

2021

Finance Manual



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3.1 IMPORTANCE of FINANCIAL ACCOUNTABILITY

Sound financial management of Justice for Equality Afghanistan Organization (JEO) is critical to the effective, efficient use of its resources.

The ability to provide accurate, complete and timely financial information enables (JEO) Afghanistan to comply with the rules and regulations of its government and regulatory agencies, their contract reporting requirements, as well as adhere to generally accepted accounting principles (GAAP). Accurate and timely financial information also assists in decision-making and enhances our ability to attract funds from our clients.

The policies and procedures contained in this manual are designed to provide JEO's Office with the tools needed to effectively manage their financial resources. The staff guidance in this manual is to be used in connection with other policies and procedures as promulgated by JEO including but not limited to the JEO Afghanistan (1) JEO Procurement Manual, (2) JEO Employee Handbook, and the (3) JEO Inventory Manual.

1.1 Purpose and Scope

The purpose of this Finance Manual is to describe the finance and payroll processes and procedures to be used by the JEO.

This Manual contains confidential information and is not intended to be published or distributed outside of JEO Afghanistan without the express written permission of Executive Director. The manual is the official property of JEO with all rights reserved. Only the non-executive board members decision and Executive Director can execute any changes in the contents of this manual.

A printed copy of this manual should be kept in the JEO offices for reference.

1.2 Corporate Policy on Business Ethics and Code of Conduct

It is JEO's policy that all staff, subcontractors and vendors conduct our activities morally, ethically, in the spirit of public accountability and transparency, and in conformity with applicable laws and regulations and practices common with responsible corporations.

Specifically, this policy explicitly provides that:

- No funds or assets will be used for any unlawful or improper purpose.
- No contributions will be made for political purposes from JEO funds in the Afghanistan or in any country, even in countries where such contributions may be legal.
- Gratuities, business entertainment, meals and gifts that are both lawful and customary may be permissible, but may not be allowable. However, no payments, gratuities, or gifts will be made, directly or indirectly, to any official or employee of a Government or any Government agency.
- Financial data required to be submitted to our clients, including governments, must be accurate, complete and current and prepared in accordance with applicable contract requirements, where appropriate.

- No payments will be solicited or received by an employee or relative of an employee from a vendor or subcontractor or prospective vendor or subcontractor.
- Payments to agents, brokers or middlepersons may be made where required in the normal course of business to secure goods and services for JEAO, taking care that such payments are in line with prevailing practice. Agents' compensation must be reasonable in relation to the services performed and will not exceed the normal rate for transactions of a similar nature and size in the particular location.
- All financial transactions will be accounted for accurately and properly. No undisclosed or unrecorded funds or assets will be established or maintained for any purpose.
- Payments/cash transactions will be made only into and from JEAO Afghanistan- approved bank accounts.
- No borrowings can be made from local lending institutions or individuals on behalf of JEAO without prior approval from JEAO Management.
- Personal loans or advances cannot be made to staff under any circumstances.
- Negotiations for future employment of present or former government officials or employees who have participated in any contract with JEAO shall be conducted in accordance with all applicable laws and regulations and only after a written recusal from present responsibilities with respect to JEAO has been obtained.

2. ABBREVIATIONS USED

Justice for Equality Afghanistan Organization	-	JEAO
Executive Director	-	ED
Program Manager	-	PM
Admin Finance Manager	-	FM
Finance Officer	-	FO
Finance Assistant	-	FA
Cashier	-	CA
Letter of Authority	-	LOA
Letter of Revocation	-	LOR

3. ACCOUNTING METHOD AND PRINCIPLES

3.2 ACCOUNTING METHOD

JEAO Afghanistan operates on a cash basis accounting whereby the income is recognized when received and expenditures are recorded when paid.

3.3 ACCOUNTING PRINCIPLES

JEAO Afghanistan should maintain accounting records based on Generally Accepted Accounting Principles (GAAP) for non-profit organizations, subject to donor agency guidelines, as applicable. With these principles, JEAO Afghanistan adheres to Generally Accepted Accounting Principles, to ensure costs are reasonable, allowable and allocable.

Timely and accurate accounting and financial reporting is integral to providing the necessary information for JEAO Afghanistan project

budgeting, planning and management responsibilities. To achieve this, JEAO Afghanistan's financial management and reporting systems should ensure that:

- All financial records are supported by source documentation;
- Only reasonable and necessary costs for the performance of project are to be charged to the project.
- All transactions are recorded clearly and objectively;
- There is adequate segregation of roles and responsibilities for initiation, authorization and disbursement of financial resources to ensure transparency and accountability by maintaining a high degree of checks and balances for all transactions.

3.4 CONSISTENCY

The financial policies and procedures discussed in this manual will be applied consistently for all transactions. This allows greater uniformity and steadiness in reported financial results and permits comparability of information across accounting periods.

3.5 ALLOWABILITY, ALLOCABILITY & REASONABLENESS OF COSTS

Allow-ability of Costs: All transactions are analyzed prior to disbursement of funds to ensure that the costs:

1. Are reasonable for the performance of the project;
2. Conform to any limitations or exclusions set forth in the project specific agreement documents as to specific types or amounts of cost items;
3. Are consistent with policies and procedures of JEAO Afghanistan
4. Are accorded consistent treatment;
5. Are determined in accordance with the Generally Accepted Accounting Principles (GAAP) and;
6. Are adequately documented.

Allocate-ability of Costs: A cost is allocable to a particular cost objective and is treated consistently with other costs incurred for the same purpose provided that the costs:

1. Are incurred specifically for the project and benefits the project;
2. Can be allocated reasonably to the benefits received;
3. Are necessary for the overall operation of the respective project even if direct relationship to a particular cost objective cannot be clearly shown.

Reasonableness of Costs: In order to be charged to a project or activity, a cost must be reasonable for the performance of the activity. The cost must be generally recognized as ordinary and necessary for the operation of the project and must be reasonable in its amount and nature. JEAO Afghanistan should carefully consider the reasonableness of costs.

4. JEAO KABUL OFFICE STRUCTURE

The JEAO Afghanistan Executive Director oversees the day-to-day operations of all the JEAO Office/ offices. Annex 1. [JEAO Organizational Chart](#)

5. JEAO FINANCE TEAM STRUCTURE AND RESPONSIBILITIES

5.1 JEAO FINANCE TEAM STRUCTURE

JEAO Afghanistan finance team maintains a central finance department in Kabul office. Each individual field office finance department is responsible to produce quality financial data to the Kabul office Admin Finance Manager and is accountable for internal controls, completion of documents, daily transaction records, and monthly cash and bank reconciliation reports. Detailed chart attached. Annex 2. [JEAO Finance Team Chart](#)

5.2 JEAO FINANCE TEAM RESPONSIBILITIES

The JEAO finance department exists to directly support JEAO Afghanistan by performing the following:

1. Safeguard JEAO Afghanistan and funder assets.
2. Verify and accurately process financial data.
3. Receive and record grants in an efficient manner.
4. Process operating expenses while ensuring internal control.
5. Ensure proper authorization of all financial transactions.
6. Ensure timely and accurate recording of all transactions on a daily basis.
7. Prepare and verify financial reports and supporting documentation to be submitted to Executive Director.
8. Ensure that all proper controls are implemented according to the policies and procedures defined in this document.
9. Ensure that JEAO Afghanistan records are maintained in full compliance with local accounting regulations.
10. Assume accountability for the accuracy of all financial data and notify Management of any discrepancy in grant usage or suspicion of falsification.
11. While offering the above services, the JEAO finance department also adheres to the code of conduct stated in Section one above.

6. INTERNAL CONTROLS

JEAO Afghanistan places greater importance on the efficient, effective and proper use of financial resources. It is a key responsibility of the JEAO Afghanistan Finance Team to ensure that financial resources are managed appropriately and that adequate controls over these resources are maintained to prevent misuse. Internal controls should be embedded throughout all phases of the accounting and financial management process.

6.1 BASIC INTERNAL CONTROLS

The following concepts and practices comprise a basic list of internal controls:

- a) **Segregation of duties** - Responsibilities should be separated and delegated to several employees rather than entrusted to one employee, with the goal of providing a system of checks and balances to prevent errors or dishonest behavior. For example, an accountant who is responsible for record keeping should not also be

responsible for selecting vendors since the opportunity exists to hide fraudulent transaction. (e.g.)

<u>Person Who</u>	<u>Should Not</u>
Prepares voucher	Approve voucher
Prepares Checks	Signs Checks
Has access to Blank Checks	Post Payments or sign checks
Receives Cash	Record Cash Receipts
Prepares bank deposits/ records cash receipts	Reconcile bank account
Is responsible for the physical security of assets	Perform the physical inventory of assets
Prepares Payroll	Distribute Payroll payments
Maintains Vehicle Logs	Monitor Fuel usage

Segregation of duties is maintained by establishing a division of tasks and responsibilities such that no one person controls a process from beginning to end and that transaction are reviewed independently at various points during the process. It is a “checks and balances” approach designed to easily identify errors, discrepancies or fraud. Individuals assigned to the various tasks should be independent of each other both in function and relationship.

More specifically, the following processes must be followed:

1. Kabul office Daily Payments/ Transfers and Receipts Report reviewed daily by the Kabul office Admin Finance Manager.
2. Cash count for Kabul office performed daily by the Finance Officer. The Kabul office Admin Finance Manager reviews at least weekly the cash count reports.
3. Review of all monthly journal entries and journals by Admin Finance Manager before preparation of monthly finance reports.
4. Review and approval of all monthly financial reports, supporting documents, and payroll by Kabul office Finance Manager.
5. If mistakes are identified in an employee’s work, the Kabul office Admin Finance Manager should monitor the employee’s work until quality improves. If quality does not improve, the Executive Director should be informed and a corrective interview should be conducted with the employee. Depending on the nature of the finding (if necessary the Board of Director) should be notified and appropriate corrective action taken.
6. Crosschecks and spot checks should be made to ensure that policies and procedures are followed. For example, the Finance Officer verifies the accuracy of the cash balance at the end of the day. The Admin Finance Manager may also verify that the Finance Officer performed the check of the cash drawer by doing a surprise cash count.

b) **Segregation of Duties Matrix:** JEAO Afghanistan Finance Team should maintain an approved Segregation of Duties Matrix and it should be updated on an annual basis at the end of Fiscal Year. Attached matrix shows segregation of duties. Annex 3. [Segregation of Duties Matrix](#)

c) **Signature requirements:** By requiring signatures from responsible and authorized staff members, unauthorized transactions are prevented and accountability and transparency is established. For example, a purchase requisition signed by the Program Manager ensures that he or she is aware of

the purchase and accepts the subsequent charge to the program budget.

d) **Dual controls:** To maintain transparency, double-checks or reviews should be performed to ensure that critical decisions, high-value transactions or external reports are substantially correct. For example, bank transactions should be made only upon the authorization of two parties and external financial reports should always be reviewed by a second person for accuracy.

e) **Computer-related controls:** Access to computer financial records should be restricted and the backup of key information should be performed. Access to financial system files, for example, should be restricted to prevent intentional or unintentional changes to data.

f) **Responsibility for financial resources:** Access to financial resources should be restricted to designated staff persons.

g) **Timely reporting:** Accounting and reporting functions should be specifically assigned to staff members and employees should be held accountable for timely and accurate reporting. Completion of functions should be documented with appropriate working papers that are available for inspection and are verifiable through signatures and dates.

h) **Transparency and Accountability:** It is JEAO Afghanistan policy to maintain transparency and accountability in all financial transactions.

7. ACCOUNTING SYSTEMS AND CHART OF ACCOUNTS

JEAO Afghanistan shall use QuickBooks (QB) accounting software and should utilize one uniform Chart of Accounts. In addition, JEAO Afghanistan will use the Microsoft Excel for specific reporting and recording purpose.

All financial transactions including all vouchers, journal entries, and expense reports should accurately record the correct account to be charged. All financial transactions should be processed through the QB software and manual adjustments should not be made once the reports from the system are finalized.

The Admin Finance Manager should only perform any additions or modifications to the Chart of Accounts after receiving approval from Executive Director. The Finance personnel are not allowed to make any changes or additions, but can offer suggestions to the Kabul office Admin Finance Manager. Immediately after a change is made, the Admin Finance Manager is required to notify all Finance and Management personnel of the modified Chart of Accounts.

Following books of accounts are maintained at central office.

3.6 Cash Book/Bank Book

Single-column cashbook is maintained in each central office. Separate cashbook is maintained for each currency such as Afghanis, US Dollars etc. Similarly, Bank Book is maintained for each bank account.

3.7 Store Register

Store register is maintained for controlling use of stationery. Store register include quantitative data of stationery purchased, consumed and stock in hand.

3.8 General Ledger

General ledger mainly includes account heads including incomes, expenses. Besides these, General Ledger also includes account for any loan receivable or payable. Expense and income accounts are separately maintained for each donor.

3.9 Advance ledger

Advance ledger includes individual accounts of employees who have taken advances.

3.10 Vouchers

Vouchers are the source documents used for recording financial aspect of transactions in books of accounts. Following types of vouchers are used for data entry.

Cash / Bank Receipt Voucher

Cash receipt voucher is used to record Cash receipt while Bank Receipt voucher is used for recording bank receipts.

Cash / Bank Payment Voucher

Cash payment voucher is used to record Cash payments while Bank payment voucher is used for recording bank payments.

Journal Voucher

Journal vouchers are used to record transactions not involving Cash or Bank. Journal voucher is also used for recording Cash deposits and withdrawals.

Design of vouchers and Voucher Numbers

Vouchers have been designed in order to enable the multi-dimensional reporting. Each and every transaction is classified on the basis of all or some of the following criteria before being recorded. Each voucher includes following information.

- Voucher type
- Currency
- Donor
- Project
- Account head
- Amount (original currency)
- Exchange rate

8. BANKING

8.1 BANK ACCOUNTS

For detailed banking information refer to: Annex 4. [JEAO Banking & Signatory Authority](#)

8.2 SIGNATORY AUTHORITY OF BANK ACCOUNTS

JEAO Executive Director must approve the bank signatories for all JEAO Afghanistan bank accounts. No other person is allowed to sign for the withdrawal of funds from these bank accounts. The Board of Director must be informed of all JEAO Afghanistan bank account numbers and signatories. Signature specimens of the authorized signatories should be kept on file with Admin Finance Manager.

Prior to the departure of a signatory, a replacement should be selected and added to the signatory card. Attached chart of Signatory Authority shows in Annex 4. [JEAO Banking & Signatory Authority](#)

Checks in excess of \$500= (25,000/Afs) should always have two signatures.

8.3 WITHDRAWALS

All withdrawals must have two approved signatories and should also be approved by the Kabul office Admin Finance Manager. The Executive Director should sign cash withdrawals in excess of \$500USD= (25,000/Afs). The Finance Assistant records the withdrawal in the appropriate journal.

8.4 CHECK PAYMENTS AND CHECKCONTROLS

All payments in excess of \$500= (25,000/Afs) must be made by check. Checks in excess of \$500= (25,000/Afs) should have two signatures by authorized signatories. The authorized signatories can only sign checks after making sure all appropriate documentation is attached to the request. The Check stock must be stored under lock with access limited to the Kabul office Finance Officer. Checks should be used in sequence and every check number should be accounted for. The Admin Finance Manager should review the sequence for all disbursements to ensure that tight internal controls exist around this.

Voided Checks: A check will be voided when it has been found that the check was issued in error (e.g., wrong amount or wrong vendor). Voided checks will be marked "VOID" in large letters. All voided checks will be numerically sequenced along with the bank processed, cancelled checks. The check register in the QuickBooks accounting system will be updated to identify the check number of any cancelled checks. After the bank has been notified to place a stop order on check, check must be voided within QuickBooks accounting system. If a new check is subsequently issued, then a cross-reference will be made to the cancelled check.

8.5 BANK RECONCILIATION

At the end of each month, the Kabul office Finance Officer reconciles all journals with the monthly bank statement for all JEAO bank accounts. An official statement must be obtained from the bank for each account,

regardless of transactions during the month. The ending balance on the bank journal should be reconciled with the balance shown on the bank statement. The prior month's bank reconciliation must be checked for any items that still remain outstanding. Transactions that remain un-cleared from previous months should be promptly researched with the bank or the payee. If any differences are noted, the cause should be identified and the correction be made either internally or with the bank.

The JEO Admin Finance Manager should be immediately informed of all differences between these two statements. The Admin Finance Manager along with the Executive Director signs off on all monthly bank reconciliations.

9. CASH

9.1 KABUL OFFICE CASH

Typically JEO Afghanistan offices can only maintain petty cash up to \$200= (10,000). However because of the risks cited in going to the bank frequently in Afghanistan and the increased number of transactions that necessitate cash transactions, the following are the cash limits:

- Kabul office can maintain cash in the office safe up to a maximum of \$300USD=(15,000/AFS).

These amounts should not be exceeded at any time. If cash is received during the day that will make the Kabul Office cash on hand higher than these limits, the Kabul Office should deposit the excess cash each day.

The Kabul office Finance Officer is responsible at all times to ensure the safe keeping of the cash balance in the Kabul office and should keep the cash under lock and key. The balance should be verified daily by the Kabul Office Admin Finance Manager who are responsible for any unaccounted cash. In order to minimize the use of cash, all payments over \$500= (25,000/Afs) can only be paid by checks. Deviations from this policy need to be approved by the Executive Director.

9.2 CASH RECONCILIATIONS

Cash should be counted and reconciled to the Journals a minimum of once a day by the Finance Officer in Kabul office. In the Kabul Office, the Admin Finance Manager should witness or participate in this reconciliation. After closing on the last day of the month, Cash Reconciliation of all accounts must be done by the JEO Admin Finance Manager and approved by the Executive Director. This Cash Reconciliation Form must be included in the Monthly Finance Report.

Balances not reconciled should be clearly explained by the Kabul office Admin Finance Manager and require written approval for write-off by the Executive Director. The Kabul Office Admin Finance Manager is ultimately responsible for the daily accuracy of all the cash balances on hand.

9.3 CASH ADVANCES

JEO Afghanistan does not allow salary advances in any circumstances (See HR Manual).

The only advances provided would be for travel, procurements, services, and other activities, which are pre-approved by the appropriate staff authorized

to do so.

9.4 SAFEGUARDING OF CASH

9.4.1 ACCESS TO SAFES

There should be two keys to the safe. The main key should be held by the cashier and will be given to the Executive Director at the end of each working day. The cashier should count the cash at the beginning and end of each day. The key must be kept safe at all times.

- The backup safe key should be kept with the Admin Finance Manager.
- The backup safe key should only be used when:
 - The main key is lost
 - In case of emergency
 - When the “cashier” is absent
 - If the spare key is used for transaction, the transaction must be recorded and the “cashier” informed
- If the person responsible for the cash box leaves the project site for more than one day, the responsibility for the cash box should be delegated.
- The hand over involves the cash in the cash box being counted, the cash count total being reconciled with the cashbook balance and both parties signing a cash count, which clearly states the amount handed over. Both of them will keep a copy of that document.
- The cash count should be carried out in the presence of the Executive Director and another senior member of the project team.
- When the principal cash custodian “in charge” returns, a cash count should again be carried out as above, before they resume their normal operations. It is recommended that the Executive Director or his/her designee from time to time conduct an unscheduled cash count with a person who is normally not involved in the cash handling process.

9.4.2 SECURITY MEASURES

- Once a quarter or as deemed necessary, Finance Officer shall change the safe combination, record the combination in a paper and put the paper in a sealed envelope and place the sealed envelope in the Admin Finance Managers locked drawer.
- Any cash in excess of the specified limits above should be deposited into the JEAO bank account at the end of each day.

9.4.3 CASH PICKUP PROCEDURES

- Only the Admin Finance Manager can designate employees for the pickup of cash from the bank. Designated persons picking up cash from the bank must sign the Cash Transfer Form, listing the amount of cash being transferred, the person taking responsibility for the cash, and identifying the envelope(s) of cash being transferred.

- Envelopes containing cash for transport to the Kabul office must be sealed after counting and initialed to ensure cash remains intact.

10. PAYROLL

10.1 CALCULATIONS AND DISBURSEMENTS

The Kabul Office HR department calculates payroll. All payroll disbursements are checked by the Finance Officer and authorized by the Kabul office Admin Finance Manager prior to disbursement. The Admin Finance Manager will also calculate payroll for accuracy of tax entitlement on paycheck.

In order to reduce JEAO Afghanistan cash liability, risk of theft or loss, and to make operations more efficient, the Kabul office is required to arrange the disbursement of payroll via electronic transfers to personal employee bank accounts. Employees are responsible for setting up their own bank accounts and for providing account numbers and routing information to the HR office. For payroll disbursement via bank accounts, the Kabul Finance Officer (upon authorization by the Kabul office Admin Finance Manager and Executive Director) submits to the bank a payroll authorization form with a transfer request, a list of names, account numbers and the amount to be transferred to each. The bank then transfers the amounts in the list from JEAO Afghanistan Operating AFS bank account to the salary accounts of staff. The bank confirmation of the transfer will serve as a receipt from an employee that the cash was received. The date of the transfer will serve as proof of date of payroll disbursement.

The payroll period is equal to the Gregorian calendar with the month ending.

10.2 SALARY ADJUSTMENTS

The Finance Department cannot modify any salary without an approved form from the HR department to support the change. Completed Salary Change Forms should be kept in a separate file by month in the Finance Department as verification to all salary changes implemented by the Finance Department.

10.3 CONFIDENTIALITY

Salary information is confidential. The Finance Department is not allowed to share employee salary rates with any other employee except as designated, in writing, by the Executive Director. All salary documentation should be filed in a secure location. During payroll disbursement, each employee will sign a separate receipt voucher to ensure that confidentiality of salaries is maintained.

10.4 TIMESHEETS (Attendance Report)

All Timesheet reports must be on the designated form. The timesheet is the basis for calculating wage payments. Timesheets are legal documents required to document payroll disbursements for auditing purposes. Attendance of employees as well as time away for reasons including sick

and vacation time, leave of absence, holidays, etc. will be maintained by the Administration Department. All timesheet reports must be signed and dated by the employee and the supervisor and handed over to the HR Officer on a monthly basis and will be reviewed by the Admin Finance Manager before payment. Vacation, sick leave and holiday time should be charged to the respective employee's regular benefits.

False time reporting may be cause for disciplinary action up to and including termination.

10.5 PAY AFTER DISMISSAL OR RESIGNATION

Finance is not allowed to disburse final payment to a dismissed employee until an authorized Exit Clearance Form has been received from HR. The Executive Director or Admin Finance Manager will clearly specify on the checklist whether pay can be disbursed and if so, when it can be disbursed.

10.6 TAX LIABILITY

Salaries and benefits are subject to taxation according to applicable Afghanistan laws and regulations. JEAO Afghanistan withholds personal income tax for each employee as per Article 17 of the Afghanistan Tax Code. Social Fund contributions are also withheld on the basis of legislation.

All payments such as salary, services, fees, commissions, rent, food allowances, transportations, etc. are entitled to Tax (Article 13) of the Afghanistan Tax Code.

All taxes have to be paid to the government account within 10 days of payments made or, 10 days after afghan calendar month is completed.

Tax Calculation Method: Article 4 of Afghanistan Tax Code:

For monthly payrolls

Income more than	Income up to	Tax
0	5,000	0%
5,000	12,500	2% of amount over 5,000
12,500	100,000	150+ 10% of amount over 12, 500
100,000		8,900 + 20% of the amount over 100,000

10.7 STORAGE OF ACCOUNTING DOCUMENTS

Records serve as basic evidence that a transaction took place and that JEAO Afghanistan and donor policies were followed. Missing or inadequate records can result in audit findings, costly disallowances, as well as a loss of trust from donors. The Project Offices must therefore take care to ensure that financial records are safeguarded from loss or misuse. When not in use, files should be stored properly and locked away whenever possible at least for 10 years. Destroying records is strictly prohibited unless required by policy.

No accounting documentation is to be removed from any JEO Afghanistan office, under any circumstances, other than as provided in this manual, without written instructions from the Board of Director. Accounting documentation includes receipts, purchase requests, cash vouchers, advance vouchers, invoices, reports, journals, payment vouchers and any other document used to support financial reports and financial records. The finance department is responsible for the secure storage of all finance and accounting documentation and for ensuring that only authorized staff accesses files.

11. PURCHASING & PROCUREMENT

11.1 SUPPORTING DOCUMENT FOR PURCHASE & EXPENSES

JEO Afghanistan uses a purchase order system for the procurement of all goods and services related to program operations. The purchase order system is coordinated by the Procurement/ Logistic Officer and overseen by the Admin Finance Department. (Please refer to Procurement Manual for more details).

Payments must be paid only from original invoices or receipts. No payment will be made based on photocopies or from vendor statements. The project finance team is responsible to ensure that necessary taxes are deducted and remitted to the host Government for all applicable procurement or contracts.

12. INVENTORY CONTROL

When an asset is picked up/received by an employee (a guard, manager or other employee signing for the delivery), that employee must get a signed receipt form from the Executive Director and/or Inventory department. The receipt establishes that the asset was accepted by JEO Afghanistan and that it is no longer the responsibility of the employee who picked up the delivery. The office keeps a copy and provides a copy to the employee delivering the asset.

When an asset is purchased or procured it should be recorded in an inventory list and the inventory officer should assign a tag number. Please refer to the Inventory manual for further guidance.

12.1 General Policies for Fixed Assets

- i. All Fixed Asset acquisitions shall be based on an approved budget
- ii. The CEO/MD has overall responsibility for the safekeeping of JEO assets
- iii. Any JEO employee having specific custody of an JEO asset is responsible for the safekeeping of those assets, and any loss or damage to those assets shall be charged to those employees
- iv. The FAM/CFO has overall responsibility for the proper recording and accounting of all JEO assets
- v. A comprehensive Fixed Asset Register (FAR) should be maintained and updated for all asset related transactions by the Fixed Assets Accountant. The template for a comprehensive Fixed Asset Register (FAR) should be prepared and provided under the annexure. This will help JEO to properly prepare the FAR, record the fixed assets in the relevant classes of fixed assets and update it regularly.
- vi. All fixed assets should be tagged and identifiable as soon as they reach JEO premises
- vii. The FAR should contain the minimum following information:

- Asset Name
- Asset Tag number (in series).
- Make and/or Model
- Serial Number
- Original Value
- Date of Acquisition
- Depreciation for the year and accumulated depreciation
- Disposals
- Disposal Date
- Revaluations
- Revaluation date

- viii. The format for tagging JEAO assets is described below.
JEAO- Asset Category- year of purchase- number in order of purchase (Five Digits), following this tagging method, the Asset Tag number for a laptop purchased in 2016 by JEAO will be JEAO-ITE-16-00050 (if it is the 50th)
- ix. Any sales/disposals of Fixed Assets shall be approved by the Board of Directors computer purchased by JEAO for example).
- x. The Finance Department should conduct a full physical inspection of all fixed assets at least once every year to verify the accuracy of the FAR and to inspect the condition of the assets
- xi. Assets should be classified into different categories and all similar assets should be recorded in the relevant classification category. These categories are:
- Land (L)
 - Building (B)
 - Motor Vehicles (MV)
 - IT Equipment (ITE)
 - Machineries (M)
 - Electrical Equipment (EE)
 - Furniture & Fixtures (FF)
 - Office Equipment (OE)
 - Intangible Fixed Assets (IFA)
- xii. The accounting policy of JEAO in relations to fixed assets shall be revaluation model. JEAO shall apply this policy to an entire class of fixed assets.
- xiii. Any revaluations of assets must be performed by qualified external experts in circumstances where revaluation is deemed necessary
- xiv. Depreciation should be charged to all assets subject to depreciation and the accounts and FAR should record the Net Books Value of all assets
- xv. JEAO shall apply the straight-line method for the calculation of depreciation
- xvi. No JEAO assets shall be taken outside the premises without obtaining prior approval from authorized officer. The procedure for identifying that a particular asset is authentically needed to be taken outside will be an authorized officer signing the request of permission for assets to be taken outside. The request will come from a responsible person, cross checked by a supervisor and authorized by an authorizing officer. The gate pass form should be prepared by finance department in consultation with procurement and administrative department and provided in annexure to this manual.
- xvii. Any lost, stolen or damaged assets must be reported to the CEO/MD and FAM/CFO immediately when noticed
- xviii. All acquisitions, transfers, disposals and depreciation charged shall be entered in the books of JEAO and QuickBooks by the Fixed Asset Accountant.

Fixed Assets Useful Life and Depreciation Rates

Asset Category	Code	Useful Life (years)
Land	L	Not applicable
Building	B	50
Motor Vehicles	MV	10
IT Equipment	ITE	3
Furniture & Fixtures	FF	5

Office Equipment	OE	3
Machineries	M	10
Electrical Equipment	EE	3
Intangible Assets	IA	10

13. TRAVEL ALLOWANCES

Per Diem is a daily allowance provided to employees (her Mahram and dependable kids) when they are required to work away from their normal duty station. Per diems are designed to cover the cost of lodging and basic meals and incidental expenses. The daily per diem rates are set as below:

13.1 Travel without overnight

For one complete day away outside the work zone and without an overnight stay, staff members will not receive any Per Diems/ travel allowance.

13.2 Travel with overnight

For a complete day of travel in Afghanistan with overnight stay outside the work zone, staff members will receive a per diem figured out as follows:

The maximum amount chargeable for accommodation of any staff or participants who need to spend a night away from their home, base in order to attend a project activity is Afghani 1000-2000/Afs.

If accommodation does not provide breakfast, a maximum of 150/Afs can be charged. If lunch is not provided, a maximum of 250/Afs can be charged. If dinner is not provided, a maximum of 250/Afs can be charged.

13.3 Travels in Province

If the travel is within the province, the maximum amount to be payable is 500/Afs.

If the travel is between the provinces, the maximum amount to be payable is 2,000/Afs by road and according to the tickets by air transportation.

13.4 Travel with overnight, abroad

The maximum amount payable for accommodation of any staff or participants who need to spend a night away from their home based in order to attend a project activity is 5,000/Afs.

If accommodation does not provide breakfast, a maximum of 1000/Afs can be charged.

If lunch is not provided, a maximum of 750/Afs can be charged.

If dinner is not provided, a maximum of 500/Afs can be charged.

JEAO will make the appropriate arrangements for accommodation. If any of the meals are included in the price of the accommodation and/or provided by JEAO/other institution Per Diem/meal will not be paid.

If JEAO staff travels for working purposes to other provinces where there is not JEAO office and the organizers not able to arrange accommodation, JEAO will reimburse the accommodation according to the above rate.

If the employee stays in his/her family or friend's home, no accommodation reimbursement will be made, but Per Diem will be paid. Travel expense reports must be processed through Admin/ Finance Manager and approved by the Executive Director.

14. LEASES

Lease agreements are prepared and managed by the JEO Afghanistan Executive Director and Admin Finance Manager. Unless authority is specifically delegated to someone else in the form of a memo, leases must be approved by Board of Director and must be signed by the Executive Director.

Contract and lease payments should be documented by a completed and approved contract or lease agreement, as well as a bank transfer confirmation or cash receipt. Although the Procurement Logistic Officer is responsible for managing and filing leases, the Kabul Admin Finance Manager should review the contract or agreement before issuing funds. For ongoing agreements such as office rent, the review only needs to take place at initiation of the lease agreement.

15. INFORMATION MANAGEMENT

15.1 FILE STORAGE & BACKUP

The Executive Director manages back up individually and Admin Finance Manager on external hard drives. The hard drives are kept in the office and a copy out of office building.

The QuickBooks is backed every month end by Kabul Office Finance Officer.

15.2 SOFTWARE SECURITY

All software owned by JEO Afghanistan should be stored in an enclosed area in the Kabul office. JEO Afghanistan software should not leave JEO offices for any reason. Under no circumstances should illegal copies of software enter the JEO Afghanistan offices. The IT Officer is responsible for a periodic (at least quarterly) check of IT hardware to make sure that IT procedures are being complied with. The IT Officer must maintain a file showing licenses for all installed software. Programs owned by JEO Afghanistan may be copied once on to CD's as a backup and should be stored in a secure area. The only software to be installed on JEO Afghanistan computers should be owned by JEO Afghanistan and remain on the premises. The number of employees who have access to data stored in their computer is limited only to those who need it to perform their work. Passwords are required to gain access to finance files. Passwords should not be shared and must be changed each quarter. Daily backup copies should be stored in the safe in case of fire or computer theft. JEO Afghanistan will maintain anti-virus protection software on all computers and update that software regularly.

16. INTERNAL REVIEW OF FINANCIAL ACTIVITY

Every aspect of JEO Afghanistan operations is subject to an internal process review and the finance department must cooperate fully with this review. An

internal review of operating transactions and procedures will be performed as needed by the Board of Directors so that any weaknesses can be identified and corrective action may be taken as necessary to ensure sound financial policies and internal controls are in place in JEO Afghanistan.

The Board of Director will ensure that all areas are reviewed and all findings are addressed satisfactorily.

17. FINANCIAL REPORTING

17.1 REQUIREMENTS

JEO Afghanistan will close its books on the last business day of each month. Financial reporting period is in accordance with Gregorian calendar contrast to the payroll period, following the solar calendar. The following schedule is followed in financial report preparation:

- Daily postings are made before the closing of the month;
- Transactions made for the month after closing the books are included in the following month's report;
- Bank statements are received for all office bank accounts and it is reconciled with the office records.
- The completed monthly financial report is submitted to the Kabul office Admin Finance Manager for approval and after that to the Executive Director for approval.
- The office is responsible to hold external audits through third party financial consultants as per the requirements of the donors and for the BoD.

Financial reports should always be reviewed by someone other than the individual who prepares them before submission to the Budget and Finance Committee. The Kabul office Admin Finance Manager and the Executive Director are the final point of review in the Kabul of the financial reports. The budget and Finance Committee then review these reports further.

The expenses are entered into QuickBooks on a weekly basis. The monthly report at the Kabul office level is complied and reviewed by the Admin Finance Manager and approved by the Executive Director.

18. BUDGET AND VARIANCES

The Program Manager if required with the help of budget and Finance committee leads the budget process for the project with input from the Kabul office Admin Finance Manager and the Executive Director. Once the Budget and Finance Committee, Program Manager and Executive Director have approved a final budget, the approved budget will be executed to all JEO Afghanistan Office.

The Program Manager tracks comparisons between actual and budget with information provided by the Admin Finance Manager for project activities. The Kabul office Admin Finance Manager should provide data to the PM and Budget and Finance Committee on outstanding procurements, and estimated costs of outstanding activities.

19. EXCHANGE RATE & FOREIGN CURRENCY GAIN/LOSS

The foreign Currency Gain/Loss must be calculated and posted on the Financial Statements monthly. For cash and bank closing balances in foreign currency, the month end exchange rate will be used for reporting purposes in USD.

Calculation = Opening balance / last month exchange rate

Opening balance / current month exchange rate

If the opening balance calculated using the current month exchange rate is higher than the same opening balance calculated using the previous months exchange rate, the variance is reported as a gain; if it is lower, the difference is reported as a loss. Foreign exchange losses and gains are not billable to the client and will be charged to the unbillable task.

Note: For the exchange rate please see the

<http://www.centralbank.gov.af/foreignexchange.php>

20. JOB ROLES AND RESPONSIBILITIES

Executive Director

- Recommend revisions in departmental accounting procedures to ensure compliance with applicable Government of Afghanistan (GOA) laws, regulations and other procedures.
- Approval of all contracts for goods and services that will exceed \$500= (25,000/Afs).
- Approval of payroll summary for the correct payee and check amount.
- Review and approval of all financial Reports.
- Review and approval of annual budget.

Admin Finance Manager

- Maintain accurate financial records at all times.
- Maintain all financial transactions properly and accurately.
- Complete all tax related work in compliance with local laws, regulations and other procedures, and file necessary documents timely.
- Prepare timely and accurate bank reconciliations.
- Assist the Executive Director in designing, and implementing internal control systems for finance department to ensure the safeguarding of JEAO Afghanistan and funder assets.
- Consolidation of monthly financial report and secondary budgetary units and timely submission of these reports to MOF.
- Review of the timesheets, attendance Report, and payroll sheet for the correct payee, hours worked and check amount.
- Supervise that there is updated inventory of organization's current and fixed assets.
- Preparation and submissions of the weekly and monthly financial reports to JEAO Afghanistan Executive Director.
- Supervise the management of the JEAO budget according to contract between the JEAO and the donors.
- Checking and validating the spent budget based on received bills. Follow up the monthly and annual budget.
- Based on global and activities budgets, adjustment of the budget by distinguishing the donor agencies and ensuring the that all the

- restrictions of the contracts adhere to finance regulations and activities.
- Ensure proper monitoring of donor budgets and provide donor reports according to donor schedules and procedure.
- Budget follows up as required by the organization (monthly, yearly etc.)

Finance Officer

- Disburse cash on the basis of properly approved payments, advance sheets and other financial documents.
- Conduct daily & monthly cash counts.
- Recording all financial transactions into the subsidiary journals.
- Process the payroll, including payroll tax returns in to system.
- Process all purchase requests.
- Maintains and reconciles the general ledger monthly.
- With the Admin Finance Manager, and input from the Executive Director and Program Directors, develops the annual budget.
- Prepares all financial reports, including requests for reimbursements.
- Manages the petty cash fund.
- Reconciles the bank accounts.
- Reconciles the statement of credit card deposits and service charges.
- Double checks all reimbursement requests against receipts provided.
- Cash forecast for the month with input from program department, taking into account the needs at the projects and administrative level.
- Check invoices and make sure they are correctly validated and codified.
- Support of the program, through financial operative support.
- Following purchasing procedure as a committee with purchaser.
- Supervising an accurate financial filling system.
- Grant, follow and ensure reimbursement of advances using appropriate advance follow up format.

Finance Assistant/ cashier

- Receives and opens all incoming mail, except the bank statements.
- Prepares cash receipts log and invoice log.
- Mails all checks for payments.

21. Annexes:

- Annex 1. [JEAO Organizational Chart](#)
 Annex 2. [JEAO Finance Team Chart](#)
 Annex 3. [Segregation of Duties Matrix](#)
 Annex 4. [JEAO Banking & Signatory Authority](#)

Operating forms:

Account Codes
 Fund Request Form
 Bank Reconciliation
 Cash Count
 Cash Journal Kabul Office
 Expense Report Form
 Per Diem Request Form
 Salary & Rent Tax Payment to Finance Ministry
 Purchase Requisition Form