

## Guide to preparing a manual of internal administrative and financial procedures for an NGO

### BASIC ASPECTS

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#### Introduction

This guide is designed to help NGOs draw up internal procedures with a view to securing their financial processes.

The content of this guide only covers what we consider to be the basic aspects of this process and is therefore not exhaustive.

Keep in mind that the rules put in place within your organisation can only be relevant if they are clear and simple. The objective is to ensure that these rules can be, and are, applied in practice and that their implementation can be, and is, verified internally.

French version of this guide is available for download on our website.

Donnadieu & Associés is a financial audit and consulting firm specialising in the international solidarity sector. Its work with NGOs, private foundations and public funders contributes to the security of funding in this sector in order to enhance its financing appeal and have a greater impact on beneficiaries.

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## 1 - Purchases



### A - Approvals

What ?

Determine what type of purchases require prior approval.

Convey the need to comply with rules imposed by external financial backers that apply to specific projects.

Who ?

Determine which persons have clearance to approve purchase commitments (taking care to apply any maximum limits), with reference to the list of authorised signatories drawn up by the organisation's officers (signing authority).

How ?

Determine what form(s) purchase approval will take (in writing): signed order slip, signed quote, standard expense commitment form, etc.

If necessary, use different rules for different amounts and/or purchase types.

Where a standard expense commitment form is used, include a template in the appendix to the procedure.

Exceptions: where necessary, list expenses (by amount or type) that do not require purchase approval (e.g. minor purchases "on the go", petrol, etc.).

Ideally, the approval should state all information needed to identify the expense in the accounts and allocate it to the budget for a given project (purpose of the expense, account number, project code, financial backer code, budget item, etc.).

When ?

If necessary, set a minimum time limit for obtaining approval prior to the purchase date.

Exceptions

If necessary, draw up a procedure for making exceptions to the prior approval procedure for purchases (permitted exceptional cases, persons cleared to authorise exceptions, what form the exceptions can take, etc.).

### B - Choosing suppliers

Determine the criteria for choosing suppliers, notably by applying the rules laid out in the funding agreements entered into with the financial backers of the projects in question.

If necessary, provide for follow-up of the suppliers (qualitative aspects of the services rendered).

If necessary, provide for the incorporation into the contracts signed with the suppliers of the mandatory provisions contained in the funding agreements.

### C - Competitive tendering procedures

Determine the competitive tendering procedures for procurement agreements with suppliers: relevant contract amounts, broken down if necessary by type of service (purchases of equipment/supplies and services), supplier consultation procedures (timeframes, format, archiving, etc.), bid selection procedures (assessment criteria, scoring scales, etc.), composition of the evaluation committee (credentials and number of members), etc.

Convey the need to comply with the provisions of the applicable funding and/or partnership agreement(s).

Include the supplier bid evaluation template in the appendix to the procedure.

### D - Proof of compliant receipt

What ?

Determine what type of purchases require a proof of compliant receipt (purchases of goods or services).

Convey the need to comply with the provisions of the applicable funding and/or partnership agreement(s).

Who ?

Determine which persons have clearance to confirm receipt of purchases (taking care to apply any maximum limits), with reference to the list of authorised signatories drawn up by the organisation's officers (signing authority).

How ?

Format of order receipt compliance check (in writing): signed delivery slip, standard compliant receipt form, stamp and/or signed hand-written statement on the supplier invoice (“receipt compliant, approved for payment” + signature of the person in charge), etc.

If necessary, use different rules for different amounts and/or purchase types.

 When a standard compliant receipt form is used, include a template in the appendix to the procedure.

Exceptions: if necessary, list expenses (by amount or type) that do not require a proof of compliant receipt (e.g. minor purchases “on the go”, petrol, etc.).

When ?

Make it mandatory for the proof of compliant receipt to be signed before issuing payment.

Exceptions

If necessary, draw up a procedure for exceptions from the rules for checking the compliant receipt of purchases (permitted exceptions, persons cleared to authorise exceptions, what form the exceptions can take, etc.).

## 2 - Human Resources



### A - Drawing up employment contracts

Determine the procedures for drawing up employment contracts (manager(s) within the organisation with clearance to issue an employment contract, required clauses, etc.).

### B - Job descriptions

Determine the duties involved in each position in the form of job descriptions.

### C - Keeping track of work hours

Determine the rules for keeping track of the hours worked on projects financed through external funding (via timesheets signed by the employee and an independent supervisor, using a defined methodology and frequency (ideally monthly)).

Convey the need to comply with the provisions of the applicable funding and/or partnership agreement(s).

 Include the timesheet template in the appendix to the procedure.

### D - Keeping track of paid leave

Determine the rules for authorising, taking and keeping track of paid leave (periods, procedures for authorisation by an independent supervisor, procedures for ex-post monitoring, etc.).

### E - Remuneration of employees (and consultants)

Determine the remuneration procedures for employees (and, if necessary, for consultants, if used regularly), using pay scales based on the position held, professional experience and seniority.

 Include the pay scale in the appendix to the procedure.

Determine the procedures for preparing monthly payroll information and issuing pay slips (persons in charge, IT tools used).

Convey the need to systematically ensure compliance with labour laws (particularly in relation to tax and social security contributions deducted from pay).

## 3 - Travel and transportation



### A - Expense claims

Determine the rules for submitting expense claims (format, content, type of authorised or unauthorised expenses, etc.).

Determine the rules for prior authorisation of expenses incurred (signed mission order, approved mission budget, maximum amount per expense type, etc.).

Determine the rules for ex-post approval of expense claims: verification rules (travel authorised in advance, consistent with time and purpose of trip, accuracy of amounts, completeness and compliance of receipts, etc.).

Determine the rules for approval: signatures of the person submitting the claim and of an independent supervisor.

 Include the expense claim template in the appendix to the procedure.

### B - Per diem

Determine the rules for per diem allowances (where applicable, who is eligible, scales, etc.).

Convey the need to comply with the provisions of the applicable funding and/or partnership agreement(s).

 Include the per diem scale in the appendix to the procedure.

## 4 - Cash



What ?

Determine what types of payment are used by the organisation: cheques, money transfers, credit card(s), cash, etc.

Who ?

Determine which persons have clearance to use each payment type (taking care to apply any maximum limits), with reference to the list of authorised signatories drawn up by the organisation's officers (signing authority) and the approval procedures (signature rules for payment types, etc.).

Set double-signature rules for payments above a certain amount.

Regularly check that the banks have an up-to-date list of authorised signatories as drawn up by the organisation's officers (particularly when there have been changes in this list).

How ?

Determine the procedures for safeguarding\* and using these payment types, from a security standpoint.

(\*safekeeping in a secure box to which the keys are entrusted to identified persons)

For cash, set rules for safekeeping, monitoring cash transactions (keeping the cashbook), regular physical counts (frequency of counts and format of the count sheet, procedure for reconciling the physical cash balance with the accounting balance, procedures for justifying any differences).

 Include the template of the count sheet in the appendix to the procedure.

For bank account(s), set rules for performing reconciliations (frequency and format of bank reconciliation, procedures for justifying any differences).

When ?

If necessary, set a timeframe for issuance of payment (depending on the payment type used: cheques, money transfers, credit card(s), cash, etc.).

Convey that payment will not be made until it has been checked that all necessary supporting documents are in place (in accordance with internal procedures and, if applicable, the provisions of the applicable funding and/or partnership agreement(s)).

## 5 - Accounting and finance

### A - Accounting



Determine the accounting procedures for the organisation's transactions (information entered in the accounts, inclusion of document numbers in the accounts, etc.) and for classifying and archiving accounting documentation.

When the accounts are pre-entered internally (notably in Excel files) before being sent to an external accountant, determine the procedures for entering information, safeguarding it and transmitting it to external recipients.

 Include the template(s) of the accounting entry grid in the appendix to the procedure.

Specify that each transaction must be recognised on an accounting basis (ledger account) and an analytical basis (project code, financial backer code and budget item).

Determine the compliance rules for expense documentation: date, supplier name and legal registration number(s), details of the services, amount before VAT, VAT amount and amount including VAT, currency used, name and address of the organisation, etc.).

### B - Budget

Determine the procedures for drawing up the budgets for the organisation and for externally funded projects: persons in charge, preparation procedures, compliance verification procedures, external communication procedures (timeframes, format, etc.).

### C - Financial information

Determine the procedures for preparing financial information, particularly for income and expenses relating to projects for which external funding is used (persons in charge, preparation procedures, compliance verification procedures, external communication procedures (timeframes, format, etc.).

### D - Currency conversion

Determine the rules for currency conversion.

Convey the need to comply with the provisions of the applicable funding and/or partnership agreement(s).

## 6 - Equipment



### A - Inventory

Determine the procedures for keeping track of equipment by using an inventory schedule: format, frequency and person(s) in charge of monitoring.

### B - Vehicles

Determine the procedures for keeping track of the use of vehicles for travel (procedures for keeping a log of trips taken).

## 7 - IT



Determine the procedures for internal and external storage of IT data (current, accounting and financial data).

## 8 - Partnerships



### A - Selection

Provide for a prior partner selection procedure in order to assess partners' ability to use the allocated funds in accordance with the terms of the relevant funding agreement.

☞ Include the template(s) of the selection questionnaire in the appendix to the procedure.

### B - Entering into contracts

Determine the contracting procedures for partnership agreements (persons with clearance to issues contracts, "key" clauses that must be incorporated into the contract, etc.).

☞ Include the template(s) of the partnership agreement in the appendix to the procedure.

### C - Monitoring

Provide for a procedure to monitor expenses incurred by partners during project implementation, with a view to providing structural support to partners over the long term and ensuring that funds are properly used.

☞ Include the template(s) of the monitoring tools in the appendix to the procedure.

## Appendix – Secure purchasing

HEAD OFFICE AND/OR SITE

Depending on the applicable limits: purchase (type, amount) programme (regular, emergency)

