



FINANCE POLICIES AND PROCEDURES

Version 2- December,2025



HEALTH, EDUCATION AND DEVELOPMENT SOCIETY

“HEADS”

Abstract:

This Finance Policy defines the financial management framework of the Health, Education and Development Society (HEADS) to ensure transparency, accountability, and effective use of resources. It outlines key principles and procedures for budgeting, accounting, internal controls, and financial reporting in compliance with legal, donor, and organizational requirements. This policy guides staff and management in maintaining sound financial governance and stewardship of funds and was last updated in December 2025.

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Acronyms

HEADS Health Education and Development Society

GB	Governing Body
BOD	Board of Director
MC	Management Committee
EB	Executive Body
AC	Audit Committee
BAC	Budget and Accounts Committee
PC	Procurement Committee
CE	Chief Executive
ED	Executive Director
PM	Program Manager
FO	Finance Officer
AFO	Assistant Finance Officer
PM	Project Manager
JV	Journal Voucher
PCF	Petty Cash Fund Form
CAF	Cash Advance Form
CPV	Cash Payment Voucher
BPV	Bank Payment Voucher
BRV	Bank Receipt Voucher
GRN	Good Receiving Notes
SIV	Store Issue Voucher
BRS	Bank Reconciliation Statement
CARF	Cash Advance Request Form

Health Education and Development Society

Section 1

Introduction

1.1 About HEADS

Health Education Development Society (HEADS) is a Non-Governmental, Non-Profitable Organization registered under Societies Act 1860 (Reg. No. 8758/5/7411) and subsequently licensed by the Securities and Exchange Commission of Pakistan (SECP) under License No. 0313846. The organization since its establishment in 2013, works “To provide a peaceful environment to all human beings where they can utilize their potentials for sustainable development”. This aim is achieved with the close collaboration of partner communities, humanitarian and development organizations through a participatory, demand responsive, gender and poverty sensitive integrated development approach in the Khyber Pakhtunkhwa Province & FATA, Pakistan. HEADS interventions mainly focus on achievements in domains/program areas including Protection, Livelihood, WASH, Education, Health & Nutrition and DRR.

1.2 Purpose of the Manual

The purposes of this manual are to: -

- 1 Explain the HEADS overall financial processes in broad terms and the reasons for those processes.
- 2 Provide direction to the various departments and field offices such that detailed interdepartmental/field offices financial policies and procedures can be developed from a common and consistent base.
- 3 Provide common financial policies that must be adhered to by all departments and field offices. The manual gives the reader a basic understanding of financial management in the HEADS and, most importantly, an understanding of the purpose behind a particular financial policy.

1.3 Objectives of the Manual

There are three objectives inherent in the establishment of Finance & Accounts policy Manual:

Accountability: To ensure that responsibility for every commitment of funds is assigned to a responsible individual, that there is an audit trail of transactions to document that responsibility and ensure accurate reporting of the transaction.

Control: To ensure that every financial transaction is for a purpose specified by the legislature, is carried out, in its essential elements, in a manner that is consistent throughout the HEADS and reflects proper financial procedures to ensure that proper authorities authorize and check the various stages of the transaction.

Efficiency: To ensure that funds are spent in a manner that maximizes the value received by HEADS for that expenditure.

1.4 General Policy Outline

A good financial/accounting system makes it possible for an organization to be financially accountable to all its important stakeholders. It must provide information, which is relevant, understandable, reliable, complete, up-to-date, consistent and acceptable to the external users. Linked to proper system for monitoring and evaluating the work of an organization, a good financial management system makes it possible for the organization to be accountable, for what, when, where the money is spent and how cost-effective it is.

This Financial/Accounting Policies and Procedures Manual are therefore intended to help Health Education and Development Society (HEADS) to:

Define clearly its financial and accounting procedures.

Ascertain that transactions of the Organization are recorded in accordance with generally Accepted Accounting Principles.

Put in place a system that will provide adequate internal control over the resources of the organization so as to enhance the efficiency of the overall management of its operations; and

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Create a system that will enable HEADS meet effectively the reporting requirement to management, board of directors, donors, government counterparts and the public at large.

This manual is organized in eleven sections after the introduction section, (A). Section one deals with the Accounting Rules and Policies adopted by HEADS that should be adhered to while dealing with the bank operations are presented in section two. The third section deal with Cash Operations, while section four discusses Accounts Receivable.

Liabilities, Payroll and Budgeting are covered in sections five, six and seven. In the eighth, ninth and tenth sections; the manual discusses Revenues, Expenditures and Fund Balance, while Financial Reports and Audit are presented in the last section.

Samples of various preforms as discussed in the manual are also attached as Annexures at the end of Manual.

Section 2

FINANCIAL AND ACCOUNTING RULES /POLICY

2.1 Accounting Principles

Accounting principles are a number of basic rules, which are developed over-time from fundamental logical set of assumptions, concepts, and conventions. These rules are referred to as Generally Accepted Accounting Principles (GAAP) and are to be applied to all accounting and financial activities.

A transaction is for HEADS an entry in the accounting system. It carries a voucher slip and attaches documentation such as receipts or other.

A transaction cannot be deleted when first entered. Any wrong postings must be corrected with a new transaction (with the same description with reference to the corrected transaction number and explaining text).

Financial transactions of the Organization are being recorded on the accounting software. All the transactions are supported by appropriate vouchers along with supporting documents. Appropriate voucher means:

Bank Payment Voucher	(Annexure-1)
Cash Payment Voucher	(Annexure-2)
Bank Receipt Voucher	(Annexure-3)
Cash Receipt Voucher	(Annexure-4)
Journal Voucher etc	(Annexure-5)

2.2 Receipts/Collections

HEADS's official serially sequenced and pre-numbered cash receipt voucher shall acknowledge all cash or cheque receipts.

Receipts from donors in cash or in kind are converted to Pak Rupees at the rate of exchange prevailing at the time of receipt.

Income is recognized when materials and/or cash grants are received from donors or others.

Expenditures are recognized when incurred.

All collections made, whether in cash or in cheques, shall be deposited in a bank account intact on the date of collection or on the following day.

The making of payment or advances out of cash collection is specifically prohibited.

Cashiers shall never keep third party funds in the Organization's safes. If found so, the fund shall be delivered to the Organization against official receipt.

2.3 Payments

All payments have to be effected against pre-numbered serially sequenced Payment Vouchers.

All payments above Rs. 15,000 shall be made by cheque. When the amount of payment request is up to Rs. 15,000 payments will be effected from the petty cash fund.

No expenditure is to be effected unless properly approved or is an integral part of the procedure that specifically excludes written approval. Regardless of the Circumstances, all expenditures records must be supported with proper evidence to prove that a legitimate transaction has taken place. Only original documents are accepted for payments.

Blank check should never be signed and left at the disposal of others.

Bank reconciliation should be made at the end of each month by the accountant.

All payments should come directly and/or pass through the Finance Section, thereby enabling the unit to prepare the necessary payments in accordance with the policies of the Organization.

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Payments of vendor/Supplier should be cleared /paid within 30 days on a receipt of invoices by Finance section.

2.4 Petty Cash Fund

The withdraw limit of HEADS's petty cash is Rs. 50,000/-. However, the limit may be changed when decided by CE/HEADS's Management or donor's funded amount accordingly.

The established amounts shall not exceed unless authorized by the Chief Executive of HEADS. The Funds shall be replenished when at least 75% of the limit is utilized.

Petty cash should be kept by Finance Officer (FO)/ Finance Assistant (FA) or Admin Officer (AO)/ Admin Assistant (AA). The FO / FA / AO /AA is fully responsible for her/his holdings.

2.5 Receivable/Advances

Receivables that cannot be collected are called bad debts. Provisions for doubtful debts are made on specific basis.

Receivables not collected by their due dates shall be forwarded to court action for collection through the due process of the law.

All travel advances should be accounted for within two days after arrival of the traveler.

No advances may be issued to an employee unless and until all existing advances are settled.

2.6 Liabilities/Advances

No invoice should be considered for payment or entry unless it is accompanied by Goods Receiving Note and other relevant supporting documents.

Provision for workers' compensation is determined and provided for at the end of each year based on actual period of service for each employee.

2.7 Inventory and Fixed Assets

All receipts and issues of stock and fixed assets should be evidenced by pre-numbered Goods Receiving Note (GRN) and Store Issue Voucher (SIV) respectively.

All inventory materials purchased for HEADS should be expensed upon purchase.

Any item, not material part of a whole, which costs Rs.3000.00 and above and which lasts for more than a year is considered as fixed asset. However, all furniture costing Rs.1000/- and above are considered as fixed assets.

Fixed assets acquired during a year are already charged to expenditure account. However, Fixed Asset Register must be maintained for control purposes.

All stock items and fixed assets should be counted at least at the end of the fiscal year.

The income from asset sales should be credited to the relevant cost account. This is related to the fact that fixed assets are charged to profit and loss at the time of procurement. The income should benefit from a project related to the donor who sponsored the purchase in the first place. Note that some donors (i.e.

ECHO) have specific rules for procurement and accounting of assets. HEADS encourages us to spend this income for activities related to beneficiaries, or related expenditures (example: vehicle maintenance in case of vehicle sales), if there are no specific rules given by the donor.

2.8 The Accounting Cycle

The accounting cycle is the procedural sequence of accounting activities which starts with the recording of transactions and ends with the preparation of financial statements and the post-closing trial balance.

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The complete series of activities involved in double entry accounting during a fiscal period is called the accounting cycle. The following are the sequence of activities involved in the cycle:

Journalizing opening trial balance journal voucher

Coding, analysis and summarization of records of source documents such as receipt vouchers, invoices, cheques, payment vouchers (PV), cash register, slips, etc.

- Posting of sorted and summarized journal entries into ledger accounts.
- Closing trial balance taking to test the balancing of the ledgers.
- Trial balance adjusting entries and their journalizations.
- Post-closing trial balance taking.
- Revenue and expense summary statement.
- Balance sheet.

2.9 Budget

HEADS will have one consolidated annual budget. In addition to the consolidated budget, individual agreements with donors will be treated as a budget for the project period.

2.10 Fiscal Year

The fiscal year of HEADS is July 1 to June 30.

Books of accounts will be closed at the end of the fiscal year. Adjusting entries must be passed for mistakes that need to be corrected and prepayments (if any) at the end of an accounting period before closing the accounts.

The accounting period in HEADS is a month. This means that there are 12 normal accounting periods, starting with 01 and ending with 12. All ordinary transactions in accounts must be booked into one of these accounting periods.

2.11 Financial Reports

The principal financial reports include: the income and expenditure statement, the balance sheet, budget report, donor reports etc.

Interim financial reports should be reported at the end of each quarter.

Draft financial reports for the year should be prepared within three months after the close of the financial year.

2.12 Audit

Annual Audit: HEADS's books of account shall be examined annually by external auditor to be appointed by Members in the Annual General Meeting on the recommendation of BOD.

Internal Audit: HEADS Head Office and project accounts shall be examined by internal auditor on month wise / project wise basis. Internal Auditor shall be appointed by BOD through Audit Committee.

Appointment of Auditor: The auditor(s) shall be appointed by the Company in the Annual General Meeting (AGM) on the recommendation of the Board of Directors, in accordance with the applicable laws.

The appointment of the auditor shall be for a term of one (1) year. Upon completion of this period, the Board of Directors shall evaluate the performance, independence, and suitability of the auditor and decide whether to recommend reappointment of the same auditor or appoint a new auditor for the subsequent term.

2.13 Authorization Limit

All payment shall be authorized as per Authorized Table given at Annexure-15. Cheques will however be signed as per Cheque Signing Authority given at Annexure-6.

2.14 Document Maintenance, Preservation and Disposal

All used financial documents should be kept under the custodianship of the Finance Section.

All unused accountable documents of HEADS will be registered in their sequential order in a register book and should always be kept in custody.

Issuance of unused documents will be made upon confirmation that the previously issued one has been properly and fully utilized. Annual inventory of unused accountable documents shall be taken at the end of each fiscal year.

The books of accounts and the corresponding vouchers and other documents will be kept by HEADS for five years after they have been audited.

After five years, all documents will be disposed under the supervision of head of Finance Section.

A handwritten signature in black ink is located at the bottom right of the page, overlapping the HEADS logo and the page number.

2.15 Project Basics

Definition of a project

In HEADS, a project is defined as an individual money grant from a given donor. This means that when an activity is being funded from a variety of sources, each of these sources must be defined as separate projects. The reason for this is to facilitate reporting requirements towards each donor.

Project Period

Each project is set in a certain timeframe, called the project period. All project activity and related costs have to occur within this period. Project periods should, if possible, be kept within one financial year (1st of July – 30th June), and identical project periods for as many projects as possible should be sought. This simplifies accounting and administration and enables coordination of reporting and audit work.

Project codes

A HEADS project will have a code of three letters plus four numbers, Area and donor name.

Ex: PKE-1701-KP-DAI/USAID. The meaning of the code can be derived as described on next page:

Part	Function
First two letters	Country code and Province / FATA code indicating in which country and province / FATA the project activity takes place.
Third letter	Activity code. See table below for program activities.
First two numbers	The starting year of the project. If the project started in 2017, these figures will be 17, if it started in 2018, they will be 18.

Last two numbers	Number of projects at for the year with the Donor e.g. for first project with the same donor, the number will be 01 while that for the second project with the same donor will be 02.
Fourth & Fifth letter	Area Name in Abbreviation e.g. KP for Khyber Pakhtunkhwa while KA for Khyber Agency.
Donner Code	Like USAID, DAI, UNHCR, ERF, SIDA, PHPF etc.

HEADS projects are allowed the following codes:

Code	Meaning
F	Food Security and Livelihood
W	WASH
L	Legal Aid Programs/ Protection
H	Health
S	Shelter
E	Education
Y	Other activities

2.16 Back-up and Disaster Recovery Policy and Procedures

The backup of the accounting system will follow the following practice:

Daily backup on servers or individual systems with the last seven days of backup indexed as separate files, one for each working day.

Weekly backup on an External Hard Disk or external storage media like CDs or DVDs for the last four weeks indexed as four files, one for each week.

Post audit year-end data backup to be placed on the server/individual systems, External hard disk, and on another storage media.

Section 3

BANK OPERATIONS

3.1 Opening an Account

When there is a need for opening of a Bank Account for HEADS HO or projects, the meeting of BOD shall be called for to give approval for opening of new account on the recommendation of Budget and Account Committee. The Management applies to a bank to open an account or accounts. He /She informs the bank of the manner in which the account/accounts are going to be operated and the title of the account as well as the names of the signatories. Signatories shall submit their specimen signatures with the bank.

Once the account has been opened, normal operation takes place as follows:

When accounts are opened, cheque books are prepared by the bank and issued to the customer.

Upon receipt of the cheque book, verify immediately that it contains exactly the number of cheques leaves you ordered. Any missing leaves must be reported. immediately quoting the number and asking for a “stop payment.”

Keep in safe custody and the serial numbers recorded in a register of unused cheque books in the following format to be maintained by the Finance Section.

Date	Cheque Issued			Signature	Date used	Signature
Received	No.	Date From	To	(For Receipt)	Stub Returned	(For Return)
from Bank						

3.2 Deposits

Deposits can take the form of cash or cheque, drafts, telegraphic or mail transfers as appropriate. Any receipts in the form of cheque for deposits will have the availability of funds ascertained first before they are considered good funds, especially if they emanate from private individuals.

For all types of deposits, receipts should be obtained from the bank. Normally, banks issue two types of deposit receipts, for cash and cheque. In both cases before deposits are made, the Finance Officer lists out the item on the blank deposits /forms in duplicate, checks the items and totals carefully, counts the cash to be deposited and takes it to the bank. After having deposited the money, the Finance officer obtains deposit slip bearing a stamp of the bank and a signature of the teller.

Upon receiving the deposit slip accounts pass the following entry.

Dr. Bank

Cr. Cash or

Cr. Other appropriate account

3.3 Cheque Payments

Cheque payments are orders to a bank to make cash payments or through. Payee's account (In case of cross cheque) to the person or organization named in the cheque from bank current accounts held by the maker. Cheque payment helps to avoid the risk of carrying large amount of cash.

All payments above Rs. 15,000 must be paid by cheque or through bank transfer. For exemption in unavoidable situations, CE approval must be sought for on and exemption memo (Annexure-22) clearly stating the reasons for such exemption. Before cheques are issued for payment, Bank Payment Voucher (Annexure-1) must be prepared and must be authorized by the Chief Executive.

Bank Payment voucher must be supported by appropriate documents such as supplier's invoices, receipts, and good receiving note that should be attached to them. Where such supporting documents are already attached to another accounting document, such as journal voucher, it may be sufficient to refer to such journal voucher on the cheque payment voucher.

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Cheque numbers must be entered on the relevant Bank Payment Vouchers, and the Bank Payment Voucher number must also be entered in the cheque book. Ensure also that cheque numbers are used in sequential order. Canceled cheques must be kept attached to the cheque Book.

No expenditure is to be effected unless properly approved. Only original documents are accepted for payment.

All supporting documents must be stamped "PAID". If an error is committed during the preparation of a cheque a "VOID" mark should be put on the face of the cheque and should be attached with the cheque stub.

If bounced cheques are not cashed immediately, they must be returned and reversal journal entries be passed.

To minimize the risk of abuse, a cheque should be signed by two signatories. The CE shall sign cheques with the head of Finance Section / Chairperson Board and/or other staff to be appointed by the BOD. The authority to sign cheques is illustrated in **Annex-6**. Cheque preparation, collections, and disbursement duties must be free from signatories. Blank cheques should never be signed and left at the disposal of others.

The name of the payee, amount paid, date and running bank balances should be stated on the stub. Acknowledgment of Cheques from Payees may be obtained on 'Cheques Receiving Acknowledgment' (Annex-18) or by attaching the bank deposit slip duly signed and stamped by Bank.

Before Bank Payment Voucher is prepared, Payment Request should be prepared (**Annex-2 of Logistic & Procurement Policy**). The payment request form shows the amount requested and the reason for payment. It could be printed or stenciled. It is prepared in two copies. The original goes to accounts while the copy is retained by the requesting unit.

Accounting Entries:

Dr. Appropriate account

Cr. Bank

3.4 Bank Transfer:

Normally banks act on authority given to them to debit a particular account and effect cash transfer to third parties. Such authorities can assume the form of

letters. In such cases, the letter has to be signed by the persons authorized to operate the account. If an authority to debit is given to the bank and the bank acts on it, the debit note should come from the bank. Afterward payment out of the bank account will be made as explained in Para-2.3. Further, withholding tax and Bank Charges are deducted by the Bank directly from the account without recourse to the account holder. The same are indicated in the monthly bank statement.

A journal entry should be passed in the books by accounts. Journal Voucher (JV) is used to record all transactions that are not posted to the ledger account through other vouchers (Annex-5). Copy of the transfer letter and the debit note received from the bank are attached to the JV.

Dr. Appropriate accounts

Cr. Bank.

3.5 Bank Reconciliation

A Bank Reconciliation Statement is a statement prepared to reconcile the difference between the bank statement ending balance and the NGO's records (Annex-8). Banks provide statements to their customers usually once a month. Upon receipt of the bank statement, the balance shown may not agree with the balance in the books. To avoid fraud and quickly detect errors, bank reconciliation is necessary, at the end of each month. Reconciliation statements must be prepared by the responsible FO/AFO manually or through system software.

Debit advice is not issued by the bank for cost of cheque book; therefore, it should be journalized from the bank statement so that it can be carried forward as reconciling items in the bank reconciliation statement.

Duplicates or photocopies of missing documents should be obtained from the bank, and all outstanding items should be followed up and be closed as quickly as possible.

3.6 Internal Control

on Cheque payment

Opening of bank accounts, appointment and change of cheque.

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signatories and closing of bank accounts should be authorized and communicated to the concerned banks immediately by the CE.

Prior to the preparation of payment vouchers, the validity of attachments of supporting documents should be properly compared with vendors' invoices, Goods Received Notes, etc.

Cheque payments should be made from properly budgeted amounts.

The payment vouchers and supporting documents should be canceled with a "Paid" stamp to avoid double payment.

If there is a change in the signatories of bank accounts, the bank should be notified immediately about the changes and effective date of the changes.

Signatories shall not be from those employees who are responsible for the preparation of Bank payment voucher, collections and disbursement.

Each cheque should be signed by at least two authorized signatories.

Avoid signing blank cheques.

On bank reconciliation

Check the date, number and amount showed on every cheque stub agrees with the corresponding date on the bank statement and note the difference, if any, and that avoided cheques are not cashed.

Check all deposits are included in the month's Bank Statement.

Ensure that bank statements and reconciliation reports are properly filed for future references.

All cancelled (voided) cheques should remain attached to the cheque stub.

When collecting cheque books, the person in charge should check that all the cheques are in place and in sequence.

All cheques must be fully accounted for.

Section 4

CASH OPERATIONS

4.1 Definition

Cash is a medium of exchange for goods and services. It consists of coins, notes, cheques on hand as well as cash on deposit with bank. It is the most liquid of all assets and hence it changes hands, places and vanishes into commodities within the quickest time possible. Hence, it requires the most efficient system of recording and controlling.

4.2 Petty Cash

Petty cash is a fund used to meet various expenses of recurring or non-recurring nature of small and moderate accounts. Petty cash should be kept on the impress system whereby the cashier is advanced a float of a fixed amount, which should be replenished from time to time. The amount of the Petty cash float should be reasonable in relation to requirements. The petty cash float of HEADS is Rs. 50,000. The float could be increased upon decision by the management based on specific situations. Payments upto Rs. 15,000 may be paid from petty cash.

Petty cash funds should be kept separate from other funds (cash received or collected). Petty Cash fund should be maintained in Petty Cash Book (See Annex-19). The petty cashier should not have access to the accounting records or cheque books.

4.2.1 Setting up the Fund

After the amount has been determined, prepare a cheque in the name of the cashier, get the cheque signed by authorized people and hand over to the AO/FO who will cash the Cheque and keep cash in safe.

Account entries:

Dr. Petty cash fund account

Cr. Bank account

4.2.2 Operations

Payment Request Forms are presented with the supporting document to the CE or to the delegate for approval. The approved payment requests are forwarded to Finance Section wherein documentation is checked for corrections and if in order passes to the cashier.

Finance Officer, prepare payments in Petty Cash Payment Voucher and gets the signature of authorized person. (Annex-2).

Make the payee sign for the money she/he takes or attach the relevant invoice to the voucher.

All supporting documents must be stamped "PAID" before they are replenished.

4.2.3 Replenishment

Petty cash is replenished before it is completely exhausted or when the petty cash on hand falls to about ¾th of the originally set up fund.

Cashier detaches the original of 'PAID' payment vouchers together with the supporting documents and sends them to accounts.

Upon receipt of the completed Petty Cash Replenishment Report (Annex-10), accounts check and analyze voucher, by account, title code, and total.

Replenish by preparing cheque payment voucher and cheque in the name of the cashier for the amount expended.

All paid vouchers must be referenced to the Cash Payment Voucher number.

The Petty Cash Payment Vouchers should be marked "REPLENISHED" with a stamp and filed as support for the replenishment check.

The petty cash fund should always remain at a constant level.

Accounting Entries:

Dr. Appropriate account

Cr. Bank

4.3 Cash Receipts

Source of cash receipts could be donations/grants, or from miscellaneous income. Cash received must be evidenced by Cash Receipt (Annex-11) prepared by AFO in three copies. Receipts are printed upon written request by the head of the Finance Section.

Whenever possible, cash must be deposited to the bank intact daily, the making of any payment or advance out of cash being expressly forbidden. The AFO / FA should number deposit slips sequentially for each.

fiscal year at the time of preparation. Cheques received must be in the name of the organization.

Upon receiving the Receipt and the supporting documents, Finance Section checks accuracy of analysis and passes the following entry:

Dr. Cash/Bank

Cr. Account receivable or

Cr. Income or

Cr. Appropriate account

All unused cash receipts must be kept in safe custody in the stores, and the required number of pads is given to the AO/FO/FA upon completion and return of the used pads.

Receipts withdrawn from stores and used are recorded in a register book. This record should show the positions of used and unused stock at any given time. The Finance Officer should sign when she/he receives the receipt pads. A receipt voucher not used due to error should be marked as void and kept in the pad with all copies.

4.4 Purchase Advances

Until appropriate supporting documents are produced, small amount of payments can be paid by Suspense Voucher (Petty Cash Fund Form-Annex-12) from the petty cash fund. The CE shall approve purchase advances.

Upon presentation of proper receipts or supporting documents to the Finance Officer, the Petty Cash Fund Form) shall be settled in front of the payee. For actual purchase or service, a Cash Payment Voucher or Bank Payment Voucher shall be prepared.

Advances paid to HEADS staff can be divided into two groups, small cash advances for purchase of goods that are accounted for within the same day or a short period of time, and larger project advances taken out in the field for various purchases, payments to volunteers etc. If the use of project advances is extensive, establishing a cashbox can be an alternative.

Any project advance of a certain size should be registered in accounting system.

For small cash advances, the signed cash advance form is kept in the cashbox (or in a separate advance folder) as a security until the advance is settled.

To facilitate reconciliation of advances the following rules apply:

The form should be correctly completed with project code, account number and resource code and authorization signatures.

Advances should be spent on one project only to avoid mixing up when accounting for an advance. If necessary, two project advances should be taken.

No new project advance should be issued before settlement of previous advance (exceptions must be permitted by authorized personnel).

4.5 Travel Advances

For all travel, Out of City Travel Request Form (Annex-8) or Local Travel Request Form (A) shall be filled with the requesting unit / official. The form shall be signed by the applicant and authorized by the respective unit head. The advance must be settled immediately upon return from trip by filling the Travel Expense Form (Annex-13).

4.6 Cash Handling

This section explains how cash should be handled in all HEADS offices.

Cash Count

Cash in the safe must be counted and signed in the safe-cash book at minimum one time per week.

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As a minimum, all cash boxes have to be reconciled at the end of the month, using the cash counting form. When counting, cash in the cashbox is counted by its holder and one additional person, preferably the Chief Executive/Program Manager, Project Manager or the Finance Officer.

A cash count form will be completed and filed for the month-end closing procedure. (See [Annex-14 Cash Count Form](#)).

The cashbox should be counted by its keeper every day.

The cash counting form is kept in the binding form with all reconciliation information of the Executive office. The binder should be kept in a locked filing cabinet.

The head of the Finance Section shall make cash count at irregular intervals. Procedure for cash counts will be as follows:

The person delegated to check the cash will drop at the finance office and take possession of the cash in the presence of the Finance Officer.

The checker will proceed to count notes and coins in detail and put down the details on the Cash Count Form (**Annex-14**).

The result should be the same with the amount of petty cash fund. Then he/she makes the Finance Officer sign on the cash count form after he/she has signed.

If a difference persists after the detail count, the AFO will be responsible for such difference. Where the difference is an excess, an official cash receipt must be issued immediately.

Where there is shortage he/she will pay the difference.

Segregation of duties

Every field office should preferably have a Finance Assistant to ensure segregation of duties. A person who is handling cash should normally not have the possibility to register transactions in the accounting system and vice versa. This will reduce the risk of irregularities.

Transport of cash

The safety of the staff members has always the highest priority. Please follow these rules in the process of withdrawing funds:

Never travel alone to the bank.

Keep it confidential that you are making a bank call.

Bank visits should be conducted on an irregular basis.

Avoid notifying the bank of a withdrawal before it is going to take place.

Use of safe

All cash should be kept in a fire-proof safe. The location of the safe shall be in a locked room or cupboard inside the finance office, and it should be fixed to the floor or the wall if possible. The finance office should not be a shared office due to the presence of the safe. When accessing the safe:

The office or safe room shall be locked to prevent staff from entering when the safe is being opened.

Ensure that it is not possible to see what is taking place through doors or windows (use the curtains in the office and lock the office door)

Never open the safe while strangers are in the office.

Only one person has access to safety. The safe key stays with the keeper. A back-up copy should reside with the Chief Executive (or the one who is in charge of the office), who is able to access the safe in case of emergency. The back-up keys should be kept in a sealed envelope which is checked as a part of the cash count procedure. If the safe has a code to open it, the code must be changed from time to time.

Funds moving in or out must clearly be recorded in a safe-cash book.

The cash reserves in the safe should be kept at a minimum, normally covering one week's cash needs. Larger sums should not be redrawn at the end of the week, to minimize cash holdings during weekends.

What is a cashbox system?

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A cashbox system is used to keep track of all cash use for a given project or by a certain project manager portfolio. It consists of:

Cashbox record form which is an excel file template showing all transactions

Vouchers (with supporting documentation) for the same transactions.

Cash (preferably kept in a cashbox, safe or sometimes in a local bank account)

Responsibility of the cashbox keeper

The person receiving the cashbox is personally responsible for its contents. Anyone with a cashbox trust must be informed about all procedures relating to it. All negative deviations must be covered by the holder of the cashbox.

Operating a cashbox

Every movement of cash in or out of the cash box must be registered when it happens and receive a row in the cashbox record form.

Cashbox registration should preferably be completed every day, to avoid backlog and ensure proper documentation and accuracy.

4.7 Internal Control on Petty Cash

Petty cash fund must be operated on impress system where fund amount is always equal to the sum of the cash on hand and the sum of the vouchers (petty cash & suspense vouchers) paid from the fund.

Segregate petty cash funds from other collections of cash and funds.

Ensure petty cash payments are not exceeded from the pre-set upper amount limit unless senior authorities of the Organization approve exceptions.

Petty cash payment vouchers should be pre-numbered and printed.

Signatories must be from senior staff positions and other than the custodians of the petty cash fund.

Petty cash payment vouchers and supporting documents should be received before replenishment.

Cheques for petty cash replenishments should be made to the order of the petty cashier.

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Petty cash payment vouchers and their attachments should be stamped either “Paid” or “replenished” immediately after the replenishment cheque is signed.

After signing the Bank Payment Vouchers, replenishment cheques should be collected by AFO.

Petty cash in hand and related documents must be kept in iron safe which may be kept in a safe place.

The petty cash fund will always remain at a constant level.

On Cash Receipt

Make sure that receipt vouchers are prenumbered and printed by order of the proper authority.

Ensure daily cash collections are deposited intact in the bank account of the Organization.

Ensure physical control over cash such as:

Protection of finance staff by accompanying drivers when carrying cash from and to banks,

Ensure providing fireproof safes, reinforced separate rooms and dependable lockers.

Ensure that during the absence of the Finance Officer, replacement by a person of high responsibility and honesty is made.

Make sure that cash collecting and recording responsibilities are separate.

Never accept post-dated cheques.

Ensure receipts of daily cash and bank position reports.

Make surprise cash counts at irregular intervals.

Section 5

ACCOUNT RECEIVABLE

5.1 Definition

Accounts receivable are claims from staff, other organizations and individuals to which HEADS granted/rendered fund/services on credit. Receivable in HEADS include project advances, salary advances, purchase advances, deposits and prepayments, and sundry debtors.

5.2 Staff Advances

A staff member may obtain an advance upon submission of a written advance request on staff advance request form (Annex-23) according to the prevailing policies and procedures of the Organization. Salary advances may also be given to the staff in case of serious problems.

The Chief Executive should approve the request. Upon receipt of the approved loan and salary advance requests, accounts will pay the staff in cash or cheque. For salary advance, the maximum deduction is 1/3 of the employee's monthly salary. This condition may be waived by the Chief Executive. Additional advances must not be given before the previous advances are settled if any.

Accounting entries:

Dr. Staff Advances / loan account

Cr. Cash/Bank

When collections are made by staff members in cash or by deduction from their salaries, the following entry is passed.

Dr. Payroll Expenses / Bank

Cr. Staff Advances / loan account

5.3 Travel Advance

Travel and per diem advance is amount advanced to the employees of HEADS for approved official/business travel. Travel advances should be limited to reasonable expected expenses such as transport, lodging meals and reserves for unseen expenses. Additional advances must not be given before the previous advances are settled if any. Accounting entry for advance payment is:



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Dr. Accounts Receivable (individual staff account)

Cr. Cash/Bank

If the quantity advanced is small amount, it could be paid from the petty cash fund by suspense voucher. No accounting entry is required if the advance is paid by suspense voucher, until actual invoices are submitted to finance.

5.4 Purchase Advance

Purchase advance is money advance given to employees to purchase goods and services for HEADS's use. Advance payment should be approved by the CE or head of the Finance Section.

Purchase advances should be cleared within specified period against the invoice of the supplier and Good Received Note. Additional purchase advance must not be given before the previous advance is settled.

Accounting entry for advance payment is:

Dr. Accounts Receivable (individual staff account)

Cr. Cash/Bank

5.5 Other Receivables

This may mainly consist of individuals and organizations to which advance payment has been effected for purchase of goods and services. Upon receipt of proper documents, the following entry is passed by accounts:

Dr Account Receivable - Sundry debtors

Cr. Bank /Cash

When the purchased material is fully received by Goods Receiving Voucher or service rendered is confirmed by the authority concerned, the following entry is passed:

Dr. Appropriate expense

Or Dr. Fixed assets

Cr. Account receivable - Sundry debtors

5.6 Internal Control on Staff Advance

Staff shall be eligible for salary advances provided they have adequate reason. Request for salary advance must be approved by the CE.

No additional loan will be provided to any staff without ensuring settlement of previous loans/advances.

Salary advances should not exceed the net monthly salary of an employee.

On Travel Advance

Only delegated officials of HEADS must approve travel advances.

Travel advances should be limited to reasonably expected expenses such as transport, lodging, meals, and reserves for unforeseen expenses.

Travel advances must be cleared in full within five days upon return from trips.

Additional advances must not be given before the previous advances are liquidated if traveler has returned from previous trip.

On Purchase Advance

Purchase advances should be made in cheques in favor of the purchaser.

Purchase advances should be cleared within specified period against the invoice of the supplier and Goods Received Note.

Purchase advances made in cash, if any should be cleared within three days after items purchased are delivered to store against appropriate store documents.

Additional purchase advances should not be given before the previous advance is cleared.

On Prepayments

Ensure that the unexpired portion of prepaid expenses is recognized and adjusted to receivable accounts as at the fiscal period.

Keep both the receipts and contract document properly secured for eventual reimbursement.

Section 6

ACCOUNTS PAYABLE/LIABILITIES

6.1 Definition

Liabilities are the claims of outsiders on HEADS. Liability/Accounts payable normally arises as a result of goods purchased on credit or services obtained on deferred payment basis. They form liability items in the balance sheet. The most common payables of NGOs include withholding tax and payroll deductions.

6.2 Goods/Services Bought on Credit

When goods/services are bought on credit the supplier sends credit invoice to be settled after a specified period. Until settlement, the value of the invoice remains a liability.

Upon receipt of the invoice along with the goods receiving note and purchase requisition, Accounts prepares a journal voucher and passes the following entry.

Dr. Appropriate expenditure account

Cr. Accounts payable - Supplier account

Upon request for settlement/payment or prior to that, payment can be effected and entry will be passed:

Dr. Accounts payable – Supplier account

Cr. Cash or Bank

6.3 Taxes and withholdings

6.3.1 Income (Salary) Tax

Every person deriving income from employment is liable to pay tax on that income at the rate specified. HEADS has the obligation to withhold the tax from each payment/salary to an employee and to pay the tax authority the amount withheld during each calendar month.

The personnel Income Tax should be calculated in accordance with Income Tax laws in vogue.

6.3.2 Withholding Tax

Organizations having legal personalities are required to withhold a particular percentage of the gross amount of payment they make to taxpayers providing goods and services. HEADS will make necessary arrangements to withhold tax and transfer the same to the government as per laws in vogue.

6.3.3 Withheld Salary

Withheld salaries are net salaries which have been barred by the action of management. The entry to recognize the liability is treated under the payroll section.

Upon settlement of the taxes and payment of salary withheld to the employees, the following entries are passed:

Dr. Withholding tax

Dr. Withheld salary

Cr. Cash or Bank

6.4 Inter– Project Financing / Loans

If in case, any of the HEADS's project needs some loan to start or complete & close its activities (as donors don't pay full budgetary amount at once in the beginning of the project) HEADS's Management committee (formed by the Executive body/BOD) will have authority to grant Inter-Project Loan (Loan from one project to another) not more than 20% of the total budgeted amount of the project required financing with following terms & conditions:

The loan will be granted after having approval from HEADS's Management committee which includes following six (06) members out of which 02 from Executive body/BOD, 02 from HEADS's head office & 02 project managers (both projects paying & receiving loan) nominated by HEADS's Executive body/BOD:

Chief Executive,

Program Manager,

Finance Officer, Logistic & Procurement Officer

Both Project Managers (Loan granting project & loan requesting project).

The Inter-Project finance has to be returned within Three (03) working days (after receipt of funds from the donor to the loaned project) or after receiving the remaining portion of the total budget amount of the requesting project.

Inter-project loans will be properly & timely recorded in the books of accounts at the time of payments & receipts.

If felt necessary, approval may be sought from donors of the paying project.

6.5 Internal control

Ensure avoidance of penalties on defaulting payments of liabilities.

Personal income tax should be paid to the revenue authorities within one month from the date of collection.

Unclaimed or withheld salary should be deposited with the bank.

Unclaimed salaries should be paid according to the payment procedures and upon written authorization.

Ensure that accrued expenses such as water, electricity, telephone, service fees are estimated at the end of fiscal period.

Section 7

PAYROLL

7.1 Definition

Payroll represents the net salaries and wages obtained, after the gross pay has been reduced by all payroll deductions such as income tax, advances, loans and others.

Net salary of each employee is credited to his bank account directly or through cross cheque in name of employee or through transfer sheet whichever is convenient.

7.2 Preparation

After the payroll sheet is prepared, it is checked by the head of Finance Section and approved by the CE.

Salary and benefits to employees shall be paid by payroll on the 26th / 27th day of the month.

Crossed cheques to payee's accounts only will be drawn for every employee. Net salary up to Rs. 15,000/- shall be paid through open cheque.

Employees will sign on the pay slip or photocopy of the cheque at receipt of cheques.

Payroll reconciliation with previous month should be done before payment is affected.

The pay should be examined at irregular intervals to verify the names of employees.

The following entry is passed when cheque is issued to Finance officer:

Dr. Salary and wages

Cr. Bank

Cr. Income tax

Cr. Loan (if any)

Cr. Others

Salary of terminated employees should be paid as soon as they submit their

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clearance - they need not wait until the payroll is prepared.

Payment of temporary employees shall be paid by Wages Sheet, after it is checked and approved by the respective Officer. Where payments are paid every fortnight, income tax on wages must be calculated on monthly gross wages.

7.3 Internal Control

Payroll preparation and payment functions should be segregated.

Payroll should be approved by the CE or by his/her duly authorized representative.

Payment of salaries and wages should be made direct to employees or to their legal representatives through cheques or their bank accounts.

Ensure payroll reconciliation with previous month.

Ensure that payroll information is kept confidential.

Section 8

BUDGETING

8.1 Definition

Budgeting is the process of allocating limited resources to unlimited demands. A budget is a comprehensive, formal plan, expressed in quantitative terms, describing the expected operations of an organization over some future time period. A budget deals with a specific entity, covers a specific future time period, and is expressed in quantitative terms.

8.2 Objectives

The main objectives of the budget are:

To provide a detailed plan of action

To foster coordination, cooperation and communication

To provide a framework for performance evaluation

To create awareness of organization costs

8.3 Functions of Budgeting

The two basic functions of budgeting are planning and control.

Planning encompasses the entire process of preparing the budget from the initial ideas through the development of the budget. Careful planning provides the framework for the second function of budgeting.

Controlling is the comparison of actual results with budgeted data, evaluation of the differences, and taking corrective actions to adjust for differences when necessary.

8.4 Budget Preparation

A detailed budget should be prepared in accordance with the accepted expenditure heading and classification. Each unit should prepare a detailed budget in accordance with the accepted expenditure heading and classification. The Finance Section needs to give those involved in drawing budgets for their guidelines that will assist them in making the budget reasonable. This includes.

the income budget, what the organization expects to bring in to pay for the expenditure budget, through donations, membership fees, or other income.

The breakdown of required materials, human resources, and services must be broken down by unit and amount. The budget must reflect the different project activities planned under separate headings. It should be subdivided into the organization's different activities, and different categories of expenditure.

The current year budget should be broken down on a monthly basis so that a cash flow plan that could be used as a management tool would be made. When the budget is broken down into income and expenditure on a monthly basis and then linked to the cash you expect to have in hand at the beginning of each period, it gives you a cash flow plan.

Budgeting requires a lot of attention to detail, and one must be careful not to take any important steps. Use the checklist below when you do your budgeting:

Plan your activities.

Work out expenditure headings;

Work out income headings.

Cost your expenditure items carefully, including allowing for inflation, salary increases, cost of living, and unusual expenses.

Work out what income you can expect carefully and conservatively;

Work out what your short fall is.

From your income and expenditure budget, develop a cash flow budget;

Present the draft for feedback.

Finalize your income and expenditure budget and your cash flow budget, ready for use.

Finally, the Chief Executive will present the budget to the Executive Body/BOD for approval. The budget should also be endorsed by the General Body. The approved budget should be circulated to the Officers who are responsible for the preparation and implementation of the budget.

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Sound financial planning requires that preparations for the budget be started before the beginning of the financial year to which it refers. The budget should be finalized at least two months ahead of the period it applies. To ensure adequate time a budget, timetable listing each step in the budgetary procedure and the time allowed for its completion should be preset.

8.5 Budget Structure

To facilitate planning and to enable control to be effective, you should try to ensure that the overall structures of the budgets correspond closely to the accounts structure. It is possible to organize budgets at different levels, e.g. by department, programme or project.

8.6 Budget control

The budget is a business of everyone in the organization; therefore, all actors should understand how it is drawn up, why it is important and how it is monitored.

An important part of the control function of budgeting is the comparison of budgeted data with actual operating results. The comparisons are presented in periodic budget performance reports.

Once the budget has been prepared and approved, the Finance Section starts the task of recording the budget and comparing it with actual figures and resulting variance.

Before any payment/purchase is affected, budget clearance should be obtained from the head of Finance Section. Budget comparison reports should be prepared and presented at the end of every month to the budget implementers.

Interim review of budget executions should be made to prevent over and under expenditure for proper management actions. Any substantial variance between the budget and actual should be carefully investigated and reported to management, for the appropriate decision-making.

Quarterly Comparative Budget report is prepared to indicate budget variance.
I.e. comparing actual expenditure with plans

8.7 Good Practices in Budgeting

8.7.1 Clarity

Since many different people will need to use the budget for different purposes, they should be able to understand it (and adapt it, when necessary) without any additional explanation beyond what is written down. Clarity and accuracy are so important to keep notes on budgeting assumptions and how calculations have been made.

8.7.2 Timetable

There are several stages involved in constructing a budget before it can be submitted for approval to the governing body, so it is a good idea to prepare a budgeting timetable and commence the process early. The following is expected budgetary timetable:

Each cost center or department should prepare and complete its budget and submit it to accounts for compilation three months before the end of the current accounting year.

The draft budget document should be completed and submitted to the budget committee/or the planning team two and half months before the end of the current period.

The budget committee/planning team should review and recommend to the higher body of the Organization for approval. The budget must be approved two months before the end of the current period.

The approved budget should immediately be communicated to the respective cost centers or departments.

8.7.3 Budget Headings

When setting a budget for the first time or when reviewing a budget, it is important to pay attention to the Chart of Accounts. This is because the budget line items also appear in the books of accounts and on management reports. If the budget items and accounting records are not consistent then it will be very difficult to produce monitoring reports once the project implementation stage is reached.

One way of achieving consistency is to design a Budget Preparation Sheet for your organization, which will act as a memory-jogger and prompt staff to

include all relevant costs. It will list all of the main types of income and expenditure that a project or department might have in a typical year.

8.7.4 Estimating Costs

It is important to be able to justify calculations when estimating costs. Even if you use the incremental method of budgeting, do not be tempted to simply take last year's budget and add a percentage amount on top for inflation. While last year's budget could be very helpful as a starting point, it could also be very misleading.

The best approach is to make a list of all the inputs required and specify the number and unit cost of each item. From this detailed working sheet, it is a simple matter to produce a summarized budget for each line item, and it is very easy to update if units or costs change.

8.7.5 Contingencies

Try to avoid the practice of adding a "bottom line" percentage for so-called "contingencies" on the overall budget. As a rule, donors do not like to see this, and it is not a very accurate way of calculating a budget. It is better to calculate and include a contingency amount for relevant items in the budget e.g. salaries, insurance, and fuel. Every item in your budget must be justifiable - adding a percentage on the bottom is difficult to justify - and difficult to monitor.

8.7.6 Forgotten costs.

Many a failed project is based on an under-cost budget. There is a tendency in the NGO world to underestimate the true costs of running a project for fear of not getting the project funded. The most common of the forgotten costs are the indirect or non-project costs. Here are some of the most often overlooked costs:

Staff-related costs (e.g. recruitment costs, training, benefits and statutory payments)

Overhead or core costs (e.g. utilities)

Vehicle running costs.

Equipment maintenance (e.g. for photocopiers and computers)

Audit fees

8.8 Sharing projects with Donors Cost Sharing

As HEADS is a nonprofit organization, it cannot share in cash, however it can share in kind i.e. Equipment, furniture etc from its available resources as per agreement with donors.

Section 9

REVENUE/INCOME

9.1 Definition

Revenue represents the total income generated by an organization from donations, membership fees, support either in cash or in kind and from sales of miscellaneous sources.

9.2 Sources of Income

9.2.1 Income from Donors

HEADS shall solicit funds from donors for its specific programs/projects. Funds shall be credited to accounts pertinent to each program and project thereof.

9.2.2 Contribution in Kind

These donations include contributions of in kinds such as properties, commodities, materials, facilities, etc.

9.2.3 Other Sources

Funds shall also be raised from membership fee, donation / contribution from BOD, special events, gifts, sales of products produced by beneficiaries and other collections. Collections from these shall be accounted separately and be utilized for solving unforeseen problems of the project areas and beneficiaries training.

9.3 Expenditure by donors

There are different types of expenses incurred on behalf of HEADS by donors. Donors should send monthly expenditure report/debit note to HEADS head office.

The head of Finance Section should check the report and if there are any discrepancies or any queries he/she should write to donors for clarification.

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9.4 Accounting Entries

Income in cash or in kind is recognized on receipt. The entries are

Dr: Cash/Bank

Cr: Income

For donation in kind, i.e., material, facilities and voluntary services, the journal entries are:

Dr: Appropriate Expenditure Account

Cr: Income

The recording for material sales is:

Dr: Cash/Bank

Cr: Income

9.5 Internal Controls

Ensure that records are maintained for all donations including the donor's name, date and the compliance requirements.

Follow up the implementation of the donations whether they are in accordance with donor's requirements.

Ensure that subsidiary ledger is maintained for each donor;

Ensure that donated materials are physically inspected.

Ensure that donated materials and free voluntary services are recorded at fair market value.

Section 10

EXPENDITURE

10.1 Definition

Expenditures are financial commitment or cost incurred in connection with implementing projects funded or running cost of the Organization.

10.2 Kinds of Expenditure

Expenditures are regrouped and reclassified to facilitate meaningful interpretation of economic analysis and financial information for decision-making. Expenditures may be classified as capital expenditures where assets are expected as a result of completion of a contract, and operating expenses where resources are consumed in the process of production of revenue generating activities or completely consumed in operating program activities.

Expenditures may also be classified as project and administrative. Expenditures incurred in relation to specific projects or activities are known as project expenditures.

While administrative expenses are costs incurred but in no way related to any particular project, operation or revenue generating activities. These expenditures are accumulated in general overhead accounts until year-end and distributed to activity cost centers on a selected and meaningful ratio.

Details of project expenditures should align with the details of budget in the project agreement. By doing so it is possible to control the budget versus actual expenditure reports.

10.3 Expenditure Authorization

The Finance staff is responsible for checking that all expenditures have been properly authorized and have the correct documentation before payment is released. To ensure the latter, the Executive office needs to have the following documents:

Authorization table & Signature sample list : (Annex-15, 15(A)).

SOP for authorization table: (Annex-16)

Document and signature checklist (Annex-20).

The objective of this set of documents is to:

State who is delegated which rights of authorization within the program



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State who has authorization right in case of absence.

Show samples of signatures of all relevant staff.

List all documentation and required signature that needs to be present for all release of funds.

Indicate logistic limits valid for the program so that it's possible to verify that any kind of purchase has been subject to a correct procurement procedure.

Indicate the limit for the Chief Executive's approval.

The ownership of this set of documents lies with the Chief Executive, but it is the Finance Officer responsibility to make sure:

That necessary local adjustment is made to the documents.

That the set of documents are updated at all times

That relevant staff are aware of them and act upon them.

In case of absence of person with authorization rights, example: field office with only one project manager and Chief Executive is the authorizer according to authorization table, alternative solutions such as attaching an email with authorization from Chief Executive can be accepted. However, all vouchers should be signed retroactively when vouchers are sent to the main office for registration.

10.4 Voucher slip

The HEADS standard voucher slip (Cash Payment Voucher, Bank Payment Voucher etc.) should be used as the front page for all expenditure documentation in all offices.

The following signatures are mandatory:

Requested/Certified by: The signature proves that the good/service was requested and that the good/service is received as ordered (quality, quantity, price and time) and that the invoice corresponds to the order. This implies that the person has to check that all necessary documentation is attached to the voucher.

For personnel costs such as travel claims or items for staff accommodation, the certifier is always the receiver of the goods/service. The authorizer in this case has to be someone with a higher position that has authorization right for the relevant project.

A handwritten signature in black ink is located in the bottom right corner, next to the HEADS logo. The signature is stylized and appears to be a cursive representation of a name.

If the certifier also has the right to authorize (for example Project Manager), one of his/her colleagues will take the role as certifier.

Authorized by: This signature proves that the expenditure is authorized and can be charged to the relevant project, account and resource number as indicated on the voucher slip.

Verified by Finance: Finance staff will check:

That the signatures are signed by different persons and that they are in accordance with the authorization table and signature list.

That supporting documentation is in line with the “Document and signature checklist”.

That account, resource, project number and amount are correct.

NOTE: Finance staff can only in accordance with the authorizer, change account or project code on the voucher slip if an error is detected.

Who is responsible for the preparation of the voucher?

It's the Finance section that is responsible for the preparation of vouchers.

Why include donor's account code in the voucher slip?

Registrations of donor's account code on the voucher slip and consequently in the accounting system facilitates the financial reporting to donor. For the time being it is possible to enter the account codes of USAID, EC, ECHO, UNHCR and DFID. It is important when making the budget that there is an explicit link between HEADS's and donor's account codes.

Simple rules govern the assignment of transaction dates:

The date on the voucher slip must correspond with the system transaction date and shall in all instances be the date when the transaction happened.

In no circumstance shall the transaction date be outside of the current accounting period.

If the transaction is made in, for instance, early December for period 11, the date of the transaction should be the last day in November.

Filing rules:

The finance archive has to be organized in order of the accounting system transaction numbers.

As much as possible of original documentation has to be attached to the voucher and kept filed in the finance archive with the corresponding voucher. If it for some reason is more practical to file some of the documentation in the logistics archive, there has to be a reference number on the voucher that can be used to easily find this documentation. It can be useful to keep a copy with the voucher.

It should be known to everybody in what way the link between the Financial and Logistics archive is made and the voucher slip denomination should be adjusted. (Tip: Use the number of Purchase Order on the voucher to link to the logistics archive).

10.5 Recording

The recording of expense transactions and the precautionary measures are dealt with in the payment sections of this manual. The account distributions and coding are all done in the petty cash, Bank Payment Vouchers and Journal Vouchers.

10.6 Internal Controls

Ensure that all expenses are properly accumulated, classified and summarized in the expense ledger account.

Ensure that expenditure coding and posting are properly done.

Ensure that expenditures are made from the related budgets and project funds;

Ensure that all expenditures are included in the year-end report; and

Compare expenses of previous year with those of current year and evaluate the difference.

10.7 Chart of accounts

This section describes the structure of the chart of accounts and the rules governing the different types of accounts. (Detailed chart of Accounts is given at **Annexure-17**)

HEALTH EDUCATION AND DEVELOPMENT SOCIETY



The same chart of accounts is used across the organization.

Only the Finance Officer has the authority to establish new accounts, or close existing ones. If a field office has specific needs, this should be addressed to FO.



Section 11

FUND BALANCE

11.1 Definition

Fund balance is the accumulated balance of the difference between the Incomes received and Expenditures incurred in accounting periods. Fund balance is a balance sheet item. The difference between incomes and expenditures is transferred to the fund balance account. It should be ensured that project funds are kept separately from any other funds.

11.2 Classification of Fund

Restricted Fund - This fund accounts for the operating resources of HEADS, which are expendable only for purposes specified by donors.

Unrestricted fund -This fund accounts for all operating resources over which the Executive Body/BOD of HEADS has full control.

11.3 Accounts Recording

All expenditures should be closed to the respective revenue centers. The balance on each income center shall be closed to the appropriate fund balance account.

11.4 Internal Controls

Accounts should ensure that restricted funds are not spent without prior approval of donors.

Accounts should ensure that sources of funds are properly reported to the controlling government agency.

Accounts should ensure that the spending of prior year's balances is approved for expenditure of current year.

Section 12

FINANCIAL REPORTS

12.1 Definition

Financial reports are summary of all the transactions for a specific period and show the financial position of an organization. They should meet the qualitative characteristics of relevance, understandability, reliability, verifiability, neutrality, timeliness, comparability and consistency. The objectives of financial reports include:

Serve as information sources to management and other authorities for planning and economic decisions.

Provide donors/users with information for predicting, comparing and evaluating earning and spending power.

Judge management's ability to utilize resources effectively in achieving primary goals.

Serve as source of disclosure for underlying assumptions with respect to matters subject to interpretation, evaluation, prediction or estimations.

12.2 Types of Reports

12.2.1 Financial Reports:

Balance sheet - is a statement showing the financial position of an organization at a specific date. It shows exactly how much the organization is worth at the moment when the snapshot is taken.

Revenue and Expenditure Statement - is used to look at the year's performance. It compares the budgeted income and expenditure with actual revenue and expenditure and identifies variances. For example, the monthly income and expenditure report will tell you what the difference is between your income and expenditure budget for the month and what actually came in or was spent. It will also tell you what the difference is between the budget and the actual expenditure for the year. These differences are called variances. This is where your budget becomes a living tool, a way of managing the finance of the organization.

By looking at the differences, you can take action to prevent the cash flow problem, you can take action to control expenditure when it rises too high, and you can look for trends that will indicate that your budget was wrong and needs to be adjusted.

The reason for significant variances should be reported. Being able to see where the variances are, and what they are, helps you to identify problem areas. The point of analyzing the variances is to give you the information that will enable you to make decisions and take action.

Cash Flow Statement - is details of cash balance at the start and end of the reporting period that shows the change in cash over a specified period of time.

Notes to the Accounts - constitute an important part of the financial statements as they give the reader the financial statements additional information detailing those contained in the balance sheet and profit and loss statement. They also include the accounting policies adopted by the organization in preparing the financial statement. The notes to the accounts are parts of the financial statements presented as explanatory details to financial statements.

12.2.2 Management Reports

Management reports are produced for the consumption of management for decision-making purposes.

Income Statement by Budget Line;

Expenditure report by Cost Center;

Donor Report

Other reports as required by management.

12.2.3 The Donor Report

Donors require that an NGO is able to demonstrate financial soundness before granting the release of funds. This is why the donor report is so important. In most cases the report will include a budget compared to actual summary, accompanied by a narrative report on the activities being undertaken. If the reporting period coincides with the preparation of the management accounts, a donor report will not involve too much extra work.

Where there are several donors, it is important to set up the accounting systems so that the information required by the donor agency can be easily retrieved.

Otherwise, the organization will be involved in a tedious information gathering exercise every time a report is required. The use of Cost Centers is particularly useful here.

When putting together a report to donors:

Do try to meet reporting deadlines as per contract agreement with each donor (request an extension if this is not possible)

Do produce accurate and verifiable figures

Do not set out to conceal under-spends or over-spends.

Do add notes to the budget comparison report to explain any significant variations to keep the donor informed of any potential problems.

12.3 Dates for Production of Reports

The financial reports stated above should be produced in draft form within one month after the end of the fiscal year.

The financial statements should be reviewed by management and submitted to the external auditors within 30 days of the draft is completed.

12.4 Audit Plan

The audit is an independent assessment of the record-keeping systems and financial position. Besides internal audit on monthly basis, all books of accounts of HEADS shall be audited annually by external audit firm.

The audit is an independent report that will cover:

How much money the organization has received and how much it has spent in the year,

How and to what the money was spent,

Whether the money was spent in accordance with the policies, rules and regulations of the organization,

HEALTH EDUCATION AND DEVELOPMENT SOCIETY

To see the efficiency and effectiveness of the organization,

To see that donor requirements are fulfilled,

To assess whether the accounting policies are appropriate to the organization's circumstance, consistently applied and adequately disclosed, and

To give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error

From the donor point of view, audit is very important because it is an independent assessment of the operations of the organization. The General Body, Executive Body and Government also require the audit report.

The head of Finance Section is responsible in facilitating and coordinating the audit activities. All other staff have the responsibility to fully cooperate with the auditors by providing any required information or documents. When necessary, the auditor may pay visit to the project sites.

The audit work must be finalized within three months after the fiscal year is over. After the audit work is completed audit reports must be distributed to the BOD, Executive Body, Donors and Government institutions. All members of management, including the Chief Executive, are responsible for the implementation of recommendations cited by external auditors in their audit report. The BOD is responsible for the nomination of the auditor on recommendation of the Budget and Accounts Committee.

Section 13

Foreign Exchange Risk Management Policy

13.1 Purpose

This policy aims to manage the foreign exchange (FX) risks faced by HEADS when receiving funds in Foreign currency and spending in Pakistani Rupees (PKR). Our goal is to protect program budgets from exchange rate losses while ensuring responsible financial management.

13.2 Risk Exposure

HEADS receives grants in local currency as well as in foreign currencies and converts them to PKR for local spending. Fluctuations in exchange rates may impact the real value of funds and our ability to deliver planned activities.

13.3 Policy Guidelines

- **Budgeting:** Use a conservative exchange rate with a 5–10% buffer to accommodate PKR depreciation.
- **Currency Conversion:** Convert foreign currency to PKR in phases, based on cash flow needs and favorable rates.
- **Monitoring:** Review exchange rates and cash needs monthly to minimize timing risks.

13.4 Donor Coordination

- Clearly report any significant FX impacts in financial reports to donors.
- Request budget revisions if exchange losses affect implementation.
- Include FX-related notes in donor budgets when applicable.

13.5 Roles & Responsibilities

Role - Responsibility

Chief Executive Officer- Overall policy oversight

Finance Officer - Monitor rates, manage conversions, update budgets

Program/Grants Officer - Coordinate with donors on FX matters






Annexure-1

Donor's Logo (If required)

HEALTH EDUCATION AND DEVELOPMENT SOCIETY

BANK PAYMENT VOUCHER

Project Title			
Fund Project Code		Date:	
Voucher No.		Fiscal Year:	
Bank Name & Account No.		Payment Mode	
Payee:		Cheque No:	
Narration			

Budget Code	Particulars	Debit	Credit
		-	-

In words	
-----------------	--

Prepared By: _____
Finance Officer/ Finance Manager

Checked By: _____
Director Operations

Approved By: _____
Chief Executive Officer



Annexure-2

Donor's Logo (If required)

HEALTH EDUCATION AND DEVELOPMENT SOCIETY

CASH PAYMENT VOUCHER

Project Title			
Fund Project Code		Date:	
Voucher No.		Fiscal Year:	
Payee:			
Narration			

Budget Code	Particulars	Debit	Credit
		-	-

In Words	
-----------------	--

Prepared By: _____
Finance Officer/ Finance Manager

Checked By: _____
Director Operations

Approved By: _____
Chief Executive Officer



Annexure-3

Donor's Logo

HEALTH EDUCATION AND DEVELOPMENT SOCIETY

BANK RECEIPT VOUCHER

Project Title			
Fund Project Code		Date:	
Voucher No.		Fiscal Year:	
Bank Name & Account No.		Payment Mode	
Payee:		Cheque No:	
Narration			

Budget Code		Debit	Credit
		-	-

In words	
-----------------	--

Prepared By: _____
Finance Officer/ Finance Manager

Checked By: _____
Director Operations

Approved By: _____
Chief Executive Officer



Annexure-4

Donor's Logo (If required)

HEALTH EDUCATION AND DEVELOPMENT SOCIETY

CASH RECEIPT VOUCHER

Project Title			
Fund Project Code		Date:	
Voucher No.		Fiscal Year:	
Bank Name & Account No.		Payment Mode	
Payee:			
Narration			

Budget Code		Debit	Credit
		-	-

In words	
-----------------	--

Prepared By: _____
Finance Officer/ Finance Manager

Checked By: _____
Director Operations

Approved By: _____
Chief Executive Officer



Donor's Logo (If required)

HEALTH EDUCATION AND DEVELOPMENT SOCIETY JOURNAL VOUCHER

Project Title			
Fund Project Code		Date:	
Voucher No.		Fiscal Year:	
Payee:			
Narration			

Budget Code	Particulars	Debit	Credit
		-	-

In words	
-----------------	--

Prepared By: _____
Finance Officer/ Finance Manager

Checked By: _____
Director Operations

Approved By: _____
Chief Executive Officer



Office Location

[illegible]



Annexure-7

HEALTH EDUCATION AND DEVELOPMENT SOCIETY

CASH/PROJECT ADVANCE REQUEST FORM

Location:

CARF No. _____

Date: _____

Project No. _____

Name:

Position: Resource no.:.....

Proposed workshop/expense Location:

Date of Activity commencement:Date of Activity completion:

Describe the activity:
.....

attach necessary documentation: invitation, program, list of names, etc. For departmental trips please specify days' activity. For trainings attach program and invitation.

Description	Account code	Units	Rate	Amount
Total Amount				

Employee sign: Date:

Verified by Finance: Date:

Authorized- Chief Executive Date:

Receiver's Signature



Health Education and Development Society

Annexure-8

OUT OF CITY TRAVEL REQUEST FORM

Name: _____

Position: _____ Resource No. _____

Location/Station: _____

Destination: _____

Purpose of Travel: _____

Project Name / No: _____

Planned Date of Departure: _____dd, _____mm, _____yy.

Expected Date of Arrival: _____dd, _____mm, _____yy.

Total Stay Planed: _____.

Amount of Cash Advance Required :Rs. _____

Signature of employee: _____ Date: _____

Recommended by: _____ Date: _____

(Immediate supervisor signature signifies that travel is according to approved plan)

Authorized By CE/chairperson _____ Date: _____



Health Education and Development Society

Annexure – 8 (A)

Date: _____

Local Travel Request Form

Name: _____ Position: _____ Resource No: _____

From Location/ Station: _____ To Location/Station: _____

Purpose of Travel: _____

Signature of Employee _____ Authorized By: _____

Driver Name & Signature _____ Vehicle NO: _____

Time Duration from _____ TO _____ Total Kilometer Travel: _____

Verified by: Name & Signature _____



Health Education and Development Society (HEADS)

BANK RECONCILIATION STATEMENT

As on Date

S/NO	Description	Project A	Project B	Total Amount
	Balance as per Bank Book on (Date)	-	-	-
	Add:			
	Cheque (s) issued but not yet presented	-	-	-
	Cheque No -----, dated-----, Paid to XYZ	-	-	-
	Cheque No -----, dated-----, Paid to XYZ	-	-	-
	Cheque No -----, dated-----, Paid to XYZ	-	-	-
	Bank Profit for the month of	-	-	-
	Total	-	-	-
S/NO				
	Less:			
	Cheque(s) received but not yet cleared	-	-	-
	Cheque No -----, dated-----, Paid to XYZ	-	-	-
	Cheque No -----, dated-----, Paid to XYZ	-	-	-
	Cheque No -----, dated-----, Paid to XYZ	-	-	-
	Bank Charges for the month of	-	-	-
	Total	-	-	-

Balance as per Bank Statement on (Date)

- - -

Prepared By: _____
 Finance Officer/ Finance Manager
 Dated: _____

Approved By: _____
 Director Operation /Chief Executive
 Dated: _____



Annexure-10

HEALTH EDUCATION AND DEVELOPMENT SOCIETY

PETTY CASH (IMPREST) REPLENISHMENT FORM

Date _____

SUMMARY OF IMPREST ACCOUNT			
A:	Petty Cash Imprest Fund Limit		PKR 15,000
B:	Petty Cash Voucher in Hand (attached)		
C:	Cash in Hand		
	B+C (Should equal A)		
	Amount requested		

CASH IN HANDS			
Denomination			AMOUNT
5000	x		
1000	x		
500	x		
100	x		
50	x		
20	x		
10	x		

			Total Cash		
--	--	--	-------------------	--	--

Imprest holder Name: _____

Signature: _____

Approved by Name: _____

Signature: _____



Health Education and Development Society (HEADS)

Annexure-11

Cash Receipt

No.

Project

Code #

Place

Date

Expenses
Remark

Amount

PKR.

☐

USD

DEM

☐☐☐☐

In Words

Paid by:

(Signature)

Received by:

(Signature)

ID Number:

(Full name)

Approved by:

(Signature)

(Full name)

Health Education and Development Society (HEADS)

VOUCHER No.: PCF-

Annexure-12



PETTY CASH FUND FORM

Date: _____

Account No. _____
Project No. _____
Resource No. _____

AMOUNT: _____

PURPOSE/DESCRIPTION:

Please check:

☐ Request for reimbursement (attached receipts)

☐ Request for petty cash advance
I agree to clear this advance within (2) days or less

☐ Liquidation of advance (attached receipts)

Requested By: _____
Name and signature of staff

Approved by: _____
Authorized Person

Released by: _____
Custodian

Received By: _____
Signature _____ Date _____

Each item of payment should be backed up by a cash receipt or cash invoice.



Health Education and Development Society

Annexure-13

TRAVEL EXPENSES FORM

Name: _____

Position: _____ Resource No. _____

Location/Station: _____

Destination: _____

Purpose of Travel: _____

Project No.: _____

Date of Departure: ____dd, ____mm, ____yy.

Date of Arrival: ____dd, ____mm, ____yy.

Total Overnight stay: _____.

S. No	Description	Account code	Units	Rate	Amount
1					
	Total Amount				

Authorized by: _____

Date: _____

Signature of employee: _____

Date: _____.

Attach copy of

Cash/Project Advance (if any), receipts for lodging. For trainings attach program and invitation, list of names etc.



Health Education and Development Society (HEADS)

PHYSICAL CASH COUNT SHEET

Annexure-14

Balance As Per Cash Book (RS)		
Denomination		<u>AMOUNT</u>
5000	X _____	_____ -
1000	X _____	_____ -
500	X _____	_____ -
100	X _____	_____ -
50	X _____	_____ -
20	X _____	_____ -
10	X _____	_____ -
TOTAL CASH		_____ -
Difference (if Any)		_____ -

Counted by (Name): _____

Signature _____

Witnessed by (Name): _____

Signature _____



Sample of Signatories and Initials

Health Education and Development Society

Office Location

HEADS Head OfficeAnnexure-15(A)

Position	Name	Date From	Date To	Initials	Signature
Chief Executive					
Program Manager					
Program Officer					
Director Operations					
Finance Manager					
Project Manager					
Log/Procurement Officer					
HR Manager					
HR Officer					

1. _____ 2. _____
Chairman *Chief Executive*



Health Education and Development Society (HEADS) Authorization Table		
Type Of Expenditure	Amount in PKR	Authorized Position
Local Purchase/ Voucher, total amount for any single purchase	Upto Rs.15,000	Director Operations, Project Managers, Project Coordinator, Program Manager (For HO)
Local Purchase/ Voucher, total amount for any single purchase	Above Rs.15,000 to Rs.5,000,000	Chief Executive (Full power)
Local Purchase/ Voucher, total amount for any single purchase	Above Rs.5,000,000	Committee (Chairman, Chief Executive, and Director Operation)
International Purchase/ Voucher, total amount for any single purchase		Chairman (Full power)
Contractual Obligations (Lease Contracts, Donor Contract, Employment Contract) & (Office/Guest House/Ware House, Vehicles Hire, Security Agreements, Insurance, Staff Contracts		Chief Executive (full power)
Method of Payment		
Cash/Open Cheque	Upto Rs. 15,000	Except travel expenses
Cheque/DD/PO	Above Rs.15,000	Any Two out of three (Chief Executive, Director Operation, and Employee/Chairman)
Purchase Request		Documents Required
Low-Value Procurment/purchases	Upto Rs.15,000	Purchase Requisition, Invoice/bill, and sample document (If printing/photocopy)
Medium-Value Procurment/purchases	Above Rs.15,000 to Rs. 100,000	Purchase Requisition, Single Quotation, PO, Invoice, receipt/acknowledgement and GRN (If any)

High-Value Procurment/purchases	Above Rs.100,000 to Rs. 5,000,000	Purchase Requisition, procurement plan, Procurement committee meeting minutes, 3 sealed Quotations on letterhead/RFQ, comparative statement, Bid Analysis, Supplier Capacity assessment (If new), sample evaluation (if required), successful/unsuccessful letters, PO/agreement, Invoice, GRN, GDN and acknowledgement/receipt
Major Procurement	Above Rs.5,000,000	Purchase Requisition, Newspaper Announcement, Pre-bid Meeting before tender opening, Post bid Meeting,Tender Documents Distribution, Certificate of Non-Disclosure and Personal Interest, Tender take in Record, Bid Evaluation & Selection, Sample evaluation, Vender Assessment, Tendor proceeding report, letters (successful/unsuccessful vendor), PO / Contract, GRN / GDN, Completion Certificate, Technical and Financial experience, Vendor Invoice and acknowledgement/receipt.
International Tender	To be adopted in cases of absent domestic capacity, lack of effective competition, or to meet specific Donor requirements.	Purchase Requisition, International Newspaper/website, Pre-bid Meeting before tender opening, Post bid Meeting,Tender Documents Distribution, Certificate of Non-Disclosure and Personal Interest, Tender take in Record, Bid Evaluation & Selection, Sample evaluation, Vender Assessment, Tendor proceeding report, letters via email (successful/unsuccessful vendor), PO/Contract, GRN / GDN, Completion Certificate, Vendor Invoice and acknowledgement/receipt.



Health Education and Development Society

Annexure-16

SOP For Authorization Table

The following rules are governing the authorization table:

1. The authority to approve or authorize rest with the CE who delegates such authority through the Authorization Table.
2. Those given this authority by the CE cannot delegate it to another person unless clearly indicated in the Authorization Table.
3. When the CE is on duty in the same location, only he/she can exercise such authority over the project(s) budget. For example, if there is Chief Executive in the office, the project manager or program manager included in the authorization table cannot authorize documents.
4. A person included in the authorization table can only sign the maximum amount indicated for a single purchase.
5. Amount beyond individual limits can only be signed by CE or given permission in written.
6. Contracts of the same nature and activity shall not be split to avoid the Authorization Table limits.
7. The authorization follows the person, not the position. For example, if Project Manager is acting Program Manager and the level of Program Manager is PKR. 50,000, the Project Manager Can only sign up to his/ her own authorization limit. The only exception is acting Chief Executive who will have the same approval authority as the Chief Executive.
8. When the amount is higher than the authorization level of the staff in the field office a request for delegation shall be sent to the CE for approval. The CE will decide if he/she will need to sign the contract by herself or delegate it to the staff in the field office depending on the urgency of the matter. If a delegation is received from CE, the approval shall be attached to the contract.
9. The Authorization Table shall be updated whenever any staff holding authority leaves HEADS.
10. The authorization table shall be updated whenever any staff joining HEADS granted authority.
11. The Authorization Table shall be updated by the finance office in Peshawar and all original versions including the signature sample list shall be filed and safeguarded.
12. Each field office shall have at all times, a copy of the latest updated Authorization Table and signature Sample List.

Approved By: _____(Chief Executive) HEADS



Health Education and Development Society (HEADS)

CHART OF ACCOUNT

Account Code	Head of Account	Nature of Account	Type
100	Cash in Hand	Cash in Hand	Bank
110	Petty Cash-Head Office	Petty Cash-Head Office	Bank
120	Petty Cash-Field Office-1	Petty Cash-FO Pesh CGI ACTED	Bank
130	Petty Cash-Field Office-2	Petty Cash-FO Health WHO SWA	Bank
200	Cash at Bank	Cash at Bank	Bank
210	A/C No	Bank Name	Bank
220	A/C No	Bank Name	Bank
230	A/C No	Bank Name	Bank
240	A/C No	Bank Name	Bank
250	A/C No	Bank Name	Bank
300	Project Grants & Funding	Project Grants & Funding	Income
310	Grants from WHO	Grants from WHO	Income
320	Grants from WFP	Grants from WFP	Income
330	Grants from UNOCHA	Grants from UNOCHA	Income
340	Grants from UNHCR	Grants from UNHCR	Income
350	Grants from UNDP	Grants from UNDP	Income
360	Grants from UNICEF	Grants from UNICEF	Income
370	Grants from ACTED	Grants from ACTED	Income
380	Grant from PHPF	Grant from PHPF	Income
390	Grant from USAID	Grant from USAID	Income
400	Grant from KSA	Grant from KSA	Income
410			Income
420	HEADS Funding	HEADS Funding	Other Income
430	Contribution from BOD	Contribution from BOD	Other Income
440	Corporate Contribution	Corporate Contribution	Other Income
450	Gifts in Kind /Goods	Gifts in Kind / Goods	Other Income
460	Gain on Exchange	Gain on Exchange	Other Income
470	Project Admin Cost	Project Admin Cost	Other Income
480	Interest Income	Interest Income	Other Income
490	Other Financial Income	Other Financial Income	Other Income
500	Profit Earned on Account Balance	Profit Earned on Account Balance	Other Income
510	Opening Bank Balance	Opening Bank Balance	Other Income
520			
600	Account Receivable	Account Receivable	Account Receivable
700	Account Payable	Account Payable	Account Payable
800	Loan, Advance & Prepayment	Advances Receivable	Other Current Asset
810	Staff Advances / Loan	Staff Advances / Loan	Other Current Asset
820	Advance for Expenses	Advances for Expenses	Other Current Asset
830	Advance to Projects	Advances to Projects	Other Current Asset
840	Advance to Contractors	Advances to Contractors	Other Current Asset
850	Advance to Others	Advances to Others	Other Current Asset
860	Prepaid Rent	Prepaid Rent	Other Current Asset
870	Other Pre-payment	Other Pre-payment	Other Current Asset
880	Security against Rent	Security against Rent	Other Current Asset
890	Security against Fuel	Security against Fuel	Other Current Asset
900	Fixed Asset	Fixed Asset	Fixed Asset
910	Furniture & Fixture	Furniture & Fixture	Fixed Asset
920	Office Equipment	Office Equipment	Fixed Asset
930	Computers & Accessories	Computers & Accessories	Fixed Asset
940	Vehicles	Motor cars, vans	Fixed Asset
950	Tools	Tools & Accessories	Fixed Asset
960	Other Fixed Asset	Other Fixed Asset	Fixed Asset



CHART OF ACCOUNT

Account Code	Head of Account	Nature of Account	Type
1000	Current Liability	Current Liability	Other Current Liability
1010	Loan from ED /BOD	Loan from ED /BOD Payable	Other Current Liability
1020	WH Income Tax	WH Income Tax Payable	Other Current Liability
1030	WH ST Payable	WH Sales Tax Payable	Other Current Liability
1040	Property Rent Payable	Property Rent Payable	Other Current Liability
1050	Vehicle Rent Payable	Vehicle Rent Payable	Other Current Liability
1060	Fuel Liabilites Payable	Fuel Liabilites Payable	Other Current Liability
1070	Utilities Payable	Utilities Payable	Other Current Liability
1080	Communication Charges Payable	Communication Charges Payable	Other Current Liability
1090	Payroll Liabilities	Payroll Liabilities Payable	Other Current Liability
1100	Other Liabilities	Other Liabilities Payable	Other Current Liability
1110	Accrued Expenses Payable	Accrued Expenses Payable	Other Current Liability
1120	Insurance Payable	Insurance Payable	Other Current Liability
1200	Purchases	Purchasing of Goods	Expense
1210	Food	Food	Expense
1220	Clothes	Clothes	Expense
1230	Medicines	Medicines	Expense
1240	Shelter	Shelter	Expense
1250	NFI's Kits	NFI's Kits	Expense
1260	Hygiene's Kits	Hygiene's Kits	Expense
1270	Furniture & Fixture	Furniture & Fixture	Expense
1280	Office Equipment	Office Equipment	Expense
1290	Computers & Accessories	Computers & Accessories	Expense
1300	Vehicles	Motor cars, vans	Expense
1310	Tools	Tools & Accessories	Expense
1320	Other Purchases	Other Purchases	Expense
1400	Advertising	Advertising	Expense
1410	Advertisement Charges	Advertisement	Expense
1500	Seminars & Training	Seminars & Training	Expense
1510	Seminars Costs	Seminars Costs	Expense
1520	Training Cost	Training Cost	Expense
1530	Mobile Camps	Mobile Camps	Expense
1540	Internal Meetings	Internal Meetings	Expense
1550	Other Meetings	Other Meetings	Expense
1560	Gifts	Gifts	Expense
1600	Legal, Professional Service	Legal, Professional Service	Expense
1610	Audit & Accounting Fee	Audit & Accounting Fee	Expense
1620	Legal Fee	Legal Fee	Expense
1630	Fee for Consultants/Advisors	Fee for Consultants	Expense
1640	LA To Beneficiaries	Legal Assistance To Beneficiaries	Expense
1650	Other Legal Assistance	Other Legal Assistance	Expense
1660	Other Fee	Other External Services	Expense
1700	Insurance	Insurance	Expense
1710	Property Insurance	Property Insurance	Expense
1720	Vehicle Insurance	Vehicle Insurance	Expense
1730	Personnel Insurance	Personnel Insurance	Expense
1740	Equipment Insurance	Equipment Insurance	Expense
1750	Office Premises Insurance	Office Premises Insurance	Expense
1760	Warehouse Insurance	Warehouse Insurance	Expense
1770	Other Insurance	Other Insurance	Expense



CHART OF ACCOUNT

Account Code	Head of Account	Nature of Account	Type
1800	Rent, Rates & Taxes	Rent, Rates & Taxes	Expense
1810	Rent Head Office	Rent Head Office	Expense
1820	Rent Field Office-1	Rent Field Office-1	Expense
1830	Rent Field Office-2	Rent Field Office-2	Expense
1840	Rent Field Office-3	Rent Field Office-3	Expense
1850	Rent Warehouse	Rent Warehouse	Expense
1860	Rent Machines & Equip	Rent Machines & Equip	Expense
1870	Rent Vehicles	Rent Vehicles	Expense
1880	Rent Vehicles with POL & Driver	Rent Vehicle with POL	Expense
1890	Registration fee of vehicle	Registration fee of vehicle	Expense
1900	Local Tax on Vehicle	Local Tax on Vehicle	Expense
1910	Parking & Toll Charges	Parking & Toll Charges	Expense
1920	Renewal of registration	Renewal of registration of the organization	Expense
1930	Other rent, rates & taxes	Other rent, rates & taxes	Expense
2000	Payroll Expenses Head Office	Salaries & Wages	Expense
2010	Salary Executive Director	Salary Executive Director	Expense
2020	Salary Program Manager	Salary Program Manager	Expense
2030	Salary Director Finance	Salary Operation Manager	Expense
2040	Salary Finance Officer	Salary Finance Officer	Expense
2050	Salary Procurement Officer	Salary Procurement Officer	Expense
2060	Salary Logistic Officer	Salary Logistic Officer	Expense
2070	Salary HR Officer	Salary HR Officer	Expense
2080	Salary Project Manager	Salary Project Manager	Expense
2090	Salary Finance Assistant	Salary Finance Assistant	Expense
2100	Salary Procurement Assistant	Salary Procurement Assistant	Expense
2110	Salary Logistic Assistant	Salary Logistic Assistant	Expense
2120	Salary Security Assistant	Salary Security Assistant	Expense
2130	Salary HR Assistant	Salary HR Assistant	Expense
2140	Salary Office Boy (Cook)	Salary Office Boy (Cook)	Expense
2150	Salary Security Guard	Salary Security Guard	Expense
2160	Salary Driver	Salary Driver	Expense
2170	Salary Other Staff	Salary Other Staff	Expense
2300	Allowances	Allowances	Expense
2310	Overtime Payment	Overtime Payment	Expense
2320	Daily Wages	Daily Wages	Expense
2330	Staff Insurance	Staff Insurance	Expense
2340	Medical Expense	Medical Expense	Expense
2350	Per Diem	Per Diem	Expense
2360	Stipend to Internees	Stipend to Internees	Expense
2370	Other Personnel Costs	Other Personnel Costs	Expense
2380	Financial Assistance to Staff	Financial Assistance to Staff	Expense
2390	EOBI	EOBI Contribution	Expense
2500	Repair & Maintenance	Repair & Maintenance	Expense
2510	R & M Building	Repair & Maintenance-Building	Expense
2520	R & M Premises	Repair & Maintenance-Premises	Expense
2530	R & M Vehicles	Repair & Maintenance-Vehicles	Expense
2540	R & M Equipment	Repair & Maintenance-Equipment	Expense
2550	R & M Furniture	Repair & Maintenance Furniture	Expense
2560	Other Maintenance	Other Maintenance	Expense
2570	Oil & Lubricant Vehicle	Oil & Lubricant Vehicle	Expense
2580	Car Servicing	Car Servicing	Expense
2590	R & M Bike	R & M Bike	Expense



CHART OF ACCOUNT

Account Code	Head of Account	Nature of Account	Type
2700	Depreciation	Depreciation	Expense
2710	Depreciation on Machines	Depreciation on Machines	Expense
2720	Depreciation on Equipment	Depreciation on Equipment	Expense
2730	Depreciation on Vehicles	Depreciation on Vehicles	Expense
2740	Depreciation Furniture	Depreciation Furniture	Expense
2750	Depreciation Others	Depreciation Others	Expense
2800	Utilities Charges	Utilities Charges	Expense
2810	Electricity Charges	Electricity Charges	Expense
2820	Fuel & Lubricant Generator	Fuel & Lubricant for Generator	Expense
2830	Sui Gas Charges	Sui Gas Charges	Expense
2840	Water Charges	Water Charges	Expense
2850	Other Utilities	Other Utilities	Expense
2860	LPG for Kitchen	LPG for Kitchen	Expense
2900	Telephone & Communication	Telephone & Communication	Expense
2910	Telephone, Fax, DSL Charges	Telephone, Fax Charges	Expense
2920	Mobile Phones Charges	Mobile Phones Charges	Expense
2930	Postage, Mailing & Courier Service	Postage, Mailing & Courier Service	Expense
2940	Other Communication Cost	Other Communication Cost	Expense
2950			Expense
3000	Travel & Transportation	Travel & Transportation	Expense
3010	Travelling Allowance	Travelling Allowance	Expense
3020	Travel Expense	Travel Expense	Expense
3030	POL / CNG Vehicle	POL Vehicle	Expense
3040	Conveyance Charges	Conveyance Charges	Expense
3050	Transportation of Goods	Transportation of Goods	Expense
3060	POL / Lubricant Bike	POL / Lubricant Bike	Expense
3070	Lodging Expenses	Lodging Expenses	Expense
3080	Refreshment Travel	Refreshment Expenses During Travel/Tour	Expense
3090	Other Transportation Costs	Other Transportation Costs	Expense
3200	General Expenses	General Expenses	Other Expense
3210	Office Supplies	Office Supplies	Other Expense
3220	Stationery	Stationery	Other Expense
3230	Copying & Binding	Copying	Other Expense
3240	Printed Materials	Printed Materials	Other Expense
3250	Newspaper & Periodical	Newspaper & Periodical	Other Expense
3260	Kitchen Expense Staff	Kitchen Expense Staff	Other Expense
3270	Refreshment Guest	Refreshment Guest	Other Expense
3280	Cleansing Expenses	Cleansing Expenses	Other Expense
3290	Bank Charges	Bank Charges	Other Expense
3300	Loss on Exchange	Loss on Exchange	Other Expense
3310	Other Financial Expense	Other Financial Expense	Other Expense
3320	Computer Software	Computer Software	Other Expense
3330	Purchase of Sample	Purchase of Sample	Other Expense
3340	Misc Expenses	Misc Expenses	Other Expense
3350	Contribution Project Expenses	Misc Expenses	Other Expense
3360	Project Expenses Recoverable	Misc Expenses	Other Expense



Health Education and Development Society

Annexure-18

Cheque Recieveing Acknowledgement

Cheque No: _____ **Amount:** _____

On Account Of: _____

Organization/ Individual Name: _____

Signature/ Official Seal: _____

Dated: _____ **Countersigned by HEADS Representative**



PETTY CASH BOOK

Annexure-19

OFFICE NAME: **HEALTH EDUCATION AND DEVELOPMENT SOCIETY**

Day
MONTH
YEAR

OPENING BALANCE	ENTER HERE> > > > >	-	
Total Receipts		-	
Total Payments		-	
Closing Balance		-	

Date	Voucher No.	Description	Acc. Code	RECEIPTS	PAYMENTS
TOTAL				-	-

Prepared By: _____

Date: _____

Checked By: _____

Date: _____



Procurement Check list Health Education and Development Society

Annexur-20

Procurement Of.....

Purchase Order No (if any)

Total Value of this procurement (PKR)

Process adopted for this Procurement (check one) [a] [b] [c] [d]

(a) Checklist for procurement between the values of PKR 15,000

☐ Approved Requisition ☐ Vendor Invoice ☐ GRN (if required)

(b) Checklist for Procurement between the values of PKR 15,001 to PKR 100,000.

☐ Approved Requisition ☐ Single Quotation/ RFQ
☐ Purchase Order ☐ GRN
☐ Vendor Invoice ☐ Acknowledgement

(c) Checklist for Procurement between the values of PKR 100, 001 to PKR 5,000,000.

☐ Approved Requisition ☐ Request for Quotation
☐ 3 Sealed Quotations ☐ Quotations opening session
☐ Bid Analysis & Selection ☐ Purchase Order ☐ Vendor Invoice ☐ GRN/GDN

(d) Checklist for Procurement over the value of PKR 5,000,000 and for all the framework agreements (open Tender)

☐ Approved Requisition ☐ Newspaper Announcements
☐ Tender documents distribution Record ☐ Certificate of Non-Disclosure and personal Interest
☐ Tenders take in record ☐ Tender Opening Session ☐ Bid Evaluation & Selection
☐ Purchase Order/Contract ☐ GRN/Completion Certificate ☐ Vendor Invoice

Remarks (if any)

(Prepared by : _____ Approved by (Name & Sign) _____)



Annexure-21

Health Education and Development Society

EXPENSE DETAIL FORM

Activity: - _____

Itemizes Expenses

S. No	Description	Account Code	Amount (PKR)

Sub Total: _____

Less Cash Advance: _____

Net Payable: _____

Requested By: _____ Signature: _____ Date: _____

Recommended By: _____ Signature: _____ Date: _____

Approved By: _____ Signature: _____ Date: _____



Health Education And Development Society

MEMO

Date: _____ Memo Reference: HEADS (HO/FIN)-_____

Subject: **Payment Through Cash**

Project Code & Budget Line: _____

SITAUION:

Payment of _____ comes under the cheque payment mode in terms of Para-2.3 of Finance Policy.

The purchase is urgently needed and cheque payment consumes time. Further, no one accept cheque and prefer for cash payment in urgent purchase.

SOLUTION:

As mentioned above, Cash Payment mode will be adopted for the said purchase, amount _____ PKR.

Signature: Finance Officer

Signature: Director Operations

Signature: Chief Executive



Health Education and Development Society

Annexure – 23

STAFF ADVANCE REQUEST FORM

Name: _____ Position: _____ Resource No: _____

Duty Station: _____ Amount of Advance Required: Rs. _____

Purpose of Advance: _____

Signature of Employee _____ Date: _____

Recommended By: _____ (Immediate Supervisor)

Employee Service Detail (To be incorporated by HR)

S. No	Date of Hiring	Contract Period (Months)	Remaining Service (Months)	Take Home Salary	Half Salary	Advance Admissible	Advance to be Allowed
1.							

Verified by Finance: Name & Signature _____

Final Approval Chief Executive: _____

Approved: Yes ☐ No. ☐

Date: _____ Signature: _____

Cheque for / Cash Rs. _____ received. Employee's Signature: _____

Recorded in Payroll, loan will be adjusted in his monthly salary "In Whole / In Two or more Installments"
(strike out which is not applicable)

No. of Installments: _____ Amount of Installment: _____

Finance Section: Name & Signature _____



Health Education and Development Society

Annexure-24

HEADS Minimum Performance Standard for Vouchers-Check List

Detail of Bill etc..... Purchase Order No (if any)

Total Value of this Payment (PKR)

Process adopted for this Payment (check one) [a] [b] [c] [d] [e]

(a) Checklist for Salary Payment Voucher:

- Payroll Sheet
- Time Sheet (To be filed in Personal File)
- Salary Slip
- Cheque Photo Copy
- Contract Copy (To be filed in Personal File)

(b) Checklist for Office Rent Payment Voucher

- Approved Requisition
- Agreement Photo Copy
- Deposit Slip/Cheque Acknowledgement
- Tax Calculation
- Cheque Photo Copy

(c) Checklist for PTCL Communication Expenses

- Bills / Vendor Invoice (Details of Calls in Case of Mobile Connections)
- Deposit Slip/Cheque Acknowledgement
- Authorization Note Copy (For VPN Connections)
- Cheque Photo Copy

(d) Checklist for TA / DA Expenses

- Travel Authorization Form
- Travel Expense Form
- Supporting Bills (if any)
- Visit Report
- Cheque Photo Copy
- Deposit Slip / Cheque Acknowledgement

(e) Contractor/Supplier (To be specified) _____

- Supply Request, RFQs, Purchase Order, Agreement Photo copy (if any)
- Invoice / Supporting Bills (if any)
- Tax Calculation
- Cheque Photo Copy
- Deposit Slip / Cheque Acknowledgement

Remarks (if any)

.....

(Prepared by): _____
Finance Officer/Manager

(Checked By): _____
Director Operations

Minutes of the Meeting of Board of Directors (BoD) Health Education and Development Society (HEADS) 22 October 2025

Mode of Meeting: Virtual (Screenshot Attached)

Participants:

- Dr. Ms. Uzma Amin (Chairperson)
- Mr. Raza Ullah Jan (Chief Executive Officer)
- Mr. Ikram Ullah (Member)
- Ms. Ambreen Banori (Member)
- Mr. Majid Khan (Member)
- Ms. Jabeen Begum (Member)
- Mr. Kamran Khan, Architect (Member)

Agenda:

- Change of Board Members from Societies Act to SECP.
- Opening of New Bank Accounts.
- Modification in Organogram.
- Updating the Procurement and Financial Policy.
- Preparing the Policy on Appointment and Governance of the Chief Executive Officer (CEO).
- Any Other Business (AoB).

Proceedings & Outcomes:

The online meeting commenced on Wednesday October 22, 2025 with the recitation of the Holy Quran. Thereafter, Mr. Raza Ullah Jan, CEO, welcomed all participants and extended a warm welcome to the newly nominated Board members. Outcomes of the Agenda items are as below:

1. **Change of Board Members from Societies Act to SECP:**
 - After acquiring the license of Security and Exchange Commission of Pakistan (SECP); the above-mentioned participants will be now performing as the 'Board of Directors' of HEADS organizations.
 - It was noted that Dr. Uzma Amin and Ms. Ambreen Banori, who had previously served under the Societies Act, continue as members under the SECP registration.

2. Opening of New Bank Accounts

- The Board reviewed the organization's financial requirements and unanimously agreed to open additional bank accounts to improve operational efficiency and strengthen financial diversification.
- The Board further suggested that opening of Both Current and PLS account with National Bank of Pakistan (NBP), Bank of Khyber (BoK) and Bank of Punjab (BoP) may face difficulties due to signatory requirements. Therefore addition to the aforementioned banks and for quicker processing, the Board recommended prioritizing the opening of accounts in the following three banks as well:
 - Samba Bank
 - Bank Alfalah
 - United Bank Limited (UBL)
- These banks were suggested due to their ease and speed of account opening procedures. Meanwhile, the process for opening accounts with the previously mentioned banks (NBP, BoK and BoP) will continue side by side.
- PLS Account at Bank Islami, as the organization already maintains a Current Account with this bank.
- PLS account at Askari Bank. Account at Askari Bank, as the organization's current Account with this bank is already in process for the last four months.
- All accounts will be opened under the title: "Health Education and Development Society (HEADS)" and will adhere to organizational financial policies and governance protocols.

3. Modifying the Organization's Organogram

- Board members thoroughly discussed the organogram and finalized with amendments. The revised organogram was unanimously approved by the Board members and is attached as Annex I.

4. Updating the Procurement and Financial Policies:

- Updated versions of the Procurement Policy and Financial Policy were presented to the Board and approved consistently. These documents are attached as Annex II and Annex III.

5. Preparing the Policy on Appointment and Governance of the CEO:

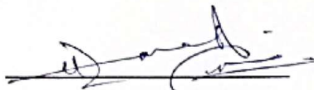
- A draft of the Policy on Appointment and Governance of the Chief Executive Officer (CEO) was discussed and approved steadily. The policy is attached as Annex IV.

6. Any Other Business (AoB)

- The meeting was conducted online, and a screenshot of the virtual meeting is attached for official recordkeeping. Depending on the availability of the members, next meeting will be scheduled in person.

Conclusion

The Executive CEO thanked all members for their participation and constructive input. The Board expressed confidence that the discussed actions and approved steps will contribute to strengthening organizational governance, financial management, and operational standards.



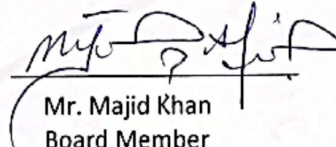
Dr. Uzma Amin
Chairperson, Board



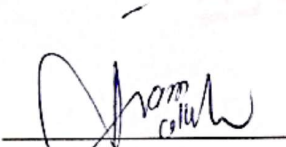
Mr. Raza Ullah Jan
Executive Director/ CEO



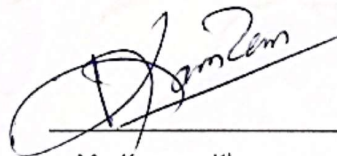
Ms. Ambareen Banori
Board Member



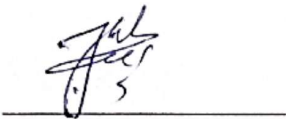
Mr. Majid Khan
Board Member



Mr. Ikram Ullah
Board Member



Mr. Kamran Khan
Board Member



Ms. Jabeen Begum
Board Member