



Financial Management Policy and Procedures

Organization for Promotion of Health and Community Development

OPHCD



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Forwards

Dear Colleagues,

This document contains some basic advice for all OPHCD staff to help better understand the financial procedures that need to be followed. In NGO sector under increased scrutiny, we are expected to have clear guidelines that ensure the funds are operating efficiently to meet its objectives.

Nearly every transaction we enter into has a financial dimension. From commencing operations in a new location till we close down, we have financial issues that need attention. We may be doing the best work in the world but without proper records, especially financial records, we will fail to justify the work we have carried out.

Whether it is opening a new bank account or keeping some petty cash, we will need to have some rules that govern our transactions. If we fail to follow the guidance prescribed, we will have a chaotic situation where managers will be unable to perform their financial responsibilities and perhaps proper accounts and records will not be produced.

Many colleagues in the organization will be happy to see this document, as it will help them in their day-to-day work. We hope you will keep us informed through feedback to ensure that this document is constantly updated and improved.

The manual only deals with the policies and procedures regarding financial matters and does not cover all activities of OPHCD.

I hope this document will enable OPHCD to achieve its objectives efficiently and effectively. It will also help the management to smoothly perform their roles and responsibilities.

Please forward your suggestions to General Director of OPHCD.

Muhammad Aziz Paewaston
General Director
OPHCD

a. About the OPHCD.

b. Introduction and legal status

Organization for Promotion of Health & Community Development (OPHCD) is a non-government, non-profit, non-political, impartial and independent organization registered with:

- the NGOs Department of the Ministry of Economy of the Government of Islamic Republic of Afghanistan with license No 4160
- the Ministry of Public Health of the Government of Islamic Republic of Afghanistan with the registration No 1316

The organization established to serve the community and advocate for better coordinating and directing the available resources and activities for provision of quality services to the communities with an equitable manner. OPHCD, as a non-governmental organization committed for a joint mission with having dedicated and expert staff in public health, Water Sanitation and Hygiene, education, community development as well as volunteers who have been working in technical and managerial positions with national and international NGOs since more than one and half decade.

The members of the Board of Directors, senior Management Team (SMT) as well as the volunteers of the organization having appropriate experience, dedication and voluntarism which is a professional contribution to the health, education and development sector for achieving of more sustainable results. The core staff of OPHCD have more than one and half decade of successful experience of being directly involved in **developing** different policies and strategies as well as **designing** and **implementation** of projects in the areas of health, WASH, education and community development sectors such as; Primary Health care (PHC), Basic Package of Health Services (BPHS), Essential Package of Health Services (EPHS), Water & Sanitation and Hygiene, Primary education and Literacy programs, youth awareness and development, Public Nutrition, emergency preparedness and response and disaster risk reduction, trainings and coordination of different humanitarian Aids. Furthermore, the SMT and core Technical, Administration and Finance staff of the organization have up to date knowledge and rich experience of Grant Management, Project Management as well as conducting professional tasks of supportive Supervision, Monitoring, Evaluation, and Researches.

Likewise, developing and on-time reporting (monthly, quarterly, annual, end of project and ad-hoc reports) to the donors and stakeholders, presenting the results of the aforementioned programs at the community, organizational, national and international levels are the expertise of the organization's technical and administrative staff.

Vision

An empowered society with sustainable and self-reliance health, social and economic stability at the community level.

Mission Statement

OPHCD, as a non-governmental organization is striving for well-being of the society with promotion of health and sustainable development of the communities through advocating for better coordinating and directing the national policies and strategies as well as available resources and activities for provision of quality health, educational, social safety, human right and social welfare, economic, environmental and development services to the communities with the focus on the women and children, drugs users, IDPs and other marginalized group of the society with an equitable manner.

1. Why do we need the OPHCD Financial Management Policy and Procedures?

1.1.1 Financial management system (FMS) is the backbone of a vibrant and well managed organization. Strong FMS ensures efficient and effective functioning of the organization and of the projects managed by it.

1.1.1 A strong Financial Management System (FMS) is the backbone of OPHCD. It ensures smooth operations and effective management of all projects.

1.1.2 An effective Financial Management System (FMS) facilitates transparency and accountability; while enabling the organization to remain focused on achieving its vision and mission **1.1.2** An effective FMS promotes transparency and accountability, helping the organization stay focused on its vision and mission.

1.1.3 Therefore, it is essential that OPHCD's financial policies, procedures, and protocols are clearly documented, and that all staff are trained to follow them consistently.

Policy Statement:

OPHCD is committed to maintaining a sound Financial Management System that ensures transparency, accountability, and efficiency in all financial transactions and system.

1.2 For whom is the Financial Manual intended?

1.2.1 "This Financial Manual is intended for the Board Members, Senior Management/staff, and the Finance Department of OPHCD. It serves as an authoritative guideline to ensure the efficient, effective, transparent, and accountable management of finances, grants, and budgets within the organization." In short, this FMS Manual is a blue print of the approach, process, procedure and guidelines for managing financial operations within OPHCD.

1.2.2 "This manual is also intended for OPHCD employees and consultants, who are required to adhere to the guidelines governing travel authorization, report submission, budget planning, and forecasting within their respective departments."

1.2.3 Finally this manual is meant for existing donors who support OPHCD's work and also potential donors to demonstrate that OPHCD operations are based on well-defined systems and procedures.

1.3 Amending the FM manual

1.3.1 The OPHCD FMS Manual is a flexible financial management framework and will be reviewed and updated at least every three years to ensure it remains relevant to the changing needs of OPHCD.

1.3.2 Amendments coming into force:

- a. Any amendment to this manual shall come into force only through an appropriate written communication to all staff and consultants from the Board members.
- b. The date of such communication shall be considered as the effective date from which the amendment shall come into force.

- c. Once the amendment(s) come into force, the Hed of finance shall ensure that the soft and hard copies of the earlier versions of this manual are no longer accessible and they are replaced with the latest version. This is to avoid confusion.

2. Key features of OPHCD's financial management practices.

2.1 Accounting policies and nature of accounting

Principles

2.1.1

OPHCD must always follow the financial and accounting system in this manual.

2.1.2 All financial transactions shall be supported by sufficient, formal and written documents containing a complete and accurate description of all transactions and their authorizations.

2.1.3 All financial transactions and operations shall be recorded in accounting software QuickBooks in conformity with generally accepted accounting principles (GAAP).

2.1.4 All personnel responsible for OPHCD financial management and accounting must understand and comply with this manual.

2.1.5 Fiscal Year: OPHCD shall adhere to the Western fiscal year, which runs from January through December.

Purpose: The purpose of this policy is to ensure effective management of working capital to maintain sufficient liquidity, operational efficiency, and financial stability for the organization.

Scope: This policy applies to all departments and personnel involved in financial planning, budgeting, and operations within the NGO.

Objective:

- To ensure adequate liquidity to meet operational and project-related expenses.
- To manage cash flow efficiently to avoid financial crises.
- To maintain a balance between income and expenses.
- To enhance the financial sustainability of the NGO.

Responsibilities

- **Head of Finance:** Overall responsibility for managing working capital and ensuring compliance with policies.
- **Finance Department:** Day-to-day management of cash flow, monitoring receivables and payables, and reporting on working capital status.
- **Program Managers/Project Managers:** Budget planning and monitoring project-related expenses, ensuring Inventories.
- **General Director:** Ensures applying for funding opportunities, Make follow up of cash flow, receivables and payables, oversees short-term financing, develops forecasts, and communicates with stakeholders to support the organization's financial health.

2.1.5.2 Working Capital Component:

- Cash and Cash Equivalents: Maintain sufficient cash reserves to meet short-term obligations.
- Receivables: Ensure timely collection of grants, funds, donations, and other receivables.
- Payables: Manage payables efficiently to avoid late payment penalties and maintain good relationships with suppliers.
- Asset and Inventory: Maintain optimal Asset and inventory to support project needs without overstocking.

2.1.5.3 Receivable Management:

- Account Manager Ensure all receivables are recorded accurately in Accounting System.
- Communication with donors should be made by Finance Director to collect the receivables.
- Grant and Donation Tracking: Monitor and follow up on outstanding grants and donations to ensure timely collection.
- Credit Terms: Establish clear credit terms (Cash Receipt Schedule) with donors and partners to avoid delays in funding and cash Receipt.

2.1.5.4 Payable Management:

- In order to have a clear view from a specific project budget and have control on project budget, the expenses made so far and the remaining budget for the future months of the project, the outstanding payments of the project due to any reason such as Salaries, Office rent, vehicle rents, and other type of expenses, must be recorded on monthly bases.
- Cashier, Finance officer, Finance Manager, Finance Head, HR Manager and Logistic Manager in Coordination should prepare the list of Accrual or payable that OPHCD is liable to pay by that Date.
- The General Journal-Accrual Register must be reported to Account department at the end of the month along with Monthly Accounting Report that includes the closed Bank books and Cash book with all supporting documentation for the transactions recorded.
- The Account department must record these in accounting systems in in General Journal.
- Account Payables must also be regularly followed up and the register on monthly basis to be updated and be part of the monthly accounting report.

2.1.6 Financial Management Policies and Guidelines:

Accounting policies and donor guidelines shall determine the recognition of assets, liabilities, income, and expenditure, ensuring uniformity and consistency.

2.1.7 Accounting shall be maintained on an accrual basis, however, due to donor regulations, cash basis accounting may also be applied where required.

2.1.8 Budgeting and accounting shall be project-wise, with separate books maintained. Cost sharing and common allocations must be properly recorded and tracked.

2.1.9 Records shall be maintained electronically using QuickBooks with adequate supporting documents.

Multi-Currencies

- Local currency will be AFN.
- Reports can be generated in multiple currencies.
- One currency must be selected as the reporting currency/consider the donor requirement.

OPHCD uses Afghani, US Dollar, Euro, and other currency may be used if required.

Multi-User Environment

- Supports multiple users working simultaneously.
- Current OPHCD version allows secure multi-user access.

2.1.10 Assets acquired under a project and fully funded shall be valued at cost. Cost includes purchase price, transport, installation, and all other expenses incurred prior to the asset's first use.

2.1.11 All assets shall be presented in the project balance sheet at full acquisition cost. For donor reporting, assets are shown at cost without deduction for depreciation. For statutory or consolidated accounts, depreciation may be applied in accordance with GAAP.

2.1.12 No depreciation shall be charged on fixed assets in project financial statements prepared for donors.

2.1.13 Depreciation is not provided in donor project accounts because:

- a. Project funding is intended to cover asset replacement when required.
- b. Donors generally do not release funds for depreciation expenses.
- c. Projects are non-revenue generating, and therefore no revenue exists to offset depreciation charges.

2.1.14 All expenses must follow a pre-approved project plan and have prior written authorization. Documentation of approvals shall be retained for audit and donor verification purposes.

2.2.1 Accountancy /Data Management Protocol

There will be one computer designated as the main QuickBooks server, dedicated solely to ensuring the safety and integrity of QuickBooks data. This server must be placed in a secure room and managed by authorized person, where only authorized personnel are permitted entry, thereby safeguarding sensitive financial information from unauthorized use or tampering.

The accountant will handle the data entry into QuickBooks, while the Head of Finance will carefully cross-check each entry, correct any errors found, and then generate accurate financial reports to be presented to management for review and decision.

In QuickBooks, if an error occurs in financial records, only the **Head of Finance** authorized to correct it. This control ensures accuracy, prevents unauthorized changes, and maintains accountability in the accounting system. By limiting correction rights to the finance head, the organization protects against mistakes or fraud, and every adjustment is properly documented and approved.

Even though a dedicated computer will serve as the QuickBooks server, it is essential to establish a timely backup system to protect financial data against hardware failure, corruption, or accidental loss. Regular automated backups should be scheduled at least quarterly stored securely in an offsite or cloud-based location, and monitored to ensure they complete successfully.

This layered approach ensures that even if the main server encounters issues, the organization can quickly restore accurate records without disruption.

2.2.2 Accounting Software

2.2.3 Introduction

QuickBooks is adopted as the official accounting software for recording, tracking, and managing all financial transactions. As a double-entry system, QuickBooks ensures accuracy, transparency, and efficiency in bookkeeping. It supports daily operations, monthly reporting, and financial control, reducing manual errors and saving time. Maintaining accurate books of accounts is essential to demonstrate accountability, comply with financial standards, and build trust with stakeholders.

2.2.4 QuickBooks Usage Guide

Daily financial transactions must be recorded promptly to ensure real-time accuracy. All payments and receipts are supported by approved vouchers, with proper documentation attached. Petty cash transactions are documented in the petty cash book according to the approved expense matrix, ensuring that small expenditures are controlled and justified.

The cash and bank book capture all inflows and outflows, ensuring that both cash and bank transactions are properly tracked. These daily entries form the foundation of reliable monthly reporting.

2.2.5 Monthly Tasks

At the end of each month, financial staff prepare key reports to monitor performance and ensure accountability. The bank reconciliation statement ensures that internal records match bank statements, identifying any discrepancies. Ledgers summarize transactions by account category, while the trial balance confirms that debit and credit balances are equal.

The income and expenditure account provides a monthly snapshot of financial performance, supporting management decision-making.

2.2.6 Core Books of Accounts

The three core books of accounts maintained in QuickBooks are the bank book, cash book, and general ledger. The bank book records all deposits, withdrawals, and transfers. The cash book captures routine daily expenses aligned with approved spending limits.

The general ledger consolidates all accounts, providing a comprehensive view of the financial position. In addition, vouchers, petty cash records, reconciliation statements, ledgers, and trial balances are maintained to ensure completeness and accuracy.

2.2.7 Recording Standards

All transactions must be entered into QuickBooks on the same day they occur, with supporting documents such as receipts, invoices, and approvals attached digitally where possible. No transaction shall be recorded without proper authorization.

2.2.8 Review and Approval

Entries are reviewed by the Accountancy Officer and reports are verified by the Head of Finance.

2.2.9 Compliance and Audit

Books of accounts must comply with Generally Accepted Accounting Principles (GAAP) and applicable financial guidelines. Records are retained for at least ten years to meet audit and regulatory requirements. *Internal audits are conducted quarterly*, while external audits are performed annually to provide independent assurance to stakeholders.

2.2.10 Security and Access

Access to QuickBooks is restricted by role, with data entry, review, and approval rights assigned appropriately. Passwords must be updated on timely bases, and backups of financial data are maintained on secure servers to safeguard information.

2.2.11 Reporting and Accountability

Reporting is structured to ensure transparency and accountability. Monthly reports include the trial balance, income and expenditure account, and reconciliation statements, which are submitted to management for review. Quarterly reports consolidate financial statements for board oversight. Annual reports present audited financial statements to stakeholders and regulatory authorities. This reporting cycle ensures that financial information is accurate, timely, and aligned with organizational requirements.

Finance department shall maintain the following registers to record financial transactions and their related information:

- a. Salary Sheet
- b. Advance register
- c. Cheque book issue registers

2.2.12 Cash/bank book: Cash/bank book is the primary book of accounts which bears records of all cash and bank transactions will be maintained on daily basis in QuickBooks.

2.2.13 Petty cash/ book

The petty cash account shall be maintained and operated by the Finance Assistant under the guidance and supervision of the Head of Finance. Petty cash is intended to meet emergency and minor day-to-day expenses of the main office and field offices.

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Petty cash requisition form shall be approved by the Head Finance Manager and General Director.

Once approved by the Head of Finance, the Finance Assistant shall prepare cheque, get signatures of relevant authorized signatories and withdraw the money from the bank.

Withdrawal:

On withdrawal of cash from the bank, the Finance Assistant shall prepare a received voucher and secure authorization per approved matrix. all cash received /withdrawal should be recorded in the bank book as well as QuickBooks.

Security:

For carrying cash from the bank, official vehicle shall always be used. In case official vehicle is not available appropriate secure alternate travel arrangement shall be made by the Finance Manager.

Custody:

Petty cash shall be maintained securely by the Finance & Accounts Assistant. The custodian is responsible for ensuring the safekeeping of funds and maintaining accurate records of all petty cash transactions. Any discrepancies, deviations, or unaccounted balances that cannot be identified or reconciled shall be the sole responsibility of the custodian.

Replenishment:

Requisitioning for replenishing the petty cash account shall be placed on timely need.

2.2.14 General ledger

2.2.15 General ledger is the control book where all transactions (cash items and non-cash items) are entered duly classified and summarized according to the heads of account for easy preparation of financial statements.

2.2.16 After recording transactions in different subsidiary books (or books of original entry) it is necessary to process the entries further and recast them so that all transactions of a kind for the entire period are brought together.

2.2.17 All transactions recorded in cash/bank book and journals supported by vouchers shall have to be recorded in general ledger under different accounting heads including codes

2.2.18 The general ledger should be generated based on need by Finance authorized person and reviewed by the Head of Finance.

2.3.1 Bank reconciliation statement (BRS)

A monthly bank reconciliation statement (BRS) shall be prepared by 5th of the following month to reconcile bank balance as per cash/bank.

If the balance does not match the difference may be due to the following:

- a. Cheques deposited but not credited
- b. Cheque issued but not presented
- c. Excess/less amount debited/credited by bank
- d. Bank charges not accounted for in the cash/bank book
- e. Bounced (returned) cheques (the cheque was sent back unpaid for any reason (insufficient funds, account closed, signature mismatch, technical error, etc).

The difference in the bank statement and the cash/bank book shall be thoroughly investigated and may require certain adjustments through adjustment entries to be reflected in the BRS. The BRS shall be prepared by the Finance Officer/Assistant and submitted for approval to the Head of Finance and Focal person and keep proper recording.

2.3.1.2 Grants and Fund Management

OPHCD is dedicated to effectively managing grants and funds to support its project implementations. The grant management process involves identifying funding opportunities, preparing detailed proposals, obtaining internal approvals and applying for fund. Once grants are awarded, funds must be disbursed and utilized according to the grant agreement terms, ensuring expenditures align with the approved budget and donor regulations.

Accurate financial records must be maintained, and regular financial reports must be submitted to stakeholders to demonstrate accountability.

To ensure transparent and timely reporting, detailed financial and narrative reports must be prepared and submitted as per the grant agreements. These reports provide an overview of project progress and financial status. The Finance Department and Program are responsible for ensuring report accuracy and compliance.

Regular audits and reviews are conducted to verify adherence to grant requirements and address any issues promptly.

2.3.2 Fixed asset register

- 2.3.1** All fixed assets like vehicles, computer, furniture, IT equipment, air conditioners, etc. acquired and shall be recorded by the operation in fixed assets register.
- 2.3.2** All assets acquired shall be entered against identification tag number with date of purchase, payment/voucher reference, user, condition, donor, asset category, donor, project code and location of use.
- 2.3.3** Such registers shall be updated by Operation department every six month and missing item should be report to Management.
- 2.3.4** The fixed assets shall be physically verified jointly assigned committee by annual based.

2.4.1 Staff Salary

- 2.4.2** Salary payments (Payroll) must be properly recorded and officially approved each month.
- 2.4.3** The payroll sheet should have details such as the names of employee/consultant, designation, month of salary/fees, number of working days, leave, allowances, deduction, salary adjustment, bank account information and etc.
- 2.4.4** Attendance register/ timesheet and payroll summary sheet will be maintained as the basis for preparation of monthly payroll.

2.5.1 Advance register

- 2.5.2** All advances shall be recorded in the Advance Register.
- 2.5.3** The Finance Assistant shall be responsible for recording and maintaining the advance register.
- 2.5.4** Head of Finance (F&A Manager) shall review and reconcile advances at the end of each month.

2.5 Monthly Fund Request and Disbursement Policy

- 2.5.1** OPHCD field office shall submit monthly requests to OPHCD Head of Finance/Focal Point for transfer of funds as per the approved work plan and approved budget.
- 2.5.2** Available cash balance (cash in hand and cash at the bank) should be adjusted in cash request.
- 2.5.3** The following criteria shall be used to determine eligibility for disbursement:
- a. The request is submitted in the prescribed format.
 - b. The request is within approved budget and project manager or responsible should approve the request.
 - d. Unspent amount, should be explained with notes explaining why expenses were not incurred and when funds will be spent.

A Project manager/project technical focal point must review the fund request to ensure it aligns with contractual requirements and confirm the accuracy of the requested amount.

In addition to the general principles outlined above, OPHCD shall strictly adhere to the disbursement criteria and guidelines prescribed by the donor for each funded project.

3. Budget types

OPHCD shall prepare an annual capital expenditure budget and an annual expenditure budget, which together will form the basis of all organizational spending.

3.1 Capital expenditure budget

This represents the amount required for procuring the fixed assets essential to the organization. A detailed, item-wise breakdown of the assets shall be included in the budget (if it is accepted by donor).

3.2 Expenditure budget

The expenditure budget shows the costs needed to achieve the organization's goals. It includes all expenses under different budget heads, with a clear breakdown and brief explanations to ensure transparency and accountability.

3.3 Budget forecasting and planning

3.3.1 Steps in Project Budgeting:

- Conduct assessments to identify human, financial, and material needs.
- Engage stakeholders to ensure their requirements are considered.
- Prepare project proposals in line with donor RFPs and ministry requirements.
- Use past experience and networks when time does not allow for full assessments.

3.3.2 Budget Preparation Guidelines

Budget preparation at OPHCD begins with each unit Technical, HR, and Operations submitting their proposed budgets to the Head of Finance. These submissions are consolidated into a draft budget that reflects the organization's overall financial plan.

All units are required to follow donor-provided formats; if no format is specified, OPHCD standard template must be used. Each activity should include detailed cost estimates, covering both direct and indirect expenses. Costs must be classified under salaries and wages, goods and services, assets, and indirect costs to ensure clarity and consistency.

Once consolidated, the draft budget is reviewed by the Program Directors and the General Director, who ensure that it aligns with project requirements, organizational systems, and strategic objectives. The General Director provides final approval before the budget is submitted to donors. Compliance with both organizational and donor regulations is mandatory, and all budgets must meet these standards.

To maintain strong internal controls, OPHCD applies the principle of segregation of duties throughout the budget process. The preparation of budgets is carried out by program and operational units, consolidation is managed by the Head of Finance, review is conducted by Program Directors and the General Director, and final approval rests with the General Director. This separation ensures that no single individual has full control over the entire process, reducing the risk of errors, misuse, or fraud.

The Head of Finance is responsible for maintaining approved budgets and related applications. This includes monitoring and controlling budgets throughout implementation, providing accurate oversight, and preparing timely financial reports.

By combining structured procedures with segregation of duties, OPHCD strengthens accountability, supports effective resource allocation, and ensures its financial practices remain transparent and compliant with donor expectations.

3.3.3 Review and Approval

- Operations & Program Directors: Ensure the budget aligns with project requirements, organizational systems, and objectives.
- General Director: Provides final approval before submission to donors.
- Compliance: All budgets must meet organizational and donor regulations.
- Finance Department: Maintains approved budgets and applications for monitoring and control.

3.3.4 Budget Amendments

- Amendments or modifications may be made when necessary.
- All changes must comply with donor requirements and organizational policies.

3.3.5 Budget No-Cost Extension (NCE)

NCE allows extension of project timelines without additional funding., and remaining budget is used to complete activities beyond the original end date to ensures projects achieve objectives despite delays.

3.3.6 Financial Planning, Budgeting and Controlling

3.3.7 Eligibility Criteria

Project must have remaining unspent funds to cover the proposed extension period. Extension is granted only if objectives remain achievable within the extended period without additional costs.

Application Process

- Project Manager, with input from all department heads, prepares and submits a formal NCE request.
- Requests must be submitted **30-45 days before** the original project end date.

3.3.8 Review and Approval:

Review Committee (Program Director, General Director, Technical Manager and Head of Finance,) evaluates requests based on:

- Justification provided.
- Feasibility of revised timeline.
- Availability of remaining budget.

The no cost extension will be submitted to the donor for approval, and further process and contract modification.

4.1 Planning and Reporting

Main Office, planning and reporting are kept simple and organized. Each department head gets an annual plan and budget, then prepares yearly and quarterly action plans. These plans are reviewed by the supervisor.

This process makes sure all departments stay on track and work smoothly. Clear deadlines are set for sharing plans, and monthly plans must be submitted on time. By following this system, the office ensures that activities are well managed, finances are properly monitored, and everyone is accountable for their work.

- **Monthly Reports:** Finance Department to prepare monthly working capital reports for review by the Head of Finance.
- **Review Meetings:** Conduct regular meetings to review working capital status and address any issues.

5.1 Chart of accounts and codes

A **Chart of Accounts (CoA)** is a structured list of all accounts used in an organization's accounting system. Each account represents a category of financial transactions, such as assets, liabilities, revenues, and expenses.

For NGOs, the COA is designed to ensure **transparency, accountability, and donor compliance**, allowing the organization to track funds by project, donor, or purpose.

5.2 Base (Structure) of a Chart of Accounts

The base of a COA is built on **categories and numbering systems** that organize financial data logically. A typical NGO CoA includes:

- **Assets**
- **Liabilities**
- **Net Assets / Equity**
- **Revenues**
- **Expenses**

6.10 Cheque issue register

6.10.1 All cheques/drafts issued shall be recorded in the cheque issue register (see Annexe22.8).

6.10.2 The Finance Assistant shall be responsible for recording and maintaining the cheque issue register and reconciling the same with the cheque counterfoil in the cheque book.

6.10.3 The Head of Finance shall verify the cheque register book.

7. Voucher Management Protocol

7.1 Introduction

7.1.1 Voucher is a written document serving as an evidence or confirmation of a transaction, whether income/expenditure or inflow/disbursement.

7.1.2 Voucher is the primary source document for recording financial transactions in books of accounts.

7.1.3 The following four categories of vouchers shall be prepared at OPHCD:

1. Cash Payment Voucher (CPV)
2. Cash Received Voucher (CRV)
3. Bank Transfer Voucher (BTV)
4. Journal Voucher (JV)

7.2 Receipt voucher

7.2.1 Receipt voucher is the primary source of recognizing income in the books of accounts. Receipt vouchers are prepared for recording all receipts, fund received from donor, fund received from main office or withdraw from bank and etc.

7.3 Payment voucher

7.3.1 Payment voucher corresponds to each payment being made either in cash or in cheque.

7.3.2 Upon receipt of a payment request by the Finance Department, the following procedure shall be adhered to for the release of payment

- a. Once a request for release of payment reaches the finance department, the requisition along with relevant support documents shall be handed over to the Finance Assistant.
- b. The Finance Assistant shall check whether all supporting documents are available, whether they are appropriately filled up, whether necessary signatures are there or not. In case there are any discrepancies the Finance Assistant shall make appropriate observations and send the papers back to where it originated from.
- c. In case the Finance Assistant finds all papers and documents are in place, the Finance Assistant shall prepare a payment voucher (physical) as per the prescribed format, attach the voucher with request for payment document/file and recommend/forward the same to the Head of Finance for further action.
- d. Head of Finance shall undertake due diligence and physically verify whether all documents are in place as per the guidelines of this FM manual, whether the payments to be made have the in-principal approval and are within the prescribed budget limits. In case any discrepancies are observed it, feedback should be provided for the correction.

To ensure proper communication and accountability, adjustment documents should be shared with the General Director for his review, opinion, and subsequent action.

Workflow

Preparation

Compile all adjustment documents with supporting data.

Ensure accuracy and completeness before submission.

Submission to General Director

Share documents through official channels (email, internal system, or hard copy).

Include a cover note highlighting key points and required decisions.

Review & Opinion

The General Director reviews and provides feedback or approval.

Any clarifications should be documented for transparency.

Further Action

Once the General Director's opinion is received, proceed with implementation.

Track actions taken and report back for closure.

All payments and vouchers must be processed in line with the organization's authorization matrix and financial procedures.

The Head of Finance is responsible for approving payments, while the Finance Assistant or Cashier ensures that cheques or cash are prepared, documented, and handed over correctly. Supporting documents must always be complete, vouchers must carry a serial number and project stamp, and all transactions must be recorded in QuickBooks.

Cheques must be signed by authorized signatories, copied, and acknowledged by the receiver, with the copy attached to the voucher. These steps are mandatory to maintain transparency, accountability, and proper record keeping in financial operations.

Payment and Voucher Process

Step 1: Supporting Documents & Authorization

- Operations submit all supporting documents to Finance in accordance to the organization procurement policy
- Finance Assistant prepare the voucher and submit to Head of Finance and General Director approval
- Finance Assistant or Cashier review the documents and prepares the cheque or releases cash.
- Cheque must be signed by authorized signatories before handing over.

Step 2: Voucher Number and Stamp

- Each voucher must have a serial number.
- Project stamp must be placed on voucher and bill.
- Stamp voucher checked "marked PAID" before payment.
- Signatures must be taken at the same time.

Step 3: QuickBooks Entry

- Accountancy enters voucher details into QuickBooks:

Step 6: Filing

- File vouchers and attachments securely for easy access later.

7.4 Transfer voucher/contra voucher

A **transfer voucher** is a simple accounting record used when money is moved from one account to another, such as paying staff salaries, settling supplier bills, transferring loan amounts, or shifting funds between departments. It ensures every transfer is properly documented with debit and credit entries, keeping financial records clear and accurate.

7.4.1 Cash withdrawal/transfer voucher from the bank are recorded in books of accounts on the basis of transfer voucher/contra voucher in QuickBooks (see Annexe22.13).

7.4.2 Passbook, bank statements, deposit slip and counter foil of cheque or any other relevant documentation are considered to be supporting documents for a transfer voucher.

7.5 Journal voucher

7.5.1 Any financial transaction which does not affect cash or bank is recorded in the books of accounts through a journal voucher like deduction from salary, adjustment of advance, income tax deduction, provision for expenses etc.

7.5.2 Required supporting documents are to be attached with such voucher before obtaining the approval.

7.5.3 To prepare journal voucher following steps shall be followed:

A. Journal entry shall be made by the accountant / finance assistant based on supporting documents on the prescribed form based on authorized approval.

b. Such vouchers shall be forwarded to the Head of Finance for approval.

7.6 General guidelines

7.6.1 Each voucher shall be prepared using appropriate head of accounts and budget code

7.6.2 Finance department staff shall collectively ensure this with utmost care and diligence as it may lead to incorrect accounting.

7.6.3 If errors are discovered in voucher entries, only the Head of Finance shall have the authority to make rectifications.

8. Cash transaction management protocol

Cash is a liquid asset classified under the accounting head “current assets”. This section outlines a secure and fool proof mechanism for handling cash transactions within OPHCD Main Office and its field offices.

8.1 Operation and maintenance of cash/bank book

8.1.1 Cash/bank book shall be maintained on excel sheet and the QuickBooks

8.1.2 The Finance Assistant shall maintain the cash/bank book on a daily basis.

8.1.3 All cash receipts and payments shall be recorded in the cash/bank Book as and when such transaction occurs.

8.1.4 The balance entry in the cash/bank book shall be reconciled with the physical cash in hand, which will be checked and signed by the Finance Assistant at the end of each day.

8.1.5 Each focal points or Head of Finance shall review field cash book and provide feedback to project finance. and counter sign the cash/bank book at the end of every week as evidence of having checked and verified the cash/bank book.

8.2 Closing of cash transactions

8.2.1 Cash transactions shall be closed one hour before end of working hours on each working day to ensure entry and closure of cash/bank book as mentioned above.

9. Bank transactions management protocol

9.1 Introduction

9.1.1 Cash in bank is another liquid asset.

9.1.2 It is classified under the head “current assets” in the balance sheet.

9.1.3 For recording all receipts of money through electronic transfer/cheque/transfer advice, the bank account shall be debited and relevant source/income account be credited.

9.2 Bank account

9.2.1 All banking operations of OPHCD shall be only through a reputed nationalized bank. For field offices, bank accounts shall be opened separately.

9.2.2 **Fund transfer to the field office:** the procedure for the fund transfer is as below:

- a. Fund request shall be prepared by the fund request on the prescribed format in consultation of his/her supervisor and sent to Main Office with all the supporting documents, such as bank statement, bank reconciliation, cash count certificate and after approval of Program Manager fund will be transferred to the Provincial Offices
- c. After the satisfactory review of the monthly fund the request will be processed in two instalments for the operation and salary will be submitted to General Director for approval
- d. Details letters with the approval of General Director will goes to bank to transfer the fund from Main Office account to provincial office account.

9.2.3 Bank account opened for the project shall be a “current account” which will be non-interest-bearing account.

9.2.4 Only the Board members/General Director shall have the authority to modify the financial limits and authorized bank signatories.

9.2.5 Board Decisions and orders regarding authorized signatories for operating the bank account shall be OPHCD confidentially kept on record by the Head of Finance along with full particulars such as name, designation, signature, initials, etc.

9.2.5 **Fund request for the main office:** based on need operation and other department will submit to finance and cashier will prepare cash request and after obtaining the approval, cash will be Withdraw from bank

9.3.0 Payment through cheque

OPHCD will make every effort to process payments through the bank, either by transfer for staff salaries or to suppliers, to ensure transparency, accountability, and proper record keeping. Under special circumstances where bank transfer is not possible, such as salary payments or supplier transactions, cash payments may be allowed — but only with the **approval of the General Director**.

Furthermore, if the payment amount is **above the approved cash limit stated in the authorization matrix**, it must be processed strictly through the bank, with no exceptions unless prior written approval is obtained from the General Director and exceptional cash payment will be approved by General Director.

9.3.1. Cheques.

Cheques must be issued with proper documentation, and the counterfoil of the cheque book shall be completed to record the date of issue, the name of the payee, the initials of the authorized signatory, and the amount, ensuring accountability and accurate record-keeping.

Cheque Issuance Compliance Checklist

9.3.2 Before Issuing a Cheque:

- Verify supporting documentation (invoice, contract, approval form)

- Confirm payment authorization is in line with procurement hierarchy.
- Ensure sufficient funds are available in the account.

9.3.3 While Completing the Cheque:

- Write cheque clearly with correct date, payee name, and amount.
- Obtain signatures from authorized signatories.
- Record details on the cheque counterfoil:

Date of issue, Payee name, Amount, Initials of authorized signatory, Purpose/remarks

After Issuing the Cheque:

- File supporting documents with the cheque number referenced.
- Update accounting records and ledger.
- Securely store cheque book and unused cheques.

9.3.4 Cancellation of cheque.

Any cheque issued but not presented for collection by the payee within 90 days from the date of issue shall be treated as cancelled. On the basis of reconciliation, the Finance Assistant shall ensure reversal entry in the cash/bank book.

Any loss or theft of cheque or cheque book must be immediately intimated in writing to the concerned bank officials.

The word "CANCELLED" shall be written both on the counterfoil as well as on the face of the cheque cancelled.

9.3.5 Bank statement and bank certificate:

The Finance Assistant shall ensure periodic collection of bank statements and other relevant information from the bank to prepare monthly bank recompilation.

9.3.6 Order of new cheque books:

The Finance Assistant shall initiate order for new cheque book when the used cheque leaves reach the order sheet placed by bank in the cheque book. On receipt of new cheque book the Finance Assistant shall count the cheque leaves and satisfy himself/herself that none of the serially numbered cheque leaves are missing.

9.3.7 Safety of cheque books

The Cashier and head of finance shall be the custodian of cheque books and shall ensure that cheque books are preserved safely and securely.
White check book will be kept with finance manager and up on request finance assistant/cashier check book will be issued.

10. Finalization of Accounts

OPHCD shall finalize its annual accounts (close the fiscal year) for the year financial latest by the 28th of February, that is within two calendar months of the close of the financial year.

10.1.2 The final accounts shall include:

- Receipts & Payments Account
- Trial Balance
- Income & Expenditure Account
- Balance Sheet
- Accounting Policies
- Schedules (Fixed Assets, Advances, Debtors/Creditors)
- Bank Reconciliation Statement with bank confirmation
- Schedule of Grants/Donations Received
- Schedule of Project-wise Expenditures

The monthly period is based on the calendar month. OPHCD closes its books monthly by the 15th day of the following month.

10.2 Trial balance

10.3.1 According to the principle of double entry system, every amount that is placed on the debit side of an account must have a corresponding entry on the credit side of some other account.

10.3.2 The total of all the debit balance shall therefore agree with the total of all credit balances.

10.3.3 A statement which tabulates the debit and credit balances is known as the Trial Balance.

10.3.4 OPHCD and all its partners shall generate a trial balance every month. This will form the basis for the preparation of monthly/quarterly statement of expenditure (SOE).

10.3 Income & expenditure account

10.3.1 Income and expenditure account is an account which summarizes the expenses and receipts for the period (financial year) under consideration.

10.3.2 The excess of income over expenditure and vice versa is transferred to the balance sheet.

10.3.3 Funds transferred OPHCD during the financial year but not actually received by field offices and are under transfer as per bank records may be entered on the income side of the income and expenditure account under the heading "Grant in Aid" and reflected in the balance sheet on the assets side under the heading "Funds in Transit" under current assets (cash and bank balance).

10.4 Balance sheet

10.4.1 Balance sheet is defined as a statement summarizing the financial position of an organization on a given date.

10.4.2 It summarizes, on the right-hand side, the assets and on the left, the liabilities of an organization.

10.4.3 Balance sheet is prepared as on a certain date and not for a period (unlike a receipts and payments account or an income and expenditure account).

10.4.4 A statement of fixed assets acquired by OPHCD shall also be annexed to the balance sheet.

10.5 Organization Audits

The OPHCD fiscal year runs from January 01 to December 31. Following the conclusion of the fiscal year, the organization provides a period of approximately two to three months to finalize its accounts,

close the fiscal year, and complete the external audit. Accordingly, the closing and audit activities are scheduled to occur between January and March of the subsequent year.

This structured timeline ensures that all reconciliations, financial statements, and independent reviews are completed in accordance with international accounting and auditing standards, thereby supporting accuracy, transparency, and compliance in financial reporting.

10.5.1 Annual Audit Requirement

After the close of each fiscal year, OPHCD shall hire an audit firm approved in Afghanistan to conduct a comprehensive organizational audit. The organization is committed to cooperating fully with both internal and external audits, complying with all findings, and implementing corrective measures as required to uphold transparency, accountability, and adherence to national regulations.

10.5.2 Audit Follow-Up Action Plan

To ensure effective implementation of audit recommendations, OPHCD shall prepare and execute a structured follow-up plan:

- **Receive Audit Report:** Formally acknowledge receipt and circulate to senior management.
- **Analyze Findings:** Review each observation, categorize issues by severity, and identify root causes.
- **Develop Corrective Actions:** Draft specific measures, assign responsible staff, and set deadlines.
- **Prepare Action Plan:** Consolidate corrective measures into a formal document approved by leadership.
- **Implement Measures:** Carry out corrective actions promptly, ensuring compliance with regulations.
- **Monitor Progress:** Track implementation status, document updates, and resolve delays.
- **Respond to Management Letter:** Draft a formal written response to the audit firm management letter, addressing each finding and recommendation individually, outlining corrective actions, responsible persons, and timelines.

10.5.2 OPHCD should select the auditor through a transparent process. And should be announced on web and Minimum three quotations shall be required for the selection process to be considered valid.

10.5.3 OPHCD will comply with local statutory auditing requirements and submit copies of relevant audit reports to the Board Members and Donor of the project from time to time and make action plan for the follow up of audit finding.

General Ledger Period End Processing

10.6. Closing of the Current Accounting Period

After the close of each fiscal year, the Head of Finance shall issue an Accounting Period Closing Request to formally communicate the closing date and time to General Director. This request also authorizes the opening of a new accounting period once the current one has been closed. The Head of Finance Manager is responsible for closing the accounting period in accordance with the settled timeline.

11.6.1. Opening of a New Accounting Period

Once the current accounting period is closed, the Head of Finance Manager shall open the new accounting period and notify the General Director through the Accounting Period. This ensures proper documentation and accountability for the transition. The new accounting period officially begins on January 1.

11.6.2. Opening a Closed Accounting Period /Monthly closing:

General Ledger Management

- a) **System Recording:** All accounting entries are initiated, recorded, and processed through the organization's accounting software to ensure accuracy and consistency.
- b) **Centralized Oversight:** Grants and donations received in bank accounts are recorded exclusively at the Main Office, maintaining clear accountability and centralized control.
- c) **Regional Reporting:** Each regional finance manager/officer is required to close monthly accounts and submit supporting documents including cash books, cash count certificates, bank statements, and reconciliations within one week after month-end. This ensures timely reporting and strengthens financial oversight across all regions.

Monthly Closing Process:

Step 1: Collect Bank Statements

- a) Obtain official statements for all bank accounts covering the month.
- b) Prepare bank book

Perform Bank Reconciliation

Compare deposits and withdrawals with the bank book.

Identify discrepancies such as missing entries, timing differences, errors, or checks issued but not yet recorded by the bank.

- a) Record adjustments in the accounting system.
- b) Reconciliation statement showing:
 - c) Balance per bank statement
 - d) Adjustments made
 - e) Final reconciled balance in the bank book
- f)

File & Approve

- a) File reconciled statements and supporting documents neatly.
- b) Obtain review and signatures from Accountant/Finance Manager and Department Head.
- c) Output: Approved reconciliation file with signatures.

Key Requirements

- a. **Timely Completion:** All reconciliations must be performed accurately and submitted within established deadlines.
- b. **Ongoing Review:** Accounts should be monitored and reconciled regularly to identify and prevent discrepancies.

- c. Record Retention: All reconciliation documentation must be maintained and readily available for audit and compliance purposes.

Step	Responsible Party	Output / Action
Collect Bank Statements	Finance Department	Official monthly bank statements for all accounts
Perform Bank Reconciliation	Finance Department	Comparison of deposits/withdrawals with bank book; discrepancies identified
Record Adjustments	Finance Department	Adjustments entered in accounting system
Prepare Reconciliation Statement	Finance Department	Statement showing: balance per bank statement, adjustments made, final reconciled balance

11. Advances

11.1.1 Advances shall be provided for petty cash expenses up to manage daily operation cost.

11.1.2 For authorized official travel as per authorized travel plan, for procurement of goods and works as per the conditions of the contract and for events such as workshops, trainings as per the duly approved budget, advances will be issued.

11.1.3 Advances are adjusted in the relevant account head on receipt of adjustment bill/utilization certificate/actual receipt of goods or services and it should be cleared each quarter.

12. Per diem and Travel

12.1 Application and Scope

This policy applies to all OPHCD employees undertaking official travel. For travel funded by grants, donor regulations must be carefully considered when making arrangements. While OPHCD policies reflect common requirements, donors may impose additional rules or limits on travel approvals and costs. Grant agreements must always be reviewed to ensure full compliance with donor expectations.

12.2 Travel Approval

All official travel by OPHCD employees must be approved in advance by the traveler supervisor before any arrangements are made. International travel requires additional approval from the General Director. Employees are not permitted to make independent travel arrangements without prior authorization.

12.4.2 Local per Diem Rates

The OPHCD will provide staff with per diem allowances for official travel, whether moving between provinces and centers or districts, or traveling from one province to another. These payments will be paid based on organization Per Diem Policy and budget availability. (see per diem policy).

12.5 Travel Advances

Travel advances are requested through the Travel Approval/Advance Request form, approved by the Supervisor/Project Manager/General Director and submitted to Finance. Advances must be settled within 10 days of the trip and before closing the fiscal year, and no new advances will be issued to employees with outstanding balances.

12.6 Travel Expense Reports

Travel advances must be cleared through submission of a Travel Expense Report, with reimbursable costs fully listed and supported by receipts or itemized notes for small amounts; reports must be approved, submitted to Finance within ten days of the trip, and matched to the original advance request

for clearance. Advances and expense reports should generally be settled at the same office where they were taken, and expenses may not be carried over from one fiscal year to the next, ensuring timely compliance and proper financial accountability.

13. Payroll Systems

OPHCD will process monthly payroll with transparency and fairness, ensuring staff benefits are recorded as per the contract and supporting documents. Payroll is managed by the **HR Department**, will submit to finance department on **22nd -25th of each month**, after review and confirmation of finance department HR will process the hard payroll for further review and approval.

13.1 Timesheet

13.2.1 Purpose A timesheet is a key supporting document that records staff time allocation for specific projects and serves as the basis for payroll by showing working hours, holidays, leaves, and off days. It helps track time spent on projects, allocate hours to donors, balance workloads among team members, and ensure accountability, especially for staff whose salaries are charged to different funding sources. Time management: track hours spent on different projects.

- a) Time allocation: for each donor and working hours.
- b) Work balance: help distribute work evenly among team members.
- c) Accountability: ensure employees are accountable for their work.
- d) Time allocation for staff whose salaries are charged to different donors.

13.3 Main office Staff Payroll

The main office HR department is responsible for staff compensation, which must be paid via bank transfer in line with payroll policies and local labor laws. Any exceptions require written approval from the General Director, and changes to procedures must be communicated in advance.

13.3.1 Determination of Pay:

Pay is determined through established salary scale of OPHCD consider to the availability of budget. Salary ranges should reflect qualifications, experience, and tenure, while employment contracts must clearly outline position details, salary basis, and contract duration. Where applicable, staff costs must be properly allocated to different donors to ensure accurate financial reporting and accountability.

13.3.2 Preparation and Review of Monthly Payroll:

Payroll process:

Payroll processing at OPHCD operates on a monthly cycle, beginning with HR preparing attendance sheets or timesheets that record work hours, leave, and other attendance details. Based on this data, HR calculates employee earnings, including regular pay, overtime (if), allowances, and statutory deductions such as advances or loan repayments.

The payroll is reviewed internally by HR, then forwarded to Finance for verification and entry into the accounting system. Once finalized, payments are made via bank transfer, or through Money Service Providers/cashier if the bank is not operational. Employees receive detailed payslips, and all records are maintained for compliance, audits, and adherence to labour laws and organizational policies.

In field offices, payroll preparation begins with the field HR team, who compile attendance and calculate salaries. The payroll is then reviewed by field Finance before being submitted to HR at the main office for further review. After HR approval, the payroll is forwarded to Finance for formula verification and processing. Finally, Finance prepares and executes the transfer of payments to employees' bank accounts, ensuring accuracy and timely disbursement.

13.4.3. Accrual Monthly Payroll

If salaries are not paid within the month, they are earned and instead disbursed in the following month, the unpaid amounts must be recorded as a payable or accrual. This is done by debiting the appropriate expense accounts and crediting the liability account to reflect the obligation.

In the subsequent month, once salaries are actually paid, the accrual should be reversed by debiting the liability account and crediting the cash or bank account.

13.4.4 Documenting Monthly Payroll and Taxes or Benefits Paid to the Government

To ensure OPHCD meets its legal obligations under Afghanistan income tax law by correctly deducting and paying taxes.

Policy

Compliance- OPHCD follows Afghanistan income tax law.

Tax Deductions- Taxes are withheld from:

- a) Staff salaries (payroll)
- b) Office rent/Vehicle rent
- c) Purchase contracts

Support Documents for the Payroll:

Supporting documentation for the monthly payroll: Supporting documentation, at a minimum, should include:

Attendance Sheet/timesheet

Payroll summary sheet

Salary allocation(if)

Leave records and other benefits and allowance

13.4.5 Payment Method

Purpose:

To ensure transparency, accountability, and consistency in the disbursement of staff salaries and wages across all offices.

Policy Guidelines:

- **Primary Payment Methods:** Salaries and wages for staff in both the main office and provincial offices shall be paid through bank transfer or check whenever such services are available.
- **Cash Payments:** Cash disbursements are permitted only in cases where banking or other formal payment services are not accessible, in this case the payment sheet must be signed by receivers.
- **HR Responsibility:** The HR must maintain complete and accurate documentation to support salary transactions to uphold compliance, transparency, and audit readiness.

Compliance:

This policy is mandatory for all offices and staff. Any exceptions must be documented and approved by the finance office to ensure proper oversight.

13.4.6 Pay Slips

For the area that there are no banking facilities, employees should receive a pay slip with their salary payment (regardless of method of payment) that documents the details of the payment. The format of pay slip is not prescribed in this manual since local requirements vary widely and use of local language may be necessary.

At a minimum, pay slips should include the following information:

1. Name of employee and employee identification number, and position
2. Period to which the payment applies and location
3. Gross salary or wage payments
4. Description for each additional category of pay
5. Units, rate, extended amount and description for each deduction
6. Taxes withheld on behalf of the government or other taxation authority
7. Subtotaled net pay amount

The pay slips are completed using information from the reviewed and approved monthly payroll summary worksheet. Before payroll is distributed, the pay slips must be reviewed by a finance staff member, other than the finance staff member who prepared the pay slips, to verify that each pay slip agrees to the monthly payroll summary worksheet.

13.5.1 Tax and Legal Compliance

Income Tax Exemption

OPHCD is exempt from income tax under Afghanistan Tax Law 2009. Finance team shall obtain the exemption certificate from the Ministry of Finance and file the annual zero-tax return on time.

Withholding Tax

OPHCD must deduct withholding taxes from payments to suppliers, employee's salary, and other parties, and deposit them into the government.

Compliance with Tax Regulations

1. OPHCD shall comply with all applicable tax and legal requirements. For specific projects, taxes paid shall be tracked and reported separately as required.
2. As a non-profit organization, OPHCD is exempt from income tax under Afghanistan Tax Law (2009). Finance Department shall obtain the exemption certificate from the Ministry of Finance and file an annual income tax return showing zero tax, in the prescribed format and on time.
3. OPHCD is required under Afghanistan Tax Law to deduct withholding taxes from payments to suppliers, employees, etc., and deposit them in the government treasury. Details of withholding taxes must be filed with the tax department as prescribed. The Head of Finance shall ensure full compliance.

13.5.2. Compliance

The Head of Finance is responsible for ensuring timely filing of withholding tax details with the tax department and full compliance with all legal requirements

13.6.1. Staff Payroll Advances (salary advance):

OPHCD does not provide loans or advances against salary or fees to employees or consultants. In exceptional cases, such arrangements may only be made with the prior written approval of the General Director.

This policy ensures consistency, financial discipline, and compliance with organizational standards, while limiting risks associated with unauthorized advances or loan practices.

14.0. Consultants - Purpose and Scope

The following policies and procedures pertain to the hiring and compensation of consultants.

Consultant

A Consultant is an independent contractor engaged by OPHCD to provide professional or technical advice or services. A consultant is typically a self-employed individual, but may be employed by a consulting firm.

Since consultants are independent contractors and are not OPHCD employees, policies and procedures related to employees do not apply to consultants. Consultants are not eligible for OPHCD benefits.

14.1 Consulting Agreements

As the legal agreement between OPHCD and the consultant, the consulting agreement shall in all cases define the scope of work, payment mechanism and other terms of service for consultants. A consulting agreement must be completed before services begin.

Standard procurement procedures provided in the OPHCD Procurement Manual shall be followed for the engagement of all national consultants. Field offices shall consider local employment law, as applicable, when determining the manner in which to engage local consultants. In all cases, a consulting agreement shall be required.

National consultants are not eligible to receive international per diem rates. Local per diem rates or eligibility for reimbursable expenses, as necessary for travel or other related expenses in country, may be defined in the consulting agreement for national consultants.

15. Internal Controls

15.1. Purpose and scope

The financial policy highlights the importance of using resources wisely and protecting them from misuse. Internal controls are the foundation of good financial systems, helping to manage risks without creating unnecessary barriers. These controls should be built into every stage of accounting and financial management to ensure transparency, accountability, and efficiency. While detailed guidance is provided in the manual, field offices are encouraged to apply suitable controls in their own local policies. This approach keeps financial management flexible but secure, supporting the organization's goals while maintaining integrity.

15.2 Key Elements of Internal Control

OPHCD Internal Control Policy Statement:

OPHCD affirms that strong internal controls are essential to safeguarding resources and ensuring effective financial management. All offices must develop controls with a clear understanding of processes and potential risks, supported by thorough documentation and staff training. The organization's policy requires that internal controls reflect five guiding principles:

Transparency, with information reported clearly and accurately to support decisions and performance assessment;

Simplicity, ensuring procedures are straightforward, documented, and well communicated to reduce errors or fraud;

Accountability, where responsibility is upheld at every level of authority;

Security, protecting physical assets from harm or misuse; and cost-effectiveness, ensuring that the benefits of controls are proportional to their costs and the risks they address. These principles are embedded within OPHCD financial policy framework and must be consistently applied across all offices to maintain integrity, efficiency, and alignment with organizational objectives.

15.3. Basic Internal Controls:

- a) Segregation of Duties: Split initiation, approval, execution, and recording of transactions.
- b) Signatures: Ensure all requests and payments are signed by authorized staff.
- c) Physical Controls: Safeguard assets and verify them with regular inventories.
- d) Monitoring: Use spot checks and monitoring visits to confirm compliance.
- e) Dual Controls: Require two people for high-value transactions and report reviews.
- f) Computer Controls: Restrict system access and back up key data regularly.
- g) Fixed Responsibility: Assign clear authority over resources (e.g., cash handling).
- h) Reporting: Provide timely, accurate reports with proper documentation.
- i) Independent Confirmations: Reconcile internal records with external sources like bank statements.
- j) Manuals: Keep written policies and procedures for clarity and consistency.

15.4. Segregation of Duties

OPHCD follows the principle of segregation of duties to protect donor funds and ensure transparency. Financial tasks are divided so that preparation, approval, recording, and reconciliation are handled by different staff members. No single individual may control a transaction from start to finish, ensuring accuracy, accountability, and reducing the risk of errors or fraud.

15.4.1. Segregation of Duties and Approval

OPHCD strictly enforces segregation of financial and administrative responsibilities across both the main office and provincial offices to ensure compliance and accountability. Financial tasks such as preparing payment vouchers are performed by Finance Officers at the provincial level, with approvals within defined limits granted by Provincial Finance Managers, and Project Manager while higher-value approvals are escalated to the Main Office General Director. Payroll preparation is the responsibility of Payroll Officers, subject to review by the Finance Manager /Focal point /Head of Finance and oversight by the General Director, ensuring no individual controls both preparation and approval functions.

Procurement duties are divided so that Procurement Officers collect quotations, vendor selection is managed by the Procurement Committee, checked by Operation Manager and contracts are signed exclusively by the General Director. HR /Administrative responsibilities, including staff attendance records, are maintained by HR/Admin Officers, reviewed by Provincial Manager, and monitored by the HR Department. The General Director is responsible for reviewing the segregation matrix, while the Head of Finance provides oversight to confirm that no staff member exceeds their approval authority or controls multiple key functions. This matrix serves as a binding compliance tool for assigning new staff, adjusting roles, and enforcing approval hierarchies across OPHCD offices. (see the matrix).

15.5.0. Assigning Temporary Authorities

Revisions to the Approval Authority Matrix are only for permanent changes. For temporary absences, approvals must be sought from the next level of authority. For longer absences, a memo may be issued by the authority holder or Head of Office to delegate authority, stating effective and expiration dates, and approved by the General Director. Delegation of the General Director's authority requires written approval from the Regional Program Director.

In the absence of a memo, approvals must be obtained from the next level of authority. A backup authorized person may also be introduced via email until the absent staff member returns.

15.5.1. Responsibilities of Approval and Review Authorities

Individuals holding approval authority are accountable for ensuring that all expenditures, commitments, and payments meet organizational standards. By providing approval, the authority holder affirms that:

1. The expenditure is necessary, appropriate, and justified.
2. The requested item is not currently available in inventory.
3. Technical specifications are accurate, complete, and sufficiently detailed.
4. All required forms and documentation have been properly completed.
5. Adequate funds are available within the approved budget.
6. The expenditure complies fully with OPHCD policies, procedures, and applicable regulations.

15.5.4 Financial Review

Financial review is a compliance check, not an approval authority. Its purpose is to ensure that all financial and regulatory aspects of the transaction are considered. The role may be delegated, but must be performed by a qualified individual. Approval and financial review must never be performed by the same person.

By signing for financial review, the reviewer confirms that:

1. The expense has been authorized in line with the Approval Authority Matrix.
2. The expenditure is within budget guidelines.
3. The expenditure complies with OPHCD and donor policies.
4. The expense is coded correctly.
5. Calculations are accurate.
6. Supporting documentation is complete and explains the transaction.

16. Security

16.1 Authority of the Field Security Manual

This section is intended solely as a supplemental guide addressing financial considerations. It does not establish or alter agency policy. Field offices should continue to refer to the FSM for official guidance on security policies and procedures.

16.2. Cash Policies

16.2.1. Movement of Cash

In circumstances where no banking services are available, provincial offices may consider cash movement as necessary to prevent interruption in providing services. The utmost care and discretion must be exercised in all situations involving the movement of cash. Transportation of cash should be regarded as a measure of last resort, undertaken only when safer methods of payment or transfer are not feasible. Such trips must be conducted as swiftly as possible, without combining them with other purposes, and whenever possible, at least two individuals should be assigned to accompany the movement.

16.2.2. Mitigating the Risk of Cash Movements

16.2.2.1. In-office payments

This section applies only in circumstances where no banking system is available. Under normal conditions, OPHCD transfers staff salaries, supplier payment via bank to avoid cash payments. The following provisions are intended solely for situations where banking services are not accessible, ensuring continuity of operations and for optional cases there should be approval of authorized management.

(To reduce the need to transport cash to make vendor payments, vendors should be directed to collect payments at the OPHCD office. Hours for vendor payments should be restricted and care should be taken not to allow exposure to financial operations (e.g. location of the safe, amounts kept on hand, cash replenishment practices, etc.)

Salary payments should also be made in the office rather than on project sites whenever possible. Cash envelopes and pay slips should be prepared prior to designate payment times.

16.2.2.2. Reducing Predictability

Care should be taken to reduce the predictability of cash movements. Trips to the bank for cash replenishment, for example, should not be routinely scheduled. The routing used to the bank as well as the driver and vehicle used for these trips should also be varied.

16.2.2.3. Discretion

All communications regarding cash or cash movements should be discreet. The less those non-essential parties know about cash operations and movements, the less they can disclose, either intentionally or unintentionally. In highly insecure situations, discussions regarding cash should be minimized and terms should be encoded to avoid direct references to money.

16.2.2.4 Checks or Bank Transfers

Whenever possible, checks or bank transfers should always be used in lieu of cash payments. Vendors and employees should be encouraged to open bank accounts. For large procurements, a bank account should be included as a requirement of the tender exceptional cases must supported by approval from authorized person.

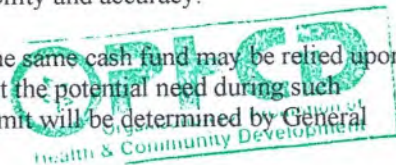
16.2.2.5. Money Traders (Money Service Provider):

In field offices where banking services are unavailable, the risk of transporting cash can be transferred to a money trader. Whenever possible, the trader should deliver the cash to the OPHCD office or directly to the vendor on OPHCD' behalf.

16.3. Emergency Cash

Field offices may maintain cash on hand to cover routine operational costs. This cash must be kept securely in the safe, with the cash room door reinforced and windows supported by fencing to prevent unauthorized access. Regular and surprise cash counts should be conducted, and the cash balance must always reconcile with the cash book balance to ensure accountability and accuracy.

In case of emergencies such as natural disasters or evacuation, the same cash fund may be relied upon. The amount kept should balance the risks of holding cash against the potential need during such situations, and must always remain secured in the safe and the limit will be determined by General Director.



16.4. Archive/ Back up Policy

Financial records form the basis of the audit trail and must be safeguarded at all times. Records should be secured when not in use, preferably locked away, and organized for easy reference.

Curtain files must be used to keep vouchers, and each curtain file should be clearly labelled with the date, type of vouchers, project, and other relevant details. After the annual audit, files must be shifted to the archive, where they remain securely stored. No unauthorized person is permitted to remove or access payment vouchers from the archive.

To ensure the security of financial documents, every quarter all payment vouchers must be scanned and stored on a hard drive. Scanning should follow the sequence of monthly voucher numbers to maintain order. The scanned vouchers must be kept in a safe location to prevent damage or loss.

16.5. Financial Staff Backup and Training Policy:

To ensure continuity in financial management, OPHCD mandates that backup staff be trained to cover essential financial functions. Training must be provided so that when a staff member is absent or out of office, operations can continue without interruption.

OPHCD is committed to continuous professional development of its finance staff. On-the-job training will be provided regularly to ensure backup staff gain practical experience and familiarity with daily financial procedures. Off-the-job training, such as workshops or formal courses, will be conducted subject to budget availability and donor approval.

This dual approach ensures staff are consistently prepared to assume responsibilities and that OPHCD financial management remain resilient against turnover or absences.

Implementation

- a) **On-the-Job Training:** Conducted regularly to strengthen daily financial management skills and ensure backup staff readiness.
- b) **Off-the-Job Training:** Workshops and courses offered when resources and donor approval allow.
- c) **Continuous Learning:** Staff encouraged to use online courses, webinars, and other resources.
- d) **Regulatory Updates:** Regular briefings on changes in standards and policies.
- e) **Evaluation & Documentation:** Training effectiveness assessed through performance reviews, with records maintained for accountability.
- f) **Fundamental Accounting Principles and Policies**

17.1. Accounting Method

OPHCD uses **double-entry bookkeeping** and the **accrual basis** of accounting. Income is recorded when earned, and expenses when incurred, even if cash is received or paid later.

Example: Project expenses in December are recorded in December, even if the vendor is paid in January.

17.2. Materiality

Small errors or amounts that do not affect decisions may be ignored.

Example: A minor office supply discrepancy is immaterial and does not require correction.

17.3. Consistency

The same accounting methods are applied across all projects and reporting periods to ensure comparability.

Example: OPHCD always uses accrual accounting for revenue and expenses.

17.4. Revenue Recognition

Grants are recognized as revenue when funds are received **or** when donor conditions are met, as agreed in writing.

Example: A donor grant for a health project is recognized once funds arrive or project conditions are fulfilled.

17.5. Historical Cost

Assets are recorded at purchase price. Non-monetary grants (e.g., medicines, equipment) are recorded at fair value on the date received.

Example: Purchased medical equipment is recorded at cost; donated supplies at fair value.

17.6. Matching

Expenses are matched with related revenue in the same reporting period.

Example: Grant revenue for a vaccination program is recognized in the same period as program expenses.

17.7. Reliability

Transactions are recorded only when supported by reliable documentation.

Example: Medical supply expenses are backed by invoices and delivery notes.

17.8. Prudence

Revenue is recognized only when realization is assured. All known liabilities are recorded, whether certain or estimated.

17.9. Going Concern

Financial statements assume OPHCD will continue operations unless there is clear intent to liquidate or significantly reduce activities. If so, disclosure is required.

17.10. Fair Value

Fair value is the price at which assets could be exchanged in the market. Non-monetary grants are recorded at fair value on the transaction date.

Example: Donated medicines are valued at prevailing market prices.

17.11. Disclosure

All significant information is disclosed in financial statements to ensure transparency and informed decision-making.

Example: Donor restrictions on grant usage are disclosed in the notes.

17.12. Direct Expenditure

The total direct expenditure shall be recorded as Project/Grant Direct Revenue. Accordingly, the fund advance account is debited, and the grant revenue account is credited.

17.13. Indirect Cost

Indirect costs shall be automatically calculated using the approved Indirect Cost Rate. The resulting amount shall be recognized as fund revenue for the Indirect Cost Pool. Consequently, the fund advance account is debited, and the indirect cost pool account is credited.

17.14. Donations

When OPHCD receives a cash donation from any source, the amount shall be immediately recognized as revenue or income from that source. The cash account is debited, and the corresponding fund account is credited.

17.2. Basis of Preparation of Financial Statements

Financial Reporting

Financial reporting is vital for transparency and accountability. OPHCD ensures that information flows from Project Offices to the OPHCD Main Office, and from the Main Office to management, donors, and other stakeholders. The Main Office also reports back to Project Offices to keep them updated on activities and expenditures.

Budgeting is the first step, followed by information sharing, reporting of accounts, and finally, analysis of actual spending compared to the budget. This analysis is carried out at the field level by budget holders.

Key Financial Reports

OPHCD prepares the following reports using QuickBooks and Excel:

1. **Balance Sheet (QuickBooks):** Shows assets, liabilities, and fund balances.
2. **Income & Expenditure Statement (QuickBooks):** Monthly and year-to-date revenue and expenses.
3. **Budget Follow-Up & Variance Report (QuickBooks + Manual):** Tracks project budgets, expenditures, balances, and variances. Sent by the 10th of each month.
4. **Donor Reports (Excel):** Prepared in donor-required formats, monthly or quarterly.
5. **Exchange Gain/Loss Report (QuickBooks):** Prepared annually to record currency differences.
6. **Cash Flow Statements (Excel):** Monthly inflows, outflows, and balances for each project and donor. Separate statements are prepared for sub-grant partners.
7. **Staff Tax Report (Excel):** Monthly record of staff tax deductions and payments to government.

OPHCD general purpose financial statements shall be prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) as applicable in Afghanistan.

Apart from the general-purpose financial statements, any donor specific financial reports shall be prepared in accordance with the donor specific requirements, regulations or terms of reference as agreed.

17.2.1 Basis of Measurement

The financial statements of the OPHCD shall be prepared on the historical cost basis except for revaluation of certain financial instruments at fair value and recognition of employee retirement benefits at present value.

The preparation of financial statements in conformity with approved accounting standards shall require the use of certain critical accounting estimates. It shall also require management to exercise its judgment in the process of applying the OPHCD accounting policies. Estimates and judgments shall be continually evaluated and shall be based on historical experience, including expectations of future events that shall be believed to be reasonable under the circumstances.

17.3. Underlying Assumptions

17.3.1. Accrual Basis

The financial statements shall be prepared on the accrual basis of accounting. Under this basis, the effects of transactions and other events shall be recognized when they occur (and not as cash or its equivalent is received or paid) and they shall be recorded in the accounting records and reported in the financial statements of the periods to which they relate.

17.3.2. Going Concern

For financial reporting purposes, OPHCD prepares its financial statements on the assumption that the organization will continue its work and activities into the future. This means OPHCD does not expect to close down or make major cuts to its operations. If at any point OPHCD does plan to close or significantly reduce its work, the financial reports will need to be prepared differently, and this change will be explained clearly to ensure transparency and accountability.

7.4. Qualitative Characteristics for Financial Statements

Financial statements must have certain qualities to be useful. According to the IFRS Framework, OPHCD will ensure its reports are:

- **Understandable**-clear and easy to read.
- **Relevant**-provide information that helps people make decisions.
- **Reliable**-free from bias or error, showing the true activities of the organization.
- **Comparable**-prepared in a way that allows results to be compared across different years and with other organizations.

These qualities make OPHCD's financial information transparent, accountable, and meaningful for all stakeholders.

17.5. Foreign Currencies

17.5.1. Functional Currency

Ensure transparency, fairness, and accountability in applying exchange rates for financial transactions. Can be done via **bank** or **open market**, assigned panel will go for exchange the currency.

Market Rate Application

- a) Cashier fills **Currency Exchange Form**
- b) Approval from Head of Finance and General Director.
- c) Cash must be counted and verified by cashier.
- d) Exchange rates must be checked against the local market rate on the date of transaction.
- e) Committee must obtain three separate quotations from reliable local money exchangers.

- f) The average of these quotations will be used as the official local market rate.

Bank Rate Application

- a) Exchange rates published by the official banking system must also be recorded.
- b) Finance Department prepares documents and assigned panel will go for exchange the currency.
- c) Approved by Head of Finance and General Director.
- d) Recorded in bank books.

Rate Selection & Documentation

- a) The organization will apply the more conservative rate (lower for income, higher for expenses) to ensure compliance and donor accountability.
- b) All quotations and bank references must be attached to the transaction

Functional Currency

The functional currency of OPHCD is the Afghani (AFN), which represents the primary economic environment in which the organization operates. All transactions relating to local operations, including procurement, salaries, and administrative expenses, are initially recorded in Afghani.

17.5.2. Presentation Currency

For donor reporting purposes, OPHCD financial statements are presented in United States dollars (USD). Transactions denominated in Afghani are translated into USD at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in Afghani are translated into USD at the closing exchange rate on the reporting date.

17.5.2. Foreign Currency Transactions

Initial Recognition: Foreign currency transactions are recorded in the books of account using the monthly average exchange rate or the Da Afghanistan Bank and are regularly revalued considering the latest rate.

Reporting on Subsequent Balance Sheet Dates: Monetary assets and liabilities denominated in foreign currency are reported in financial statements using the closing rate at the Balance Sheet date.

Recognition of Exchange Gain and Loss: Exchange differences arising from the settlement of monetary items or from reporting monetary items at rates different from those initially recorded during the period, or from previous financial statements, are recognized as income or expenses at the time of the preparation of financial statements.

17.6. Fund Accounting**17.6.1. Restricted funds**

Restricted funds are grants and contracts which have to be used in accordance with specific restrictions imposed by donors or which have been raised by the entity for particular purposes.

Income in respect of restricted funds is recognized in the statement of comprehensive income up to the extent of expenditure incurred for the specific project when it is probable that grant will be awarded and received. Any surplus or deficit is recognized as payable (deferred income) or receivable from donor respectively in the statement of financial position.

17.6.2. Unrestricted funds

Unrestricted funds are donations received without donor-imposed restrictions on use or timing; they are recognized as revenue upon receipt in the statement of comprehensive income, and any surplus or deficit for the period is carried forward to the accumulated unrestricted fund balance in the statement of financial position.

18. Donors' compliance and general provisions

This chapter states the policies and procedures of OPHCD for the administration of donors' funded program through grant or cooperative agreements. While not providing all the needed information in detail, it does refer to the relevant clauses of the agreement or regulations that set out the official policies and procedures.

18.2. Financial Records and Supporting Documents

OPHCD keeps careful records of all money and documents connected to donor funding. This means we track financial information, receipts, statistics, and any other important paperwork in line with international standards. By doing this, we make sure our reports are clear, honest, and reliable. It also shows donors and partners that we are meeting legal requirements and using funds responsibly, which protects the trust and integrity of the organization.

18.3. Financial Management Compliance

1. Donor Standards

OPHCD shall execute all financial transactions-including payroll, procurement, and cost allocations in strict accordance with donor requirements. Documentation, budgets, and reporting must follow donor formats and timelines.

2. Internal Controls

Strong internal controls shall safeguard donor funds, prevent misuse, and ensure expenditures are properly authorized and recorded. Monitoring, reconciliations, and internal audits will verify compliance.

3. Accountability

By aligning practices with donor standards, OPHCD ensures transparency, minimizes audit risks, and upholds financial integrity

stakeholders, minimizes risks of audit findings, and upholds the integrity of its financial management system.

18.3.1. Budget Control

The Finance Department ensures accuracy and compliance by validating financial data, conducting variance analysis, and explaining deviations. Significant differences lead to review meetings where corrective actions and optimization plans are developed.

These plans are submitted for approval, implemented by departments, and closely monitored by Finance to ensure effectiveness. Continuous oversight allows adjustments if issues persist, maintaining accountability across the organization.

On a quarterly basis, Finance will carry out cost analysis, comparing budgeted and actual results, and present findings to the management team. This quarterly review includes variance explanations, corrective action plans, and progress updates, ensuring leadership has clear visibility into financial performance and organizational priorities.

- a) **Initial Review:** Finance Department checks accuracy, completeness, and compliance

- b) **Variance Analysis:** Identify and document differences between budgeted and actual figures.
- c) **Explanation of Variances:** Provide reasons and corrective actions.
- d) **Review Meeting:** If needed, Finance presents findings to department heads and project managers.
- e) **Action Plan:** Develop measures to address negative variances and optimize positive ones.
- f) **Approval:** Director General/Deputy approves the action plan.
- g) **Implementation:** Departments apply corrective measures.
- h) **Continuous Monitoring:** Finance tracks effectiveness of corrective actions.
- i) **Reporting:** Finance submits a summary report to the General Director for oversight

18.4. Financial Management Compliance/ Anit -Terrorism/Anti-Money Laundering

1. Donor Standards

OPHCD shall execute all financial transactions—including payroll, procurement, and cost allocations—in strict accordance with donor requirements. Documentation, budgets, and reporting must follow donor formats and timelines.

2. Internal Controls

Strong internal controls shall safeguard donor funds, prevent misuse, and ensure expenditures are properly authorized and recorded. Monitoring, reconciliations, and internal audits will verify compliance.

3. Accountability

By aligning practices with donor standards, OPHCD ensures transparency, minimizes audit risks, and upholds financial integrity

18.4.1 Anit -Terrorism/Anti-Money Laundering

Purpose

This policy ensures that OPHCD manages its financial resources responsibly, operates with integrity, complies with national and international financial regulations, and prevents misuse of funds, including risks related to terrorism financing or money laundering.

Scope

The policy applies to all staff, management, partners, contractors, and stakeholders engaged with OPHCD financial activities.

Policy Statements

- OPHCD has the ability to identify, prevent, and report any financial activity linked to terrorism financing or money laundering.
- All financial transactions must be transparent, properly documented, and subject to regular internal and external review.
- OPHCD will not engage with individuals, groups, or organizations listed on national or international watchlists.
- Staff must immediately report suspicious financial activities to the Management.
- OPHCD will cooperate fully with government authorities, regulators, and auditors in investigations related to financial misconduct.

- Training will be provided to staff to strengthen financial accountability and risk awareness.

Responsibilities:

- **Management:** Ensure compliance, oversee financial controls, and approve major financial decisions.
- **Finance Department:** Monitor transactions, conduct due diligence, maintain accurate records, and prepare timely reports.
- **All Staff:** Follow financial procedures, report concerns, and uphold ethical standards in handling funds.

18.4.2 Anti-Fraud and Corruption Policy

Purpose

This policy ensures that OPHCD operates with honesty, transparency, and accountability, protecting its resources from fraud, corruption, and misuse while maintaining trust with donors, partners, and beneficiaries.

Scope

The policy applies to all staff, management, board members, contractors, volunteers, and stakeholders engaged with OPHCD.

Policy Statements

- OPHCD has the ability to identify, prevent, and report any fraudulent or corrupt activities.
- All financial and operational transactions must be transparent, properly documented, and subject to regular review.
- OPHCD will not tolerate bribery, kickbacks, or any form of corruption in its operations.
- Staff must immediately report suspected fraud or corruption to the designated compliance officer or management.
- OPHCD will cooperate fully with government authorities, regulators, and auditors in investigations related to fraud or corruption.
- Training will be provided to staff to strengthen awareness and prevention of fraud and corruption risks.

Responsibilities

- **Management:** Ensure compliance, oversee implementation, and foster a culture of integrity.
- **Finance Department:** Monitor transactions, conduct due diligence, and maintain accurate records.
- **All Staff:** Follow procedures, report concerns, and uphold ethical standards.

18.4.3 OPHCD Risk Management Policy

Purpose

The purpose of this policy is to ensure that OPHCD can identify, assess, and manage risks that may affect its operations, reputation, financial stability, or ability to achieve its mission. By having a clear approach to risk management, OPHCD strengthens accountability and protects the trust of donors, partners, and beneficiaries.

Scope

This policy applies to all staff, management, board members, volunteers, contractors, and stakeholders who are engaged with OPHCD. Everyone has a role in recognizing risks and supporting the organization's efforts to manage them effectively.

Policy

OPHCD has the ability to identify and assess risks across financial, operational, legal, reputational, and strategic areas. Risks will be documented, monitored, and reviewed regularly to ensure timely response and mitigation. Preventive measures will be put in place to reduce the likelihood and impact of risks.

Staff are required to report potential risks or incidents to management immediately, and OPHCD will maintain transparency with donors, partners, and regulators regarding significant risks and the strategies used to address them. Training will be provided to staff to build awareness and strengthen capacity in risk management.

Responsibilities

Management and the Board are responsible for overseeing risk management processes, approving mitigation strategies, and ensuring accountability. The Finance Department will monitor financial risks, ensure compliance, and maintain accurate reporting. Program teams will identify operational risks in projects and implement preventive measures. All staff and volunteers are expected to follow procedures, report risks, and uphold organizational standards.

19. Cost Allocation Policy

19.1 Purpose and Scope

Costs must be allocated according to their nature:

- **Direct costs** (e.g., project-specific salaries, construction expenses) are charged only to the benefiting project.
- **Shared costs** (e.g., satellite offices used by certain teams) are distributed among those specific projects.
- **General administrative costs** (e.g., director's office, administration) are spread across all projects, except very small projects where the share would be insignificant.

This ensures fairness, transparency, and compliance with donor and organizational requirements.

19.2 Basic Cost Principles

- **Allowability:** Costs must comply with OPHCD and donor policies, applicable laws, and sound business practices.
- **Reasonableness:** Costs must be ordinary, necessary, and proportionate to the project's objectives, considering OPHCD humanitarian mission and limited resources.
- **Allocability:** Costs must provide a proportional benefit to the project. Unrelated projects must not bear costs that do not serve them. Allocation methods must be consistent and fair.

19.3 Principles of Allocation

- **Allocation Basis:** Costs are divided using logical, fair, and traceable measures (e.g., staff time, office space, budget size). The chosen basis must remain consistent unless circumstances require change, in which case documentation is mandatory.

- **Budgeting Implications:** Allocations must reflect actual costs, not budget percentages. If a budget is insufficient, it should be realigned or supplemented with alternate funding.
- **Documentation:** All allocations must be supported by source documentation. Simple allocations may be noted directly on invoices; complex allocations require worksheets showing amounts, basis, percentages, and final distribution.

19.4 Allocation Process

1. Select an appropriate allocation basis (e.g., staff time, office space).
2. Identify actual amounts by project for the chosen basis.
3. Calculate each project percentage share.
4. Apply percentages to the cost item to determine charges.

19.5 Methodologies by Cost Category

- **Salaries & Wages:** Allocated monthly based on actual hours recorded in Personnel Activity Reports. Estimates are not permitted.
- **Staff Benefits:** Allocated in the same proportion as salaries for each employee, subject to donor budget limits.
- **Travel Expenses:** Directly charged to the benefiting project. General or allowance-related travel (e.g., home leave, R&R) is allocated in proportion to salary distribution at the time of travel.

19.5.4 Equipment asset

Items such as non-consumable equipment and furniture with a useful life of more than one year must be charged either as a direct project cost or, in the case of small equipment under \$500, may be treated as an allocation cost similar to facilities. Specifically, small equipment (under \$500) can be allocated, while general equipment (\$500–\$4,999) and capital equipment (\$5,000 or more) must be charged directly to the project and cannot be allocated.

19.5.6 Communications

Offices should try to charge communication costs directly to the specific project that caused them. For If communication costs cannot be tied to a specific project, they should be allocated in the same way as general facilities costs (like rent or utilities), meaning spread across projects proportionally.

19.5.7 Supplies

Supplies bought for a project should be charged to that project. If possible, share supply costs based on usage.

19.5.8 Vehicle Operating Expenses

Vehicle operating expenses include fuel costs, repairs and maintenance, insurance and registration. Where vehicles are assigned directly to projects, vehicle operating costs associated with that vehicle may be charged directly to the project. For shared-use vehicles, vehicle operating costs should be allocated based on usage by project. Usage by project may be determined from vehicle logs.

19.5.9 Banking and Other Financial Fees

Whenever possible, fees should be allocated to projects in the same proportions as the expenses for which they were incurred. If fees cannot be directly associated with a project, they should be allocated based on the total amount spent for each project during the month.

19.5.10 Program Expenses

Program expenses should be directly identifiable and charged to a single project. If a program expense is not directly identifiable, it is necessary to take a facts and circumstances approach to allocating the cost.

20. Preservation and Maintenance of Records

20.1 Maintenance of Records

All financial records including but not limited to vouchers, ledgers, registers shall be safely and securely maintained in OPHCD.

Following measures shall be adopted for ensuring security, safety, and backup of data:

- All electronic records from QuickBooks shall be printed and filed on a weekly basis.
- Additional data backup shall be maintained on the high-quality external hard drive and this backup shall be undertaken weekly. All such external hard drives shall be kept at an off-site location in the custody of the General Director for additional security.
- Copies of key financial records and documents shall be made and kept at off-site locations to protect against any contingencies.

All financial records shall be maintained for a period of ten years from the end of the accounting year.

20.2 Destroying Non-Permanent Records

Record destruction dates are generally determined by the legal requirements of the host country and donor regulations for grants active during the applicable fiscal year. OPHCD's policy is to destroy non-permanent records after the end of OPHCD's **12-year minimum** retention period and the expiration of the record retention period required by either host country legal requirements or donor requirements, whichever is longer.

20.3 Approval to Destroy Records

When a box of records reaches its destruction date, get approval from the General Director and the other required authority for shred or burn the records. Do not remove the box or file from the Finance Archive Index. Instead, update the Index to show the box is "Destroyed."

20.4 Destroying Records in an Emergency

In unsafe locations, offices must prepare records in case they need to evacuate, and if an emergency happens quickly and records cannot be moved to a safe place, only records that may affect the safety of staff or beneficiaries, such as personnel files and beneficiary lists (red-dotted records), should be destroyed, and at the same time a list of all destroyed records must be made.

21. Capital Expenditure

Authorization for Capital Expenditure

Capital expenditure refers to costs incurred for acquiring fixed assets or for the replacement, balancing, and modernization of existing fixed assets. Fixed assets are defined as those held to provide services rather than for sale in the ordinary course of business, with their cost amortized over their useful lifetime.

The categories of fixed assets include freehold land, buildings on freehold land, vehicles, machinery and equipment, loose tools and spare parts, furniture and equipment, office equipment, and computers.

All requisitions for capital expenditure must be submitted by the respective departments, considering the OPHCD threshold, for proper authorization. Capital expenditure authorization requires careful planning and justification to ensure alignment with organizational priorities and financial sustainability.

Justification for Capital Expenditure

All capital expenditure requests shall be forwarded to the relevant line manager for approval, taking into account the OPHCD threshold and providing full justification. Requests may be classified into two groups:

- **Replacement**
- **Addition, Balancing, and Modernization**

Replacement

Replacement requisitions are justified when the useful life of an existing asset has been exhausted. Such replacements reduce operational costs by lowering maintenance expenses and improve efficiency through the acquisition of more effective assets. Benefits must be quantified in financial terms to demonstrate value.

Addition, Balancing, and Modernization

Requests for additions, balancing, or modernization of existing assets must be justified by quantifiable benefits such as higher efficiency and increased capacity. Justification should include payback period, return on investment, or net present value analysis where applicable.

Procedure for Preparation, Submission, and Approving

- Capital expenditure requests must be submitted with the departmental budget to the Finance Department.
- The originating department shall thoroughly examine requests from an operational perspective before submission.
- Requests are forwarded with recommendations to the Finance Department, which scrutinizes them from both operational and financial aspects.
- Recommendations are then submitted to operation for further processing.
- Emergency capital purchase requests may be authorised by the Director General in accordance with delegated powers.

21.1. Asset Management Policy

The purpose of this policy is to ensure that all organizational assets are properly recorded, safeguarded, and utilized in support of OPHCD's mission. Assets include property, equipment, and other items of value owned or controlled by the organization.

Effective asset management promotes accountability, transparency, and compliance with donor and organizational requirements.

Any equipment or property with a purchase value of **100 USD or above** shall be classified and recorded as a fixed asset. Items below this threshold may be treated as consumables or operating expenses, unless donor regulations specify otherwise.

21.2 Fixed Assets

Fixed assets are items held by OPHCD for use in operations, service delivery, or administrative purposes. These include property, equipment, and other durable items essential to the organization's mission.

Proper management of fixed assets ensures accountability and compliance with donor and organizational requirements.

21.3 Recording, Identification, and Verification

- All fixed assets must be recorded in the asset register with details such as purchase date, brand, specifications, and value.
- Each asset shall be assigned a unique serial number for identification.
- The Operations Manager is responsible for conducting physical verification every six months to confirm the presence, condition, and usability of assets.
- Any discrepancies must be documented, explained, and reported to the Project Manager and General Director, with supporting statements appended to the annual audited accounts.

21.4 Transfer of Assets

Assets purchased under one donor grant may be transferred to another project after completion, provided donor approval and documentation are obtained. Once transferred, the assets become the property of OPHCD, and their use is determined solely by the organization.

The General Director shall oversee and authorize all asset transfers to ensure accountability, transparency, and compliance with donor requirements. Donors of subsequent projects have no rights over such assets once transferred.

21.5 Disposal of Assets

Fixed assets have a limited useful life, after which maintenance costs may rise. The OPHCD Senior Management Team/Committee leading by General Director is authorized to decide on disposal, in consultation with local authorities, once assets are unusable or obsolete.

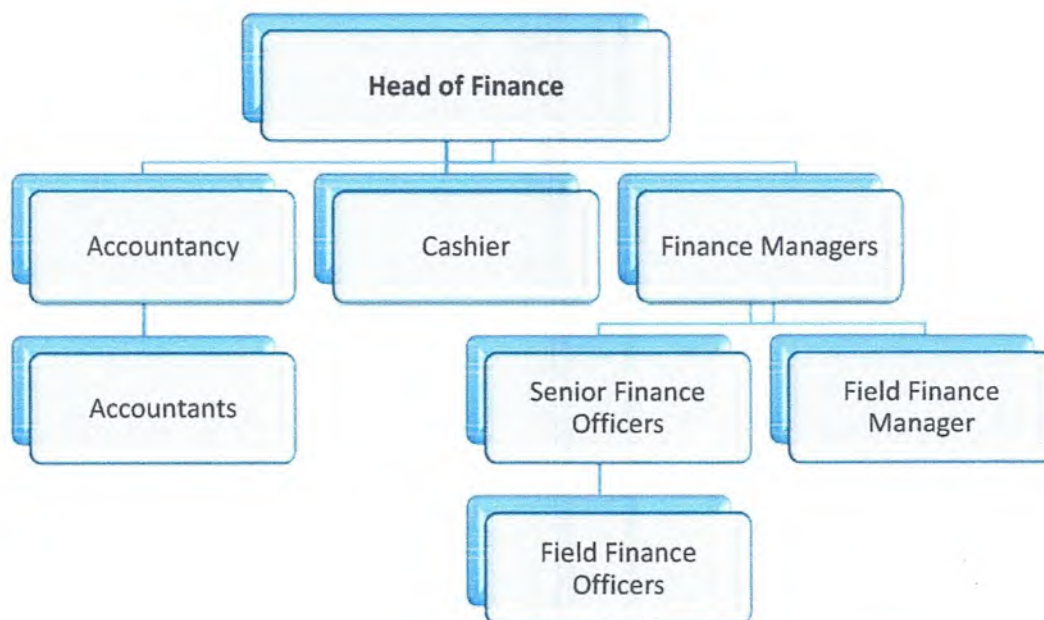
OPHCD cannot sell fixed assets independently but may donate them under strict guidelines to avoid conflicts of interest. In case of conflicting rules, donor regulations on asset disposition shall prevail, which may include:

- Sale with proceeds returned to the donor
- Transfer to another project
- Retention for OPHCD continued use

All disposal actions must be properly documented, justified, and reported in line with NGO best practices and donor requirements.

21.5 Finance Department Structure





Change control history

Version No:	Approval date:	Approved by:	Change:
001	Jan,2021	Board of Trustee General Director	
Board of Trustee General Director	July 2026	Board of Trustee General Director	

Signature.....

Date.....



July 1/2026



Approved By:

After the review of the policy, on behalf of the OPHCD Board of Trustees, the said manual is hereby approved and ready to be implemented henceforth.

Reviewed and Approved: Board of Trustee