



Promoting Resilient Preparedness

**Financial, Accounting and
Administration Manual**

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ACRONYMS

CEO	Chief Executive Officer
PO	Procurement Officer
OM	Operations Manager
TL	Team Led
PKR	Pakistani Rupee
A&FD	Accounts & Finance Department
PD	Procurement Department
HRD	Human Resource Department
PR	Purchase Requisition
RFQ	Request for Quotation
DC	Delivery Challan
GIR	Goods Inspection Report
GRN	Goods Received Note
IOU	I Owe You

CHAPTER 1 - INTRODUCTION

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Chapter 1 - Introduction

1.1 Overview of PRP

The Pakistan Resilience Partnership (PRP) was established in February 2018 with support from the Asian Disaster Preparedness Center to enhance the interface and partnership among the government, local humanitarian organizations, the private sector, media, and academia. This was achieved through partnerships, knowledge resources, training, and networking opportunities.

The Partnership comprises of government local civil society organizations, private sector, academia and media represented by National Disaster Management Authority (NDMA), National Humanitarian Network (NHN), Federation of Pakistan Chamber of Commerce & Industries (FPCCI), Higher Education Commission (HEC) and Pakistan Information Department (PID) respectively.

Recognizing the need to evolve from foundational coordination to a more impact-oriented and scalable platform, PRP has now transitioned into Promoting Resilient Preparedness - a more action-oriented identity under the APP umbrella. This transition reflects a strategic shift from a primarily policy-advocacy and coordination forum toward a platform that actively implements localized preparedness initiatives, strengthens institutional capacities, and facilitates anticipatory and early action programming.

In September 2023, “**Promoting Resilient Preparedness**” (previously known as Pakistan Resilient Partnerships) was registered under the Companies Act 2017, with section 42 of the Securities and Exchange Commission of Pakistan (SECP).

1.2 Purpose, Scope and Applicability of the Manual

This Financial, Accounting and Administration Manual is a handbook containing policy guidelines, financial controls, procedures and standards for financial and accounting and administrative functions. The objective is to adopt a systematic approach towards approval and control processes, budgetary forecasts, recording and documenting of financial transactions in the books of accounts, facilitating compilation of financial results, expressing the responsibilities, establishing authority at each level, and providing for a well-defined monitoring system.

The principal objective of internal control is to provide reasonable assurance¹ regarding the achievement of the objectives of the PRP.

PRP's system of internal control over, and related procedures should be based on the operating needs of that organization¹ and should be in conformity with the related principles and standards for internal management control.

The manual is issued under the directives and with the approval of the Chief Executive Officer (CEO) of PRP. Procedures and instructions carried in this manual shall be followed meticulously and without exception.

1.3 Revision and Updation of the Manual

This Manual is a living document and is subject to change from time to time as deemed necessary by Management of PRP. The Finance and Operations Manager of the PRP is responsible to review the Manual in the light of changing needs or policy decisions in order to update the Manual accordingly. The changes will be provided in the form of amendments to the chapter/manual, or, if deemed necessary by PRP, a new version will be issued.

Finance & Operations Manager before forwarding the proposed changes to the CEO will study all aspects of the proposals and have them duly documented. Only those changes shall be processed which are deemed appropriate and necessary as a result of policy decisions, changes in law or deemed necessary for improved efficiency in operations/management. Proposed amendments once approved by the CEO shall be incorporated in the Financial and Accounting Manual. The CEO is responsible for the distribution of this Manual and its amendments.

1.4 How to Use the Manual

The Financial and Accounting Manual is issued under the directives and with the approval of the CEO of PRP. Procedures and instructions carried in this Manual shall be followed meticulously and without exception.

¹ Reasonable assurance, internal control no matter how well designed and operated, can provide only a reasonable assurance to management and those charged with governance regarding achievement of the objectives.

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Chapter 2 - Procurement Policy Forms

2.1 Introduction

2.1.1 Purpose and Use

This chapter sets forth policies and procedures for procuring goods and services for the activities of PRP Country Office, Islamabad and field offices. These policies and procedures are designed to achieve the following objectives:

- a. To provide guidelines for procurement.
- b. To provide effective coordination among procurement department, finance department and program departments in planning and procuring items at economic cost.
- c. To strengthen the system of internal controls in the areas of obtaining quotations, evaluation and selection of qualified suppliers and processing of documents confirming the order.
- d. To purchase appropriate materials and services and to document procurement fully and transparently; and
- e. To facilitate the establishment of supplier's database.

2.1.2 Procurement Ethics

All PRP procurement activities will be carried out in a manner providing complete impartiality and transparency with no special treatment. The procurement process must allow suppliers to compete for the PRP business on fair basis. Staff associated with procurement department will, therefore, be responsible for protecting the integrity of the procurement process, maintaining fairness in PRP treatment of all suppliers. The standard of conduct for all staff involved in procurement activities will include:

- a. During the pre-solicitation phase, procurement staff will not allow supplier (s) to access the information on a particular acquisition before such information will be available to the business community at large. Further, PRP will not use unnecessary restrictive specifications or statements of work that may discourage competition.
- b. Procurement staff will not solicit or accept, directly or indirectly any gift, favor, entertainment or any promise of future employment from anyone who has or is seeking to obtain business.

- c. Procurement staff having a financial interest in one or more suppliers responding to the PRP solicitation will be prohibited from any involvement in procurement action.
- d. Procurement staff will not disclose proprietary and source selection information, directly or indirectly, to any person other than a person authorized to receive such information; and
- e. PRP will encourage small entrepreneurs to discourage monopoly and to ensure fair competition for all suppliers.

It is the PRP policy to ensure that bidders/suppliers/contractors observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, the PRP should:

- a. Defines, for the purposes of this provision, the terms set forth below as follows:
 - 1) Corrupt practice means the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official in the procurement process or in contract execution; and
 - 2) Fraudulent practice means a misrepresentation of facts in order to influence a procurement process or the execution of a contract to the detriment of the Borrower and includes collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the Borrower of the benefits of free and open competition.
- b. Reject a proposal for award if it determines that the bidder recommended for award has engaged in corrupt or fraudulent practices in competing for the contract in question.
- c. Cancel the contract awarded for goods or works if at any time it determines that representatives of the bidder/supplier/contractor were engaged in corrupt or fraudulent practices during the procurement or the execution of that contract.
- d. Declare a bidder/supplier/contractor ineligible, either indefinitely or for a stated period of time, to be awarded a contract if at any time it determines

that the bidder/supplier/contractor has engaged in corrupt or fraudulent practices in competing for, or in executing, a contract.

The PRP needs to procure goods and services to support its activities at its head office and offices away from the head office, such as regional offices. At head office procurement is the responsibility of the Procurement Department. At other PRP locations, programme coordinators/field coordinator in an organizational unit reporting to the CEO through Area Manager may be authorized for local procurement at limited scale.

This procurement chapter clarifies the principle of segregation of responsibilities between requisitioning and procurement entities by specifying several of such separate and distinct functions within the overall procurement process. Moreover, cooperation between the requisitioning and procurement entities is essential, the PRP obtains good quality products and services that meet the specifications at competitive prices, within the time frame required, in order to further the programmatic mandates of the organization.

Procurement Departments is responsible for the purchase, rental or sale of products, services, including real property and works, or other requirements on behalf of the organization. The conducting of purchasing, renting or selling, include, in addition to entering into contracts, the invitation for proposals or tenders and the negotiation with prospective suppliers or providers, hereinafter “vendors”, on the basis of detailed specifications.

Given that the commercial environment and technology changes over time, and that procedural changes may emanate from the ongoing procurement reform programme, this chapter will require updating and refinement from time to time. The procedures in the chapter are designed to ensure that such staff can enable those seeking PRP businesses to be confident that their submissions are considered and assessed in a fair and transparent manner.

All staff members of the PRP are required to comply with the provisions of this chapter. This includes procurement officers as well as staff members of the requisitioning offices at head office.

2.1.3 Organization and Intent of the Chapter

This chapter brings together policies, procedures and activities dealing with the PRP procurement process. The main intent of this chapter is to allow for efficient PRP procurement actions. Accordingly, general, or specific comments and suggestions for improvement of provisions of this chapter, or for additional provisions that may be needed, should be addressed to the CEO of PRP.

2.1.4 Best Value for Money Principles

Best Value for Money² as one of the general principles that should be given due consideration when exercising the procurement functions of the PRP. When procuring goods, services or works, PRP needs to ensure that the best possible outcome has been achieved by considering all relevant costs and benefits over the entirety of the product or service life cycle.

Its goal is to achieve maximum benefit for the organization. Price alone is not necessarily determinative of “Best Value for Money”. Procurement under the Best Value for Money principle shall be conducted taking the factors set forth in below paragraphs into consideration, while ensuring that decision-making occurs in an accountable and transparent manner.

The responsibility for ensuring that Best Value for Money is obtained is not limited to procurement officers. Requisitioners and end-users also have a role in applying the Best Value for Money principle, during both the process of establishing requirements and contract management. The reviewing and approving entities have the responsibility for ensuring that the Best Value for Money principle has been applied properly. In order to determine Best Value for Money, the following factors need to be taken into consideration:

- a. Cost-related Factors: The entirety of the cost components that comprise the total cost of ownership of the acquired good, service or works, whether direct or indirect, fixed or variable (e.g., price; ancillary support, such as maintenance, upgrade and storage; supplies and additional operating costs; disposal costs; volume discounts; and internal processing costs to support the transaction).

² Best Value for Money is defined as the “Optimization of whole-life costs and quality needed to meet the user’s requirements, while taking into consideration potential risk factors and resources available”.

- b. **Non-cost Related Factors:** Factors or attributes that are related to the organization's needs and requirements (e.g., technical merits of the offered goods, services or works; compliance with specifications and requirements; quality; timeliness of delivery; competency, reliability and financial capacity of the prospective supplier; and compliance with contractual terms and conditions).
- c. **Market Environment:** Overall market maturity and availability of sources.
- d. **Competitive, fair and transparent sourcing process.**
- e. **Risk Factors:** Any risk that may jeopardize the successful outcome of a procurement (e.g., financial viability and capacity of the supplier; legal exposure and liability; geo-political circumstances; price stability; and dependency).

All factors that are relevant to the particular procurement need to be considered, and the relative importance of each factor determined on a case-by-case basis. As far as possible, all costs and benefits should be identified, compared and weighted against end-user need, Evaluation Criteria and risk factors. While Best Value for Money should be assessed as objectively as possible, professional judgments might be required, as complex needs rarely have one clearly correct solution.

The Best Value for Money Principle is applicable throughout the procurement process.

The main stages within the procurement process where it is applicable are:

- a. Definition of requirements.
- b. Sourcing/identification of potential supplier sources.
- c. Development of source selection plan, including evaluation criteria and weighting (if applicable);
- d. Evaluation and source selection.
- e. Risk assessment and management; and
- f. Contract management (including vendor performance measurement and ensuring that the vendor complies with the terms and conditions of the contract).

All those involved in the procurement process are responsible for establishing the steps taken to achieve Best Value for Money through proper documentation and filing.

2.2 Procurement Process

Logistics staff participation in assessments provides logistics information and supports program to effectively implementation of activities. This enables the logistics function to know and

understand program or response needs. The logistics person then able to plan for the provision of the goods and services. The assessment results feed into procurement plans. In an emergency, the participation of logisticians will inform management on the feasibility of a response to physical needs.

2.2.1 Procurement Process. The process is covered under four clear steps:

- a. Needs Identification: Assessment by program, analyze the need of beneficiary and defined type of activities.
- b. Specify: Program define the requirement about the good, service or work related with close coordination with logistics department. When required? What required? How much required? Where required?
- c. Sourcing, Awarding, and Placing Orders: Identification of vendor through different procurement method depending upon the threshold.
- d. Supplier Management to Facilitate Timely Delivery: Performance measure, risk mitigation, monitoring and keep the track of delivery etc.

2.2.2 Threshold for Procurement Method

Transaction Level	Requisition	Quotations Required	Action By	Time Span for Process	Approved By
100,000	Yes	Direct purchase or single quote	Logistics/Admin	2 working days	As per authority matrix
100,001 to 1,000,000	Yes	3 quotations	Logistics/Admin	7 working days	
Above 1,000,000	Yes	Open or restricted tender	Logistics/Admin	Minium 21 working days	

2.2.3 Steps for Choosing any Procurement Method

For any transaction level, the procurement method chosen will be considered from one of the following:

- a. Supply from Stock. If the required goods are available in stock, then no purchasing action need be taken. Only send stock issuance request to release the items from stock.

- b. Calling-off from an Existing Contract or Follow-on Activity. A check should be made to determine whether a contract is in place for the requirement with pre-agreed contract terms and, in some cases, prices. If so, raise an order against the contract.
- c. Proprietary or Sole Supply. Where there is only one possible supplier either because it is a proprietary item (i.e., a specific brand or spare parts for specific equipment only available from the market) with no alternative or where it is bespoke to PRP specific need. If you are dealing with a monopoly supplier, the following should be considered:
 - 1) Single sourcing is the appointment of a supplier without testing the market through competition.
 - 2) Using single source action is appropriate in cases where there is only one competent firm, for example, if a supplier has undertaken earlier work for PRP in a given area and has built up knowledge and experience that is unique.
 - 3) It is essential that a quotation/tender waiver form is completed to provide some form of written justification as to why you have only purchased through this source.
 - 4) Care should be taken to avoid awarding a series of single source contracts to a supplier where the individual value is low but the cumulative value exceeds the low-value transaction level in any one year. If the anticipated expenditure over a twelve-month period is more than the low-value transaction level with one supplier, this purchase should be the subject of competition.
- d. Preferred Suppliers. Refers to those suppliers that have undergone the pre-qualification and quotation/tendering process and have been recognised as critical suppliers to PRP both commercially and technically, because of the nature of what they supply or the relationship that PRP wishes to develop and/or maintain with them.

Where a product or services is to be purchased on more than on one occasion during a 12-month period, consideration should be given to entering into a preferred supply arrangement with the selected supplier.

The process for this activity follows the same process of obtaining quotation or going out to tender, the only difference being that you would be requesting the bidders to agree to undertake to supply PRP, products or services over an agreed period of time at a fixed price.

When entering into a preferred supplier relationship consideration should be given to the state of the market and market trends, along with the chosen supplier's ability to honour the arrangement.

- e. Potential Vendor/Supplier. Suppliers, contractors, and vendors who has the capacity and capability to fulfil the specific requirements, but to whom can order or contract for the requirements have not yet awarded and possibly on previous experience with a supplier.

2.2.4 Detail Steps for Procurement Method

a. PKR 0 to 100,000 Single Quotation Procurement

- 1) Complete purchase requisition.
- 2) Approval of requisition from the concern authorities.
- 3) Original receipts from the supplier/markets.
- 4) Finance processes the payment.
- 5) Logistics update order tracking system.

b. PKR 100,000 to 1,000,000

- 1) Complete and approved requisition.
- 2) Request for quotations x 3 (if by hand must be sealed) signed by the panel minimum 3 staff members from different departments.
- 3) Bid Analysis sheet (evaluation of received bids by the panel and selection of the supplier through using the criteria) the bid analysis sheet must be signed by all the concern authorities and properly dated.
- 4) Purchase order to the selected supplier.

- 5) Delivery note from supplier (countersigned by PRP concern person)/Good Delivery Note.
 - 6) Final Invoice from supplier.
 - 7) Payment request (prepared by requester).
 - 8) Approved by all the concern authorities.
 - 9) Finance for processing payment.
 - 10) Logistics update order tracking system.
- c. **PKR Over 1 Million Open Tender/Restricted Tender**
- 1) **For Open Tendering**
 - a) Complete and approved requisition.
 - b) Invitation for tender, advertisement (one English and Urdu newspaper), full specifications including the last date of receiving bids.
 - c) Sealed bids from different suppliers.
 - d) Tender opening logs in front of the committee or panel for recording supplier details and transparency.
 - e) Bid analysis/bid evaluation procedure (selection of the supplier using the selection criteria) and the bid analysis sheet must be signed by all the concern authorities and properly dated.
 - f) Purchase order or if necessary, prepare supply or service contract, please always seek advice from legal advisor to ensure meeting with the legal requirements). In case receiving goods in installments, please clearly indicate the required dates/delivery schedule, quality of the product, full specifications and penalty clause in the contract.
 - g) Delivery note from the supplier countersigned by supplier and PRP representatives or Good Delivery Note.
 - h) Final Invoice from supplier.
 - i) Payment request by the requester.
 - j) Approved by all the concern Authorities.
 - k) Finance for processing payment.

- l) Logistics for updating order tracking system.
- 2) **For Close/Restricted Tendering**
- a) Complete and approved requisition.
 - b) Invitation to pre-qualified vendors/sole or authorized supplier/ already working with PRP otherwise depending upon the situation/level of emergency.
 - c) Sealed bids from supplier in closed and sealed envelope only.
 - d) Bid analysis/bid evaluation procedure (selection of the supplier) and the bid analysis sheet must be signed by all the concern authorities and properly dated.
 - e) Purchase order or if necessary prepare service contract, please always seek advice from legal advisor to ensure meeting with the legal requirements). In case receiving goods in installments, please clearly indicate the required dates/delivery schedule, Quality of the product, full specifications and penalty clause in the contract.
 - f) Delivery Note from the supplier countersigned by supplier and PRP representatives or Good Delivery Note.
 - g) Final invoice from supplier.
 - h) Payment request by the requester.
 - i) Approved by all the concern authorities.
 - j) Finance for processing payment.
 - k) Logistics for updating order tracking system.

2.2.5 Purchase Committee

A procurement committee will be formed for all purchases above Rupees 100,000/-. The procurement purchase committee will comprise of the following: -

- a. Manager procurement or representative of Procurement Department.
- b. Relevant departmental head/technical person
- c. Finance & Operations Manager
- d. Any other person with the approval of CEO, if needed

Procurement committee will be responsible to ensure that all the procurement activities are carried out in accordance with the standard policies and procedures narrated in chapter.

2.2.6 Receipt of Quotations/Proposals

On the basis of demand note, the purchase department will initiate action for inviting tenders/quotations or cash purchases. On receipt of quotations/tenders from at least three or more suppliers, a comparative statement of quotations specifying for each and individual item/material etc will be prepared. Purchase committee will normally accept the lowest quotation(s)/ tender (s) and will give its recommendations to the competent authority to obtain the financial sanction for particular amount. Where lowest offer is not accepted specific reasons therefore should also be recorded.

2.2.7 Financial Sanction

The price will be the main criteria for acceptance a quotation/tender, other factors like quality, and period of supply financial standings of the supplier and after sales service warranty etc. may also be carefully weighed before taking final decision.

2.2.8 Authority of Managers

Under these authorities' contracts for supplies/consultancies or sub grant agreement can be signed. However, it needs to be ensured that relevant procurement & financial procedures are complied before approving these expenses. In case of uncertainty at any stage, please check with Finance & Operations Manager to ensure that all requirements are fulfilled, breaking down a transaction to facilitate approval by the departmental head will be view as violation of prescribed procurement procedure and breaking down the transactions are sticky prohibited.

The Financial Powers for sanctioning payments are as under:-

Designation	Limit in PKR
a. CEO	Up to the approved budget limit
b. Finance & operation manager	PKR 1,000,000.00
c. Head of programme	PKR 1,000,000.00
d. HPM	PKR 500,000.00
e. Regional managers	PKR 300,000.00

- | | |
|---------------------------|----------------|
| f. Programme coordinators | PKR 150,000.00 |
| g. Project manager/FC | PKR 100,000.00 |

The above officials are hereinafter referred to as the “Competent Authority”. Payments in respect of recurring expenses like salaries & wages, utility bills, rates & taxes and similar items may be sanctioned by respective departmental heads. Such payments shall be sanctioned on actual basis.

2.2.9 General Terms and Conditions

1. Supply of Goods and/or Services

- 1.1 In consideration of payment of the Price by the PRP, the contractor must supply to the PRP the Goods and/or perform the services in accordance with the purchase order (which includes these purchase order terms and conditions).
- 1.2 To the extent the contractor's terms and conditions are supplied with the goods or services (including as printed on consignment notes or other documents), those terms and conditions will be of no legal effect and will not constitute part of this purchase order (even if any representative of the PRP signs those terms and conditions or annexes the terms and conditions to this purchase order).
- 1.3 Where this purchase order relates to goods and/or services the subject of a contract between the contractor and the PRP, the terms of that contract apply to the extent of any inconsistency with these purchase order terms and conditions.
- 1.4 The contractor must, in supplying the goods or performing the services:
 - a. Not interfere with the PRP activities or the activities of any other person at the delivery address;
 - b. Be aware of and comply with and ensure that the contractor's employees, agents and contractors are aware of and comply with:
 - 1) All applicable laws;
 - 2) All site standards and procedures, to the extent that they are applicable to the supply of the goods or the performance of the services by the contractor; and

- 3) All lawful directions and orders given by the PRP representative or any person authorized by Law to give directions to the contractor;
- c. Ensure that the contractor's employees, agents and contractors entering the PRP premises perform in a safe manner and are properly qualified for, and skilled in, the performance of their tasks and are of such character as not to prejudice:
 - 1) Safe working practices;
 - 2) Safety and care of property; and
 - 3) Continuity of work;
- d. Provide all such information and assistance as the PRP reasonably requires in connection with any statutory investigation in connection with the supply of the goods or the performance of the services;
- e. On request by the PRP, provide to the PRP and its employees, agents and consultants any information and assistance required to identify, evaluate, implement and report on any matter required by Law, including:
 - 1) Producing written reports;
 - 2) Recommending efficiency opportunities;
 - 3) Collecting data; and
 - 4) Monitoring or metering,In respect of any thing used, produced or created in connection with the performance of the contractor's obligations under this contract.

2. **Delivery**

- 2.1 The contractor must deliver the goods to the delivery address by the delivery date.
- 2.2 The contractor must ensure that the goods are suitably packed to avoid damage in transit or in storage.
- 2.3 Packages must be marked with the purchase order number, item number, destination, contents, quantity, date and method of dispatch and weight of each package.

3. **Time for Performance**

- 3.1 The contractor must perform the services by the date specified in the purchase order.

4. **Title and Risk**

- 4.1 Title in the goods passes to the PRP upon payment of the price.

4.2 Risk in the goods passes to the PRP when the goods are delivered to the delivery address.

5. Price

5.1 The PRP must pay the contractor the price for the goods and/or services.

5.2 The price is inclusive of all costs incurred by the contractor in the supply of the goods and/or performance of the services including all charges for packing, insurance and delivery of the goods and the cost of any items used or supplied in the performance of the Services.

5.3 The price is inclusive of all taxes and duties.

6. Invoicing

6.1 Upon delivery of the goods and/or completion of the services, the contractor must provide to the PRP:

- a. Where the contractor has entered into an agreement with the PRP, a contractor reference document; or
- b. A valid tax invoice, which must include the information set out in clause 6.2.

6.2 A Contractor Reference Document and any invoice must include the following details:

- a. A reference to this purchase order and the relevant contract (if any) including the line item numbers on the purchase order and the contract number;
- b. A detailed description of the delivered goods or performed services, including the date of delivery and/or period of Services in respect of which the contractor reference document or invoice relates and the relevant quantity;
- c. An individual reference number for the PRP to quote with remittance of payment;
- d. The price relating to the goods and/or services, broken down to reflect the same price components on the purchase order;

6.3 If the PRP requests, the contractor must provide the PRP with all relevant records to calculate and verify the amount set out in any contractor reference document or any invoice.

6.4 The PRP is not obliged to approve a contractor reference document or any invoice submitted in accordance with clause 6.1 (b), and may withhold approval and/or

money due to the contractor under this contract if the goods or services (or any part of them) are defective.

6.5 Subject to clause 6.4, the PRP will pay all invoices that comply with clause 6.2 within 30 days of their generation or receipt (as the case may be), except where the PRP disputes the contractor reference document or invoice, in which case:

- a. The PRP may withhold payment pending resolution of the dispute; and
- b. If the resolution of the dispute determines that the PRP must pay an amount to the contractor, the PRP must pay that amount upon resolution of that dispute.

6.6 The PRP may reduce any payment due to the contractor under this contract by any amount which the contractor must pay the PRP, including costs, charges, damages and expenses and any debts owed by the contractor to the PRP on any account whatsoever. This does not limit the PRP right to recover those amounts in other ways.

7. Quality

7.1 The goods and/or services must match the description referred to in the purchase order.

7.2 If the contractor gave the PRP a sample of the goods or a demonstration of the services, the goods and/or services must be of the same nature and quality as the sample or demonstration given.

7.3 The goods and/or services must be fit for the purpose for which goods and/or services of the same kind are commonly supplied or bought and for any other purpose the PRP specifies.

7.4 The goods must be of merchantable quality and, unless otherwise specified in the purchase order, must be new.

8. Warranty Period

8.1 If, during the Warranty Period, any of the Goods or Services are found to be Defective, the PRP may:

- a. Return the Defective Goods to the Contractor;
- b. Reject the Defective Services;
- c. Repair or make good the Defective Goods; or
- d. Re-perform or make good the Defective Services.

8.2 The contractor must:

- a. Repair or replace the defective goods;
- b. Re-perform or make good the defective services; or
- c. Reimburse the PRP for any expenses incurred in repairing, performing or making good (as the case may be) any defective goods or services, at the contractor's cost, if requested to do so by the PRP.

9. Definitions

- a. **PRP** means the PRP entity named in the purchaser order.
- b. **Contractor** means the party identified as such in the purchase order.
- c. **Contractor Reference Document** means a delivery document, dispatch note, time sheet, claim form or such other document which evidences the delivery of goods or performance of services.
- d. **Defective** means goods and/or services (or any aspect of them) which are not in accordance with the purchase order or which are damaged, deficient, faulty, inadequate or incomplete.
- e. **Delivery Address** means the place for delivery specified on the purchase order.
- f. **Delivery Date** means the delivery date specified on the Purchase Order.
- g. **Goods** means the goods, if any, described on the Purchase Order.
- h. **HSEC** means health, safety, environment and community.
- i. **Law** means:
 - 1) Commonwealth, state and local government legislation including regulations, bylaws, orders, awards and proclamations;
 - 2) Common law and equity;
 - 3) Authority requirements and consents, certificates, licences, permits and approvals (including conditions in respect of those consents, certificates, licences, permits and approvals); and
 - (d) Guidelines of authorities with which the contractor is legally required to comply.
- j. **Purchase Order** means the purchase order for goods and/or services issued by the PRP to the contractor from time to time containing, among other things, a description of the Goods and/or Services.
- k. **Price** means the price set out in the purchase order which is exclusive of general sale tax but is inclusive of all other costs and charges.

- l. **Services** means the services, if any, described on the purchase order.
- m. **Site Standards and Procedures** means any other guidelines, rules, requirements or Site specific conditions which the PRP makes available to the contractor from time to time.
- n. **Warranty Period** means the period of 24 months commencing on the date of delivery of the goods and/or 12 months from the date on which the service is performed.

CHAPTER 3 - FIXED ASSETS

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Chapter 3 - Fixed Assets

3.1 Introduction

This policy and procedure is in relation to fixed assets³ management and is designated to achieve the following objectives:

- a. To ensure effective and efficient controls over expendable and non-expendable items acquired and held by the PRP.
- b. To provide guidance for the future replacements of assets; and
- c. To establish a basis for reliable financial reporting and adequate documentation.

3.2 Capitalization Threshold

Items with unit cost of PKR 15,000 including taxes, shipping, duties, installation or useful life of more than one year and/or items of sensitive nature shall be capitalized and entered into fixed assets register. Any capital asset with a unit cost of PKR 15,000 or more, whether procured from donor fund or PRP own fund must be recorded on the inventory list (Asset Register). Notification of purchase of a capital asset is done through the monthly finance report.

Items with unit cost of less over PKR 15,000 or useful life of less than one year and/or items of sensitive nature shall not be capitalized, however, a memorandum record may be kept for each such item.

3.3 Accounting Policies for Recognition

Accounting policies relating to recognition of fixed assets in the financial statements:

- a. Fixed assets, other than land which is not depreciated, shall be stated at cost less accumulated depreciation and accumulated impairment⁴ losses, if any;
- b. Capital work-in-progress shall be stated at cost.

3.4 Fixed Asset Recognition

- a. **Purchased Assets.** Purchased fixed assets acquired shall initially be measured at their cost.
- b. **Cost of Acquisition.** The cost of acquisition of an item if fixed assets shall comprise of:
 - 1) Purchase price, including import duties and non-refundable purchase taxes, after deducting any trade discounts and rebates.

³ Fixed Assets is a long term, tangible asset held for business use and not expected to be converted to cash in the current or upcoming years.

⁴ Impairment is the amount by which stated asset is reduced by distribution and losses.

- 2) Any cost directly attributable to bringing the assets to the location and working condition necessary for it to be capable of operating in the manner intended by the management.
 - 3) The initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period.
- c. **Directly Attributable Costs.** Directly attributable costs, a minimum of PKR 10,000 may include:
- 1) Initial delivery and handling costs.
 - 2) Installation and assembly costs.
 - 3) Professional fees.
 - 4) Cost of site preparation.
 - 5) Costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition.
 - 6) Borrowing cost⁵ (in accordance with IAS - 23 Borrowing Costs)
- d. **Subsequent Cost.** Subsequent costs shall be included in the asset's carrying amount or recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item shall flow to the PRP and the cost of the item can be measured reliability. All other assets and maintenance costs shall be charged to profit and loss account during the period in which they are incurred.
- e. **Acquisition of two or More Assets.** When two or more assets are obtained at one time and their individual costs are not readily known (e.g. land and building purchased as one), the individual costs are allocated to the assets based on their relative fair market values at the time of acquisition. These costs are simply a ratio of the initial acquisition cost versus their fair market values.

⁵ Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

- f. **Cash Discount.** Assets will be recorded net of any quantity or trade discounts received. The assets shall be recorded at a cost equal to the amount of cash paid, not the gross amount of the invoice.

3.5 Self Constructed Assets

Assets that are constructed will be priced at the total costs to build the asset. This includes both direct and indirect costs

3.6 Donated Assets

Where function fixed assets have been received by way of gift or donation or as part of non-monetary grant, their cost will be determined on the basis of the information provided by the donor is not available, fair market value will considered for cost determination.

3.7 Trade-in-Assets

Where the assets are acquired when payment includes both cash and the trade-in. If the fair market value of the asset being trade-in is not readily determinable, cost may be recorded as the cash paid plus the book value (cost minus accumulated depreciation) of the asset traded-in.

3.8 Leased Assets

Leased fixed assets shall be recognized at the lower of the present value of the minimum lease payments or fair market value of the leased assets determined as the inception of the lease.

Every lease shall be analyzing and judged separately and distinctly to check if the lease is either finance lease or an operating lease. Finance department shall be responsible for the proper classification and presentation for the lease in accordance with International Financial Reporting Standards (IFRS's). Depreciation policy for depreciable leased assets shall be consistent with for depreciable owned fixed assets of the PRP.

3.9 Improvements, Extraordinary Repairs and Replacements

Capitalize outlays that increase future benefits from an existing capital asset beyond its previously assessed future benefits typically include;

- a. An extension in the estimated useful life of the assets;
- b. An increased in the capacity or efficiency of an existing capital assets; or
- c. A substantial improvement in the quality of output or a reduction in previously assessed operating costs.

3.10 Destruction of Constructed Assets

When a building is destroyed in order to clear the area for the construction of another building, the cost of destructing the original building will be capitalized as land improvements. Cost related to destruction of old buildings and reshaping of the land will, therefore, be considered costs of land since these are necessary to get the land in conditions for its intended purpose.

3.11 Revaluation⁶

An item of fixed asset whose fair value can be measured reliably may be carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and recognized impairment losses, if any.

Revaluations shall be made by professionally qualified valuer with sufficient regularity may be three or five years to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

3.12 Depreciation/Amortization

All fixed assets which are available for use shall be depreciated/amortized at rates appropriate to their useful economic life in each case. Following depreciation/amortization rates may be charged on different categories of fixed using reducing balance:

<u>Category</u>	<u>Rates (% Per Annum)</u>
a. Building	10%
b. Furniture and fixture	20%
c. Machinery tools and equipment	33.33%
d. Motor vehicles	20%
e. Multimedia equipments	33.33%
f. Computers and accessories	33.33%
g. Electric and gas equipment	33.33%
h. Office equipment	33.33%
i. Air conditioning	33.33%

Depreciation on additions shall be charged from the month the assets are available for use, while no depreciation shall be charged in the month in which the assets are disposed off.

⁶ Revaluation of fixed assets is a technique that may be required to accurately describe the true value of the capital goods a business owns.

Depreciation rates applicable to each category of fixed assets shall be reviewed after regular intervals and appropriate amendments shall be made in the rates of depreciation, if necessary.

Note: All fixed assets which are available for use shall be depreciated/amortized at rates given by PRP head office. PRP office will charge depreciation/amortization on “Straight Line Method” given by the PRP head office.

3.13 Fixed Assets Register⁷

PRP shall maintain a proper fixed assets register and related record for the following details:

- a. Detailed description of each item
- b. Original cost of the item
- c. Subsequent capitalized cost
- d. Date of its acquisition
- e. Classification of the items
- f. The location and/or the custodian of the item
- g. The rate of depreciation/amortization
- h. Accumulated depreciation/amortization
- i. Depreciation/amortization charge for the period
- j. The department/cost centre/ product to which the depreciation is charged
- k. Date of revaluation
- l. Revalued amount of the items
- m. Recognized impairment losses

Following important aspects shall be considered for maintenance of proper fixed asset register:

- a. Periodic reconciliation of the underlying records of fixed assets with the accounting records;
- b. Reconciliation of the periodic physical inventory of fixed assets with fixed assets;
- c. Determination of cost and accumulated depreciation/ amortization of each item of fixed assets at the time of retirement or disposal.

3.14 Receipts and Issuance

If an asset qualifies for capitalization, it shall be assigned a unique identification number comprising the following components:

⁷ Fixed Assets Register a record of individual tangible fixed assets.

<u>AA</u>	<u>01</u>	<u>YYYY</u>
Asset type	Sequential number	Acquisition year
(2 characters)	(2 digits)	(4 digits)

For the purpose of fixed asset identification number, asset type shall be identified by the following 2 character codes:

a. <u>Category</u>	<u>2 - Character Code</u>
b. Building	BG
c. Furniture and fixture	FF
d. Library books	LB
e. Machinery tools and equipment	MT
f. Motor vehicles	MV
g. Multimedia equipments	ME
h. Computers and accessories	CA
i. Electric and gas equipment	EE
J. Office equipment	OE
k. Air conditioning	AC
l. Security weapons	SW

Based on original goods receiving note, inventory controller shall record the related details in fixed assets register and book keeper will post the cost of the newly acquired asset in books of account under appropriate account head.

3.15 **Tagging of Assets**

Fixed assets shall be marked with a permanent tag affixed on a front or other easily accessible area of the assets. The tag shall have the unique asset identification number assigned.

3.16 **Permanent Relocation/Transfer of Assets**

An asset may be permanently relocated or transferred from one department to another or from one operational office to another using asset transfer form

The departmental heads/operational office head of both the transferring and receiving departments/operational office head shall authorize the transfer and the signed asset transfer form shall be sent to inventory controller. On completion of authorized transfer, inventory controller shall update the assets record accordingly.

3.17 Physical Count

- a. **Annual Physical Count.** In order to exercise effective control over equipment and to ensure objective reporting of fixed assets, a 100% physical count shall be conducted annually once in a financial year. Prior to the schedule date, inventory controller shall prepare physical count sheet and Finance and Operations Manager after getting approval from CEO will send a written intimation of date and time of physical count to each department head/operational office head. The respective departmental head shall depute a representative to facilitate the conduction of the count.

Based on physical count sheet, a team comprising the following members shall carry out the count to ascertain the condition of each asset counted and to confirm its location and existence:

- a. Internal auditor Head of board
 - b. Member 2 Representative internal audit department
 - c. Member 3 Representative respective department (admin/logistics)
 - d. Member 4 Representative from finance department
- b. **Physical Count Procedure.** Each fixed asset appearing in the physical Count Sheet shall be verified for its existence by putting either “√” or “X” in front of its asset code.
- 1) Put “√” if item is located.
 - 2) Put “X” if the item cannot be found.

After completion of physical count, the physical count sheet shall be signed by the members of the physical count team and inventory controller shall prepare a report on physical count observations and findings.

Report on physical count observation shall be designed and prepared by the representative of internal audit department as such to include the following:

- 1) Findings
- 2) Criteria
- 3) Effects of the finding
- 4) Cause of the finding

- 5) Recommendations on the findings so highlighted.

3.18 Physical Count Reconciliation

After the physical count has been undertaken, a reconciliation process shall be conducted to rectify and adjust books and record against difference highlighted during the physical count.

The reconciliation shall primarily be focused on updating accounting records to ensure that all assets are properly reported in the financial statements and involve following steps:

- a. Physical count results shall be entered into fixed asset register;
- b. Differences between the actual status of the fixed assets and pre-existing data on the system shall be reconciled;
- c. Updated fixed asset record shall be reviewed and verified.

Where new capital asset is found during physical count that didn't appear in the fixed assets register, inventory controller shall assign next available asset code according to the category of the asset, and provide relevant information in fixed assets register.

Where the asset appears to be missing during physical count, concerned department will conduct an investigation and the report therefore shall be submitted to CEO. Through this process the record is set aside until the asset is located or the criteria for deletion are met.

3.19 Disposal of Assets

Capital assets, which are obsolete, worn out or no longer required by the PRP may be sold, scrapped or traded in as considered appropriate. Based on the review of physical count observations as supported by the condition of an asset, Admin/Logistics Department will submit a statement of the assets to the operational manager and further the operational manager will issue a memo to the disposal committee for recommendations. The memo includes details related to cost, funding source, and book value of the assets being requested for disposal.

All approved disposal will be undertaken by the Assets Disposal Committee comprising following members:

- a. Member 1 Internal auditor
- b. Member 2 Representative finance department
- c. Member 3 Representative admin/logistics department
- d. Member 4 Representative from programme

The minutes of the assets disposal committee wherein proposed disposal would be recommended and after getting approval from CEO will then be forwarded to procurement department for initiation of the disposal process as directed.

After the asset has been sold or otherwise disposed, inventory controller will update records so that the approved disposals are properly reflected in the accounting records. Gain or losses on the retirement of assets will be shown in the income statement along with other non operating revenue that arises from ordinary business activities.

3.20 Unserviceable Assets

Items valuing up to PKR 100,000 will be decided by the CEO, whether to disposed off or continued to be held. Disposable items will be put to tender bidding through advertisement in newspapers and displayed for obtaining close tender bids.

Following documents will be required to be attached with the bids:

- a. Copy of national identity card of bidder
- b. Pay order, equivalent to 10% of the total bid value, in the name of PRP
- c. Total bid value.
- d. Certificate, that the item will be removed from the bid location within 10 days of receipt of disposal order.

3.21 Year to Date Depreciation

At the end of each financial year, finance department shall calculate year to date depreciation on fixed asset of all capital assets and shall prepare a consolidated depreciation schedule.

3.22 Insurance Cover

All fixed assets owned by the PRP shall be comprehensively insured to cover the losses incurred due to theft, accident or other risk equivalent to recoverable value of each asset.

3.23 Fully Depreciated Assets

Fully depreciated assets will be booked at PKR 1 (one) in the fixed assets register for internal control purpose.

CHAPTER 4 - INVENTORY MANAGEMENT

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Chapter 4 - Inventory Management

4.1 Introduction

Proper inventory i.e., stock/store accounting is very essential for an organization, as it plays very important role in its operating activities. Improper accounting may results in heavy losses due to wastage, leakage and obsolescence and also adversely effects in operating results. Inventories are assets that are consumed, exhausted, or become an integral part of other property when put to use. Examples may include:

- a. Merchandize or publications offered for sale;
- b. Maintenance supplies;
- c. Office supplies;
- d. Postage;
- e. Laboratory supplies; or
- f. Medical supplies.

In order to have a good inventory accounting procedure, it is necessary to distinguish between different inventory items, which require different treatment with reference to specific nature of such items.

The objects of stores accounting are to ensure that: -

- a. The method applied for the determination of value of closing stock appearing in annual accounts should be uniform and consistent. The stores/stock received is properly accounted for in the books of accounts.
- b. Inventory receipt/issue should not take effect without due consideration proper documentation and authorization at an appropriate level of Management.
- c. The security of inventory is safeguarded by adequate continuous controls and subsequent confirmation by periodical physical checks.
- d. Damaged/obsolete inventory are not unnecessarily kept and disposed off after adopting proper procedure.

4.2 Definition of Inventory

Inventories are assets:

- a. In the form of materials or supplies to be consumed in the production process or in the rendering of services i.e. raw and packing materials etc.
- b. In the process of production for sale i.e. work-in-process.

- c. Held for sale in the ordinary course of business i.e. finished goods manufactured and trading goods.
- d. Held as stores and spares.

4.3 Measurement of Inventory

There are various methods used by the organizations to measure the value of its inventory i.e., stores/stock but the method being adopted in this PRP is First-in-First Out (FIFO).

According to this inventory is being regarded as being issued in the order in which they are received so that the price of the first consignment is attached to issues until issues equal to that consignment have been made where after the price of the next receipt is taken and so on.

4.4 Cost of Inventory/Valuation of Inventory

The cost of inventories should comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable from the taxing authorities) and transport, handling and other costs directly attributable to acquisition.

Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

4.5 Valuation of Inventory

Weighted average method is considered to be the most suitable method for valuing inventories on hand. The assumption under this method is that the average cost of the inventory is influenced or "weighted" by the number of units acquired at each price. Under weighted average cost formula, the total cost of beginning inventory and the cost of purchased is divided by the total number of units in these two categories. The result is then multiplied by the number of units in ending inventory.

The average may be calculated on a periodic basis or as each additional item is acquired.

$$\frac{\text{Total cost of beginning inventory + purchases}}{\text{Total number of units in beginning inventory + purchases}} \times \text{No. of units in ending inventory}$$

4.6 Store Receipts

The purchase orders raised shall be kept in a separate file. The purchase order will also document the due date of receipt of the items. If the items are not received by the date specified then a reminder shall be sent to the vendor.

On receipt of the requisition materials the departmental head/representative and store in-charge will inspect the items without delay, The inspection will be carried out to ensure the following:-

- a. The packing is not damaged and the seals if any are intact;
- b. The items received are in accordance with the specifications as laid out in the purchase order;
- c. The numbers of items ordered have been duly received.

The inspection shall be duly documented at the place specified in the purchase order and denoted as "Goods Received Note". A copy of this shall be sent to the accounts for necessary processing.

The items shall be taken on charge of the store and duly entered on the store register. No items however shall be taken on charge unless it is in accordance with the specifications or is undamaged etc. The items which are not in accordance with the specifications or are damaged etc. shall be returned to the supplier immediately. Damaged items would also include items with faulty packing and broken seals.

In case of short supply an immediate intimation shall be sent to the supplier for necessary action. A copy of this shall also be sent to the accounts/finance department so that the vendor's account is made accountable for only those items that have been obtained.

4.7 Store Issue

Materials will be issued by the store in-charge only on receipt of an issue requisition duly approved by the head of department or an officer specifically authorized by him to do so. While approving the issue requisition, head of the department will ensure that all the particulars relating to item code, description, unit of measurement, quantity required etc. are properly filled. At the time of making issue the store in-charge will enter the quantity issued in the relevant column and obtain the signatures of the recipient. In co-ordination with the user the store in-charge will plan the issues in such a way that the work is simplified. Posting of issues in the stock register will be made simultaneously when the issue is made. The issue requisitions

will be prepared by the user department in duplicate and the copies will be sent to the stores department for entering the quantity issued and for store in-charge's signature on all the two copies. After completion, the issue requisitions will be distributed as under:

- a. Original to Finance Department
- b. Copy retained by Store in-charge

4.8 Returns to Store

Whenever any material is left surplus with the user after completing the job, he should immediately return the material to the store. The store in-charge will check the material condition and enter it into the stock register.

The items will be taken on charge after allowing an allowance at the rate given as under:-

- | | |
|---|------|
| a. Unused items | Nil |
| b. Used items but in excellent conditions | 20% |
| c. Used but in good condition | 50% |
| d. Used and in usable condition | 100% |

The above mentioned allowance shall be given under guidance from the technical personnel.

4.9 Reconciliation of Stores

The balances of stores control accounts should be reconciled periodically with the total of balance extracted from the detailed stores ledgers. The difference in the two balances if any may be due to the following reasons: -

- a. Difference of timing for example where receipt recorded in the control account under one month while in the stores ledger in another month.
- b. Simple clerical errors of posting, extraction and summarizing of balances etc.

A control account difference simply indicates that something is wrong and this may take a good deal of time and efforts to identify.

4.10 Stock in Hand

This will be the balance as per stock register at the time of review. Before making a review, the review in-charge should ensure that all the receipt and issue documents up to that time have been posted into the stock register.

4.11 Identification of Obsolete Items

In order to keep the investment in the stocks as low as possible it is necessary that the items which are surplus or obsolete and there is no possibility of their use by the division in the

foreseeable future should be identified from time to time will indicate the date of last issue recorded against each item. The ageing reports indicating the dates of last receipts and issues during the preceding three years will help in ascertaining the obsolete items.

Another source for the identification of obsolete and surplus items would be the disposal and the replacement of the equipment from time to time. Whenever an equipment is disposed of or replaced, a list of stores and spares used solely for that equipment will be prepared. As classification of store items will be done systematically, the identification of such items will not be a problem.

After the store in-charge has been able to identify the obsolete and surplus items it will be in the interest of the Division that such items should be disposed of as soon as possible. Because on the one hand they would be blocking the capital unnecessarily and on the other they would be losing in value with the passage of time. The chances of their breakage, pilferage and the burden of their carrying cost would also be minimized if the disposal is as early as possible.

4.12 Responsibility

The maintenance of adequate inventory records shall be the responsibility of the store in-charge. The store in-charge shall not be a finance person. He shall be responsible to the division in-charge. It shall be the responsibility of the division in-charge to ensure that the store in-charge carries out his duties diligently and that the inventory items are not subject to unauthorized access, the inventory records are properly maintained, the finance department is promptly intimated of the transactions taking place.

4.13 Inventory Management

The inventory shall be stored in a manner so as to facilitate the concept “**First in First Out**”. For valuation purposes this shall not apply.

- a. In the case of medicines edible items and chemicals due regard shall be given to expiry dates. Accordingly the physical storage of such items shall be with regard to the expiry dates.
- b. Items requiring special storage conditions like hazardous material, inflammable items, edibles, medicines etc. shall be clearly identified on the store as well as financial record. The conditions of these items shall be closely monitored and documented by departmental head/store in-charge. The periodicity of monitoring shall depend upon the nature of the item but shall at least be carried out once a year.

- c. Items with high turn over and essential items shall have a reorder level. This order level shall be reviewed on a quarterly basis. The review shall be carried out by the divisional head/store in-charge and their comments and evidence of review shall be fully documented. The reorder levels shall be determined keeping in view lead time, ordering costs, holding costs and future probable demand.
- d. A list of high turn over items shall be prepared by the store in-charge and approved by the divisional head and the same shall be reviewed on annual basis.

4.14 Physical Inventory Taking

The stock taking of all assets, stores, equipment, appliance etc shall invariably be done on the 30th June of each calendar year. The physical verification of stores will be done on a periodic basis under a programme in such a way that each item in such a way that each item in the store is verified once in a year. Once section of items will be taken up and completed before the stock-taking of next section is started. The programme will be drawn up by the official in-charge of stocktaking in consultation with the head of finance department and approved by CEO before the beginning of stocktaking. This programme will be confidential and will not be notified to the staff in the stores or to stock takers. The number of stock takers to be responsible for this function will vary in each division depending upon the number of store items and the quantities kept in store.

Before carrying out actual physical verification of an item, the stock taker will ensure that up-to-date posting has been made in the Stock Registers and that the balance as per computer list. If any discrepancy is found it should be sorted out before stocktaking. At the time of actual physical verification the stock taker will prepare a stocktaking sheet and obtain the signatures of store in-charge on the stocktaking sheet and the initials of the store in-charge against the item which there is found to be a shortage or an excess. When the quantity in stock is ascertained by estimation, the method of estimation should be indicated in the column for "Method of Take" in the stocktaking sheet.

At the end of the completion of stocktaking of a section the stock taker will prepare a consolidated list of discrepancies found by him in physical verification and send it to the store in-charge and also send a copy of it to be head of finance department. On receipt of the list the store in-charge will carry out appropriate investigation about the discrepancies. If it is found that the discrepancy was due to some mistake in the stock register or because the item was

miss-located, he will satisfy the stock taker that the discrepancy did not exist in real sense. In such case the stock taker will make adjustment in the list of discrepancies. A copy of the finally agreed list will also be sent to the CEO.

On the receipt of final list of discrepancies the Finance and Operations Manager/departmental head as the case may be will attach values to the shortages and excesses and send it to the CEO who, will authorize the adjustment to be made in the stock register. As regards the items in which the shortages occur due to evaporation etc. the tolerance limits will be fixed by technical staff and approved by the departmental head jointly with the Finance and Operations Manager and the shortages within the tolerance limits will be written off. A summary of all the discrepancies found during a year will be placed before the CEO at the end of each year together with the annual accounts for approval.

4.15 Analytical Review

At the discretion of the top management, a periodic analytical review may be carried out as follows:-

- a. **ABC Analysis of Stock**⁸. This report will be in two parts:
 - 1) Part A. All items will be arranged in a descending order in the stock value sequence giving a cumulative figure and also giving the percentage of items and stock value and the stock turnover at the end of each page.
 - 2) Part B. A list of all the items arranged in descending order in the usage value sequence giving the cumulative totals and also giving the percentage of items, usage value and stock turnover at the end of each page.
- b. **Analysis of Increase in Inventory**. This report will give a list of items in which the stock value has increased as compared to the last year. The increase shall also be analyzed as to whether the increase is due to quantity or price. The report will be printed in an order showing biggest increase first as well as cumulative increase.

⁸ ABC Analysis is an inventory categorization technique often used in material management. It is also known as Selective Inventory Control.

CHAPTER 5 - HUMAN RESOURCE

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Chapter 5 - Human Resource

5.1 Payroll Authorization & Employees Data Base

5.1.1 Payroll Authorization

The human resource department will provide complete time sheet and approved leave application to finance and operations department for preparation of payroll. After the said documents are received from human resource department then payroll preparation and disbursement shall be rest with finance and operations department. After preparation the payroll sheet shall be send to CEC or field programme coordinator in order to obtained approval and authorization for the disbursement of salary.

5.1.2 Employees Data Base

The employees data base should be prepared and retained by the human resource department. The employee's data base should keep the following information:

- a. Full name of employee with father name
- b. Designation
- c. Complete residential address
- d. Alternate residential address
- e. Email address
- f. Telephone numbers (both land line and cell no)
- g. Last job experience
- h. Qualifications
- i. Date of birth
- j. Date of joining

5.2 Employee Personal File

5.2.1 General

Employee personnel files include the following:

- a. Job application
- b. Job description
- c. Agreement copy
- d. Résumé
- e. Human resource sheet,
- f. Copy of computerized national identity cards

- g. Copy of passport (in case of foreigner employee)
- h. Copy of testimonials of qualifications verified by higher education commission
- i. Records of participation in training events
- j. Salary history, records of disciplinary action
- k. Documents related to employee performance reviews, coaching, and mentoring.
- l. 2 x Photos, test result, show cause notice, appreciation letter, confirmation in the job position, joining report, increment grant, promotion/demotion order, blood group and contract renewal.

Personnel files are the property of PRP, and access to the information is restricted. Management personnel of PRP who have a legitimate reason to review the file are allowed to do so. Employees who wish to review their own file should contact manager human resources through their department head. With reasonable advance notice, the employee may review his/her personnel file in PRP's office and in the presence of department head or manager human Resources.

5.2.2 Derogatory Material

Any material placed in an employee's official personnel file, which is derogatory to the employee, shall be filed with proof that the employee has had the opportunity to read the material. The employee shall have the right to file a written rebuttal with any derogatory material placed in the personnel file.

5.2.3 Inaccurate Material

In the event that a claim by an employee that material in the employee's official personnel file is inaccurate is sustained through the grievance procedure, said material shall be promptly removed from the personnel file.

5.2.4 Removed Material

Material that is removed from the employee's file will be forwarded to the employee, or if closed file documents, returned to appropriate sender with a memo to the employee notifying him/her of the action taken.

5.2.5 Personnel Data Changes

It is the responsibility of each employee to promptly notify PRP human resources department of any changes in personnel data such as:

- a. Mailing address;
- b. Telephone numbers;
- c. Name and number of dependents; and
- d. Individuals to be contacted in the event of an emergency.

An employee's personnel data should be accurate and current at all times.

5.3 Leave Reporting

The human resources department maintains and keeps leave record/vacation days accrued and used. The human resource department shall prepare a report each month regarding the leaves availed by the employees which shall state:

- a. Nature of leave
- b. Either with pay or with out pay.
- c. Deduction of leave made or otherwise.

Leave will be computed from January 1 each year.

5.4 Payroll Preparations

The payroll for all employees of the PRP will be prepared by the finance and accounts department. The payroll sheet will be compiled on the basis of information received from the human resource department on the 27th of each month on pay roll information sheet and office orders issued by the human resource department, during the month.

The finance department shall provide the payroll sheet of the current input data, the accuracy of which is to be ensured in order to get the payroll without mistake.

The payroll for each month shall comprise the following outputs:

- | | |
|--------------------------------|---|
| a. Payroll summary | Department wise summary of payroll |
| b. Number of days | Actual number of days worked by each employee in the relevant month. |
| c. Payroll | For management, officers and staff separately showing basic salary, allowance, gross earnings and deductions. |
| d. Summary of allowances | Department wise summary of allowances. |
| e. List of allowances | Break up of allowances paid to each employee. |
| f. Summary of deductions | Break up of deductions made from the individuals. |
| g. Separate list of deductions | List of income tax deductions. |
| | List of Employees Old Age Benefits Institution contribution. |
| | List of loan deduction. |

- | | |
|------------------------------|---|
| | Any other list according to the requirement of each division. |
| h. Salary disbursement lists | Separate lists for cash payments and bank transfers |
| i. Pay Slips | Pay slips of each employee with complete details of allowances and deductions |
| j. Loan schedule | Up to date break-up of loan balances of each employee. |

The gross salary for a full pay period of 8 hours worked is calculated as 1/30th of the monthly salary rate. For broken periods the calculation is the number of days due multiplied by the monthly rate and divided by 30. Gross salary comprises all salary and allowances (temporary and permanent).

After preparation of the payroll sheet, the same should be verified by human resource department and after verification; the payroll sheet may be send to CEO for his approval and disbursement.

5.5 Payroll Payment

The pay will be disbursed on 27th, of each month after the approval of CEO. As far as possible the payment of salaries and wages will be made through bank transfer. This would require that each employee should have a bank account in which the PRP is authorized to transfer his salary or wages each month. Cash disbursement shall be discouraged, however, may be allowed in special cases and only to those employees who are not able to operate bank accounts and whose salary is also less than PKR 10,000. The revenue stamps to be affixed on the pay roll sheet.

Payroll slip must be supplied to the employees at the time of payment. After preparation of the pay roll sheet, the Accountant will pass necessary journal entry on the last day of the month. Based on the approved salary sheet, the accountant shall make out a cheque on account of income tax deduction to be paid into the State Bank of Pakistan or National Bank of Pakistan.

After waiting up to the 10th day of the month, the finance and accounts departments shall prepare unclaimed pay sheet for the day remaining undisturbed up to that time and deposit the amount into the bank and make necessary entry, therefore, in the bank/cash book.

5.6 Hiring of Employees

- a. **Procedure.** It is the policy of the organisation, that wherever possible positions should be filled through internal promotions. The organisation recognizes that promotions from within, of a qualified employee improves their morale, assures them of having a

chance to grow with the organisation and encourages the employees to stay with the organisation. External recruitment, therefore, would be for junior entry levels as well as for positions where it is deemed necessary due to nature of job. Candidates generated through external recruitment should be evaluated not only the basis of qualifications, but also assessed on the basis of probable growth potential besides the initial assignment.

The following procedures will be followed.

- 1) Equal Employment Opportunities. It is the policy and practice of the organisation to recruit and hire employee without discrimination on the basis of race, color, religion, sex, national origin, etc. and treat them equally with respect to compensation and opportunities for advancement, including upgrading, promotion and transfer etc.
- 2) Employee Requisition. As soon as vacancy or justification for new position is created the concerned unit will raise an employment requisition and obtain approval thereof in accordance with following procedure providing budget status, Job description and job specification besides justification. The requisition will then be forwarded to human resources department for review and action.
- 3) Position Description. No activity to fill a job can occur before there is an accurate, properly evaluated and approved job description. The position description spells out the nature and scope of the position, primary duties and responsibilities of incumbent and the reporting relationship of the job.
- 4) Job Specification. Job specification or qualification is “the other side of the coin” as compared to the position description. The position description tells what the incumbent would be required to do in the job; job “specs” describe the experience, education and skill that the person must have in order to be able to do the job competently.
- 5) Approval for external search. If reasonably qualified employees are not available within the organisation, the human resource department, following approval for external search from the CEO, shall advertise the position in the appropriate newspaper with the largest geographical circulations. For management positions, services of the manpower placement agencies! consultants may also be solicited.

- 6) Screening of Applications. On receipt of employment applications, may they be in response to the advertisement, through mail or by hand, human resource department will enter the application in employment application register and also maintain computerized data base.
- 7) Interview. The human resources department will arrange all interviews. The role of the human resource department in selection is to assess the candidates suitable, for both PRP and the position in question. In case of senior managers the CEO will interview the short listed candidates,
- 8) Direct Selection. Nobody from any department should call candidates for interview directly and no direct recruitment shall be made by any individual.
- 9) Recommendations. Selection on a candidate will purely be on merit. The candidates whose case are recommended by various people should be considered along with all other candidates and final selection should be made only on the candidates suitability and merit.
- 10) Salary Fixation. The finalization of salary for the selected incumbent will be made by human resource department, keeping in view the current approved pay structure.
- 11) Issuance of Offer Letter. Candidates selected shall be given a written "Employment Offer Letter".
- 12) Joining Report. On joining the organisation all new employees will submit through their immediate supervisor a joining report.
- 13) Issuance of Appointment Letter. On acceptance of terms and conditions sets out in the employment offer letter and at the time a potential employee reports for joining the services of the organisation a regular letter of appointment shall be issued. CEO or his designated will sign the letter of appointment.

5.7 Training and Development

a. Procedure

- 1) Department head in consultation with respective human resources department will be responsible for determining the initiation the training needs pertaining to the employees in their department. All such requirements will be forwarded to human resources department through annual performance appraisal by the end

of the financial year. However, a special need arising in between may be communicated at any time.

- 2) The human resources department will review and assist the training need of staff in accordance with the effort of personnel development programmes.
- 3) Human resources department will design and develop the training programmes accordingly after obtaining information relating to the formal training and educational courses at various institutions, beside the training facilities available within the organisation.
- 4) Based on the recommendations received from the departmental heads yearly training programs will be prepared by the human resources department in consultation with the respective departmental head. After the program, if finalized from the training agency, an employee will be informed accordingly.
- 5) The employee will ensure that before he/she proceeds to attend the training program no pending work of importance is there as otherwise he will inform the immediate in charge to make alternate arrangement for the same.
- 6) All employees on return from the training program will be required to submit a course report to their departmental heads as well as to human resources department highlighting the following aspects:
 - a) Nature and scope of training.
 - b) Duration of training.
 - c) Mode of training.
 - d) Practical application related to employee's nature of job.
 - e) Any other suggestions.

5.8 Per Diem Policy

Per diem is a monetary provision for eligible staff members. Per diem is provided to eligible staff members for the purpose of covering out of pocket subsistence expenses when travelling outside of the primary duty station for work purposes. Per diem includes out of pocket expenses for meals (breakfast, lunch, dinner) and incidentals including for example laundry, taxis for personal use and other small miscellaneous expenses.

For program under PRP per diem for different locations in Pakistan will be PKR 4,500. The Per diem will be paid in PKR after completion of duty and as per filled per diem claim form. The breakdown of the per diem will be as follows:

- a. Breakfast 15%
- b. Lunch 25%
- c. Dinner 35%
- d. Incidentals 25%

For all official international travel, the PRP Board of Directors approved rates will apply for all staff.

Eligible staff members can claim per diem upon submission of a travel expense report. The report should be submitted to the finance department once signature of the approving authority has been obtained. Finance will disburse per diem to eligible staff members. It is the responsibility of the staff member to obtain signatures from the approving authority before submission to the human resource department, for verification. It will then be forwarded to finance. The finance department will disburse per diem to eligible staff members. Any variation to this policy is subject to the approval of the CEO.

5.8 Loan to Employees

- a. **Eligibility for Loan.** All employees who have completed 6 month of service in the organization are eligible for an interest free loan subject to availability of funds. Any kind of tax liability applicable on the loan amount will be borne by the employee. The basic criterion for eligibility is a genuine verifiable purpose for which the employee has applied for a loan.
- b. **Eligibility Amount and Repayment.** The maximum amount to be sanctioned as loan will be (current drawn) three months gross salary of the employee. Application for a higher amount will be subject to approval from the CEO. The sanction will depend on the sole discretion of the CEO.

The loan will be repayable within **12 months maximum in equal monthly** deductions from salary every month. The deduction of installments from salary will start from the month subsequent to which the loan has been sanctioned. If an employee wants to repay the balance amount in a single installment within 12 months employee can inform finance and operational manager about his intent and finance and operational

manager shall facilitate the repayment in close coordination with human resource department.

For employees who have been in the organization for more than 4 years, loan requests higher than the eligibility have to be recommended by the reporting head and have to be approved by the head of finance department/CEO.

c. **Procedure.** Following procedure will be followed

- 1) The applicant has to fill a loan application form. The duly filled form is thereafter forwarded to finance department with respective department heads comments and recommendation on it.
- 2) The finance and operational manager verifies the eligibility amount and forwards the application to CEO for approval. The sanction/rejection of loan is finally at the discretion of the CEO.
- 3) No Loan will be sanctioned if there is any outstanding loan exit in financial records.
- 4) After the loan is sanctioned, an advice is given by finance department to process the payment and a copy of application should be keep employee personal files.
- 5) If an employee leaves the organization before the repayment of the full loan amount, the employee is liable to pay the balance of the loan amount before being relieved.

CHAPTER 6 - CASH AND BANKS

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Chapter 6 - Cash and Banks

6.1 General Accounting

The PRP shall maintain proper accounts and their record and prepare Income and expenditure accounts and balance sheet at the end of each financial year. Accounting may be defined as “the art of recording, classifying and summarizing in a significant manner and in terms of money transactions and events which are in part at least, of a financial character and interpreting the results thereof”.

The system proposed for the PRP is a recognized system of double entry book keeping and accrual basis accounting. In this system every transaction involving a transfer of money of money’s worth is recorded into two separate accounts forming parts of series, not merely by way of repetition, but so as to record two distinct aspects in which every such transaction is capable of being regarded. The use of accrual method of accounting of revenue and expenditure has the following basic features:

- a. Revenues are recorded when they are earned and become recoverable even though not received in cash.
- b. Expenditures as accounted for and reported to include as expenditures, all items used for materials and services during the period under review.
- c. Accrual interest on obligations owed not yet due is treated as an expenditure of the succeeding period in which paid.
- d. Pre-payment that has been used during the period is an expense of that period. The remaining balance will become an expense in future.
- e. Revenues received in advance represents a liability and only that portion of liability that is discharges during the period through services has been earned and is treated as income of the period, the remainder will be earned in future.
- f. Accounts for fixed items are kept and provision for depreciation made where applicable.
- g. The accounts department of the PRP will maintain the cash/bank book, petty cash book and general ledger.
- h. Trial balance, income and expenditure account will be prepared on monthly basis while the balance sheet will be prepared on quarterly basis for internal control purpose.

This chapter describes the accounting vouchers which shall be maintained at all times in order to support to compile and generate the financial data and record the accounting transactions for assimilation into the ledger accounts under the relevant accounting head.

Accounting vouchers are basic accounting documents providing detailed descriptions of the transactions duly supported by source documents which shall be recorded in the books of prime entry e.g. journal vouchers, cash receipt vouchers, bank receipt vouchers, cash payment vouchers and bank payment vouchers. The same are described in the succeeding paras.

6.1.1 Journal Voucher

Journal vouchers shall be prepared for recordings transactions incorporating necessary adjustments in the accounts. Examples of such transactions are listed below:

- a. Accrued expenses
- b. Accrued income
- c. Depreciation of fixed assets
- d. Doubtful debts
- e. Prepaid expenses
- f. Taxation
- g. Transfers from one account to another
- h. Corrective entries
- i. Terminal closing entries
- j. Opening entries

The voucher shall note the account code, detailed description, subsidiary ledger code/folio, control ledger code/folio and the amount to be debited or credited. Full details of the transactions shall be narrated together with the reference of the supporting documents which shall be attached. The accountant who prepared and checked the journal shall initial it, and it shall be finally approved by the head of accounts and the respective division. The journal vouchers shall be sequentially numbered and filed.

6.1.2 Cash Receipts Voucher

Cash receipts shall be issued where the amount received in cash. The issue of the receipts is the acknowledgement of the receipts of cash from the concerned person/party. The cash receipt shall bear a serial number, date, name of the person/party, amount in words and figures, description, bill or advice number and account code. Revenue stamps of

appropriate amount shall be affixed and the document initialed by the cashier receiving the amount. The cash receipt shall be checked and countersigned by a senior person in the finance department. The original receipt shall be handed to the payer and copy shall be filed in the relevant folder in the finance department.

6.1.3 Bank Receipts Voucher

Bank receipts shall be issued where the payment is received by a cheque, payment order or demand draft. The cheque number/pay order/bank draft, date and bank on which drawn shall be properly recorded. The remaining procedure shall be the same as for the cash receipts. There is no necessity for affixing the revenue stamps.

6.1.4 Cash Payment Voucher

The payments when within prescribed limited shall be recorded in the cash book. The register shall contain columns for date, voucher number, particulars, ledger folio number and a column for debit and credit. The register shall be totaled and signed by the custodian and approved by the competent authority on a daily basis. The cash should be duly insured.

6.1.5 Bank Payment Vouchers

Bank payment vouchers shall be prepared where payments are made by cheque. In addition to the usual information contained in the cash payment voucher, the number of the cheque and the date on which drawn is also entered. The receiving person/party shall sign the voucher as acknowledgement of the receipts of the amount. Where, however, the cheque is mailed, cheque forwarding memo number shall be entered.

6.2 Voucher Numbering

The voucher number must be serially numbered and affix on all vouchers separately according to the nature of the voucher.

6.3 All Voucher Format

Following formats of vouchers will be used:

- a. Journal voucher
- b. Cash receipt voucher
- c. Bank receipt voucher
- d. Cash payment voucher
- e. Bank payment voucher

6.4 Authorization of Managers

As Provided in Section 2.2.8

6.5 Cash Transactions

6.5.1 Establishing Petty Cash Imprest Float

An office petty cash imprest fund will be maintained in each office for disbursing small miscellaneous amount, which can conveniently be paid by cash. Proper maintenance and accounting of imprest shall be the responsibility of the concerned center.

6.5.2 Petty Cash Expenses and Reimbursement

The imprest will be replenished as soon as the balance comes down ordinarily to one fourth of the imprest fund fixed for each station. When imprest is depleted to such a point, the competent authority will arrange the disbursement.

Payments by cash for petty expenses shall be made out of an imprest maintained for the purpose. The payments when within prescribed limited shall be recorded on the petty cash payment register. The register shall contain columns for date, particulars and a column for each expense head.

The register shall be totaled and signed by the custodian and approved by the competent authority on a weekly basis (fortnightly basis may be used where appropriate). The imprest should be duly insured. The expenses incurred under the following heads should not be paid out of the petty cash/imprest.

- a. Pay to the regular employees.
- b. Payment to creditors.
- c. Excise duty on cheques
- d. Refund to excess amount received from debtors.
- e. Encashment of leave pay
- f. Payment of bonus
- g. Overtime bills
- h. All other payments exceeding PKR 2,500 except electricity, sui gas bill and residential telephone bills.

6.5.3 Verifying Amount of Petty Cash

The imprest will be operated by the cashier or any other authorized officer, who will enter daily imprest transactions in petty cash book. At the close of each day the cashier will

count the cash in hand and reconcile it with the balance shown in the petty cash book. Finance and operations manager will carry out the random cash count at least twice in a month and record a certificate on petty cash book to that effect as under:-

“Certified that the cash was physically verified and found to agree with the book balances”.

6.5.4 Working Advance Authorization and Amount to Different Scale

Temporary advance may be given to staff in order to facilitate them to meet their day to day needs. An “IOU”⁹ request made by the employee to their departmental heads for approval. The departmental head may approve the request for IOU on case to case basis. The maximum advance at a time shall not exceed the salary due to the employee for the month.

Every programme manager will close their working advance on 25th of each month to include in monthly financial report. The finance and accounts department shall adjust the IOU against the salary of following month.

6.5.5 Internal Control for petty Cash

The following guidelines are for the may to exercise internal control on petty cash:

- a. Keep the petty cash fund in a locked, secure place.
- b. Access to the petty cash fund should be restricted to the custodian and a back up person.
- c. Petty cash should be disbursed only by the custodian (or a back-up person in the custodian's absence).
- d. Require original receipts in order to disburse petty cash. Maintain the receipts in the petty cash fund box for reconciling.
- e. The person to be reimbursed should indicate on the original receipt what was purchased (if not obvious on the receipt), the business purpose, and account and fund to be charged.
- f. The original receipts should be approved and signed by an appropriate,

⁹ An IOU is usually an informal document acknowledging debt. The term is derived from the opening phrase "I owe unto" and/or the pronunciation of "I owe you". An IOU differs from a promissory note in that an IOU is not a negotiable instrument and does not specify repayment terms such as the time of repayment. IOUs usually specify the debtor, the amount owed, and sometimes the creditor. IOUs may be signed or carry distinguishing marks or designs to ensure authenticity. In some cases, IOUs may be redeemable for a specific product or service rather than a quantity of currency.

authorized individual, such as the departmental head of the person to be reimbursed.

- g. The petty cash fund should not be used for personal expenses, personal loans, or the cashing of personal checks.
- h. The custodian is responsible for regularly reconciling the petty cash fund. The sum of cash plus original receipts plus any outstanding reimbursements should equal the full, original amount of the petty cash in hand.
- i. Periodic, surprise counts of the petty cash fund should be performed by someone other than the custodian, such as a supervisor.
- j. A petty cash fund remains open on the records of the finance and accounts department.

6.6 Bank Transactions

6.6.1 Opening of Bank Accounts

All bank accounts of PRP will be opened according to the following procedure:

- a. The finance and accounts department of the PRP will request the CEO for opening of the account. The request shall contain the necessary details, like the names and designations of authorized signatories.
- b. The CEO after the approval will confirm the signatories to sign jointly with the representatives of the finance and accounts department.
- c. After the approval of the CEO, duly signed account opening form along with specimen signature cards will send to banker. The photocopies of national identity cards or copy of pass port as the case may be, of the signatories will also be enclosed.
- d. Any other documents required by the relevant bank, if required.

6.6.2 Bank Account Signatory

Following shall be the authorized signatories to operate Bank accounts in Head Office.

- a. CEO
- b. Finance and operations manager
- c. For field office following shall be the authorized signatories to operate bank accounts.
 - 1) Programme coordinator

- 2) Finance/admin officer
- d. CEO can only change the authorized signatories.
- e. In no circumstances blank cheque will be signed.

6.6.3 Authorization of Manager

As per procedure mention in Section 2.2.8.

6.6.4 Cheque Book

Only one cheque book will be used at a time for each bank account. Cheque books of all bank accounts shall be kept in personal custody by the finance and operations manager and finance office in case of field office or any personal that is duly authorized by the CEO. Only authorized person shall have access to cheque books. All cheque book stubs shall be completed at the time of payment and retained in safe keeping.

6.5.5 Bank Reconciliation

All bank accounts should be reconciled with the monthly statement rendered by each bank at the close of each month/first week of the following month. Finance and operations manager will be responsible to reconcile the bank balances. The bank reconciliation statement will be presented to the CEO for scrutiny and signature. The finance and operations manager will file the reconciliation statement.

All details of outstanding cheques viz date of issue of cheque; cheque number, amount of cheque and subsequent status should be show in the reconciliation statement.

6.5.6 Documents Related to Bank and Transaction

A separate bank file will be maintained for each bank account and retained at least for a period of three years. The bank file will contain the following documents:

- a. Account opening form;
- b. List of signatories and changes thereof;
- c. Monthly bank statements along with a copy of bank reconciliation statement;
- d. Account closure certificate and the final bank statement; and
- e. Detail of correspondence with banks.

All bank payments should be made through cross cheque, for authorized and lawful payments shall be supported with sufficient information on the payment vouchers, or on documents attached to them, to enable the audit of the transactions as required by prevailing rules.

In order to prevent duplicate payments, voucher (s) schedules and supporting documents must be so marked as to prevent their being processed for payment a second time. However, documents should be marked in such a way as to avoid mutilation. PRP should particularly be alert to the possibility of duplicating payments whenever one or more of the following situations exist:

- a. Payments have been delayed for extended periods of time after the due date and duplicate copies of invoices are received from vendors as follow-up claims.
- b. Invoices or bills may have been submitted by the vendors to more than one agency location for payment.
- c. Adjusted invoices are received after payments have been made

5.6.7 Document Required for Releasing of Call Deposits of Supplier

For the purpose of processing payments related to the releasing of call deposits of supplier, the purchase department after taking the necessary steps, may send invoice/request letter along with following relevant documents with his remarks to the finance and accounts department:

- a. Copy of the contract/purchase order issued against which the call deposit was retained;
- b. Request for release of call deposit in shape of revise invoice/request letter by clearly mentioning the reason for the release of call deposit;
- c. Detailed history and the reason by the purchase department to retain the call deposit against the contract with present status;
- d. Invoice/request letter verified by the purchase department;
- e. Reasons for recommendation of release of call deposit amount duly supported with relevant documents;
- f. Additional documents, if any required.

CHAPTER 7 - ANNUAL AUDIT AND INTERNAL AUDIT

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Chapter 7 - Annual Audits and Internal Audit

7.1 Selection of Audit Company/Chartered Accountant Firm

The annual audit of the PRP shall be carried out by a practicing chartered accountant firm duly qualified from the Institute of Chartered Accountants of Pakistan. The basic criterion for the selection of the firm is that it has satisfactory quality control review ratings with the Institute of Chartered Accountant of Pakistan.

7.2 Documentation Required from Proposed Audit Firm for Consideration of Appointment

The Following documents required from the proposed audit firm:

- a. Quotation
- b. Consent Letter

7.3 Internal Audit Department

The Internal audit function may be performed by the PRP by having its own internal audit department or by outsourcing its internal audit department to a practicing chartered accountant firm.

7.4 Procedures to be Performed by Internal Audit Department

The below procedure will be followed:

- a. Develop, document, implement, test, and maintain a comprehensive internal audit plan and system of internal controls to help provide assurance that applicable laws, regulations, and organisation policies and procedures are complied with judiciously;
- b. Examine financial transactions for accuracy and compliance with institutional policies and applicable laws and regulations;
- c. Evaluate financial and operational procedures to assure adequate internal controls are present;
- d. Identify, assess, and evaluate the organisation's risk areas; make appropriate recommendations for improved internal controls and accounting procedures; and research and adopt industry best practices where appropriate;
- e. Work with the CEO and senior leadership of the organisation to identify key business risks, assess those risks, and establish risk management procedures and practices based on industry best practices;
- f. Prepare necessary reports for the top management;

- g. Complete other projects and perform other duties as assigned by the top management;

7.5 Types of Audits

In preparing the annual internal audit plan, the internal auditor shall determine the type of audit to be performed for each auditee. The following is a summary of the various types of audits which will generally be conducted:

- a. **Departmental Audits.** Departmental audits are designed to review and evaluate the activities and operations of a particular organisation function, activity, department, or unit under review. Departmental audits will evaluate accounting controls, ensure compliance with organisation policies and procedures, applicable laws and regulations, and validate the records and account balances of the auditee. Departmental audits may utilize a complete battery of audit tests and procedures, including, but not limited to, functional tests, transaction reviews, substantive tests, and analytical reviews.
- b. **Financial Audits.** Financial audits are designed to validate the accuracy and completeness of records and account balances. Financial audits may utilize substantive tests, analytical reviews, and other validation procedures which may or may not include functional tests or transaction reviews. Financial audits determine whether the financial information of the organisation function, activity, department, or unit under audit fairly represents the financial position, results of operations, and cash flows or changes in financial position of the auditee in accordance with generally accepted accounting principles.
- c. **Grant and Contract Audits.** Grant and contract audits are designed to evaluate the contracting process, compliance with the provisions of grants and contracts, and third-party contractual performance. These audits may be performed with respect to any function, activity, department, or unit of the organisation and may include all types of contracts; e.g., federal and private grants and contracts, construction contracts, and professional service contracts.