



FINANCE AND ADMINISTRATION POLICY

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FINANCE AND ADMINISTRATION POLICY

The guidelines/procedures under this policy demonstrate:

- the financial and administrative provisions of ABCO

1. Reliable Accounting and Reporting System

In order to prepare and ensure comprehensive and compliant financial reports, ABCO establishes and operates, throughout all phases of the implementation of the work programme, a reliable system for collecting, recording and reporting financial transactions. ABCO will keep supporting documents related to these transactions to justify all actual costs incurred and income generated by the work programme. The accounting procedures therefore permit a direct reconciliation of the costs and revenue declared in respect to the work programme with the corresponding supporting documents.

Original documents, especially accounting and tax records, stored on any appropriate medium, including digitalised originals in accordance with their national legislation, is kept for five years after the date of payment of the balance.

Time Registration System (for personnel not working fulltime on the work programme)

ABCO has daily records of all hours spent by a given person on the work programme IF the given person is not allocated on a fulltime basis to the work programme. The timesheet does not only record the time spent on a specific action/work programme, but it also reconciles the total working time of each person. The purpose of recording the total hours actually worked by each person is to allow the Agency to verify the correct hourly/daily rate.

Time registration system, as a minimum, includes at least the following elements:

- a) Clear identification or reference to the ABCO work programme.
- b) Clear identification of the employee.
- c) Clear identification of the year, month and day.
- d) Number of working time units worked for the ABCO action/work programme.
- e) Number of working time units worked in total by the person.
- f) Date and signature of the employee.
- g) Date and signature of the supervisor.

2. What are Eligible Costs?

To be eligible all costs must be:

- Actually, incurred within the duration of the work programme (i.e. your financial year for which the operating grant was received)
With the exception of:
 - the request for payment of the balance and
 - the corresponding supporting documents, i.e. final report on implementation of the action/work programme, final financial statement, certificate on the financial statements (if applicable);
- indicated in the estimated operating budget or have been accepted by the Agency as technically justified and necessary to achieve the objectives of the action/work programme;
- in connection with the work programme
- necessary for its implementation;
- identifiable and verifiable, in particular being recorded in the accounting records of the ABCO;
- in compliance with the requirements of applicable tax and social legislation; and - reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency.

Actual costs as opposed to budgeted costs

"Budgeted" costs are used for establishing a budget estimate only. Once the work programme has started, only "actual" costs incurred must be used as a basis for completing the financial statements.

Incurred costs must be supported by evidence that they are actual. Where these conditions are not met, the amounts will be deemed to be ineligible. As a general rule, neither estimated amounts, nor budgeted amounts, are acceptable.

3. What are Ineligible Costs?

All costs that do not fulfil the criteria of 'eligible costs', including:

- return on capital;
- debt and debt service charges;
- provisions for losses or debts;
- interest owed;
- doubtful debts;
- exchange losses;
- costs of transfers from the Agency/Commission charged by the bank;
- costs declared under another action/operating grant
- contributions in kind from third parties (including voluntary work);
- excessive or reckless expenditure (including unnecessary or wasteful outlays);
- deductible VAT

Are costs of member organisation eligible?

No, costs incurred by member organisations are not eligible. However, reimbursement of travel costs from representatives of member organisations could be eligible if they would be invited to meetings organised by the ABCO and their presence would be justified under the work programme. The cost would need to be incurred and therefore recorded in the ABCO's accounting system

Are costs for reimbursement of volunteers eligible?

Costs such as travel, subsistence, transport, food/beverages etc can be charged to the grant agreement as long as these costs are directly incurred on the project and encoded in the accounting system of ABCO.

Can in-kind work be reimbursed?

No, in-kind contributions are not considered eligible costs.

4. Contracts

If the work programme requires the procurement of goods, works or services, ABCO shall procure with best value for money or, as appropriate, in relation with the project technical and quality aspects.

5. Cost Categories

Personnel Costs

The costs of personnel comprise:

- actual salaries plus social security contributions;
- other statutory costs included in the remuneration, provided that these costs are in line with the ABCO's usual policy on remuneration;

Or for non-employees:

- costs resulting from specific work contracts (when applicable)

'Personnel' means:

- persons working under an employment contract with ABCO or an equivalent appointing act and assigned to the action.
- natural persons working under a contract with ABCO other than an employment contract (e.g. civil contracts, free-lance contracts, expert contracts, service contracts with self-employed persons) or who are seconded to ABCO by a third party against payment.

Gross Salary

For the personnel working full time for the work programme, the gross salary cost (as incurred and registered in the accounting system) can be charged. Standard time of 215 days could be used.

Daily rate times actual hours worked

The following three elements must be known in order to calculate the cost per employee that can be charged to the action on the basis of the hours actually worked on the action:

A) Annual productive time

The total annual productive time for each employee is the time actually worked according to the time registration system. It will normally result in a different number of annual working time units for each employee.

B) Actual salary

These must be taken from the payroll and should be the total gross remuneration plus the employer's portion of social charges. Remuneration costs should be calculated individually for each employee.

C) Working time

Only the costs of the actual days worked on the work programme may be charged. The actual days that each employee spends working on the work programme shall be recorded using timesheets or an equivalent time registration system established and certified by the employee and the employer.

Calculation of the daily rate:

The daily rate is obtained by dividing the actual annual gross salary or wages plus obligatory social charges and any other statutory costs included in the remuneration of an employee by the total annual productive time in days.

Specific work contracts – natural persons

Personnel costs may be charged on the basis of such contracts, on condition that contract is in accordance with normal practise and the applicable legislation, that the rate is in line with the level of competence required for the position and with other similar organizations or projects, that the contract is detailed enough and in particular specifies the amount of time the natural person shall work under this contract and either the hourly rate or the total amount for the contract. If the contract is not for a lump sum payment, the employee is still required to record the time worked on the work programme and on other activities, as described above.

External Assistance/Subcontracting

Subcontracting costs are eligible when:

- (i) The cost respects the eligibility criteria (2. What are Eligible Costs?)
- (ii) The "subcontract" is awarded in line with the best value;
- (iii) It covers the implementation by a third party;
- (iv) It covers the implementation of a limited part of the work programme, in principle limited to 35% of the total eligible costs unless a higher level is justified;
- (v) Justified having regard to the nature of the work programme and what is necessary for its implementation.

Travel and Related Subsistence Allowance

What are subsistence costs?

These costs are daily allowances or direct payment of meals, hotel costs, local transportation etc.

Travel and subsistence costs are eligible when:

- (i) The costs respect the eligibility criteria and with best value for money
- (ii) They are charged in accordance with the internal rules of the ABCO. However:
 - Travel shall be in the most economical and environmentally friendly way - video conferencing must be considered as an alternative;
 - Meals related to travel / meetings of are not to be charged if subsistence costs are already budgeted as per diem allowances.

Rental

Costs related to rent are eligible when:

- (i) The costs respect the eligibility criteria and with best value for money.
- (ii) The costs are directly linked with the implementation of the work programme. If not entirely linked, apply an allocation percentage to the part/surface

Equipment and Depreciation

Costs related to equipment are eligible when:

- (i) The costs respect the eligibility criteria and with best value for money.
- (ii) The costs are directly linked with the implementation of the work programme. If not entirely linked, apply an allocation percentage to the part used for the work programme.
- (iii) The equipment cost is calculated in accordance with the correct depreciation rate which must be in line with national/internal accounting rules.

Other Costs

What are other costs?

Other costs are those costs arising directly from requirements imposed by the specific grant agreement.

Other costs are eligible when:

The costs respect the eligibility criteria and with best value for money.

Other costs:

- costs of audit certificates if required by the grant agreement;
- costs related to dissemination of information and reproduction;
- costs related to specific evaluation of the work programme;
- charges for financial guarantees if required by the grant agreement;
- costs of organising seminars, workshops, conferences (unless a subcontract has been concluded with a service provider, in which case these costs should be charged under "Subcontracting");
- travel and subsistence allowances of persons who are not under personnel costs (conference speakers, volunteers...);

- services required for the normal functioning of the organisation (cleaning of the offices, costs related to the bookkeeping firm, audit, maintenance of the website, general IT services, telephone, ...)

Furthermore, it may include all the structural and support costs of an administrative, technical and logistical nature which are needed for the operation of various activities of the work programme and the running costs of the organisation, such as communication costs (telephone, fax, internet & e-mail, postage), insurance, maintenance of office equipment, consumable and supplies, bank charges, etc...

Revenues

Any revenue generated by the work programme needs to be recorded and must be reported to the Donor Agency at the latest in the final financial report.

Account must be taken of revenue which is:

- established (revenue that has been collected and entered in the accounts),
- generated or confirmed (revenue that has not yet been collected but which has been generated or for which the participant has a commitment or written confirmation)

Reserves

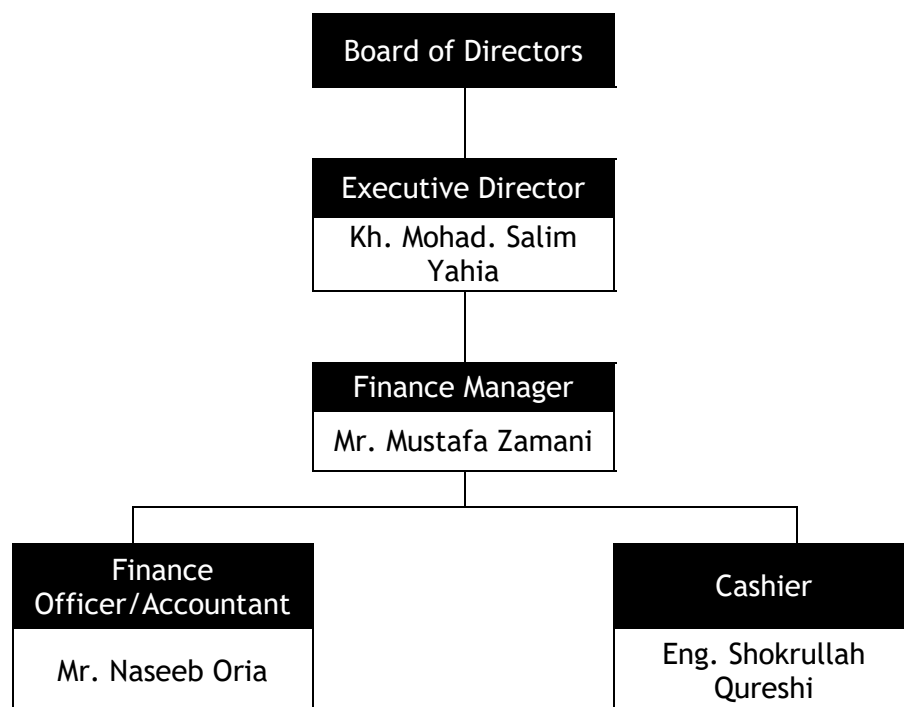
Building-up a reserve with funds allocated or generated by the work programme is not permitted. However, ABCO could build-up such a reserve in exceptional circumstances, in particular when it is justified by a legal requirement/law, and/or a pre-existing board decision (i.e. prior to the signing of the a grant agreement). In any case, ABCO must be able to demonstrate that the resources used for the reserve are

- (i) separated from the work programme;
- (ii) mentioned explicitly in the estimated budget of grant agreements;
- (iii) registered correctly in their accounting system.

Reporting

All costs and financial matter must be reported on time and per the grant agreement and relevant contracts. Templates to be used for the technical and the financial reporting can be either ABCO's templates or Donor specified templates.

FINANCIAL HIERARCHY



Financial Management Personnel & Responsibilities

Board of Directors:

The Board of Directors comprises of members from different committees of ABCO such as finance, public relations and project. Being the ultimate authority in any the organization, the board of directors plays a lead role in financial department.

Board of Members:

The Board of Directors' plans and policies give a proper direction to the Executive Director "Kh. Mohd. Salim Yahia". Executive Director is ultimately responsible for the financial aspects of ABCO. Although he might not control accounting methods or prepare financial reports by themselves, however he must ensure that everything is undertaken in proper order. he cannot refrain from their duties, during their association with the NGO and can only do so by resigning from the government body. The main responsibility is to supervise, confirm and ensure appropriateness of implementations of all decisions and sign legal undertakings.

Finance Manager:

The finance manager "Mr. Mustafa Zamani" is the head of the Finance Department in ABCO. Apart from supervisory functions and monitoring responsibilities, the finance manager exercises the following duties in ABCO:

Ensuring that all transactions are properly accounted for and the financial systems are maintained, under all procedures and controls.

Managing bank accounts and overseeing money transfers between Donor and the organization, Main offices and field offices.

Signing pay-outs, authorizing payrolls and other payments.

Assisting and guiding the board by providing relevant financial information during budgeting, accounts to donors and other decision-making activities. The manager does so, as and when requested.

Finance Officer/Accountant:

The finance manager is guided and assisted by the finance officer/accountant “Mr. Naseeb Oria” The main responsibility is to report to the manager and implement work, as and when directed. The assistant role is preparing books of account, preparing cash memos, cheques and bills. She is the in putter for the transactions for the finance manager and first level of financial control and management.

Cashier:

Payments.

TRANSACTION MATRIX

