

Financial Administration and Accounting

Guidelines

Step THREE - Roles and Procedures



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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 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)



Cashier responsibilities

- Make the cash required payments, which have been approved by the project leader and the accountant
- Maintain a simple cash ledger for all incoming and outgoing payments to cash on hand
- Write receipts for incomes
- Ensure that larger amounts of cash are stored in a safe
- Reconcile the cash-on-hand at least once a week
- Reconcile bank-book against bank statement every month

A simple cash ledger and bank book shall be maintained manually, even if the book-keeping is done with a computer. The cash ledger shall be reconciled at least once a week by manually counting the cash-on-hand. The value of the money in cash is calculated and compared with the amount stated in cash book. The documentation is approved and signed by the responsible project leader or director.

Debit = Money put into the cash box.

Credit = Money taken out from the cash box.

Cash	book for project xxxxxxxxxxxxxxx		Year	: 20XX
Date	Text	Ref.	Debit	Credit
			1	
			1	
			+	
			-	+
			_	
			_	
			1	
			+	+
	+		+	+
			-	

The bank book shall be reconciled against bank statement at least once a month. The bank statement shall be compared with the general ledger. If the bank-statement does not agree with the book-keeping it can be due to several reasons:

Maybe all the cheque transactions have not been booked yet. Tick off the posts on the bank-statement against the book-keeping. If there are posts left on the statement it can be withdrawals/cheques that are not booked or are miss-posted - explain on the reconciliation. Another reason can be cheques that have not been redeemed by the bank until after the period. In that case it is the book-keeping that is correct and not the bank statement - explain on reconciliation.

Compensation authorization arrangement

All compensation (e.g. different costs connected to a travel, etc.) for project leader, accountant or their assistants shall be authorized by their superiors in accordance with a fixed authorization arrangement, and always within the programme description of the project.



Supporting documents

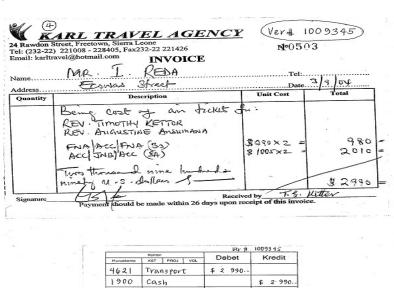
Each transaction and financial event shall have a supporting document / verification, as evidence that transaction actually occurred. Verifications shall be numbered, both the verification itself and in bookkeeping. The verification shall contain the following information:

- 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)



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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: P	roject:	Debet:	Account:	Project:	Kredit:	
Correction of entry no #87	4651	29610001	- 154,30	4675	29610001	154,30	
Approved by:	D	ate:					

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



Attendance Sheet

Date:----

S/N	Name	Monday		Tuesday		Wednesday		Thursday		Friday	
		Mor.	Aft.	Mor.	Aft.	Mor.	Aft.	Mor.	Aft.	Mor.	Aft.
											<u> </u>
											
											
											\vdash
						-	-				

Date:		
Signature:		
	D	Duty
	*AL	Absent
	AL	Annual Leave

Approved by: -----

AL Annual Leave
SL Sick Leave
ML Maternity Leave
LWOP Leave without payment

Note that the organization should have internal guidelines concerning absence.

		Year 20	0XX						
Name: Julia Administrator									
Address:	Forest road 15								
ID-nr:	700809-5622		Date of employm.: 20XX-01-01						
Type of employment:	Project 2 years. Monthly wages								
Date	Kind of compensation	Amount	Tax deduction	Other deduction	Payment				
20XX-01-15	Advance	500	- 50		450				

	Payroll									
Specification Salaries Jan 20XX										
Na	me	Gross salary	Other compen.	Tax deduction	Other deduction	Payment	Signature	Date		
1.	Gloria Projectleader	4 500								
2.	Julia Administrator	1 800								
3.	John Informant	1 800								
4.	Gabriella Informant	1 800								
5.	Paul Accountant	900								
	Total:	10 800								



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
 - o invitation letter
 - o agenda
 - list of participants
 - o details for follow-up payments
- · receipts regarding
 - o 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



Car Journal

Vehicles that are purchased with project funds are only used for project activities, and a driver's logbook (car journal) is maintained.

	Ca	r jourr	nal		Perio	od (yyyy-mm):	20XX	-XX
Vehicle	Toyota S	SW - ASD	222					
Date	Meter p At the beginning of the trip	At the end of the trip	Kilor	neter Private trips	Specification	Driver (signature)	Authorized by	Paid date

Inventory of stock, furniture and fixtures

Stock should be administered by three people. A stock register (stock ledger) should be established. A physical count should be done before audit on 31 December each year, and be reconciled against stock register

Stock register											
Specification											
Date	Purchase price	Number of INs	Number of OUTs	Balance	Sign						
			-								
		ation	Pate Burchase price Number of	Pate Rurchasa price Number of Number of	Pate Burshasa price Number of Number of Release						



Provide numbers to all equipment and assets purchased for a project. Compile an inventory list for equipment and assets that project has purchased or has responsibility for, inventory list shall be reconciled once a year, the existence of all inventory on the list is checked, all items listed are at the right location and used for the correct purpose. Both stock ledger and inventory list shall be available during auditing.

	List of equipment										
Project:											
No (or code)	Name	Acquisition date	Place of purchase	Purchase price	Kept	Disp Date	osed Price				

Assets purchased into project shall be recorded immediately in project accounts when item is purchased or building is constructed. No depreciations are done in projects.