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FINANCIAL MANAGEMENT POLICY AND PROCEDURES

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1. GENERAL PURPOSE

The purpose of the Anis Foundation Inc (AFI) Financial Management and Internal Controls Policy is to establish guideline for control of the administration and implementation of the fund in accordance with the goals and objectives; to properly safeguard the assets of AFI to make sound financial decisions, and have the ability to provide accurate financial report to client, donors, partners and stakeholder.

AFI is an NGO administering donor funded or members funded programs and therefore required to account for and present their basic financial statements according to generally accepted accounting Principles (GAAP) standards set by the Governmental Accounting Standards Board (GASB)

This Policy governs the financial management system of AFI and complies with all provisions of accounting standards.

2. FINANCIAL RESPONSIBILTIES

This policy and any later changes shall be submitted to the Board of Anis Foundation Inc Board for approval. The Board is responsible for ensuring that any policy to be adopted is appropriate for the organization.

The Council/Board appoints and delegate financial and budget authority to the Executive Director and the Financial Manager. The Financial Manager oversees the day-today financial management activities of the fund, ensuring the accuracy of the accounting records, internal controls are in place and adhered to, financial reports are prepared and communicated to the Executive Director timely.

The Accountant or the Finance Manager, is responsible for the preparation and maintenance of the accounting software's chart of accounts, maintenance of the general ledger, reconciliation of subsidiary system accounts such as cash management, accounts payable, account receivable, job costing, payroll, journal entries, and responsibility of preparing required reports for compliance with the Internal Revenue Service (IRC), State and Fund reporting requirements.

3. ACCOUNTING METHODS & STANDARDS

Accounting methods employed by the AFI shall at a minimum, satisfy such requirements as may be prescribed by Internationally Accepted Accounting Standards and enforced by the Accounting Standards board of PNG, regulations or guideline. Additional accounting methods shall be employed to satisfy applicable government accounting standards promulgated by such competent authoritative sources as the Government Accounting

Standards Board (GASB) and Financial Accounting Standard Board)FASB, where applicable.

4. REVENUE RECOGNITION

Revenue shall be recognized in the accounting period in which they are earned and measureable. The AFI major revenue categories are:

- **Government Grant:** PNG Government or state. And Local: these revenue types are recognized in accordance with the legal and contractual requirements of the specific programs. Grant revenue are recognized based on expenditure recorded.
- **Donor Funded:** Revenue are recognised when earned, based on monthly billing to donor as mutually agreed.
- **Other Income:** Revenue are recognised as earned
- **Donations & Members Contributions:** Revenue from donation and contributions income
- **Fees and Registrations:** Revenue from trainings is recognized when earned
- **Income from Farming Initiative:** Revenue from sale of access produce from farmers extension services

5. EXPENSE RECOGNITION

Expenses are generally recognized in the accounting period in which they are incurred, when measurable. Exceptions to this general rule include:

- **Prepaid Expenses:** Expenses are recognized as they are used or consumed.
- **Capital Assets:** Assets are recorded at historical costs expensed through depreciation over the useful life of the assets.

6. ACCOUNT RECORDS, IDENTIFICATION, AND SOURCE DOCUMENTS

In the administration of AFI as an NGO, Accounting software's such as MYOB or Quick Books or any other financial management system must be set up so that it can maintain adequate accounting records that are supported by source documents which are the basis for the accounting transactions that are entered into the software's, For Examples include cheque copies s, invoices copies and receipts, timesheets, etc

The system must maintain records which adequately identify the source and application of funds provided. For example:

a. **Donor Funded Funds:** All Donor Funded Projects received and expended by the AFI must be properly identified and accounted for and must include, set up of separate project chart of accounts, reporting periods, records keeping, reporting, all accordingly to terms and conditions of the agreement

b. **All Other Funds:** All Other funds received and expended must be properly identified and accounted for and must include, as applicable, the title and name of the funding, the funding period, years and the reason of funding.

AFI Accounts must maintain source documents that adequately support the funding award, authorizations, obligation, unobligated balance, assets expenditures, income and interest.

7. RECORDS AND INFORMATION MANAGEMENT

The AFI shall apply uniform rules for the records (including financial) and information which meet legal standards and best practices for effective records and information management for existing records and yet to be created records, and shall apply to all employees and contractors who generate information. AFI Accounts shall ensure:

- Control of all the information, regardless of media form;
- Records are retained in accordance with program requirements;
- Records are maintained and stored in a manner that is secure and accessible through the retention period;
- Appropriate safeguards are in place against illegal access, removal, loss, or destruction of the records and information;
- Disposal of records and information is performed in accordance with an approved records retention schedule.

In addition to the general records and information retention policy, the accounts of AFI shall also comply with program requirements on records management in accordance with generally accepted accounting practice.

- Records must be retained for 3 years from the end of the program period which the expenditures occurred.
- If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-years period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-years period, which is later.

- After the 3 year period is lapsed then the records must be kept in an archives

8. FINANCIAL REPORTS

The Accounts of AFI must be able to produce accurate, current, and complete disclosure of the financial results of each of the financially assisted activities made in accordance with the financial reporting requirement of donor. The AFI management shall use the financial reports as tools to manage, control, ensure compliance, monitor, and inform AFI's board on its financial activities.

a. **Reports to Donor and partners:** The AFI Accounts shall complete and submit all reports to the board, partners and donors in accordance with, and in the format and timelines require by the donor or partner agency. The Executive Officer or Finance Director shall oversee all administrative and financial reports before its due dates, and presented to its board for approval prior to publishing for donors and partnering agencies within the deadline timeline.
b. **Management and Council/Board reports:** The Accounts shall prepare and make available to management and the Council/Board on a monthly basis, financial reports to include:
    - Statement of Net Position.
    - Statement of Revenue, Expenses, and Changes in Net Position
    - Statement of Cash Flow.
    - Budget to actual reports detailing significant variances of sources and uses of funds as a management tool.

9. CASH MANAGEMENT POLICY

Anis Foundation Inc recognizes the importance of cash management to ensure there are sufficient funds to pay for the expenses of operating. The Finance Director shall be responsible for monitoring the daily cash flow and balances of all cash funds, including investments. On a monthly basis, the Finance Director shall provide a report that shows the cash position from all sources that are accounted for in the cash accounts and investment accounts, along with bank and investment statement. The cash and investment funds can be from variety of sources or programs, from unused donations, and program income.

The Finance Director shall be responsible for providing monthly reports to the Executive Director, to include:

- Book cash and investment position reports;
- Cash flow projections for the following month;

- Statements from the depository that show the activities of the accounts, such as amounts deposited and withdrawn revenue, fees, and gains or losses on investment.

If at any time, the Finance Director finds the in a potential cash deficiency situation, the Council/Board and Executive Director Must be notified immediately.

Any cost allocable to a particular program may not be charged to other programs to overcome fund deficiencies. The Finance director shall not divert funds between programs and/or activities when managing more than one donor funded program.

10. BUDGET ADMINISTRATION

a. Budget Responsibility and Adoption:

Annual Budget or Program Budget represents a financial plan for management to carry out the objectives of the funds. The Executive Director, Finance Manager and managers are responsible for preparing the annual or program budget, and are responsible for presenting the budget to the Council/Board for final approval. Total projected revenue or sources and uses of funds are identified and included in the budget, allowing for inclusion of all funding sources and all funding outlays during the budget period. In addition to grant revenue, other sources of funds, such as debts are included in the annual budget to accurately portray total resources used to fund operating and capital plans in the fiscal year, and expenditure budgets for funding are in compliance with the funding agreement. The Council/Board approves the budget and those approved activities are the ones ready for implementation.

b. Budget Preparation Timing:

The budget process should begin early in the fiscal year to allow the Executive Director, the Financial Director, and the department managers to engaged in the process and present the budget plan to the Council/Board for approval.

Once the budget has been approved, the Finance Director shall input the approved budget in the accounting system for the new fiscal program year.

c. Budget Management and Report:

Program managers shall be responsible for managing transactions that are charged against their department budgets, and are accountable for ensuring their department revenues and expenses posted against their department budget are accurate, and are responsible for providing jurisdictions on budget variables.

The budget for specific funding awards provides a spending plan against which fiscal and program performance can be measured. Therefore, the AFI accounting system must be set up in a manner that allows producing financial reports that compare expenditures with budget amounts in compliance with AFI requirements and funding agreement.

11. PURCHASE OF GOODS AND SERVICES

The AFI purchase shall be governed by its Council/Board approved procurement policy, which establishes guidelines to ensure reasonable buying practices and competition, quality and integrity.

12. ALLOWABLE COSTS

As the recipient of funding, the basis of its allowable cost principles shall expand funds only for activities that are expressly approved in the funding agreement. No moneys shall be expected for activities that are unallowable or that are included as a cost of any other funded program in either the current or a prior year. Any other credits or debts related to any other programs are not to be included in any program funded.
The total cost of a program funded is the sum of the allowable direct and allocable indirect cost, less any applicable credits.
In the determining the allowable costs for any funding, AFI must apply the following criteria to costs:

- Be necessary, reasonable, and allocable;
- Conform to any limitations or exclusions;
- Be consistent with policies and procedures;
- Generally be treated in accordance with generally accepted accounting principles (GAAP);

AFI must adequately document cost to include, compliance with statutory and national policy requirements and be able to prepare reports that measures performance.

The AFI shall have written procedures for determining the allowability of costs that comply with the terms and conditions of any given contract.

13. CAPITAL ASSETS

Capital assets means tangible or intangle assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP.

Capital assets include:

- Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and
- Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life (Not ordinary repairs and maintenance).

AFI shall comply with its capital assets policy and procedures that provides guidance for employees to manage and safeguard the capital assets including active management of assets with processes in place for tracking additions through purchases and donation, dispositions, and depreciation.

➢ Donation assets shall be recorded at their fair market value (FMV) at the time of donation. Depreciation of donated assets is prohibited from charging the value of the donated item or costs associated with the donated asset.

➢ Depreciation of assets is allowable using the straight-line method. Any other depreciable method to be used shall come after approval by CEO.

a) CAPITALISATION PROCEDURES

I. Physical assets, such as property and equipment, are in integral part of the operation and shall be safeguard in much the same manner as cash assets.
II. All Organization's property and equipment shall be stored in a secure place.
III. The Accounts shall keep a separate Ledger for the properties in the book of accounts of the Department
IV. Detailed records of individual capital assets shall be kept and periodically (atleast annually) balanced with the general ledger accounts.
V. All property and equipment owned shall be divided into two categories: Expendable items or Non-expendable items, defined as follows:
i. Expendable items are purchased or donated items having a useful life of less than twelve (12) months and costing less than K5, 000.00, and can be expended.

ii. Non-expendable items are purchased or donated items having a useful life of more than twelve (12) months and costing more than K5,000.00.

VI. The Finance Director or his/her designee for budgeting and financial control purposes shall capitalize non-expendable items.
Detailed records of individual capital assets shall be kept and periodically (atleast annually) balanced with the general ledger accounts. Adjustments for depreciation should be made as necessary.

VII. AFI shall maintain a physical inventory of all equipment and property at least annually, which shall be reconciled to the general ledger accounts.

14. AUDIT

AFI shall have a financial audit completed annually by a certified, external, independent accounting firm, unless it is required by constitution or statute, to undergo audits biennially. The Finance Director shall have direct responsibility in overseeing the implementation of the audit. The selection of an auditor shall be competitively procured using the Request for Proposal (RFP) method with the objective of obtaining a high quality audit, and the selected audit firm must provide a peer review report as part of the selection process.

The Executive Director and the Finance Director shall make available the completed audit report to the Council/Board. The auditors shall present the audit to the Council/Board for the Council/Board to approve and accept. The audit shall meet the Generally Accepted Auditing Standards (GAAS) and comply with the audit requirements of any funding agreement.

If a funding period extends to more than a year, the donor within the agreement shall decides how many audits to be covered whether audit will be for more than a year or more. Or a single audit at the end of the completion period. Regardless of the changes in number of audits, the auditor shall

I. comply with requirements of GAAS, and

II. comply with requirements of the program.

a. **Audit Findings and follow-up**: AFI shall submit the audit to the board with the Annual Performance Report (“APR”). The board shall develop a plan to correct all deficiencies (if any) noted in the audit and shall implement sufficient and appropriate corrective actions in order to preclude repeat findings in subsequent audits. The management shall be required to describe in the audit document, reasons for reoccurrence of the finding, planned corrective action, and any partial corrective action taken.

b. **Report Submission:** The audit shall be submitted to the Board within thirty (30) days after receipt of the auditor's report, or nine (9) months after the end of the audit period, whichever is earlier.

15. PETTY CASH

The Accounts of AFI is authorized to maintain a petty cash fund of K2, 000.00. The purpose of the fund is to have a small amount of cash available for paying small amounts owed, rather than writing a cheque. The petty cash shall be in the safekeeping of the designated custodian who shall keep track of payouts from the fund with receipts. At all times, the amount of cash on hand and the receipts shall total the amount of authorized petty cash. When the cash in the petty cash fund is low, the custodian shall request a check to replenish the cash that has been paid out. The fund shall be subject to surprise audits.