Online Payment: ☒ To be printed: ☒

Account	Amount (...)	Me...	Customer:Job	B...	Class

Exchange Rate 1 USD = 1 USD

Clear Splits Recalculate Save & Close Save & New Clear

RECEIPTS

TDEA shall receive funds from:

- its donors as per the provisions of contract/ agreement of funding;
- donations;
- membership fees;
- reimbursement of various funded activities;
- profit on investments;
- sale of assets; or
- Others

All revenues shall be properly documented; responsibility of documentation lies with the Manager Finance or the designated person(s). All receipts through cash, cheque or other instruments shall be promptly documented in the respective book along with the relevant voucher and other details in following section of QuickBooks.

FINANCIAL MANAGEMENT

RECORDING OF TRANSACTIONS

Receive Payments

Previous Next Print History Journal Attach

Accept Payments

Add credit card processing
Set Up Recurring Payments
Add eCheck processing

Manage Payments

Edit payment preferences
Payment Snapshot

Processing Options

From your web site
From your mobile phone
From your e-mailed invoices

Close Toolbar

Customer Payment

Received From: [Dropdown] Customer Balance: USD 0.00
Amount: USD 0.00 Date: 12/15/2012
Exchange Rate 1 USD = 1 USD
Pmt. Method: Check Check #: [Field]
Memo: [Field] [Where does this payment go?](#)

☐ Process payment when saving

Find a Customer/Invoice...

Date	Number	Orig. Amt.	Amt. Due	Payment
Select the customer or job in the Received From field				
Totals USD			0.00	0.00

Amounts for Selected Invoices

Amount Due	USD	0.00
Applied	USD	0.00
Discount and Credits Applied	USD	0.00

Auto Apply Payment
Discount & Credits...

Save & Close Save & New Clear

Receiving Cash Donations:

Donations that were not invoiced may enter them in QuickBooks either as a deposit or a cash sale. To enter a cash receipt, select "Enter Sales Receipts" from the "Customers" menu. Select the "Custom Sales Receipt" or any other sales receipt template

Enter Sales Receipts

Previous Next Save Print E-mail Ship Find Spelling History Journal

Accept Payments

Add credit card processing
Set up recurring charges
Add eCheck processing

Manage Payments

Edit payment preferences
Payment Snapshot

Processing Options

From your web site
From your mobile phone
From your e-mailed invoices

Close Toolbar

Customer: Job Class [Dropdown]

Template: Print Preview
Custom Sales Receipt

Date: 12/15/2012 Sale No.: Deposit

Sold To: [Field]

Check No.: [Field] Payment Method: [Dropdown]

Item	Description	Qty	Class	Rate	A.	Tax
Customer Message [Field]						
Exchange Rate 1 USD = 1 USD					Tax: Sales Tax (6.25%) ...	
Total					...	

☒ To be printed ☐ To be e-mailed Customer Tax Code [Dropdown] Memo [Field]

Add Time/Costs...

☐ Process payment when saving

Save & Close Save & New Clear

Recording Donated Goods and Services Nonprofit organizations often receive donated goods and services. Donated goods should be recorded as revenue and as inventory or expense (whichever is appropriate) at fair value in the period they are received. Donated services should be recorded at fair value if the services (a) create or enhance a nonfinancial asset or (b) involve specialized skills, provided by entities possessing those skills that would be purchased if they were not donated. Donated services are recorded as revenues and as additions to nonfinancial assets (if related to a nonfinancial asset) or expense. The best way to record donated goods and services in QuickBooks is through a journal entry. To record a journal entry, select “Make General Journal Entries” from the “Company” menu.

Make General Journal Entries

Previous Next Save Print... Find History Reverse Reports Attach

Date: 12/31/2012 Entry No.: DEPR13 ☐ Adjusting Entry

Account	Debit	Credit	Memo	Name	Billable?
Depreciation Expense	76.92		Dec03 Depr Expense		
Accumulated Depre...		76.92	Dec03 Depr Expense		
Totals	76.92	76.92			

Show List of Entries Save & Close Save & New Revert

JOURNAL VOUCHER

Following types of transactions shall be recorded through Journal Voucher in QuickBooks:

- All adjustments;
- Booking of payroll;
- Booking of vendor bills, where various business partners are involved e.g., booking of telecommunication bills, where expenses are over the approved limited of individuals are charged to their personal accounts (employee customer business partner);
- Conversion of funds from one currency to another;

FINANCIAL MANAGEMENT

RECORDING OF TRANSACTIONS

- All Entries involving inter project receivables/payables.

To record a journal entry, select “Make General Journal Entries” from the “Company” menu.

Account	Debit	Credit	Memo	Name	Billable?
Depreciation Expense	76.92		Dec03 Depr Expense		
Accumulated Depre...		76.92	Dec03 Depr Expense		
Totals 76.92 76.92					

POSTING TRANSACTIONS AND JOURNALS

The following functions shall be performed on a daily basis to update the GL:

- All transactions shall be properly coded as per the structure defined in COA section;
- All transactions shall be posted in **QuickBooks** using the vouchers/documents defined above;
- Adequate supporting documentation shall be prepared and maintained for each Journal Voucher and the following procedures shall be followed for processing of a Journal voucher;
- AFO/Project FO shall prepare a manual Journal Voucher;
- Finance Officer of that respective project shall verify the manual Journal Voucher. After the verification of FO F&A, he/she shall forward to MF for his/her approval;
- MF shall review manual Journal Voucher and forward it to Director Finance & Grants for approval;

FINANCIAL MANAGEMENT

RECORDING OF TRANSACTIONS

- DF&A shall forward the approved manual Journal Voucher to Finance Officer of respective project. Then, that Finance Officer shall post the approved Journal voucher in QuickBooks.

CONVERTING FOREIGN CURRENCIES

- Each time TDEA has a transaction (grant/funds received) in foreign currency, FAO/Project FAO shall translate the currency into PKR for recording of receipt using the foreign currency exchange rate prevailing on the day of transaction.
- The rate used by TDEA shall be taken from the relevant bank;
- While converting the receipts in PKR, exchange gain/loss may arise which shall be recorded as exchange gain/loss or deferred revenue grant as appropriate in the context of donor agreement;
- Manager Finance shall translate the year end balances of foreign currency at the closing rate of the day. The related gain/loss shall be recognized as exchange gain/loss or deferred revenue grant as appropriate in the context of donor agreement.

SOURCE DOCUMENTS REQUIRED FOR RECORDING OF TRANSACTIONS

- The F&A department shall use the following list as guidance for source documents required for recording of transactions.

DESCRIPTION	DOCUMENTS REQUIRED					
Procurement from non-qualified vendors	Purchase requisition	RFQs or quotation	Comparative Statements	Purchase Order	GRN	Invoice
Procurement from Pre-qualified vendors	Agreement / contract	Purchase Order	GRN	Invoice		
Payment against services	Agreement / contract	Service order	Services completion acknowledgment	Invoice		
Expenses	Agreement / contract	Original Bill / Invoice	Attendance sheets			
Staff Advances	Approved Advance request	Approved Travel request				

FINANCIAL MANAGEMENT

RECORDING OF TRANSACTIONS

Advances to Partner Organizations	Agreement / contract	Approved advance request	Recommend ation of Project / Activity Manager			
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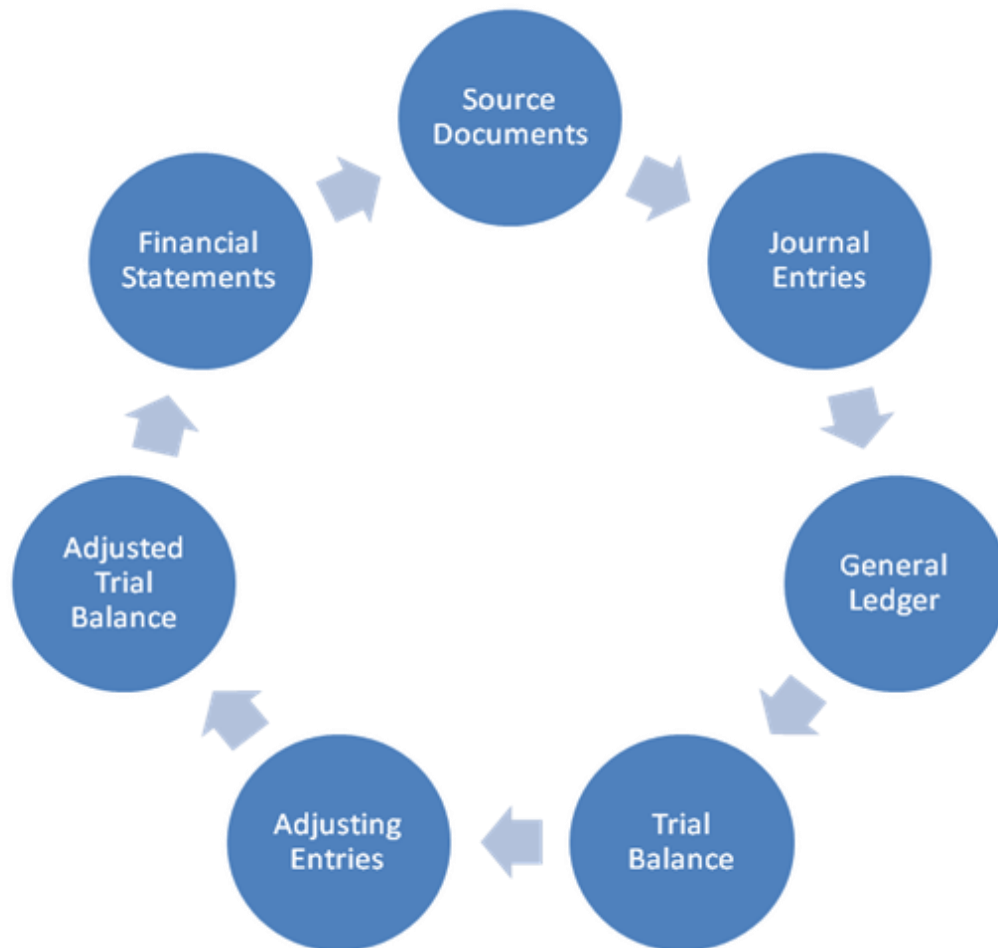
MANUAL VOUCHERS

- Following list of manual vouchers shall be used for recording of transactions.

MANUAL VOUCHERS	DESCRIPTION	PREPARED
JV	Journal Voucher	For non-cash/bank items of Income/ Expense or for Adjustment
BRV	Bank Receipt Voucher	When amount is received in bank
BPV	Bank Payment Voucher	When amount is paid through bank
CRV	Cash Receipt Voucher	When amount is received in cash
CPV	Cash Payment voucher	When amount is paid in cash

ACCOUNTING CYCLE

- Accounting cycle identifying different stages in the processing of a transaction is given below:



REGISTERS & BOOKS REQUIRED TO BE MAINTAINED AS PER TRUST ACT 1860

- TDEA shall maintain such Registers and Books at its office as may be required by the Trust Act 1860 from time to time. The Trust Secretary shall be responsible for maintenance of such Registers and Books. The Legal Advisor may be consulted by the Trust Secretary where needed.

RECORD MAINTENANCE

- TDEA shall maintain records of all the transactions for a period five years or as per requirements of the respective project / donor, whichever is higher.

CLOSING OF ACCOUNTS

FINANCIAL MANAGEMENT

RECORDING OF TRANSACTIONS

- Accounts shall be closed annually incorporating therein any adjustments as may be required.
- DFG shall present the financial statements bi-annually, as are prepared, before the Board in its meeting, held next to preparation of financial statements and shall brief the Board about the major variation in financial position and financial performance of organization as well as each project.

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BUDGETING

BUDGETING

BUDGETING

Planning is an important function in the preparation of an accurate and reliable budget. The planning phase of the budget process among others shall include:

- Setting out guidelines and preliminary assumptions for the budgetary exercise;
- Review of the budget package to incorporate any information, which may be required for various reporting purposes; and
- Incorporation of any changes in the budget package in line with changes in operational requirements.

POLICIES

- 01 BoT of TDEA shall approve the annual budget and any revisions made to it thereafter;
- 02 DFG of TDEA shall review the annual budget and recommend the same to the BoT of TDEA for approval;
- 03 The budget shall be prepared before the start of each financial year and shall be presented to the BoT by the DFG for approval;
- 04 Manager Finance, with the assistance of the Program Division shall prepare a consolidated activity/work plan for achieving the specified targets in accordance with timelines agreed through Implementation Plans submitted by HoDs/Project Managers and Partner Organizations;
- 05 Manager Finance shall be responsible for the consolidation of annual budget (core and projects) based on consolidated activity/work plan for presentation of the same to the DFG. DFG shall then present the same to CEO/Board;
- 06 After the end of first six (6) months, budgetary control procedures shall be applied to check if any revision is required in the annual budget;
- 07 If revisions are required, a revised annual budget shall be presented to the BoT for approval by the DFG, highlighting changes from the original annual budget and explaining the variances;
- 08 The revision request shall include details about the activities performed in the first six months and a variance report for the same with detailed reasons of variance and the proposed revisions in the budget for next six months;

- 09 At the end of financial year, TDEA shall have board meeting in which actual performance against the revised budget shall be presented by the DFG. In the same meeting, the annual budget of TDEA for the next financial year shall be approved;
- 10 The purpose of budgeting and budgetary control procedures shall be:
- To compare and monitor cumulative expenditure with the original (or revised) budget allocations;
- 11 Principal activities that shall be performed in the budgeting process are:
- Prepare annual activity/work plan and budget;
 - Prepare operational budgets; and
 - Record the original (or revised) budget for the financial year.

PROCEDURES

BUDGET PREPARATION

- 01 Budget preparation function shall be assigned as follows:

TASKS	PERFORMED BY
HoDs, Sector Heads, Project Managers, Partner Organizations asked for information on their activity/work plan	Finance and Accounts Officer / Project Finance and Accounts Officer
Preparation of draft budget estimates / Revisions – based on prior year's operational costs, signed project agreements, projects starting during the year, projects due to end during the year or projects for which proposals have been sent out	Finance and Accounts Officer
Review and consolidation of draft budget	Manager Finance
Review of consolidated draft budget	Director Finance and Grants and CEO
Finalization of Draft Budget	DFG

Final Approval of Budget and Revisions	BoT
Implementation and regular Monitoring	Manager Finance
Periodic Monitoring Report	DFG

- 02 Manager Finance / FAOs shall liaise with all HoDs, project heads and Partner Organizations to understand their respective activity/work plans. Project budgets shall be based on the agreements in hand and the proposals sent out or in pipe line; which shall be consolidated and made ready for the review of DFG; with any time apportionment done as necessary;
- 03 Subsequent to receipt of annual activity/work and staffing plans duly approved by the CEO, MF/Project MFs shall translate them into monetary terms and consolidate budgets of all the departments/projects;
- 04 MF/Project MFs shall ensure that the consolidated annual budget coincides with the consolidated activity/work plans approved by the CEO;
- 05 MF shall consider following matters while reviewing and finalizing the draft budget for presentation to the CEO/DFG:
 - Vision of TDEA;
 - Mission of TDEA;
 - Scope of budget; and
 - Annual Activity/Work and Staffing Plans.
- 06 DFG shall review the consolidated draft budget before it is presented to the CEO and the Board.

07

BUDGET APPROVAL

- 01 Consolidated Draft Budget as well as individual draft budgets of each Dept. and Project shall be presented before CEO by DFG for recommendation to the BoT for approval.
- 02 CEO shall discuss, review and recommend draft budgets to the BoT for approval. The CEO may ask for the amendments to the draft budgets;
- 03 MF/Project MFs shall incorporate the amendments as recommended by the CEO/DFG and shall prepare final draft of the budget;
- 04 Final draft shall be presented before BoT by the DFG for approval. The BoT shall approve the **Annual Budget Document “Annexure FM-01”**, which shall be circulated as follows:

Original	Chief Executive Officer
1 st Copy	DFG
2 nd Copy	Internal Audit Department
3 rd Copy	Finance and Accounts Department
4 th Copy	HoDs/Project Managers and Projects MF/FO

- 05 HoDs/Project Managers and Project Finance Officers shall be given only their respective approved budget plans whereas Internal Audit and F&A Departments shall be given departmental/project wise and consolidated budget plans.

BUDGET EXECUTION AND CONTROL

- 01 HoDs/Project Managers and MF shall ensure that activity plans are executed within the boundaries defined by the approved budget.
- 02 MF shall authorize incurrence of individual Dept.'s/project's operating/programme expenses only if they are in compliance with the approved budget.
- 03 A monthly management report demonstrating budgeted vs. actual expenditures shall be prepared by Project MF/FOs for projects and MF for TDEA core functions to identify and analyze major reasons for variance through **Budget vs. Actual Expenditure Report "Annexure FM-02"**.
- 04 The report shall first be presented by the FAO for review by MF. After the review of MF, FAO shall present the Monthly Budget vs. Actual Expenditure Report by the 10th of every month before the CEO/DFG for review and approval;
- 05 CEO/DFG may ask for additional information or reports based on the requirements of the Donor or Project. He/she may also require the justification for any significant variance in the monthly progress report against the approved budget. All such additional information and justification shall be provided by FAO after coordinating with the relevant Project Manager / Project MF.
- 06 MF shall present a bi-annual Budget vs. Actual Expenditure Report to the DFG for finalization and presentation to the BoT.
- 07 DFG shall present the bi-annual Budget vs. Actual Expenditure Report to the BoT. He/she shall brief the BoT on the variances in the budget during the first six months and shall also make recommendations on how to manage the variances in next six months.

- 08 Based on the recommendation of DFG, the BoT shall approve or reject the amendments in the budget for the next six months.

REVISION OF BUDGET

- 09 In case of any change in the activity/work plan due to any reason, HoDs/project Managers shall revise the budget before the end of first half of financial year and shall notify this envisaged revision to MF/Project MF through **Budget Revision Request Form “Annexure FM-03”**;
- 10 FAO shall review reasons for the proposed revision and shall forward his/her recommendations to MF;
- 11 MF shall review the proposed revision in accordance with the budget as approved by BoT/donors and availability of other financing resources;
- 12 MF may refuse the proposed revision and shall intimate the respective HoD/Project Manager of his/her decision. If MF approves the proposed revision, it shall be forwarded to the CEO/DFG for his/her approval;
- 13 CEO/DFG may refuse the proposed revision and shall intimate MF of his/her decision. If the CEO/DFG approves the proposed revision, changes approved shall be forwarded to the MF;
- 14 MF shall forward the agreed changes to the FAO for incorporation in the draft revised annual budget;
- 15 FAO shall prepare **“Consolidated Revised Budget Annexure FM-04”** and shall present the amended/revised draft annual budget to MF;
- 16 MF shall present the revised draft annual budget to the DFG for finalization;
- 17 DFG shall review the revised draft annual budget and BoT shall approve it on the recommendation of the DFG. After the approval of the BoT, revised annual budget shall be circulated as follows:

Original	Chief Executive Officer
1 st Copy	DFG
2 nd Copy	Internal Audit Department
3 rd Copy	Finance and Accounts Department
4 th Copy	HoDs/Projects Managers and Project Finance Officers

- 18 HoDs/Project Managers and Project Finance Officers shall be given only their respective revised budget plans whereas Internal Audit and F&A Departments shall be given departmental/project wise and consolidated revised budget plans.

19 IMPLEMENTING OFFICE COSTS (IOC)

Description:

Implementing Office Costs (IOC) represent a prorated share of the operating costs of the implementing office supporting the project. The operating costs of the implementing office are classified as direct costs. For proposal budgeting, IOC rates are based on the implementing office's most recent annual budget. However, **only actual implementing office costs incurred are distributed to projects, using the ratio of actual direct hours worked on the office's projects. The donor is charged only these actual costs.**

IOC is divided into two components: facilities cost and logistics costs. Facilities costs include (but are not limited to) rent, utilities, communications, office supplies, expendable equipment, depreciation on capital office assets such as furniture, and amortization on leasehold improvements, if any. Facilities costs are charged only for staff working in or otherwise using the implementing office. These costs are allocated to projects based on level of efforts (LOE) which is calculated as the number of hours worked by staff assigned to the office or unit. Again, only actual time spent is claimed (this is important to emphasize in the case of staff working part time on the project).

Logistics costs include all other normal and necessary operating costs of an implementing office including, but not limited to, administrative labor, insurance, security and miscellaneous costs.

Budgeting Implementing Office Costs (IOC):

The IOC is budgeted on the projected expenditure that the implementing office would incur during the fiscal year. This cost pool is apportioned to all projects which the staff record time against during the relevant fiscal year. As mentioned above, this would only be an estimate, because a project's share of the IOC pool will change as each project is charged by ratio for their staff time devoted to that project during the month.

Charging of IOC:

The actual IOCs vary month by month as they are based on actual expenses. Each month the IOC is distributed by the time (number of direct hours) that the staff charges to the projects.

20 COSTING POLICY

All common expenditure shall be charged to the project budgets on pro-rata basis. Common expenditure includes those costs which cannot be separated or which are incurred irrespective of the project activity. Examples of common expenditure and methodology for allocation are given below:-

Cost item	Cost per program varies with...	Possible cost driver (units)
Salaries/benefits of staff members who work on more than one program (on activities identifiable by program)	Time required of staff member	<ul style="list-style-type: none"> Hours spent by the staff member on each program / total hours worked by the staff member/ Number of hours spent for a project
Salaries/benefits of staff members who work toward general organizational initiatives (not identifiable by program)	Time required of staff member (if possible to allocate by program); otherwise, size of program	<ul style="list-style-type: none"> Hours spent by the staff member on each program / total hours worked by the staff member (if identifiable) Proxy drivers: For marketing, number of beneficiaries/ total beneficiaries; For fundraising, finance, and management, total costs of program/ total costs of organization; For human resources, size of staff on program/ total staff Number of hours spent for a project
Office space rent and facilities maintenance	Number of people; amount of space utilized	<ul style="list-style-type: none"> Number of office staff in each program / total staff Sq. ft. occupied per program / total sq. ft.
Utilities	Utilities used	<ul style="list-style-type: none"> Number of office staff in each program / total office staff
Supplies	Supplies used	<ul style="list-style-type: none"> Supplies ordered by program/ total supplies

		<ul style="list-style-type: none"> Other potential drivers, depending on the supply category (paper, toner, stamps, ...) Total project cost
IT hardware and maintenance	Number of people using IT equipment; units of equipment requiring service	<ul style="list-style-type: none"> Number of laptops used by program / total laptops Proxy drivers: number of staff per program / total staff
IT software licenses	Number of licenses required	<ul style="list-style-type: none"> Number of software licenses utilized by program/ total licenses Proxy driver: flat allocation across programs
Depreciation (equipment)	Equipment used	<ul style="list-style-type: none"> Amount of equipment ordered by program / total equipment Hours that the equipment is used by each program / total hours used
Legal fees	Hours of legal services required	<ul style="list-style-type: none"> Legal hours billed by program/ total hours billed by organization Proxy drivers: flat allocation across programs
Shared marketing materials and advertising costs	Materials printed; number of advertisements; number of beneficiaries	<ul style="list-style-type: none"> Materials ordered by program/ total materials (if available) Advertisements produced for each program / total ads (if available) Proxy driver: number of beneficiaries per program/ total beneficiaries
Subscriptions used by more than one program	Number of subscriptions	<ul style="list-style-type: none"> Number of readers per program / overall staff
Training, conferences and special events	Staff attendance	<ul style="list-style-type: none"> Number of attendees per program / overall staff

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ACCOUNTABILITY**

FIXED ASSETS

FIXED ASSETS

POLICIES

- 01 All Fixed Assets shall be procured in accordance with the procurement policies of TDEA as mentioned in the Procurement Manual;
- 02 Fixed Assets either purchased wholly or partially from grants will be stated at their cost less its accumulated depreciation and impairment loss, if any;
- 03 Assets procured under any of the donor projects will remain property of TDEA unless otherwise specified in the agreement;
- 04 Ownership of all assets acquired under finance lease arrangements would remain with the lessor till the maturity of the lease after which its ownership would be transferred to TDEA as per the lease agreement;
- 05 A finance lease shall be recorded as an asset and as an obligation to pay future rentals in the Statement of Financial Position;
- 06 At the inception of the lease the sum to be recorded both as an asset and as a liability shall be the fair value of the asset or, if lower, the present value of the minimum lease payments;
- 07 Capital work-in-progress would be recognized based on the stage of completion method and it is stated at cost less impairment loss, if any;
- 08 Fixed assets of value of USD 500 or PKR 50,000 and above will be insured subject to the availability of funding. The admin dept. will request proposals from different suppliers which will be reviewed and assessed by the PC. Copy of the insurance certificates, agreements and payment schedule would be maintained in F&A Dept. by FO;
- 09 A Fixed Asset Register shall be maintained and updated on every purchase and disposal by FO F&A;
- 10 Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management;
- 11 Depreciation of asset is calculated on straight line basis and depreciated as per the rates defined in Depreciation policy;
- 12 Assets acquired for the projects shall be depreciated on the basis of the life of the project if it is mentioned in the agreement that the asset will be returned to the donor agency after the completion of the project.

- 13 In all other cases, all the assets shall be depreciated over the useful life of assets;
- 14 Assets transferred to TDEA after the life of the project, would be transferred at carrying value;
- 15 Depreciation shall be charged on reducing balance method according to following schedule:

SR. NO.	DESCRIPTION	DEPRECIATION RATE (%)
1	Building	5%
2	Motor vehicles	20%
3	Fixtures & Fittings	45%
4	Computer Equipment	65%
5	Office Equipment	45%
6	Lease hold Improvements	35%
7	Mobile phones	75% ⁴

- 16 Depreciation of an asset ceases when either the asset shall be classified as held for sale or it is derecognized;
- 17 Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated;

⁴ Added Clause in Twenty Fifth Meeting of Board of Trustees, Resolution No: bot25-07/17-01

Before Amendment

S. NO.	DESCRIPTION	DEPRECIATION RATE (%)
1	Building	05%
2	Motor vehicles	20%
3	Fixtures & Fittings	10%
4	Computer Equipment	33%
5	Office Equipment	15%

- 18 Depreciation on leased asset would be charged over the shorter of its useful life or the lease term;
- 19 TDEA shall assess the indication of impairment of fixed assets at the end of each financial year;
- 20 If any indication of impairment in value of assets exists, the entity shall estimate the recoverable amount of the asset;
- 21 After the recognition of an impairment loss, the depreciation (amortization) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its remaining useful life;
- 22 All Fixed Assets will be disposed off in accordance with the Assets Disposal Policy of TDEA;
- 23 Disposal of fixed assets shall be carried out through an Asset Disposal Form;
- 24 Gains and losses on disposal of fixed assets after deducting costs incurred on disposal of assets are included in Income and Expenditure Account for the year;
- 25 The safeguarding of fixed assets will be the responsibility of concerned HoDs and employee holding the asset;
- 26 MF shall fix rate for depreciation on fixed assets in case of new category of fixed asset is identified;
- 27 All fixed assets owned by the entity will be inspected at least once a year by the IA;
- 28 Adequate and strong controls should be kept over fixed assets and their related records to ensure that all fixed assets are recorded in the books of accounts with appropriate carrying costs and all recorded assets existing in the organization are safeguarded and are operational.

PROCEDURES

RECEIPT AND RECORDING OF FIXED ASSETS

- 01 Admin Dept. shall forward the Request for Payment Form along with all relevant supporting documents to F&A Dept. for the recording of fixed assets;
- 02 In case of advance payment to suppliers, MF shall direct the FO to prepare cheque for the amount appearing in the purchase order;
- 03 In case of payment to supplier on the receipt of fixed assets, F&A Dept. shall receive the bill/invoice along with a delivery challan and a Goods Receipt Note from Admin Dept., while MF shall direct accordingly to the FO F&A to make the arrangements for the payment;

- 04 At the time of receipt of fixed assets, Admin PO shall make the arrangements for inspection of items received to ensure its compliance with the prescription and purchase order;
- 05 At the time of receipt of fixed assets, the PO Admin shall affix a stamp on the bill along with the GRN and delivery Challan ensuring the goods have been received.

FIXED ASSET REGISTER

- 06 **Fixed Asset Register** will be maintained by FO F&A for all fixed assets owned and held by TDEA.
- 07 FO F&A will update the Fixed Asset Register in the following instances:
 - Purchase of fixed asset;
 - Disposal of fixed asset;
 - Charging off year end depreciation;
 - Transfer of fixed asset; and
 - Capitalization of subsequent expenditure.
- 08 Amendment/Updating the Fixed Asset Register will be checked by MF.
- 09 Assets acquired under lease agreements shall be classified separately in the GL coding and also separately maintained in the fixed assets register.

TRANSFER OF FIXED ASSET

- 10 PO Admin shall present a request for transfer of fixed assets from one department to another. The request will contain the following information:
 - Reasons for transferring fixed asset;
 - Old location and custodian of fixed asset;
 - New location and custodian of fixed asset; and
 - Change in asset identification number from old to new.
- 11 After approval of request by MF, FO F&A shall update the Fixed Asset Register.

INSURANCE OF FIXED ASSETS

- 12 The Admin Dept. of TDEA shall arrange comprehensive insurance coverage from approved insurance agent against loss of its movable and immovable assets of Projects subject to availability of insurance budget in the project;
- 13 On receipt of premium notice, disbursement will only be made through cross cheque in the name of insurance Trust;
- 14 A comprehensive record of insured assets will be maintained by the F&A Dept. manually as well as in Quick Books;

- 15 Copies of relevant documents should also be maintained for every insurance policy relating to organization's property by the F&A Dept.;
- 16 Assets received from the donors in kind should be insured in a similar way to other assets unless specified in the agreement or as the BoT will decide in their meeting.

TAGGING OF FIXED ASSETS

- 17 Every fixed asset will be assigned a unique identification number constituted as follows:

Owned / Leased	Donor code	Project Code	Asset type	Sequential number
TDEA / TDEA-LA	Acronym	(Max 6 digits)	(2 characters)	(4 digits)
Example:				
TDEA	USAID	CVP	FF	0001

- 18 Following abbreviations will be used for coding purposes for identifying different categories of assets:

Category	Unique Asset Type Code
Office equipment	OE
Computer equipment	CE
Furniture and fixture	FF
Vehicles	VH

- 19 Admin Dept. with the coordination of F&A Dept. shall affix the unique asset identification number on the asset under the supervision of FO F&A;
- 20 For transfer of asset to any department, **Asset Issuance Form** shall be used, prepared by the requiring department/employee subject to verification of PO Admin and approval of CEO;
- 21 Asset Issuance Form will be distributed as follows:

Original	Kept in records of Admin Department
Duplicate	To the concerned department
Triplicate	To Finance and Accounts Department

ISSUANCE OF FIXED ASSET

01. An employee requiring a asset for official use shall make a request to the PO Admin with recommendation from HoD/Project Manager for the issuance of identified asset on a prescribed form;
02. The person requiring a asset, shall be required to give acknowledgment of his/her satisfaction in respect to the physical condition of the asset;
03. PO Admin shall verify the request and forwarded it to the DOP for approval of issuance;
04. Upon approval of issuance of fixed asset request, PO Admin shall issue the fixed asset to the employee and shall obtain receipt acknowledgment of concerned employee on the approved form;
05. PO Admin shall forward a copy of the approved and acknowledged form to FO F&A who shall update the fixed asset register.

RETURN OF FIXED ASSET BY EMPLOYEES

06. At the time of return of fixed asset, the employee shall fill out the **Return of Asset Form** and shall forwarded it to PO Admin;
07. PO Admin shall verify and inspect the condition of asset. In case of any issue with the present condition of the asset, this shall be dealt in accordance with the provisions laid down in HR Manual;
08. PO Admin shall forward a copy of the Return of Fixed Asset form to PO F&A who shall update the fixed asset register.

ANNUAL PHYSICAL COUNT

- 22 Annual Physical Count of fixed assets shall be carried out by a team comprising the following employees:

Members	Department
Member 1	PO Admin / HR Officer / Project Admin or HR Officer
Member 2	Internal Auditor
Member 3	Finance Officer/Project FO

- 23 This inspection may be planned during periodic visits/audits by IA Dept.;

- 24 FO/Project FO shall prepare a report **Physical Count of Fixed Asset** and present it to SPO F&A;
- 25 PO F&A shall prepare a cumulative report representing inspection of all locations/projects or separately for each inspected location/project and shall present it to MF within a week from the completion of Annual Physical Count;
- 26 In case of any difference between the physical asset count and the fixed asset register, reasons for variations should be identified and reported to MF;
- 27 MF shall take any appropriate decision after the review of the Annual Physical Count report, if this requires an amendment in the fixed asset register; the PO F&A shall amend the fixed asset register accordingly.

DISPOSAL OF FIXED ASSETS

- 28 The BoT shall approve all disposals exceeding book value of Rs. 500,000 Board Approvals will be required⁵. All disposals with amount less than the specified limit shall be approved by CEO in the **Asset Disposal Form**
- 29 For disposals exceeding the limit as specified above, PO Admin shall advertise in the newspaper. The three quotations offering the highest amount shall be included in the **Comparative Statements of Quotations**;
- 30 The statement shall present to the PC for recommendations. The PC would select a bidder based on their assessment of offered prices;
- 31 Fixed assets shall be disposed off due to one or more of the following reasons subject to approval of competent authority:
- Asset's operating / productive life has expired;
 - Uneconomical to use;
 - Asset no longer needed;
 - Asset is technologically out dated and it is intended to be replaced by a newer model, to improve efficiency; and
 - Any other reason as the CEO may decide.
- 32 After disposal of asset, Project FO shall calculate the gain or loss on the retirement/disposal of assets and record the gain or loss subject to verification by SPO F&A. The PO F&A shall also update the fixed asset register.

DEPRECIATION

- 33 Accounts/FIS Officer shall prepare depreciation worksheet at the year end to record depreciation for the year;
- 34 Depreciation worksheet shall be reviewed by PO F&A and approved by MF.

IMPAIRMENT TEST OF FIXED ASSETS

- 35 PO F&A shall be responsible for testing the impairment of fixed assets or class of assets at each year end if applicable. In assessing whether there is any indication that an asset may be impaired, PO F&A shall consider the external and internal sources of information.

⁵ Added Clause in Twenty Sixth Meeting of Board of Trustees, Resolution No: bot26-11/17-01

Before Amendment

01 The BoT shall approve all disposals exceeding the limit mentioned in section 196(2)(j) of the companies Ordinance, 1984.. All disposals with amount less than the specified limit shall be approved by CEO in the **Asset Disposal Form**

36 Following are the indications that an asset(s) may be impaired:

EXTERNAL SOURCES:

- Market value declines;
- Negative changes in technology, markets, economy, or laws; and
- Increases in market interest rates.

INTERNAL SOURCES:

- Obsolescence or physical damage;
- Asset is part of a restructuring or held for disposal; and
- Worse economic performance than expected.

37 Further, an indication that an asset may be impaired may indicate that the asset's useful life, depreciation method, or residual value may need to be reviewed and adjusted;

38 In case recoverable amount of an asset is less than its carrying amount in consequence of impairment testing by PO F&A, impairment loss shall be recognized;

REVERSAL OF AN IMPAIRMENT LOSS

39 At each balance sheet date, PO F&A shall ensure whether there is an indication that an impairment loss may have decreased. If so, he/she shall calculate recoverable amount;

40 PO F&A shall ensure that increased carrying amount due to reversal shall not be more than what the depreciated historical cost would have been if the impairment had not been recognized;

41 Reversal of an impairment loss shall recognized as income;

42 PO F&A shall adjust depreciation for future periods.

REVALUATION OF ASSETS

43 Currently TDEA is using cost model for its all class of assets, but if in future TDEA may decide to reclassify all of its assets or certain class of assets from cost model to revaluation model. Then following provisions needs to be taken into account to revalue assets:

- If items of property, plant and equipment experience significant and volatile changes in fair value, then this will require annual revaluation;
- For other items of property, plant and equipment TDEA can revalue the item only every three or five years; (Para 34 Ias-16)

- 44 For valuation purposes, MF shall delegate the task to PO F&A of arranging valuation reports from expert valuer.

TREATMENT OF DEPRECIATION IN CASE OF REVALUATION

- 45 In case of revaluation of assets, depreciation may be calculated by applying any of the following methods by PO F&A:
- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of applying an index to determine its depreciated replacement cost; and
 - b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. This method is often used for buildings.

TREATMENT OF REVALUATION SURPLUS AND DEFICIT

- 46 PO F&A shall recognize a Revaluation surplus in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.
- 47 The decrease in the carrying value of asset as a result of a revaluation, PO F&A shall recognize decrease in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.
- 48 PO F&A shall transfer a revaluation surplus to retained earnings directly from equity in respect of an item of property, plant and equipment when the asset is derecognized. However, some of the surplus may be transferred as the asset is used by an entity.

LEASED ASSETS ACCOUNTING

Initial recognition of assets acquired under a finance leased shall be dealt in accordance with the following provisions of IAS-17, rest of the accounting treatments shall be similar to owned assets:

- 49 The asset acquired under a finance lease shall be recorded as an asset and as an obligation to pay future lease payments;
- 50 At the inception of the lease, the sum to be recorded both as an asset and as a liability shall be the fair value of the leased asset or, if lower, at the present value of the minimum lease payments;
- 51 As soon as ownership title is transferred at the maturity of the lease, the coding of the asset shall be changed from the leased asset (LA) to owned asset (TDEA);

- 52 For operating leases, the lease payments shall be recognized as an expense over the lease term.

FINANCIAL RECORDING OF TRANSACTIONS

- The acquisition of fixed assets shall be recognized when control of organization has been established on the asset;
- The disposal of fixed asset shall be recognized when organization loses control over the asset; and
- Expenses on repair of fixed assets shall be recognized at the time of occurrence of repair costs.

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

CASH AND BANK

CASH AND BANK

POLICIES

- 01 New bank accounts shall only be opened and existing bank accounts may be closed subject to approval of the BoT. However, of the BoT through a resolution may delegate the authority for opening, closing and other relevant banking activities to the CEO;
- 02 The bank accounts shall be operated in such a manner as approved by the Board⁶
- 03 Cheque in the favor of signatory shall not be signed by that signatory;
- 04 Accounts/FIS Officer / Project FO will prepare **Bank Reconciliation Statement** of each bank account on monthly basis;
- 05 Bank reconciliation statements shall be reviewed by the PO F&A and approved by MF on a monthly basis;
- 06 All payments exceeding Rs. 10,000 shall be paid through crossed cheque or any other banking instrument (e.g. bank transfer);
- 07 The above mentioned provision does not apply in case of payment for:
 - Utility bills;
 - Freight charges;
 - Travel fare;
 - Postage; and
 - Taxes, duties, fees, fines or other statutory obligations as mentioned in section 21 of Income Tax Ordinance, 2001.

⁶ Added Clause in Twenty Sixth Meeting of Board of Trustees, Resolution No: bot26-11/17-01

Before amendment All bank accounts shall be maintained in the name of TDEA with signatories as approved by board from time to time. All bank accounts shall have three groups of signatories. Moreover all cheques above the value of Rs. 150,000 shall be signed by three of the authorized members, one each from panel-1, panel-2 and panel-3. All cheques above the value of Rs. 100,000 maximum up to Rs. 150,000 shall be signed by two of the authorized members, one each from panel-2 and panel -3. All cheques value of Rs. 100,000 or less shall be signed by any two authorized members from panel-3. The composition of these groups for TDEA and its projects shall be as follows:

Panel 1 shall comprise four members of the BOT. Panel 2 shall comprise Chief Executive Officer and directors who are permanent staff of the Trust. Panel 3 shall comprise Finance Manager, project manager and managers duly approved by the BoT.

A different composition may be approved by the Board from time to time on need basis;

- 08 Credit facilities with bank shall only be obtained with the approval of the BoT or CEO (subject to authority via board resolution);
- 09 Separate bank account shall be opened/maintained for each project;
- 10 FO / Project FO shall also maintain separate bank file for each bank account.
- 11 FO / Project FO shall maintain petty cash on an imprest system to meet daily expenses of TDEA/Projects and reconcile it on a weekly basis;
- 12 Imprest amounts for TDEA and its Projects and any increase/decrease shall be approved by CEO with the recommendation of DFG/MF;
- 13 The imprest system of TDEA and its projects shall be replenished on needs basis;
- 14 Cash in hand shall be kept in safe custody;
- 15 All payments shall be prepared by PO F&A, reviewed by MF and approved by DFG;
- 16 FO / Project FO shall make all cash payments as approved above;

PROCEDURES

OPENING OF BANK ACCOUNT

01. Manager Finance shall identify the need for opening a new bank account, which may arise due to receipt of a new grant or any other opportunity, and forward a request to the DFG;
02. DFG shall analyze the request and obtain approval of CEO/BoT for opening a new bank account;
03. In case of a change in the composition of signatories, DFG shall present the recommendations to the CEO, who shall sanction the recommendation and shall forward these for BoT's approval. CEO shall have the right to refuse the recommendations and may forward his/her own recommendations to the BoT;
04. Any change in the approved composition of signatories shall take effect if and when approved by the BoT;
05. The list of signatories shall be distributed by Manager Finance upon opening of a new bank account or in case a change occurs in the list;
06. Signatories shall also be informed through Inter-Office Memo that their respective names have been included in/excluded from the list of signatories that has been forwarded to the respective bank by MF.

BANKING OF CASH/CHEQUE RECEIPT

07. All cash receipt other than for replenishment of petty cash would be kept separate to petty cash;
08. Cash/cheque receipt would be banked on daily basis or as early as possible by a person other than FO/Project staff responsible for cash/cheque receipts;
09. All cash/cheque receipt would be received by FO/Project staff responsible for cash/cheque receipts, who shall maintain a schedule for the following heads:
 - Amount received;
 - Received from;
 - Date received;
 - Reason for cash/cheque receipt; and
 - Total of the day's cash/ cheque receipt.
10. The FO/ Project staff responsible for cash/ cheque receipts shall issue a **Cash/Cheque Acknowledgment Receipt**. This document shall have two copies, one shall be provided to the person who is delivering cash/ cheque and one shall be kept for record purposes by finance department;
11. Person depositing cash/cheque in bank would forward a cash/cheque deposit slip to PO F&A/Project FO who shall cross cast the amount with the schedule prepared by the FO/ Project staff responsible for cash/cheque receipts and approve the documents;
12. Cash receipt other than for the replenishment of petty cash would not be used for any expenditure/spending.

CHEQUE BOOKS

13. Only one cheque book shall be used at any one time for each bank account;
14. Receipt and issue of cheque books to the authorized persons shall be controlled through **Cheque Book Register** (modify as issue or receipt) maintained by Account Officer;
15. FO/Project FO shall be responsible for the custody of issued cheque books. All used and unused cheque books shall be kept in safe custody by FO/Project FO;
16. All particulars of the dispatched cheques will be recorded in **Cheque Dispatch Register** maintained by FO/Project FO;

BANK RECONCILIATIONS

17. Standing instruction shall be given at the time of opening a new bank account for dispatch of bank statements on monthly basis;

18. PO F&A shall receive the bank statement for each bank account, maintained by TDEA;
19. Bank Reconciliation Statements shall be prepared by PO F&A on monthly basis. These shall be prepared by 10th of every month;
20. While preparing the Bank Reconciliation Statement, PO F&A shall make sure that all cheques which have been cancelled or are outstanding for more than 180 days are properly addressed in the statement;
21. All bank reconciliation statements shall be reviewed by F&A;
22. MF shall be responsible for checking and follow up of all Bank Reconciliation Statements. He/she shall also ensure that no item remains un-identified and un-reconciled;
23. DFG shall approve all Bank Reconciliation Statements; after having been verified by MF;

DOCUMENTATION RELATED TO BANKS

24. Documentation related to banks shall be maintained by the FO/Project FO;
25. Bank File for each bank account shall contain the following documents:
 - List of signatories and changes thereof;
 - Monthly Bank Reconciliation Statements along with copy of bank statements;
 - Details of any correspondence with banks, pertinent to same bank accounts; and
 - Any other relevant documentation.

CLOSURE OF BANK ACCOUNT

26. Application for closure of any bank account will be approved by BoT or CEO subject to authority given by BoT via board resolution;
27. PO F&A shall obtain final bank statements and closure certificates from the bank and shall retain the same in bank file;
28. In this case, PO F&A shall prepare the Bank Reconciliation Statement and after having approved by MF and finally by CEO, he/she shall file it in bank file.

PAYMENT PROCESS

All payments shall be made after the approval of payment vouchers supported by bills and/or other relevant documents as per the authority limits given below. Such supporting documents shall be checked by the designated person in the Finance Unit prior to their submission for approval of payment before the approving authority.

Sr. No.	Amount to be paid	Approving authority
1.	Expenses up to Rs. 25,000	Manager Finance
2.	Expenses up to Rs. 25,000	Chief Executive Officer or Delegates ⁷

PO F&A shall be responsible for processing of all payments after enclosing required document's which include Bank Payment Voucher & Payment Approval Forms.

Manager Finance will verify the bank payment voucher which will subsequently be reviewed by DFG and approved by Project Director.

BANK PAYMENTS

Following procedures shall be followed for making bank payments:

- FO/Project FO shall prepare a manual voucher;
- Manager Finance shall verify the manual voucher. After the verification of Manager Finance, he/she shall forward it to DFG for his/her review;
- After review by DFG, Voucher will be forwarded to Project Coordinator/Lead for approval;
- FO/Project FO shall prepare a cheque/bank transfer letter and take signatures on cheque/bank transfer letter;
- PO F&A shall make posting into GL after all necessary approvals and payments.

CASH PAYMENTS

Petty Cash accounts are maintained to pay for the immediate and necessary expenses related to day-to-day office operations. Petty Cash payments to a single individual or vendor should not exceed Rs. 10,000 and expenditure exceeding this limit shall be paid through cross cheque. Following procedures shall be followed for making cash payments:

⁷ Added Clause in Twenty Sixth Meeting of Board of Trustees, Resolution No: bot26-11/17-01

Before amendment

Sr. No.	Amount to be paid	Approving authority
1.	Expenses up to Rs. 5,000	Manager Finance
2.	Expenses up to Rs. 150,000	Directors above as authorized by BoT
3.	Expenses above Rs. 150,000	BoT

- FO/Project FO shall prepare a manual voucher;
- Manager Finance shall review the manual voucher. After the review of Manager Finance, he/she shall forward it to Project Coordinator/Lead for approval;
- After necessary approvals, FO/Project FO shall release the cash;
- PO F&A shall make posting into GL after all necessary approvals and payments.

BANK RECEIPTS

Following procedures shall be followed for making bank receipts:

- FO/Project FO shall prepare a manual voucher;
- Manager Finance shall verify the manual voucher. After the verification of Manager Finance, he/she shall forward it to DFG for his/her review;
- After review by DFG, Voucher will be forwarded to Project Coordinator/Lead for approval;
- The PO F&A shall post the incoming in Quick Books. In case a cheque has been received, it shall be deposited by relevant project FO into the relevant bank account.
- Cash receipts shall be banked on daily basis as defined above in “**Banking of Cash/Cheque Receipt**”.

PETTY CASH IMPREST PROCEDURE

29. Petty Cash Imprest shall be maintained at TDEA by the nominated Imprest Holder and Alternate Imprest Holder, as specified in the following schedule;
30. Imprest shall be utilized for the routine operations of the TDEA and other petty expenses as the MF and CEO/COO may approve;
31. Imprest holder shall prepare **Imprest Replenishment Form** at the time of replenishment of petty cash imprest;
32. Imprest Replenishment Form shall be prepared by FO/Project FO;
33. Manager Finance shall plan petty cash needs on a periodic (e.g., weekly basis) and submit a Petty Cash Request (Annexure 2). Petty Cash authorized limit is Rs. 25,000
34. Petty cash requests should be submitted to Manager Finance and must be prepared by Finance Officer by Petty Cash Request form which shall indicate the balance on hand, the projected petty cash expenses for the designated period of

time and the amount of petty cash needed. In addition, the requester must document what was spent during the previous period.

35. The custodian shall have a safe in a secure location for keeping petty cash. Generally, one person shall have the primary access to the safe and should be responsible for managing the Petty Cash funds. In every occasion where the primary cashier is absent from the office, the Manager Finance must designate in writing an alternative person to act as petty cashier.
36. In order to replenish Petty Cash, the Petty Cash Account should first be reconciled. For this, total the Petty Cash vouchers that have been received and subtract this total from the original amount of Petty Cash. The difference should be equal to the actual cash on hand in Petty Cash. (e.g. if the original Petty Cash amount was Rs. 10,000 and the vouchers for the amount of Petty Cash that has been disbursed totals Rs. 8,000, there should be Rs. 2,000 of cash remaining.
37. After Petty Cash is reconciled, a cheque request shall be prepared to replenish Petty Cash. The amount of the cheque should be equal to the total of Petty Cash vouchers. When cashed the amount should return the Petty Cash fund to its original amount. Please note that the cheque must be written to an individual (designated person/cashier) and not to "Cash." This will avoid the possibility of the cheque being lost and cashed by someone else. Also, the cheque signer must not be the beneficiary (payee).
38. MF shall carry out independent surprise cash counts through **Physical Cash Count Form**

PREPARATION OF JOURNAL VOUCHER

1. PO F&A is required to prepare the Journal Vouchers on daily basis to record transactions and update the accounting system which shall be pre-printed/pre-numbered. All prepared Journal Vouchers shall be reviewed by the Manager Finance and approved by Director Finance on daily basis.
2. All Journal Vouchers shall be approved by Manager Finance and same shall be entered into the system by PO F&A on a daily basis. All daily approved Journal Vouchers shall be filed separately in a numerical order and all such vouchers passed during the month shall be stored in the record room at the end of the every month.
3. During checking or review, if some corrections are to be made the recommendation of the correction must be proposed by SPO F&A whereas the same shall be reviewed by Manager Finance and computer system shall allow cancellation of the document only to the authorized user after the approval of DFG.

**TRUST FOR DEMOCRATIC EDUCATION AND
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TAXATION

TAXATION

POLICIES

01. Current tax assets and liabilities should be measured at the amount expected to be paid to (recovered from) taxation authorities, using the tax rates/laws that have been enacted or substantially enacted by the balance sheet date;
02. TDEA shall prepare and submit its annual income tax return as specified in Part I of Chapter X of Income Tax Ordinance 2001;
03. Deduction of Income Tax in respect of all the payments shall be made as prescribed in Division III **"Deduction of Tax at Source"** of Part V of chapter X of Income Tax Ordinance 2001;
04. Deduction of Income Tax in respect of salaries shall be made as prescribed in section 149 of Income Tax Ordinance 2001;
05. Tax Statements shall be prepared and submitted within the time frame as mentioned in section 165 of Income Tax Ordinance;
06. TDEA may use the services of tax consultant for preparation and filing of tax statements, income tax return and for any other tax matter;

PROCEDURES

WITHHOLDING TAX ON SALARIES

01. MF shall approve the schedule of deductions to be made from each employee's remuneration every month;
02. The amount of tax so withheld shall be deposited by FO/Project FO through a crossed cheque in designated account of the tax authorities. Deposit note shall be filed in the taxation records;
03. Certificates of deduction shall be furnished as and when required by the legislation or employee.

Note: It is the responsibility of the employee to furnish their tax returns

WITHHOLDING TAX ON OTHER PAYMENTS

04. FO/Project FO shall be responsible for the deduction of tax while making the payment and thereafter shall deposit the amount deducted through a crossed cheque in the designated account of income tax authorities within the specified time limit in Rule 43(b) of Income Tax Rules 2002;
05. TDEA shall deduct tax from all payment made to third parties if the amount paid / payable shall be taxable according to the nature of payment and respective taxable limits;
06. FO/Project FO shall record the deduction of tax as a liability at the time of making payments and shall adjust it after the payment of tax deducted at source to the taxation authorities;
07. FO/Project FO shall send the details of the tax deductions to the Manager Finance. Manager Finance shall review the report and ensure that the tax has been calculated accurately and deposited with the tax authorities within the specified time period as stated above;
08. TDEA shall furnish a certificate to the payee for the amount of tax deducted as format defined in Rule 42, Division II of Income Tax Rules 2002.

FILIING OF TAX STATEMENTS

09. FO/Project FO or Tax Consultant shall prepare the tax statements for tax deductions in respect of salaries and other payments;
10. Project FO shall forward the tax statements to MF;
11. MF shall approve these statements and after his/her approval, FO/Project FO or Tax Consultant shall submit with the tax authorities.

SUBMISSION OF INCOME TAX RETURN

12. Tax Consultant/PO F&A shall prepare the annual income tax return of TDEA;
13. Tax Consultant/PO F&A shall forward the draft income tax return to MF for approval;
14. MF shall approve the draft and after his/her approval the same shall be forwarded to tax consultant/PO F&A for submission.

DOCUMENTATION

15. Following records shall be maintained by the FO/Project FO:

ACTIVITY	RELEVANT DOCUMENTS
Withholding Tax	Record of deposits with tax authorities and other documentation.
	Copy of Certificates of deductions issued to payees/employees.
	Copy of tax Statements submitted to the tax authorities.
Income Tax Return	Copy of annual income tax return submitted to tax authorities.
Exemptions	Copy of exemption certificates.
Others	Any other correspondence/Document.

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

REVENUE ACCOUNTING

REVENUE ACCOUNTING

GRANTS

POLICIES

01. The TDEA shall keep all the funds received from the donor in separate bank account(s);
02. The grants shall only be used for the purposes agreed with the donor in the agreement;
03. Grants of a non-capital nature shall be recognized as deferred income at the time of their receipt. Subsequently, these shall be recognized in the income and expenditure account to the extent of actual expenditure incurred. Expenditure incurred against grants committed but not received, shall be recognized directly in the income and expenditure account and reflected as a receivable from donors;
04. Non-monetary grants received free of cost or at a concessionary rate shall be recognized at fair value;
05. Grants related to assets shall be initially recorded as deferred capital grant upon receipt. Subsequently, these shall be recognized in the income and expenditure account, on a systematic basis over the periods necessary to match them with the carrying value of the related assets;
06. MF shall ensure that the non-monetary grants at fair value are not recognized until the conditions for its receipt and recognition have been fulfilled.

PROCEDURES

01. FO/Project FO shall verify the receipt of grant from relevant bank account(s) where donor has made an online deposit or otherwise from the banking instrument received;
02. In case of the receipt in form of banking instrument, FO/Project FO shall deposit it in the relevant bank account(s) in accordance with the procedures described in "Cash and Bank";
03. FO/Project FO shall also ensure that the amount received in form of grant is in compliance with the agreement terms;
04. FO/Project FO shall record the receipt of grant in accordance with the procedures prescribed in the section "Cash and Bank".

INDIRECT COST RECOVERY

Indirect cost includes the cost that is not directly attributable to the project but is necessary for its smooth functioning and execution. Indirect cost recovery constitutes the recovery on account of charging off to the donor against the provision of human resource, logistical support and back stopping by the TDEA.

POLICIES

01. TDEA shall agree the basis for claiming indirect cost, to be charged during the execution of the project, with the donor at the time of signing off the project agreement;
02. The basis may either be a certain percentage of an agreed base or a fixed amount, depending upon the donor specific requirements.

PROCEDURES

01. Project FO shall compute the amount of indirect cost payable to TDEA on the basis agreed in the agreement;
02. Project FO shall recognize the indirect cost as an expense in the project and record the amount payable/paid to TDEA in accordance the procedure laid down in the chapter “Cash and Bank” and “Recording of Transactions”.
03. FO shall recognize the indirect cost charged to the project as an income in TDEA core and record the amount receivable/received from the project in accordance the procedure laid down in the chapter “Cash and Bank” and “Recording of Transactions”;
04. While recording the above transactions, the FO/Project FO shall ensure that the amount so recognized is in compliance with the terms of the agreement;
05. In case resources of TDEA are temporarily deployed to the project, the cost of such resources shall also be charged to the project in accordance with the utilization of those resources and the budget/basis agreed with the donor for the project. Cost of such resources shall also be reimbursed by the project to TDEA;
06. Project FO shall compute the amount payable to TDEA on the basis of resources deployed such as employee working hours, office space allocated to the project, etc. or the budget/basis agreed with the donor;
07. Project FO shall recognize the amount so calculated as an expense in the project and record the amount payable/paid to TDEA in accordance the procedure laid down in the chapter “Cash and Bank” and “Recording of Transactions”.
08. FO shall recognize the cost charged to the project as a reduction in relevant expense head(s) in TDEA core and record the amount receivable/received from

the project in accordance the procedure laid down in the chapter “Cash and Bank” and “Recording of Transactions”.

INCOME FROM CONSULTANCY / TECHNICAL SERVICES

Consultancy / Technical services shall include any services which are provided by TDEA to Partner Organizations or third parties.

POLICIES

01. The duration and charges for the provision of consultancy / technical service shall be agreed upon in advance by TDEA and respective Partner Organizations or third party.

PROCEDURES

01. The approved copy of agreement between TDEA and Partner Organizations or third party shall be shared with Finance and Accounts department;
02. Based on the agreement and/or upon intimation from concerned department, PO F&A shall prepare an invoice which shall be approved by MF. After the approval of MF, PO F&A shall dispatch it to Partner Organizations or third party;
03. After the dispatch of invoice, FO shall record the receivable in accordance with the procedures prescribed in section "Cash and Bank" or "Recording of Transaction".

PROFIT ON BANK/TERM DEPOSITS

POLICIES

01. Profit on bank/term deposits and term deposits received during the year shall be recognized as income as and when received. Whereas, profits accrued at the year-end shall be recognized on a time proportionate basis using the effective interest rate method;

PROCEDURES

01. FO/Project FO Shall ascertain the amount of profit on bank/term deposit received from monthly bank statements;
02. The amount so ascertained shall be recognized as income or deferred revenue as appropriate in the context of donor agreement and shall record the receipt in accordance with the procedures laid down in chapter "Cash and Bank" or "Recording of Transactions";
03. At the year end, PO F&A shall calculate the amount of profit on bank/term deposits to be accrued by applying the effective interest rate method;

04. The amount so calculated shall be recognized as income or deferred revenue as appropriate in the context of donor agreement and shall be recorded in accordance with the procedures laid down in chapter "Recording of Transactions".

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

**ENDOWMENT FUND & RESTRICTED RESERVE
FUND**

ENDOWMENT FUND AND RISTRICTED RESERVE FUND

ENDOWMENT FUND

TDEA shall establish an Endowment Fund to ensure long-term sustainability of its operations. The Trust may employ multiple strategies to build its endowment resources by engaging in income generation activities, savings and investments. The Trust may also initiate negotiations with funding agencies to provide a seed grant for its Endowment Fund.

POLICIES

01. 80% of EF excluding interest income on account & investment income will remain invested (As per Investment policy).
02. TDEA may generate funds for its EF by undertaking following activities;
 - i. Sale proceeds of trust assets;
 - ii. Net receipts from fixed price contracts;
 - iii. Membership Fee received from FAFEN Member Organizations;
 - iv. Provision of technical services/expertise;
 - v. Research consultancies;
 - vi. Sales proceeds from TDEA-FAFEN publications;
 - vii. Any individual and corporate donation to the Endowment Fund;
 - viii. Unused funds at the end of a project provided that such unconsumed money is not to be surrendered to funding source. If case the money is to be surrendered, an approval shall be obtained from the funding source to credit the unspent amount in the Endowment Fund;
 - ix. Any other as decided by the Endowment Fund Trustees;
 - x. Interest income on EF savings account;
 - xi. Seed grant from donors;
 - xii. Surplus transferred from restricted reserve;
 - xiii. Interest income on EF investments.

FINANCIAL MANAGEMENT

ENDOWMENT FUND & RESTRICTED RESERVE FUND

03. The usable funds will be limited to 20% of the EF (excluding interest income on EF account) and interest earned on the account. If there is a need for additional funds to be transferred to Reserve Fund Account, BoT approval will be required. Endowment Fund Account will only be used for purposes specified below;
- i. Acquisition of assets for the Trust;
 - ii. Capacity building of FAFEN Member organizations;
 - iii. Shortfall in restricted reserve up to balance of interest & investment income and 20% of EF (excluding interest & investment income);
 - iv. Any other expense as approved.

PROCEDURES

01. The Endowment Fund shall be managed by the Committee to be called Endowment Fund Committee. The Committee shall comprise members of the BoT to be appointed by the Board of Trustees for a period of two years. The CEO shall be permanent member of the Committee, while DFG of the Trust shall act as member secretary.
02. The Endowment Fund Committee shall have the following functions:
- a. To review and finalize investment options;
 - b. To manage and maintain EF and present reports to Board of Trustees;
 - c. To review EF Policy from time to time and advise the Board of Trustees;
 - d. To manage RRF;
 - e. To approve disallowed expenses.
03. DFG will facilitate the committee by presenting investment options, status of endowment fund **“Annexure”** and funding requirements based on TDEA annual budget.

RESTRICTED RESERVE FUND

Restricted Reserve Fund Account will be used for inflows and outflows of Endowment Fund Account.

POLICIES

FINANCIAL MANAGEMENT

ENDOWMENT FUND & RESTRICTED RESERVE FUND

01. TDEA may operate a restricted reserve fund for its operations and will be funded by;

- i. Management Fee from projects;
- ii. Interest on RRF account;
- iii. Interest on EF account;
- iv. Net receipts from fixed price contracts;
- v. Provision of technical services/expertise;
- vi. Research consultancies;
- vii. Sales proceeds from TDEA-FAFEN publications;
- viii. Cost recovery from projects through IOC and Admin cost.
- ix. Interest income on EF investments.
- x. 20% of the EF (excluding interest income on EF account) and interest earned on the account;
- xi. Additional funds may be approved by the BoT, keeping in view the bridge financing as required for a period not to exceed 3 months.

02. RRF will be used for the following purposes specified below;

- i. To channelized inflows to EF;
- ii. Operational expenses (non recoverable) not chargeable to any donor;
- iii. Bridge financing of operational expenses (recoverable) from donor;
- iv. Disallowances.
- v. Logistical expenses of Board of Trustees/Executive Council meetings;
- vi. Disallowances as approved;

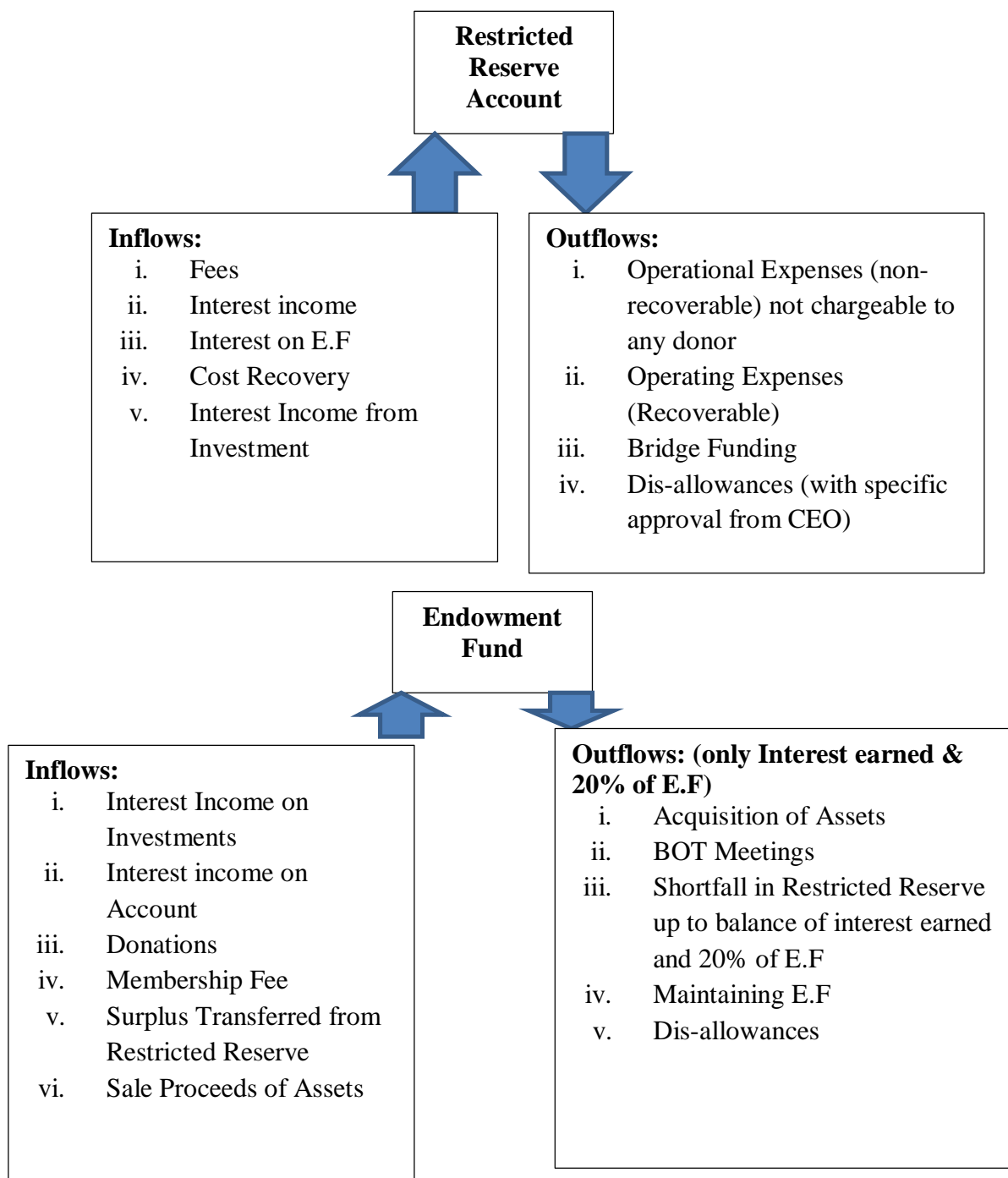
PROCEDURES

01. All inflows and outflows to the EF will be done through RRF.
02. The RRF shall be managed by the Endowment Fund Committee.
03. DFG will facilitate the committee by presenting status of RRF “Annexure” and funding requirements based on TDEA annual budget.

FINANCIAL MANAGEMENT

ENDOWMENT FUND & RESTRICTED RESERVE FUND

FUND FLOW



**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

INVESTMENT POLICY/FRAMEWORK

INVESTMENT POLICY/FRAMWORK

POLICIES

01. Investment related transactions shall be undertaken subject to the approval of the BoT or any other person authorized by BoT for this purpose, upon recommendations of DFG;
02. Investment related decisions for funds vest under Contributory Provident Fund and Gratuity Fund shall be undertaken subject to the approval of the Fund committees, upon recommendations of DFG;
03. Investment options/avenues shall be explored keeping in view best return available;
04. TDEA shall limit credit risk (the risk of loss due to the failure of the financial institution) by investing after considering the credit ratings of institutions;
05. The investments shall be limited to relatively low risk avenues in anticipation of earning a fair return relative to the risk being assumed;
06. TDEA shall not be allowed to deploy its funds for the investments in the following assets:
 - Investments in unlisted securities; and
 - Investments in unregistered property.
07. All securities purchased and all investment made with the funds of TDEA, shall be properly designated as an asset of TDEA;
08. Investment shall be recognized at its fair value minus transaction costs that are directly attributable;
09. The investment shall be structured after anticipating the cash flow requirements keeping in view the sufficiency of liquidity to pay obligations as and when they are due;
10. Portfolio for investment shall be structured in such a manner so that investments mature to meet anticipated demand;
11. In order to meet the liquidity perimeters, TDEA shall invest in institutions with flexible liquidation rules.
12. TDEA shall operate its investment portfolio in a transparent manner;

FINANCIAL MANAGEMENT

INVESTMENT POLICY/FRAMWORK

13. BoT/Committee member and/or staff of TDEA shall disclose any conflict of interest that they may have in an investment decision. Such BoT/Committee member and/or staff of TDEA shall not be part of such investment decision;
14. The above mentioned policies shall be adhered to while making investment decisions unless otherwise approved by the BoT.

PROCEDURES

01. MF shall identify the liquidity requirements and surplus funds available for investment purposes;
02. MF shall workout various investment options duly supported by proposals from investment companies/financial institutions, where possible;
03. MF shall rank the investment companies/financial institutions primarily on the basis of their ratings and then on the basis of returns offered by them;
04. MF shall present the various options along with their ranking to DFG;
05. DFG shall evaluate different investment options to select the best alternative to meet investment objectives. DFG may require the MF to explore any other investment option as they may deem fit;
06. DFG shall recommend the selected investment option(s) to BoT/Committee for approval;
07. After the approval of BoT, MF shall invest the funds in accordance with the investment option(s) approved by BoT;
08. MF shall make sure that the approval for reinvestment of funds is obtained prior to the maturity of current investment.

DISCLOSURE OF RELATIONSHIPS

09. In case a relationship (close or remote) exists between any member of BoT/Committees and the financial institute being considered, the same must be disclosed to other members of BoT/Committees in a written statement;
10. Non-disclosure, whether intentionally or unintentionally, shall be considered as a serious violation, and shall be subject to appropriate disciplinary action by the BoT.

LIQUIDATION CRITERIA

11. Investments shall only be liquidated prior to maturity with the approval of BoT/Committee or designated person under the authority under the following circumstances:

FINANCIAL MANAGEMENT

INVESTMENT POLICY/FRAMEWORK

- The rating of investment Trust / financial institution is declining and therefore it poses a threat to loss of principal;
- Liquidity needs of TDEA have deteriorated and there is need to liquidate the investment; and
- Any other reason as BoT/Committees may approve.

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

PAYROLL

PAYROLL

Contract and Permanent Staff monthly salaries shall be paid according to the terms and conditions mentioned in the contract/appointment letter. All staff, except daily wagers, shall be paid through cross cheque/bank advice issued in their name. For the approval of staff salaries, the following information shall be presented for each staff member (preferably a computer sheet). Monthly salary slips with the following details shall be provided to the staff members electronically. Staff members who do not use computers shall get hard copy of salary slips.

- Name of the employee;
- Staff code;
- Monthly salary with details (house rent, transportation etc.);
- Overtime for the month, if applicable;
- Loan/advance sanctioned to the employee (if any);
- Monthly deduction on account of loan or advance (if any);
- Other allowances (if any);
- Deductions (taxes, CPF, personal use of equipment etc.);
- Net payable monthly salary;
- Gross monthly salary; and
- Other payroll related information

Payments to temporary staff including: volunteers, interns, part-time, short-term staff shall be made on monthly basis according to the terms agreed in the contract/letter of appointment through cross cheque/bank advice in their name. If period of employment is less than one month, payment shall be made according to the terms agreed in the contract/letter of appointment, normally upon satisfactory completion of work. Payment to daily wages staff can be made in cash if it falls within the cash payment limits.

Payment to consultants shall be made according to the terms agreed in the contract/letter of appointment; normally the payment procedure shall be as follows:

Payment	Time
First payment of up to 25%	Upon signing of contract
Second payment of up to 50%	On submission of (draft) deliverables. In case, deliverables are other than written items such as software, documentaries etc. second payment shall be made upon submission of deliverables for review and comments.

Third and final payment (25%)	Upon acceptance of agreed deliverables
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Keeping in view the nature and length of assignment, payment schedule may be changed; agreed payment schedule must be noted in the contract/agreement with the consultant.

At the time of disbursement of payments to staff and consultants, income tax will be deducted as per applicable laws and rules.

POLICIES

01. Head Office shall prepare payroll for employees working at HO. For projects, the payroll shall be processed at the respective project level;
02. A comprehensive database of all employees and internees shall be maintained and regularly updated by the HR department in accordance with the provisions of HR manual. Payroll data shall be shared with Finance and Accounts department on monthly basis by HR Department;
03. The payroll shall be processed on the basis of attendance record. Time sheets shall be prepared if required by the project agreement;
04. All employee benefits and privileges provided by TDEA shall be treated as payroll expense;
05. Salaries shall be paid to the employees before the end of each month unless otherwise required under the project agreement;
06. Monthly pay slips shall be issued to every employee of TDEA;
07. Deductions and TDEA contributions in respect of employees benefits such as provident fund, EOBI etc. shall be made as per the policy and procedures mentioned in HR Manual of TDEA; and
08. Final settlement shall be processed by the F&A Dept. within seven (7) working days of the receipt of concerned employee's clearance certificate.

PROCEDURES

PAYROLL PREPARATION

01. Upon receipt of payroll data from HR Dept., FO/Project FO shall prepare **Master Pay Sheet** of employees working at HO/Projects;
02. FO/Project FO shall ensure that necessary deductions have been incorporated in the master pay sheet;

03. Employees shall prepare their time sheets (if required by the project agreement) in accordance with the provisions laid down in HR Manual of TDEA. FO/Project FO shall ensure the completeness and accuracy of time sheets prepared by employees;
04. FO shall prepare a reconciliation of the current month payroll with the last month explaining the reasons for the differences;
05. FO shall recognize the payroll expense and record the payment in accordance with the provisions laid down in chapter "Recording of Transactions" and "Cash and Bank".

FINAL SETTLEMENT

06. Upon receipt of duly verified clearance certificate, FO shall prepare a final settlement form and get approval as per the laid down procedures for approval of payments;
07. In case of Provident Fund, calculation sheet will be prepared by FO and approved by MF. After the approval of CPF calculation sheet, Payment of Contributory Provident Fund will be reviewed by Secretary Fund and approved by DFG. It will be authorized by two members of CPF committee;
08. In case of Gratuity Fund, calculation sheet will be prepared by FO and approved by MF. After the approval of GF calculation sheet, Payment of Gratuity will be reviewed by Manager Finance and approved by DFG. It will be authorized by two members of GF committee;
09. After the approval, FO shall record the payment in accordance with the provisions laid down in chapter "Recording of Transactions" and "Cash and Bank".

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

PREPARATION OF FINANCIAL STATEMENTS

PREPARATION OF FINANCIAL STATEMENTS

POLICIES

01. MF shall ensure the completeness, accuracy and reliability of financial statements;
02. Financial statements shall be prepared under the historical cost convention except for staff retirement benefits which shall be measured by using actuarial assumptions;
03. Financial statements shall be prepared for a period of twelve (12) months commencing from July 01st of each year and ending on June 30th of next year;
04. The financial statements shall also be prepared for a period as specified by the donor in the project agreement;
05. Cut off procedures shall be performed at the end of each financial year for the recording of transactions in the correct accounting period and in accordance with the substance over form of the relevant transaction.
06. Disclosures and related notes shall also form an integral part of financial statements and these shall be prepared in accordance with the International Financial Reporting Standards;
07. The draft financial statements shall be prepared and presented to CEO within 45 days after the end of the financial year;
08. MF shall communicate with appointed auditor/audit firm after the approval of draft financial statements for the conduct of statutory audit.

PROCEEDURES

01. PO F&A shall ensure the completeness of project(s) related transactions in the financial statements;
02. The project related transactions shall be incorporated in the financial statements by the FO/Project FO in accordance with the procedure laid down in "Project Accounting";
03. Where the donor requires the financial information of a specific project or of a specific period, the same shall be prepared by PO F&A with the coordination of FO and Project FO;
04. PO F&A shall ensure that correct accounting treatment is made for the transactions occurred during the period;

FINANCIAL MANAGEMENT

PREPARATION OF FINANCIAL STATEMENTS

05. PO F&A shall prepare the draft financial statements and forward it for the review of MF;
06. During review, MF shall ensure completeness, accuracy fair presentation of all financial events occurred during the financial year;
07. MF shall present the first draft of financial statements within 45 days to CEO for his/her review;

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

STATUTORY / EXTERNAL AUDIT

STATUTORY / EXTERNAL AUDIT

POLICIES

01. After the approval of financial statements from CEO, the financial statements shall be audited by an independent and reputable audit firm duly appointed by the audit committee;
02. Donor audits of expenditure verification will be conducted considering the liquidation requirements pursuant to the donor agreement's requirements and approved by Chief Executive Officer.
03. Audit of specific programme/project shall be initiated as per the requirements of project and instructions of donor specified in the project agreement;
04. MF shall give direct and ready access to, records, reports, files, contracts, vouchers, and other documents, as he/she consider necessary for the proper conduct of audit;
05. The control deficiencies highlighted by the auditors during the audit of financial statements shall be communicated to the Management;
06. The adjustments in the financial statements shall be made before presenting in Board meeting;
07. Management letter shall be communicated to the Audit Committee of TDEA;
08. A meeting of External Auditor, MF and Internal Auditor shall be held in accordance with the provisions laid down in Code of Corporate Governance 2012;
09. The audited financial statements shall be presented in the Board meeting for approval.

PROCEEDURES

01. MF shall be responsible for the statutory audit of financial statements as prepared in accordance with the International Financial Reporting Standards;
02. MF shall be responsible for correspondence with appointed audit firm for annual audit;
03. MF shall provide the accounting and financial record to the auditors as required by them for the conduct of an audit;
04. MF shall also present any other record, such as minutes of meeting of BoT, to the auditors which shall be necessary for the audit of financial statements;

05. PO F&A shall incorporate the adjustments in the financial statements as required by the auditors, the same shall be reviewed by the MF;
06. The control deficiencies highlighted by the auditors shall be reported to audit committee by the MF along with the reasoning/ justifications;
07. Upon recommendations of audit committee, MF shall take remedial measures to control those deficiencies and the report shall be presented to audit committee in the next audit committee meeting stating the remedial measure taken by him and the results of those remedial measures.

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

PROJECT ACCOUNTING

PROJECT ACCOUNTING

The accounting functions shall be carried out in compliance with the policies and procedures laid down in this Financial Management Manual for the programmes/projects of TDEA which are decentralized or operationally independent. However, the specific division, allocation of Finance and Accounts Functions, roles and responsibilities shall be defined in accordance with the needs of the projects depending on the financial resources available and other factors. This section shall deal with the accounting treatments of transactions related to decentralized or independent project.

STRUCTURE OF FINANCE AND ACCOUNTS FUNCTION FOR THE PROJECT

The project shall have its own Finance and Accounts Function which may comprise on the following personnel in accordance with the needs of the projects:

- Project Head;
- Project Manager Finance;
- Project Finance Officer; and
- Project Finance Assistant.

SETUP AND BUDGETING

The preparation and the revision of budget for independent or decentralized Programmes/Projects shall be exercised in accordance with the following procedures:

- 01 Project MF shall prepare the annual budget with the coordination of Project Manager/Coordinator;
- 02 Project MF shall ensure that Programme/Project budget coincides with the consolidated Activity and Implementation Plans approved by the Donor;
- 03 After the preparation of annual budget document, he/she shall present it to Project Lead/Coordinator for review and recommendations;
- 04 The reviewed and amended budget shall be presented to MF who shall ensure that the budget document is in compliance with the terms of the agreement and shall require the amendment in the budget, if any non-conformity is found in it.
- 05 MF shall consolidate the budget into TDEA core and shall follow the budget approval process as stated in chapter “Budgeting”.
- 06 Once the donor has transferred the funds to TDEA account, management of TDEA shall be responsible for the release of funds to the project on need basis.

- 07 Project MF shall raise the request for the release of fund to MF on monthly basis, who shall ensure that the request so raised is rational and in accordance with the approved budget;
- 08 After satisfying himself, MF shall make replenishment of funds to the project by transferring the amount to project designated bank account after the approval of DFG;
- 09 In case where the donor has delayed the release of funds and operations of the project cannot be stopped for various reasons, funds may be lend to the project from TDEA core after the approval of DFG/CEO for a definite period of time;
- 10 Project MF shall ensure the strict compliance of the utilization of funds in accordance with the approved budget for the period;
- 11 Project MF shall prepare a monthly management report for MF/DFG/CEO showing the comparison of actual expenditure with the approved budget to identify and analyze major reasons for variance through **Budget vs. Actual Expenditure Report**.
- 12 Project MF shall use budget monitoring reports prepared by Project FO for reviewing utilization of project funds;
- 13 Project MF shall forward the 'Monthly Budget vs. Actual Expenditure Report' to MF for review and further approval by DFG.

PROJECT BANKING

- 01 Independent or Decentralized Projects may have three bank accounts:
 - Foreign Currency Account, if required;
 - Pak Rupee Account; and
 - Operational Account.
- 02 Payments to third party (programme/project related expenses up to certain limits specified project to project by TDEA) against their services for project shall be made through Pak Rupee Account maintained by TDEA;
- 03 Signatories shall be from TDEA for the payment from Pak Rupee Account and foreign currency account. However, signatories for operational account shall be from the project as approved by TDEA;
- 04 All the payments for the operations of the project shall be paid out of the operational Account.

MANAGEMENT REPORTING

- 01 Monthly management report shall be presented to MF by the Project MF for review as per requirement and format defined in;
- 02 MF shall review and consolidate the monthly management reports and shall forward it to DFG for his/her reviews;
- 03 Project MF shall also prepare quarterly financial report for the project and forward it to MF. MF shall review and consolidate;
- 04 Consolidated Quarterly Financial Reports shall be presented to CEO/DFG by MF as per the procedure laid down in chapter "Reporting".

PROJECT ACCOUNTING

- 01 All the expenses and income of the project shall be separately recorded by Project FO in accordance with the procedure laid down in chapters 'Cash and Bank' and 'Recording of Transactions';
- 02 Payroll of the staff shall also similarly be booked against a project, as projects have their own full-time staff;
- 03 In case the resource(s) of TDEA is temporarily deployed to the project, the cost of such resource shall also be apportioned to the project in accordance with the utilization of that resource and the budget available for the project.
- 04 Cost of such resource shall also be reimbursed by the project to TDEA.

PAYROLL ACCOUNTING

- 01 Project MF is responsible for the preparation of monthly payroll of employee at projects;
- 02 Project Lead shall approve the monthly payroll prepared by the Project DF / MF;
- 03 Payment of salaries shall be made from the operational account of Programme / Project after the approval of both signatories of Programme / Project.

TAXATION

- 04 Project FM shall be responsible for the deduction of tax from salaries of employees at Programmes/projects as per the provision of section 149 of Income Tax Ordinance 2001;
- 05 Deduction of Income Tax in respect of all the payments shall be made as prescribed in Division III "Deduction of Tax at Source" of Part V of chapter X of Income Tax Ordinance 2001;

- 06 The amount so withheld shall be deposited by Project FO through a crossed cheque in designated account of the tax authorities under the supervision of Project MF.
- 07 Project MF shall prepare and submit its annual statements as specified in Part I of Chapter X of Income Tax Ordinance 2001 within the time frame as mentioned in section 165 of Income Tax Ordinance;
- 08 The project may use the services of tax consultant for preparation and filing of tax statements, income tax return and for any other tax matter;

CLOSURE OF PROJECT ACCOUNTS

- 09 DFG shall issue a Project Closure Notice with the approval of CEO to all the stakeholders, preferably 60 days before anticipated closure of the project;
- 10 Unless extension is applied and granted by a donor for a project, project accounts shall be closed within one calendar month of closure date provided in the project agreement or as extended by the donor, whichever is later;
- 11 MF shall collect all the supporting documents related to the transactions of the project before closure of accounts or the specific instructions of a donor shall be followed for keeping project records;
- 12 MF shall be responsible for the proper disposal of remaining liabilities or assets of the project;
- 13 Assets may be included in the books of TDEA as owned assets based on terms of the agreement;
- 14 Any outstanding project liabilities not refundable by the donor shall be charged to TDEA core budget after the approval of DFG/CEO.

PROJECT AUDIT

- 15 If the auditors sent by the donor agency to validate the accounting arrangements and financial reports of the project, MF and Project MF of the project shall be responsible for facilitating the project auditor in conducting a required audit; and
- 16 If donors require preparation of separate project financial statements, MF and Project MF of the project shall be responsible for fulfillment of such requirements.

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

DONOR REPORTING

DONOR REPORTING

POLICIES

01. Financial reports to donors shall be prepared in accordance with the requirements of donor agreement;
02. Such reports shall be sent on the format prescribed by the donor and shall include such information as may be required by the donor. Further, the frequency of such reports shall be in compliance with the terms of the donor agreement;
03. Donor reports shall be addressed to the contact person specified in the donor agreement;
04. The donor reports shall be approved by the TDEA contact/focal person mentioned in the agreement;
05. The Project MF shall ensure the completeness and timely submission of report to donor;
06. MF shall ensure the compliance with the reporting requirements of donor agreements.

PROCEDURES

01. Upon signing a donor agreement, Project MF shall prepare a list of reports required to be submitted under the donor agreement along with their respective frequency and deadlines;
02. Project FO shall prepare and present the reports specified in the donor agreement and shall forward it to MF for his/her review;
03. MF shall review the reports and forward it to DFG for approval. After the approval of DFG, the same shall be forwarded to contact/focal person for approval;
04. After the approval, the contact/focal person specified in the agreement shall submit the report to the donor;
05. Whether or not specified by the donor, following reports shall be prepared by the Project MF at the closure of each project:
 - Final Expenditure Report;
 - Inventory Report;
 - Fund Reconciliation Report; and
 - Any other report as required by MF.

**TRUST FOR DEMOCARTIC EDUCATION AND
ACCOUNTABILITY**

GRANT MANAGEMENT

GRANT MANAGEMENT

POLICIES

01. In order to manage and disburse funds held by TDEA of any donor intending to donate for a project, TDEA will share the opportunity with the potential sub awardees for submission of their proposals;
02. Evaluation of submitted proposals shall be made on the basis of objectives of the project and criteria specified by the donor based on the following principles:
 - a) Fairness;
 - b) Transparency; and
 - c) Equal opportunities to all the qualifying recipients
03. The final approval of the selection of sub-awardees shall be made by the Grants Committee.
04. The overall responsibility of the carrying out the process lies with DFG and CEO.
05. Where the nature or objectives of the project relates to a particular Partner Organization (e.g. the project is required to be undertaken in a specific territory in which Partner Organization is already operating), the management shall not undertake above mentioned selection procedure, rather the project shall be granted to that Partner Organization with the consent of donor.
06. TDEA shall follow the Grants Manual for implementation and management of grants

**TRUST FOR DEMOCRATIC EDUCATION AND
ACCOUNTABILITY**

ANNEXURE

