



**MAHBOBA'S  
PROMISE**

An Australian Aid Organisation

# Finance Policy

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### 7.1 Basis of Accounting

## Policy

*Day to day operation and activity of the organisation is recorded in cash basis complying with International Accounting Standard Board (IASB).*

*Cash Basis is the method of accounting applied where by the revenues and expenses are recorded when actual money is spent from account and cash money is received except for the expenses that are accrual in nature.*

*Accounting information and statement are translated in pursuant with Australian Council for International Development (ACFID).*

*Book of accounts is maintained in double entry bookkeeping system whereby all the entries are balanced.*

*Chart of accounts and Jobs are created in MYOB to accurately capture the revenue and expenses related to different areas of projects and administration.*

*Consistency and accuracy is maintained at all times to ensure the correct revenue or expenditure accounts or the relevant project accounts are debited or credited with revenue and expenses.*

## Procedure:

- *Throughout the month "Mahboba's Promise" receives donations via cash, direct banking, paypal and cheques.*
- *Expenses are paid via BPay, direct transfers, cheques, credit card and petty cash.*
- *Donations are recorded in File Maker on date received.*
- *Expenses are recorded in MYOB on date of payment*
- *Monthly accounts are generated within 30 days of the close of the month.*
- *Finalisation of year end (30<sup>th</sup> June) accounts are completed in conjunction with the audit.*

*(See: Revenue recognition procedure and expenditure procedure)*

### **7.1.2 Journal Entries**

#### Policy

Necessary journal entries are processed by the Accounts Assistant with the approval of the Treasurer.

Year end journal entries are processed as per advice from the auditors.

### **7.1.3 Bank Reconciliations**

#### Policy

*All bank accounts are reconciled each month. Bank reconciliations are reviewed monthly by the Treasurer.*

**7.1.3 (a)** *Accounts Assistant or person authorised by the Treasurer shall be responsible to conduct the procedure. The person performing bank reconciliation is assumed to have full knowledge of Mahboba's Promise transactions and have sound accounting knowledge.*

**Procedure**

- *All the bank statements are downloaded from the bank accounts and traced to supporting vouchers (ie invoices, bills and receipts being filemaker report for revenue.*
- *All bank accounts are reconciled in MYOB*
- *The bank statements are reviewed to match with actual occurrences of transactions namely for payments.*
- *Supporting documents are checked and verified*
- *The Treasurer reviews and approves the bank reconciliations.*
- *(See PRC0011)*

**7.1.4 Close of Books at Month End**

*Policy*

*Close of books at month end will provide accurate financial information.*

**Procedure**

- *All receipts and payments are accurately recorded in the accounting system (MYOB)*
- *Reconcile each bank account in accordance with clause 1.3*
- *Reconcile Petty cash*
- *Interest earned, dividend earned and any fees applied are to be recorded accordingly.*
- *All depreciable assets are recorded in assets register and agreed with books of accounts*
- *Impairment and disposal of Assets are accounted at the end of each month*
- *Any prepaid expenses for the ongoing services or benefits are recorded as pre-paid assets*
- *Contributions or grants that have been restricted by the donor for a particular purpose or for a future time period must be accounted for separately from the unrestricted operating activities.*
- *All payments should be in accordance with the specific instructions of the Donor and in line with approved Budgets.*
- *Financial reports are presented to the Management Committee on a regular basis for adoption.*

**7.1.5 Recordkeeping**

*Policy*

*For taxation purpose the records shall be maintained for 5years and general accounting and wage related documents shall be maintained for at least 7 years. In case of litigation, records shall be preserved for an unlimited time. Any documents presented to a third party or relevant stakeholders are stored for 7 years.*

*7.1.5 (a) The Operations Manager has overall responsibility for the storage and maintenance of records.*

*Procedure*

- Both soft and hard copies of documents are extracted in a timely manner and stored. Soft copies are stored on the server and hard copies are filed in the relevant folders.*

Internal Controls .....7.2

**7.2.1 Lines of Authority**

*Policy*

*To safeguard the financial transparency, integrity, and ensure financial transaction are properly authorized , allocated, executed and recorded Mahboba’s Promise shall follow the lines of authority appointed by the Management Committee. The board members shall also authorise and review any financial policy. To carry out an accounting function this line of authority shall be followed unless advised*

*Procedure*

- Expenditure incurred in the office is approved by the Operations Manager and one other signatory to the bank account.*
- Annual budget is prepared in accordance with the budgeting policy and procedure 3.1 and authorised by the Treasurer and the Management Committee members*
- The Accounts Assistant, Treasurer, and the Operations Manager develop the fiscal policies while only Treasurer and the Management Committee have the authority to change the policy and take decisions to revise the policy once in two years.*

**7.2.2 Conflict of Interest**

*Policy*

*Every member of Mahboba’s Promise including board members are expected to use good judgement of ethical practice and apply maximum standard to separate the potential cause for any conflict of interest. There shall be no indirect financial benefit to any employee or board member and they shall disclose any conflict of interest between their own affairs and the affairs of MP. Any fact or potential collusion between professional and personal interest shall be avoided to maintain the independent nature of the organisation (Also, refer MP Code of conduct)*

*Procedure*

- *Before hiring staff or volunteers or appointing any additional board members, written disclosure or statement to avoid conflict of interest is signed. The signed document is witnessed and approved by the hiring officer.*
- *Employees or board of directors must disclose any interests in a proposed transaction or decision that may create a conflict of interest. After disclosure, the employee or board member will not be permitted to participate in the transaction or decision.*

### **7.2.3 Segregation of Duties**

#### *Policy*

*Separation of duties is imposed in finance to ensure and safeguard from any fraud or internal control errors. The financial responsibilities of Mahboba's Promise should be clearly distributed to multiple people consisting of the Treasurer and the Bookkeeper.*

*The positions and duties shall be reviewed by the Operations Manager to increase efficiency and other changing circumstances.*

#### *Procedure*

- *The Treasurer is the head of the finance team responsible for major financial decisions and is responsible for preparing annual financial reports*
- *The Bookkeeper is responsible for the preparation and completion of financial transactions (income and expenditure), journal entries and credit card data entry in MYOB, and generates the relevant reports for end of month reporting (bank reconciliations, petty cash reconciliations, income and expenditure reports, balance sheet and annual leave reports).*
- *Cheques are always signed by two signatories*
- *The office staff and volunteers process the donation income in File Maker.*
- *The Treasurer is responsible for preparing the quarterly Profit and Loss, Balance Sheet and Cash Flow statement for authorisation by the Management Committee.*

### **7.2.4 Security of Assets**

#### *Policy*

*Mahboba's Promise shall always maintain security of its assets to ensure that only authorized Mahboba's Promise staff may access the bank accounts, financial information and other valuable property.*

#### *Procedure*

- *Cheque books are securely held in the premises in a locked drawer with the Operations Manager or authorised staff to access it.*
- *Petty cash is kept in a locked drawer and is only managed by authorized staff.*
- *All accounting software have separate access passwords. Administrator/IT and Finance have access. Physical material (paper, discs and files) are stored in the office area.*

## **Financial Planning & Reporting .....7.3**

### **7.3.1 Budgeting Process**

## Policy

*Budgets are compiled and completed in two parts based on the Australian and Afghanistan offices. Australian budgets are prepared in AU dollars and Kabul budgets are prepared in US dollars.*

*Both the budgets are determined upon existing and upcoming project commitments. Mahboba's Promise should prepare revised actual forecast (RAF) every quarter to revise annual budget and compare with budgets for the year. Any variances shall be investigated and substantiated with explanation or documentation.*

## Procedure

- *Kabul fund requirements are prepared by the General Manager in Kabul in consultation with the finance team depending on project requirements and details are forwarded to the Sydney office.*
- *Sydney office will determine the finance budget allocations depending on availability of funds and project priorities by the Management Committee*
- *Due to fluctuations between the US dollar and the Australian Dollar a conservative estimated budgeted exchange rate will be used for the calculation of the Kabul budget in Australian dollars.*
- *Budgets are prepared using zero based budgeting technique generally comprising Sydney rent, wages and related overheads and other office cost.*
- *Management Committee will approve budget for a financial year.*
- *Following the approval of the budget any commitment outside the budget would require approval of Management Committee*

### **7.3.2 Project Budget**

*Project budgets are prepared by Kabul office and audited every year. Project means the development work carried out in Afghanistan i.e. schools, Hope House, Permaculture etc. Monthly Kabul funding will be remitted in accordance with budget complying to the company remittance policy using current and correct exchange rate. Any payments made by Kabul office are recorded under related project expenses.*

### **7.3.3 Financial Reports Audit**

Internal financial reports such as Income and Expenditure statements, Cash projections and Balance Sheet are produced every quarter and at the end of the financial year accounts are audited by an independent external auditor, Nexia Court & Co

### **7.3.4 Tax Compliance**

*Mahboba's Promise is charitable organisation and endorsed for tax purposes a DGR status and claim the following tax concessions by the Australian Tax office*

- Income tax exemption*
- FBT Rebate ( As a rebatable employer the FBT liability is reduced by rebate equal to 48% of the gross FBT payable)*

### 7.3.4 Quarterly/Annual Payroll Reports

Revenue & Accounts Receivable.....7.4

#### 7.4.1 Revenue Recognition

#### 7.4.2 Cash Receipts Deposits

Expense & Accounts payable .....7.5

#### 7.5.1 Payroll Time Sheet Preparation & Approval

*Wages for all the employees shall be approved by the Management Committee.  
A contract letter outlining the agreed terms and conditions of employment is signed by the employee.*

*With effect from June 2013, wages of all the employees and allowance paid to volunteers will be processed in the middle of each month and there shall not be any weekly payment runs in the month.*

*The monthly payroll calculations will be checked and approved by the Operations Manager or the Treasurer before the wages payments are made.*

*Mahboba's Promise shall retain all the related documents and vouchers including Employment Contracts for a period of 7 years minimum. If there are any disputes then they should be kept indefinitely.*

*Wages and salaries for Afghanistan is remitted in accordance with the budget allocated and are included in the MPA budget.*

*Mahboba's Promise Afghanistan shall confirm our remittance in USD and record the amount spent as per budget in their books..*

#### 5.1 Payroll Additions, Deletions, and Changes

*Any addition, deletion and changes to the payroll are to be authorised by the Treasurer or Operations Manager via employment contracts or e-mail.*

#### 5.2 Payroll Preparation & Approval

*Time sheets are submitted by paid casual staff and volunteers and approved by the Operations Manager or Treasurer prior to payment*

*The wages for staff and allowances paid to volunteers shall be paid based on the hours reflected in the time sheets as approved by the Office Manager or Treasurer and in accordance with employment contracts (for paid staff)..*

#### 5.3 Pay Upon Termination

*In compliance with the HR policy and terms and condition agreed upon by Fair Work Australia.*



## 5.4 Purchases & Procurement Independent Contractors Invoice Approval & Processing

## 5.5 Payment Procedure

### 5.6.1 Signatories

- *President*
- *Treasurer*
- *Operations Manager*
- *Bookkeeper*

*Commitments and payments up to \$5000 to be authorised by any two of the signatories. Any Commitments over \$5000 or more requires consent of Treasurer or President.*

## 7.5 Petty Cash Employee Expense Reimbursements

### *Policy*

*Petty cash is used for purchasing office amenities and expenses incurred by office staff or official purpose not exceeding \$250. In case of any expenses incurred by staff for official purpose it is to be reimbursed through petty cash fund after producing proof of purchase. Office Manager is authorised to buy office amenities with petty cash for the value of not more than \$250 which has to be substantiated with invoices.*

### *Procedure*

- *The petty cash custodian will be transferred \$250 from the bank to be kept in petty cash drawer.*
- *When cash is used a record must be entered in individual petty cash spread sheet and receipts for all the purchase are kept in the petty cash file.*
- *When petty cash is low the custodian submits a petty cash cheque request to the Operations Manager and a copy of the cheque is recorded to petty cash in MYOB*
- *Petty Cash book of accounts is maintained in MYOB*
- *It is custodian responsibility to check the cash balances and record keeping related to petty cash fund*

### **7.5.7 Travel Expenses**

#### *Policy*

*Travel expenses shall be approved by Operations Manager if allocated and payment approved and released by any two signatories. Any known travel expenses incurred by staff or volunteer for MP shall be reimbursed within approval procedure.*

*International travel is subject to pre-approval of the Management Committee. Travel should be in relation to the operations of Mahboba's Promise. Any travel with no direct relation to Mahboba's Promise shall not be reimbursed by MP.*

#### *Procedure*

- *Management committee should be made aware of the travel requirements and fully understand the purpose of travel and approximate costs.*
- *Mahboba's Promise would pay reasonable costs for air ticket and accommodation required during the stay, travelling to the destination and daily allowances.*
- *Due care is practised to allocate the travel relating to any specific cost centre.*
- *Invoices to be provided for payments. Operations Manager/ Treasurer to approve.*

## **7.5.8 Credit Cards**

### **Policy**

*Credit card for MP shall only be used by authorised signatories for the purpose of the organisation. The card will only be used for those activities that are a direct consequence of the cardholders' function within the organisation.*

*Where coincident and/or private expenditure occurs on the same transaction (where, for example, a person incurs a debt for personal telephone calls during a hotel stay) the cardholder must settle the private expense prior to charging the balance on the organisational card.*

*Where doubt exists as to whether or not an item is function-related, prior authorisation should be obtained from the management committee*

*The use of the corporate card for "services of a dubious nature" is expressly prohibited. "Services of a dubious nature" are defined as any goods or services that might bring the name of the organisation into disrepute.*

### **Procedure**

- *Credit card transactions are reviewed by the Bookkeeper and Treasurer.*
- *Any transactions more than \$1000 or being suspicious in nature are reported to the Treasurer or Operations Manager.*
- *The credit card is reconciled on a monthly basis. Any expenses of a personal nature are correctly recorded in MYOB in the relevant debtor accounts and a request for reimbursement is made by MP.*
- *The credit card is paid on a monthly basis upon reconciliation.*

### **7.5.8a Card Misconduct**

Wherever a breach in this policy occurs, the management committee must assess the nature of the breach and, if significant, report the breach to the police for criminal investigation or, if lesser in nature, institute an appropriate disciplinary process:

- In the first instance, counselling and or verbal warning (and diary or file note created);
- in the second instance, a written warning;

- in the third instance, or if the dollar amount is greater than \$1000, the card is to be immediately withdrawn.

At the next Finance Committee meeting the Treasurer shall report:

- the investigation of the circumstances of the breach
- police reports and action (if any)
- disciplinary action taken (if any)

### **7.5.6 Expense Allocations**

#### **Asset Management .....7.6**

7.6.1 Cash Management and Investments

Assets register is being managed

7.6.2 Depreciation

Prepared By Finance Team