

Accounting Procedure 2071



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1. BACKGROUND

Namaste Community Foundation, Nepal is a non-profit social organization which is supporting underprivileged children and people of Nepal through its various projects. Currently, we are running following programs:

- 1) Two Children Home (Lakeside & Damside)
- 2) Scholarship Program
- 3) Women Empowerment Project
- 4) Micro Credit Support
- 5) Hearing Project Nepal
- 6) Others

2. OBJECTIVES

The prime objective of the accounting procedure is to establish and strengthening prudent accountability, creditability and responsibility of the financial as well as administration matters with full confidence and commitment.

1. To keep records of all financial activities to prepare periodical financial reports.
2. To provide as standard management framework to the organizational attitudes and organizational behaviors.
3. To develop cost effective, organizational and financial sound practices.
4. To develop constitutes for the internal control process and external evaluation.
5. To increase financial transparency, accountability and creditability towards stakeholders.

3. COMMON CHARTS OF ACCOUNTS

A common chart of account has been introduced. The charts of account are prepared according its nature of transaction and in consideration with Namaste Community Foundation chart of accounts. Basically we produce following charts: Journal Voucher, Individual Ledgers, Income and Expenses, Fund accountability statement, Balance Sheet, Assets details, List of Damage and removal, Details of related incomes and expenses heads, etc.

4. SUMMARY OF ACCOUNTS

- 1) Budget: Budget is prepared in consultation with concerned department heads, taken approval from board and final approval from the general assembly.
- 2) Procurement: A requisition form is filled after assigning the needs, approved by the manager or the director. The chief of finance and administration department or the concerned department head are responsible for the procurements.
- 3) Bills: All bills should be approved by the manager and should duly sign by the purchaser to be the part of responsible person of every purchase.
- 4) Journal Voucher: A journal voucher is prepared by the accountant, verified by the chief finance/administration officer and approved by the Manager.
- 5) Ledger: Individual ledger is maintained for each and every transaction.
- 6) Monthly final reports: A monthly final report is prepared containing of income, expenditure and detailed explanation of related expenses head. This report shows the separate expenses for the individual projects and summarized all in one. This report is duly verified by chief finance/administration officer and approved by the manager or the executive director.

5. BUDGETS, PLANNING AND BUDGETARY CONTROL SYSTEM

1. The annual budget of the Namaste Community Foundation should be prepared in consultation with the concerned departments heads of different programs. This budget should be approved by board and then forwarded to general assembly for the final approval.
2. Maximum efforts will be made by the organization to keep expenditures within the approved budget limit. If the approved budget of any head is insufficient, re-appropriation from other heads will be made and the Board also will approve such re-appropriation.
3. Financial year is the period of 365 days starting from 16th July to 15th July of next year (Srawan to next year's Ashadh).
4. Financial statement of previous year and planning for next year is taken into consideration to prepare budget for the next year.

6. BOOKS OF ACCOUNTS & DOCUMENTS

1. An up-to-date account of all the incomes, expenditures and other financial statements as prescribed by the organization will be kept by the accounts department according to generally accepted accounting principles (GAAP) and International accounting procedures.
2. The accountant should make the separate set of accounts for different projects.
3. The books of accounting formats and documents have been restructured and redesigned. Books of account should be maintained in standard forma, which gives necessary information in, time and easy to prepare financial statements.
4. The finance department should be reported all monthly the financial statements to the Executive director of all the projects jointly and severally in within second week of next month after review by the Administrator and the Manager. Any concerned authorities can do a cross check for the incomes and expenses made in different period.

7. CASH & BANK - RECEIPTS, PAYMENTS & CONTROL

The purpose of this chapter is to describe the system and procedures to be followed by finance Department for the documents, records and books to be maintained for cash receipt and payments.

The main records to be maintained are:

1. Cash book for recording the receipts and payments of cash including bank accounts.
2. Petty cash for recording receipt and payment of cash out of petty cash fund.
3. The Chief of Finance/Administration department has the overall responsibility for cash and bank transaction. Accountant maintains cashbook as well as transaction of petty cash fund.
4. Every month the financial information should be reviewed by the Manager and the Director.

8. SUMMARY OF THE SYSTEM

A) Receipt of Cash / Draft/ Cheque

1. The accountant makes a receipt in duplicate. The original copy of the receipt is issued to the person making the payment and the accountant retains duplicate copy.
2. All money receipts are directly deposited into the organizational bank accounts.
3. A Receipt voucher is raised for documenting each receipt. The voucher is serially numbered.
4. Posting is made on receipt side of Cash Book on the basis of Receipt voucher. Necessary details are recorded in the prescribed column of the Cash Book. The amount received is entered into cash or respective bank column where money is deposited and also recorded and also recorded in the respective income heads.

B) Payment of Cash/Draft/Cheque

1. Except for the payments to be made by petty cash all payments are made by account payee cheque as far as possible in the practical manner.
2. The Finance and Administration Department while releasing the money should ensure that:
 - a. Necessary supporting documents are made available and competent authority approves them.
 - b. Budget is available in the head the expenditure is sought to be incurred.
 - c. A payment voucher is raised by the accountant and fills the required information such as Voucher No. Cheque No, Date of Payment, Particulars of payment; prepares cheque and presents it to the Manager and the Director, who are also the competent authority to sign the cheque.
 - d. The Accountant enters the date of payment, voucher no., Cheque no., account code etc. in the cash or bank column as the case may be. The amount is also extended to specify ledger keeper also enters the contents of payment voucher in the project ledger/personal account.

C) Bank Accounts

1. All our donors, partner organization are encouraged to send donations directly to our bank accounts.
2. Incomes received from all donors who come to our office are deposited in organizational bank account.
3. All payments for operating expenses will be made from the concern project's bank account.
4. Bank account is operated by the joint signature (at least two signatory) of Chairperson/ Treasurer/ Secretary for the organizational main accounts.
5. For concerned projects; Executive Director/Manager/concerned project head operates the joint signatory of at least two signatures.
6. Fund transferred from one project's bank account to other project's bank account is done on the basis of extreme need. Prior approval of the partner organization and the executive director is needed (wherever possible).

D) Petty Cash Fund

1. It is not practicable always to make small payments through cheque. Payments for small items such as local travel, small stationary and substance expenses are made in cash through the petty cash system. A petty cash fund not exceeding NRs. 25,000.00 is maintained in the custody of accountant. Expenses not exceeding Nrs. 5,000.00 can be settled by way of payment from petty cash float. But priority is given to account payee cheque.
2. The accountant before making the payment should ensure that the manager countersigns bills and documents.
3. The accountant should put serial number on every bill and documents after the payment, classify the expenditure heads, and raise a voucher. The expenses are recorded in respective project ledgers
4. At the end of office hours the accountant should ensure that petty cash balance is in agreement with book balance.

E) Cash and Bank Reconciliations

1. All receipt and payment columns of cash book including the funding sources column are totaled everyday and cash and bank balance ascertained at the close of office hours. Physical count is taken done every day.

2. Every day the chief of finance/administration department reviews the daily transaction list and see the filing properly. Hence, it will help to some extent from making illegal or offsite transaction by the Account officer.
3. At the expiry of each month, bank statement is obtained from all the banks and bank reconciliation statement prepared. The bank balance as per cashbook is ascertained and inked. This monthly closing balance is written in new page, which will be an operating balance in the following month.
4. The Chief of Finance/Administration Department should initiate appropriate action if there is pending cheque/ items pending settlement for long time in the statement.
5. The surprising physical verification of the cash will be done in a regular intervals and physical verification report should be produced to the Manager and Executive Director.

9. NON-CASH TRANSECTIONS

1. The accounts of the NCF are maintained on cash and accrual basis of all the projects. For all transactions not involving cash; a journal voucher is prepared.
2. Journal voucher is entered into the ledger. The amount should be extended to relevant ledger of the concerned participating project.
3. At the end of every month all the entries in the project ledger are cross-checked.

10. PAY-ROLL SYSTEM

1. The concerned accountant will be responsible for preparing pay-roll. Maintaining the records and the chief of finance/administration department will be responsible for ensuring that the policies lay down by the NCF including the procedures below maintained are complied with in practice.
2. The following procedures are used.
 - The salary and benefits of employees at office are normally paid on the last day of the running month. A salary sheet of each employee should forward the attendance records of each employee. The current month's salary is paid on the basis of attendance and deductions of provident fund contribution, income tax, leave without pay and social security taxes.
 - Each employee is paid their salary through their respective bank accounts.
 - Total amount deduction from the employee in respect of provident fund and contribution from the staff, Social Security Tax, etc. Cheque is drawn for the amount in favor of Provident fund and other deposits. A detailed statement containing the amount to be credited to the account of each employee should accompany by the cheque.
 - A statement of tax deducted at source from the salary of each employee is prepared and sent to the tax office along with the Cheque at the end of every six month or earlier possible.
 - The voucher is raised by the accountant for the above transactions, verification carried out by administrative officer and approved by the manager.
 - Deductions in respect of salary advance, PF, loan and others are recorded in a statement and entered in the personal account of each employee.

11. ADMINISTRATION COST

The salaries and other administration costs are covered from the general donation and the savings from the other fund raising programs. The administration cost includes: Salary and benefits of admin staff, travelling expenses including motorbike and vehicle fuel, communication related to administration, internet cost, bank charges, office stationery and other miscellaneous expenses.

The excess donations after covering administration cost are again used for the wellbeing of the children at our care. Thus, we ensure that all money that comes from the charities abroad and individual sponsors directly goes to the wellbeing of children at our care and other related programs. NCF- Nepal also applies separation of 10-12% of total donation as a admin costs with prior approval with the funding partner.

12. MONTHLY REPORTING

After the end of each month account department should submit the following statements within 14 days of the completion of the month.

1. Financial Accountability Statement (FAS)
2. Income and Expenses for the month
3. Details of annexes of the incomes and expenses
4. Details of account payables, deposits, receivables, advance and balance of funds at the end
5. Statement of Bank Reconciliation

13. SETTLEMENTS OF ADVANCES

1. The individual salary advance can be given maximum three months to the employees
2. The advances will be cleared within one year. Further advances cannot be given until the previous one has been cleared to the employees.
3. Advances should be settled as soon as possible and no later than one week after the activity is finalized or as agreed upon in individual cases. Additional advances may only be made once accounts have been submitted. In no instance, should one person be allowed to more than two advances at one time.

14. PROCUREMENTS

1. Procurement Officer (Administration chief) or the department head (In-charge) will be in-charge of the purchasing of all durable and expandable goods/ items. The concerned officer can transfer the responsibility of procurement to the junior officers if needed. But he/she should take the accountability of the purchases.
2. The procurement should be made on the basis of the material requisition form by the different projects.
3. Quotations are invited for the purchases of the durable and expandable assets/ items of more than Nrs. 25,000.00, which is duly authorized by at least two department chief of the organization (Executive Director, Manager and Administrative Officer).
4. The quotation chart will be made and given the priority of the reasonably cheapest one and accepted. However, the quality and durability of the goods will be evaluated.
5. All purchases will be made after the approval by the Manager or Executive Director.

15. STORES / INVENTORY

1. The concerned department head or the authorized person of the store will be maintained inventories / stock register.
2. The administration department should be produced evidential approved physical verification reports of the stocks and inventories to the executive director bio-annually. It can also be done in a surprise check.

16. FIXED ASSETS

1. The organization will be maintained fixed assets register. The Finance and Administration department is full responsible of those items (Capital Goods) under the supervision of the Executive Director or authorized designated person of the organization.
2. The Depreciation is charged at the end of the financial year as per existing prevailing rate of the depreciation of the Income Tax Act 2058 (2001) Nepal or amendments of the act, which is, brief in and prepared accordingly.
3. The value of the items less than NRs. 5,000.00 (five thousand) has not been charged at the fixed assets after review of the life and uses of the assets and it to be taken as the office inventories items.
4. The administration department should be produced the physical verification reports of the fixed assets to the executive director or the manager bi-annually.
5. For the sale/dispose of fixed assets, prior approval of the board or the executive director will be required.

17. INTERNAL AUDIT

All the relevant books of accounts and documentation authenticating expenditures thereof, duly maintained or caused to be maintained by the organization as per these procedures shall be reviewed and examined by the internal auditor of the organization before submission of the statements of accounts for each project. The internal auditor should furnish internal audit report in written form for the strengthening of the organization's internal control system. The audit can be carried out by the staff or from the outside also as per the requirement of the management. The internal auditor directly produces the report to the board/management committee. The priority for the internal audit will be given priority to the authorized chartered accountants locally available.

18. EXTERNAL AUDIT

The Executive Director on the approval of the Board will appoint an external auditor. The external auditor thus appointed shall have full access to all the relevant books of accounts and documentation necessary to carry out his responsibility of the concern project funded by the donors. Audit report is carried out every year after the completion of each financial year. This report gives the true financial position of the organization. This report is presented to the general assembly for open discussion. Revised if needed and send to concerned authorities including government offices, social welfare council, district administration office and other charities abroad.

19. REVIEW AND AMENDMENTS OF THE PROCEDURES

The accounting procedures will be reviewed as and when required and the Board/ Executive Committee of the organization therein can affect amendments after approval from the Board also during the Annual General Meeting.

The executive director or the board is subject to change and review of these accounting procedures/ rules at any circumstances. However, the approval should be obtained from the competent authority.

20. SEPARATE BANK ACCOUNTS

Separate bank accounts can be opened in following circumstances:

- 1) Legal charities (Contributing more than 5,000 pounds or equivalent each year)
- 2) Sponsoring specific projects (Children Home, Scholarship Program, Women Empowerment project, Hearing Clinic, Sustainability Program, etc as per need)
- 3) People contributing for specific projects (Building Children Houses, Community health post, Office building, empowerment project, etc wherever necessary)

21. IMPROVEMENTS

Namaste Community Foundation-Nepal has been adopting bio-yearly and annually auditing and produce reports. NCF also shares these reports to the concerned authorities including charities abroad and other stakeholders locally & government organizations. NCF-Nepal is open to discuss for the improvements regarding financial systems and other prospectus if it contributes even just a little to improve whole projects transparency and accountability.

THANK YOU!!!