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INSTITUTE OF SOCIAL DEVELOPMENT

Administration  
&  
Finance Management Manual



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## **Abbreviations**

ISD – Institute of Social Development

GOSL – Government of Sri Lanka

ED- Executive Director

M & E- Monitoring and Evaluation

FM- Financial Manual

TCF – Travel Cost Form

ECF- Expenditure Cost Form

MAF- Movable Asset Form

VRF- Vehicle Request Form

EPF- Employees Provident Fund

ETF- Employees Trust Fund

LRF- Leave request form

## **1. Introduction**

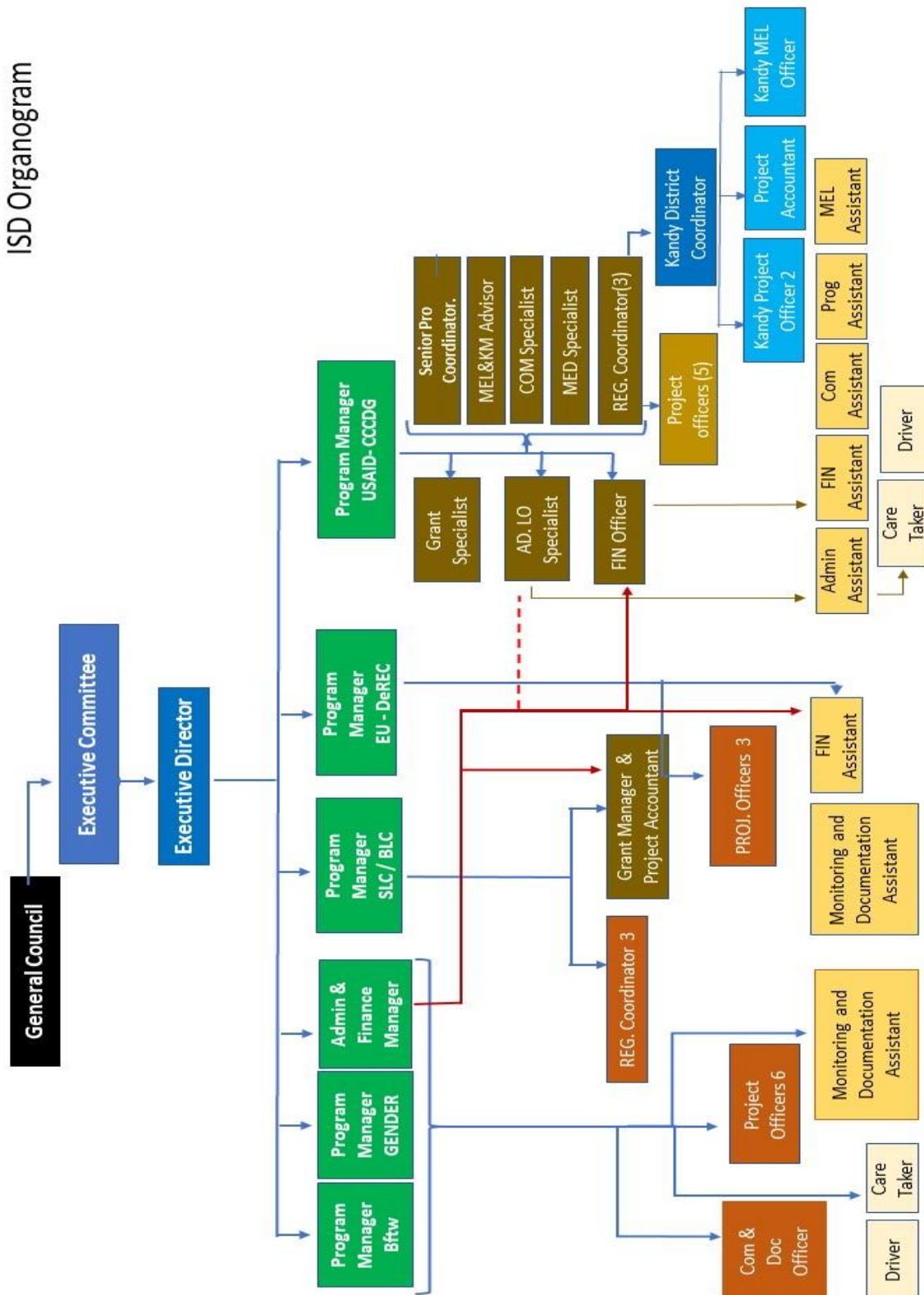
### **1.1 The Organization**

The Institute of Social Development was formed 1991 and without interruption it works among the community over period of 25 years. In its journey it had reach the adult period and established its credibility among the beneficiaries and other stake holders. Within a few years the leadership and management of the ISD will falls into the hands of younger leadership. In order to make the sustainability of the organization and to ensure the governance, transparency and accountability ISD needs to create a proper policy in relation to finance, administration and structure of the organization. Taking into consideration of these important components ISD had formulated these policy documents

ISD 's main focus areas are Women Empowerment, Gender, Governance, Worker Rights, Human Rights, Transitional Justice, Water and sanitation and Environment Protection covering all the projects it covers 25 districts of Sri Lanka.

## 1.2 Organizational Chart

ISD Organogram





### **1.3 Purpose of the Manual**

This Manual was developed to document, formalize and guide the Management and staff of ISD with all matters relating to Finance and Administration of the organization. Over the years certain practices, procedures and policies have been sometimes informally and at other time formally developed and followed by ISD. These form a very essential part of ISD and therefore a document that captures these practices, policies and procedure was required to ensure consistency and good practice. This manual tries to ensure that all staff and other related personnel of ISD adhere to generally accepted practices and standards required by ISD.

Institute of Social Development's Administration and Finance Management manual provides guidelines on policies and procedures for all financial transactions and to administer the organization within ISD, which must be followed by all staff.

It will be necessary to modify and amend or add new procedures to some sections of this manual from time to time, in order to ensure that all administrative and financial policies and procedures are current and relevant. These policies apply to all departments and staff of ISD.

Any suggestions, recommendations or feedback on the policies and procedures in this manual are welcome. Employees are encouraged and requested to recommend any amendments or additions to this manual and the request should be made to the Administrative and Finance Manager by filling in the change request form (CRF/01 – Annexure 01). The Admin and Finance Manager will discuss this at the Senior Management Committee and put this forth for approval at the board meeting to the treasurer subject to review by the treasurer.

Board decisions thus taken which results in a change or an addition to policies and procedures mentioned in this manual should be communicated to all staff members through a circular and the manual should be update accordingly. This would be the responsibility of the Administrative and Finance Manager.

## 1.4 Revision History

REVISION	DATE OF RELEASE	PURPOSE
Completed	26.11.2023	Updated the Manual

## 1.5 Approvals

MANUAL VERSION	NAME	ROLE	DATE
Version 4	U. R ChaRles Dayananda	Chairperson	26.11.2023
	A. Anantha Kumaary	Treasurer	26.11.2023
	P. Muthulingam	Secretary	26.11.2023

## 2. Administration Policies and Procedures

### 2.1. Outline of the Section

This section provides guidelines on how the administration of ISD should be carried out including management of human resource. Management of transport, procurement, Human Resources including working hours and leave etc. are all covered under this section excluding project management. Clearly delineated policies and procedures, as well as lines of authority, are essential to the efficient and effective operation of any institution.

The policies and procedures adopted by ISD to administer the Organization are set forth in this section. This applies to all departments and staff of ISD.

### 2.2. Administrative Roles and Responsibilities

TASK	CERTIFY/ INCHARGE	APPROVAL
Reporting to work – Cut off time	Administrative officer	Executive Director
Out of Office for personal matter	Line Manager	Administrative Officer
Short Leave	Line Manager	Administrative officer
Over time	Line Manager	Executive Director
Annual Leave	Line Manager	Executive Director
Sick leave	Line Manager	Executive Director
No Pay leave	Line Manager	Executive Director
Liu leave and working on Holidays	Line Manager	Executive Director
Employment Contracts	Administrative Officer	Executive Director
Complaints	Administrative Officer	Executive Director & Executive Committee
Transport Management	Administrative Officer	Executive Director
Procurement	Line Manager	Procurement Committee
Travel reimbursement	Line Manager	Executive Director

Representing ISD at formal and informal events	Line Manager	Executive Director
Weekend Working	Line Manager	Executive Director

### 3. General policies and Procedures

#### 3.1 Working hours and working days

The ISD has a Forty-four (44) hour work spread from Monday to Friday. Accordingly, the existing working hours are from 8.30am to 4.30pm, Monday to Friday. However, if any staff member is required to attend to any official function connected to the ISD during these office hours which require him/her to be present out of office he / she should seek the prior approval of the line Manager and Manager Administration.

ISD also operates a flexi time system, where employees can report to work between 07.30 – 09.00 hours and leave accordingly between 16.00 and 17.00 hours. However, flexi time do not apply to Drivers, General Maintenance Personnel, Office aides and other members of staff in whose contract it is specifically stated.

Working days do not include:

Sundays

Saturday's half day leave and

All statutory mercantile holidays declared by the GOSL

Daily hours and working days as outlined above can be altered by the authority of the Executive Director.

- All staff at ISD are required to sign the attendance register which indicates the time of reporting to work and clock off time.
- After 8.45 am the attendance register would be marked with a red line by the Admin and Finance Manager.
- Should any employee report to work after 9.00 am, then this will be considered as short leave from 8.30 am.
- Failure to mark the register would be treated as on short leave from 9.00am.

- Failure to mark the register by 12 noon would be treated as leave by the Manager  
Administration and Finance
- The Attendance register will be reviewed monthly by the manager administration and

Finance and will be the basis for calculating leave, over time etc.

- If an employee of ISD is to leave office early for any personal matter a verbal request should be made to the line manager who will pass it through to the Manager Administration and Finance.
- Leave and Short Leave by Senior Management should be approved by the ED.

### **3.2 Working on Holidays**

If any member of staff is required to work on public holidays prior approval should be obtained from the line manager on the requisite form (ISD/W-W/H/02 – Annexure 02), which should be duly acknowledge by the respective manager admin and finance. Failure to do so may result in access to office premises being denied.

Working on weekends and statutory holidays would not be considered for overtime except for the Driver and Office aides – Refer section 3.3 Over time.

Staff members are encouraged to complete their work during the week and working hours. However, there may be an urgent or legitimate need to complete the work over the weekend / holidays. In such circumstances staff are granted lieu leave for work carried out on a Saturday half day, Sunday or a statutory holiday.

### **3.3 Over time**

Generally, overtime work will not be encouraged. Professional and administrative grade staff will not be entitled for overtime.

Only the following employee categories are entitled for overtime;

- Drivers
- Office aides

As mentioned above, the normal working day for the above-mentioned staff categories shall be from 8.30am to 4.30pm.

All overtime has to be certified by the person utilizing the services of the above-mentioned staff categories and must be approved by the Manager Administration and Finance.

Overtime may also be taken as lieu leave. – Refer Section 3.4 Lieu Leave

Over time will be paid during Monday to Friday for work carried out prior to 8.30 am and after 4.30pm. However, during weekends and statutory holidays overtime will be paid for the duration the employee was on duty. This applies to Kandy based work and outstation-based field visits. – For payment details refer FM section 6.6 Overtime

### **3.4 Lieu Leave**

Professional and administrative staff are entitled for lieu leave in respect of work carried out during weekends and statutory holidays. Drivers and office orderlies are eligible for over time or lieu leave for work carried out during weekends and statutory holidays. (Refer also section 3.3 Overtime)

- Lieu leave earned must be taken within one month (30days) from the date earned.
- 
- Lieu leave that is not utilized cannot be cashed or carries forward.
- If such leave is not taken within the one-month period (30 days), it will become void.
- However, in special circumstances, approval could be granted to extend the one-month period at the discretion of the Line Manager and Executive Director and should be notified in writing with the reasons.
- Lieu leave is claimable either as half a day or full day. Therefore, work should be performed for a minimum of five (5) hours to be entitled for half a day or a minimum of 8 hours to be entitled for one day's lieu leave.
- The work should be performed either at ISD office premises or in the field.
- Work performed at home shall not be entitled for lieu leave, unless specifically approved by the Unit Head and Executive Director.

Employees are advised to avail themselves of available Lieu leave prior to availing casual or annual leave
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## 44. Travel policy

The ISD full-time employees may be required to travel away from their posts on assignment for official business and incur cost related to domestic and, under exceptional circumstances, international travel. Authorized travelers on the ISD are entitled to a per diem payment to cover meals and incidental expenses (M&IE),

### 4.1 M&IE allowance / Per diem

The M&IE allowance covers daily meals, plus other incidental personal subsistence related costs typically incurred while traveling. Meals are defined as breakfast (20%), lunch (35%), and dinner (35%). Incidental (10%) expenses include tips to porters, laundry, transportation between places of lodging or business and places where personal meals are taken, and personal telephone calls. No receipts are required in order to receive an M&IE allowance. The staff not eligible to receive M&IE allowance, if meals covered by the program.

The daily M&IE rate for overnight travel in different city will be LKR 7,500/= Per Diem payments will be made for temporary duty travel when the travel period is more than eight hours for a trip of eighty kilometer or more and when an overnight lodging is required.

Only 75% of M&IE is permissible on the day of travel from or to the duty station. Further guidelines are given below:

When Travel is	Your Allowance (M&IE) is
Day of departure	75 percent of the M&IE rate
Full day in field	100 percent of the M&IE rate
Day of return	75 percent of the M&IE rate

The actual cost will be reimbursed based on the project below the maximum of LKR 7,500/= (Seven thousand five hundred only).

### 4.2 Lodging

The Finance officer or Finance Manager and designates will arrange and pay directly for all overnight lodging during official domestic travel. Any other lodging preferences arranged by the person must be pre-approved in writing by the Executive Director, who will ensure travelers' safety, security, and compliance. In such cases, lodging expenses or subsidy in lieu of approved lodging arrangements will not be reimbursed under any circumstances.

Above and beyond per diem, the following contract-related expenses can be itemized and submitted for reimbursement when supported by an original receipt:

- Local transportation (taxis)
- Parking and/or Express Way Tolls
- Excess baggage (for project materials only)
- Car rental and fuel (if pre-authorized by the Finance Manager)
- Work related phone calls / faxes / internet
- Photocopying / printing

In special cases with the approval of Executive Director, the female staff members and single parents (female and male) with children below the age of four (4 years) are entitled to bring their child and a Caretaker when required for a night stay/s during their official travel. The Caretaker and the child/ children are eligible only for food and accommodation offered by the organisation.

### **Road Travel**

The Logistic officer will arrange for a rental car for any road travel, no personal arrangement is preferred in case of road travel. If the traveler considers public transport to be more convenient, he/she may arrange for that. If any traveler were to arrange his/her road travel in this manner, the traveler must submit receipts associated with public transport. If traveler unable to submit the receipts the line manager should approved with proper justification.

### **Travel Advances**

Travel advances can be provided to the ISD traveler two to three days prior to departure for per diem (meals/incidentals and lodging) and/or a project advance for project costs (such as paying for conference costs while on travel status). Travel advances are reconciled through an individual travel expense report, as the individual traveler takes responsibility for the monies advanced to him or her.

The Finance Officer or designee will review the worksheets and make a realistic assessment of estimated travel expenses, if not covered directly by the ISD Program, M&IE rates based on the location and number of travel days, as well as toll and transportation fees.

Estimated costs of travel will be included on the travel approval request email and when a travel advance is required, a travel advance form must be approved by the Executive Director and Finance Manager. Travel advances up to 75% of the total estimated per diem can be paid. No additional travel advances will be issued to Travelers until their previous advances are cleared in full.



## **Travel Claim Forms**

Travelers will submit a travel claim form to his/her immediate supervisor within three (3) workdays after completion of the trip. Travelers are responsible for preparing their own expense reports, signing, and dating them upon submission. They are also responsible for providing receipts to support their expenses (M&IE and lodging excluded). The travel claim form must include the amount of any travel advance received, which should be deducted from the amount of reimbursement claimed (if any). A trip report must be furnished, along with the travel claim form to the supervisor, who will review and sign this document.

### **4.3 Travel Approval Process**

- I. The traveler requests travel approval by email. The email must state the trips' purpose, the dates of travel, the location(s) to be visited, the estimated cost of the travel, and names/titles of any persons that the traveler expects to meet or organization/s that he/she expects to visit.
- II. The travel request must be approved in email by the traveler's immediate supervisor. The approval must be obtained prior to confirming any travel reservations.
- III. If a travel advance is requested, the Finance officer or designee will process it, along with the copy of the approved travel request email to prepare a disbursement voucher and issue a check in the name of traveler.
- IV. During the trip, the traveler must maintain all receipts for costs incurred (with the exception of M&IE) and report them on a travel claim form.
- V. Within three (3) business days of return from travel, the traveler should present his/her travel claim form to his/her immediate supervisor for approval.
- VI. Traveler will submit the travel expense form with supervisor approval, along with its supporting receipts and boarding pass or passes, where applicable, to the Finance Manager or designee for processing.
- VII. The Finance office or designee will review and settle the travel claim form.

Annex IX – Travel claim form

### **4.4 Travel Reimbursement**

- All transport arrangements would be handled by the Manager Admin and Finance. (Refer Section 6. ISD Vehicles)
- ISD vehicles should be used to manage all official transport requirements as far as possible and therefore an additional allowance or reimbursement would not be given.
- In the event when other arrangements are made due to the unavailability of ISD vehicles, this cost would be paid by ISD at the actual rate.

- In such circumstances, transport costs would be paid directly to the service provider where possible, or the employee should present a bill to claim reimbursement of such expenses.
- In exceptional circumstances, an employee may be requested by the Management to use his or her personal vehicle to attend to official work of ISD. In such an event, ISD shall reimburse the cost of such travel, @ LKR. 120.00 per Km for Cars and Vans and LKR.30.00 per Km for Motorbikes.( The hiring of vehicle will be maintain in the local market rates.)
- In the event where professional and administrative staff are working overtime with the consent of the Management, then such employees would be entitled to claim transport cost after 6 pm and prior to 7 am.
- In the event when Drivers are requested to report to work by 7.00 am and if they sign off after 8 pm, they can claim trishaw fair if there is no public transport available at the time and in the area.
- ISD does not encourage night travelling. However, if the staff member wishes, he/she may do so at his or her own discretion, but the following day will not be considered for lieu leave.
- Programme related transport costs should be certified by the line manager and approved both by the Programme and Administration and Finance managers.

#### **4.5 Vehicle usage**

- Requests for transport should be formally made using the Vehicle request form/e-mail.
- The request would be certified by the respective line managers and approved by the line manager. Upon approval this would be forwarded to the manager admin and finance.
- All ISD vehicles are to be used for official purposes only.
- At the end of each travel the vehicle should be brought to the ISD Office unless it is not possible due to an unavoidable situation. Approval to be obtained by the Manager, Admin and Finance..
- Any abuse, misuse, and discovery of using the transport for any purpose other than the one for which it was approved may result in disciplinary action and /or surcharge of the cost from the officer responsible.
- Staff members are not permitted to take any outsiders or family members on official transport without the prior authorization of the Line Manager and ED.
- The following should be followed by staff using public transport for official visits.

- Use of public transport should solely be for official work.
- Prior approval should be obtained from the Line Manager.

### **Drivers of Motor vehicles**

- Driver must have a driver's license valid in Sri Lanka and appropriate for the class of vehicle driven and have a clear driving record with sufficient driving experience.
- Eligibility shall be immediately suspended for a driver who is charged with any motor vehicle violation for which a penalty is possible while driving a ISD vehicle.
- The driver could know the service, type of repair needed, condition of tires, batteries etc. And the fuel condition, so he could attend to all these in order to maintain the vehicles.
- Authorized drivers who are assigned a vehicle share responsibility for assuring that their assigned vehicle is properly maintained.
- The Manager Administration shall discuss the maintenance requirements, procedure, and the driver's specific responsibilities for maintenance with authorized drivers assigned a vehicle.

### **Vehicle Log Sheets**

- The vehicle log sheets should be in the custody of the drivers who are assigned to drive the particular vehicle.
- All drivers should complete the log sheets on a daily basis – one log sheet for each day.
- The numbered meter reading should be accurately carried forward to the next day's log sheet which is serially numbered.
- The four – wheel vehicle log sheet should have provision for the Manager Administration to check and sign on a weekly basis.
- The motorbikes' log sheet must have provision by the dedicate officer in the projects.
- These log sheets will have information regards that particular vehicle and NOT the particular driver.
- Completed log sheets should be kept under lock and key in the custody of the Manager Administration for a period of 2 years.

### **Annex X – Vehicle log sheet**

## **Monthly Maintenance Chart for vehicles**

These should be maintained monthly by the driver and checked/signed by the Manager Administration.

### **Maintenance**

This should be checked by the driver of the vehicle with the help of the Manager Administration. They should ensure that regular servicing of vehicles is performed as per the guidelines. Methodical inspection of the vehicle and regular preventive maintenance will prevent unnecessary/unexpected breakdowns. The remarks section of the monthly maintenance chart should indicate any major repairs performed during the month including replacement of parts. It should also indicate any accidents which may have occurred. By tracking repairs, maintenance, oil consumption and fuel consumption it would be possible to identify the optimum life span of the vehicle and possible need to dispose of it in a timely manner.

### **Security of Motor Vehicle**

The drivers of a ISD vehicle will take every precaution to ensure the safety of the vehicle and its contents. The driver shall lock the vehicle and handover the keys to the Manager Administration after their daily duties are completed. Authorized drivers of ISD vehicles are personally responsible for the vehicles operated by them.

## **5 Documentation and Data/Information Storage**

All the financial, administrative, communication, reporting, visual, and programmatic (all) data and information will be stored, and the Institute shall maintain records of all relevant data and information for a minimum period of five (5) years following the conclusion of the final audit at the premises.

### **5.1 Removal of Items from Office**

- When movable assets are removed from the organization for programme purposes the following procedure should be adhered to:
- A formal request should be made (ISD/MAF/04 – Annexure 04), which should be certified by the programme manager and approved by the manager

administration.

- Upon approval this should be recorded in the movable asset register and disbursed.
- All items removed should be used exclusively for the purpose for which the approval was granted.
- The employee who is requesting for the approval will be responsible to return the item in the same condition as when it left the organization.
  - However once goods are returned to office it would be the responsibility of the Administration department.
- The employee would be held responsible for any damage or loss of items prior to handing them over to the Manager Admin and Finance.
- Employees are expected to return the items on the first working day after the event for which the asset was taken out.

## **6. ISD Vehicles**

Requests for transport should be formally made using the Vehicle request form. (ISD/VRF/05 - Annexure 05)

- The request would be certified by the respective line managers and approved by the Unit head. Upon approval this would be forwarded to the manager admin and finance.
- All ISD vehicles are to be used for official purposes only.
- At the end of each day or journey the vehicle should be brought to the ISD Office unless it is not possible due to an unavoidable situation. Approval to be obtained by the Manager, Admin and Finance.
- ISD motorbike can be used by the staff exclusively for official purposes;
- A formal request should be made to the Line Manager who would then forward this to the Manager Administration and Finance.
- Any abuse, misuse and discovery of using the transport for any purpose other than the one for which it was approved may result in disciplinary action and /or surcharge of the cost from the officer responsible.
- Staff members are not permitted to take any outsiders or family members on official transport without the prior authorization of the Line Manager and ED.

- If for any reason a member of staff wishes to take a family member or an outsider this should be mentioned on the request form.
- A maximum of 10 additional km is allowed for such personal use.
- The following should be followed by staff using public transport for official visits.
- Use of public transport should solely be for official work.
- Prior approval should be obtained from the Line Manager and the Manager Administration.

## **7. Human Resource Management**

### **7.1 Recruitment**

- The Board of Directors on recommendation of the Management Committee will approve the permanent Cadre.
- Vacant positions would be first notified to existing staff in order to ensure fair and equal opportunity.
- If a vacancy cannot be filled from internal employees, it would be open for external candidates and the selection would be through a competitive process. However, persons whose contracts have been terminated (due to completion of a project) get priority for appointment to positions provided they are qualified.
- Eligible staff can make an application for a vacant position, which would be assessed by the Management Committee. If the management committee is satisfied the existing contract would be terminated and a new contract will be given.
- All ISD employment contracts represent a distinct contract with specific terms of reference and are for fixed term duration. It is not a renewal or continuation of any previous contracts the Employee may have entered into with ISD.
- ISD might at the discretion of the management request a prospective candidate to undergo a police clearance and a medical examination. The Medical examination will be done by a qualified local Physician designated by

ISD Management and the cost of this medical examination will be paid by ISD.

- If such a request is made, the offer for contract of employment will depend on the provision of acceptable reports.
- ISD will also pay for the necessary expenses of immunizing the staff member against communicable diseases provided that the examining physician recommends immunization and such costs are not covered by the government.
- All newly recruited staff members should be given an orientation within the first two weeks.
- It is the responsibility of the Manager administration and finance to ensure that this orientation was given to new recruits.

## **7.2 Probationary Period**

- Every employee is subject to a six-month probationary period immediately following initial appointment to a position at ISD other than a promotion in the same line of work.
- During this time, the employee must demonstrate his or her abilities to meet the requirements of the job and that he or she is suitable for the position. If during the six months, the Executive Director and Management are not confident of the employee's ability to successfully carry out his or her duties, the new position/recruitment can be terminated.
- If a current employee of ISD was recruited for a given vacancy internally then the employee will revert to his former position if still vacant otherwise he will accept whatever job that is available.

## **7.3 Compensation and other Benefits**

### **7.3.1. Compensation**

- The compensation (wages, salaries or fees) provided to locally- engaged personnel is determined based on the salary structure of ISD.
- The initial offer would be made at the time of recruitment and the employee placed on the structure accordingly.
- The Salary structure is constructed in comparison with other organizations

that are similar to ISD in nature, size and functions.

- The salary structure would be subject to review annually and it would seek to ensure that ISD compensates its employees in a fair and just manner. This compensation would cover the benefits packages.
- Increments will be recommended by the ISD Salaries Committee to an employee upon receipt of a satisfactory appraisal report. (Refer Annexure 06)
- It should be noted that an increment is not a right. It has to be earned by good work. It is given on the basis of a satisfactory performance or denied on the basis of unsatisfactory performance.
- The increment in pay shall be effective on the first day of a given month.
- Pay scales will normally be reviewed on an annual basis depending on the financial situation by the ISD Salaries Committee (Chairperson, Secretary/ Executive Director, Treasurer) and will reflect the effect of inflationary forces.
- Where a salary level/scale revision and a salary increment are being implemented at the same time, the salary increment will be applied first.
- Salaries of all employees will be paid in Sri Lankan Rupees, by direct bank transfer on the 25<sup>th</sup> of each month and if the aforesaid date falls on a holiday, it will be paid on the preceding date.
- Those employees who don't have a bank account will be given a cheque in the employee's name crossed "Not Negotiable".

### **7.3.2. Benefits**

#### **EPF and ETF Contributions**

- ISD will adhere to the local labour laws and will make all required statutory payments as per the regulations.
- ISD will contribute 12 % to the Employees Provident Fund (EPF) and its regulation requires the Employee to contribute 8% to the fund.
- In addition to the EPF contribution ISD will contribute 3% to the Employees Trust Fund.



- Both of the above contributions are made monthly on the basic salary of the employee.

### **7.3.3. Loan Schemes**

All permanent employees of ISD are eligible for a loan facility in accordance with the ISD loan scheme, subject to the stipulations and at the discretion of the Management.

## **7.4 Leave**

ISD follows the Shop and Office Act and the leave entitlement is in

accordance to this Act. The leave entitlement is as follows;

- Fourteen (14) days Annual Leave (Refer LRF/13 Annexure 13)
  - Seven (7) days Casual Leave
  - Poya holidays declared by the GOSL
  - Mercantile holidays declared by the GOSL
  - Medical Leave – will have to be covered within the 7 casual leave days.
  - Lieu Leave – Refer section 3.4 Lieu Leave
  - Short Leave
- A maximum of 6 days of unutilized annual leave can be taken forward to the next year and should be utilized within the first two months.
  - During New year and Christmas, two extra days will be given as leave. The exact dates would be decided by the Management.
  - One day off for one of the religious holidays declared as public holiday but not Mercantile holiday in the Sri Lankan calendar to mark a religious festival is granted to ISD staff.
  - In respect of the first year of employment in which he has been continuously in employment the person shall be entitle to.
    - 14days - Employment commences on or after 1st of January but before 1st of April
    - 10days - Employment commences on or after 1st of April but before 1st of July
    - 7 days- Employment commences on or after 1st of July but before 1st

of October

- 4days - Employment commences on or after 1st of October

#### **7.4.1 Maternity Leave**

The Maternity leave policy of ISD is according to the Shop and Office Act of Sri Lanka:

1st and 2nd Child

- 14 days up to and including the day of her confinement and 70 days immediately following the confinement. (84 working days in total)

From 3rd child onwards

- 14days up to and including the day of her confinement and 28days immediately following the confinement. (42 working days in total)

If the person has worked during the 14 days referred above, before the confinement she will be entitled for the 84 or 42 days as the case may be, from the day she has taken leave, for the confinement.

When calculating the number of days, the weekends and the holidays declared by the GOSL will not be included. They will be considered as extra holidays.

#### **7.5 Attendance and Time Sheets**

- All employees are required to sign in the attendance register and mention the clocking in and out time.
- In addition, all employees are required to fill in time sheets (Refer Annexure 07) to enable ISD to track how staff time is spent.
- When filling timesheet, the relevant activity codes should be used. This should be done monthly.
- All employees are requiring to indicate absences due to Casual / Sick Leave, Annual Leave etc. in the time sheet, so that attendance sheets may be kept up to date.
- In order for the time sheet summaries to reflect the level of effort made by ISD staff more accurately, work performed beyond regular working hours, irrespective of whether overtime / lieu leave is granted, should be entered in the time sheet. As a General Guide,
  - (a) Only work performed either in the field (e.g., time spent on field visits) or

Time spent whilst in the office shall be entered in the time sheet.

- (b) The minimum period to be entered is as a multiple of 1 hour.
  - (c) Work performed beyond the regular 8 hours on working days should be entered in the overtime column in the time sheet.
  - (d) Work performed on Saturday / Sunday or on statutory holidays for which the employee is not entitled for lieu leave should be entered in the overtime column as well. All such time should be entered in the overtime column. The entry is purely for record purposes. Such time will not be recovered from projects as a cost.
  - (e) Work performed on Saturday / Sunday or on statutory holidays for which the employee is  
Entitled for lieu leave time should be entered in the regular work column.
- Any employee, who has not completed a Time Sheet for the previous month, may have his/her pay withheld until he does.

## **7.6 Conflict of interest**

### **Section 1: Preamble/ Introduction**

This Conflict-of-Interest Policy is designed to help board of directors, the executive director and the management, employees and volunteers of the of Institute of Social Development here in after referred to as ISD identify situations that present potential conflicts of interest and to provide with a procedure to appropriately manage conflicts in accordance with legal requirements and the goals of accountability and transparency in ISD operations.

### **Section 2: Aim**

This policy intends to avoid conflicts and potential conflicts of interest between the institute and those connected to the institute and that the interest of the ISD supersedes all other interests.

### **Section 3: Scope**

For purposes of this policy, the following circumstances shall be deemed to create a Conflict of Interest:



- a. A director, management, employee or volunteer, including a board member (or family member of any of the foregoing) is a party to a contract, or involved in a transaction with ISD for goods or services.
- b. The directors, management, employee or volunteer, (or a family member of any of the foregoing) has a material financial interest in a transaction between ISD and an entity in which the foregoing is a director, officer, agent, partner, associate, employee, trustee, personal representative, receiver, guardian, custodian, or other legal representative.
- c. A director, employee or volunteer, (or a family member of the foregoing) is engaged in some capacity or has a material financial interest in a business or enterprise that competes with ISD.
- d. Whereas stating the above statements “a”, “b”, and “c”, if a technical expert required the personnel shall be recruited from the family members of the existing ISD employee with the approval of the Executive Board in addition to the ISD recruitment process.
- e. If a family member is selected in the “d” situation, the family members shall not be under one project
  - I. Shall not directly supervision of each other’s
  - II. Shall not participate in each other’s reporting, requesting any procurement or financial payment and approvals
  - III. Shall not engage in any Performance oversight issues of the related parties brought of decision making

Other situations which may create the *appearance of a conflict*, or present a *duality of interests* in connection with a person who has influence over the activities or finances of the institute should be disclosed to the management as appropriate, and a decision made as to what course of action should be taken so that the best interests of the institute are not compromised by the personal interests of stakeholders.

The type of conflict addressed by the policy include but not limited to,

- Situations where there may be a “material financial interest”
- Personal benefit
- Private interest
- Personal financial, professional or political gain

### **Gifts, Gratuities and Entertainment.**

Accepting gifts, entertainment or other favors from individuals or entities can also result in a conflict or duality of interest when the party providing the gift/entertainment/favor does so under circumstances where it might be inferred that such action was intended to influence or possibly would influence the interested person in the performance of his or her duties. This does not preclude the acceptance of items of nominal or insignificant value or entertainment of nominal or insignificant value which are not related to any particular transaction or activity of ISD.

## **The purpose of this policy conflict of interest**

### **Section 1: Definitions**

For the purpose of this policy conflict of interest is defined as “A situation in which an individual’s financial, professional or other personal considerations may directly or indirectly affect, or have the appearance of affecting, his or her professional judgment and in conflicting situation with the interests of the institute.

This shall further be elaborated as “a situation where a person has a responsibility of promoting an interest but has another competing interest at the same time. When the competing interest is exercised over the fiduciary interest, the situation is termed as Conflict of interest.

In simple terms when an interested person is involved in decision making, it is termed as conflict of interest.

### **Section 2: Procedures**

This section covers the way in which ISD will address a conflict or potential conflict of interest situations.

**Sub-section A.** It is everyone’s duty to disclose a potential conflict by the interested person. This shall require disclose of “material facts” as well as “none material facts” of an interest.

**Sub-section B.** The process for determining whether a conflict exists shall be through presentation by the interested party to the management of the facts and potential conflict situation. The interested person then is required to leave the conversation, while the deciding body continues to discuss the situation and decide on future actions of the same. However, the identified financial interest or potential other interests are not necessarily a conflict of interest until determined as such by the board of directors.

**Sub-section C.** Particular questions and specific actions may be necessary to determine whether an actual conflict, harmful to the organization exists. These questions or actions may include:

- An investigation into alternatives to the proposed transaction by a disinterested person
- Deciding whether the organization can obtain a more advantageous transaction with reasonable effort from someone without a conflict of interest
- A discussion and decision whether the transaction is in the best interest of the organization and whether the transaction is fair and reasonable to the organization.

After this discussion and due diligence by the management or committee, disinterested members will decide on whether a conflict exists against the best interests of the organization.

### **Section 3: Records of Proceedings**

The written records of the above outlined procedures, persons involved, and decision taken is a mandatory part of policy implementation. The records/ minutes or the concluding remarks shall be used in staff performance appraisal and other future management decisions.

### **Section 4: Violations**

In situations where the general procedure outlined above is not followed and violations of the conflict-of-interest policy are found on a reasonable belief that someone may have a conflict of interest, the director will inform that person of the same and give the opportunity to present the situation and failure to bring the potential conflict forward earlier. If the management and the board of directors are not satisfied with the person's explanation, appropriate disciplinary action shall be taken.

### **Section 5: Review and amendments to the policy**

The policy shall be reviewed annually by the senior management and submit recommendation for the board of directors whom shall review and endorse the policy in a director board meeting.

### **Section 6: Declaration**

All current and future staff of ISD are subjected to this policy and required to acknowledge the same by signing a copy of this policy upon their contract renewal or duty assumptions.

This shall also be done annually by signing a statement which affirms staff

- Has received a copy of the conflicts of interest policy
- Has read and understands the policy
- Has agreed to comply with the policy

### **7.7 Discrimination**

Discriminatory practices on the basis of sex, race, national origin, colour or religion are not permitted. Employees dealing with colleagues and the general public should exercise particular care to avoid any instance or impression of discrimination. Discriminatory practices or actions may be a cause for disciplinary action.

## **7.8 Harassment at the Work Place**

ISD is committed to ensuring a healthy work environment free of harassment, an environment that supports productivity and personal goals, and the dignity and self-esteem of every staff, consultant and independent contractor. To accomplish this, we must respect the rights of others and have a common understanding of acceptable and unacceptable behavior.

Harassment is any improper behavior directed to anyone that he finds offensive, and which that person knows or ought to reasonably have known would be unwelcome. It can be a remark or a gesture that demeans, belittles or causes personal humiliation or embarrassment. It can come from a colleague, a supervisor or a subordinate.

Harassment can take the form of discrimination, or abuse of authority. It can also be sexual in nature. Whatever its form, it is a disruptive element that can undermine the well-being and job performance of any staff, consultant and independent contractor and the productivity of the organization

## **7.9 How can you prevent harassment and/or discrimination?**

- Think before you speak or act. While some comments and behavior are obviously degrading, embarrassing or insulting, others are not so clearly offensive.
- If you are not sure whether something you do or say could offend someone, ask that person.
- Watch body language to see how others react to your behavior even when you mean no harm.
- If the person you are speaking to is uncomfortable or embarrassed, try apologizing and changing your behavior towards that person.
- If you see inappropriate behavior, speak to the person responsible, in private, and encourage that person to take appropriate steps to stop the problem.
- What do you do if you feel you are being harassed and/or discriminated against?

- Staff, consultants and independent contractors are encouraged to make an effort to resolve conflicts and prevent harassment and/or discrimination themselves before they escalate into more difficult situations. Here are some guidelines:
  - If possible, make your disapproval or unease known to the individual immediately.
  - Write a letter describing clearly and in detail the behavior you want stopped.
  - If personal contact has no effect, or if you don't want to voice your concerns to that individual, seek outside advice as soon as possible.
  - Keep a written record of dates, times, the nature of the behavior and witnesses, if any
  - Consult the Executive Director on harassment and/or discrimination.
  - If a conflict cannot be resolved, you may file a formal written complaint.

## **7.10 Disciplinary Actions**

All employees are subjected to disciplinary action, as warranted. Depending upon the seriousness of the offence, such action may be in the form of an oral or written reprimand, suspension from duty without pay, or discharge. It should be noted that while repetitions of the same type of minor misconduct by an employee typically result in management taking progressively more severe action, beginning with an oral reprimand for the first offence, more serious breaches of conduct may warrant a suspension or discharge, even when it is a first incident.

Reasons for disciplinary action include, but are not limited to the following:

- Deliberate false statements, misrepresentations or fraud
- Insubordination
- Failure to comply with written or verbal rules, regulations, or instructions;
- Any act of misconduct involving moral turpitude
- Negligence in the performance of duties
- Breach of security
- Repeated unexcused lateness or absence
- Breach of confidentiality



- Violation of standards of conduct or conflict of interest guidelines
- Neglect or unauthorized use of vehicles, equipment, appliance, material or property.
- Theft
- Bribery or Corruption
- Abuse of Power
- Conviction by a Court of Law
- Any act which brings disrepute to ISD

### **7.11 Termination**

Either party may terminate the contract of employment by giving the other party one months' notice in writing unless stated otherwise in the employment contract.

The employment contract may also be terminated if the funding of the project is terminated by the project authority or where it is proved to the satisfaction of ISD Executive Director that the employee is unable to perform any or all of the services under the contract due lack of competence.

Any gross misconduct, gross negligence, abandonment of assignment, unsatisfactory performance of the Terms of Reference or non-compliance with any of the terms and conditions of this contract by the employee, shall constitute grounds for immediate termination or suspension of his/her contract by the Executive Director in consultation with the Board of Directors. In such a case, all payments to the Employee shall cease as of the date of termination or suspension.

### **7.12 Grievances**

If an employee is aggrieved on a matter affecting terms and conditions of employment, the complaint should be discussed with the Head of the Unit. If, as a result, of this discussion, the complaint is not dealt with to the employee's satisfaction, the employee must discuss it with the ISD Executive Director and may present a formal grievance.

### **7.13 Gratuity Pay**

Every employee, who has completed a minimum of five (05) years uninterrupted service in the capacity of an employee (contract of service) of the ISD will, on expiration of contract of service, resignation, death or termination of his or her contract or on any ground other than termination due to fraud, misappropriation

of funds, causing willful damage to property of ISD or causing loss of goods, articles or property of ISD, be paid a gratuity calculated as follows:

- Half month's gross basic salary for each year of completed service as an employee computed at the rate of gross basic salary last drawn by the employee
- When the employee has completed more than 6 months but not completed a year in the last year of his/her employment, when computing gratuity that year is considered as a completed year of service.

#### **7.12.1 Gratuity Pay Procedure**

The gratuity shall be paid within thirty (30) days of the expiration of the contract of services or on resignation, termination or death, as the case may be. In the case of death, the gratuity shall be paid to the employee's designated beneficiary.

#### **7.14 Performance Measurement**

It is the Executive Director and ISD Management's responsibility to employee personnel and to ensure that expected results are met.

The Semi-Annual and Annual Reports will describe how the actual results compare with those plans, and provide an explanation of any significant differences, and identification to be learned.

ISD personnel Performance will be measured based on the actual achievement/completion of expected tasks in comparison with the expected results as specified in the work plans and task assignments.

#### **7.15 Training & Development**

The management of ISD encourages employees to take advantage of opportunities for training and development.

Each ISD full time staff member may be called upon to follow a course / training program(s) of her/his liking, with the approval of the Executive Director in consultation with the Board of Directors. This would be sponsored by ISD.

Criteria that will be applied when approving a course/training Program:

- Course/training program should be related to the work performed by the individual, thus eventually benefiting both ISD and the staff member.
- The duration of the course/time of conducting the course should not adversely affect the individuals regular working hours. Any exceptions will need to be approved by the ED.
- Any development proposed by any staff, should be initially be indicated in writing To the Executive Director or Manager Administration with an endorsement from the Unit Head.
- This development proposal should carry an authenticated document from the Institution / University etc. which will give an indication of the course fee, duration and payment installment if any along with a short brief from the individual on:
  - a) How ISD would derive any benefit?
  - b) What long / short term enhancement of his capability the individual will benefit from.

A grant to follow such educational program would be examined by the Senior Management Committee on a case by case basis and covering approval must be obtained from the Board of Directors thereafter.

The grant would be considered on the following basis:

The maximum amount that could be availed of as course fee would be 1 ½ times the monthly remuneration earned by the individual at the time of submission of an application. However, this amount could be utilized on any number of educational programs within the year as long as it does not exceed 1 ½ times their monthly remuneration.

This grant could be availed of only once in two years and the applicant should not have any other dues ISD.

If the course fee exceeds the contribution granted by ISD, the Management will consider granting an interest free loan to bridge the difference. This loan would have to be repaid during the balance period of his contract. However, please note this will be at the sole discretion of the Senior Management Committee and Board.

Transport to and from the place where the course is conducted is the responsibility of the individual.

Fulltime staff on probation will not be entitled to this benefit.

*These guidelines are applicable only for local training.*

### **7.16 Training Conducted by the Donor Agencies**

Where Capacity building training are conducted by the Donor agencies either locally or internationally:

The Executive Director, Programme Manager and the Line Manager will decide the ISD staff Member/Representative who will attend the training programme

Staff Member/Representative will be responsible to share the knowledge gained during the training with the other staff members at ISD.

Absence from office on training days will be considered as duty leave where the training is official.

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# **Financial Management Policies and Procedures**

## **Financial Management Policies and Procedures**

### **1. Outline of the Section**

This section of Finance and Administrative manual covers the policies and procedure of ISD in relation to Finance Management. This provides a guideline for all ISD staff including programme staff to ensure that systems and procedures are followed in a uniformed manner. ISD is committed to take all measures necessary to ensure proper management of finance in order to display the organizations accountability and transparency to its stakeholders.

#### **1.1 Objective of the Manual**

- To standardize the way Finance and accounting activities are carried out in order to ensure consistency.
- To provide guidance to all staff for smooth execution of their roles and responsibilities in finance management.
- To have in place an adequate system of internal controls that promotes a high level of compliance with ISD policies and procedures.
- To continuously review the internal control systems to be able to meet the challenges of growth.
- To implement and maintain this system of control to assist ISD to carry out its activities in an efficient and orderly manner.
- Ensure adherence to management policies, safeguard the assets, and secure the accuracy and reliability of all records.
- This manual brings together those policies and procedures that relate to improving internal control structure and the accounting activities.

#### **1.2 Authority and Scope of the Manual**

- The instructions contained in this manual are to be read in conjunction with the statutory provisions of relevant Acts, Decrees and Financial Regulations governing the operations of nonprofit organizations in Sri Lanka.
- The instructions in this manual are under the general management and supervision of the Finance Manager, but it is also the duty of all personnel, especially the Executive Director, Programme and all accounting officers to take care that these instructions are observed.

- All officers concerned with the collection, disbursement and safe custody of ISD money or other ISD property, are required to observe these Accounting policies and the procedures laid down herein which must be strictly followed.

## 2. Finance Management Roles and Responsibilities and basic principles

### 2.1 Roles and Responsibilities

TASK	CERTIFY/ INCHARGE	APPROVAL
Issuing of receipts for all form of receipts of money or goods and services to the organization	Finance Manager	Executive Director/Treasurer
Preparing a voucher for payment	Finance Manager and Project Accountants/line manager	Authorized signatories
Preparing cheques for payment and issuing the same to the party entitled for payment	Finance Manager/line manager	Authorized signatories
Checking of bills - to ensure that these are accurate	Line Manager/Finance Manager & Project Accountants	Authorized signatories
Issuing Goods received Notes	Line Manager	Executive Director/ Finance Manager
Raising a purchase order	Finance Manager/Line Manager	Executive Director/.Finance Manager
Preparing the Advance request	Line Manager	Authorized signatories
Settlement of Advance request	Line Manager	Authorized signatories
Monthly reconciliation of Bank Statements with the cash book balances	Finance Manager	Authorized Signatories
Preparation of Monthly project accounts for Management meetings	Finance Manager /Project Accountants	Executive Director
Preparation of Monthly Budget Vs Actual report comparisons (Variance analysis)	Finance Manager/Project Accountants	Executive Director

Passing journal entries	Finance Manager/ Project Accountants	Authorized signatories
Preparation of annual Organizational budget	Finance Manager	Executive Director
Preparation of Project/programme budgets in consultation with Project Officers	Finance Manager/Project Accountants	Executive Director
Calculation of overtime	Finance Manager	Executive Director
Maintaining the staff loan Schedule	Finance Manager	Executive Director

- Institute of Social Development's finances shall be handled by the Accounts Department headed by the Manager Admin and Finance. All routine tasks and reporting will be handled by the accounts department.
- The day to day affairs of the Accounts Department will be the responsibility of the Manager, Admin and Finance.

### 3. Basic Principles

This section outlines the general accounting procedures and practices currently used at ISD. Being a non-profit organization working for the betterment of society, these procedures and practices are essential to ISD to ensure accountability and transparency to its stake holders.

This section defines the policies and practices in;

- Basic accounting
- Financial Reporting
- Fund Management
- Management of bank accounts
- Management of daily transactions
- Recording of financial transactions
- Management information



### **3.1 Basis of Accounting**

Institute for Social Development maintains and reports financial data using the Sri Lanka accounting standards.

All Financial statements are prepared in accordance to the Sri Lanka accounting standards. While considering the accounting treatment ISD also refers to accounting standards for small and Medium organizations in Sri Lanka.

Statement of recommended practices for non-profit organizations in Sri Lanka, issued by the Institute of Chartered Accountants in Sri Lanka is also used as a guide when preparing Financial Statements.

In order to comply with National and International standards of accounting the following concepts are reflected;

#### **3.1.1. Accrual Concept**

ISD adopts accrual based accounting. That is recording expenditure and income when it becomes due. i.e. in some cases before the associated cash flow takes place. However project accounts are maintained on cash basis for ease of reporting, as most donors require cash based finance reports.

#### **3.1.2. Matching Concept**

Based on the assumption that related period costs are expensed as incurred and matched against related revenue for the relevant period.

#### **3.1.3. Recognition Concept**

Is based on the assumption that revenue is recognized only when exchange of transactions have occurred. NOT when revenue is anticipated or assured.

#### **3.1.4. Historic Cost Concept**

Assets and Liabilities of the organization are recorded at the acquisition value and not Market value. However Assets are revalued from time to time to meet the standards.

#### **3.1.5. Going Concern Concept**

Is based on the assumption that the organization will have a long life. i.e. The organization will continue to function in the foreseeable future.

#### **3.1.6. Materiality Concept**

Is based on the assumption that an item is material if it's inclusion or omission would influence or change the judgment of a reasonable person's review of the financial statements.

### **3.1.7. Non cash transactions**

Going by the accruals based accounting non-cash transactions such as Depreciation, Provisions, and Bad debts etc. are recorded. These non- cash transactions have a monetary value and contribute to the business unit's financial position. However non-cash transaction would not be charged to individual projects.

## **4. Financial Reports**

At ISD the following financial statements are prepared.

Income Statement/ The statement of Financial Activities/Comprehensive income Statement.

Balance Sheet/ The Statement of Financial Position

Cash flow Statement

Movement of reserves

### **4.1 Income Statement / The Statement of Financial Activity**

This statement reports the operating performance during the time period. It records all the income and expenditure of the organization during the period, both cash and non-cash transactions. This statement presents the financial outcome of the organizations operating activities for a given period and allows managers to monitor the performance of the organization.

### **4.2 The Balance Sheet/ The Statement of Financial Position.**

The statement gives a snap shot of the organization. It records the current values of the organizational assets and liabilities. The Balance sheet gives an overall view of the Financial Position of the organization at any given point of time.

### **4.3 Cash flow Statement**

This statement presents all the receipts and payments of the organization. Cash flow statement is based on cash transactions only. This gives an idea about the liquidity of the organization

### **4.4 Statement of Movement of Reserves**

Unlike in a private company for a non-profit organization this statement is of significance since Non-profit organizations and NGO function with many donations. NGO's also have a responsibility to be transparent and accountable to all its stakeholders. This statement clearly shows the different fund balances of ISD and the movements between funds and transfers from funds which would then give an year end balance.

All Restricted funds will be accounted for separately by ISD as this is more transparent. Unrestricted funds will be at the discretion of the Official's committee.

#### 4.5 Financial Reporting Time Frame

Reviewing and monitoring the financial performance of ISD is of high importance for ISD to ensure effective use of project funds and organizational assets. Therefore the following financial reports are prepared monthly.

Report	Deadline for HO
Project Finance Report	Monthly
Variance Report	Monthly
Organisational finance report	Quarterly
Cash flow forecast	Quarterly
Bank Reconciliations	Monthly
Trial Balance	Monthly

- Financial statements would be submitted to the management committee on a monthly basis and this would be reviewed and discussed in order to take necessary action.

#### 4.6 Record Keeping Policies

- Accuracy  
At ISD substance is given prominence over form as we believe that accounting records must accurately and properly reflect the true substance in order for the statements to give a true and fair view.

All transactions are recorded in a timely manner and in accordance to the regulations of the country and the Sri Lanka Accounting standards.

- Accounting Software

At ISD currently use Quick Book Pro 2018 version to record all financial transactions and to produce the relevant management information for decision-making.

- Chart of Accounts

Chart of accounts are created in the accounting software and in line with the management information requirements. All effort should be taken to ensure

that the chart of accounts are consistent and facilitate the generation of reports that help decision making as well as statutory reports.

- Cost/Profit Centers

ISD from time to time would be implementing different projects. In order for the management to have a sound understanding on the performance of each of these projects all revenue and expenses for each project should be recorded separately. Thus creating cost center so that it is easy to generate required finance reports as well as to manage different funds effectively.

Even though ISD is not profit oriented this is required to monitor and manage projects as well as to mitigate the risk of running out of funds and ensure the continuity of the Organization.

- Records

Following records are maintained in addition to the supporting documentations

- Cash records
  - Cash receipts – *Annexure 01*
  - Cheque disbursement register
- General Journals – *Annexure 02*
- General Ledger – In the system
- Subsidiary Ledgers – In the system
- Programme advance records – *Annexure 03*
- Petty cash imprest records – *Annexure 04*
- Bank account records
  - Bank statements
  - Bank reconciliations
- Personnel Records
  - Contract
  - Compensation
  - Increments
  - Loans
  - Gratuity
  -
- Registers
  - Fixed asset register – *Annexure 05*
  - Cheque register
  - Inventory Register – *Annexure 06*
- Purchase Ledger

## **5. Basic Systems**

### **5.1 Management of Bank Accounts**

- Apart from the general bank account, ISD will open bank accounts as per the requirement of a project, if the existing accounts do not meet the project requirements.
  - The Bank would be notified of the operating instructions as per the authority levels given by the board of directors of ISD.
- Cheque books shall be placed in a safe box under lock and key and will always be in the personal custody of Manager Admin and Finance. Whenever finance manager on leave or absent, the key should be handed over to the Executive Director.
- Two signatories would be required on each cheque.
- The board of ISD reserves the right to decide and assign the signatories and to set authorization limitations as required. Please refer 2.1 Roles & Responsibilities for current authorization matrix.
- From time to time the board reserve the right to review the list of signatories and authorization limits.
- Each bank account would be reconciled monthly by the finance department and would be certified by the treasurer/Executive Director.
- All cheques should be supported by a voucher and any other documentation that helps to justify the payment should be attached to the voucher. Such as valid bills, acknowledgements, invoices etc.

### **5.2 Management of Cash**

- As a general policy ISD does not encourage cash transactions unless it is necessary.
- ISD however maintains a petty cash imprest to manage daily cash requirements that are below 3,500 each.
- Any other cash received would be banked at the very first opportunity.

- Programme staff however would be given an advance to implement activities and this would be done through a programme advance request form (Refer section 4.1 Cash Advances and Annexure 08 for the form)
- It would be the responsibility of the person who requests the advance to ensure that:
- Money has been spent exclusively for the approved task.
- To ensure sufficient supporting documentation is obtained and the timely settlement of the advance.
- The management and board would take disciplinary action if there is sufficient proof to indicate mismanagement of cash.

### **5.3 Petty cash Management**

- A Petty Cash Imprest, for day- to - day expenditure of the organization is maintained by the officer authorized to do so by the Manager Admin and Finance.
- Cash will be kept in a cash box under lock and key and there would be only one key which would be with the person in charge of petty cash.
- The cash holding shall not exceed Rupees Twenty-five thousand (Rs. 25,000/=) at any one time.
- Every petty cash payment should be supported by a Petty cash voucher (Annexure 09) which is serially numbered.
- A single petty cash payment is restricted to Rs 3,500/=. All petty cash payments and summary sheets should be approved by the Manager Admin and Finance.
- If Programme related expenditure is done through petty cash, this should be certified by the programme manager.
- All petty cash expenditure should be supported by a bill or invoice or a written request. Where it is not possible to obtain the required documents, an explanation should be given and where possible an acknowledgement sheet should be signed by the recipient.
- Where an advance is required within the authorized petty cash limit per transaction for a given task an IOU should be raised prior to issuing cash.

- IOU's/ temporary advances have to be authorized by the Manager Admin and Finance and shall be settled within 2 days.
- Cancelled IOUs/ Cash payment vouchers should either be attached to the relevant petty cash payment voucher or if filed separately be cancelled as settled and the relevant petty cash payment voucher should be referred to.
- Money shall not be advanced to any person who has not settled an existing IOU/temporary advance.

#### **5.4 Payments**

- All payments other than for the petty cash float and programme advances shall be through crossed cheques.
- Where it is not possible to determine a particular payment, cash advances will be given to the Programme officers.
- The request should be made through an advance request form (Advance request form– refer Annexure 08) which should be certified by the line manager and approved by the programme Manager.
- It is the responsibility of the finance department to ensure that the request is within the budgeted amount or balance of funds available for that activity.
- Any deviation therefrom should be highlighted to the programme manager.
- If cash exceeding Rs.100,000 is needed Programme officers should give the Manager Admin and Finance at least a days' notice along with an explanation as to why this transaction cannot be done via a Cheque.
- There shall be vouchers (Refer Annexure 10) raised for each payment based on the supporting documentation or Advance request and they are serially numbered. (Refer Annexure 08)
- The Programme Officers should provide sufficient information/details/supporting documents to the Finance Unit with necessary approval from the Programme Manager/ED to raise the voucher.
- The voucher is then raised, cheque written and submitted to the ED/ Treasurer/Chairperson for signature.

- The accounting books would be updated in Quick Books Software before the cheques are sent for signatures.
- Recipient shall sign the receipt fields and the voucher would be safely filed in the sequential number order.

- The cheque voucher shall have the following information

Name of Payee

- Date
  - Voucher number
  - Cheque No.
  - Budget Line/ Cost center
  - Bank account number
  - Description
  - Amount
  - Account
  - Prepared by
  - Checked by
  - Certified by
  - Authorized by
  - Signature of the recipient
  - Amount received
  - Date received
- Vouchers when certified and approved should not be removed from office. When a payment is made all the supporting documents should be franked 'PAID'.
  - Crossed cheques rather than cash cheques will be issued to outside service providers.
  - If a cash cheque is needed a special request should be made by the service provider in writing either via email or a letter and an order cheque will be issued (is payable only to
  - the named payee or his or her endorsee)
  - A cheque register should be maintained for each bank account containing the following details.
    - Date
    - Cheque No



- Payee
  - Description
  - Voucher No
  - Amount
  - 1st Signature
  - 2nd Signature
- There shall be two signatories on every cheque by those entitles to do so and the limits applicable to each position will be decided by the Board from time to time.

## **5.5 Cash/ Cheque Receipts**

- An official receipt should be issued for all cash/ cheque receipts. (Refer **Annexure 11**)
- A receipt should be in duplicate with a book copy and two people should sign it vouching for preparation and checking.
- A receipt should be issued for programme advance settlements when surplus money is handed over to finance.
- All cash receipts should be banked within two working days including unutilized cash.

## **Controls and Procedures**

### **6.1 Cash Advances**

- Where cash advances are required for pre programme expenditure a written request is to be made to the Finance Department using the advance request form which should be certified by the line manager and approved by the Executive Director /Programme Manager/Treasure /Chairperson.
- These are to be accounted for with the program/workshop expenditures.
- Money shall not be advanced to any person who has not settled an existing cash advance.
- An exception will be made in the course of overlapping activities.
- The advances are to be then registered in the relevant Advance Account/ Register and the following details should be included in the advance register.

- date of advance given
  - date of program
  - voucher no
  - cheque no
  - advance amount
  - settlement date
  - amount spent
  - balance
  - receipt no
  - remarks if any
- All advances should be settled within 7 days of completion of the activity or programmed.
- The Maximum amount that can be advanced at one time is limited to Rs. 100,000
- Any exceptions to this should be requested to the programmed manager and will be approved by the ED
- Where possible payments for programmes should be directly paid to the service provider and it is the responsibility of the programme staff to negotiate this with the service provider.

## **6.2 Loss of Cheque Book/s and/or Cash**

- Any loss when known is to be informed to the ED and Treasurer immediately and an investigation is to be conducted to ascertain the reasons for loss and take suitable/appropriate measures to prevent recurrence.
- The loss of cheque book(s) is to be informed to the bank immediately in order to invalidate those cheques.

## **6.3 Cash handling**

- Cash handling by the programme officers for the programmes , workshops, trainings are to be kept within a ceiling of Rs 500,000/- and if it is more than the said amount, a request is to be made and special approval granted.

- As far as feasible all expenses will be paid by A/C payee cheques or online bank transfers to the respective organizations/persons.
- Where cash is provided, at the end of the programme/workshop, all receipts are to be accounted for with a statement of accounts with original bills, invoices to support the expenditure, within seven (07) days of the completion of the programme/workshop.
- This should do using an advance settlement voucher (Annexure 12)

## **6.4 Procurement of Goods and Services**

### **Refer Logistic Manual of ISD**

## **7 Budgeting**

### **7.1 Purpose of Budgeting**

- It helps to develop realistic financial plans that would facilitate the allocation of resources based on ISD activity priorities.
- Provides a control tool to ensure that spending is as planned and facilitates the investigations where there is a significant difference.
- Effectively supports the improvement of the annual business plan and its periodic review.

### **7.2 Program Budgeting**

- Program Expenditure Budget is a collective effort of Programme Officers, Finance Manager and ED.
- Programme budgeting will be based on the planned activities and proposal.
- Preparation of Administration Budget and amalgamation of these two budgets should be done by the Head of Finance Unit.
- When a programme is budgeted for presentation to the donors, great care is to be taken not to under budget.
- When preparing a programme budget care should be taken to ensure that

certain expenditure such as statutory payments, overtime etc are in line with ISD policies and regulatory requirement.

- The Finance Officer and Manager Admin and Finance should work with programme staff in preparation of project budgets.
- The budget should be forwarded to a donor only after the Manager Admin and Finance has reviewed it and it has been approved by the ED.

### **7.3 Institutional Budget**

- An annual Institutional budget is prepared.
- This includes the cost of running the organization i.e. overhead costs as well as the programme costs.
- The annual budget will identify the financial resources that are expected from projects and the shortfall which would have to be support by general funds or ISD reserves.
- This would also give an indication of the deficit which needs to be raised and support the programme planning of ISD.

### **7.4 Over Expenditure**

Over expenditure is always discouraged. If envisaged, due to unforeseen and unavoidable circumstances, prior approval from the Management Committee should be obtained. Under no circumstances should over expenditure be committed without prior approval. A leeway of up to 10% per budget line item will be permitted subject to contractual obligations. All Over expenditure should have prior approval from the respective donors.

## **8. Salaries**

### **8.1 Monthly Salaries**

- Monthly salaries shall be paid on the 25<sup>th</sup> of every month. If the 25<sup>th</sup> is a holiday, the salaries shall be paid on the day immediately before the 25<sup>th</sup>.
- The following would be analyzed prior to the preparation of salaries.
  - New recruitments and his/her basic salary
  - Deletions

- No pay leaves
- Overtime
- Each month salary summary sheet should clearly indicate following details.  
(Refer PS/ Annexure 16)
  - Basic salary
  - Additions to basic salary
  - Deductions
  - Net salary
- Salaries should be paid through crossed cheques or direct transfer to staff members' bank account.
- The Monthly payroll would be reviewed by the ED and the Treasurer.

## **8.2 Salary Advances**

If any member of the staff requires his/her monthly salary in advance, a written request is to be given to the Accounts Department with Manager-Administration's approval. Salary advances will be limited to 60% (after adjusting for PAYE/EPF, loan and other deductions) of the salary and payable by the 05<sup>th</sup> of the month.

## **8.3 Salary Register**

A Salary Register for each member of the staff shall be maintained in the computer with details of EPF/ETF contributions and PAYE tax payments.

## **8.4 13th month Salary**

During December ISD pays the employees an extra payment, equivalent to their one month's salary. Employees who have not completed at least 6 months of employment at ISD will not be eligible for this payment.

Those who have completed more than six months and less than a year would be entitled to a Pro-rated payment.

## **8.5 Overtime**

- Generally, overtime work will not be encouraged. However only drivers and office aides are entitled for over time.
- Overtime would be paid according to the shop and office act.

- Any work carried out prior to 8.30 am and after 4.30pm from Monday to Friday will be paid at the rate of 1 ½ of their respective hourly rate.
- Same rate will apply for work carried out on Saturdays -1/2 day and Poya days.
- Work carried out on Sundays and on all other statutory mercantile holidays will be paid twice their respective hourly rate.

## **9. Telephone facilities**

The staff members can be charged LKR 2,000 as a communication expenses per month. The Managers can be charged LKR 3,000 per month. The staff can be charged their communication claim at the end of every month with the detail call sheet. The office base staff can be using the land line for the office communication. If they work from home they can charge based on actual cost.

## **10. Auditors and Banks**

All correspondence shall be by the Treasurer and the Manager Admin and Finance. In the absence of one of them an Executive Director shall act. However, in such an event the Treasurer or the (Asst. Treasurer) should be kept informed of all the dealings and transactions done by Executive Director.

Every six years the statutory auditors should be changed with approval of the General Council. The Statutory auditors' letter of appointment should be issued by ISD with the authorization of Treasurer or Chairman and Executive Director.

## **11. Financial Reporting**

Preparation of financial statements is the responsibility of the Finance Manager. The prepared statements should be sent to the donor agencies by the Programme manager or ED along with the progress report. The respective Programme/Project Officer shall submit the programme/project report.

## **12 Asset Management**

### **Expendable Property**

Expendable Property / Assets defined as monetary value more than LKR 25,000.00 and greater than one year usage consider as fixed assets/inventory. An inventory register shall be maintained under the supervision of Finance Manager.

Purchases/write-off of capital assets shall be with the approval of Management Committee/Executive Committee.

The ISD's standard procurement procedures should be followed for procurement of Fixed Assets as well.

### **12. 1 Fixed Asset Register**

If value of each asset is less than LKR 25,000.00, the said item should not be capitalized but should maintain a separate disposable inventory register for those items.

A Fixed Asset Register should be maintained and shall indicate:

- Assets code
- Date of Purchase
- Cheque Number and Bank
- Voucher Number
- Supplier Details
- Description of Item Purchased
- Value of the Asset
- Depreciation Rate
- Amount of Depreciation
- Date of Disposal
- Sale Price of Disposal
- Source of funding

Regard to the depreciation policy, guidelines of SLAS 18 should follow. Maintenance and Security of Fixed asset is the sole responsibility of Manager Admin and Finance. All Fixed Assets should be insured against fire. Any movable items should be insured against burglary. All motor vehicles should be fully insured.

## **Annex XII – Fixed Asset registry**

### **12.2 Asset/Inventory Disposals**

Disposals of Capital Assets shall also be with the approval of the Board of Directors. A document called “Authority to dispose of a Fixed Asset” should be prepared & submitted to the Management Committee for the recommendation of the board and following details should be included.

- Reason for disposal
- Method of disposal
- Date
- Description
- Item code- Years in Use
- Reason for Disposal

- Requested by
- Approved by
- Authorized by

Fixed Assets which are not in a condition to be sold should also be approved by the Management Committee for write off as scrap. A document “Authorization to write off a Fixed Asset as a Scrap” should be prepared and should include following details.

- Description
- Item Code
- Years in Use
- Reason for Scrap
- Requested by
- Approved by
- Authorized by

All disposals must be updated in the Fixed Asset Register immediately and supportive documents to be documented with respect validation.

### **Consumables**

Consumable shall be maintained for consumable stores and a bin card/register should include the following information.

- Description of item
- Balance Quantity b/f
- Purchased Quantity and the date
- Total Quantity
- Issued Quantity and the date
- Balance Quantity

### **13 Acknowledgement Statement**

Policies and procedures for drivers of ISD vehicles

To: All drivers of ISD vehicles

Drivers are required to carefully read the policies and procedures for Drivers of ISD Vehicles and sign this Acknowledgement Statement at the bottom of the page. The signed statement must be retained by the Manager Administration.

Only drivers who have signed this Acknowledgement Statement shall operate ISD vehicles.





The undersigned certifies he/she has read the Policies and Procedures for Drivers of ISD Vehicles.

I am aware that a violation of these rules would be cause for disciplinary action.

SIGNED: ..... NAME:  
..... CERTIFICATION:  
..... DATE: .....

#### **14 Annual Budget and Annual Accounts**

An annual tentative Budget should be prepared during the last quarter of the year or when requests are to be made to funding agencies coinciding with their financial calendar. In this exercise the involvement of the Treasurer is mandatory. All the budgets should have the Treasurer's approval and the signature. Annual Accounts should be prepared in consultation with the Treasurer and have the Treasurers approval.

#### **15 Staff Loans**

- All members of staff are eligible to get a loan of up to 25% of his/her total salary for of the remaining contract period.
- At the time of approving the 60% maximum total salary deductions must be taken in to consideration. Twelve months or with in the contract period, whichever is shorter.

#### **16 Insurance**

ISD will provide health insurance coverage that meets the minimum requirements as outlined by the applicable laws and regulations. The coverage provided will include medical, dental, vision, and prescription drug benefits.

##### **Personal – Health insurance**

The ISD is engaged to establish personal health insurance facility for Fixed and Service contract staffs for their emergency recover during the contract period with the ISD. This insurance facility will be provide based on the fund availability under donor projects. This insurance policy is only for contract period of the staff and the insurance agreement will annually be updated through annual payments. Also, this insurance facility will not contribute for individual policies of the insurance.

1. Identify the types of health insurance benefits to offer: ISD will decide what types of health insurance benefits to offer staff members, such as medical, dental, vision, or prescription drug coverage. Employers should consider what types of coverage best fit their staff's needs.
2. Choose a health insurance provider: ISD will compare health insurance providers to determine the best fit for their needs. Factors such as cost, coverage, customer service, and the provider's reputation should be taken into consideration.

### **Property – Office, equipment.**

1. The ISD shall take all necessary steps to ensure that all of its properties are adequately insured against damage or loss caused by fire, theft, vandalism, flood, earthquake, and other natural or man-made disasters.
2. The ISD shall review the scope of its property insurance coverage annually, ensuring coverage is sufficient to protect all of its properties, as well as its equipment, inventory, and other assets.
3. The ISD shall ensure that all employees are aware of the property insurance policy, its terms and conditions, and their responsibilities in case of a claim.
4. The ISD shall review the policy provisions, limits, and deductibles annually, to ensure that the coverage matches the organization's ever-evolving needs.
5. The ISD shall take necessary steps to keep the insurance policy up-to-date, by notifying the insurance provider of any changes to the property or its use.

## **17 Working with Partner Organizations**

ISD should sign a Memorandum of Understanding (MoU) with all the partners they work with. Conditions will be decided according to the Donor conditions in the agreement and the nature of the project activities. Overall, all the partners should adhere to the ISD's financial regulations and this would be closely monitored by Executive Director /Programme managers and the Manager Finance.