

Financial Administration and Accounting

Guidelines

Step THREE – Roles and Procedures



Document information

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Guidelines Step THREE
Authors: Cecilia Öman, Anders Kinding

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Foreword

This document represents the first step in the Human Rights and Science and Action10 guidelines on Financial Administration and Accounting. The Financial Administration and Accounting (FAA) procedures presented in this

The FAA procedures presented in Guideline step TWO focuses on the bookkeeping performed by the end of the year including International Finance Reporting Standards, Balances Sheet, Income Statement, Auditing and Archiving. The procedures presented in Guidelines step ONE includes the Financial Year, Basics of Bookkeeping, to Book an Activity and Supporting Documents.

Purpose

The purpose is to support Human Rights and Science and Action10 and its partners with the Financial Administration and Accounting. Proper Financial Administration and Accounting is required to ensure project quality and transparency. The bookkeeping shows that the financial resources invested in a project were used in an efficient way. Thus, the bookkeeping is important means of communication between partners. The information is also used for monitoring and evaluation planning. And proper bookkeeping is required for transparency and accountability.

Roles and responsibilities

Finances and administration of a project are managed by three different persons

1. Project leader
2. Accountant
3. Cashier

The project leader, accountant and cashier shall not be

- Related to each other, i.e. may not be parents, children or siblings, and may not be a husband or wife to the previously mentioned people
- Involved in any financial or other mutually dependent relationships with each other

Project leader responsibilities

- Signs the invoices prior to payment together with the accountant
- Ensures that financial reports correspond with the records in the book-keeping
- Ensures that cash and bank account balances are verified

Accountant responsibilities

- Records all transactions and financial events
- Ensures that documentation supporting transactions is correct and contains all the necessary information
- Provides the project leader with reports based on book-keeping upon request
- Compile and sign, together with project leader, financial reports requested by partners
- Provides the auditor with all document necessary for the auditing at the end of each calendar year
- Signs financial institutional reports, and when required project reports, together with auditor, at the end of each calendar year

The financial year in Sweden is 1 January to 31 December. The partners may use a fiscal year (start any month) rather than the Swedish calendar year due to laws in your country. If so, then the necessary arrangements need to be discussed.

Cash receipts and disbursements should be recorded latest by the next business day. Other business events must be reported as soon as possible.

Two types of accounting methods are available. These dictate how the transactions are recorded in the organisation's book-keeping. The partners shall agree on which of type of accounting method to be used.

A. Cash-basis accounting - expenses are recorded in book-keeping when the cash is actually laid out, revenue is recorded when cash is actually received

B. Accruals basis of accounting - expenses are recorded when they are incurred, even if the supplies are not yet paid for

Separate book-keeping is set up for each project and clearly separated from other book-keeping. Project's book-keeping is to be structured so that it is easy to trace amounts in the financial report back to the book-keeping. This applies to both the profit and loss account and the balance sheet account.

Organise each project's book-keeping based on the approved accounting plan, maximum ten accounts. Recording of actual costs must follow accounts set in the budget. Sub-accounts can be used to simplify budget follow-up. A clear logic in how costs in book-keeping relate to costs reported in financial report to partners.

Project funds shall only be used in line with approved project description and budget lines. The funds shall not be used or lent to other organisations or operations within your organisation. Reciprocal loans between projects are not permitted.

Funds from larger donors or investors shall be deposited into and kept in a separate bank account, unless otherwise agreed on. The account shall be held by the local partner. Transactions shall be countersigned by two persons. Any interest is the property of the project, and is accounted for in the financial report. Profit raised from currency exchange is used within the framework of approved project description.

A receipt book with numbered receipts in three copies shall be used to give receipts for all incoming payments. A receipt shall contain following information: date, what incoming payment concerns, amount and other parties involved. The original receipt is given to the payer. The first copy is used as verification in book-keeping and the second remains in the receipt book. Outgoing payments shall be made using numbered payment order (two copies) which is authorised by project leader and accountant. A payment order shall contain following information: Date, receiver's name and address, amount and what payment concerns. Supporting documentation such as invoices and receipts shall be attached to payment order.

If it is not possible to get a receipt, and the amount is small, a verification may be produced. Such a verification shall contain:

- Date
- Short description of why transaction occurred
- Amount
- Other parties involved (e.g. buyer and seller)
- Possibly reference to supporting documents not stored together with verification (e.g. an agreement)

Supporting documents

Each transaction and financial event shall have a supporting document / verification, as evidence that transaction actually occurred. Verifications shall be numbered, both the verification itself and in bookkeeping. The verification shall contain the following information:

- Date
- Short description of why transaction occurred
- Amount
- Other parties involved (e.g. buyer and seller)
- Possibly reference to supporting documents not stored together with verification (e.g. an agreement)

The supporting documents shall be numbered on both the receipt and in the book-keeping, in order to link the verification with the recorded event. It should be an unbroken series of numbers in order to ensure that all transactions are recorded and that they are recorded only once. The original documents (receipt or invoice) are attached to the voucher.

The supporting documents include:

- Receipt or voucher for money received
- Receipt or voucher for money paid out
- Invoices – certified and stamped as paid
- Paying-in vouchers for money paid into the bank
- Bank statements
- Journal vouchers – for adjustments and non-cash transactions (adjustments should made in the next period)

KARL TRAVEL AGENCY
 24 Rawdon Street, Freetown, Sierra Leone
 Tel: (232-22) 221008 - 228405, Fax 232-22 221426
 Email: karltravel@hotmail.com

Ver# 1009345
 N°0503

INVOICE

Name: MR. I. REDA Tel: _____
 Address: Ednas Street Date: 3/9/08

Quantity	Description	Unit Cost	Total
	Being cost of air ticket for: REV. TIMOTHY KETTOR REV. AUGUSTINE ANSUMANA		
	FNA/ACC/FNA (33)	\$290 x 2 =	980
	ACC/JNB/ACC (54)	\$1005 x 2 =	2010
	Two thousand nine hundred & ninety nine U.S. dollars		\$ 2990

Signature: [Signature] Received by: T.S. Kitter
 Payment should be made within 26 days upon receipt of this invoice.

Ver# 1009345

Account	Debit	Kredit
4621 Transport	\$ 2 990.-	
1900 Cash		\$ 2 990.-

Account: B.C. Kontor: [Signature] Bank: J.C.

Corrections

When corrections are made in the book-keeping a Journal voucher shall be written. The correction shall be dated and signed. If correction concerns a passed period, month or quarter and it's closed, correction shall be made in coming or actual period.

Journal voucher

Name of organisation:	Date:	Voucher number:

Description:	Account:	Project:	Debet:	Account:	Project:	Kredit:
Correction of entry no #87	4651	29610001	- 154,30	4675	29610001	154,30

Approved by:	Date:

Lack of evidence

If there is no evidence in book-keeping and there is no data to prove or certify that the incident occurred, funds may have to be repay to, for example the donor or the investor. This will also put credibility at risk and increase the risk for corruption.

Storage and archiving of book-keeping documents

All book-keeping records and other relevant documentation shall be stored and archived in a safe place during the project where people responsible for project have access to them. After project end, records and other documentation have to be archived and stored in a theft and fire-proof place for at least ten years. Accounting stored on computers should be backed-up regularly

Salary records

Three types of records:

- Employees attendances
- Salary card
- Payroll

Some important point to consider, depending on the local legislation:

- How does laws regarding salaries, taxes and social security support etc. – its function in the country of operation?
- Who is responsible for ensuring that these are followed in our organisation?
- Which system does our organisation have internally to ensure that laws are followed?

Seminars and workshops

All documentation regarding seminars should be stored and archived in safe place together with book-keeping of the related project. The supporting vouchers (original receipts) have to be kept together with numbered verification in book-keeping. The seminar documentation includes:

- the date or dates when seminar was conducted
- the location of seminar/workshop
- which seminar venue/s used
- implementing organisation
- seminar facilitator
- supporting documents including
 - invitation letter
 - agenda
 - list of participants
 - details for follow-up payments
- receipts regarding
 - premises
 - food catering
 - accommodation
 - travel and transportation

Procurement

A written price comparison shall be made when a procurement exceeds EUR 2 000. Procurement of goods or services that exceed EUR 5 000 is prepared through open tender. All procurement and price comparisons are documented in writing and archived.

The tender procedures include:

1. Identifying the need
 2. Requesting for submission of tenders
 3. Screening of tender requests
 4. Decision process for purchase and placing order
 5. Transport
 6. Archiving
- Non-compliance should be communicated to and approved in writing by the appropriate partners before non-compliance action occurs
 - Adapt to local legislation when required

