Finance and Admin Policy

REVISED 2079 BS

Galli Galli

Non profit distribution Organization

Lalitpur Metropolitan City Ward no. 2, Sanepa

1. Information of Galli Galli

Galli Galli is located in Sanepa, Lalitpur. Galli Galli was registered as a non-profit company in January 2013. Since its inception, Galli Galli's goal has been to understand, intervene in, and improve the relationship between citizens and the state/bureaucracy. Galli Galli believes that any successful state-citizen relationship must be founded on practices of dialogue and participatory decision-making through evidence-based service delivery, policy and action. Galli Galli believes that citizens" access to information regarding government services is central to maintaining public faith in democratic government. We are limiting ourselves in interventions through facilitating open access to the information and evidences in public service delivery including education governance and local governance practices.

Currently, Galli Galli is hosting Annual Status of Education Report (ASER) Research in Nepal. The Annual Status of Education Report (ASER) is a Citizen-led Assessments. ASER is a citizen-led assessment (CLA) methodology to assess the literacy and numeracy learning of all children aged 5-16. It is implemented at the household level in the communities. Citizen-led means that all activities are conducted by common citizens. These citizens, usually volunteers, take the opportunity to connect with communities across the country and gather data that can help learning better. ASER Nepal also conducts additional studies to add to the findings of the ASER. In particular, ASER Nepal is deeply interested in generating more data about the learning of skills and digital literacy. GalliGalli is part of People's Action for Learning (PAL), a network of 14 countries from Global South countries in Africa, South Asia and Latin America, those working to ensure every child learns through various learning assessment methods.

GALLI GALLI

1.2. Objective of the Financial and Admin Policies/Guidelines

The objective of this Manual is to strengthen Galli Galli Office's financial management functions, and its leadership thereby contributing to appropriate stewardship of resources, effective decision-making, efficient policy implementation and program delivery. This is achieved by clarifying the roles and responsibilities for financial management and governance that must be exercised for the stewardship, management, and oversight of resources by all responsible persons including Executive board, Department Heads, Budget Holders, and Managers.

All staff of Galli Galli are accountable for handling financial transactions in a timely and proper manner in accordance with finance procedures.

This Manual is developed to provide guidance on the proper accounting and reporting for transactions. The Financial guideline and Procedure aim to:

i. Set out certain minimum standards and mandatory requirements
i. Establish guidelines for good accounting practices.
ii. Serve as a basis for training and induction of non-finance staff with financial responsibilities.

1.3 Transparency

All accounting procedures should be designed to inform and accurately reflect the state of the charities operations to enable clear reporting to interested parties such as government agencies, auditors, trustees, project partners and donors. They should also use clear terminology to make the handbook accessible to members/staff who are not familiar with accounting/finance.

1.4 Confidentiality

Information, which is held, both financial and personal, shall be secured, stored and used in ways consistent with our duty to protect confidential data and comply with the relevant data protection laws.

GALLI GALLI

1.5 Division of Duties

The processing of all financial transactions should involve more than one member of staff to maximize controls and accountability.

SEGREGATION OF DUTIES

	Finance Assistant	**Finance Officer/ Controller**
Cash and Banking		
Petty Cashier	X	
Receives cash	X	
Check bank/cash accounts		X
Reviews Bank/Cash Reconciliation		X
Purchases & Disbursements		
Checks bills and supporting Documents	X	
Process payment	X	
Review payment process and documents		X
Payroll * Prepares payroll	X	
Review Payroll		X
Recording transactions		
Voucher Entry	X	
Review of Vouchers		X
Posting in Ledgers	X	
Prepare monthly financial reports		X

GALLI GALLI

1.6 Relevance of Procedure

The purpose of this document is to define the financial systems used by Galli Galli and how they relate to all areas of the organization (sometimes referred to as Financial Standing Orders). It is relevant to members who are involved in financial matters. Suggestions for amendments/updates can also be agreed by the Executive Team. These procedures should be consistently adhered to and thus reviewed on a regular basis (quarterly). If procedures need amending or updating then this will be actioned in a timely manner by the finance department to ensure that this becomes a practical handbook for everyday staff use, and not just a set of theoretical guidelines.

1.7 Fiscal Year

Galli Galli follows Nepalese government calendar, i.e. Shrawan 1st to Ashad 31st (Approx 17th July to 16th July each year) as a fiscal year and closes its financial activities by the end of Ashad each year.

1.8 Financial Control

Financial accountability by Galli Galli is necessary to;

i. Organizes and control financial activities and;
ii. Maximize resource use through effective financial planning and a cost- conscious approach to project expenditure;
Iii. Support forward planning and decision making in the field;
iv. Safeguard bank, stock and equipment assets.
V. Ensure sound financial monitoring and reporting to donor agencies

Absence of financial control may result in inefficient use of resources or loss to Galli Galli; an example can be mismanagement of Galli Galli resources or properties. Where management is concerned that the level of financial control is ineffective or not working, it may be appropriate to request a visit of outside financial experts to advise on improvements.

1.9 Accounting Software

The Technical set-up of the Galli Galli accounting system shall be supported by accounting system software. Galli Galli operates a computerized Nepali accounting system called "Tigg" that supports Galli Galli/funding partners' financial reporting requirements. In future depending upon the volume of the work other accounting software packages can be purchased as per the direction of the finance department. Galli Galli Finance staff must back up his/her work at least once a week to an external backup drive or online drive. It's a good idea to archive your file for each project year.

GALLI GALLI

2. Financial Planning/Budgeting

Budgets are precise financial expressions of plans and programmes, which can provide a benchmark against which to monitor progress towards achieving those plans and programmes. Galli Galli prepares a budget for upcoming FY based on the prior year experience and the contractual information obtained up to the beginning of the financial year or before July of each year as part of Operational Plan. The budget shall be reviewed and any suggestion shall be incorporated and approved by the Board. The approved budget shall be submitted to Annual General Meeting (AGM) and also the government authority for the prior approval as per the existing Nepalese Law. Once the budget gets approved by AGM and the relevant government authority, the budget serves as the operating guideline for the activities and projects. The budget shall be periodically reviewed and any significant changes made will be incorporated with prior approval from the board.

2.1 Budget Preparation

The whole team needs to be involved in the budgeting process. Setting the objectives of the program along with activity plans must be completed before starting the budgeting process. Changes in strategies for the forthcoming year based on the past experience have to be unanimously decided by the team and the budget should be accordingly formulated.

Galli Galli should list out the resources required to achieve these activities and cost them.

All line items in the budget must flow from planned activities. Budget should be as detailed as possible with justifications and break up of costs matched against each activity. When budgeting for subsequent years/phase, cost increases due to inflation, exchange rates etc would need to be kept in mind.

2.2 Budget Monitoring

The Galli Galli Treasurer (assigned by the executive board) should monitor the budget of both programme and office operation and see whether it is working in accordance with that and report to the board meeting. The Executive Director / Director makes sure all the expenses made must be supported by original receipts, invoices or similar. Where this is not possible (and it is recognized that, particularly in remote areas it is not always possible to obtain receipts) then an explanatory note should be provided. See whether every budget is utilized in a proper and reasonable manner.

The Galli Galli Finance department and related Project head should review and prepare financial report and narrative report respectively and submit/present as a final copy to the Executive Team and Executive Director for final verification and approval before reporting to the donor. At the end of the fiscal year, the Finance department should prepare an annual consolidated financial report.

Similarly, the Finance department should also prepare a monthly financial report and submit to the supervisor and also prepare a quarterly organizational variance report and present it to the Executive team and Executive Director.

GALLI GALLI

3. Accounting

3.1 Accounting System

Galli Galli applies an accrual accounting system for recording and reporting financial transactions. Galli Galli will follow the principle of double entry book keeping on an accrual basis. Under this system the following principles will be applied:

The accrual principle of accounting

The "accrual" accounting system refers that revenue and costs are accrued, matched with one another so far as their relationship can be established or justifiably assumed, and dealt with in the income and expenditure account of the period to which they relate.

Accrual of expenditure and income

All income and expenditure should be recorded in the period they relate to, even if payment is not yet made. Purchases on credit and advance payment should be reflected under debtors and creditors. This principle also applies for payments received in advance (debtor's account). Obligations like compensation for staff who have left the organization should be charged to the relevant expense account and be shown as liabilities in the accounts.

Exception to accrual: Telecommunication Bills, Utility and insurance premium

Types of Vouchers

Galli Galli shall maintain vouchers as generated by the approved accounting system of the organization. These vouchers are to be numerically and chronologically controlled. For each financial year, the voucher number commences from 1 or separate donor wise can be maintained ensuring separate chronological numerical number as and when required. The types of accounting vouchers shall be:

Receipt/Credit vouchers

Any amount received in cash or bank by the organization through donation, grant, membership fee, interest income, advance settlements, collection against dues shall be accounted through Receipt vouchers

Payment/Debit Voucher

Any amount paid through cash or bank (Cheque, draft, account transfer, telegraphic transfer etc.)by the organization such as incurring expenditures, purchase of assets, settlement of accounts, advance payments etc. shall be accounted through Payment/Debit voucher.

GALLI GALLI

Journal Voucher

Journal Voucher is prepared for non-cash transactions, where receipts or payment of cash/bank is not involved. Journal Voucher shall be used for transfer or adjustment of ledger account balances from one account to another account, booking of receivables and payables, depreciation of fixed assets, accounting of deduction of withholding taxes, all sorts of rectification entries, creating provisions and other transactions nor covered by any other vouchers.

3.2 Chart of Accounts

A chart for classification of transactions has been devised for monitoring the Galli Galli budget. The external reporting requirements of Galli Galli include periodic and final project reports to the Funding partners. For this purpose, a detailed Chart of Accounts has to be designed, based on programme budget lines. Galli Galli follows a unique codification of the accounting system for the integrated accounting system that can be supported by accounting software.

All transactions must be accurately coded before they are entered into the finance system. Expenditure should be incurred and coded in line with program requirements, donor regulations, and Galli Galli procedures. Chart of accounts is the coding structure established to capture information at the time financial transactions are recorded.
The chart of accounts for Galli Galli must provide information that adheres to various accounting standards, supports the requirements of several regulatory bodies and complies with the reporting requirements of all relevant grants and contracts. Chart of accounts should be in detail with various groups and subgroups in accordance with the budget line items.

3.3 Fixed assets:

Fixed assets will be recorded on the books of accounts at cost. For calculation of the asset values, all costs such as transport, transit insurance etc. incurred for that particular asset will be used to determine total cost. Galli Galli assets are recorded in different assets registration sheets prepared by Galli Galli with complete physical and financial details.

Custody and use of fixed assets:

a. Fixed assets purchased or received as a donation will be the responsibility of the Storekeeper or other designated by the executive director / chairperson.
b. Fixed assets will be used per instructions of the chairperson or his/her designee. The Storekeeper/admin staff will be responsible for maintaining the records of fixed assets.

Annual record of assets:

A designated employee of the Administration department must keep record of all inventories. The Storekeeper will be responsible for record keeping of the entire Galli Galli fixed asset inventory as per the standard format. At the end of the fiscal year, the store keeper must

GALLI GALLI

prepare inventory reports of expendable and non-expendable items and submit them to the Finance and admin head. Similarly, Galli Galli conducts an annual verification of the inventory.

3.4 Booking Expenditures

In line with the double entry system, each transaction will always be debited to one account and credited to another. This is done by:

i. Raising (writing) the voucher
ii. Booking (recording) the transaction both manually or electronically in the computer

GALLI GALLI

4. BANK AND CASH MANAGEMENT

4.1 Bank Accounts:

In selecting a bank, the Office should consider fees charged, access to cash, location of bank offices, size of networking, financial status of the bank, etc.

4.2 Account Signatories

Bank account is operated with three signatories of the Board of Directors, One chairperson, One Tresurer-designe, and one member. Any two signature with stamp out of three signatures is used for account operation.

All the accounts will be operated through the signatures from Board Members. With the power delegation from the executive board, the organization can open a separate project account with a signature from Executive Director and/or Finance Controller for operating certain delegated expenses and payment.

4.3 Bank file

The Finance Department must maintain a documentation file for each bank account. The file should include the originals, or copies, of all agreements and account-related correspondence with the bank, any special instructions given to the bank. The following standard information should be available in the file:

1. Approval to open the account
2. Documents from the bank about establishment of the account
3. Date account was opened
4. Authorized signatory list
5. All correspondence related to changes in signatories
6. For closed accounts, the date closed and a copy of the bank confirmation of closing

4.4 Use and safety of Cheques

Storage: Cheque stock must be stored in a locked area or a safe with access limited to only authorized personnel such as senior finance staff.

Signing off: Cheques MUST NEVER be pre-signed and left blank to be filled in at a later time.

Voided Cheques: Cheques that are to be voided must be marked 'VOID' in large letters or stamped accordingly across the front of the cheque. Any signature on the cheque should be blacked out. The actual voided cheque should not be discarded but recorded and kept in the void cheque file.

Lost or Stolen Cheques: If a cheque issued is lost or stolen, the bank should be contacted immediately to stop payment on the cheque.

If the cheque has been reissued to the same payee in the same amount, also include the number and date of the reissued cheque.

GALLI GALLI

4.5 Closing of Bank Accounts

Any bank account not required to be operated must be closed immediately. The Finance person has to take the matter to the Competent Authority and procure in writing the obtaining necessary resolution. When it is decided to close a bank account, the following actions should be completed:

i. Transfer balance in the account (leaving the minimum amount required) to the other bank account. Surrender all the cheque leaves to the bank under a receipt.
ii. After receipt of the resolution, deliver it to the bank under receipt and transfer the balance to another account.
iii. Confirm closure of the bank account and transfer of balance to the competent.

4.6 Petty Cash

Petty cash is a small amount of cash on hand that is used for paying small amounts owed, rather than writing a cheque. Staff designated by the finance head will manage and maintain petty cash. The requirement of petty cash should follow a petty cash request form approved by the President or his/her designated person.

Petty cash will be topped up on the 'imprest' system, where the amount spent is reimbursed. The provision of petty cash will be upto Rs. 10,000. It is intended for purchase of small items, up to 5000. Anything over this should be paid by account payee cheque where possible. The imprest has a balance limit of 5,000. The petty cash balance will be reconciled when restoring the imprest balance, or monthly if this is more frequent.

The Finance Coordinator or designated by him/her must maintain a manual or electronic petty cash book responsible for cash disbursements. Each receipt and payment must be recorded in this book. This book must be reconciled every day, and the details should enter into the Petty Cash account in the Accounting Software. At the end of the month the Finance department should prepare a petty cash reconciliation statement along with the whole financial report.

The expenses which can be paid or made from petty cash are as:

- Office supplies
- Utility bills
- Repair & maintenance of office equipment
- Photocopy and printing
- Labor charges
- Refreshments
- Fuel expenses
- Stationeries Expenses
- Taxi fares, Local Travel expenses, renewal charges
- Purchase of journals, magazines & other publications
- Courier charge
- Cleaning Expenses
- Other similar costs within the threshold

Expenditure that cannot be reimbursed through Petty Cash

- Staff benefits such as salary & allowance
- Advance for any kind of programs or trainings
- Reimbursement of travel expenses report of staffs (field visits)
- Purchase of air tickets

GALLI GALLI

4.7 Receipt of Cash/Cheque

Cash and all cheques received by Galli Galli should be accurately recorded, safely stored, and paid into the bank in a timely manner. Income from any source is to be deposited in a bank account at latest by the next business day.

4.8 Bank Reconciliation

The bank reconciliation is the process of balancing Galli Galli's bank book with its bank statement. Because the bank account record is external and independent of the Galli Galli's bank book this reconciliation acts as an important check over the completeness and accuracy of the entries made in the Galli Galli's books of accounts. Bank statements must be obtained from the banks at the end of every month and compared with bank books. Prompt action must be taken to rectify irregularities identified in the reconciliation process.

GALLI GALLI

5. PAYMENT PROCEDURE

5.1 Payments

For any payment to be affected there should be different persons involved, each performing one of the following functions:

a) Request/Originator
c) Verification and Approval
d) Payment

1. The following are the steps to be taken in carrying out these functions:
2. The requesting staff is the one in the direct charge of the concerned program. S/he puts up a written request for the payment of her/his amount.
3. That request is recommended by her/his immediate supervisor.
4. Approval by the Concerned Director/budget holder/President or designated by Executive team
5. Then, the Finance prepares the payment voucher and payment documents. Then the check will be prepared and signed by authorized signatories.
6. Four basic tests – completeness, validity, accuracy and maintenance will be consistently applied to all transactions.

Completeness:

Each financial transaction must be supported by sufficient documents and recorded properly. All the vouchers must include appropriate documentation and the approval.

Validity:

All the disbursement must be made to the concerned supplier or employee with the evidence such as receipt, purchased item or report that confirms that the item was received or the service is completed.

Accuracy:

All the transactions must be recorded correctly as received or disbursed. All the relevant charges should be recorded and coded to the correct code.

Maintenance:

After a cheque has been approved for payment and record, it should be protected against any possible changes, such as adding a zero to the amount or changing the name of payee, etc.

In order to reduce the amount of cash on hand and the associated risks, should use cheques for all disbursements except minor transactions that can be disbursed from a petty cash fund.

In those locations where banking facilities are not available, controls must be developed to safeguard the cash on hand and ensure that the cash disbursed is adequately documented.

GALLI GALLI

5.2 Methods of payment

Following will be the amount limit while endorsing a cheque

1. Bearer Cheque shall be issued only to staff; however, it will be highly encouraged to make through group payment or account payment cheques only in such cases.
2. Account Payee Cheque: all payments to vendors shall be made through Account Payee Cheques. Transaction above Rs.10,000 must be made through A/C payee cheque

5.3 Authorization of a payment

All disbursements must be supported by proper documentation - invoices, travel expense reports with receipts, advance requests, payroll deposit, etc. - and approved by the authorized individual(s).

5.4 Payment Authorization limit

All the invoices should be followed by adequate supporting documents with approval by the President or his/her designated person. The authorizing personnel is responsible for checking invoices and supporting documents for accuracy in terms of figures and conformity with the order placed, that the services or goods have been received, and following up if there are any errors. The Finance Unit must be informed if there are queries delaying authorization or if payment is to be withheld for any reason.

All incoming invoices are to be passed to the Finance department as soon as they arrive. They are then passed on to the President/budget holder for authorization. Once authorized as above, payment will be paid within the appropriate timescale. This is generally 7 days of invoice date for small suppliers, 20 days for others, unless there are exceptional cash-flow difficulties or specific supplier arrangements. The latter must be communicated by the budget holders to the Finance Unit, who will inform them of any difficulties in meeting these.

To improve the smooth running of the project the following authority has been delegated to the Chairperson or his/her designated person (preferrably the executive director) of Galli Galli:

i. Authorization to effect procurement up to NRs 500,000.

ii. Authorization to advance up to NRs 300,000 to the staff.

iii. All invoices must be authorized for payment by the budget holder, President and Finance Coordinator (depending upon the cases where Budget holder is not available)

Note: The chairperson during his/her absence can delegate the authority to the ED or another board member for approval upon availability of the proper supporting document and upon following proper procedures.

GALLI GALLI

5.5 Payment Documentation

Expenditures charged are allowable if they meet the following criteria:

i. Are specified in the approved budget;
ii. Conform to the agreements and approved project activities;
iii. Were incurred during the agreement period;
iv. Are reasonable and comply with applicable local laws and regulations;
v. Are adequately documented in the accounting records with supporting documentation.
vi. Are approved by the immediate supervisor in advance and expended/procured by transactions need to be made by a subordinate staff.

As a rule, all expenditures must be supported by evidence that expenditure has occurred or has been obligated (invoice, bill, delivery receipt, time sheet, contract, agreement, etc.). All supporting documentation must be filed in an organized, safe location for five years after the agreement ends. Selection of vendors must be based upon competition whenever possible. The following is a list of the types of supporting documentation that are acceptable for each expenditure.

Types of documentation required are given below.

Supporting document checklist

1	Invoice/Bills	• Bills and invoice should be descriptive. (Must include date, invoice no, name and contact details of the vendor, description of the item, sign of the vendor) • All the invoices must be invoiced in the name of "Galli Galli" or project where applicable. • Over-writing on bills/invoices should be void.
2.	Advance for program and travel	• Travel Order form (with travel advance requst)
3	Advance settlement	• Advance settlement Request Letter • Original bills/receipts. • Record of all expenses in the form • Participants list/Minutes (for training/distribution) • Receipts from recipients for all payments • Attached Activity completion report with photo
4	Vehicle fuel or Maintenance	• Bills/invoice/receipt of the cost • Payment slip (if any).

GALLI GALLI

5	Vehicle Hire	• PO/Vehicle Use Request Letter • Contract with vehicle service provider • Vehicle related papers (i.e License, vehicle blue book copy). • Invoice/Bill • Receipt
6	Meeting, workshops, training and seminars	• Attendance of participants which indicates: - Name of project and event, - Date and venue of event, - Name, and contact detials of participants with their signature • Bills/invoices (Tea, snacks, lunch, dinner, breakfast etc.) • Receipts of cash if provided to them any allowances (signature must be tallied with their attendance), • Schedule of the event/trainings • Completion of event report with photographs.
7	Hotel Service (for workshop/ meeting)	• Purchase Request / Letter • Quotation (if applicable) • Hotel selection process document • Service Order clearly stating: - No of participant - No of days booked. - Copy of Program schedule - No of Break Fast, Lunch/Dinner, Tea etc. - No. of persons for Lodging - Mode of payment • Service completion note / Letter • Invoice of Hotel • Payment Receipt
8	Travel Expenses	• Travel Order Document • Travel expenses summary supported by: - Bus ticket (or Travel Invoice) - Plane ticket, invoice, boarding pass, - Lodging bill - Statement of petty expenses (taxi, rickshaw, local bus etc) - Statement of per diem – indicating date, no of days, per day rate etc. - Field Visit (Travel) Report with photographs

GALLI GALLI

9	Payment to Consultant	• Copy of consultant selection document, CV, PAN certificate(if any), • Registration certification(if any) • Agreement with consultant – at least financial limit, mode of payment, duration of contract. • Payment request form or letter or Invoice • Copy of submitted report (if any)
10	Assets/Equipment Register	The register should have at least following Information • Name of Assets/Equipment • Purchase price • Date of Purchase • Asset code • Location/custodian • Project/funding agency
11	Expenses of utilities	• The invoices/bills of utilities (Electricity, telephone, water, waste etc.). or cash Payment Voucher
12	House Rent	• Copy of Lease Agreement • Receipt/Deposit Slip of House Rent payment. • TDS Deduction.

13	Salary	• A Payroll Statement. • Timesheet (If Any) • Receipt of bank deposit of salary / Bank Statement.
14	Staff Personnel File	Records in employees' personal files need to be filed and updated. The filing should be comprised with: • recruitment process documents, • appointment letter with Job description, • CVs with testimonials etc. • Leave records Copy of Social Security Documents i.e. citizenship, other legal identification. • Appreciation letter (or doc on disciplinary action) • Other-(Provision of Organizations' personnel policy)

GALLI GALLI

15	Procurement	It is needed to have certain policies to regulate the procurement. • Purchase Requisition – with Services /goods specification, estimation etc • Direct Contracting for goods, works and all kind of services: i. up to NPR 100,000 from single quotation from valid firm/company (no cost estimate is required in the case of goods and services, but required in the case of works) • more than NPR 100,000 up to NPR 500,000 from quotation with at least three listed firm/company (cost estimate is required). • Sealed Quotation: for goods and works for more than NPR 500,000. • Bid/Tender for amount exceeding NPR 2,000,000 for goods and works. • For consulting service: Up to NPR 2,000,000 request for proposal (RFP) with at least 3 to maximum 5 valid consultants from listing. • For more than NPR 2,000,000 short listing from 15-days' notice and then RFP from shortlisted consultants. • Decision Minute with Comparative Analysis • Purchase order to supplier • Authentic invoice/bill/statement • Payment receipt. • Goods Receipt Note. • Goods handover Note – (if it has been distributed to community or stakeholders
16	Financial report	• Financial Report should represent the figures with vouchers, ledger and Trial Balance. Any discrepancy with the books of account will not be valid. • Before submission of the Financial Report to any authority, it should be well prepared, shared in a team and approved by concerned authority. • Monthly Financial reports should consist of the following documents. - Fund Accountability Statement (FAS) - Budget Vs Expenditure. - Bank Reconciliation Statement. - Copy of Bank Statement. - Payable/Receivable Statement (if any) - Assets Register (when required or annually) - Cash Denomination - Trial Balance

GALLI GALLI

5.6 Cash Receipts

An official receipt should be issued whenever a payment is received (irrespective of the reason for payment) to the person paying the money to the office.

5.7 Working Advances

Advances are normally given for:

i. Travel

ii. official procurement of goods, supplies, etc.,

iii. Meeting petty expenses during the conduct of workshops, training courses and meetings and small day to day expenses.

iv. Salary advance

Staff requiring an advance should submit the Advance Request Form mentioning the purpose for the advance.

All advances including those relating to travel for Project visit should be supported by a **Travel Order Form** duly signed by the chairperson or executive director or his/her designates. If an advance is requested by the chairperson himself/herself then it should be approved by the executive board. Travel Advance amounted to more than Rs. 300,000 ($ 2500.00) should be approved by the executive board.

All travel advances should be settled in full within fifteen days of return from travel. Nobody should have more than two advances outstanding at any time

Galli Galli maintains individual advance accounts. These accounts are created as advanced accounts in Accounting Software.

5.8 Salary and Wages

Salaries and wages must be based on documented payrolls approved, in writing. The Administration unit must coordinate with the Finance Unit to supply the relevant information that may be necessary for preparation of the monthly salary sheets. Time sheets must be maintained for each employee whose salary is charged to any Agreement/Grant, and must be completed by the employee, and verified and approved each month to support approved salaries.

Supporting documentation includes but is not limited to: personnel contracts, personnel files, time sheets, payroll sheet, etc. If a timesheet is not submitted on time, the next month's salary will be withheld until submission of the time sheet, or approval of the President upon recommendation of immediate supervisor.

Payment method

Monthly salaries shall be paid normally latest by 2nd of each month based on the English or Nepali calendar month. Festival allowance can be paid three weeks in advance of the start of the festival.

Process – bank transfer

Monthly salaries and benefits shall be paid through one single payment order or cheque to the bank, and deposited into the personal bank accounts of staff. If the staff doesn't have a

GALLI GALLI

bank account in the same bank then another cheque can be issued. This will apply for the stipend of interns. Tax shall be deducted as per the prevailing rules of Nepal government and deposited to the income tax office.

Final *Separation Payment*

When a staff leaves the organization, his/her accounts must be cleared via a **Staff Clearance Claim Form**. This form will be completed and checked by the Finance Coordinator before being forwarded to the Executive Team. Staff will not be entitled to any final payments until this form has been completed and signed.

5.9 Per Diem and Accommodation

All the staff and members of the organization will be provided per diem and accommodation during office related work, field visits.

- If the travel location is within the workstation and does not entail the accommodation, the rate of per diem is Rs. 2,000 per day.

- In case of travel outside of a work-station which requires accommodation is Rs 4000 per day (In case there is no possibility to get PAN Invoice).

- In case of accommodation and food be provided on an actual basis and an invoice (PAN/VAT) must be presented.

- In case accommodation is provided on an actual basis, an invoice must be presented, and Rs. 2000 per diem per day will be provided for food and local expenses.

- International per diem and accommodation will be provided upon the availability of the budget, location and decision of the executive board.

- Advance can be provided for per diem and accommodation or can be reimbursed on the submission of the travel report and other supporting documents.

5.10 Tax Deduction

Taxes should be deducted as per existing rules and regulations of Income Tax Act.

GALLI GALLI

6. GRANT AND SUBGRANT

6.1 GRANT is a financial award made by a funding agency to a grantee to support a project or other work. The grant is usually sought by the grantee through a proposal or application made to a funding or donor agency.

6.2 PROPOSAL is a written document that provides a detailed description of a project's objectives, activities, methods, operating plans and budget. A proposal is sometimes referred to as an application, particularly in cases where the funding agency requests that the proposal be submitted on its own application form.

6.3 APPLICANT is an organization who will manage the project. This may be a small community-based agency, such as a non-profit organization, or it may be a unit within a larger organization such as a department or program.

6.4 HOST AGENCY is an organization that provides the organizational and administrative home plus support to a smaller program that is applying for grants.

6.5 FUNDING AGENCY or **GRANTOR** is the organization that has grant funds to provide.

6.6 SUB-GRANTS

Generally, short listed potential partners are subject to a pre-award assessment review. Galli Galli finance and program team will go through a pre-award assessment exercise in the form of interviews with the potential partners. Results and outcomes are documented and recommendations are taken into account in the final selection.

The objective of the assessment is review of the overall management system/capability of the partner to ensure, as a prime recipient, that the objectives are achieved, and Galli Galli's requirements and donor compliances are met. Specific objectives are as follows:

1. Review and evaluate current and existing operating systems.
2. Testing of overall management, financial capability and experience of the partner,
3. Determine the level of Galli Galli monitoring and oversight needed for strengthening the management system of partners.
4. Determine the training, coaching and mentoring needed for the partners.
5. Facilitate in the selection of the partners.
6. To address audit issues in relation to the partner selection process.

Structure of the Review Team

Structure of pre-award assessment team will be decided by the authority; however, team should include the following:

1. Program Person
2. Finance Person

GALLI GALLI

3. Staff from administration
4. Other staff/E.members as required.

Evaluation Area:

There are a number of areas to be covered during the pre-award assessment survey. During the survey, necessary documents (such as personnel policies, accounting manuals, procedures manuals, copy of the registration, list of the board members, etc.) should be obtained for verifications and attached with the survey. The team should sign over the survey sheets. The evaluation areas will include, but not confine to:

1. Organizational Management
2. Personnel Management
3. Budgeting and financial reporting
4. Accounting Records
5. Bank, Payments and Receipts
6. Fixed asset
7. Procurement

Finance should undertake a financial systems and fiscal management capacity assessment prior to a sub-grant being granted. This is also known as pre-award assessment

Such reviews shall not be carried out for any agencies under the Government of Nepal.

Monitoring

The review will focus on the following:

a. Report received on time
b. Report is accurate, complete and signed
c. No mathematical errors found
d. Cumulative expenses equal this period expenses plus previous period cumulative expenditures
e. Cumulative advances and unused balances match with our records
f. The level of advance is reasonable and if not recommend adjustment
g. Match if required is reported on as part of the finance report
h. Expenditures are fair and reflect program activities (the report to be shared and confirmed by the program staff in writing).

a. ***conducting review of reimbursements***: Finance staff should review the Partner's reports of expenditures to ensure whether:

i. expenses are allowable and auditable,
ii. expenditures are in line with budget,
iii. financial and programmatic reporting are consistent, where required finance staff should seek clarification and corrective action from the subgrantee.

b. ***administering Partner audits*** After receiving a grant, partners, if required by the donor, are audited according to the terms and conditions of the original grant and donor funds summary. Those who are not required to undergo an audit go through a periodic desk top review conducted by the finance team, as part of the regular visits mentioned above.

GALLI GALLI

Sub-grant close out

At the end of the sub-grant there are a number of steps required before the grant can be formally closed out. Closing out of sub-grant is the final step in sub-grant management which helps Galli Galli to ensure as the sub-agreement is completed and all required documents have been received at Galli Galli, approved and filed. The finance team should ensure the following:

i. all required financial reports have been submitted, reviewed, approved and filed;
ii. the final narrative/ programmatic report has been received and accepted before any final payments are made;
iii. all funds due to the partner have been paid and recorded;
iv. any funds due back from the partner have been received and recorded;
v. assets held by the partner have been treated appropriately - depending on the terms of the sub-agreement and donor requirements then assets may need either to be returned to Galli Galli or to remain with/ be formally transferred to the partner;
vi. Galli Galli has a copy of the audit report on file if an audit of the partner was required under the sub-grant agreement.
vii. Complete the sub-grant close out checklist and verify as all the requirements of the sub agreement have been met.

Sub-grant document file

Galli Galli should maintain complete records and documentation of sub-grant records. Galli Galli should open a separate file for each signed sub-grant. The files should contain the following folders:

Proposal folder:

1. Final sub-grant proposal including narrative, implementation plan and detailed budget breakdown.
2. Signed sub-grant review and selection form, including programmatic review report and financial and management review report
3. Signed pre-award assessment survey form

Sub-grant agreement folder:

1. Signed sub-grant agreement
2. Signed amendments/modifications.

Reports folder:

1. Monthly/quarterly/semiannual/annual narrative and financial reports
2. Special reports
3. Audit and evaluation report
4. Meetings reports/ notes
5. Galli Galli monitoring reports such as site visits

GALLI GALLI

Finance folder:

1. Monthly request for advance report
2. Approval and payment authorization

Correspondence folder:

1. Letters, e-mails and faxes between Galli Galli and the sub-grantee
2. Annual implementation plans
3. Requests for special approvals

Close out folder:

1. Signed close-out sheet
2. Final report
3. Capital assets list and disposition plan
4. Latest external audit report

6.7 Financial Record

The Grant contract is the base for all the transactions and activities. Hence, all the activities and transactions need to be compliant with the contract itself.

For financial record keeping, we encourage creating separate bank accounts for projects. Financial records must be accurate and up-to-date.

6.8 Reports

The reporting will be submitted as per the donor's requirement. However, regular updates must be communicated through mail whenever possible (at least once a month) to the donor.

The program team will update the finance team in every step that requires the use of the budget to ensure that the budget is being used as per the contract.

6.9 Audit Compliance

All the financial records need to be audited by the qualified external auditor registered under Institute of Chartered Certified Accountants (ICAN), a member of IFAC.

6.10 Sub grant -overhead

The overhead cost to be allocated in a range of 5%-10% depending upon the nature of the project.

GALLI GALLI

7. AUDITING

The External Auditor will be appointed by the Annual General Meeting or Annual General Meeting with reference to the Executive Committee itself. But the Internal Auditor can be appointed by the Executive Committee if needed.

All the books of accounts and necessary documents should be ready before the arrival of the auditor. Guidelines to ensure all necessary documents are prepared before the arrival of the auditor are given below.

7.1.Audit preparation checklist

i.Obtain Bank statements, Bank reconciliation and Bank balance certificate at the year-end from the bank.

ii.Count the Petty Cash and obtain signatures on the cash book.

iii.Check the fixed asset register

iv.Check that insurance for office equipment and other have adequate cover

v.Check payroll sheet and income tax deduction.

vi. Check the personnel files and leave records updated.

7.2 Rights of the Auditor:

The auditor has every right to look at any documents of the organization including the minutes of the Board meeting and Annual General meeting, minutes of any official meeting and any official correspondences.

7.3 Responsibility at the time of audit:

Every staff member of the Galli Galli is responsible to ensure that the auditor is given appropriate support as required and explanation of the auditor's queries. The Financial Personnel will coordinate this and is responsible to ensure and support the auditor to carry out his duties smoothly.

Auditor Terms of Reference

i. Books of Accounts

The auditors should perform a review and examination of all the books of accounts maintained in the Galli Galli office. These books of accounts include all the bank books, the staff's payroll sheet. Special attention should be paid to the Advance account and any other loan or liability accounts if any.

ii. Guidelines

The auditors should familiarize themselves with the Galli Galli's Financial guidelines and Procedure. They should also obtain a copy of these policies. They should ascertain that these guidelines have been followed, and make suggestions for the improvement of Galli Galli

GALLI GALLI

procedures.

iii. Budget Monitoring

The auditors should review the Galli Galli's financing budgets of both Project and Office itself. They should ascertain that the Galli Galli is monitoring expenses according to the budgets expressed in the Financial Budget sheet.

iv. Expenses

The auditors should verify expenses incurred in Galli Galli office and its Project cost, and see that they are supported by proper documentary evidence.

v. Accounts to Balance

The auditors should verify that Galli Galli's books balance. They should verify that all funds received from donor agencies have been represented in the Galli Galli's accounts.

vi. Taxes

The auditors should review that all taxes and levies, properly due to the Nepal Government, have been paid. This includes staff income tax and rent tax. The auditors must submit a draft report to the Galli Galli office on the date indicated in the contract. This report must address all the points of the TOR above. The Budget holder, Finance Coordinator and Executive Committee will review and clarify any outstanding issues within two working week of receiving the draft. Thereafter the auditors will have two working weeks to finalise their report. The Galli Galli office reserves the right to inflict penalties if either the draft report, or the final report, or both, are submitted late. While verbal comments are appreciated, they do not take the place of written reports.

GALLI GALLI

8. PROVISION OF REVIEW AND AMENDMENT FINANCIAL GUIDELINES

There will be the provision of review and amendment to this document based on the following:

i. Feedback received from the staff, Executive team, auditors, donors, etc. ii. New requirements of donors or identified changes in legal compliance.

The following will be the implementation process for regulation or policy amendment or revision:

i. Immediate circulation of a memo of official change to the document

ii. Orientation of concerned Staff through this memo and review in Staff meetings and Executive team meeting

iii. An updated version of this document may be published each year in AGM if significant changes or amendments have been made in the past year, or, as and when required and authorized by the Executive team.

9. APPLICATION AND LEGALITY OF THIS DOCUMENT:

This document has been duly approved by AGM and the regulations contained in it are binding for all staffs and projects, indicated by the signature of the Executive team. Officers and employees of the organization may not be paid for consulting services in addition.

GALLI GALLI