

# **Drive for Economic and Environmental Development (DEED)**



# **DEED**

**FINANCIAL POLICY**

## **4. FINANCIAL MANUAL**

The financial management system is developed to maintain an effective system of internal control and to monitor compliance with the system. The system primarily includes:

- Documentation and recording of transactions;
- Authorizations required and necessary checks for financial transactions;
- Procurement procedures; and
- Developing and maintaining control over assets.

The system includes: necessary internal control to ensure reliability of accounts, streamline, detect and prevent any deliberate or unintentional errors, misuse of financial authority, resources and assets. The system is carefully developed to balance necessary control and to avoid delays caused by the controls. All financial functions, policies, procedures in the organization shall be governed through the financial system.

Financial statements are prepared in accordance with the approved accounting standards as applicable in Pakistan and requirements of the Companies Ordinance, 1984. The company will follow accrual accounting system and adjusts entries at the end of the financial year. Expenses will be recorded in books of accounts as they are incurred, rather than when the bill is actually paid; similarly when income is earned rather than when received.

#### **4.1 Chart of Accounts**

The chart of accounts is used as a guiding and referring tool to post accounting entries in the respective head of accounts. In order to keep a vigilant control over accounting framework of the organization, the Head of Finance or his staff is not allowed to make amendment (including opening a new head of account) in the chart of accounts unless specific written approval is granted by the Director Operations. For any addition or amendment in the head of accounts, the Head of Finance will be expected to prepare a note explaining the need for the change; the note and the granted approval shall be retained by the F&A Department for reference.

Financial year of the organization is from July 01 to June 30. Financial records are maintained in such a manner that provide an Income and Expenditure Account, summarize all income and expenditure committed in a specified period; and produce a Balance Sheet, which demonstrates, amongst other things, moneys owed to and by the organization on the last day of any specified period. The organization maintains appropriate chart of accounts which has ability to document monetary transactions with an objective to produce timely, accurate and meaningful reports for the Senior Management, the Board of Directors, the donors and others.

## **4.2 Financial Transactions and Related Documentation**

All financial transactions are processed and recorded in appropriate documents. Transaction must be documented as soon as accurate, complete, and meaningful information is available, which is useful for internal and external users of financial records. All financial records/entries must be supported by documentary evidences from origination to completion of transaction. Computer software shall be used to record accounts data, and effective access controls, protected by passwords, shall be introduced to restrict access to various options of the financial software. As financial records are of extreme importance to the DEED, appropriate backups of the financial data must be ensured by the Head of Finance.

## **4.3 Advance Approval**

For all expenses/activities expected to cost more than Rs. 5,000/- the advance approval must be obtained using relevant forms (travel, purchase request, events). If no specific form for an activity is available (survey, printing, data entry etc.) written approval may be obtained through e-mails or office memos.

## **4.4 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 for Head office and project office. Such supporting documents shall be checked by the designated person in the F&A Dept prior to their submission for approval of payment before the approving authority.

- **Approving authorities at head office / Project Level**

<b>S. No.</b>	<b>Amount to be Paid</b>	<b>Approving Authority</b>
1.	Expenses up to Rs. 10,000	For HO / Project Office: DO / Project Head
2.	Expenses up to Rs. 50,000	CEO/Director Operations
3.	Expenses above Rs. 50,000	Chairman BoD

- At district level autonomy can be change / given from time to time.

#### **4.5 Pre-numbered Entries**

All entries will be allotted sequential numbers to: ensure completeness, proper order, avoid chances of arbitrary changes in records, safeguard against missing vouchers, and authorization thereof. Any entry recorded out of the sequence would require immediate and thorough scrutiny to dispel the impression of any deliberate event. The Head of Finance will be responsible to document any such event.

The DEED shall deduct applicable taxes on all payments; all tax deductions under prevailing tax laws shall be treated appropriately as per the applicable laws.

#### **4.6 Review of Accounting Entries**

The person making entries of financial transactions will be responsible to obtain all supporting documents, accuracy, completeness, and genuineness of recording/making the entry.

Preferably a person, other than the one who is making payment and documenting entry, will review the entries to examine accuracy of entries and documentary evidence of transactions. In normal circumstances, payments and entries will be done by the Accounts Officer and review will be done by the Head of Finance. The Chief Executive Officer/Director Operations will closely monitor all the strategic financial matters and information.

#### **4.7 Vouchers & Forms**

The Accounts Officer is responsible to record and maintain financial records, related correspondence, accounts, statements, supporting documents etc. For effective maintenance of the accounting records, all vouchers must be supported by the documents including: initiation, approval, invoice, payment etc. with necessary evidence of occurrence (such as signatures etc.) shall be required for vouchers.

##### **o Procedure for Voucher Preparation**

The Accounts & Admin officer will prepare all payment, receipt and journal voucher and after preparing vouchers he/ she will send the same to the Head of Finance for checking it with the supporting documents and verification. After checking & verification the head of finance will send vouchers to Director Operations/Chief Executive Officer for approval. Finally, the Director Operations/Chief Executive Officer will return the approved voucher to Accounts & Admin officer for recording and posting the transaction in the relevant heads of financial accounting system. As far as practicable there should be adequate segregation of duties between the person responsible to maintain cash and the person responsible for posting the transactions to induce better control.

Following vouchers shall be used to record transactions:

## **1. Payment Vouchers**

- Cash Payment Vouchers (used to record cash payments); and
- Bank Payment Vouchers (used to record bank payments);

## **2. Receipt Vouchers**

- Bank Receipt Vouchers (used to record all receipts and collections through bank accounts); and
- Cash Receipt Vouchers (used to record all cash receipt transactions).

## **3. Journal Voucher**

Journal voucher (JV) is prepared as evidence and authorization to record non-cash transactions. A non-cash transaction is one which does not involve the actual receipt and/or payment of funds but the recognition of which, in books of account, is fundamental to properly reflect the operating results and financial position of the organization. As a pre-requisite of accrual basis of accounting, all accruals will be recorded through JVs. Correction of any omission or error of disposition/classification etc. shall be routed through JV.

### **4.8 Books of Accounts/Records**

Some of the common books maintained by the organization are given below. Any further requirements shall be introduced as and when required by the Management, the Board of Directors or as advised by the Auditors.

- General Ledger;
- Fixed Assets Register;
- Cash Book; and
- Bank Book

Following information, books, and/or registers shall be maintained for the record and as supporting documents:

- Invoices;
- Vouchers;
- Cheque books;
- Bank statements & reconciliations;
- Bank deposit slips;
- Receipts;
- Salary sheets;
- Purchase requisition;

- Quotations;
- Purchase orders; and
- Any other record and information considered necessary

The Head of Finance or the designated Accounts Officer will be the custodian of all accounting records, including but not limited to ledgers, statements, accounts, vouchers, invoices, bank records, record of procurement, and receipts of funds, etc. Such records shall be kept and maintained for the period as per regulatory requirements.

#### **4.9 Foreign Currency Transactions**

Transactions in foreign currency are converted into Pak rupees at the official exchange rate on the date of transaction. Any loss or gain in exchange rate shall be borne by the DEED. Assets and liabilities in foreign currencies, if any, are translated into Pak Rupees at the official exchange rate prevailing on balance sheet date.

#### **4.10 External Audit**

Financial statement of the DEED will be audited at the end of each financial year as per the provisions of applicable laws. Auditors will be appointed in the Annual General Meeting of the Board of Directors in accordance with the rules of the Companies Ordinance. The Secretariat (Head of Finance and Chief Executive Officer / Director Operations shall propose/arrange at least 3 firms of good repute along with their fees for final appointment by the Board. A reputed firm of Chartered Accountants shall be appointed to carry out the annual audit to maintain the credibility of financial matters.

The Board shall review and approve the draft accounts initialed by the appointed external auditors. It will be the management's responsibility to take adequate, timely and corrective actions to address any weaknesses identified by the external auditors in their management letter.

Any donor agency or Vendor providing funds to the DEED, at its discretion, may also carry out audit of financial statement(s) of the project/program it is funding or has funded. Such audit may be carried out by the staff of the donor agency or by independent auditors by giving at least 15 days advance notice and on agreed Terms of Reference.

#### **4.11 Funds Management**

##### **➤ Bank Accounts**

The DEED will maintain a bank account in the name of DEED, with approval/authorization of the Board of Directors, for its day-to-day operations. It is preferred that maximum number of financial transactions is done through bank to ensure proper

documentation, minimize cash handling, transparency etc. For day-to-day running cash transactions shall also take place as given below. Auto Teller Machine (ATM) Card, Credit Card or other similar services which skip documentary evidences such as: approval, authorized signatures on hard copies, cheques etc. are not allowed for the DEED's bank account(s).

The DEED's bank account(s) shall not be operated by a single signatory; it shall be operated by joint signatories duly authorized by the Board of Directors. Bank account signatories shall be nominated in such a manner that one signature each from the below mentioned table is mandatory. As per changes in nominations, subsequent change of signatories shall be communicated to the bank accordingly. Bank signatory arrangement is given below:

<b><u>Signatory (Group-A)</u></b>	<b><u>Signatory (Group-B)</u></b>
Chairman	Company Secretary
Chief Executive Officer	Manager Finance
Director Operations	Admin
Manager	Project Officer/ Manager

The Head of Finance (or any other officer designated by the Chief Executive Officer/Director Operations) shall be the custodian of the cheque book(s) as well as responsible for writing the cheques.

For internal control, the organization shall maintain a Bank Book to record all bank transactions. The Bank Book shall be reconciled with bank records/statement at least once a month. The purpose of this exercise is to make sure that both records match and to identify any error(s) by the bank or organization. Any closing balance difference between the bank and organization's record must be explained.

Monthly bank reconciliation statements shall be prepared and presented to the Chief Executive Officer/Director Operations. The report shall present all bank transactions starting from the beginning of the month (where last report was closed) till the end of the month. A consolidated report of all funds in hand shall also be prepared by the Head of Finance on monthly basis. This report will reflect all funds available in bank account(s), cash in hand, and other investments made by the DEED.

#### ➤ Revenue

All revenues shall be properly documented; responsibility of documentation lies with the Head of 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 the Non-profit societal space, an organization may / can come across funds requirements for their operations and sustainability. A dire Phase can come where there is a shortage of money /funds / resources / grants etc. due to unavoidable reasons. Instead of getting close because of inability and hindrance in raising funds for the organization, DEED's Directors will ensure that minimum possible support in the form of Loan / grant / assistance is there for existence of the organization. This support if admissible at any stage in the form of loan will be subject to the approval of BOD. It will be taken and returned in line with the financial policy of DEED, once the finances and funds are sorted at any lateral stage of the organization and surplus resources are available with the finance department in Company's Account.

Receivables overdue by one year may be recommended for write off by the Head of Finance keeping in view the nature and amount of receivables. A detailed report for every such case would be submitted to the Chief Executive Officer for final approval of writing off.

#### ➤ **Cash Management**

The sources of cash receipts would be: encashment of cheque, refund of advance, donation, receipts of sale of publications, etc. Upon receipt of money, cash receipt would be prepared by the designated person mentioning all necessary details of the receipt including: date, amount, source, account, purpose/reason etc.

To meet day-to-day expenditure of small amounts, a petty cash fund will be maintained. Maximum limit of a cash payment is Rs. 5,000 except for the payment of utility bills, day to day office expenses, postage, etc. Cash payments up to Rs. 10,000 shall only be allowed with written permission of the Chief Executive Officer/Director Operations in special cases. No single transaction shall be split just to avoid the limit. Staff members may claim their travel and other expenses in cash; all such payments shall be subject to authorization of payment.

Maximum limit of holding petty cash is Rs. 50,000 (or as revised from time to time with the approval of Chief Executive Officer/Director Operations). In case of excess amount is to be maintained it should be authorized. The Head of Finance or the Accounts Officer/ Admin Officer shall be the custodian of petty cash. Necessary arrangements such as steel box, locked safe etc. shall be made for safe custody of petty cash. Any shortfall found in the petty cash fund would need to be made good by the custodian. The custodian of petty cash will maintain petty cash register to record cash transactions on daily basis. A designated senior officer (normally Head of Finance) shall periodically count petty cash to ensure that physical currency is equal to the petty cash register balance.

### ➤ **Expense Management**

As a principle, separate accounting record will be maintained for each project (having separate funding agreement) with different or same donor. Expenditures will be carried out in accordance with the approved budget heads and budget limits. Factors such as terms and conditions set by the funding agencies will also be considered while making expenses.

Subject to the provisions of agreed terms and conditions, all financial policies and procedures of the DEED shall be applicable and followed for incurring any expenditure from the funds provided by the donor agencies. The Head of Finance will be responsible to prepare financial reports for the donor agencies as per agreed formats, timelines, and other conditions.

### ➤ **Financial Reporting**

Financial reports of transactions are prepared to ascertain balances, know level of expenditure, spending as plans etc. Primary users of the reports include the Chief Executive Officer/Director Operations, the Chairman and the donors.

The table below summarizes various possible recipients of the financial reports and anticipated need/use.

Expected Users	Anticipated need/use
Project/Program staff	To know how much money and resources are available for their projects and what has been spent so far for further planning and execution of work.
Chief Executive Officer/Director Operations	To monitor spending of various projects as well as of the organization. To guide staff on their project work, take management decision, and plan for future.
Finance staff	To make sure accuracy of records and that sufficient funds are available to carry out program/project activities.
Donors	To make sure that finances are being used as agreed. Timely and precise reporting may enhance likelihood of future funding.
Government departments	To make sure that the organization is using its funds for legitimate purposes, and pay due taxes.
Project beneficiaries	To know costs of the benefits they are receiving through the organization.
The general public	To know income, expenditure, use of funds, and size of the organization.

The financial information of full financial year is summarized to produce the Annual Accounts (i.e. Balance Sheet, and Income and Expenditure Account) to support the Annual Progress Report.

### ➤ **Management Reporting**

The Chief Executive Officer/Director Operations and the department heads need financial information throughout the year to monitor progress and prepare plans. Management reports shall be produced on monthly basis. The reports are produced in such a manner that helps the Chief Executive Officer/Director Operations and department heads in taking decisions about future planning of programs and that of the organization. The management reports prepared shall also include the balance funds in cash as well as in bank along with reconciliation statements. The Chief Executive Officer/Director Operations and the Executive Council may also require other financial reports. Formats of the reports shall be developed in consultation with the expected recipients.

Management reports shall be prepared by comparing applicable budgets with actual expenses. The report shall also compare expected income and expenditure with the actual income and expenditure during the reporting period to see the variance (difference between expected and actual figures). Any significant variance shall be analyzed and efforts shall be made to fix the variance.

Financial management system should provide complete, reliable, consistent, timely and useful financial information and financial statements. Some of the reports which may be required from time to time include:

- Project-wise financial reports;
- Cash flow position;
- Consolidated report of all on-going projects; and
- Balance sheet.

All financial reports agreed with the donors must be accurately prepared and submitted timely in the agreed format. The Head of Finance will be responsible for the accuracy of financial reports to the donors within agreed deadlines. Any adjustments required in budget must be agreed in writing with the relevant donor agency. The Head of Finance will also be responsible for issuing invoices to donors for the release of funds.

### ➤ **Budget Preparation**

Budgets are prepared in accordance with the guidelines provided by the Chairman and/or donor agencies in consultation with the relevant program staff. The DEED's programs are restricted to operate within the budget approved by the relevant donor agency. Realistic budget should be prepared, as significant under-spending or over-spending is not a good indicator for the organization. The common costs such as: office rent, utility bills, communication costs, stationary, core staff salaries etc. must be rationally distributed among various projects and donors.

While making budgets, necessary notes must be recorded for future reference. For making budgets of more than one year projects, preferably 10% increase (to cover inflation) must be taken into account for every next year's budget. A balance must be maintained between the administrative (management) and the program related budget. Appropriate budget notes may be added to explain the final budget figures. All project budgets prepared by the DEED shall be approved by the Executive Council.

It is desirable that the DEED develops its yearly financial projections and pursues projects with various donors.

#### ➤ **Monitoring Budget Spending**

Spending against approved budget shall be regularly monitored (on monthly basis) by the Chief Executive Officer/Director Operations and the Chairman. The Head of Finance will prompt any significant over/under spending. Any significant variance between the budget and the actual spending shall be probed by the Chief Executive Officer/Director Operations and any adjustments required shall be made accordingly.

Updated financial reports including: Income and Expenditure Reports, updated funds situation, comparison of expenses with budgets (of all on-going projects) etc. shall be presented in the Board of Directors meetings. The Board shall discuss such reports and may suggest modifications/amendments/rectifications.

### **4.12 Payroll and Related Costs**

#### ➤ **Monthly Salary**

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 in a salary sheet. (Preferably a computer sheet).

- 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 equipments etc.);
- Net payable monthly salary;

- Gross monthly salary; and
- Other payroll related information

**➤ Payment to Project / Temporary Staff**

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. 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.

**➤ Deduction of Taxes**

At the time of disbursement of payments to staff, income tax will be deducted as per applicable laws and rules, in most tax efficient manner. The income tax deducted from the staff payments shall be deposited in the Government treasury through tax challan. For deductions made by the DEED, Tax Deduction certificate shall be provided upon request. Filing of tax returns is the responsibility of staff members; however, the F&A Dept will facilitate the staff members in filing tax returns.

**4.13 Fixed Assets**

Items shall be recognized as Fixed Assets only when:

- It is probable that future economic benefit will flow to the organization as a result of its acquisition;
- It has useful life of more than one year.

Cost of an asset includes purchase price, transportation/installation cost, all non-refundable Government taxes and cost of bringing the asset into working condition.

Major renewals and improvements in Fixed Assets that extend useful live, enhance capacity, or substantially reduce operating costs, shall be capitalized. Maintenance and normal repairs (up to Rs. 5,000) are charged off as an expense. Gain and loss on disposal of fixed assets are taken into Income and Expenditure account.

**➤ Depreciation**

Fixed Assets are stated at cost less accumulated depreciation. Depreciation for the year is charged to income and expenditure account using straight line method so as to write-off the historical cost of an asset over its estimated useful life.

Depreciation is charged to income from the year of acquisition, and no depreciation is charged in the year of disposal. Depreciation rates reflect useful life of respective assets. The annual depreciation rates, applied on straight-line basis, are as follows:

Type of Assets	Rate of depreciation
Building	5%
Office equipment	10%
Furniture and Fixture	10%
Computer Equipments	33%
Computer Software	20%
Motor Vehicles	20%

#### ➤ Identification of Assets

At the time of acquisition, all fixed assets should be assigned exclusive identification for reference with necessary identification details of the asset. Donor reference should also be included, where applicable, in the identification. This identification mark should be tagged on the asset and entered in Fixed Assets Register.

Head of Admin department shall be responsible to maintain fixed assets register which should contain following mentioned underneath:

- Description & cost of each item;
- Date of acquisition;
- Location of asset;
- Donor reference;
- Rate of depreciation and per year charge;
- Accumulated depreciation; and
- Date of disposal.

Fixed assets records must be reconciled with the General Ledger on regular basis. The Head of Finance (or designate person) will take physical inventory of all fixed assets at least annually to ensure completeness and accuracy of the records.

#### ➤ Project Fixed Assets

1. Disclosure
2. Recognition in DEED's books etc.

Assets purchased with grant of a donor agency will remain property of the donor unless otherwise specified in the agreed terms and conditions. Due care should be taken for the safety and maintenance of such assets. At the end of the relevant project/ program, either the assets will be transferred to the donor agency or handled according to the agreed terms and conditions.

➤ **Insurance of Fixed Assets**

Subject to availability of funds, Comprehensive insurance shall be procured for all fixed assets. The insured value is taken at current market replacement value. Assets received from donors in kind should also be insured in the same way as bought assets, if fund allows.

➤ **Disposal of Assets**

Disposal of fixed assets should be undertaken through tenders, auction or a private sale, whichever is suitable and as approved by the Chief Executive Officer/Director Operations. A private sale would only be considered where the sale price can be accurately assessed, and there is a possibility of fetching higher prices as compared to other modes of disposal. At the time of intended disposal of an asset, following details must be presented in writing to the Chief Executive Officer/Director Operations for the approval of disposal of assets:

- Specification and description of the asset;
- Reasons for disposal;
- Where possible, an estimate of the realizable value;
- The mode of disposal of asset, as per the donor's policy, where applicable;
- Draft sale agreement/transfer note, in case of intended private sale.

At the time of disposal of fixed asset the transaction shall be recorded as below:

- Cost of the disposed asset shall be removed from Fixed Assets Register;
- The related accumulated depreciation shall be removed from the allowance for depreciation account; and
- The profit and loss account, adjusted for the cost of removal, shall be recorded as income (gain) or expense (loss).

➤ **Use of Organization's Assets for Projects**

Subject to availability, Assets including but not limited to building, vehicles, equipment, furniture & fixtures etc owned by DEED may be used for different projects on rental / contribution basis. While doing so the prevailing market rates will be taken into account.

➤ **Inventory Management**

Updated and accurate record of all valuables including: equipments, fixed assets, furniture & fixtures, vehicles, and other non-expendable shall be kept. Such record should be supported by appropriate documentary evidences. Proper identification numbers shall be pasted on each item of equipment, furniture, and fixtures.

At the end of each year, the inventory at hand shall be physically counted; the Head of Finance or the designated stores in-charge shall be responsible for safe handling of the inventory. Differences in stock count shall be properly investigated and a report would be submitted by the designated Stores in-charge for necessary adjustments in accounts.

#### **4.14 Financial Calendar**

S. #	Event	Frequency
1	Monthly Closing	By 15 <sup>th</sup> of every month for the previous month closing
2	Yearly Closing	By 31 <sup>st</sup> July of the subsequent year
3	Quarterly Meeting of the Governing Body	By 15 <sup>th</sup> of the month subsequent to the Quarter end.
4	Quarterly Meeting of the Audit Committee	Before each meeting of the Governing Body
5	Quarterly Meeting of the Finance Committee	Before each meeting of the Governing Body
6	Management Meetings	First Tuesday (in case of holiday, the next working day following) of each month.

#### **4.15 Month-end / Year-end Requirements and New Year Procedures**

##### **4.15.1 Month-end Close Requirements**

4.15.1.1 At the end of each month, the organization closes its books. The following month-end procedures are performed:

- i. All cash (petty cash & bank) transactions are reviewed, approved, and recorded.
- ii. All balance sheet accounts are reconciled.
- iii. All grants received from donors are recorded and reconciled

- iv. Payroll and fringe benefits are processed, approved, and recorded.
  - v. All employees' advances are settled to the extent possible i.e. review to ensure all advances are current and collectible and all overdue advances are deducted from employee's salary.
  - vi. All expenses are inspected to ensure that they are in compliance with cost principles.
  - vii. All transfers to and from field offices are reconciled.
  - viii. Financial reports are prepared, reviewed and approved by the Head of Organization and distributed to the concerned staff and organizations.
1. Month-End Reports as per section 6.2 are prepared by the FAD.

#### **4.15.2**

##### **Year End Procedures**

- 4.15.2.1 All revenues/receipts and expenses/disbursements are closed out in the general ledger and balance sheet items are transferred to next financial year.
- 4.15.2.2 The bookkeeper completes the analyses and reconciliations for the year end.
- 4.15.2.3 Physical inventory of fixed assets is undertaken and reconciled to fixed asset records.
- 4.15.2.4 All applicable DONOR reporting requirements are complied.
- 4.15.2.5 Confirmation letters to all officers/employees with outstanding advances are sent out.
- 4.15.2.6 Financial and other management reports are prepared and distributed to concerned staff.
- 4.15.2.7 All financial records, journals, ledgers, year-end financial statements are prepared for the review of external auditors.
- 4.15.2.8 FAD instructs all departments to send their invoices within fifteen (15) days of year end.
- 4.15.2.9 The Accounts officer will create a new file for the new fiscal year, copies the old year data into it, and processes a change of the new fiscal year.
- 4.15.2.10 This sets up the New Year file with the old year data recorded as history.
- 4.15.2.11 When the FAD receives final audit adjustments the same them are into the old year file so that it will print the same numbers as the audited financial statements when a report is requested.
- 4.15.2.12 This process retains full access to the old data in the old file while allowing normal activity in the new year's file without waiting for the audit adjustments to be available.
- 4.15.2.13 At the completion of audit, all adjustments to financial records are made and audited financial statements distributed to the concerned people/organizations.

#### **4.15.3**

##### **New Year Procedures**

- 4.15.3.1 The bookkeeper continues with normal activity in the new year including payment processing and payroll and is able to print month end reports in the normal way without any audit delay.
- 4.15.3.2 The Account Officer will enter the annual budget into the accounting system as and when the information is available.