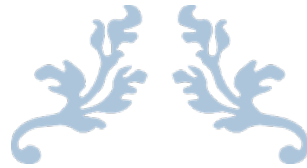
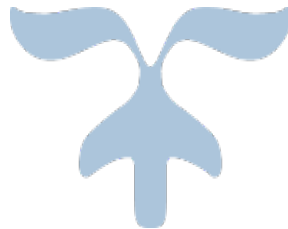


SOCIETY OF EX- BUDHANILKANTHA STUDENTS



FINANCIAL POLICIES AND PROCEDURES MANUAL -2022



About the Financial Policies and Procedures Manual

This manual is designed to provide the Society of Ex Budhanilkantha Students, hereinafter referred to as SEBS, with the financial policy, procedures, and guidance required to manage their financial activities and employees, for effective organizational management, and fulfilment of local statutory requirements and better mobilization of funds of the organization. This will encourage sound institutional governance and the highest standards of financial accountability and disclosures, in adherence to SEBS Constitution.

This manual contains guidelines on the following

- Accounting policies and procedures
- Internal controls, accounting system & procedures
- Record keeping
- Internal audit & external audit
- Management of funds

All the financial duties of the organization will be performed by the *Account and Finance Department*.

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POLICY NO: A-1

SUBJECT: BOOKKEEPING

1. POLICY STATEMENT:

It is the SEBS policy to strictly account for all its financial transactions and properly maintain its books of accounts to obtain a true and fair view of its performance and positions.

2. PROCEDURES:

2.1 Method of accounting

SEBS shall account for all its financial transactions on the modified accrual basis of accounting and maintain its books of account under the double-entry bookkeeping system.

2.2 Record keeping

All transactions shall be supported by adequate documents, invoices, bills, and other relevant papers. In rare cases when adequate documentary evidence is not available, the transaction shall be endorsed and vetted by the *Account and Finance Department* and approved by the *Treasurer*.

2.3 Update the accounts

2.3.1 SEBS shall maintain the necessary accounts, records, and other required documents that are required to be maintained under the applicable Act. *Account and Finance Department* shall be responsible for updating the aforesaid documents regularly.

2.3.2 *Account and Finance Department* shall be responsible for updating the following books of account/records on monthly basis and updating the unaudited financial reports on the SEBS website and presenting it at monthly SEBS meetings.

- Monthly cash and bank report
- Bank Reconciliation Statement
- Fund Accountability statement
- Statement of income and expenditure
- Statement of financial position

POLICY NO: A-2

SUBJECT: CASH AND BANK TRANSACTIONS

1. POLICY STATEMENT:

It is the SEBS policy to strictly follow rigid control systems for all cash and bank transactions. This is to ensure the integrity and transparency of the transactions.

2. PROCEDURES:

2.1 Operation of bank account

2.1.1 Bank accounts shall be opened and operated as per the requirement of the organization. Any new bank account shall be opened only after the recommendation of the *Account and Finance Department* with the approval of the *Executive Committee* unless any donor requires a specific dedicated bank account to be opened.

2.1.2 Only one bank account shall be used as a “Main Fund Account” to account for all the receipts of grants, contributions, donations, sales, and other significant incomes unless any donor-specific project requires a separate dedicated bank account.

2.1.3 Funds shall be transferred to operating bank accounts on monthly basis following the monthly cash budget. Any excess amount transferred shall require approval from *Executive Committee*.

2.1.4 Any surplus fund in the operating bank account at the end of an accounting year shall be returned to the main fund account.

2.1.5 Signatory for both the main fund account and operational bank account shall be as prescribed in the by-laws of the SEBS.

2.1.6 Any funds remaining idle in the bank account shall be utilized for earning good investment returns subject to prevalent rules, regulations, and by-laws of SEBS or donor guidelines, with approval from the *Executive Committee*.

2.1.7 The *Account and Finance Department* shall maintain in a separate file, the following:

- (a) A list of the bank name, account number, and branch name being operated.
 - (b) Copy of resolutions authorizing the opening and operation of each account as listed (a) above.
 - (c) A list of signatories currently operating the listed accounts.
 - (d) Maturity and other details of the above investments.
- 2.1.8 For any changes to the list of signatories, the *Account and Finance Department* shall obtain an appropriate resolution from the *Executive Committee*. On receipt of the same, it should be sent to the bank.
- 2.2 Closure of bank accounts
- 2.2.1 The procedure for the closure of the bank account shall be as follows:
- (a) The *Executive Committee* shall decide on the closure of the bank account mentioning the appropriate reason for the same.
 - (b) On receipt of the decision *Account and Finance Department* shall apply and proceed with the closure of the bank account with the submission of the documents required by the bank.
- 2.3 Cash Receipts
- 2.3.1 *Account and Finance Department* shall be responsible for recording all the cash receipts promptly in the cash receipt vouchers, mentioning the details of the receipts, and then record in the books of accounts.
- 2.3.2 In case a cash receipt voucher is cancelled, the original should be kept along with the duplicate and marked with the word “CANCELLED” on the face of all the copies.
- 2.4 Deposit into bank
- 2.4.1 Cash/draft/cheque received must be deposited, as far as possible, in the bank on the date of receipt, or, if received after banking hours, on the following day. In case the bank is at a distance, all the collections made in a day must be deposited in the bank within the next two working days without fail. In case the days following the day of collection happens to be a public holiday, the deposit must be made on the first working day.

- 2.4.2 Pay-in-slips will be prepared by the *Account and Finance Department*, the total is written in figures and words. The details of the draft/cheque number, etc. should be entered in the counterfoil to be retained by SEBS. The total of each pay-in-slip will be posted on the collection side of the cash book.
- 2.4.3 The fund received in mobile wallets should be transferred to the bank account if it exceeds the limit of Rs.25,000 after leaving the balance amount. The operation of the wallet will be only done by the *Account and Finance Department* on approval by the *Executive Committee*.
- 2.5 Payment by Cheque
- 2.5.1 All payments as far as possible shall be made by account payee cheques or through Digital Banking by the *Account and Finance Department*.
- 2.5.2 All cheques should be stamped 'A/C PAYEE ONLY' immediately on receipt of the cheque book. Bearer cheques may be issued wherein the recipient does not have a bank account, provided if the payment amounts to less than Rs.20,000.
- 2.5.3 In an exceptional situation, the *Account and Finance Department* may recommend to the *Treasurer* an exception to the above provision.
- 2.5.3 All unused cheque books and unused receipts books should be held by the *Account and Finance Department* and a record kept along with them of the quantity received quantity issued, and balance. The serial numbers of cheques and receipts should be maintained.
- 2.6 Bank Reconciliation
- 2.6.1 The *Account and Finance Department* shall reconcile the bank balances with the balance shown by the bank account in the books at least once a month.
- 2.6.2 Receipts and payments which are updatable shall be updated in the books. The transaction that is not updatable such as the issue of cheque but not presented for payment etc. shall be shown in the reconciliation statement with details.

2.7 Cancellation of Cheque

2.7.1 In case of the cancellation of the cheque *Account and Finance Department*, with the approval of the *Treasurer*, shall cancel the cheque keeping the original one and stamping with the "cancelled" and a new cheque shall be issued and the record for the same shall be kept properly.

2.8 Un-presented Cheques

2.8.1 If after the expiry of 6 months from the date on which a cheque is drawn, it remains un-presented, then the cheque becomes time-barred, and the bank shall not entertain it. In the case of time-barred cheques, an entry in the receipt side of the cash book must be made, the amount of the cheque being shown as a deposit with the following description "Cheque Number..... Cancelled/time-barred". A note should be made on the voucher stating that the cheque drawn has become time-barred and the amount shown as a deposit in the cash book folio number.....

2.8.2 If the party requests a replacement cheque, a fresh voucher shall be drawn, and payment made.

2.8.3 If at the end of one year period, the party concerned does not request SEBS to issue a fresh cheque for the credit outstanding, this amount should be credited to Miscellaneous Income keeping the details of the transactions.

POLICY NO: A-3

SUBJECT: PETTY CASH

1. POLICY STATEMENT:

The organization shall maintain petty cash for covering minor or incidental expenses. The amount of the petty cash fund shall be as prescribed by the *Executive Committee. Account and Finance Department* shall be the custodian and will be responsible for managing the petty cash.

2. PROCEDURES:

2.1 The *Account and Finance Department* shall operate and maintain a record of the petty cash on an imprest basis. A separate petty cash book shall be maintained.

- 2.2 All the invoices, receipts, and supporting documents shall be kept with the settlement voucher of the petty cash fund. The balancing amount for the petty cash (Total Petty Cash Fund-Petty expenses) shall be withdrawn from the petty cash fund upon the approval of the *Treasurer*.
- 2.3 *Account and Finance Department* shall close the cash and bank book at the end of each day, and a record of the opening cash balances, receipts of cash, payment and bank deposit of the cash, and the closing balance of the cash shall be kept. *Account and Finance Department* shall be liable for the preparation of the denomination of the closing cash and the *Treasurer* shall verify the closing cash balance and denomination.

POLICY NO: A-4

SUBJECT: PREPARATION AND POSTING OF THE VOUCHERS

1. POLICY STATEMENT:

It is organization policy that rigid control systems operate for the preparation and posting of vouchers for payment.

2. PROCEDURES:

- 2.1 *Account and Finance Department* shall be responsible for the preparation of vouchers for all the invoices, receipts, or documents of the expenses received or expenses incurred.
- 2.2 The vouchers totalling up to/less than Rs.5,00,000 shall be approved and verified by the *Treasurer*. However, on the contrary situation, i.e., a total exceeding amounting to more than Rs.5,00,000, shall also require approval from the *President*. Further, the following verification is required to be done before payment/passing of the voucher.
- (a) Verification against advances made and giving adjustment of the same by duly marking the advances to the extent of advances received/adjusted.
 - (b) Verification against progressive payments made and after making necessary adjustments for earlier progressive payments.
 - (c) Verification of claims outstanding against the supplier and after deduction such claims as agreed for adjustment.

- 2.3 The person preparing the voucher shall arrange for the allocation of the expenses under appropriate heads and shall post it to the corresponding expenses head.
- 2.4 Authorities approving vouchers/bills shall ensure that:
- (a) The allocation on the voucher/bill is correct.
 - (b) The bill/invoice is made in the name of the organization and is of a recent date.
 - (c) The bill has been charged to the correct date.
- 2.5 All enclosures to the bills must be marked "Voucher Passed".
- 2.6 All payments should be made against the original bill/voucher. If for any reason, payment is to be made against a duplicate bill/voucher, this must bear the endorsement "Treat it as original" and must be signed by the individual who has approved the voucher for payment, after obtaining and attaching the necessary indemnity certificate from the party.

POLICY NO: A-5

SUBJECT: PROVISIONS

1. POLICY STATEMENT:

It is the organization policy that accounts are kept on an accrual basis and consequently, provisions shall be made as per requirement and the occurrence of the events for the provisions.

2. PROCEDURES:

2.1 SEBS shall close its accounts on monthly basis. It quite often happens that certain expenses are incurred during a month, but bills/invoices are received after the month's end. At the time of closing the accounts for the month, all such expenses should be carefully provided based on experience and available information in hand.

2.2 Provision for purchases in case actual invoices have not been received should be made having regard to purchasing order rates if the items sought to be purchased have already been received during the month. Similarly, provisions for expenses/services received will be based on the proof

of actual work done and invoice/order. Under no circumstances should blanket provisions be made without evidence of work done/goods received.

- 2.3 All outstanding provisions must be reviewed on the 25th of each Nepali month by the *Treasurer* and follow-up actions should be taken.

POLICY NO: A-6

SUBJECT: BUDGET

1. POLICY STATEMENT

SEBS shall prepare an annual budget one month before the commencement of the new fiscal year envisaging all the activities to be pursued in the ensuing period. The budget serves as a major tool for planning, coordination, and control. Hence the formulation of the budget calls for a great deal of exercise from all the concerned before arriving at the final numbers.

2. PROCEDURES

2.1 General Budgeting Policies

2.1.1 Budget Approval:

The budget should be approved by the *Executive Committee* at least one month before the beginning of the accounting year.

2.1.2 Budget Preparation responsibilities

Account and Finance Department is responsible for the preparation of a draft budget based on anticipated programs and activities, these are reviewed and revised as necessary by the *Budget team/committee* and consolidated by *Treasurer* for approval of the *Executive Committee*.

2.1.3 Basis of preparing the budget

The budget is prepared based on past trends, future projections, and the expected volume of administrative and program activities. The annual budget and monthly budget are prepared every year at least one month before the beginning of the accounting year.

2.2 Items to be included in the budget

2.2.1 Revenue

Revenue should include at least the following.

- Program revenue by source
- General Donations
- Revenue from events
- Monthly giving donations
- Memberships
- Any other significant sources of revenue
- Miscellaneous revenue.

2.2.2 Expenses

All expenses should be categorized under the following categories

- Program expenses
- Administrative expenses
- Fundraising expenses

The financial budget shall be made with the appropriate assumption and projection of the income to be generated and expenses to be incurred with the detailed account heads.

2.3 Budget Formulation Process

Step 1: Formation of the team and defining roles and responsibilities

The budgeting team should reflect the knowledge and objectives of the non-profit. The volunteers for the team may be selected based on previous knowledge and familiarity with the organization's activities, and their desire to serve the organization.

The budget team's task is to perform the following:

- Estimate the costs required to achieve each of the organization's objective
- Estimate dates and expected revenues to be generated
- Develop the timeline of the budget
- Compare expected dates and revenues to the estimated expenses accounted for in the budget
- Develop and present the final budget for approval

Step 2: Set priorities and goals

The team should develop a list of comprehensive annual objectives. While keeping in mind past income and expenditures, realistic goals must be proposed and accepted by the organization. These goals are meant to guide the budgeting process going forward.

Step 3: Determining the expenses for reaching goals and developing a timeline

The *Budget Committee* should estimate the cost required to achieve each objective. This should be partially based on a comprehensive knowledge of the organization's activities in preceding years, but the committee must also factor new programs or activities into their budget.

To develop a comprehensive timeline, the committee should look at its goals, its projected costs, and organize deadlines and targets around those variables. The timeline should be realistic. The organization's budget timeline must strike a balance between its sensible expectations and its ambition to do the greatest possible good.

Step 4: Project income budget and preparation of budget

The team should design a comprehensive list of revenue sources, and expected revenues and project a timeline. The projected revenue should be compared against the expected costs and budget timelines. With the comparison, the budget team should retool the budget until it is realistic and comprehensive, and ready for presentation to the board.

The team should plan for a reserve fund to be maintained for taking pressure off and help in place missing revenue.

In alignment with the above, the *Account and Finance Department* shall be responsible for the preparation of:

a. Annual Operating Budget

An annual operating budget outlines the organization's revenue and expenses for a fiscal year. It evaluates the operating costs, support of donations/grants, and the amount of SEBS funds required to operate at the planned level. A standard format for operating budget shall be prepared by the Budget team to establish consistency in the budget heads and expenditure classification.

b. Capital Budget

The capital Budget should include expected expenditure for non-expendable assets during the budgeted period. The budget team shall prepare a standard template for the Capital Assets Acquisition Plan and after all these capital expenditures are duly justified, the *Account and Finance Department* shall prepare a Capital Budget.

Step 5: Adopt the budget

Account and Finance Department shall be responsible for the preparation of the draft budget. These are reviewed and revised as necessary by the *Budget team/committee* and consolidated by *Treasurer* for approval of the *Executive Committee*.

The budget should be approved by the *Executive Committee* at least one month before the beginning of the accounting year

2.4 Budget Disbursement

Budget Disbursements will be made in line with the progress of the program, agreed Work Plan, and budget estimates, and are administered by the *Treasurer*. The budget disbursement process and authority for each program should be detailed in the budget.

2.5 Budget Monitoring

Account and Finance Department and *Treasurer* shall be responsible for the preparation of quarterly financial reports and compilation of narrative/progress reports. The financial report should include a budget variance section. Major variance, in a budget line, is defined as cumulative variance that is either +/- Rs 20,000 or +/- 10% of the budget line. All such major variances should be justified by implementing the department of projects/programs/activities.

2.6 Budget Alteration and transfers

10% of the budgeted amount in a single budget line can be transferred to another with the approval of the *Treasurer*. The same should be subsequently ratified by the *Executive Committee*.

In the case of the program budget, any transfers or alterations shall be as per the agreement with the specific donors.

In case the approved budget is insufficient for any expenditure head, the *Executive Committee* may increase the budget in that head by reducing the corresponding amount from another expenditure head with the surplus. If no surplus is found, then the *Executive Committee* may approve an additional budget. Any surplus in the capital budget shall not be transferred to the operating budget.

POLICY NO: A-7

SUBJECT: INSURANCE

1. POLICY STATEMENT:

It is the organization's policy to insure all its property at replacement values covering all potential risks.

2. PROCEDURES:

2.1.1 All insurance policies for the organization will be taken out by the *Account and Finance Department* in close coordination with the *Treasurer*. This is to ensure that the organization gets the most competitive rates and to ensure speedy settlement of claims. No other person is authorized to enter any insurance policy on behalf of the organization.

2.1.2 Insurance will be taken out at the replacement value of the assets. Replacement values shall be based either on the current / latest price list of similar assets or worked out on an acceptable insurance basis calculated on the cost price of the asset increased by suitable inflation percentages net of diminution in value due to age of assets.

2.1.3 All fixed and current assets whether in the custody of the organization or held by others on behalf of the organization should be insured for the following:

- i. Fire (including fire from the explosion)
- ii. Lighting
- iii. Explosion/Implosion
- iv. Riot and strike damage
- v. Malicious damage
- vi. Earthquake fire and shock
- vii. Theft, burglary, dacoity, etc.

viii. Terrorism

- 2.1.4 Cash in safe and cash in transit must be additionally covered for loss due to theft, burglary, etc. and appropriate fidelity cover against risks of fraud and dishonesty must be taken in the context of the maximum amount of cash handled at any one point of time.
- 2.1.5 All fixed assets in transit whether on purchase or transfer must be covered for all risks by a transit insurance policy.
- 2.1.6 All office equipment and computer hardware, software, and data shall be covered by insurance against all reasonable risks for replacement costs/reconstruction costs.

POLICY NO: A-8

SUBJECT: CONTROL AND SECURITY OF DATA PROCESSING

1. POLICY STATEMENT:

It is organization policy that strict control systems are adhered to in respect of databases and software being used by the organization. It is also the policy that the organization shall not use pirated software and shall buy licensed copies from manufacturers/licensees.

2. PROCEDURES:

- 2.1.1 All computer equipment shall be protected by locating them in positions where there is minimum risk.
- 2.1.2 Backups will be taken for all regularly generated databases such that there are three backups covering data punched at the end of the day, the previous day, and the previous day. This is to ensure that even in the case of a virus attack data can be restored with minimum effort. The backup of the data shall be kept in the external hard disk and the disk shall be kept away from the organizational operation place.
- 2.1.3 All confidential data files and programs must be password protected.

POLICY NO: B-1

SUBJECT: GRATUITIES AND GIFTS

1. POLICY STATEMENT:

To protect the financial integrity of the organization, no employee may accept gratuities of any type from persons or firms who supply goods or services to the organization. This includes tickets, passes, gifts, accommodations, entertainment, or anything else of a tangible nature.

2. PROCEDURES:

- 2.1 Advertising items of an insignificant value, lunches, and other similar business promotion areas of nominal value (below Rs.500) are not considered gratuities.
- 2.2 Employees shall not accept, and the report offers beyond the nominal value exception to their superiors, should they occur. Failure to comply may be grounds for separation from the organization.

POLICY NO: B-2

SUBJECT: CONTRACTS

1. POLICY STATEMENT:

It is the Organization's policy to issue written orders/enter into a written agreement for all supplies of goods and services. This is to protect the organization against losses arising out of legal disputes/interpretations.

2. PROCEDURES:

- 2.1 All supplies of goods must be received and paid for only against written orders. Post facto written orders and orders for over Rs. 5 lakhs can be accepted only if authorized by the *President*.
- 2.2 For supply of services also written orders are necessary and valid post facto orders/orders over Rs. 5 lakhs can be authorized by the *President* only.

POLICY NO: B-3

SUBJECT: FIXED ASSETS

1. POLICY STATEMENT:

It is the Organization's policy to ensure controlled capital expenditure. This is to ensure that the organization does not inadvertently over-invest in non-contributing assets that eventually do not increase the wealth of the organization.

2. PROCEDURES:

2.1 Preparing a plan for capital expenditure

2.1.1 A plan for capital expenditure for the forthcoming 12 months must be prepared. Items covering Rs.10,000 or more must be individually itemized. The plan must be prepared by the *Treasurer* after consultations with the *Account and Finance Department* and sent to the *Executive Committee* for approval.

2.1.2 A fixed assets register will be maintained containing the following information for effective control over fixed asset expenditure.

- (a) Capital sanction number by *Executive Committee*
- (b) Sanctioned amount
- (c) Sanctioned date
- (d) Description of the asset
- (e) Location

2.1.3 The expenditure will be recorded in the following columns:

- (a) Date
- (b) Details of order
- (c) Details of expenditure
- (d) Voucher reference
- (e) Account debited with the amount

- (f) Total expenditure to date
- (g) Details of advance outstanding.

2.1.4 All transactions will be entered into the register before ordering or passing bills for payment. The organization endorses all the entries in the register.

2.1.5 All transactions must be reconciled with the ledger.

2.2 Capitalisation and depreciation:

2.2.1 Expenses costing below Rs 10,000/- shall not be capitalized. Expenses amounting to more than Rs 10,000 and with an estimated useful life of more than 12 months shall be capitalized.

2.2.2 The *Treasurer* shall determine whether an asset needs to be capitalized or not if confusion prevails. The value of an item of the fixed asset comprises its purchase price, duties, non-refundable taxes, freight, handling charges, and other directly attributed costs.

2.2.3 For calculating Depreciation, the Reducing Balance Method shall be applied, and the rate of depreciation will be devised given the nature and life of the asset and operating hours.

2.2.4 For a newly acquired asset that is in use for fewer than 6 months in a fiscal year, the rate of depreciation applicable will be half the prevalent rate for that asset block.

2.2.5 Fixed assets that are lost, damaged, and not in working condition shall be written off. Fixed assets should be written off with the approval of the *Executive Committee*.

2.3 Movement:

2.3.1 *Account and Finance Department* shall be responsible for the movement of fixed assets. Hence, any movement of fixed assets within the organization outside the organization must be notified in writing to the *Account and Finance Department* immediately after such movement for appropriate changes in the Fixed Asset Register. Movements, however, are not allowed without the prior written permission of the *Treasurer*.

2.3 Physical verifications:

2.3.1 All the fixed assets of the organization must be physically verified once a year by the independent committee with the coordination of the *Account and Finance Department* and *Treasurer*.

2.4 Records:

2.4.1 All fixed assets should be received by the *Account and Finance Department*. Department, who will prepare a receiving return.

2.4.2 *Account and Finance Department* must maintain fixed assets register with the following details;

- (a) Description of Assets
- (b) Quantity
- (c) Price
- (d) Date of Acquisition
- (e) Rate of Depreciation
- (f) Code of the assets
- (g) Location

2.4.3 This register must be updated for addition and withdrawals monthly and reconciled to ledger balances. Fixed Assets shall be capitalized under the following heads as per the nature of the assets;

- (a) Land
- (b) Plant & Machinery
- (c) Building freehold
- (d) Motor Vehicles
- (e) Office equipment
- (f) Household equipment
- (g) Fixed assets in transit
- (h) Computer Hardware
- (i) Computer Software

POLICY NO: B-4

SUBJECT: ADVANCES

1. POLICY STATEMENT:

It is organization policy to exercise strict controls over advance payments. Advances represent a high-risk area requiring a high degree of caution.

2. PROCEDURES:

2.1 The Organization will provide advances only against written orders for the supply of Goods and Services and other Organization Liabilities.

2.2 Each Advance shall be sanctioned in writing in an advance request before payment by the *Account and Finance Department*.

2.3 All traveling advances shall be made only after approval of travel orders by the *Treasurer*.

2.4 Travel advances shall not be more than the anticipated expenditure for the relevant tour.

2.5 All tour advances must be settled within 15 days of returning from the tour for which advances were drawn.

2.6 Outstanding advances must be scrutinized by the *Account and Finance Department* on the 25th of each Nepali month and followed up in writing. An advance status report will be sent to the *Treasurer* by the 27 of each Nepali month giving details of all irregular advances.

2.7 All staff advances, which are due beyond one month without valid reasons, shall be charged interest at 15% per annum from the first day of the expiry of the month.

2.8 The amount, repayment, and any charges if any, in respect of support provided to members in form of loans and advances shall be decided with the resolution from the *Executive Committee*.

- 2.9 Members of SEBS, other than the *Executive Committee, Treasurer, President*, and employees of SEBS, shall be eligible for advances with approval obtained from the *Executive Committee* provided if expenses are required to be incurred on behalf of the organization.

POLICY NO: B-5

SUBJECT: WRITE-OFFS

1. POLICY STATEMENT:

It is organization policy that write-offs are allowed only after a rigid control system is followed.

2. PROCEDURES:

- 2.1 All write-offs of any asset (or advance to members) of the Organization must have the prior sanction from *Executive Committee*.
- 2.2 The Form must be filled in full and must indicate the causes for the write-off and the corrective action that will/has been taken to ensure that in the future such write-offs do not recur.
- 2.3 All write-off forms after filling up must be sent to the *Account and Finance Department* for forwarding to the *Treasurer* considering its impact and implications and after ensuring that the request is complete in all respects.
- 2.4 Write-off sanctions shall also approve the disposal action which will be stated in the sanction form. Without the disposal instruction, the sanction shall be incomplete.

FORM AA1

REQUEST FOR WRITE-OFF SANCTION

Sanction is requested to write off the following asset as per the details given below;

1. Description:
2. Code/Fixed Asset No:
3. Date of Original Purchase:
4. Date of the last Movement:
5. Quantity:
6. Current Book Value per Unit:
7. Original Cost:
8. Depreciation:
9. Quantity to be written off:
10. Reasons for write-off:
11. Disposal price:
12. Profit/loss on disposal:
13. Party to whom the item is to be sold:

Date:

Place:

Requested By: _____ **Approved By:** _____ **Verified BY:** _____

POLICY NO: B-6

SUBJECT: TRAVELLING EXPENSES CLAIMS

1. POLICY STATEMENT:

All reimbursements of traveling expense claims to employees for travel and related expenses on organization business must be against the approved Travelling Expense Claim Statement.

2. PROCEDURES:

2.1 All traveling expense claims must be made in the specified forms. Blank Forms will be available with the *Account and Finance Department*.

2.2 All claims will be made at the approved per diem rate. The approved rates will cover the food and accommodation expenses during the travel. The approved rates shall be determined by the *Executive Committee*.

2.3 Completed expense statements must be approved by the *Treasurer*.

2.4 All traveling expense claims must be made within 15 days of arrival at his point of posting/end of each month. Claims must be prepared for every Nepali month in case of extended travel.

POLICY NO: B-7

SUBJECT: STATUTORY COMPLIANCE

1. POLICY STATEMENT:

It is an organization's policy to strictly comply with all statutory obligations imposed on it by the law of the country/international law.

2. PROCEDURES:

- 2.1 The organization must have a checklist of all statutory formalities applicable to it showing the periodicity of the compliance required and other relevant details. The Checklist must evidence periodic compliance and monthly review by the *Treasurer*.
- 2.2 The Checklist must be formally reviewed in June each year (after the Government Budget) and updated.

POLICY NO: B-8

SUBJECT: WASTE/OTHER MISCELLANEOUS ASSET SALES

1. POLICY STATEMENT:

It is organization policy to exercise strict controls over waste/other miscellaneous asset sales. It is not the organization's main business to make waste/miscellaneous sales and therefore this activity should be carried out with minimum interference with the main business of the organization.

2. PROCEDURES:

- 2.1 All waste/miscellaneous asset sales will be made only against cash received in advance.
- 2.2 All contracts must clearly state that failure to move goods within seven days of intimation will automatically result in the cancellation of the contract to sell.
- 2.3 Annual waste sale contracts shall be entered into where possible when waste generation is a regular feature. Such contracts must be entered into in writing and the contractor must submit a list of authorized persons who will lift goods on his behalf. The contracts must mention that the same may be terminated by service of notice of 30 days on either side. In all annual contracts, a performance security deposit equivalent to one month's sale must be obtained. All annual contracts must be signed by the *President*.

POLICY NO: B-9

SUBJECT: REVISIONS/DEVIATIONS/INTRODUCTION OF POLICY

1. POLICY STATEMENT:

The organization intends those deviations from written organization policy be avoided wherever possible. If a deviation is considered necessary due to a likely adverse impact on the operation, a revision to policy should be made. However, in those instances where policy revisions are not appropriate but where deviation from the policy on a case-by-case basis is still necessary the permission for the proposed deviation shall be obtained from the *Executive Committee* in writing.

2. PROCEDURE:

When a revision to a policy or the introduction of a new policy is required then the *Account and Finance Department* shall put up a note to the *Treasurer*, who shall take it to the *Executive Committee*.

POLICY NO: B-10

SUBJECT: INTERNAL AUDIT

1. POLICY STATEMENT:

The function of the internal audit is to conduct an independent appraisal of the organization's finance/control systems and to make recommendations for improvements. It is the organization's policy to take full advantage of this activity.

2. PROCEDURES:

- 2.1 *Executive Committee* will appoint an *Audit Committee* consisting of three members, at least one of them being a member of the *Executive Committee*. An *Audit Committee* is responsible for establishing an internal audit function in the organization.

- 2.2 Internal audit shall be carried out on a six-monthly basis and the appointed internal auditor shall report to the *Audit Committee*. The areas to be covered under each internal audit shall be decided by the *Audit Committee*.
- 2.3 Full co-operation shall be given to all internal audit teams so that a proper effective appraisal is ensured.
- 2.4 All reports must first be finalized at the organization level where the facts, the cause, and the recommendations are discussed and agreed to. In case of disagreements, the *Treasurer* must give his specific reasons for the same in writing. The reports must then be approved by the *President* before the report is accepted for implementation.

POLICY NO: B-11

SUBJECT: EXTERNAL AUDIT

1. POLICY STATEMENT:

The function of the external audit is to conduct independent verification of all organization's books of accounts and certify the correctness of the organization's Balance Sheet & Profit & Loss Account for SEBS members.

2. PROCEDURES:

The *President* will be responsible for ensuring that the external auditors receive all books/documents required by the external auditors for their audit. The *Treasurer* shall be responsible for ensuring the books/financial statements comply with the requirements of the law.

POLICY NO: B-12

SUBJECT: SALARIES AND ALLOWANCES

1. POLICY STATEMENT:

It is organization policy that salaries and allowances of its employees are paid regularly at the close of each Nepali month following the latest approved terms and conditions and in full compliance with all statutory requirements.

2. PROCEDURES:

- 2.1 The *Account and Finance Department* must prepare a payroll sheet for each month which will be filed separately showing complete details of gross salary, deductions, and amounts payable employee-wise. All entries must be passed based on this payroll sheet and evidence thereon. Each month's payroll sheet must be accompanied by a reconciliation with the previous month's total gross salaries. All reconciling items must be cross-referenced to appropriate duly authorized documentation. In the case of salaries where gross salaries fluctuate with actual hours worked then the reconciliation with the total basic rate is sufficient.
- 2.2 All payrolls shall be cross-checked and approved by the *Treasurer* before voucher passing/payment.
- 2.3 Leave records must be maintained and compared with payroll sheets at least once a month and overall by end of the year.
- 2.4 Leave encashment as per rules, will be paid in Ashad each year.
- 2.5 All matters connected with salaries and allowances are highly confidential. Consequently, all data in this regard must be treated with care and discussed only with authorized personnel connected with payrolls. Discussions with other employees will be only in respect of their salaries/allowances
- 2.6 TDS on the payment of salaries and allowances shall be deducted and deposit as per the income tax act-2058.

The detailed procedures shall be governed by the Human Resource Management Policy

POLICY NO: B-13

SUBJECT: PROCUREMENT

1. POLICY STATEMENT:

It is the organization's policy to ensure that the correct goods or services are purchased in terms of quality and specification, the procurement process is in line with the internal control systems to avoid risks of fraud, is both ethical and efficient, and the code of conduct is followed.

2. PROCEDURES:

2.1 *Account and Finance Department* shall be responsible for identifying potential needs, identifying potential sources of bids, the process for collecting bids/quotes, and placing the orders. *Account and Finance Department* shall prepare the required templates for properly managing the aforesaid assigned task.

2.2 For micro purchasing, the *Account and Finance Department* shall follow standard norms and procedures and procure goods/services ensuring the best value of money for the organization. However, for other purchases, the prior approval of the *Procurement Committee* shall be obtained by the *Account and Finance Department*.

2.3 All purchases of goods and services must be done in an open and competitive environment to ensure that prices paid are fair and reasonable

2.4 The *Procurement Committee* shall evaluate and decide the quotations and tender bids. The committee will also consider the availability of after-sale or post-delivery services along with the cost and quality of the goods and services.

2.5 All the procurement of goods shall be done using any of the following methods depending on the monetary value.

Value /Nature of Purchase	Method of Purchase
Trivial Purchases Goods: up to 10,000 per unit Services: up to 5,000 per service	Micro-Purchasing Follow simple procurement norms and a code of ethics.

High-value Purchases Goods: from 10,001 to 100,000 per unit Services: from 5,000 to 50,000 per unit	RFQ or direct shopping The organization shall obtain the request for quotation/proforma invoice from at least three suppliers.
Significant value Purchases Goods: from 100,001 to 10,00,000 Services: from 50,001 to 500,000	Limited Bidding The organization shall obtain sealed bids from selected potential bidders.
Significant value Purchases Goods: 10,00,000 to above Services: 500,000 above	Competitive Bidding The organization shall obtain competitive bidding from all eligible prospective bidders.
Significant value Purchases Goods: 10,00,000 to above Services: 500,000 above	Request for Proposal The organization shall obtain a proposal where the inputs or outputs cannot be quantitatively and qualitatively expressed in sufficient detail at the time of solicitation.
Any amount within permissible circumstances	Direct Contracting Organizations use this procurement method where it is not feasible to undertake a competitive bidding process.

2.6 Following process or points shall adhere in case of limited bidding

- SEBS shall prepare a shortlist of potential bidders or suppliers of goods and works.
- Written notice shall be sent to shortlisted bidders for at least 14 days. The notice shall include all relevant materials and specifications of the goods or services.
- A bid register shall be maintained to record the date and time of the receipt of sealed bids.
- At least 3 bids must be received for bid evaluation. If three bids could not be received in the first notice, then a second notice of seven days shall be given.
- Withdrawal of bid before final date and time of bid shall be permitted.
- The awarding of the contract shall be decided by the committee.

2.7 The following process or points shall adhere in case of competitive bidding or request for proposal.

- Notice of competitive bidding shall be published in a national newspaper.

- Bid notice shall be at least 30 days to a maximum of 120 days depending on the nature and complexity of nature and supply. The pre-bid meeting shall be conducted if required for complex works
- Bids shall be opened in presence of bidders. The notice of the day and timing of the opening of the bid should be published along with the initial notice.
- The awarding of the contract shall be decided by the committee.
- The Bank guarantee as decided by the *Procurement Committee* shall be furnished by the vendor.

2.8 The following process or points shall adhere in case of direct contracting.

- Exceptional permissible circumstances shall be decided by the *Procurement Committee*.
- Before awarding the contract, the *Executive Committee* shall examine all technical aspects in consultation with a team of experts and prior approval shall be obtained from *Executive Committee*.

2.9 Mobilization advance as decided by the *Executive Committee* or per donor agreement, shall be provided only in case of large-scale procurement of construction works and consulting works requiring a substantial amount of prior work

POLICY NO: B-14

SUBJECT: PURCHASES - PAYMENTS

1. POLICY STATEMENT:

It is organization policy that all payments for purchases shall be made on the due dates as per the credit terms recorded on the purchases/work order. Delays in payment to the suppliers damage the image of the organization and its reputation.

2. PROCEDURES:

2.2 Whenever any purchase/work order is issued it is essential that the credit terms are recorded thereon. In case, no credit terms are mentioned then payments must be made thirty days after receipt of goods/services or ten days after receipt of the invoice whichever is later.

- 2.3 In case clarifications are required letters must be written immediately on receipt of the invoice and followed through to meet credit terms. Under no circumstances should invoices be kept pending clarification without regular follow-up. Defective invoices must be returned with a covering letter clearly stating the reasons.
- 2.4 All deductions from invoices amount as required by the law must be made without fail.