



FINANCIAL MANAGEMENT POLICIES
AND PROCEDURES MANUAL
PRATHIBA MEDIA NETWORK

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Abbreviations

PMN – PMN Network

BOD – Board of Directors

CEO – Chief Executive Officer

FC– Finance Consultant

SP – Strategic Plan

PD – Programme Director

FU - Finance Unit

CFP – Cashflow Plan

I & E Statement – Income and Expenditure Statement

SLSORPs – Sri Lanka Statement of Recommended Practises for NGOs and NPOs

BRA – Budgetary Relief Allowance

EPF – Employee’s Provident Fund

ETF – Employee’s Trust Fund

SLAS – Sri Lanka Auditing Standards

CHAPTER ONE - INTRODUCTION

1.1 ABOUT US

PMN Network (PMN) is a result of a collaborated initiative of the youth in the south, who came together to use social media for community work. Established in 2008, PMN was incorporated as a non-governmental organization under the Societies ordinance in 2011. PMN has established strong networks with, district, regional and national level media networks and organizations and has over 900 members representing the Southern, Uva, and Samabragamuwa provinces of Sri Lanka. One of the main objectives of PMN is to empower the community to use social media to raise awareness on community issues and to identify remedial action.

1.2 PURPOSE OF THIS MANUAL

- a) Streamline the Financial Management Policies, Systems and Procedures within PMN to maintain consistency and continuity of the same.
- b) The key purpose of designing this Financial Management Policies, Systems and Procedures manual is to provide a reference point to all staff of PMN, for the orderly execution of their respective responsibilities in Financial Management within the organization, adhering to best practices in the development sector.
- c) This Manual provides operating and reporting procedures and practices which comply with Sri Lanka Statement of Recommended Practices for Non- Profit Organizations (Including Non-Government Organizations) issued by the Institute of Chartered Accountants of Sri Lanka and the Sri Lanka Accounting Standards for SME's.
- d) The manual aims to set out the basic framework of systems and procedures that will provide adequate levels of internal controls which enhances compliance with best practice in the sector as well as the statutory obligations of the Organization by clearly defining roles, responsibilities and accountability.

- e) The manual also aims at promoting the principles of accountability and transparency in Grant Management and the use of Organizational Assets.
- f) Ensure all employees are aware of their responsibilities to report fraud, misappropriation of funds, dishonest acts and other deviations from the principles and policies of Financial Management of PMN to their Supervisors and Management.

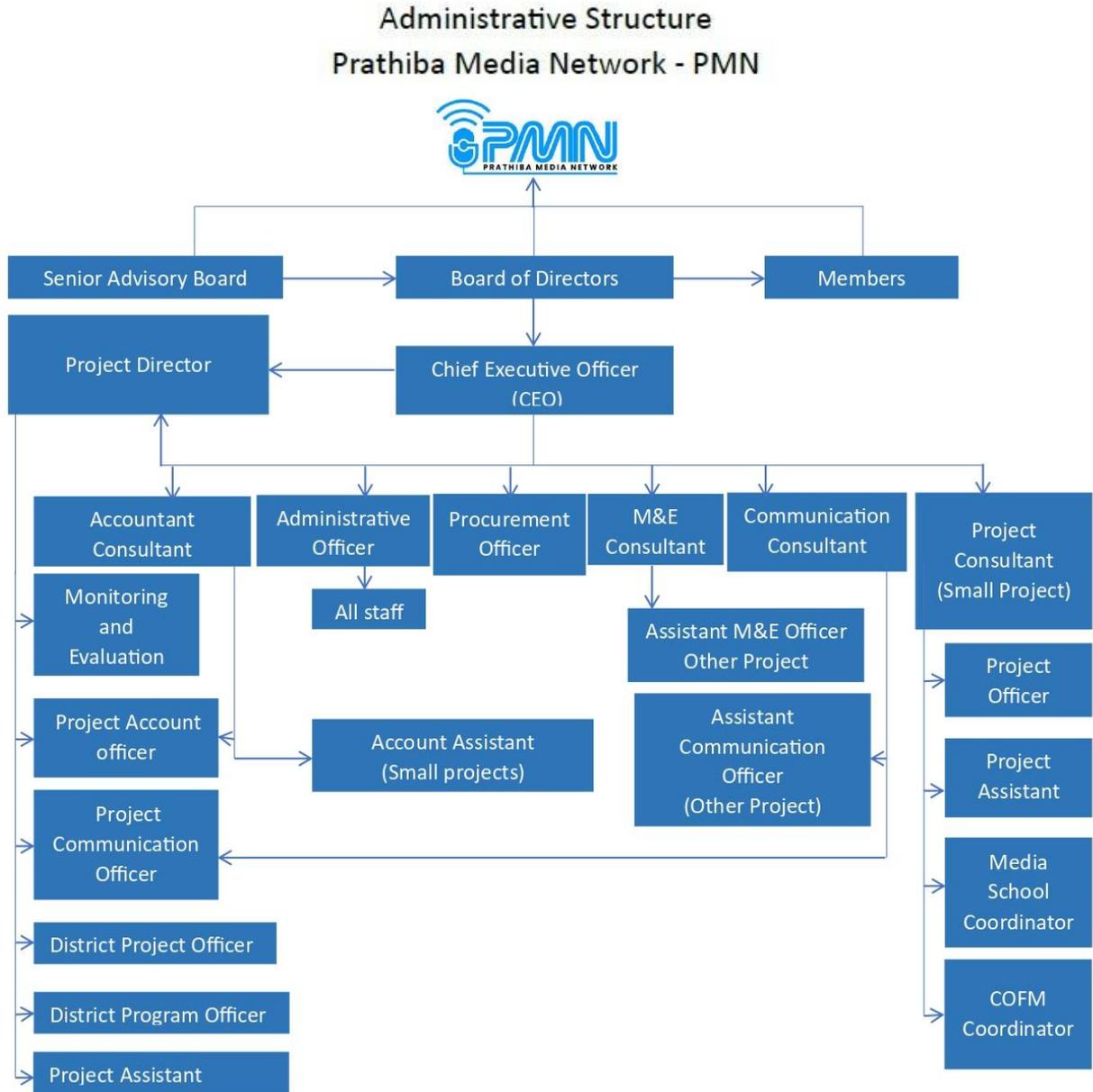
1.3 AUTHORITY AND SCOPE OF THE MANUAL

- The instructions contained in this manual are to be read in conjunction with the statutory provisions of relevant Acts 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 CEO but it is also the duty of all personnel, especially the Programme Director, Coordinators, and all Accounting Officers to adhere to this manual.

1.4 UPDATES AND REVISIONS

- a) This is a living manual which will continuously be adapted and aligned to the environment in which PMN operates. The Manual shall therefore be revised with the approval of the Board of PMN on advice from the Finance Department and the endorsement of the CEO and treasurer.
- b) Suggestions and ideas on how the Manual could be improved should be forwarded to the Finance Consultant who will liaise with CEO to effect the necessary changes for the approval of the Board. All revisions/suggestion should be submitted to the Finance Consultant using the Financial Management Manual Change Request Form (FCMCRF) Annexure 1, which should be duly filed and kept in the Finance Department.

1.5 ORGANISATIONAL CHART



Organizational Chart last revised on 30th of November 2024

CHAPTER TWO - ACCOUNTING POLICIES AND FINANCIAL REPORTING

2.1 CHAPTER OUTLINE

This chapter outlines the Accounting Policies that are adopted by PMN in Financial Reporting and defines the various financial reporting formats/tools and procedures adopted by PMN. This chapter covers Financial Reporting for both internal decision-making purposes as well as for external Stakeholders.

2.2 BASIS OF ACCOUNTING

This section outlines the Standards, Policies and any Assumptions in Financial Reporting of the Organisation as well as the formats that are used for accounting purposes. These may change from time to time, and it is the responsibility of the Finance Consultant to ensure that the manual is updated accordingly.

2.2.1 APPLICABLE STANDARDS

Being a Company registered under the Societies Ordinance of Sri Lanka, PMN adopts the financial reporting standards issued by The Institute of Chartered Accountants of Sri Lanka. All institutional financial statements are prepared in accordance with the Sri Lanka Accounting Standards for Small and Medium Enterprises.

While the Statement of Recommended Practices for NGOs and NPOs (SLSoRPs) is only a recommendation and it is not mandatory to adopt these recommendations by law, it is an internal policy of PMN to adopt the same for the preparation of financial statements of the Organisation.

Application of standards may differ based on any regulatory changes and it is the responsibility of the finance consultant to update the manual accordingly as and when changes do occur, and this affects the standards and recommendations adopted by PMN.

2.2.2 ACCOUNTING PRINCIPLES AND POLICIES

In compliance with both National and International Standards of Accounting the following Principles and Policies are adopted in the preparation of Accounts.

a) Basis of Accounting

- As a general principle, PMN adopts accrual-based accounting for the purpose of bookkeeping. Accrual basis of accounting is where expenditure and income are recorded when it becomes due. i.e. when the right to such income or the liability for the expenditure is established rather than when it is received or paid out.
- However, project accounts are maintained on cash basis or on modified cash basis as most donors' request for cash basis of accounting for their projects.
- The discrepancies that arise between accrual basis and cash basis is reconciled as defined in the Statement of Recommended Practices for NGOs. (SLSorPs)
- Under modified cash basis the following expenditure would be accrued at the end of each project period. During the interim project periods and reporting cash basis of accounting would be applied. However, at the end of the project when preparing the accounts, the following would be accrued.
 - Audit fees (if any)
 - Statutory Payments
 - Utility payments
 - Any other payable or receivable under the project that has not resulted in a cash inflow or outflow during the reporting period but has occurred subsequently.

b) Revenue Recognition

- Revenue is recognized only when exchange of transaction has occurred and not when revenue is anticipated or assured. i.e. When funds are received into the Bank Account.

c) Historical Cost Principle

- The Financial Statements of PMN would be prepared under the historical cost principle. i.e. at the value that was paid or received on transaction date.

- Historical cost implies that the carrying value of assets and liabilities are based on their acquisition value rather than market value. Where the historical cost convention is departed from, this should be stated in the financial statements, specifying the nature and effect of such departure.

d) Going Concern

- The Financial statements shall be prepared on the assumption that PMN is a going concern and would continue in operation into the foreseeable future.

- It is assumed that the institution has neither the intention nor the need to liquidate or curtail materially the scale of its activities.

- If the intention to liquidate the entity exists, the financial statements may have to be prepared on different basis and, if so, the basis used shall be disclosed in the financial statements.

e) Consistency

The consistency concept explains that there shall be consistency in the methods and bases for the treatment of similar accounting variables:

- Within each accounting period and

- from one accounting period to the other

f) Matching Concept

Books of accounts are maintained where, related period costs are expensed as incurred and matched against related revenue for the relevant period.

g) Materiality Concept

In presenting the financial statements a transaction is considered material if its inclusion or omission would influence or change the judgment of a reasonable person's view of the financial statements. For example, if this violates any conditions of the grant irrespective of the monetary value of the transaction.

h) Noncash Transactions

Going by the accruals-based accounting non-cash transactions such as depreciation, are recorded in the institutional financial reports. These non-cash transactions have a monetary value and contribute to the business unit's financial position. However, noncash transactions are not accounted under projects and where these arise because of accruals basis of accounting or accounting standards the accounting treatment is recommended in the SLSORPs.

i) Foreign Currency Transactions

- It is the policy of PMN to translate all transactions in foreign currency to Sri Lankan Rupees (LKR) at the prevalent rate of exchange on the date of the transaction when recording in the books of accounts.
- Bank balances in foreign currency accounts are translated to Sri Lankan rupees at the end of each month at the month end exchange rate. The difference between book balance and statement balance thus translated will be treated as an exchange gain or loss.
- Foreign currency held in hand is translated at the end of the project reporting period or institutional reporting period, whichever is shorter at the rate on the one of the afore mentioned dates.

j) Financial Year

- The Financial year of PMN is from 01st of April to 31st of March

2.3 FINANCIAL REPORTING

This section covers Financial Reporting of PMN, both project as well as institutional financial reporting. Financial Reporting of PMN can be classified into two categories based on the user groups of the same,

- a) Internal Financial Reporting
- b) External Financial Reporting

Preparation of accurate and timely finance reports is the responsibility of the Finance Unit headed by the Finance Consultant.

2.3.1 Internal Financial Reporting

This section identifies the internal information that is required to support the Board and Management of PMN to take informed decisions. Internal Financial reports will also be used as a monitoring tool to measure the financial performance of the organization.

These can be further classified into two categories.

- 1) Project based internal reports
- 2) Institutional based internal reports.

However, the reports that are prepared would be the same, where project-based reports are individual reports for each project and institutional reports would be a consolidation of the project reports.

The Finance Consultant is responsible for preparing project based Internal Financial Reports. However, since these are project related, the support and review of the Project Director and the team is required.

Once the individual project finance reports are finalized it is the responsibility of the Finance Unit to consolidate the reports and prepare the Institutional Reports.

The following Internal Financial Reports are prepared at PMN based on the current information requirements of the Board and the Management. As and when these requirements change there could be different reports that are needed, and the manual should be updated accordingly.

I. Cash flow Plan

- A project based cash flow plan is prepared annually or for the period of the project whichever is shorter based on an action plan which would be linked to the project proposal and the activities the organization has undertaken to implement.
- Consolidating the project based cash flow plans, an organizational cash flow plan is prepared. This should be in line with the operational plan which will be based on the PMN SP.
- This cash flow plan should be reviewed and amended monthly based on the changes in the activity plans and/or any overall project planning.
- Please refer Annexure 2 –Cash flow Plan format (CFPF)
- The CFP would be used as a vehicle to forecast the timeline for requesting funds from the donors to ensure the liquidity of the Organization remains healthy.
- This will also be used to identify if and when there will be a shortage of cash and the required decisions and actions in order to manage the shortfall.
- CFP will also be used as a planning tool to ensure budget utilization across the project period in an efficient and effective manner.
- Where there is a surplus of budget, then the organization can notify the donor in advance and initiate negotiations on what can be done with the surplus. If the surplus is not a project specific surplus but, an institutional surplus, then the Board could be notified of the same and a suitable decision taken.
- Where a deficit is anticipated, this shall be discussed amongst the Management and suitable actions such as minimizing costs, renegotiations with Donors etc. should be taken.

- CFP is prepared by the FU based on the activity plans for each project submitted by the programme team and the organizational operational plan.
- Once the CFP is prepared this is to be discussed at the Management Committee meeting and finalized and where required necessary actions/decision should be taken.
- Every month while the plan is amended the CFP also should be updated with the actual figures for the previous month.
- Please refer section 2.3.1.1 for the timeline and roles and responsibilities in preparation of internal financial reports.

II. Variance Analysis

- Project wise budget Vs actuals are presented every month along with the variances in absolute value as well as a percentage.
- This is then consolidated to prepare an organizational variance analysis.
- Variance should be discussed in detail at the staff meeting and the reason for variance along with the required action/decision is to be noted on the variance analysis itself.
- It is not acceptable to have an over expenditure without the prior knowledge and approval of the Management and depending on the nature of the agreement signed with the Donor, prior approval of the donor should also be obtained where required.
- If there is an over expenditure without the approval of the Management and/or Donor, action should be taken to investigate how this has transpired as this should not be possible within the control framework of PMN.
- Where there is under expenditure these should be further analyzed and required actions/decisions should be taken

- As an organizational policy a deviation of +/- 10% is accepted within each budget line, but NO deviations are allowed on the overall budget limits and major budget heading.
- Please refer Attachment 3 for the Variance Analysis Format (VAF).

III. Income and expenditure statement

- Irrespective of whether it is a donor requirement or not, project-based income and expenditure statements are prepared quarterly along with the institutional income and expenditure statements.
- If as per the agreement with donor a shorter period is specified, then this supersedes the organization policy of quarterly preparation of I&E Statement for that specific project.
- Where there are specified, formats given by the Donor for the presentation of the financial statements this format would be used for the project FS.
- In the absence of such formats the format in annexure 4 – Financial Statement Format (FSF) would be used.
- The institutional I & E Statement will include as a note to the statements the following details of projects.
 - Summary of donors from the inception to date,
 - Total Budget
 - Project name and nature
 - Project period
- When preparing the FS figures should be extracted directly from the accounting software. All workings to the FS should be shown clearly with a trail which is easy to track.

2.3.1.1 Internal Financial Reporting Timeline and Responsibility

Report	Frequency	Updating	Timeline	Responsibility
Cashflow plan	Annual	Every Quarter	1. Three months prior to the start of the year 2. Second week of the last month of the quarter	Management Programme Director, CEO, Finance Unit.
Variance Analysis	Monthly	Monthly	First week of the subsequent month	Finance Unit
Income and Expenditure Statement	Quarterly	-	Second week of the subsequent month	Finance Unit

2.3.2 External Financial Reporting

The responsibility of the preparation and submission of periodical financial reports for external users is that of the FC. The external reports should comply with the Accounting Standards issued by the ICASL. These reports should also be generated from the accounting system of PMN with minimal or no manual alterations at all.

External reporting of PMN can also be categorized in to two:

- i. Donor Reporting
- ii. Regulatory reporting

2.3.2.1 Donor Reporting

- Frequency of reporting and the nature may vary from contract/agreement to contract/agreement with the Donor.
- Project specific finance reporting will be entirely guided as per the stipulations in the Donor Contracts.
- Upon signing up for a new project. The PD, FC, PFO and CEO shall plan the reporting well ahead to ensure that there are no delays.

2.3.2.2 Regulatory Reporting

- PMN will comply with the reporting requirements of the regulations.
- PMN shall prepare Finance Reports for the use of external stakeholders based on the SLAS and in line with the SLSoRPs.
- These Financial Statements are prepared annually in a timely manner.

CHAPTER THREE - FINANCIAL AND BUDGETERY CONTROL

3.1 CHAPTER OUTLINE

This chapter outlines the Organizational policy and procedure in the preparation of budgets, both project as well as institutional and budget monitoring. This chapter also identifies the various roles and responsibilities in budget preparation and monitoring.

3.2 POLICY

- i. It is the policy of PMN to prepare at least a budget and a cash flow forecast as part of its financial planning.
- ii. Annual budgets are prepared in line with the SP, and the operational plan that is developed based on the SP.
- iii. The budget is the proposed plan of projected income and expenditure for a given time period to achieve certain objectives within that period.
- iv. The Annual budgets are prepared and approved at least 3 months prior to the commencement of the new financial year.
- v. BOD of PMN shall approve the annual budgets.
- vi. In the institutional budget, PMN shall include, those projects that are already approved and being implemented where applicable and shall include those activities that PMN plans to carry out to achieve the set strategic objectives of the organization as per the SP, irrespective of whether funding is available or not.
- vii. PMN budgets shall be categorized into three:
 1. Income and Expenditure Budget

Sets out the anticipated running costs (also referred to as recurrent costs) of the different units and project activities that are to be carried out within a given period to achieve its objectives. An annual budget should be broken down into quarterly periods for ease of monitoring.

2. Capital/Investment Budget

Lists the expenditure intended for the coming year on construction of buildings and one-off items of equipment that will form part of the organizations "Fixed Assets." Approval of the Capital Budget by the BOD of PMN would be considered valid throughout the year unless specified otherwise when approving. When planning capital expenditure, PMN will use the SP to identify the investment requirements.

3. Institutional Development Budget

Based on the strategic plan and direction of PMN, the Organization will need to invest in developing the institutional capacities such as human resource and infrastructure. Some part of the infrastructure development will be covered under the capital budget, however, expenditure on human resource and some others that are not covered under Capital shall be estimated and allocated under institutional development budget.

- viii. PMN shall prepare a monthly cash flow plans in accordance with the budget and annual activity plan which reflects the monthly break down of forecasted expenditure and different avenues of income that shall be used to cover the costs. The cash flow plan will be developed for a minimum of six months period.

3.3 PROCEEDURE

3.3.1 Budgeting

Following is a detailed procedure for Budget preparation specifying the person in charge for each step:

Programme Director and Coordinator	<ul style="list-style-type: none">• Compile the initial budget for their program for the year in line with the annual plan. The CEO, Admin
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	<p>Officer and Finance Consultant will assist in budget preparation.</p> <ul style="list-style-type: none"> • Identify which components will be funded by current donors and the areas which will need fund raising. • Prepare an Annual Activity Plan with monthly timelines. • Programme Staff are the budget holders for their Programme activities. Hence it is their role to ensure that budgets are accurately prepared. • Their performance may be measured against the timely and proper expenditure of these budgets, and they are responsible for explaining any variances in their programme area.
Finance Consultant	<ul style="list-style-type: none"> • Prepares the budgets for staff and office costs. • Prepare the Capital Budget and Institutional Development Budget in consultation of Programme staff and CEO • Ensures that all Direct and Indirect costs are identified and are included in all donor proposals and budgets. • Provide technical support to programme staff to prepare budgets. • This includes providing cost rates for calculating planned expenditure; advising on which account codes to use for expenditure; assisting Programme staff on budgeting for expenditure not covered by donors, assisting in putting figures in the correct formats. • Consolidation of the working files to compile the annual institutional budget.
Chief Executive Officer	<ul style="list-style-type: none"> • Review budgets prepared by Programme and Finance staff ensuring all planned activities have been reflected accurately for the entire financial year. • The CEO is responsible to the BOD of PMN on preparing, submitting, and reporting against the budget after verification with the FC.

	<ul style="list-style-type: none"> • Will decide in consultation with the FC and Admin Officer where to charge expenses that are not covered by the projects. • Negotiates with Donors to ensure that all project activities are funded. • Explores new funding opportunities to ensure that all programme activities and new ventures are covered, including all institutional development related costs.
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3.3.2 Cash flow forecast.

<p>Programme Coordinator</p>	<ul style="list-style-type: none"> • Prepare and annual activity plan with monthly timelines as per the budget prepared. • Clearly indicate the budget lines and timeline • It is the responsibility of PC to ensure that all program related activities are planned in the activity plan submitted to Finance. • Submission of revised activity plans and informing Finance of the same, where the plans deviate. • The activity plan shall be reviewed by the Programme Director if required.
<p>Finance Consultant</p>	<ul style="list-style-type: none"> • Prepares the cash flow forecast based on the activity plan and annual budget, identifying clearly, the cash inflows and outflows on a monthly basis. • Cash flow forecasts are prepared project wise and then consolidated to the institutional cash flow forecast where relevant. • Updating of the cash flow forecast to reflect the actual cash inflows and outflows in the previous months. • Revision of the cash flow forecast based on revised activity plans. • Discussion of the cash flow forecast with the PD,PC and CEO.

	<ul style="list-style-type: none"> • Based on the cash status of PMN ensure that requests for funds are submitted on time to ensure there is no liquidity issues. • Alert the Management if the cash balances are running low. • Initiate discussions to rectify the liquidity problems ASAP.
CEO	<ul style="list-style-type: none"> • Review the Cash flow forecast prepared by the FinanceUnit • Discuss programme related plans with the PD and PC and ensure required information are disseminated to the relevant staff members. • Monitor the progress of the cash flow forecast. • Regular follow up with the FC to check on the cash balance status. • Explore new funding opportunities to ensure there is no funding deficit.

3.3.3 Budget Monitoring

3.1.1 Variance Reporting

- Finance Unit shall prepare monthly expenditure statement against the Institutional Budget identifying the variance (Over/Under utilization) and submit the same for review by the PD and CEO.
- Project related expenditure statements shall also be prepared against the specific project budget and circulated amongst the PCs.
- These shall be prepared and submitted by the 15th of the following month.
- CEO to arrange for a meeting to discuss the variance report and the reasons/justifications for the variances.
- The FC shall record the same in the variance report.
- All deviations are to be explained by the relevant PCs in writing and a complete document to be submitted to the PD and CEO.

3.2 Preparation of Project budgets for submission to Donors

- I. The first step is for Programme staff to develop a proposal in line with the aims and objectives of the project to be funded. This will be supported by the CEO, Admin Officer and any other consultant as identified by the Management.
- II. A budget is then prepared based on the parameters laid down in the donor proposal.
- III. FC shall review the final budget submitted by the team and include those budgets related to Finance, Admin, and staff expenses if these are not included already.
- IV. FC shall also ensure that the correct format is used as sent by the donor.
- V. The entire budget shall then be reviewed by the CEO and PD.
- VI. FC shall consolidate the project budget with Institutional Budget.
- VII. CEO, PD and PC shall identify the activities in relation to the annual plan to support the consolidation process.

CHAPTER FOUR – INCOME

4.1 POLICY

- 🏛️ It is the Policy of PMN to recognize income only when the funds have realized in the bank account.
- 🏛️ Receipts in cash should be bank immediately or within one working day.
- 🏛️ An official receipt shall be issued for all receipts.
- 🏛️ All income shall be categorized into restricted income or unrestricted depending on the nature of the Income.

4.2 ACCOUNTING FOR INCOME

- PMN does not recognize income as receivable when a commitment/agreement is signed between the organization and another party.
- Income is recognized only when funds are remitted. This is to ensure that exchange losses or gains are not created in the books of accounts.
- Ear marked funds received in advance will be recognized as a liability in the books of accounts until expenditure related do the same has been incurred. PMN adopts the procedure recommended by the ICASL in the SLSorPs when recognizing income or receipts of funds.
- It is the policy of PMN to recognize income based on the nature of the funds and, thus, income would be categorized as follow:
 - a) Earmarked Funds/Restricted
Under earmarked funds income will be recognized by each project and donor
 - b) Unrestricted Funds
All donations and contributions which are not earmarked will be recognized under unrestricted funds/General Funds.
 - c) Other Income
Income from other activities such as interest income, sale of newspapers etc. Each type of income will be sub categorized under other income depending on the materiality of the income. This shall also be unrestricted unless otherwise noted by the BOD.

Recognition of any other category of income will require the approval of the Board/
Treasurer/Finance Committee.

4.3 GENERAL PROCEDURE

- ✦ A receipt should be issued for all funds received whether foreign donations or local funds or money returned from advance settlements.
- ✦ Where specific formats are submitted by donors for acknowledgement of funds transferred to PMN, these shall also be completed and submitted along with the PMN official receipt. Donor format is in no way a substitute or replacement of the official receipt of PMN.
- ✦ The Accountants' Assistant is responsible to issue receipts. In her/his absence this can be done by another member of the Finance Team as assigned by the CEO or Treasurer.
- ✦ Receipt books are maintained with carbonized copies and the receipts are serially numbered and the individual receipt books are also numbered.
- ✦ The Original copy should be given to the donator and the other retained at office.
- ✦ The retaining copy should be left in the receipt book which should be always kept in office premises.
- ✦ Once funds are reflected in the bank statements these can be taken into the books of accounts as per the guidelines and accounting practices that are followed.
- ✦ Once a month these receipts should be checked together with the bank reconciliations by the FC and the receipt copy signed.
- ✦ Once the FC does a verification, this should be submitted to the Treasurer for review and certification.

4.3.1 Cash Receipts

- ✦ Any cash received should be banked as soon as it is received or latest by the next working day.
- ✦ An Official receipt should be issued.
- ✦ For all cash receipts issued in the absence of the Accounts' Assistant, the person issuing the receipt is responsible to ensure that this is either deposited or handed over to the Accounts' Assistant in a proper manner and this should be documented.
- ✦ Any form of cash exchange or handover from one staff member to another should be documented with the signatures of the parties concerned and certified by a line manager with authority such as the PD, CEP or Treasurer.
- ✦ This should be filed in a separate folder where cash receipt related documents are filed.
- ✦ Cash receipts should not be used for any other purposes prior to being banked. i.e. should not be mixed with Petty Cash or Advances.

4.3.2 Receipt to the Bank and Cheques

- ✦ For Foreign donation where there are specific formats and requirements, the relevant formats should be used, and the donor notified of the receipt of funds upon realization in the bank account.
- ✦ An official PMN receipt is issued in addition to the formats given by donors.
- ✦ For receipts via cheques, an official receipt is only issued when the cheque has realized.
- ✦ Cheques received should be kept in a safe box as cash receipts until banked immediately or the next day.

CHAPTER FIVE - OPERATION OF BANK ACCOUNTS

5.1 POLICY

- a) Opening of bank accounts shall require the approval and a resolution of the Board of PMN.
- b) Resolution will clearly state the persons authorized to operate the bank account, levels of authority and the purpose of the account. Any changes to this shall also be resolved by the Board of PMN.
- c) It is the policy of PMN to open a separate bank account for projects on request of the donor. For projects less than a two-year duration, a separate bank account shall not be opened unless it is specifically requested by the donor.
- d) A separate bank account will be maintained to pay all administrative and overhead costs including salaries. This will be referred to as the General Bank account
- e) Upon completion of the project and if the project is not continuing this would be tabled at a Board Meeting and the account shall be used for another project or general purpose as directed by the Board.
- f) Any balance in the bank account from the project should be recognized and treated as per the agreed conditions prior to using the bank account for another project.
- g) If the funds are to be used by PMN, without any conditions and are not earmarked, then, the balance can be transferred to the General Fund account (Bank account) and the same shall be done in the books of accounts. (Transferers from one fund account to the other).
- h) Closing of the bank accounts should also be approved by the Board of PMN.
- i) It is the responsibility of the FC to notify the CEO of the requirements related to the bank accounts of PMN and the CEO will notify the Board of PMN.
- j) All bank accounts are maintained in the name of the Organisation only.

- k) Where required PMN shall opt for Online Banking Facilities. However, PMN will ensure different levels of authorization in the online banking facility to safeguard staff as well as the funds of the Organisation and Donors.
- l) When online banking facilities are obtained, the BOD of PMN shall approve the same and the procedure of operation shall be documented by the FC and submitted to the Board as a Board paper which shall be approved by the Board and duly noted in the minutes of the Board Meeting.
- m) Board Members who are authorized by the Board to Manage the Online banking system will be responsible to ensure that the facility is not misused and that there are no discrepancies in the Bank reconciliations.

5.2 GENERAL PROCEDURE

- 👤 Bank Account opening and closing will require the approval of the Board.
- 👤 The FC will notify the CEO via email, when a Bank Account is to be opened or closed.
- 👤 CEO will notify the Board who will take the final decision, which should be resolved and documented.
- 👤 Based on the decision of the Board the CEO will notify the FC who will be responsible to get the required documentation ready.
- 👤 It is the responsibility of the FC to ensure the Account is opened or closed within a given period in coordination with the CEO.
- 👤 Cheque books shall be kept in the accounts department under lock and key.
- 👤 Blank cheques shall NOT be signed by the authorized signatories under any circumstances. Not even by one of the signatories.
- 👤 Loss of a cheque or cheque book should be notified to the treasurer and the Bank Immediately. The treasurer will notify the Board, who will take necessary action.

- 👤 FC is the custodian of the cheque books, and it will be his/her responsibility to notify the loss of a cheque or cheque book to the Bank, CEO, and Treasurer.
- 👤 It is also the responsibility of the FC to notify the Treasurer or the Board and the CEO of any discrepancies in the Bank Account.
- 👤 Online Banking facilities are also to be Managed by the FC while the responsibility of the proper use of the facility lies with all those who have access to the same.
- 👤 FC is responsible to manage the closing of the account and the balance left in the account when closing.
- 👤 Where a specified project account is going to be used for another purpose as the project has come to an end and shall not continue, then the same should be notified to the CEO who shall notify the BOD, who shall pass a resolution for the same.
- 👤 Any remaining funds in the account should be managed as stipulated by the Donor Agreement prior to using the Bank Account for any other purpose.
- 👤 If the funds are to be kept with PMN, without any conditions, then the balance can be transferred to the General Fund account (Bank account) and the same shall be done in the books of accounts.

5.3 BANK RECONCILIATIONS

- 👤 Monthly reconciliation of all Bank Accounts should be done by the Assistant Accountant within the first 15 days of the next month.
- 👤 Bank reconciliations should be checked and verified by the FC and approved by the CEO each month.

- 👤 Bank Reconciliations should also be authorised by the treasurer of the Board monthly.
- 👤 Bank reconciliations should be duly filed in the bank statement files maintained separately for each bank account.
- 👤 Discrepancies in the reconciliation should immediately be brought to the notice of the FC and CEO.
- 👤 All discrepancies should be rectified immediately. All entries related to the rectification of the discrepancies require the approval of the CEO and Treasurer.
- 👤 No entries are to be passed to a suspense account.
- 👤 Where cheques have not been presented to the bank for over two months, these should be highlighted and upon the expiration of six months, these cheques should be cancelled and reversed in the books of accounts as well.
- 👤 No journal entries shall be passed to the bank account without the prior approval of the CEO and Treasurer.

CHAPTER SIX - PAYMENTS

6.1 POLICY

- a) It is the policy of PMN to disburse all payments via crossed cheques. Supporting documentation for payments should be duly annexed to the payments along with the payment voucher.
- b) Payment of advances to project related activities shall be issued via an open cheque. Any payment made in cash or by an open cheque other than advances require special approval by the CEO or Treasurer which should be documented.
- c) All Capital expenditure require the approval of the Board and the procurement policy should be followed.
- d) All expenditure for goods and services less than rupees Twenty five Thousand will require one quotation, between Rs.25,000/- to Rs.50,000/- two quotations and Rs.50,000/- and above, three quotations as per the procurement policy.
- e) Documentation and payment procedure will be further defined by the procurement policy.
- f) However, given the nature of work carried out by PMN, the board shall approve where required certain deviation to the policy which is covered under procurement of Goods and Services.
- g) All cheque payments will require two signatories who are authorized by the Board. Any two of the authorised signatories can sign.
- h) Petty cash payments shall be handled separately under Petty Cash Management.
- i) If a payment is made to the CEO or any one of the signatories that person will refrain from authorising a payment or signing as authorised signatory.

- j) It is the policy of PMN to not pay a monthly stipend to the Board. Board members of PMN are reimbursed any actual costs incurred for travel to board meetings or organisation related incidental expenditure.
- k) Any payment to directors for consultancy work carried out should be tabled at the board meeting. These should not be regular work and justification should be presented to the Board to hire a Board member. Such board members will refrain from making or having authority over any financial decisions related to the assignment where there can be conflicts of interest.
- l) All common costs/overhead costs/running costs/salaries will be paid from PMN general bank account and contributions from various projects shall be transferred to the general bank account. These common costs include but not limited to, shared salaries, EPF, ETF and gratuity.
- m) Per diem policy of PMN is as follows:

i. Policy for travel within the district

- Start time before 7:00 a.m. and ends at 5:00 p.m. – Maximum of Rs.1,700/- per person per day.
- Start time after 7:00 a.m. and ends at 5:00 p.m. – Maximum of Rs.1,250/- per person per day.
- Start time before 7:00 a.m. and ends at after 5:00 p.m – Maximum of Rs. 2,050/- per person pay day.
- All of the above shall be reimbursed on actual basis upon submission of bills.

ii. Policy for travel outside the district

- For travel outside the district a maximum per diem of Rs. 2,500/- per person per day is allowed.

n) A person travelling outside of the district on work can claim a maximum of Rs. 8,000/- per day as accommodation expenses. This will be reimbursed on actual basis upon submission of a bill.

m) A staff member travelling within a district on work (whether for a programme, training, workshop, field visit or any other event) will be reimbursed travel expenses as follows:

- 0 km to 50 km – Maximum of Rs. 1,500/-
- 51km to 200km – Maximum of Rs. 2,500/-
- Over 201 km – Maximum of Rs. 3,000/-
- All the above will be reimbursed based on actual upon submission of a bill.

o) A staff member travelling outside the district on work (whether for a programme, workshop, training, field visit or any other event) will be reimbursed travel expenses as follows:

- For the purpose of calculating distance of travel the starting point will always be PMN office or the project or regional office where the staff member works
- 0km to 100 km – Maximum of Rs. 1,500/-
- 101 km to 250 km – Maximum of Rs. 3,000/-
- 2501 km to 500km – Maximum of Rs. 6,000/-
- Over 501 km – Maximum of Rs. 10,000/-
- The above will be reimbursed on actual upon submission of bills.

p) It is the policy of PMN to reimburse Rs. 5,300/- as travel, food and incidental expenses when a staff member travels to the head office from a project or regional office on work.

6.2 PROCEDURE

- ☞ All cash outflow whether from the Bank or from cash in hand should be supported by a Payment Voucher. (Please refer annexure 6 for payment voucher format)
- ☞ The Payment Voucher should be supported by a valid bill and/or a written request. (Please refer annexure 5 for payment request format)
- ☞ A request for payment should be submitted for programme related expenses by the relevant programme staff member to the PD who will verify and approve and forward it to the FU. Requests can be made via email and digital documentation is accepted by PMN. However, a copy of the email should be attached to the payment voucher.

- ☞ Valid bill is one which has the name and address of the vendor, date and description and value of items sold.
- ☞ If it is a handwritten document this should also mention the NIC no, address and the telephone number of the receiver.
- ☞ All payments should be through crossed cheques and cash payments should be minimized as much as possible.
- ☞ Payments are made only on Mondays and Thursdays of each week. Request for payments should be submitted by Friday of the previous week for Monday payments and by Wednesday for payments on Thursday.
- ☞ Where it is not possible to determine a particular payment, a cash advance can be requested.
- ☞ All programme and administration expenses should be within the budgeted figures.
- ☞ It is the responsibility of the Finance staff to monitor programme related expenses and highlight any major variations.
- ☞ The Finance unit with the admin officer should take full responsibility for the administrative expenses.
- ☞ Once the vouchers are completed, cheques are written for the value and payee.
- ☞ Once cheques and vouchers are in order this would be submitted for approval to the CEO and then sent for authorized signatures.
- ☞ The Authorised Signatories should also sign the counter foil of the cheque book.
- ☞ The vouchers will have a serial number generated within the system.

- ☞ Where a voucher is cancelled, it should be marked “CANCELLED” across the voucher and the voucher should be filed along with the other vouchers.
- ☞ A cancelled voucher should not be deleted from the system, but only voided or a reversing entry should be passed.
- ☞ Vouchers when certified and approved should not be removed from office.
- ☞ Where a specific donor requires documentation evidence, and requests vouchers, a certified true copy can be sent.
- ☞ Where donors require verification of original documents, PMN will extend its fullest corporation to carry out such verifications at the PMN office premises.
- ☞ If PMN has agreed to submit original vouchers, then a copy of the original voucher should be kept prior to handing over the documents. The original vouchers should be retrieved from the donor within a maximum period of three months.
- ☞ Only crossed cheques are issued as per the Policy of PMN and if for any given reason a payment is requested as cash or open cheque, a special approval should be obtained from CEO or Treasurer and the same should be justified and documented.
- ☞ When cash cheques are issued a copy of the cheque should be filed along with the voucher.
- ☞ When the payment is disbursed the recipient should sign the voucher and the copy of the cheque if the cheque is an open cheque.
- ☞ Where possible a receipt for payments made should be obtained.
- ☞ When a cheque is cancelled, the cheque should be crossed as “CANCELLED” and attached to the payment voucher.

- ☞ Cheque number of the cancelled cheque is to be cut and attached to the counter foil of the cheque book.
- ☞ The counter foil of the cheque book should also be updated with the cancellation with a red pen.
- ☞ All per diems and incidental expenses including should be requested prior to incurring the same and approved by the line manager.
- ☞ All per diems and incidental expenses including travel will be reimbursed upon submission of a valid bill and on approval by the line manager.

6.3 SPECIAL CONSIDERATIONS

- Goods purchased:
 - ☞ Obtain necessary invoices or bills along with requisition.
 - ☞ For all purchased of goods the procurement policy should be followed.
 - ☞ A PO and GRN is raised for purchases over Rs.50,000/-
 - ☞ Based on the invoices, requisitions and PO, when goods are delivered Admin Officer will check to ensure that the goods are in good condition at the right quality and the right quantity and at the agreed price and sign on the invoice or issue a GRN.
- Services obtained:
 - ☞ A contract with the service provider will be signed for special services such as legal advice, Audits, specialists in thematic areas etc.
 - ☞ Obtain necessary invoices or bills along with an activity completion report and the necessary recommendation by the responsible officer to the extent

that the services are obtained to a satisfactory level as intended by the Management.

- Fees for the services are to be agreed during the signing of the contract.
- Payments will be made based on the agreement and upon certification by the CEO/Programme Director/ Programme Coordinator or Admin Officer indicating that the payment is due.

CHAPTER SEVEN - CASH ADVANCES

7.1 POLICY

- a) Where an expense cannot be accurately determined cash advances are issued to carry out project related activities.
- b) It is the Policy of PMN to issue only a maximum of two cash advances to any member of staff at any given time.
- c) No further advances shall be issued if the maximum of two advances is fully utilised.
- d) An advance thus taken should be settled within one week after the completion of the activity.
- e) A maximum limit of Rupees One Hundred Thousand (Rs.100,000/-) is set per advance.
- f) An advance for a particular programme cannot be split into two advances to meet the maximum limit criteria. Management will take disciplinary action should a staff member be found guilty.
- g) Any deviation to the above would require special approval of the CEO and should be justified and documented.
- h) Expenses over the approved advance amount due to any unforeseen reason should be approved by the line manager. This could be done over the phone and upon settlement, a note to the effect that prior approval was obtained for over expenditure should be mentioned on the settlement itself by the line manager approving the over expense.

- i) However, expenses over and above the budget limit is not allowed unless approved by the Donor.
- j) Cash advances should be issued in the name of the staff member who is requesting the advances.
- k) Advances are given only to staff members or those external consultants with whom PMN has signed a legally binding contract.
- l) The responsibilities of the consultant in managing organisational funds when advances are taken should be stipulated in the contract itself.
- m) Staff members taking an advance shall be held personally liable for the funds taken until the advances are settled.
- n) Any loss or theft of an advance shall be dealt with at the discretion of the Management and Board. The Management reserves the right to take disciplinary action and to recover the loss of any advances from the relevant staff members salary.

7.2 PROCEDURE

-  A request should be made by the Programme Manager/Coordinator/Officer in an Advance Request Form. (ARF – Please refer annexure 7 for the format). Whoever needs the money and shall be disbursing the same should submit the advance request.
-  The request form should be certified by the line manager, approved by the PD/Coordinator, and checked by the Finance Unit and approved by CEO.

- 👤 If an advance is requested by the CEO this should be certified by PD and approved by the Treasurer. The same shall apply to the advance settlement of CEO.
- 👤 The line manager's certification is to ensure that this is a required and is a legitimate expense and PD/PC as the holder of the budget should approve the advance.
- 👤 Finance unit checks to ensure this is within budget and sufficient funds are available to meet the requirements.
- 👤 It is the responsibility of the PD/PC to monitor that the programme advance requests are within the programme budget.
- 👤 Advances thus taken should be settled within 7 working days after completion of the activity.
- 👤 If the respective member of staff is not due to report to work within seven working days for him/her to be able to settle the bills, then the advance should be settled on the second day after returning to office.
- 👤 An Advance Settlement Form (ASF – Annexure 8) should be submitted along with the relevant bills.
- 👤 The advance settlement should be supported by valid bills. These bills should be categorised by nature of the expenditure and in date order.
- 👤 For carbonized bills photocopies must be attached and certified by the Line Manager.
- 👤 The settlement should be certified by the Line Manager and Approved by PD.
- 👤 After which the Finance unit shall check the settlement and submit the same for approval of CEO.

- 👉 Any balance remaining from the advance should be submitted to the Accounts' Assistant along with the settlement.
- 👉 A receipt should be obtained for any money returned to the Accounts' Assistant. It is the responsibility of both the accounts' assistant as well as the person returning the balance money to ensure a receipt is issued.
- 👉 If the expenses are more than the advance taken, this would be settled by the finance unit, provided required approvals are granted.
- 👉 Balances from one advance should NOT be used for another programme.
- 👉 It is the responsibility of the person who requests the advance to ensure that.
 - Money has been spent exclusively for the approved task.
 - To obtain sufficient supporting documentation and the timely settlement of the advance.
- 👉 If there is sufficient proof that mismanagement of cash has occurred, the Management and Board will take disciplinary action starting from a domestic inquiry if needed.
- 👉 Unless previous advances are settled another advance cannot be obtained. If for any unavoidable reason this is required, it should be authorized by the CEO/PD or treasurer depending on who is requesting the advance and upon providing sufficient justification.
- 👉 If for any reason the programme for which the advance was taken is cancelled or postponed for more than a week, then, the advance should be settled immediately, and money returned to the Finance Unit who should issue a receipt for the same.
- 👉 For postponed events a fresh advance would have to be requested closer to the revised date.

- 🍷 The CEO should always avoid taking advances and if due to unavoidable circumstances he is to take an advance this should be approved by the PD and Treasurer or Chairman of the Board. The same procedure shall apply for settlement of advances taken by the CEO.

CHAPTER EIGHT - PETTY CASH MANAGEMENT

8.1 POLICY

- a) It is the Policy of PMN to hold only Petty Cash as cash in hand.
- b) In addition to petty cash there will only be undeposited funds from advance settlements, which shall be deposited on the same day or latest by the very next day.
- c) A petty cash float of rupees Twenty five Thousand (Rs.25,000/-) is maintained.
- d) Any variation to the value would require the Board approval.
- e) A single petty cash transaction is limited to Rupees Three Thousand (Rs. 3,000/-)
- f) Single transactions should not be broken down into multiple transaction to overcome this limit placed on petty cash transactions.
- g) Having analysed the cost and benefit, it is decided not to obtain an insurance cover against the cash in hand and in the event the cash in hand amount increases, this would be evaluated by the Board and necessary action taken accordingly.

8.3 PORCEDURE

-  Petty cash should be kept in a safe box under lock and key.
-  There should only be one key for the safe and this should always be with the Admin Officer who is the assigned person to handle petty cash.
-  An extra key shall be placed in an envelope and sealed and kept with the CEO. When the seal is opened the Treasurer should approve and sign on the spare key register.

- 👛 If the person is going on approved leave the cash box should be handed over to the temporary person assigned by the Management Committee to handle petty cash.
- 👛 When handing over the box, the balance should be clearly noted and signed by both the person handing over and the person receiving.
- 👛 If a small amount of cash is required in advance as bills cannot be submitted since the purchase is yet to take place, a maximum cash advance of Rs.3,000 can be given.
- 👛 For these cash advances an IOU should be raised. (Please refer annexure 10 for the IOU format.)
- 👛 This IOU would be signed by the person who is taking the money.
- 👛 IOU thus taken should be settled at the earliest possible and MUST be settled on the same day.
- 👛 All cash expenses should be supported by a cash voucher. (Please refer annexure 9 for petty cash voucher format)
- 👛 The cash voucher should be supported by valid bills.
- 👛 When an IOU is raised, it is not necessary to raise a cash voucher until it is settled.
- 👛 Once the IOU is settled a cash voucher should be raised for the actual value with all the relevant details.
- 👛 The IOU would then be cancelled, and this should be attached to the cash voucher.

- 👛 Petty Cash book should record the IOUs in a separate column and once settled this would be cancelled and the actual expense would be entered in the petty cash book. (Please refer annexure 11 for petty cash book format)
- 👛 The person handling cash should raise the cash voucher and this should be authorized by the CEO. If cash is paid to the CEO, then this should be approved by the Treasurer.
- 👛 Once the voucher is approved, the person receiving cash should sign the cash voucher.
- 👛 When the cash float reduces to about 30% of the float value, a reimbursement should be requested. (Please refer annexure 12 for petty cash reimbursement request format.)
- 👛 The reimbursement request should be supported by a summary of analysed expenses and balance reconciliation. (Please refer annexure 13 for the format).
- 👛 Weekly spot checks of the petty cash should be carried out by the FC and a cash balance sheet for the day of the spot check completed signed by both parties should be filed.
- 👛 Weekly cash balance should be noted in the Cash balance sheet (Please refer annexure 14 for the format). This should be carried out every Friday of the week. If the Friday is a holiday, then this should be done the working day prior to Friday of the week.

CHAPTER NINE - SALARIES AND OTHER BENEFITS

9.1 POLICY

- a) Salaries are paid on the 27th of each month via direct bank transfers.
- b) Salaries are paid as stipulated in the Employment Contract.
- c) The payroll schedule should be approved by the CEO and Treasurer.
- d) PMN is regulated by the statutes of Sri Lanka and shall pay EPF, ETF, BRA and any other allowances as stipulated by the regulatory authorities.
- e) Taxes as applicable and as per the prevailing tax regulations will be deducted from the employees.
- f) Every employee should be given a pay slip, which clearly indicates the breakdown of the salary. (Please refer annexure 15 for payslip format)
- g) All increments should be approved by the Board and notified in writing to the staff member concerned and a copy to Finance. A copy of the same should be filed in the personal files.
- h) Provisions for gratuity shall be made where relevant at the end of the finance year of PMN.
- i) Where a project year differs from the finance year, relevant provisions will be made in line with the project reporting period.

9.2 PROCEDURE

9.2.1 Payment of Salaries

-  Salaries will be paid on the 27th of each Month. If the 27th falls on a weekend, salaries would be paid on the working day after the holiday.
-  Salaries will be based on the Contract of Employment or any subsequent increments, which should be notified in writing to the person concerned with a copy to finance.
-  Based on this information Finance Unit will process the payroll and this would be approved by the Chairman & Treasurer.
-  Authorisations on the payroll and bank transfer document or cheques shall be obtained by the authorised signatories. (Treasurer and Chairman)
-  Once the payroll is authorised direct bank transfers would be initiated.
-  A pay slip will be given for each month to each respective staff member. (Please refer annexure 15 for the payslip format)
-  The attendance register will be reviewed when calculating the monthly salaries.
-  No pay leave if any will be deducted accordingly.
-  Any staff loans or advances taken would also be adjusted in the payroll.
-  However total deduction should not exceed 60% of the basic salary or as indicated in the Labour Act.

9.2.2 Procedure - EPF and ETF contributions and other statutory payments

- PMN will contribute 12% of the staff salary as EPF and 3% as ETF.
- The employee is required by law to contribute 8% of the salary. This is a regulatory requirement and is not optional.
- The 8% contribution will be deducted from the monthly salary, and this would be paid to the Department of Employees Provident Fund on behalf of the employee along with the organizational contribution of 12%.
- EPF should be paid before the last day of the following month or as indicated by the department.
- Where applicable PMN will deduct any income tax as stipulated by the laws of Sri Lanka from the employee prior to making the monthly salaries according to the regulations governing Individual Income Tax.
- Any amounts thus deducted shall be paid to the relevant Department on behalf of the employee as indicated by the IR Department and/or the Act.
- Stamp duty will also be deducted according to the Stamp Duty Act and paid to Inland Revenue every quarter as per the Stamp Duty Act. As per the current act, Rs.25/- will be deducted from all payments over Rs.25,000/-.

9.2.3 Gratuity

- Since PMN does not fall within the purview of the Gratuity Act of Sri Lanka, (as the organisation has less than 15 fulltime staff members) thus far the Organisation has not provided for gratuity. However, based on a Board decision made on the 30th of November, 2024 PMN will start paying and making provisions for gratuity with effect from 1st of January, 2025
- PMN being a not-for-profit organization, and one which does not have its reserves to pay gratuity for the previous years (Years of service prior to the

decision being made), for the purpose of gratuity the first year of service will be considered as the year 2025. i.e. when calculating gratuity payable, the first year of service for those who have been employed prior to 2025, will still be considered as 2025.

- Those recruited after 2025, the first year of service will be effective from the date of employment.
- A half a month's salary will be provided for each completed year of service, assuming the employee will be with the organisation for more than five years.
- When calculating the half a month salary, the latest salary paid should be considered.
- These gratuity provision shall be charged to the relevant projects for the duration of the project.
- At the end of each financial year or project period, whichever is shorter, prior to the finalising of the accounts, PMN will assess the gratuity liability against the provision made thus far and transfer the deficit to the provision and fund account.
- When an employee leaves after completing five years in continued service, half a month's salary, calculated based on the latest salary drawn, for each year of service will be paid to the employee.
- This will be paid with 30 working days and no later. \
- The gratuity fund set aside by PMN will not be used for any other purposes. PMN will not obtain any loans against or take any loan from the gratuity fund.
- All payments are made by crossed cheques made in the name of the employee.

9.2.4 Other benefits and reimbursements

- PMN will reimburse any incidental expenses incurred on behalf of the Organisation or on official travels.
- The reimbursement of expenses related to meals will be as follows:
 - If the employee leaves home on pr before 7:30 am then the employee is eligible for breakfast on route and can claim a maximum of Rs.1,000/- as breakfast and tea.
 - If the employee returns to the hometown after 6:30 pm then the employee is eligible for dinner and can claim a maximum of Rs.1,500/- for dinner.
 - If lunch is not provided, then the employee is also eligible for lunch for up to a maximum of Rs.2,000/-
 - During travel an employee is eligible to claim expenses for a mid-morning snack and tea and evening snack and tea up to a maximum of Rs.500/- per person per snack and tea.
- All the above expenses are reimbursed on actuals upon submission of bills and, a reimbursement of expense claim form. (Please refer annexure 16 for reimbursement of expense claim form).
- These claims should be certified by the line manager and approved by CEO.
- Where the reimbursements are for the CEO, these should be certified by the PD and approved by the Treasurer or Chairman of the Board.
- Travel in personal vehicles will be reimbursed based on the rates as agreed at the Board meeting. Due to the volatility of the fuel cost and economy in Sri Lanka at present the rates will be frequently reviewed by the Board.
- An extract of the board decision on the rates should be submitted to the FU for their records.
- The employees can claim all travel expenses in their personal vehicles, upon submission of a running chart.

- The running chart should be certified by the line manager and approved by CEO.

- Where the claim is from CEO, then the running chart should be checked and verified by FU, certified by PD and approved by the Treasurer or Chairman of the Board.

CHAPTER TEN - PROCUREMENT

10.1 POLICY

- a) Purchase of all capital goods should be approved by the Board of PMN.
- b) All purchases should be based on a general evaluation of value for money. Purchase of goods and service for less than Rs.25,000/- can be based on an evaluation of one quotation. Purchases of goods and service from Rs.25,000/- to Rs.50,000/- two quotations and all purchases over Rs.50,000 should be based on evaluation of three quotations.
- c) For recurring purchase such as stationaries etc. a supplier can be chosen at the begging of the year, after evaluating three quotations and agreeing on the prices.
- d) Supplier list thus registered, will be reviewed when there is a significant price difference or biannually whichever is shorter.
- e) If PMN is legally obliged by a binding contract with the funding agencies, in which the evaluation of three quotations is required for purchased less than Rs.50,000/-, PMN will honour the terms of the contract and these terms will supersede the general policy and practice of PMN.

10.2 PROCEDURE

- 1) Programme related purchase requirements should be requested by the relevant staff member on a Requisition form.
- 2) This should be certified by the line manager and approved by the CEO.
- 3) Any acquisition of capital goods under projects/programme should also be approved by the Board at the begging on the year. If it is outside the approval, then approval should be obtained by circular resolution.

- ✚ Procurement over the value of Rs.50,000 would require three quotations. Between the values of Rs.25,000/- and Rs.50,000/- two quotations and for any procurement less than Rs.25,000/- one quotation will suffice.
- ✚ Based on the requisition, if the value is less than Rs.50,000 the Admin Officer with the approval of the CEO and Treasurer will obtain one or two quotations and place the order by submitting a requisition form. A purchase order will not be raised for procurements less than Rs.50,000/-.
- ✚ If the value is more than Rs.50,000 the Admin Officer should request for three quotations as per the organisational policy. However, as per the policy the legally binding contract with the funding agency will supersede the policy, should there be any discrepancy in the limits.
- ✚ All three quotations will be compared on a bid analysis form by the Admin Officer and put forth for approval of the procurement Committee with recommendations.
- ✚ The procurement committee is appointed by the Board and at present consist of the Chairman, Treasurer, CEO, project director and Accountant.
- ✚ Upon the approval and decision of the procurement committee the order would be place by submitting a purchase order (PO).
- ✚ When goods are received this would be checked against the requisition and PO and invoice and certified by the Admin Officer, indicating that the ordered goods have been received. Upon satisfactory inspection a good received not will be issue for any purchased over Rs.50,000/-. For purchases less than Rs.50,000/- the Admin Officer will sign on the invoice of the vender certify the payment to be made.
- ✚ Upon completion of the above a payment voucher and cheque would be issued once the Admin Officer submits it to the Finance Unit.

CHAPTER ELEVEN - FIXED ASSET MANAGEMENT

11.1 POLICY

- a) All Capital Expenditure require the approval of the Board.
- b) All goods above the value of Rs.2,500 will be capitalized
- c) Fixed Asset register shall be maintained with the following details, Item code, Purchase date, Description, Value, Donor Name, Location, Accumulated Dep, Net Book Value.
- d) All other goods less than Rs.2,500 with an expected useful life of over 1 years shall be expensed. However, an inventory register should be maintained to record the same.
- e) An Asset movement register will be maintained to record the location and movement of movable assets of PMN.
- f) Staff Member taking an asset of the Organisation out of office shall be personally responsible to return the asset back to office in the same condition that it left the office.
- g) Admin Officer shall be the custodian of the assets while they are kept at PMN office premises.

11.2 PROCEDURE

- ☞ A fixed asset register should be maintained for assets that are capitalised.
- ☞ This should be updated with all new purchases.
- ☞ The Fixed Asset register shall have the details specified under section 11.1
- ☞ All fixed assets would be classified under.
 - ☞ Furniture and Fittings
 - ☞ Computer

- ☞ Office Equipment
- ☞ Vehicle
- ☞ Computer accessories
- ☞ Media Equipment

- ☞ All fixed assets would be coded accordingly, and the code will be marked on the fixed asset as well.
- ☞ Fixed assets will be recognized at historic cost and depreciated over its useful economic life.
- ☞ The depreciations rates and Policy should be approved by the Board on recommendation of the Auditors.
- ☞ The Board may from time to time decide to revalue the Assets in line with the SLAS and auditor's recommendations.
- ☞ In such instances the Auditors would be consulted, and most suitable and cost-effective method will be chosen to revalue the Assets.
- ☞ Asset revaluation requires the approval of the Board.
- ☞ If Assets are revalued, financial records and the fixed asset register would be updated accordingly.
- ☞ Fixed assets that are not in useable condition and are not functioning can be disposed on approval of the Board.
- ☞ Once disposed these should be taken off the company fixed asset register and the books of accounts. The board decision and approval should be filed as supporting documentation.
- ☞ When a staff member is required to take an asset of the company out of office, for example: a projector, this should be noted in the Asset Movement Register. (AMR)

- ☞ It would be handed over to the relevant staff member by the admin officer and both parties should sign the AMR.
- ☞ Once the Asset is returned, the Admin Officer shall scan the Asset to ensure that it is not damaged, and the return will be noted on the AMR and both parties shall sign the register.
- ☞ Where assets are entrusted to an employee on a longer term, such as laptops etc. an asset custody form should be filled and signed and a copy of it maintained in a separate file with the Admin Officer and another copy should be filed in the personal file.
- ☞ Annual Asset verification shall be carried out by a team of board members appointed by the Board. The details of the asset verification should be filed separately, and the findings should be presented to the Board.
- ☞ It is the responsibility of the FC to ensure the annual asset verification is done as stipulated in this manual.

CHAPTER TWELVE - AUDITS

12.1 POLICY

- a) It is the policy of PMN to change the auditors at least once in six years to ensure the independence of the Auditor.
- b) The Auditors can only be changed at the AGM.
- c) Three quotations and proposal should be obtained when changing the Auditors.
- d) An engagement letter should be signed with the Auditors for each Audit.
- e) Timeline and costs shall be discussed and put forth for Board approval.
- f) Annual Institutional Audit shall be carried out and finalized by the 31st of August each year.
- g) Project Audit shall be carried out on donor's request, and this shall be charged to the project.
- h) The Auditors will present to the Board, major finding from the audit and highlight any areas of concerns, prior to finalising the audit. It is the responsibility of the FC and CEO to ensure this process is facilitated.
- i) The audit reports both Institutional and Project should be submitted to the Board along with the Management letter.
- j) Issues identified in the Management Letter shall be discussed at the board and appropriate action taken.
- k) The Board shall assign a team from the Board including the CEO to ensure the issues are rectified prior to the next Audit.
- l) FC to present to the CEO and Treasurer an action plan to rectify the issue identified.

m) The Auditor shall report any material discrepancies in the accounts and internal controls of PMN directly to the Board where this is required.

12.2 PROCEDURE

12.2.1 Project Audits

- ☞ Donor may request PMN to carry out an audit of project transactions to ensure that the project finance reports show a true and fair view of how the funds were utilized for the project.
- ☞ In such instances donor may appoint a particular auditor or request PMN to select the auditor and carry out the audit.
- ☞ All such audits should be funded by the donor as this will be treated as a direct project cost.
- ☞ It would be the responsibility of the FC to ensure that these costs are budgeted under each project.
- ☞ Once the project audit is completed the audit report along with the management letter shall be submitted to the Board as well as to the donor.
- ☞ Period and scope of the audit shall be stipulated in the donor agreement.
- ☞ If not stipulated in the agreement, written instructions should be obtained by the donor based on which the engagement with the auditors should be discussed and finalised.

12.2.2 Institutional Audit

- ☞ This is an annual audit carried out for the overall organization to ensure that the financial statements of PMN show a true and fair view of how the organisation has performed over the year and to enhance accountability and transparency of its service to the community at large.
- ☞ PMN will appoint a qualified auditor to audit its books of accounts and to express an opinion on the situation of PMN. The auditors will be appointed at the AGM.
- ☞ When audit negotiations are over, and the auditors are appointed an engagement letter should be signed with the auditors at least three months prior to the scheduled date of completion of the audit.
- ☞ Institutional Audit shall be completed latest by the 31st of August each year.
- ☞ Prior to finalising the audit report, the CEO on request of FC will convene a board meeting and invited the auditors to present a brief overview of the audit, highlighting any concerns and challenges during the audit.
- ☞ It is the responsibility of the Board to ensure measures are taken to rectify or minimise any risks related to the issues, gaps and challenges presented by the auditors.
- ☞ It is important to obtain a management letter from the auditors and the Audited Statements and the Management Letter should be submitted to the Board.
- ☞ While it is the responsibility of the FC to rectify any gaps or issues identified by the auditors in the management letter with the guidance of the CEO. The Board shall appoint a committee including the CEO to follow up on the progress of the same and to extend support where required.
- ☞ Issues highlighted in the management letter should be addressed and rectified prior to the next audit.