



Swedish Committee for Afghanistan

Financial Regulations

Approved by

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1 Part One: General Principles

The main governing body of the Swedish Committee for Afghanistan (SCA) is the Annual General Meeting (AGM). The annual meeting adopts the policy of SCA, and in the policy the financial principles of SCA is presented. These principles are quoted below. Further down in this chapter, the practical implications of these principles are described.

1.1 Extract from SCA Policy

SCA operations are financed by SCA's own fundraising operations and by several external institutions. SCA welcomes financing from sources other than its own and may enter agreements and accept grants from governments, authorities, organisations, foundations or companies. SCA shall protect its independence in relation to the different funding agencies. SCA shall not accept contributions from organisations working in conflict with SCA's aim as defined in its statutes.

SCA seeks to increase the proportion of its own fundraising in order to achieve a higher degree of self-reliance and independence. Donor from which SCA received funds for the first time should be approved by the Board of the SCA.

1.2 Financial Management

The Board decides on overall financial issues and acts to uphold accountability and transparency within the organization. The general financial principles of SCA are:

- Financial sustainability.
- Cost efficiency must be endeavoured throughout the whole organisation.
- SCA shall not own real estate nor invest in construction unless it serves the purpose of SCA's operations.
- Financial risks shall be minimized in order to avoid situations where SCA cannot meet its obligations.
- SCA shall counteract corruption at all levels and in any form.
- Financing and accounting system and procedures shall meet Swedish law requirements and internationally accepted standards.
- All goods and services shall be carried out cost effectively and according to established procedures.

1.3 Practical Implications of SCA's Financial Policy

Cost Efficiency

- I. Cost efficiency and sustainability should be upheld. Therefore, the SCA activities must be characterised by low capital intensity and a high share of local material and personnel.
- II. Efforts should be made in order to receive appropriate quality of services and goods at reasonable prices.
- III. Cost efficiency and effectiveness must be considered in all financial transactions.
- IV. The SCA members, members of the Board and the association auditor(s) are volunteers and should neither be paid¹ nor compensated for loss of salary, unless special circumstances prevail and the SG has approved of it in writing, ahead of the activities.

¹ Cost related to SCA activities i.e. travel expenses, accommodation and & etc will be reimbursed against invoices or receipts.

- V. For technical tasks and implementation of the activities, SCA shall recruit professionals of any nationalities based on fair competitions and transparency in the recruitment process².

Funding

- I. Activities financed from outside sources must be logically integrated in what SCA is doing and according to SCA policy. It is the Board of the SCA decides admitting a new donor where ethical matters, funding source, the donor's status and vision and the donor's development agenda will be assessed.
- II. In order to maintain stability and independence of the SCA, funds resulting from fundraising activities are essential. SCA should aim to fund 10% of its activities with funds from own fundraising.
- III. All SCA fundraising activities should be characterised by respect for SCA's values and ethical principles. Furthermore, rules of Svensk Insamlingskontroll² and principles of Giva should be respected.
- IV. The raised funds should be used for the purpose/cause they are collected for.
- V. SCA should aim to hold operational reserve which could be sufficient to cover SCA core expenses for a period of up to one year in case of sudden shortage of funds from main donors or any un-predicted circumstances. (Ref: SCA Board decision on SCA operational reserve policy document)

Financial Risk

Financial risk should be identified, analysed and mitigation strategies should be developed and be included in the SCA strategic plan and annual work plan.

Others

- I. Swedish and Afghan accounting law, legal agreements with donors, rules and regulations by Svensk insamlingskontroll and Giva should be strictly followed in the financial management.
- II. Auditors' requirements should be respected and followed to the largest possible extent.
- III. SCA's finance and accounting system should be designed in a way that fulfils accounting law, requirements of donors, Svensk Insamlingskontroll, Giva, auditors as well as the Board's request for information to maximum extent as well as the efficient and effective governance of the organistaion.
- IV. Procurement of goods and services should be carried out according to the SCA laid down policy that ensures accountability and transparency. When the donor requires and contractually obliges SCA, the donor's own procurement procedures will be adhered to.
- V. International consultants should be recruited only for specific task and short period based on the need and according to SCA approved work plan and in line with SCA procurement manual.

² Donors' limitation for recruitment of professional should be considered. In addition, for expatriate staff recruited for work in Afghanistan, Afghan and Swedish law should be adhered to.

² *Svensk insamlingskontroll* is the Swedish institution that regulates the access to the 90 accounts, a Swedish quality mark for fundraising organisations.

- VI. In case SCA invests in real estate to support a SCA project, the ownership of the construction and property should be transferred to the government of Afghanistan. Examples of such investment are construction of schools, clinics, wells and etc.
- VII. Financial risks should be managed in order to avoid circumstances where SCA is not able to meet its obligation for due payments to internal or external parties or continue its performance as planned. This includes a strategy to minimise the risk in currency exposure. For more details, please refer to SCA's financial risk management strategy.
- VIII. SCA shall counteract corruption at all levels and in any kind. For more details, please see the anti-corruption policy approved on 1st March 2018

1.4 SCA Authorised Signatories

SCA Secretary General is SCA authorised signatory for financial commitment up to SEK 10 million and entitled to delegate authority up to SEK 10 million to other SCA staff.

SCA Chair Person, SCA Deputy Chair Person, and one member of the Board (to be decided by the Board) are authorised signatories of the SCA provided two of them sign together for financial commitment of up to SEK 10 Million.

SCA Chair Person, SCA Deputy Chair Person, SCA Secretary General and one member of the Board (to be decided by the Board) are authorised signatories of the SCA provided two of them sign together for financial commitment exceeding SEK 10 Million.

SCA Secretary General is authorised by the Board of the SCA to authorise other SCA staff members within appropriate field of responsibility to sign all postal/bank giros and bank accounts of the Swedish Committee for Afghanistan as well as mails and documents of value at the post office.

1.5 SCA Bank Accounts

Opening new account with present SCA banks³ in Sweden: CD/S should authorise opening new bank account.

Opening new account with present SCA banks in Afghanistan: Country Director/Afghanistan should authorise opening new bank account.

New Bank: SCA can chose other banks to maintain accounts and receive financial services however the selection of new bank in Afghanistan should be based on bank rate comparison. The strength and stability of the bank should be assessed and CD/Afghanistan, based on the assessment report, should take the decision.

SCA Secretary General authorises the following staff to sign for the bank accounts of the organisation. Any two of the following staff should sign for the SCA financial transactions with the banks in Kabul Afghanistan while two signatories should not be from the same department unless approved by the CD/a.:

Country Director, Afghanistan

Programme Director

Finance Director

Deputy Finance Director, KMO

³ Banks where SCA already maintain accounts such as Handelsbanken, Nordea, Azizi Bank, Al Falah Bank, and Pashtany Bank.

Finance Manager, KMO

Administration Director

The signatories for the SCA accounts in the provinces of Afghanistan (where Regional Management Offices are located) should be any two of:

Head of Regional Office

Finance Manager

Administration Manager

One of the project Manager

The signatories for the SCA accounts in Stockholm should be any two of the following:

Secretary General

Country Director, Sweden

Finance & Administration Manager

Communication Unit Manager

Aid Coordination Unit Manager

Chief Financial Executive Officer (CFO)

SCA's bank accounts in Afghanistan are under direct jurisdiction and control of Finance Director (FD) and the FD has the overall responsibility to monitor SCA funds movement and the use of the SCA accounts. The SCA bank accounts in Stockholm are under direct jurisdiction and control of the Finance and Administration Manager and has the overall responsibility to monitor SCA funds movement and the use of the SCA accounts. CFO has the responsibility to oversee and monitor all SCA bank accounts both in Afghanistan and in Sweden

1.6 Structure of the SCA Finance

Swedish Committee for Afghanistan (SCA) financial management and accounting activities are organised and managed by following units:

1. KMO Finance Unit, Central Accounts Unit (includes fixed asset section) and Budget Coordination Unit which are located in Kabul Management Office (KMO)
2. Finance units in each of the Regional Management Offices and Liaison Offices
3. Finance unit of SMO (Stockholm Management Office) which is an integrated part of FIA (Finance and Administration)

All the above units at KMO, RMOs/LOs and SMO are headed by Managers while the Central Accounts Unit is managed by Deputy Finance Director (DFD).

KMO finance, Central Accounts and Budget Coordination directly report to Finance Director.

Finance Managers of RMOs/LOs report to Head of RMOs while on financial-technical issues they communicate and report to central accounts.

FIA Manager report to CD/Sweden while on technical financial-technical issues report to CFO.

The Finance Controller at SMO report to FIA manager however on the technical financial tasks report to the CFO.

The Finance Director report to CD/A while on technical and financial tasks report to CFO.

1.7 Structure of the SCA Accountancy System

The finance/accounting system forms the basis for the financial segment of the Management Information System (MIS) and should be designed in such a way that the efficiency of the organisation can be clearly measured and reported. Financial information shall go to the employee directly responsible for taking action as well as to the management in order to measure and assess financial performance. Requirement of the SCA accounting system is annexed to this document and it is integrated part of the financial regulation. (See annex 3.4)

1.8 Financial Planning and budgeting

Planning-Implementation-Follow up & Reporting are essential for any organisation with the intention of attaining good performance. The planning cycle parameters are very important for SCA due to the fact that SCA is an organisation with diversified and geographically dispersed activities.

SCA has adopted an integrated bottom-up approach for planning and budgeting. Integration and consolidation of the work plan and budget that occur on different levels end up with one document, the "SCA Work plan & Budget" SCA annual budget should be revised twice a year due to:

The purposes of the first budget revision are:

1. To adjust the budget according to the donors' decisions and agreements. Some donors such as Post Code, Radio Aid, WFP decides on the level of funds during the first quarter of the year while we develop the original budget (in October and November each year) based on our assumption or preliminary negotiations with the donors.
2. To revise the workplan output targets as a resulted of:
3. Donors decisions on the SCA proposals for funds
4. Changes in the context as well as considering the result of the previous year (previous year data is not available at the time of the proposed work plan and budget).
5. To incorporate the financial result of the last year (un-used funds/deficit) to the current year budget for project agreements which continues from last year to the current year.
6. To correct some mistake or miscalculations and modify unit cost(s) if required.

Reason for the second revision:

7. To revise the budget in line with the progress made in implementation of the annual work plan activities as well as to reflect changes occurred due to challenges faced in implementation of the workplan due to internal or external factors. Work plan should not be revised however the changes in the workplan should be documented and be used in the SCA annual report and specific donors project report.
8. to re-allocate resources of the activities that have been either started late or cancelled due to insecurity or other internal or external factors in a given area to other activities that are feasible to be completed within the remaining period of the year.

Annex 3.5 covers the budget and budget management process at SCA.

1.9 Proposals to Donors

- Proposals to donors should be approved by SG on behalf of the Board. (Ref: proposal development guidelines)
- FD (FIA at SMO) should check the financial part of the project proposals before they are submitted to CFO for final review and submission to the donors as per SCA approved procedures.
- The budget should be made in SCA format to a possible extend and then converted to other format if required by the specific donors.
- Applications to donors should be submitted based on the proposed detailed budget, if already integrated into SCA work plan and budget.
- If the proposed project is not integrated in the SCA work plan and budget, it should be integrated in the budget revision process at an early stage of the year.

1.10 Signed Agreements and project contracts

SCA agreements and signed contracts with donors or any other external party should be signed by authorised staff (see 1.4, 2.12 and SCA delegation scheme approved by SG). The original of the signed agreement is kept by FIA and PMER while copy of the signed agreement should be submitted to KMO finance or FIA at SMO for archiving and submission to the auditors/government institutions when required. Copy should be kept by the budget holders for follow up and future reference as well as finance units at RMOs where relevant. When SCA archiving procedures manuals are finalised, this filling part should be followed according to that manual.

1.11 Transfer of Funds from Donors to SCA

- Funds from donors should only be received through SCA bank accounts in Stockholm or in Kabul by direct transfer to SCA accounts or by cross cheques.
- SCA regional management offices in Afghanistan are not allowed to receive funds or donations from donors unless there is signed agreement between SCA and the donor agency and the funds are transferred to SCA bank accounts
- SCA does not accept cash donation in Afghanistan.
- Request for funds transfer from donors in Kabul should be signed by the CD/A while request for funds transfer from donors in Sweden/Europe should be signed by CD/S

1.12 Fundraising

- SCA fundraising money should be used for the purpose it is raised. Funds may be earmarked for the following categories all assigned a special donor code:
 - * Education
 - * Girls education
 - * Health
 - * Maternal Health Care
 - * Disability programme
 - * Rural Development
 - * Water and Sanitations
 - * Information work
 - * A-nytt
 - * Emergency Fund
 - * Reserve Fund

- SCA should be restrictive in use of any more specific earmarking. If needed the funds in question should be connected to a project number so that it is possible to maintain transparency and accountability in the administration. Only CFO may approve such a project number. If a project number is assigned. Managers of FIA and COMS as well as relevant implementing and accounting units in Afghanistan should be informed. Both about the project number and the specifics of the agreement. All agreements should be put in writing and accounted for by the Fundraising manager.
- SCA's fundraising should be in line with the regulations of Svensk insamlingskontroll and Giva.
- Technical solutions used for fundraising should be secure and well established in the market.
- Before any new technical solutions are introduced both FIA and COMS manager should approve in writing, checklist for payment method should be used to document the specific of the payment method. This should be done prior to approval.
- Regardless of method used for collection, the liquidity stream should be possible to trace in all steps of the chain from the donor to SCA's bank account.
- If fundraising is carried out by cash collection, the money should be collected in sealed SCA collection boxes.
 - The collection box could be opened only if at least by two persons are present. Both persons should count the money.
 - The number of the collection box seal, the names of persons present at counting, the amounts and possible earmark of funds should be reported to SMO/FIA as soon as possible.
 - If the donator is given a small gift in return, that money should be kept separate from other gifts, and when reporting the amount to the finance department it should be stated that it is resulting from collection with gift certificate.
 - The funds should be deposited to SCAs bank account PG 900780-8 or BG 900-7808 as soon as counted or, if not possible, handed over to SMO finance.
 - If any fees are charged for the bank deposit and paid by the collected funds, the amount of the fee should be reported to SMO finance together with other information.

1.13 Heritage donation to the SCA:

When SCA receive heritage from any donor SCA must consider the following:

1. If the donor has specified and informed SCA how to use the donation, SCA must ensure that the donation is used for the specified purpose and book the amount as fundraising. For example, if the donor had decided that SCA should use the donation for girl's education, SCA must make sure that the amount is used for girl's education. Hence the amount is booked as fundraising for girls' education.
2. If the specified purpose of the donation is not compatible with SCA mission, vision and values, or is earmarked for an activity that SCA does not believe would be in the interest of its target groups, SCA shall decline the donation.
3. If the donor has not specified the donation and donates the amount unconditionally to SCA, the decision how to use the funds is with the SCA Board. Hence the amount should be booked as income for SCA association.

4. For heritage donation, SCA should maintain separate account under class 3 of its accounting system.
5. SCA must maintain all documents related to the donor's decision on how SCA should use the funds. Copy of such communication to be attached to the donation voucher.

1.14 Use of Funds from Own Fundraising

Funds raised during a year should be incorporated into the SCA work plan during next year to be spent in the following year (i.e. funds raised in year X will be incorporated in the SCA work plan of year X+1 and should be spent in year X+2). Any deviation from this mechanism should be presented to the Board in the budget for approval.

SCA earmarks collected funds to uphold the intention of the donor. Therefore, collected funds should always be associated with a donor code in the accounting from the moment it is collected until it is matched to corresponding cost.

1.15 Reserve (Sustainability funds)

In order to ensure financial sustainability of the organisation as well as its operation SCA should strive to create a reserve fund and should try to invest the reserve funds in low-risk financial instruments which should be in line with SCA's ethical/principle norms. (Reference: SCA Investment policy). In addition, a maximum of 30% of the funds from monthly sponsors (component of the SCA fundraising activities) could be saved and put into the reserve/sustainability fund provided that SCA planned activities are adequately financed from other sources (Reference: SCA Operation reserve policy document approved by the Board).

1.16 Liquidity

As soon as the budget is approved by the Board, the SCA finance department is to develop a liquidity plan for the year, in cooperation with the rest of the organisation. The liquidity plan should entail the liquidity need and flow of funds to all SCA offices: what funds to transfer, when and where, taking donor requirements and payment schedule into consideration.

The liquidity plan should be approved by CFO and should be revised each time when SCA Board approves SCA revised budget.

1.17 Reports

Producing financial reports for management or any type of analysis in order to support management decisions is the daily routine of the finance department and FIA. This part only concentrates on the standard reports to be produced and used as tools for financial follow-up and monitoring. Please refer to **annex 3.6** for types and details of standard reports which should be produced and submitted to the Management as a routine.

1.18 Fixed Asset

Equipment of a purchase value equal to or exceeding AFN. 20 000, SEK 5,000 (SMO) for material asset and AFN 5 000, SEK 1,000 (SMO) for attractive asset (for definition of assets please see administrative instructions # 2) should be capitalised with an NBV of AFN.1 or SEK.1 (for SMO) and to be included in the fixed asset lists of SCA. *(as the main donors of SCA, i.e. SIDA, Post Code, Sehatmandi (MoPH) Projects and EC, permit full depreciation in the first year, items are booked at a nominal value of AFN.1 or SEK.1).* The above goes for investment funded with donor funds. If investments are made from SCA own capital it should be depreciated according to Swedish law (during expected life time).

At the end of project contract, maintaining/handing over to donor/sales of fixed assets should be in line with the donor contract/agreements terms and conditions who funded the project.

Detailed lists of fixed and attractive assets should be maintained by KMO fixed asset section, SMO finance as well as Regional /Liaison offices administration units. Information such as purchase price, voucher no, date of purchase, location and NBV should be included in the detailed list. For detailed procedures please see Annex 3.8 (Fixed Asset Registration Manual).

2 Part Two: Detailed Financial Regulations

2.1 Transfer of funds within SCA

The method and frequency of transfer between SCA offices is designed in relation to need, existing financial infrastructure and risk environment. Both the sending and the receiving office should take on the responsibility to find safe and economic means of transferring fund and according to the liquidity plan.

All transactions are made by two persons jointly whether they are bank transactions or transfer via money changers.

2.1.1 Transfers between SMO and KMO

SMO should transfer funds to KMO based on the requirement, which is reflected in the liquidity plan. Request for transfer of funds from SMO to KMO can only be made by Finance Director (FD) and approved by the Country Director/A and directed to accounts and payroll officer at SMO and copy to CFO.

Transfers between SMO and KMO should always be carried out with an electronic bank order and approved by CFO.

2.1.2 Transfer from KMO to Other SCA Offices in Afghanistan

Transfer of funds from KMO to RMOs should be based on approved liquidity plan for the year. CFO should approve the liquidity plan in April and a revised liquidity plan in November each year. The period of the liquidity plan should be 12 months starting from 1st may till 30th April next year. The annual liquidity plan should include monthly amounts to be transferred from KMO to RMOs. Putting only monthly amounts in the liquidity plan will provide flexibility to RMOs to decide when and how much they want to transfer while total of the transfer should not exceed the liquidity amount for the month.

RMO finance manager should demand transfer of funds by sending mail to KMO finance manger cc (DFD and FD and Head of RMO). The funds will only be transferred to SCA bank accounts managed by RMOs. No payment should be made by KMO finance instead of funds transfer to RMOs. In case the limit of transfer of funds exceed the amount approved for the month in the liquidity plan, the request should be approved by the head of RMOs with some justifications.

Transfer of funds should be approved by:

KMO Finance Manager up to AFN 1,000,000

Deputy Finance Manager up to AFN 2,000,000

Finance Director more than AFN 2,000,000

Liquidity from KMO to RMOs/LOs should mainly be transferred through the banking system.

- a. In case there is problem in the banking system, or if a banking system does not exist, cash from KMO to RMOs/LOs should be transferred through LMD (Local Money Dealers)
- b. If a LMD is not available, Afghan local shopkeepers should transfer the funds. In such a case KMO will refund the shopkeeper (Through his/her bank account (bank to bank transfer or cross cheque) or cash) in Kabul after the money is delivered to the SCA office(s) in Afghanistan.
- c. In case, a. and b. are not applicable and SCA is forced to transport cash from KMO to its project offices, the CD/A or the FD should approve the transaction. Limit for approval:

- Up to AFN 1,000,000 or equivalent should be approved by Finance Director
- More than AFN 1,000,000 or equivalent should be approved by CD/A

2.1.3 Transfer of Cash in the Field (Afghanistan)

- a) Cash from the RMOs/LOs to the market (for procurement) and to the project site should be transferred by LMD to the largest possible extent.
- b) Each RMO/LO should try to find a LMD at the nearest possible location to the market or project site.
- c) In case a LMD is not found and SCA staff is supposed to take cash to a project site, the limit and insurance for cash in transit and its requirements should be strictly followed.

2.1.4 How to deal with Local Money Dealers (LMD)

- The LMD or local shopkeepers transports the cash on his/her own risk.
- SCA finance staff is not allowed to receive money from LMD/local shopkeepers outside the SCA office. Only in case of emergency, the Finance Manager can authorise that SCA staff receives money outside SCA offices.
- Once SCA finances at RMOs received the money, they should write to KMO finance to make the payment to the local shopkeepers. The SCA printed cheques designed for this purpose: **Form T-1** should be used.
- Project finance and KMO finance units should agree on a code for writing transfer cheques. These codes should be changed when necessary.
- DFD or KMO finance manager should send password for the year to RMOs Finance Manager to be used for each transfer cheque. The Finance Manager must not disclose the password to anyone. In case of absence of the Finance Manager he/she should leave the password for the period of his/her absence to the Acting Finance Manager.
- The finance unit should give a number to each cheque issued. The format for the number should be agreed between RMOs/LOs and KMO finance units. Such a number could be T-1/17 (meaning transfer number one in year 2017) etc. This means that each cheque to the LMD/local shopkeepers should have a number that can be referred to when required.
- The Cashier, Finance Manager and Administration Manager in RMO and Project Managers in LOs should sign the transfer cheque.
- Transfer cheques must be kept in the RMO/LO finance unit (in the safe). Transfer cheques sent to LOs should be limited for the maximum payable amount by the RMO Finance Manager. He/she should write on each transfer cheque that "maximum transfer amount including transfer fee is AFN/PKR/USD....."
- The Cashiers should update their cash book immediately after they receive cash.
- Transfer cheque should be written for each LMD/local shopkeepers even if the message for payment to finance department is communicated by e-mail.
- If the message for payment is communicated by e-mail, number of transfer cheque, code, password, and other details should be communicated. KMO finance unit should not make the payment unless it has received complete information. In this case the transfer cheque should be crossed on RED colour with the message "Payment is

executed by e-mail message". The original transfer cheque should be attached with the voucher of funds received.

- It is possible that a RMO/LOs receives money from someone who cannot collect his/her payment from KMO. Then he/she should nominate a representative to KMO via the RMO/LO finance unit in order to receive the payment. The finance unit should file the **authorisation letter**. Example: When the finance received money from an LMD (Mr X), but Mr X wants SCA to pay the amount to Mr Y; the finance unit must receive a written authorisation letter from Mr X saying that SCA should pay the amount to Mr Y. In addition, Mr X should include all relevant personnel information of Mr Y in the letter. After the finance unit gets the authorisation letter, it should ask KMO finance to make the payment.
- KMO finance should use **Form T-2** for payment to the bearer of transfer cheque.

2.2 Cash

2.2.1 Cash in SCA Offices Located in Afghanistan

Petty cash of SCA offices that is kept in safe should be insured. The level of insured amount should be reviewed annually by DFD. The petty cash that is kept in the safe of each office should not exceed the insured level.

Transferring cash from the bank to SCA offices should be carried out by specially designated staff of administration together with SCA guard(s). Security in-charge shall monitor this move carefully and vary time and route for the transfer.

Finance unit should write a cheque by the name of the responsible administrative staff. **Form T-3** should be used when a cheque is handed over to the staff member going to the bank. The form should be filed with the cashier. When SCA staff member brings the cash to SCA finance, **Form T-4** should be filled and filed.

SCA finance should deposit cash not required to the bank to SCA bank accounts. Cash should be taken to the bank by authorised SCA staff. **Form T-5** should be used when cash is handed over to the responsible staff. In case it is not possible to deposit the cash into SCA's bank account, the cash should be refunded to SCA finance immediately. Part 2 of **Form T-5** should be used when cash is refunded to SCA finance. **Form T-5** should be filed with the cashier.

Cash transactions should immediately be recorded in the SCA manual cash book. Any amount received/paid should be recorded.

SCA cash should be kept in SCA safe. No one is allowed to keep SCA cash out of the SCA safe unless other arrangements are made due to security reasons. The Head of RMO must get involved in such arrangements (see 8.2 cash for official use, imprest cash).

Cash in safe and cash in transit insurance regulations is to be totally understood by the SCA Cashiers, Finance Managers and Administration Managers. Administration KMO has the responsibility to update SCA cashiers and finance managers of any change in the cash insurance conditions and reporting procedures of the insurance company. The finance managers has the responsibility to make sure that all SCA staff who carries cash in the field understand the conditions of the insurance company.

Cheque books for all SCA bank accounts should be kept in the safe and the Cashier should provide only blank cheques to responsible finance staff to be used. Cancelled cheques should be attached to the cheque book which is always kept in safe.

2.2.2 Cash at SMO

The level of cash is reviewed annually by the finance controller.

All transactions are controlled by two individuals, of whom least one is a member of FIA.

All transactions should be registered in the financial software the same day they take place.

The cash at hand is managed by the Accounts and Payroll Officer. It should be reconciled once a month and controlled by FIA Manager.

2.2.3 Exchange of Currency

At SCAs Offices in Afghanistan:

When there is need for changing one currency to another and is not possible through the bank due to lack of reliable banking services or unfavourable exchange rate, the currency exchange **Form C-1** should be used. Two finance employees shall obtain 2-3 different quotations each (either by telephone but if this is not possible, by going to the market). The currency exchanger's name, address and telephone number should be noted. The Finance Manager in RMOs/LOs and Finance Manager at KMO should select a suitable and reputable money exchanger with a favourable rate. The money should be brought to SCA offices by the money exchanger at his/her own risk. SCA employees are not allowed to go to the money exchange market for changing currency, unless it is necessary and approved by the Programme Director or Finance Director. For payment in other currencies SCA finance should use the www.oanda.com/currency/converter, De-Afghanistan Bank (<https://dab.gov.af/>), www.x-rates.com, www.bors.affarsvarlden.se or www.ex.com websites and select the most favorable exchange rate.

At SMO:

Currency should be bought at the institution that provides the best rate at the time, but SCA should only consider well established institutions in the market.

2.3 PAYMENTS

In principle most payments for any purpose should be made by cheque, bank transfer, bank draft, or any other electronic means through banks or financial institutions. However, lack of reputable operating banks and financial institutions in Afghanistan, particularly in rural areas and demand for cash payment by suppliers and service providers, have made it difficult to consider and execute most payments according to modern practices. Hence efforts should continue to increase the number of payments via financial institutions particularly if the payment increase than AFN 100 000. Exemption could be approved by the FD.

All payments from SMO should be paid by bank transfers and processed through SCA's financial software. Only minor invoices could be paid in cash up to a level of maximum SEK 3 000. In case of payment of per diem to seminar participants, this limit can be extended to SEK 7 000.

2.3.1 Requirements before Any Payment

The following conditions should be met before any payment is executed by SCA finance units:

- Finance staff should not make any payment unless approved budget is available and the payment is approved by authorised SCA staffs according to table 2.12. (The issue should be referred to FD/KMO or FIA Manager/SMO if there is a demand for payment without having budget and approval). Donors' requirement and definition of budget lines are different. In EC, SEHATMANDI projects, Radio Aid and some other donors funded projects we should make sure that the budget is available in each budget line (account code) while for Sida, fundraising and post code lottery, the budget should be available within the cost centre. Donors requirement should be considered when we assess budget line and budget availability.

- To avoid payment without having budget, it is a must that finance attest availability of the budget (attest the demand form in terms of budget and accounting codes) before order for procurement is placed or in simple words; before any commitment for payment is made.
- Concerned staff is to adhere to SCA and donors` procurement regulations at all time. In procurement, all necessary supporting documentation should be annexed to the invoice. It is the responsibility of the procurement unit at KMO and administration manager at RMOs/LOs to ensure SCA procurement rules are adhered to and the documents for payment is complete as per the requirement of this regulation.
- Correct account code, cost centre, donor, statistic code, project code and facility code (if applicable) must be written on the receipt. It is important to note that coding is the duty of the concerned unit (budget holder), and finance does not have the responsibility of coding. However, the finance unit is responsible to cross check and control. Finance staff should book the cost to its relevant accounts in line with accounting principles but should inform the budget holders. If there is no budget in that account, the budget holders has the responsibility to find a solution in consultation with the FD.
- The authoriser should check calculations and codes before it is presented to finance unit.
- In case the procurement/service documents are related to different projects (cost centres) in a voucher, the distribution list should be attached. This is applicable for bulk procurements. The distribution table should be prepared by the ordering unit (budget holder) before the payment.
 - The receipt for payment (applicable to Afghanistan particularly if payment is made in cash) MUST be signed or thumbed by the recipient. His/her name, address and telephone number should be clearly written on the receipt. In case the receipt or the quotations is in Pashto/ Dari, It MUST be accurately translated to English before it is presented to finance. This is the duty of the budget holders.
 - The total amount of the receipt MUST be marked in YELLOW (or similar colour) in each receipt. In case a summary sheet is used, only the total of summary sheet should be marked in YELLOW. (Please be careful, marker destroys ink pen writing).
 - A summary sheet Form E-1 should be filled and all receipts attached should be summarised. Sticking many receipts to one summary sheet or one voucher relating to many donors and projects is not acceptable. Hence, following procedures must be adhered to:
 - One voucher for one demand form
 - The receipts in one voucher should be from one activity or work plan component (cost centre), preferably for one donor. It means that receipts for a specific cost centre and one donor should be categorised together.
 - In case the supplier of goods or provider of service does not have proper receipts, SCA officer should use the Payment Form P-1. All information required should be clearly stated. Acknowledgement of the recipient is a MUST. The address should be written in such a way that SCA staff can easily find the supplier/provider of services. The SCA Procurement Officer could write the English part of the receipt

however, the supplier or shopkeepers should write in local language and must sign or thumb the receipt.

- Correction fluid should not be used in any financial document.
- The receipt should be stamped "Paid" in RED COLOUR after finance has made the payment.
- Finance unit should make sure that the above requirements, if relevant, are met before payment. If not met, the finance unit should fill in Form P-2 and return the document to the concerned unit for completion. For procurement above AFN 5,000 compliance check list CH-1, CH-2 and CH-3 should be used in order to monitor the compliance with the requirements for payment. These forms can also be used as tools for internal communication which highlights whether any problem exists in routines or documentations.

2.3.2 Special Requirements for Afghanistan: Payment for procurement of goods and services

Part 1: Purchase 1 till 5,000 AFN

- 1 Demand form is not required for amount less than AFN 5000, or purchase of ticket or payments in line with already signed contract with supplier.
- 2 Received goods should be certified by supervisor of the purchaser.
- 3 This type of direct purchase is for item(s) purchased at one time especially in case of emergency or for minor things. SSU manager or administration manager should approve the bill/payment document.

Part 2: Purchase 5,001 till 50,000 AFN

- 1 Approved demand form (Demand form is not required for amount less than AFN 5000, or purchase of tickets or payment in line with a signed contract)
- 2 Bill or invoice: should be translated/highlighted/ by the name of SCA / has a date.
- 3 One quotation (in case, bill or invoice is attached, there is no need for quotation). There is no need for quotation for procurement of less than AFN 5,000.
- 4 Quality Control form.
- 5 Goods received Note (GRN).
- 6 Expenditure summary sheet approved by procurement manager and budget holder with accounting codes
- 7 Work license or TIN: if tax was applicable.
- 8 Bank detail if payment is made via bank: bank account, bank address, SWIFT and IBAN if applicable
- 9 Original ID, copy of the electronic ID and company stamp (if the payment is to be made by check)

Part 3: Procurement 50,001 till 1,000,000 AFN

- 1 Approved demand form attested by authorized finance staff (authority of table 2.12 applicable).
- 2 Request for quotation (RFQ) or TOR for consultancy.

- 3 Quotations and quotations analysis signed by procurement manager
- 4 Evaluation committee recommendation and AD/HoO/PD approval
- 5 Purchase order with terms and conditions (or signed contract)
- 6 Quality Control form.
- 7 Original Invoice/bill: dated and by the name of the SCA: should be translated if in local languages
- 8 Goods received Notes with supply date
- 9 Expenditure summary sheet approved by AD/HoO/PD and budget holder with accounting codes
- 10 Work license or TIN: if tax was applicable.
- 11 Bank detail if payment is made via bank: bank account, bank address, SWIFT and IBAN if applicable
- 12 Original ID or copy of the electronic ID and company stamp (if the payment is to be made by check)

Part 4: Procurement from 1,000,001 till 50,000,000 AFN.

- 1 Approved demand form attested by authorised finance staff (Authority of table 2.12 applicable).
- 2 Copy of call for bids in line with the procurement manual or announcement for services/consultancies with copy of the TOR.
- 3 ITB/Proposal.
- 4 Bid security.
- 5 Bid analysis or report
- 6 Office material management committee (OMMC) decision or report approved by CD
- 7 Purchase order or contract with terms and conditions or signed contract
- 8 Performance Security defined in the procurement manual
- 9 Quality Control form.
- 10 Original Invoice/bill: dated and by the name of the SCA: should be translated if in local languages
- 11 Goods received Notes with supply date
- 12 Expenditure summary sheet approved by CD and budget holder with accounting codes
- 13 Bank details: bank account, bank address, SWIFT and IBAN if applicable
- 14 Valid business license
- 15 TIN if work license was not available

Special requirement for SMO

- The invoice must be designed according the Swedish legal requirements of an invoice.⁴
- The budget holder is responsible for coding the invoice and for ensuring that goods and service are delivered.
- All payments are carried out by two individuals jointly.

Procurement over AFN 50 Million

- SG approves the demand which is attested by CFO.
- OMMC recommendation, attested by the CD and approved by SG
- Signed agreement by SG

2.3.3 Payment of Working Advance (Imprest Cash)

2.3.3.1 Procedures/Conditions for Receiving Imprest Cash

- Imprest cash has to be paid and spent for official work and should never be used for private purposes.
- Security and accountability of the cash: To receive imprest cash, the receiving SCA staff has to sign the agreement form **Form I-1** (agreement between SCA and the SCA staff is required if the limit of the imprest cash is AFN 100 000 or more). The agreement should be filled with concerned finance units.
- In order to receive cash the following steps to be followed:
 - o Request for imprest cash: **Form I-2** should be filled-in. The amount requested should be carefully calculated
 - o The **Form I-2** should be approved by authorised staff
 - o Form I-2 should be supported by justifications and documents such as purchase demand form, salary distribution sheet, estimation of total money required, etc.
- Imprest cash for procurement, logistics and administration/service and support staff: This category of staff usually requires keeping cash for daily expenses. So they can receive up to the maximum ceiling amount. They should not wait until they spend the whole amount but rather account for the part of the amount spend (submit the receipts to finance) and get refund from finance. This means they could have up to maximum limit all the time but they should keep the cash at the SCA premises. When SCA close its accounts for a period then all imprest cash holders are required to account for their cash and refund the remaining amount to finance.
- Old imprest cash balance of imprest holders who are receiving cash for travel costs or for any other official business should be cleared before receiving new imprest cash.
- Number of imprest cash holders should be limited to lowest possible. SCA staff entitled to receive imprest cash should be enlisted by the SCA departments. The list has to be approved by FD in January each year. If changes happen during the year, the list should be updated.

⁴<http://www.skatteverket.se/foretagorganisationer/startadrivaavslutaforetag/bokforingbokslut/bokforingvadvk raverlagen.4.18e1b10334ebe8bc80005195.html>

- Imprest cash has to be accounted for and receipts should be presented to finance after SCA staff return to the office from procurement or delivery of money to SCA projects. Filling and keeping receipts with individual staff or units are not allowed.
- Requirements of 2.3.3 should be strictly considered while accounting for imprest cash.
- If an imprest cash holder needs to convert one currency to another, a receipt has to be taken from the currency dealer (money exchange or bank) and be attached to the financial document.
- Imprest cash should never be used for private purposes and should be kept in the safe (some unit has a small safe) or the drawer of the desk. Some staff may take part of the imprest with them if they directly go home from the office. But this practice should be avoided to possible extent.

2.3.3.2 Maximum Ceiling for Imprest Cash

Imprest cash should be limited according to the need however, maximum ceiling MUST be strictly considered:

The following individuals are entitled to receive imprest cash after authorised staff member approves Form I-2 however FD is authorised to add/remove staff and change the level of the imprest cash.

At RMOs/LOs

Officers and Assistants in service units	AFN	100 000
Purchase officer	AFN	200 000
RMOs Administration Managers	AFN	150 000
Programme officer	AFN	50 000
Programme training officer	AFN	80 000
Programme training officer (DP vocational training)	AFN	200 000
Liaison officer in Pakistan	RS	200 000

At KMO

SSU officer	AFN	100 000
SSU External Relations Officers	AFN	100 000
Transport Officer	AFN	150 000
SSU Senior Officers	AFN	250 000
SSU Manager	AFN	200 000
Logistic officer	AFN	100 000
Warehouse officer	AFN	30 000

In facilities/locations outside SCA offices

Supervisor of health facilities	AFN	10 000
Provincial Hospital Administrators	AFN	100 000
District Hospital Administrators	AFN	50 000
CHC+ administrator	AFN	30 000

At Disability sub centres

Head of Physiotherapy clinic, Head of PERC	AFN	10 000
Disability Programme Field Supervisor	AFN	80 000

At Education

In-charge of TTC or teacher trainings SO	AFN	80 000
Education Field Supervisors	AFN	30 000

In Rural Development Projects

CH sub office team leader (district manager)	AFN	200 000
CH sub officer administrator	AFN	50 000
CGLP team leader/District Manager	AFN	50 000
Field Senior Engineer	AFN	100 000

In KMO as well as RMOs/LOs, service staff like cook, drivers etc. need some cash for daily running costs. In such cases administrative and Logistic unit appoint an officer from these units to receive imprest cash and provide the cash to service staff. The appointed officer will be responsible for the security, accounting of the cash as well as for reporting and clearing the imprest cash in proper order to the cashier and finance unit. Administration, procurement and logistic managers (head) appoint the officer.

2.3.3.3 Imprest Cash for Procurement by RMOs:

According to procurement procedures, a procurement team will be responsible for procurement. Imprest cash should be provided to the procurement team. All members of the team are responsible for the security of the cash and all members should sign the **Form I-3** when receiving the cash. It is up to the procurement team to decide on method of keeping and transporting cash. The procurement team can, after approval by authorised staff, receive AFN. 500,000 (or equivalent) as imprest cash.

Only Head of RMOs in case of having justifiable reasons could increase this amount to maximum AFN 800,000 (or equivalent). This amount could be either provided to team members in cash for purchase purposes or payment will be made by LMD in the required destination. (LMD is strongly advised)

2.3.3.4 Imprest Cash for Procurement by KMO

In Kabul, all payments shall be made by KMO finance unit to the largest possible extent. Carrying cash to the market shall be avoided, especially if the amount exceeds AFN.100,000 (or equivalent). For procurement outside Kabul, money shall be transferred through a bank either by bank draft, bank transfer or LMD. Procurement unit staff at KMO, after approval, can receive imprest cash amounts up to maximum of:

Procurement Assistants	AFN. 100,000
Procurement Officers	AFN.200,000
Procurement Senior Officers	AFN.400,000*

*In case there is need for more than AFN. 400,000- cash and the previous cash has been spent, by approval of AD, procurement manager can receive up to AFN 650,000 imprest cash for immediate payments. The imprest cash should be accounted for and the un-used amount should be paid back to KMO finance. This arrangement is for one-time payments and should not be a routine.

For procurement in Pakistan money should be transferred to SCA bank account in Pakistan. But if that is not possible due to some reasons, money should be transferred through bank either by bank draft or bank transfer or cheque in the name of the procurement team

leader. A team assigned for procurement in Pakistan can, after approval, receive imprest cash amounting up to a maximum of PKR 1,500,000 in cash (travelling outside Peshawar). All members of the procurement team should sign Form I-3 for the cash and are responsible for safety of the money and for using the money only for the approved purpose. It is also possible that the procurement team, after signing the agreement with the supplier, can request KMO Finance to transfer the required amount to the supplier's bank account.

2.3.3.5 Imprest Cash for Payments of Salaries and Other Costs to SCA Projects:

Salaries should be paid via banking system but if banking transfer is not possible then the RMOs Administration Manager, through logistic staff, has the responsibilities to supply salaries to SCA's project/field project staff. A team of suppliers from the logistic units usually implements the salary distribution task. Imprest cash shall be made available to the supply team based on the request from the logistic units, supported by approved payroll from concerned unit (education, health, etc.), and after approval by Head of RMOs.

All members of the supply team (including SCA driver) are responsible for the security of the imprest cash and all members must sign **Form I-3** when they receive the cash. It is up to the supply team to decide on the method of keeping and transporting cash. A supply team can, after approval, receive:

- Supply team of two members (one supplier and a driver) maximum AFN.800,000
- Supply team of three members (two suppliers and a driver) maximum AFN.1,200,000

Only Head of RMOs, in case of having justifiable reasons and in consultation with the finance manager, could increase this limited amount to maximum AFN. 1,500,000⁵. This amount can be either provided in cash to the supply team members, or payment can be made by Local Money Dealer (LMD) in the required destination. (LMD is strongly advised).

In case the money is transferred by LMD to the RMOs/LOs the related part of the par 2.1.4 must be considered.

2.3.3.6 Imprest Cash for Running Costs of Construction Projects:

Site Engineers will require cash for daily running costs of construction projects, i.e. schools, clinics, wells. Field Senior Engineers (FSE) who supervise the site engineers should receive imprest cash of up to AFN. 100,000. The FSE must provide cash to the site engineers while the FSE will be responsible for clearing and reporting of the imprest cash and the project expenditures fulfilling SCA financial requirements.

2.3.3.7 Imprest Cash for Travel Costs:

SCA staff can need cash in advance for official travels. The staff member needs to estimate the required amount for his/her travel and receive imprest cash from the finance units after the request is approved by their line Manager. The imprest cash should be cleared immediately after the staff had come back from the travels. Since the majority of SCA staff needs imprest cash for travel and the amount of this type is limited, there is no need for signing the agreement Form I-1.

2.3.3.8 6.2.8 Imprest Cash for Disability Programme (DP) Revolving Loans:

SCA DP project managers have the responsibility to supply and provide revolving loans to beneficiaries according to their project plan. Supply team consisting of two DP staffs and a

⁵ This is one-time decision in special circumstances otherwise amendment of the financial regulation should be requested.

driver should be provided up to AFN 500 000 imprest cash. All members of the supply team are responsible for transportation and safeguarding the cash.

2.3.3.9 Maximum Limit of Approval for the Imprest Cash:

At RMOs/Liaison offices

Head of RMOs	AFN. 1,200,000*
Finance Managers (for payment of salaries and procurement of goods and other services)	AFN. 800,000
Managers, RD Senior Officer (construction)	AFN 500,000

*In case the requested imprest cash is for payment of salaries in RMO, the Administration Manager, in case of absence of the Head of RMO can approve AFN 800,000 for a supply team of two members and AFN 1,200,000 for a supply team of three members

Hospital Director (for running cost of the hospital)	AFN. 100 000
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At Kabul Management Office:

Procurement Manager	AFN. 500,000
Logistic Manager	AFN. 500,000
All unit managers/head of units	AFN. 500,000
Finance Manager, Deputy Prog. Dir	AFN. 500,000
Deputy Fin Director	AFN. 700,000
AD, Prog. Dir, FD	AFN. 1,000,000
Country Director	More than AFN. 1,000,000

2.3.3.10 SCA Credit Cards

- In SMO; CD/S should approve that a member of the SCA permanent staff can have a credit card in SCA's name while in KMO CD/A should approve a credit card and its maximum amount.
- The card can only be used to pay costs driven from SCA activities. Credit card holder should agree (in writing) with the conditions set by SCA for the use of the card.
- When the card is used, receipts and other relevant documentation must be saved.
- The receipt and documentations should be assembled and coded directly after use. This should be attached to the invoice when it arrives and should be submitted to finance department.
- If the card is used incorrectly the amount may be deducted from the salary of the card holder.
- The card must not be left with any other person.
- The card and the pin should be kept apart at all time
- SCA card should not be used for private payments

2.4 Payment of Salaries

2.4.1 Payroll

Each SCA office maintains a payroll for all its staff.

In Afghanistan

Name, father name, date of salary payment, designation, contract start date, personnel number, salary amount, deduction/addition, TIN number, tax deduction, cost centre, donor,

statistics, facility code, Bank name, bank account number and place for signature should be clearly stated in the payroll. All allowances such as overtime, transportation, relocation allowance, acting allowance, hardship allowance should be included in the payroll. The payroll should be approved by the concerned Finance Manager before payment is made. The payroll should be used as a voucher.

Payroll for European Commission (EC) funded projects MUST be separate. This is an EC requirement.

Copies of the monthly payrolls of RMOs/LOs should be filed in the finance units and one copy should be sent to the related senior accountants of KMO Central Accounts Unit for auditors' reference along with monthly financial documents.

New employment, resignation or any other change in the employee's position and salary should be reported by HRM to finance before the 18th of each month.

Payroll of SCA field project staff (called salary distribution sheets such as salary sheet of health facilities, education schools, Engineering field staff and etc) should be filed in the project file of the related unit of the concerned RMOs/LOs.

If an employee does not receive his/her salary on time through approved payroll, the signature space on the payroll should be crossed and the payroll should be adjusted accordingly (hand writing adjustment). When the employee is ready to receive his/her salary, a receipt (**Form S-1**) should be used for salary payment. Tax should be paid on time whether the employee receive salary or not.

Addition/deduction to the employee's salary should be included in the payroll. However, any deduction should be confirmed with the employee before it is included in the payroll (excluding tax and advance deduction). Addition and deduction should be reported to finance units before the 18th of the month. The concerned employee should attest the deduction.

The over time of the staff should not be paid individually. It should be included in the monthly staff payroll. In addition, the 8.4% of local staff pension (if applicable) is to be included in the payroll on a monthly basis.

Finance and HR at RMOs and KMO should reconcile the payroll with staff database twice in a year. The reconciliation should be documented.

In Sweden

The payroll should be prepared and managed via reliable software that holds relevant information.

The HR Officer/FIA Manager and Accountant and payroll administrator are responsible for calculating the salary according to contract with the employee, Swedish laws and labour market agreements. The HR officer/FIA Manager is also responsible for providing the finance department with relevant and sufficient supporting documents about the staff employment and remuneration package.

CD/S approves the payroll every month.

FIA is responsible for ensuring means for payment and to pay according to the approved payroll, as well as to report salary payments to tax authorities.

2.4.2 Salary Paid from Other Offices

Expatriate staffs can receive their salary from SMO. However, part of the salary can be paid by KMO or RMOs/LOs finance units. Expatriate staff should inform KMO and SMO finance

units on how they would like to receive their salaries so a routine for their salary payment can be established. If they want to change the routine salary payment, they should inform KMO and SMO finance before the 15th of the month. Any change in the routine of the salary payments to expatriates in KMO or in RMOs/LOs must be approved by the Finance Manager of KMO. Expatriate staff can only receive salary advance from the office that pays their monthly salary and the advance shall be deducted from their next month salary. Only salary advance can be deducted from salary and other liability from the office should be paid to SCA either in cash or bank transfer. Tax should be deducted and paid by the office from where the employee usually receive salary. The advancing office does not have any responsibility for the tax payment (i.e. if the Education Senior Advisor receives his/her salary from KMO, he/she can only receive salary advance from KMO not from any other location. Example of other cost could be that an expatriate ask SCA administration to buy a ticket which is private. The cost of the ticket can not be deducted from salary, it should be reimbursed to SCA).

2.4.3 Salary Paid to Bank Account

Staff salaries should be transferred to their bank accounts. However due to lack of banking service or in case of urgent need salary could be paid in cash⁶.

In case any of SCA employees who normally receive his/her salary through bank transfer but for some reason wants to receive his/her salary from a RMOs/POs finance for a month, he/she should inform the finance unit for a special arrangement.

Salary of expatriate staff and SMO staff should be transferred to their bank account in Sweden or any other country they want. However, part of the salary of expatriate staff working in Afghanistan could be paid in cash by KMO finance.

2.4.4 Field Projects Salary Payment

Salary of field project staff should be paid via transfer to the employees bank account where employees have access to functional bank and SCA has the capacity to facilitate and manage such transactions. But if payment via bank is not possible then the following procedures should be followed:

Education and health projects should use **Form S4-1**, **Form S4-2** respectively as a salary distribution sheet(s). The sheets should be approved by the related Project Manager once it is attested by RMO/Liaison office Finance Manager.

Logistic suppliers should receive imprest cash and take the money to SCA projects. The imprest cash should be approved by the concerned Project Manager, Head of RMOs (see imprest cash payment). Salaries should be distributed to individual project staff. Each recipient must sign when he/she receives the amount. Staff members responsible for transportation should return the salary distribution sheet(s) to RMOs/LOs logistics and the logistics should send the original salary distribution sheet(s) to RMO/LOs finance and a copy to the concerned unit.

The finance unit, by receipt of the original sheet(s) signed by the recipient(s) clears the imprest cash and records it as a project cost.

For salary payment of education projects, the following conditions are valid:

1. Payroll is prepared by the programme unit and approved by project manager or head of RMOs based on their authority.
2. Finance check the payroll.

⁶ Banking system, electronic payments, visa cards/master card are not common in rural Afghanistan, hence almost all payments in the market are made in cash. Even having problems with banking, SCA has to make all efforts to pay, as much as possible, payments via banking system.

3. Logistic unit make physical payment to individual staff according to the approved payroll. Payment is not allowed to the teacher's representative .
4. The payroll should have the following information:
 - a. Name of the teacher and father name and designation
 - b. Account code, cost centre, donor code and school statistics code
 - c. ID number (Tazkira number) based on the copy of the Tazkira which has to be filled with education unit.
 - d. Teacher cell phone number (or their family member in case the female teacher does not have cell phone or does not want to talk to SCA staff).
 - e. TIN number
 - f. Contract start date
5. All SCA CBE should have a sign board outside the CBE indicating the school is funded by SCA and has X number of staff. However, the education manager can decide not to have the Sign Board for the CBE schools in insecure area while the education programme must ensure via other mechanism that the community is aware of the CBE schools, the supporter and the number of teachers.
6. ENDERAJ (registration book) for each CBE should be introduced where all the details of teachers, ID copies, # of students etc. are kept in schools and available to community and other relevant monitors. The standard ENDERAJ book should be modified as per our SCA additional requirements. The ENDERAJ book should be prepared twice a year (at the start of the school year and in the middle of the year) and should be attested by the CDC members.

2.4.5 Food Costs of Trainees in Afghanistan (who are not SCA permanent employees means SHB does not apply)

SCA should pay cash for trainees to cover their food costs while they are attending SCA training programmes. List of trainees should be prepared and every individual should sign for the food allowance they receive. The trainees can choose to pay the money back to SCA training centre's/administration in order to have food prepared for them. SCA will not take responsibility for surplus or deficit of such arrangements. Detailed list of participant should be prepared with start and end dates. The escort should also be included.

2.4.6 Food Costs of Trainees in Afghanistan (SCA open ended employment contract employees, SHB applies)

SCA staff with open ended employment contracts do not receive per diem while they participate in training or workshops. They will receive money for 3 times meal (or dinner and breakfast if they are provided with lunch at SCA offices). The payment should be made by their concerned office after the training/workshop. Any other arrangements should be approved by the CD or should be stipulated in the SHB or administration manual.

2.4.7 Food cost at the SCA guest houses

Anyone staying at the SCA guest house should pay for food in advance. The guest house service staff should receive money from the guest and prepare food for the guest. The staff should claim their per diem or food cost from their concerned office after they return to their office or the organising programme may pay the amount if the participant do not belong to any SCA office e.g. SCA project field staff.

2.4.8 Payment of per diem

In Afghanistan: Per diem to all staff (where Staff handbook is applicable to their contracts) traveling in Afghanistan (outside their duty station) or outside the country has to be paid in cash according to the approved amount in the Staff handbook if the travel in the field should

exceeds 6 hours. Lunch in all SCA offices during working days is served for free for office staff as well as visitors from other SCA offices. SCA staff visiting other SCA offices and staying at SCA guest houses should pay for their food cost in advance to the service staff.

In Sweden: Per diem to staff working at SMO has to be paid in according to the rate established by the tax authorities and the rules in the labour market agreement (<https://www.skatteverket.se/foretagochorganisationer/arbetsgivare/lonochersattning/traktamente.4.361dc8c15312eff6fd1703e.html?q=traktamente>)

2.4.9 Payment for Wages for labors in Afghanistan

Payroll should be prepared for all kinds of labourers based on their attendance sheet. The wages should be paid monthly or every fortnight. The payroll must be approved by the Project Manager. Payment of wages should be made through a team where RMO logistics or finance should be represented if possible. The imprest cash for payment of wages should be paid based on the approved amount of the payroll. The wages should be paid individually to each labourer and the payroll should be signed or thumbprinted by the labourer. TIN is required. In case the monthly wage is less than AFN 5,000, there is no tax deduction and no need for TIN.

2.4.10 Taxes in Afghanistan

In Afghanistan: Wages withholding tax of staff salary, tax on house rents, tax on contractor and any other tax valid for NGOs should be deducted according to Afghan Tax Law and to be paid to Ministry of Finance (MoF) in Kabul or its representatives in other provinces. Tax of each of the above category should be booked as liabilities in SCA's system and paid to the government on due time. The receipt should be attached to the voucher. Copy of each payment slip (stamped receipt) of all tax should be sent to KMO to be filed for future record and reference.

List of all taxes of KMO and RMOs/LOs should be kept in an Excel sheet in KMO including the supporting documents.

Responsibility of tax deduction, payment and documentation: please see annex 3.4

In Sweden: Tax in Sweden should be paid according to Tax authorities' instructions.

To avoid delay in tax payment the following reporting of RMOs tax report to KMO schedule should be strictly considered:

1. Contractor tax: Every Sunday
2. Rent tax: Every Sunday
3. Salary tax: 25th of each month

2.4.11 Salary Advance

SCA open ended employment contract employees can receive their one month salary in advance but once in a year. (salary advance is not applicable to other types of employment contracts).

In Afghanistan

An advance salary should be approved by Finance Manager of the concerned SCA office. The advance has to be deducted directly from the employee's next month salary. Advance request

form (**Form S-2/1 or Form S-2/2**) should be used. In emergency cases FD can approve two months salary in advance.

At SMO

The advance salary should be approved by FIA manager.

2.4.12 Payment for Contracts (services and goods)

SCA work with partners' organisation as well as hiring consultants for studies/evaluations/trainings. Contract should be signed with such service providers. The contracts, in addition to other terms and condition relevant to activities, should contain:

- Terms and conditions of the payments
- Tax payment obligation according to the tax law of the country (Afghanistan or Sweden.
- Complete details of the beneficiary bank account should be included in the contract. The bank account should be in the name of the individual/company who signs the contract.

Payment request should be approved by authorised unit and send to finance together with copy of the contract. Request for the last payment should be accompanied by certificate by the concerned unit stating that the services were received and in line with the requirements specified in the contract.

For signing contracts and terms and condition of the payments to SCA partners, SCA financial regulation for civil society partnership must be followed. The regulation is annexed to this document Ref. Annex 5.4

2.5 INVENTORY MANAGEMENT

It is natural for a large organisation like SCA to purchase required materials and equipment in bulk and maintain stocks in its stores before they are distributed to projects. SCA's accounting policy is that all inventory assets should be written off on purchase and should not be included in the SCA balance sheet. This is the accounting requirement of all SCA main donors. However, a comprehensive control system should be in place for recording and distributing all inventory assets to SCA projects. In general terms, the SCA inventory assets control system should have the following functions:

2.5.1 Accounting of Inventory Assets

All inventory assets which are purchased on a regular basis for SCA projects should be included in the statistical group of the SCA chart of account (Account Class 9) considering the quantity by unit, e.g. stationery in price, cement by bag.

2.5.2 Standard Procedure for Inventory Items

- KMO Logistics unit is managing the purchase costs for all SCA inventory assets.
- Purchase costs for each item should be used in order to maintain comprehensive control over the inventory transactions.
- All SCA stores at KMO or project offices should keep a stock record. The record is designed to show the quantity (balance) of each item at any time, the purchase costs of each item, total value of each item and finally total value of material in stock. After each transaction, the store records should be updated.
- Administration unit of each RMO has to provide a detailed inventory report of all SCA stores on a monthly basis to the concerned finance units as well as Programme Department and KMO logistics

- RMO finance should keep separate records for the inventory assets, and the closing balance of the stock reported by Logistics unit should be reconciled with the finance records on a monthly basis.
- Project finance units should send the updated inventory asset lists to KMO finance on a regular basis after procurement & supply unit and finance records are reconciled.
- Detailed inventory asset report as per 31st December of each year should arrive at KMO finance unit before 5th January of the following year.
- The stock records and the list of stock have to tally physically with the available stocks, and storekeepers should be ready at any time for physical stock checking.
- Finance team should visit SCA stores on a regular basis and make sure the inventory lists reflect the true picture of the physical balance of SCA stores.
- Information to near to expire material and supply should be sent to relevant programme unit and should followed up until necessary actions are taken.

2.6 CURRENCY CONVERSION AND EXCHANGE RATE

2.6.1 Exchange Rate for Book-keeping

At SCA offices in Afghanistan:

Monthly weighted average exchange rate should be used for monthly booking.

SCA balance sheet items with the original currency of SEK or any other currency reflected in Afghanis (AFN) in the balance sheet should be converted based on the new exchange rate as an opening balance for the next month.

Exchange rate of other currencies (USD, SEK, Euro etc) should be selected on a monthly basis from the officially published rates of the Swedish Riksbanken⁷..

At SMO:

Costs should be valued by the spot rate published at the Swedish Riksbanken for the transaction day. Balance posts should be valued to the average of the spot rate for the period in question.

2.6.2 Exchange Rate for Financial Reporting

SCA is a multi-donor organisation and each donor has its own rules and regulation for reporting. It is almost impossible to adopt one principle for selection of exchange rate for financial reports. However, SCA is obliged to follow the contractual obligation with the donors and make sure that the financial reports are made according to the donors' regulation. Once the reports are made according to donors' requirement, the surplus/deficit from the exchange rate used for reporting will be written off in the SCA reserve funds. SCA use weighted average exchange rate of the year for the annual accounts. But exchange rate for individual donor report could be different and that will be based on the donors requirement.

2.6.3 Exchange Rate for Salary Payment

2.6.4 Local Open Ended Contract Staff Stationed in Pakistan

Salary of SCA local open ended staff based in Pakistan is paid in Rupees (based on the exchange rate of the date of salary payment) either in cash or transferred to their bank account, provided the staff members maintain a bank account in the same bank where SCA maintains its accounts.

⁷ <http://www.riksbank.se/en/Interest-and-exchange-rates/search-interest-rates-exchange-rates/>

2.6.5 Local Open Ended Contract Staff Stationed in Afghanistan

Salary of local (any type of contract) staff stationed in Afghanistan should be paid in currency of their employment contracts or converted to AFN or USD.

2.6.6 Expatriate Staff

Salary or overseas allowance of expatriate staff to be paid in Afghanistan should be converted from base currency of SEK to payment currency of US\$ from Riksbanken⁸ and Afghanis (AFN) using the exchange rate of the 20th of the month. But if 20th of the month is public holiday then the official day before 20th exchange rate should be used.

2.6.7 Project-based Staff Salaries

All project based staff salaries should be paid in Afghanis (AFN). Salary scale for all project based staff/field staff should be developed and reviewed when required.

2.6.8 Exchange Rate Difference

Exchange rate difference arising from currency conversion or book-keeping exchange rate should be booked in one account for the sake of transparency.

2.7 DATA STORAGE AND CONFIDENTIALITY

SCA, following Swedish Accounting Law, should keep all its financial documents in the form of paper document, microfilmed document, or other media that could produce written documents, i.e. scanned documents. The original vouchers of SCA offices in Afghanistan are kept in KMO and the voucher of SMO is kept in Sweden.

2.7.1 Vouchers and Financial Documents

Original vouchers of SCA RMOs in Afghanistan shall be stored in KMO in a secure and organised manner for at least 10 years. Project agreements with donors, financial reports and annual audited accounts shall be stored for at least 15 years. All original project agreements shall be stored with PMER and copy with KMO finance. Copy of the financial vouchers along with the original cash books and cheques should be kept in the RMOs for 3 years.

2.7.2 Computer Data and Back-ups of financial data

At KMO

Data back-up from each accounting company should be taken on a daily basis. There should be five sets of back up from Sunday to Thursday for each company. This back up should be taken by responsible senior accountant for each company.

Each Thursday the data of all companies should be restored in the main computer (company No.1). This back up should be taken by the iSCALA system administrator

ICT KMO must take automatic back up of the system following secure space and procedures on a daily basis.

At SMO:

An automatic system, linked to the server, for back- up of all data must be in place. SMO Finance Controller has the responsibility to ensure that the system is in place.

⁸ <http://www.riksbank.se/en/Interest-and-exchange-rates/search-interest-rates-exchange-rates/>

2.7.3 Confidentiality of Financial Transactions

All transactions within the SCA finance units are confidential. RMO/LOs Finance Managers, KMO finance manager, BCU Head and at SMO FIA Manager and Senior Accountants should release financial information in terms of standard reports i.e. budget follow-up reports, approved budget, balance sheet, income/expenditure accounts.

If details of transactions regarding the standard reports are required, the Project Manager, the staff of the concerned unit or relevant programme unit should have access only to the details of the financial transactions of their relevant cost centre.

It is not allowed to provide details of the transactions to staff that is not directly responsible for the activity (cost centre) and its budget follow-up. Details of expenditures, particularly personnel costs, should only be released to the cost centre responsible, the unit Managers and the Directors. However, any details regarding all SCA costs and financial documents can be provided to the Country Directors, SG, CFO, FD and the SCA internal and external auditors.

It is strictly forbidden to disseminate information regarding financial transactions, especially regarding personnel costs i.e. salaries and other benefits, to any internal or external source unless the information fits one of the above categories.

2.8 USE OF SCA CARS (Applicable if any donor does not accept transport cost as per SCA millage use)

When there is need to hire a vehicle for a project, three quotations should be obtained from three suppliers. SCA transport units can also compete and submit its quotations without having any knowledge of the prices of other suppliers. In case SCA transport wins the bid, contract should be signed between SCA concerned unit and the transport unit in both local and English languages. The contract shall be signed in three copies: one for the supplier, one to be filed in the project/field office (finance unit) and one copy should be sent to KMO finance. Physical payment should be made not to the transport units, instead transport units should inform finance using **Form R-1** and attach with first payment a copy of the contract, quotations and decision of the procurement as per procurement manual but for further payments only copy of the contract. Finance will pass an entry to charge the concerned project with the costs and account the amount as an income for the transport unit.

If the contract is for less than two months, the transport unit can inform finance at once. However, if the contract period exceeds two months, the transport unit needs to inform finance on a monthly basis, fill in **Form R-1** and attach copy of the required document each time.

2.9 INTER-SCA TRANSACTIONS

2.9.1 Transactions between SMO and KMO

It is natural that the SCA offices often make payments on behalf of each other. Therefore, if SMO makes payment for expenses budgeted at KMO, the payment should be transferred to KMO through internal receivable and liability accounts. The same applies if KMO makes payment on behalf of SMO. Inter SCA-transactions between SMO and KMO should be reconciled on a monthly basis.

2.9.2 Transactions between KMO & RMOs/LOs

When KMO makes payments for procurement of materials for RMOs/LOs, the transaction should be transferred to the concerned accounting company. Original receipts should be filed in KMO accounts, while copies of all related documents should be filed in the project/field accounts. The inter accounts must be reconciled on monthly basis so relevant expenses could be included in the monthly BFU reports.

2.10 LIMIT OF APPROVAL

2.11 Summary of Authorisation/Approval

The budget holder is responsible and the only authorised staff who can spend his/her budget. No one else has the authority to spend the budget⁹. However, he/she can delegate the authority to other people within the organisation but still has the responsibility and accountability of his/her own budget. Once the expenditure from a specific budget is authorised, the expenditure should be approved according to table 14.2.

If procurement or render of services is initiated by the programme units at KMO on behalf of RMOs/LOs, a prior agreement by the budget authorised person in the project/field office should be received before the order is placed. *This could be done either by specifying the concerned budget lines in the budget sheets (it should be written in the sheet “note to budget” or column of narration/description “spent by KMO/name of the unit”), or the KMO unit should receive the agreement of the concerned project unit. The agreement should be attached with the procurement. In case of logistical services, the recipient should sign the vehicle logbook.*

2.12 Summary of Maximum Ceiling Approval

The principle is that any payment must have an approved budget and financial resources available for payment. Once the demand to spend budget is authorised by the budget authorised person (the cost centre responsible or budget holder), the action for procurement and finally payment should be approved within the organisation by a more senior staff member than the one incurring the cost. The following table specifies the level of authorisation. However, the cost of Secretary General should be approved by SCA Chairperson and the cost of SCA Country Directors, whenever SEK 5 000 or exceeding SEK 5 000, should be approved by SCA Secretary General (delegated to CFO) while costs less than SEK 5 000 will be approved by FD or FIA manager. All cost related to SCA Secretary General should be booked in the accounting system in a way which could be easily extracted in total for a specific period of time.

Table 2.12

Responsibility/title	Maximum Ceiling for Order of Procurement ¹⁰ and Service Contract (one time procurement)	Maximum Ceiling for approval of Costs/Payments
SCA Board & Executive Committee	Unlimited but within availability of financial resources.	Unlimited but within availability of financial resources
Secretary General (SG)	>MSEK.6 < MSEK 10	Up to SEK 10 Million. Provided financial resources are available.

⁹ For example, the education manager of a project/liason office is the only authority who can spend the budget of the education sector of the concerned office.

¹⁰ Order of procurement could be either placing order or signing contracts.

Responsibility/title	Maximum Ceiling for Order of Procurement ¹⁰ and Service Contract (one time procurement)	Maximum Ceiling for approval of Costs/Payments
Country Directors (CDs)	>AFN. 1,000,000 CD/A and SEK 473,000 CD/S < approved budget not exceeding SEK 6 million (in Sweden), AFN 50 Million (in Afghanistan) Decision should be made by OMMC	Within the limit of approved budget not exceeding SEK 6 Million (in Sweden), AFN 50 Million (in Afghanistan) with up to 10% deviation of a budget line provided financial resources are available.
Chief Executive Officer (CFO) Finance Officer	<=MSEK.20 or equivalent Transfer of funds between SCA offices. <=SEK.473,000 for approval of demand based on approved budget. <=SEK.473,000 for signing service and procurement contracts.	<= SEK. 473,000 For approval of costs related to function of CFO and in line with the approved budget where CFO is the budget holder. >AFN 1.0 million up to AFN 50 Million (in Afghanistan) >SEK 473,000 up to SEK 6 Million (in Sweden) For releasing payments for costs already approved by CD/a or CD/s and budget holders to ensure the payments is in line with SCA procedures and financial regulation.
Deputy Country Director* * The financial authority is only applicable in absence of the CD/a or written delegation of the CD/a for limited period.	<= AFN. 1 000 000 For procurement related to units reporting to the country director and based on the approved budget.	<= AFN. 1 000 000 For approval of all types of costs related to units reporting to the country director ensuring budget availability and quality of goods and services. Decision of procurement should be made according to procurement manual.
Administration Director	<= AFN 1,000,000 For signing procurement and service contracts ordered by KMO.	<= AFN.1,000,000 For approval of cost related to KMO administration department ensuring budget availability and quality of goods and services. Decision of procurement should be made according to procurement manual. For approval of all procurement between AFN 50 000 and AFN 1,000,000 made in KMO together with the budget holders Investment cost in Afghanistan according to the approved budget.
Finance Director	<= AFN. 1,000,000 For approval of demands for procurement of goods and services related to finance department and according to available approved budget. Award and Signing of Service Contracts related to service for the Finance Dep.	<= AFN.1,000,000 For releasing payments for costs already approved by AD, PD or CD/a and budget holders to ensure the payments is in line with SCA procedures and financial regulation. For approval of costs together with AD for procurement of goods and services related to finance department.
Programme Director	<= AFN 1,000,000 For approval of demands for procurement of goods and services related to programme department and according to available approved budget. Award and Signing of Service Contracts related to service for the Programme Department.	<= AFN.1,000,000 For approval of costs together with the AD for procurement of goods and services for programme department ensuring budget availability and quality of goods and services. Decision of procurement should be made according to procurement manual.
Deputy Programme Director	<=AFN. 700,000	<= AFN. 700,000 For approval of costs together with the AD for procurement of goods and services for programme department ensuring budget

Responsibility/title	Maximum Ceiling for Order of Procurement ¹⁰ and Service Contract (one time procurement)	Maximum Ceiling for approval of Costs/Payments
	For approval of demands for procurement of goods and services related to programme department and in line with the approved budget.	availability and quality of goods and services. Decision of procurement should be made according to procurement manual.
Deputy Finance Director	<= AFN.700,000 For approval of demands for procurement of goods and services related to central accounts unit and in line with the approved budget.	<= AFN.700,000 For releasing payments for costs already approved by AD and budget holder to ensure the payments is in line with SCA procedures and financial regulation. For approval of costs together with the AD for procurement of goods and services for central accounts unit ensuring budget availability and quality of goods and services. Decision of procurement should be made according to procurement manual.
Finance Manager KMO	<= AFN 500,000 For approval of demands for procurement of goods and services related to finance unit/KMO and in line with the approved budget.	<= AFN 500,000 For releasing payments for costs already approved by AD and budget holder to ensure the payments is in line with SCA procedures and financial regulation. For approval of costs together with the AD for procurement of goods and services for KMO finance unit ensuring budget availability and quality of goods and services. Decision of procurement should be made in line with procurement manual.
Procurement Manager KMO	<= AFN.500,000 For approval of demands related to KMO procurement unit. <=AFN. 50,000 For placing orders of all procurement.	<= AFN.500,000 For approval of costs together with the AD for procurement of goods and services for procurement unit ensuring budget availability and quality of goods and services. Decision of procurement should be made in line with procurement manual. <=AFN. 50,000 For approval of cost for all procurement at KMO together with the budget holders.
Head of Regional Management Offices (HoO)	<=AFN. 800,000 For approval of demands for procurement related to the concerned RMO/FO and based on availability of approved budget. Award and sign RMO related agreements/contracts. According to the approved budget. In line with procurement manual and after attestation of the budget holder.	<=AFN. 800,000 and >AFN. 500,000 All type of costs related to concerned RMO based on the approved budget and attestation of the budget holders. Approval of procurement over AFN 500,000 together with the administration manager and the budget holder. < AFN.1,200,000 For releasing payments for costs already approved by administration manager/head of RMOs and the budget holders to ensure the payments is in line with SCA procedures and financial regulation.
Unit head/manager (not specified in this table)	<= AFN.500,000 For approval of demand forms, procurement related to the concerned units and based on availability of approved budget.	<= AFN.500,000 For approval of costs together with the administration manager for procurement of goods and services related to concerned unit ensuring budget availability and quality of goods and services. Decision of procurement should be made according to procurement manual.
Finance Manager RMOs and LOs	<= AFN. 500,000 For approval of demand for procurement related to the finance units and based on the availability of approved budget.	<= AFN. 800,000 For approval of costs together with the administration manager or head of office for procurement of goods and services related to finance unit ensuring budget availability and quality of goods and services. Decision of procurement should be made according to procurement manual. <= AFN.1,200,000 For releasing payments for costs already approved by administration manager/head of RMOs and the budget holders

Responsibility/title	Maximum Ceiling for Order of Procurement ¹⁰ and Service Contract (one time procurement)	Maximum Ceiling for approval of Costs/Payments
		to ensure the payments is in line with SCA procedures and financial regulation.
Hospital Director	Nil	<= AFN.100,000 Only related to running cost of the hospitals
Officers at SMO	<= SEK 20,000	<= SEK 20,000
Communication Manager (SMO).	<= SEK. 236,500 Only related to communication unit Sweden approved budget	<= SEK. 236,500 Only related to communication unit Sweden approved budget
Aid Coordination Manager	<= SEK 236,500 Only related to ACU approved budget.	<= SEK 236,500 Only related to ACU approved budget
Finance and Administration Manager	<= SEK 236,500 Only related to FIA unit and SMO investments, within approved budget. <= SEK 473,000 For all contracts related to procurement of goods and services at SMO	<= SEK 473,000 Related to all procurement at SMO within approved budget.
Officer and assistants in Afghanisatn	Nil	Nil

Notes to the above table:

- Order of procurement means issuing instructions to initiate procurement. Once procurement is done then the cost should be approved which is called “approval of cost”. But before placing order for procurement, a demand should be raised by the budget holder. Approval of the demand form should follow the authority staff according to table 2.12. In addition, budget availability for procurement should be certified by finance staff before any step is taken in the procurement process. Certification of the demand form by finance staff should follow the authority of the finance staff according to table 2.12
- Procurement of all investment should be planned and procured once in a year. But office related investment items urgently needed should be approved by the Administration Director at KMO and by Finance and Administration Manager at SMO and up to AFN 30 000 for RMOs by Programme Director.
- Sales of any item must be approved by the SCA Country Director in Afghanistan and by Finance and Administration Manager at SMO considering donors’ regulation and existed laws.
- For approval of travel cost and per diem, please refer to administrative manual, SHB or Swedish labour market agreements.
- Donors’ requirements should be considered in all types of procurement i.e. goods, services, works and consultancy.

- Total annual amount of lease agreements (12 month rent) and rented vehicles (12 months' rent) should be considered for level of authorisation.
- Finance Managers at RMOs and Finance Manager at KMO should approve all payrolls, while payroll for project staff should be approved by concerned project manager and attested by RMO finance manager.
- CD/S should approve the payroll for SMO.
- If procurement done by KMO on behalf of the RMOs and the payment is made by KMO, the cost should be approved by Deputy Programme director (up to AFN 700 000) and by Programme Director (up to AFN 1 000 000) and by country Director (up to AFN 50 million). When the documents are presented to programme director or deputy programme director, they should be completed with accounting codes. The accounting codes to be taken from the demand forms who prepare the cost summary sheet. In some cases such as transport cost which involve more than one programme or RMO, procurement has to use a distribution key e.g volume, price etc., and divide the cost between programme and RMOs. In very complicated cases procurement KMO may need to communicate with budget holders or KMO finance managers. This authorisation is not in contradiction with the principle that the budget holder should decide to spend his/her budget. When the budget holder demands procurement, the decision for spending the budget is already made.
- Finance Managers at RMOs/LOs, Finance Manager at KMO and FIA Manager at SMO have the power to reject any cost not following SCA's financial regulations or any other SCA manuals and regulations. However, if the budget owners (Project Manager/ Head of unit) still (after written rejection of finance staff) want finance to make the payment, finance staff should make the payment and report the issue to the FD. The budget owners (Project Manager/ Head of unit/Programme officers at SMO) should write the following text so that the finance staff can make payment of the rejected case "Although finance has rejected this payment, but knowing SCA's financial rules, I take full responsibility and ask the finance to make the payment"
- All limitations in the above table are for a one-time procurement for a purpose. It is not allowed splitting the payments in order to gain margin in the level of approval unless it is planned or referred to higher authority.
- Signing agreement with donors is not included in the table (1.2) but it is formalised via management delegation scheme approved by SCA Secretary General.
- The autorisation level at SMO is 5 and 10 Swedish price base amounts of SEK 236 500 and SEK 473 000. These amounts change annually. New figures for the year will be communciated to all staff at SMO at the beginning of the year. During each revision of the financial regualtion, an updated figures will be included in the table 2.12.

3 Part three: Details and description of the processes

3.1 Other Income

3.1.1 Income from SCA Guest Houses and Others

Income from any activity should be collected and accounted as income for the organisation in a specified account. The income will be used to funds SCA activities according to approved work plan and budget. But if SCA is obliged by contractual obligation to refund the income earned from a donor activity then SCA will refund the amount.

Each guest house should maintain a cash book to register income from guests. If a guest wants to pay cash, receipt should be issued to the guest and a copy should be sent along with the

cash to the concerned finance units. In case the guest wants to pay the due amount later, an invoice should be prepared. The guest should sign the invoice and write on it how he/she wants to pay the amount. A copy of the invoice should be sent to concerned finance unit for follow-up of the payment. To summarise the routines for charging the guest:

External Guests:

- SCA should try to receive money from guests (accommodation fee) before the guest leave SCA to the possible extent. For example, if the guest requires a visa, he/she should be kindly asked to pay SCA the visa fee. Otherwise an invoice should be prepared and given to the guest before he/she leaves SCA. **Form Invoice-1** should be used.
- In case the guest wants to pay in cash, a receipt should be provided using part 1 of the **Form Invoice –1**.
- In case the guest wants to make payment later, he/she should fill in part 2 of the **Form Invoice –1** indicating that how and when the payment will be made.
- For charging the guest with logistical services, if normal practice is not practical, standard distance/standard mileage costs should be used and the invoice prepared before the guest leaves. Alternatively, the SCA drivers should be instructed to prepare the invoice at the end of the journey.
- A copy of the original invoice should be given to the guest. One copy should be attached to the expenditure and one sent to Finance in case the payment is to be made in the future.
- A file should be maintained in the guest house in order to file all documents related to income for future reference.
- SCA should only rent the room (including utilities). The guest should arrange and pay for food and other services. SCA service staff will help the guest in arranging the services.
- For more details, please follow the Administration manual
- SCA-SMO employees, SCA Board members are provided free accommodation and therefore no invoice should be issued.

Internal Guest (SCA staff)

The Administration manual should be followed.

3.1.2 Transport Income

SCA fleets are parked in one pool in each office and SCA transport units provide transport services to all SCA activities. Transport of SCA is ZERO budget cost centres. It means that total transport cost should be charged to other units/programmes based on the standard mileage cost that is prepared by KMO Transport unit and reviewed quarterly.

3.1.3 Book-keeping and Reporting

All ZERO-BUDGET cost centres should produce their annual budget. They will follow up their budget. The cost sharing bookings will be done by KMO finance based on the approved allocation and actual cost. There should be separate follow up reports for the income generated from SCA guest houses and expatriate compound.

3.2 Cash Insurance Limit

Petty cash at SCA offices must be insured for:

At KMO, RMOs and LOs Minimum amount AFN 2 Million and Maximum AFN 3 Million

Cash in transit all over Afghanistan AFN 1 200 000

Cash in transit in Pakistan PKR 1 500 000

Note: The insurance amount depends on the needs and working environment of the SCA offices and shall be revised annually by the finance director.

3.3 Procedures for Bookkeeping

The following points shall be considered during bookkeeping:

- A voucher should speak by itself. The standard voucher format should be used (V-1). All required supporting documents (see 2.3) should be attached with the voucher. Voucher without self-explanatory documents should not be entered into the accounting system.
- Adjustment vouchers should be described prior to be entered in to the system. Finance manager of KMO, senior accounts and FIA manager at SMO should authorize the adjustment before they are entered to the system.
- Donors' costs should not be mixed within a voucher. Separate vouchers should be prepared for each donor to the possible extent.
- Opening balances, income vouchers and adjustment vouchers should be approved by KMO Finance Manager/Finance Director/FIA manager
- Specification of the transaction (Notes) should be written while entering the voucher for better understanding of the standard reports i.e. account schedule.
- Specification of the accounts of each company should be prepared at the end of each month be shared with the Finance Managers and DFD at KMO and SMO as well as with RMOs/LOs

3.4 Tax Deduction (procedures and responsibilities)

SCA must work according to the law of Afghanistan working in Afghanistan and Sweden law working in Sweden. Afghan and Swedish tax law should be followed. Below table indicate the responsibility of the staff members in Afghanistan for implementation of the tax law:

No	Description	Main Responsible	Responsible in terms of supervision	Method	Documentation
1	Tax on Wages/Salaries	Finance Managers at RMOs, LOs, Senior Accountant KMO HRM Manager KMO, Administration Managers and Head of Central Accounts (DFD)	<ul style="list-style-type: none"> – Finance Manager KMO to supervise KMO Senior Accountant and tax officer. – Head of Central Accounts to supervise RMOs/LOs in order to deduct the tax on the payroll as well as other salary payment – HRM KMO and Administration Managers to obtain TIN (tax identification number) of any newly employed staff and send it to finance before he/she receives first salary – Finance Manager RMO, LOs and KMO to make sure that new employee is not entered into payroll unless TIN is received. (No salary payment unless TIN is obtained from Ministry of Finance. It is responsibility of RMO Finance Managers and KMO Finance Officer to report to tax section all due 	Tax shall be deducted in the payroll.	Monthly payroll, tax deposit slips related to the payroll to be filed in RMOs, LOs & KMO. Copy from LOs and RMOs to be sent monthly to KMO finance (Senior Accountant)

No	Description	Main Responsible	Responsible in terms of supervision	Method	Documentation
			<p>salary taxes for permanent as well as field project staff up to 25th of each month.</p> <ul style="list-style-type: none"> – It is responsibility of KMO Tax section to fill the related to tax part of the semi-annual report of Ministry of Economy. – It is responsibility of KMO Tax section to send copies of all tax slips quarterly to RMOs. – RMO Finance Managers and KMO Tax section are responsible for preparing annual withholding wage/salary statement of staff for the previous year. The statement of previous year shall be filled out before end January, signed and original copy sent to KMO Tax section and one copy submitted to staff and HR 		
2	Tax on overtime, transport allowance, relocation allowance, acting allowance, hardship allowance, etc.	Finance Managers and administration managers at RMOs, LOs, KMO and Senior Accountant KMO	Finance Managers of all SCA offices, administration managers and senior accountants	All allowances should be included in the payroll. No individual allowance including overtime payment is allowed to be paid outside the payroll.	Will be covered in No 1
3	Tax on rent of premises	Administration Managers or Administrators Sehatmandi project.	<ul style="list-style-type: none"> – Head of Central Accounts (DFD) – Administration Manager KMO – Health programme manager (Laghman, Wardak, etc.) 	Tax on rent must be deducted by SCA and at the start of the month or period. Tax on rent should be paid monthly (or at the beginning of the period as per lease agreement) even if the payment to the landlord is not made. Administration should inform finance and present payment documents with the tax deduction so the tax is paid within the month. Payment to the landlord, if delayed, could be booked as liability.	Lease agreement, lease payment and tax payment slip to be filed in one file but separated for each premise. Copy to be sent to KMO Finance Manager upon request. KMO Administration Manager shall maintain updated file for all SCA premises with updated lease agreement and tax payments. The Gregorian dates for the rent payment should be written on the payment documents.
4	Tax on rented cars if cars are rented from companies. There is no tax on cars rented from individuals.	Administraion Managers Administrators (BPHS) and Logistic Manager KMO	<ul style="list-style-type: none"> – Head of Central Accounts, Administration Managers and Logistics Manager KMO – Health Programme Manager(Laghman, Wardak and etc.) 	2% or 7% deduction during payment of rented cars.	Rent agreement, rent payment and tax payment slip to be filed in one file but separated for each car. Copy to be sent to KMO Finance Manager upon request.
5	Consultancy contracts	Heads of concerned units (programme and other units)	Concerned Director	Deduction during the payment of consultancy fee	Copy of the consultancy agreement, payment of consultancy fee and tax deposit slip to be filed and copy to be sent to KMO Finance Manager
6	Procurement (if contract	Administraion Managers, Administrators	– Head of Central Accounts, Procurement Manager KMO.	Deduction during payment of procurement to supplier	Procurement officers maintain copy of the contract with supplier, plus copy of the tax

No	Description	Main Responsible	Responsible in terms of supervision	Method	Documentation
	signed with supplier)	(BPHS) and Procurement Manager KMO	– Health Programme Manager for (Laghman, Wardak and etc)		payment slip in separate file. Copy to be sent to KMO Finance Manager upon request.
7	Procurement (retail procurement)	Administration Managers, Administrators (BPHS) and Procurement Manager KMO	– - Head of Central Accounts- Procurement Manager KMO. – Health Programme Manager for (Laghman, Wardak, and etc.)	Deduction during payment of procurement to supplier and once total procurement from January to date reaches AFN500,000. Tax to be deducted for the whole procurement from 1st January to date	Supplier's track record is maintained in each procurement office (RMOs, LOs and KMO). The record is updated and followed daily in order to keep track of procurement from single suppliers. When the total procurement reaches AFN 500,000, tax for the previous and future procurement is deducted. Once the tax deduction starts from the retail supplier, the record of procurement from that supplier plus the tax payment slip to be filed in concerned office and copy to be sent to KMO Finance Manager upon request.

SCA rules and regulations, in accordance with Afghan tax law, will be applied for all the procurements.

Annual Income tax Return statement:

SCA should fill in annual income tax return statement. The responsibility of the statement is with:

Main Responsibles : DFD , FM & Tax section

Responsible in terms of supervision : DFD & FM

Method: Prepare Annual Balance sheet and fill in annual tax forms.

Documentation: Copy of All withheld tax slips (Salary, Rent & Contractor) , Donor Contracts , Rental premise contracts, List of employees

Deadline for submission: 20th March of each year.

3.4 SCA Accounting System

SCA should record its financial transactions with the assistance of financial software. Such software should be applicable in both a Swedish and an Afghan IT environment. The system should be trustworthy and provided by a well-known developer. Further the software must be able to handle all the demands that are put on the SCA accountancy system.

SCA's finance system has been sub-divided into independent accounting units depending on a division of SCAs offices (called companies). Each company of SCA is self-accounting to the highest possible degree and they are able to keep full control of their accounts. Each company produces balance sheet and income/expenditure accounts, which are consolidated in order to produce SCA's consolidated accounts.

KMO finance unit has, besides its own accounts, the overall responsibility for the computerised accounts of the project offices including their inputs (vouchers and financial information received from different SCA offices and KMO units), processing, reporting and controlling. SMO finance unit is responsible for its own accounts.

SCA finance/accounting system is designed to support SCA's need of financial information and control, respecting the principles of transparency and accountability, as well as Swedish and Afghan accountancy law. Therefore, in order to have an accounting system which fulfil the above requirements, SCA accounting system has the following features:

- it supports accurate and easily produced final accounts.
- it allows the organisation to easily and accurately maintain information about donors' funds, i.e. received, spent and the un-used balances.
- it supports the organisation to easily and accurately maintain accounts related to each project i.e. budget, funding source, detail of expenditures for each donor.
- it enables the management to measure financial performance indicators.
- it permits the SCA management to make accurate and on-time forecasts, revisions, resource allocations and is able to sign riders/budget revisions with a concerned donor in a suitable time. In addition, it should be able to use historical costs for future forecasts effectively.
- it maintains details of the fixed assets within the organisation and their relevance with the individual donors.
- it sustains details of the material purchased from specific funds for specific project and stocked for future use.
- it generates comprehensive reports for internal and external users.
- it maintains comprehensive information on individual staff, residences, office buildings, vehicles, running costs of machinery, geographical data of the projects and activities, etc.
- it provides support for handling different currencies with a currency calculator.
- it includes comprehensive and strong control functions in order to secure donors' and SCA's funds and assets.
- it includes comprehensive, strong, practical control functions, which are designed based on environmental realities and people's behaviour in order to avoid misuse of funds and SCA financial resources.
- it contains financial planning, budgeting, analysis and forecast capacities and contributes significantly to the planning, budgeting, monitoring and evaluations of the SCA activities.

3.4.1 Accounting Codes

SCA is using an accounting system consisting of five main dimensions:

- Accounting codes (type of expenses e.g. rent, stationary, salary)
- Cost centres (a project or activities within programme or a unit such as M&E)
- Donor codes (which donor, e.g. Sida, or which contract of a donor e.g. Sida information project)
- Statistics (Projects codes), this is used for different purposes e.g. each staff has a statistic code, each SCA car has a statistic code, each office premises has a statistic code, each SCA supported school or clinic has a statistic code.
- Facility codes (this is used for health facilities or any other project or entity which we further want it to be specified).

These codes enable SCA to keep track of individual donors' funds and their related expenditure as well as to provide comprehensive accounting and financial details.

The accounting codes should be reviewed annually in order to maintain complete match between accounting system/codes and the organisation's work plan & budget and reporting structures. Annual accounting codes should be approved by CFO.

Deputy Finance Director in coordination with FIA Manager will select codes for new projects (cost centre), new donor(s) or new types of costs (budget line) based on the approved budget and approved by the CFO. Spending on a new project should not start until codes are introduced.

It is the requirement of the accounting system that the five dimensions' information (account code, cost centre, donor code, statistics and facility code which is used only for health facilities) should be specified for each financial transaction. It means that for any single Afghani/SEK SCA is spending, the budget line (account code), the activity/project (cost centre), the funding source (donor) and the project name (code of school/clinics, employee code, vehicle code, residence code, etc.) must be specified.

3.4.2 Accounting Codes Package

In order to provide sufficient information about the SCA accounting system and its requirements, KMO finance must prepare accounting code packages for all finance staff. The accounting package that includes the following information should be distributed to all concerned staff before the financial year starts:

- Detailed budget of the concerned unit
- Chart of Accounts
- Cost Centre lists
- Donor Codes list
- Location Codes list
- Project Codes list, Schools and Clinics (Health Facilities)
- Personnel/Offices/Residences/Stores and Vehicles Codes list

Finance department will inform all concerned units about any change in the accounting codes related to budget (class 4,5,6,7 and 8), as well as provide training to all concerned staff members in the accounting system and its requirement particularly the accounting codes. All required accounting codes for budget holders are incorporated in the detailed budget sheets and staff must use them in all financial documents particularly in payments documents.

3.5 Budgeting and the Budget Management Process

A budget is defined as management's quantitative expression of plans for a forthcoming period. Planning-implementation-follow up & reporting are essential for any organisation with the intention of attaining good performance. The planning cycle parameters are very important for SCA due to the fact that SCA is an organisation with diversified and geographically dispersed activities and with some activities for a fixed period.

SCA has adopted an integrated bottom-up approach for planning and budgeting. Integration and consolidation of the work plan and budget that occur on different levels and end up with one document the "SCA Work plan & Budget". Detailed budgets are prepared at various levels of an organization by budget holders under supervision of their managers. Consolidated budget is prepared by budget coordination unit (BCU) at KMO, while the master budget is produced by finance director. The master budget is the overall financial plan for the period, which reflects the entire organization's goals and objectives. There might be need for revision of budget and budget management process before the 2 years time limitation for revision of the financial regulation due to organisation development.

3.5.1 Budget Ownership and Responsibilities

In principle the budget holder (project manager or head of unit) is the owner of the budget as well as authorised to spend the budget according to SCA rules and regulation and is held accountable for the budget. However staff at lower level of the hierarchy may be responsible for the budget execution still the ownership and responsibilities stands with the project manager/head of units. The following division of authorities and responsibilities are applicable:

- The SCA Project Managers/head of unit (officers at SMO) are the budget holders and are the owner of their budget as well as authorised to spend the budget according to SCA rules and regulations and are held accountable for the budget (e.g. Education Manager at JRMO is the owner of the education programme budget related to JRMO. They are responsible for the budget effective utilisation, follow up, revisions and justification of deviations. Head of RMOs and directors has the supervisory role over their programmes and departments' budget unless they are the owner of the budget e.g. Education Programme head is the owner of the education programme unit (EPU); responsible and accountable for his/her budget while having a supervisory role on the overall education programme budget. Similarly, in KMO administration department, it is the ICT unit head who is the budget holder of the ICT unit budget, while the Administration Director will have a supervisory role on the overall administration department budget including the ICT unit. And similarly the head of the RMO has the supervisory role overall budget of the related RMO while each manager/head of unit will be the budget owner.
- Directors are authorised and responsible for fair distribution of financial resources between projects/units in the budget process and ensure an adequate monitoring mechanism to ensure fair distribution of financial resources based on the SCA policy and strategic objectives.
- The Programme Managers at KMO are responsible for compiling aggregated budget for each programme and make budget analyses when required by the SCA Management, donors, and other stakeholders (government institutions) while the Financial Controller at SMO shall compile an aggregated SMO budget.
- The Programme Managers are responsible to take corrective measures i.e. budget revision, compliance to donors' contractual requirements, and justify deviations from the plan and budget when required in close coordination with the Project Managers and Head of Regional Management Offices. At SMO the supervisors of the budget holders are responsible for the above tasks.
- Head of RMOs are responsible to supervise the budgeting process and budget utilisation in all relevant units/projects of the their RMO and provide guidance and support to budget holders in these processes.
- Finance support in budget elaboration is provided to all concerned staff: regular budget analysis, revisions, compilation, entering to financial system (SCALA).
- Based on guidelines from the SCA Board, policy instructions and availability of resources, the CFO issues budget directives and budget framework. The budget process is managed and a budget produced, revision processes are managed and revised budgets produced and sent to Secretary General for review and submission to the Board of the SCA.
- Administration Director is authorised and held responsible for the overall investment budget of SCA. He/she coordinates the investment budget and utilises investment resources in an effective and efficient manner. FIA Manager at SMO has the overall investment

coordination responsibility of the SMO. Office furniture are not considered investment and budget for office furnitures should be included in the administration budget of each office. However, changes in the office furniture budget could only be introduced during two formal budget revisions. Details of the office furnitures to support the required budget should be provided and annexed to the detailed budget during the planning and revision process.

3.5.2 Budgeting Process

The budgeting process starts parallel to the elaboration of the annual work plan. The budgeting process can be summarised in the following steps:

- a. The Board of SCA decides on the work plan and budget as well as on the strategic plan.
- b. The annual work plan and budget should follow the strategic plan. Any addition or deletion in the activities outside the SCA strategic plan should be presented to the Board during the work plan and budget revision process for their approval, which takes place at least twice a year.
- c. The Secretary General decides the scope and time for implementation of strategic decisions by the Board and informs SCA units what major issues to be considered in the work plan for coming years. These guidelines are mainly based on the SCA strategic plan. However, there could be additional guidelines as a result of analyses and lessons learned of the previous year.
- d. PMER (in Sweden: Director of SMO) will issue detailed work plan directives and formats based on the guidelines issued by SG, while CFO issues budget directives and the FD via BCU budget formats. Both directives should be harmonised and the schedule should be coordinated between finance and PMRE.
- e. CFO should issue "Budget Directives" before the process of budgeting is started. Budget directives contain set of information and guidelines to help the budget holders develop their budget in line with their planned activities. The budget directives should go parallel to the planning directives (possibly in one document but in two chapters)
 - Finance department, BCU creates budget templates for elaboration of the detailed budget. The budget templates should be handed over to concerned staff. SCA standard budget templates should be used for all SCA program/activities except those programs/activities which have particular budget format and required special type of financial reporting as per donor agreement. Budget template is produced based on the need of the SCA programmes and activities and therefore budget format of one SCA programme or unit could not be used for another programme/unit. Each budget template has one sheet as summary of budget which shows the total budget and funding grid (donor mapping) of all activities (cost centers) exist in that worksheet. An extra sheet named (Note to Budget) is available in budget worksheet to be used for additional information about the budget, in which budget holder could provide additional information or justification where it is not possible to provide such information in the detail columns (description column) of budget sheet. In case the donor does not have any specific template/format then SCA proposal budget template (the proposal budget template is annexed to the Proposal Development Guidelines and soft copy is available with BCU and with annual budget package) should be used when SCA submit project proposal to donors. In case the donor budget template/format is different, First the budget should be developed in the SCA proposal budget template and then the figures could be taken to the donors template/format.
 - Budget package: A complete set of documents are created and collected by budget coordination unit (BCU) for the budgeting process which includes, directives, standard budget

templates both for operational (execution) level and proposal level, information about inflation trend and standard unit rates and specifications lists, i.e. program standard equipment & materials, standard IT and administrative equipment, standard mileage rates and distance fares.

- Budget elaboration process starts in sector workshops. Since SCA follows a bottom-up budgeting approach, Project Managers supported by concerned programme and service/support units and under direct supervision of the head of RMOs should elaborate the budget.

f. Budget elaboration should be based on the SCA streamline activities as well as on the approved addition/expansion/deletion. Budget for new activity, not in line with the SCA SP, is not allowed to be included without approval by the SCA Country Directors.

g. Any new activity that requires changes in the budget structure, which ultimately will change the accounting system, should be discussed with CFO and the concerned unit. The budget format should be modified accordingly.

h. KMO budget Coordination unit and SMO Financial Controller should check and scrutinize the detailed budget in order to make sure that the budget is according to the budget and planning directives. CFO has the overall responsibility to make sure that the proportion of the budget distribution is acceptable to the donors, and together with other Directors guarantee the effectiveness of the operation and efficient use of the SCA financial resources. The budget coordination unit (BCU) and FIA cross-checks the details of financial proposal & proposed budgets. Also scrutinize some random details to make sure the estimations are realistic, calculations are correct, in compliance with control/ verification check list (See FORM B3) and instructions of directives are adhered. BCU and FIA should provide feedback to budget holder if deviated from the budget directives, error in calculations or over/under estimation of the budget. The budget holder should amend the budget and send the final version to BCU and FIA. In KMO budget of KMO and RMOs should be consolidated by BCU Manager, reviewed by the FD and presented to CD/A and CFO.

In case projects continue for more than a year, portion of the budget relevant to the budget year should be included while total budget of the project should be produced for the future follow up and cost efficiency analysis.

i. Preparing master budget: this budget shows overall anticipated financial plan for the whole organization (Afghanistan plus Sweden) for the forthcoming period. This level of budget should be prepared by CFO.

j. Annual aggregated budget (an integrated part of the annual work plan) should be prepared by CFO.

k. CFO should send the annual SCA budget after agreed by the CDs to SG for review and submission to the Board of SCA for approval.

l. After approval by the Board, the budget should be entered to the system and BCU should distribute the budget throughout the organisation. Detailed budget along with the summary should be distributed to the SCA Directors, Heads of programmes, Heads of units and other budget holders.

3.5.3 Budget Revision

a) First Budget Revision in April: Budget will be revised after the SCA donors decide on the SCA budget proposals in order to adjust the budget according to the available funds.

b) Second Revision in September: Budget will be revised in line with the progress of the work plan activities and the possible changes in the work plan due to internal and external factors.

c) Minor adjustments: Minor adjustments to the budget where the changes in the budget lines would be less than 10% could be made until the 2nd budget revision. After the 2nd budget revision, changes only within cost center and as long as the total budget of the cost center does not change, will be allowed but based on strong justifications as long there is no change in the activity. The following process should be followed:

When there is need to change the budget from one budget line to the other budget line in the same cost centre (activity): Form B-1 should be used.

At KMO: a request should be sent to BCU Manager through the concerned line Manager.

At SMO: changes should be approved by FIA Manager.

In case there is need to move budget from one cost centre to other cost centre: Form B-2 should be used.

At KMO: request for change should be sent through concerned line Manager to the FD. FD or Country Director (CD) in consultation with concerned Director will decide if it is possible to revise the particular budget. Contractual obligations should be considered and if the donors' approval is required, (the budget should not be changed unless donors' approval is granted).

At SMO: Changes in the SMO activities budget should be approved by FIA Manager.

3.5.4 Budget Flexibility

SCA Board allows less than $\pm 10\%$ deviation provided there are strong justification and if there is no change in the approved activities of the work plan. For changes $\pm 10\%$ or more, SCA Board approval is required (the Board may delegate this authority to other staff within the organisation, Ref: SCA delegation scheme). Almost all SCA donors would agree to deviation less than $\pm 10\%$ if within the total available funds remains the same but over this limit, the donors' agreement is required. (donors' contractual obligations should be considered before a decision for change is taken). Pre-conditions for up to 10% overspending are:

- a) Funds should be secured from other budget lines or a new funding source.
- b) The authority for up to 10% over spending could be decided as per level of authority set in the table under part 2.12 provided that there is funds available which could cover the overspending.

3.5.5 Budget Management

Budget management is the analysis, organization and oversight of costs and expenditures for an organization. A budget management process based on sound concepts of planning and control can help organization create value. A well-managed budget process ensures smooth operations and help on time management decisions.

3.5.6 Budget analysis

Budget holder should do budget analysis upon receiving monthly BFU from central accounts unit. The primary purpose of budget analysis is to ensure that organizations remain efficient and the activities are implemented within the available financial resources. Deviations should be analyzed and corrective measures should be taken.

3.5.7 Budget lines (budget codes)

The budget holders need to know three classes of accounting codes (class 4, 5 and 6), Cost center of their own activities and the SCA donor's codes for the year. The accounting codes are:

- Account codes class 4 (budget lines) starting with digit 4 meaning all material & equipment costs.
- Account codes class 5 (budget lines) starting with digit 5 signifies all costs related to staff/ personnel.
- Account codes class 6 (budget lines) starting with digit 6 represent costs associated with office operation and utility expenses.

3.6 Internal and External Reports

3.6.1 Budget Follow-up Reports

As a monitoring tools for utilisation/spending SCA budget a budget follow-ups (BFU) reports should be produced on monthly, quarterly and annual basis. BFU should be designed in a way that satisfies the needs of staff working on different levels of the organisation. Reports should be produced on three levels:

- a) *Cost centre level:* These reports should contain information about cost centre/activity. The reports are aimed for use of budget holders and should be distributed to all budget holders as well as their supervisors. For example, SCA education manager in Wardak will receive the BFU for community based schools, teacher training etc. These reports will be produced monthly.
- b) *Sector based cost centre and donor level:* These reports should contain information about the sector e.g education, health, Disability and etc and for each donor. The reports will provide overview of the programme activities and the utilisation of the budget. The users of these reports are programme managers, SCA directors, head of RMOs and the CD. The reports should be produced on quarterly basis.
- c) *Office level:* these reports should contain information about the total budget of all cost centres of any of the SCA offices. These reports are for the use of Programme Director, SCA country directors and the SG. The report will be produced on monthly basis.
- d) *Office level activity report:* these reports should contain information about the total budget of all cost centers of an office and the beneficiary of the reports are head of the RMOs, CD/A and CD/S.

3.6.2 Quarterly Budget Follow-up

Consolidated budget follow-up reports should be produced on a quarterly basis to provide the SCA management with information about the level of expenditures and deviations from approved budget. The report should also include information about total funds received from different donors. Problem oriented comments for deviations of more than 10% should be elaborated for the second and third quarter as well as annual reports. The report should be distributed to all SCA Managers, Coordinators, Directors and SCA Country Director. Second quarter, third quarter and annual reports along with the comments for deviations should be sent to the Board of SCA for information and follow-up. Meanwhile quarterly BFU reports should be presented and discussed in the quarterly review meetings.

3.6.3 Annual Budget Follow-up

Annual budget follow-up (an integrated part of the SCA annual report) will include information about total income received and total expenditures occurred during the year. The report will also include problem oriented comments for the deviations for those budget lines where deviations exceed $\pm 10\%$ in order to describe the reasons for the deviations and the financial constraints experienced during the year. The information should be classified for each donor and work plan activity. The annual budget follow-up report (SCA Annual Report) should be distributed to all managers, Directors, SCA Country Directors as well as the Board of the SCA.

3.6.4 Account Specification

At the end of each accounting month, details of all SCA asset and liability accounts (balance accounts) should be prepared. Finance staff will use the report for controlling SCA debts and receivables. SCA Senior Accountants at KMO and finance officer and finance administrator at SMO are responsible to produce the reports. Copy of these reports should be provided to Finance Managers (all offices) and one copy should be filed with the producer.

3.6.5 Monthly Income and Expenditure Statement

Each accounting company should produce an income/expenditure statement at the end of each accounting months. The report should be filed and used when required. A copy should be provided to concerned finance managers

3.6.6 Annual Income Statement

Annual income statement (Contribution lists) should be produced and updated after receiving each transfer from the donor. This statement is part of the SCA annual accounts, which is produced during the year. Copy of the report should be submitted to FD on monthly basis.

External Reports

3.6.7 Annual Audited Accounts

SCA Kabul and SCA Stockholm should produce annual accounts. KMO annual accounts should be audited before they are consolidated and audited by Swedish auditors. The annual account should be assembled in accordance with Swedish law and guidelines of the Swedish Fundraising Council. Copy of the audited accounts should be sent to all concerned parties as well to the Board of the SCA. External auditors guidelines should be followed in the external audit process. Ref: Annex 5

3.6.8 Donor Reports

SCA finance shall produce financial part of the donor reports in line with contracted stipulations. Report preparation should be coordinated between finance and all concerned units.

3.6.9 Sector Ministry Reports (MoPH, MoEc, MoE, MRRD)

KMO finance shall produce financial reports (quarterly, six month or annually) for the above Ministries of the Afghan government based on NGO law or in line with the signed protocols between SCA and related Ministry. SCA PMER unit has the main responsibility to coordinate, compile, and send the narrative and financial reports to the Ministry of Economy and communicate with the Ministry regarding relevant issues. SCA PMER unit also has the responsibility to coordinate and support the process of reporting on provincial level.

3.6.10 Financial Report to Ministry of Finance

Annual financial report shall be submitted to the Ministry of Finance along with the annual audited report.

4 Forms

Forms are organised in separate file called “Financial Regulation Part 4: Forms”

5 Annexes

5.1 Annex 1: Abbreviations

SCA	Swedish Committee for Afghanistan
SG	Secretary General
CFO	Chief finance executive officer
AGM	Annual General Meeting
FRII	Swedish Fundraising Council
SEK	Swedish Krona
CD/A	Country Director/Afghanistan
CD/S	Country Director/Sweden
HoO	Head of Offices
RMOs	Regional Management Offices
LOs	Liaison Offices
FD	Finance Director
KMO	Kabul Management Office
SMO	Stockholm Management Office
DFD	Deputy Finance Director
MIS	Management Information System
FIA	Finance and Administration Unit (Sweden)
NBV	Net Book Value
LMD	Local Money Dealer
EC	European Commission
SEHAT	System Enhancement for Health Action in Transition
BPHS	Basic Package for Health Services
EPHS	Essential Package for Hospital Services
GRN	Goods Received Notes
DP	Disability Programme
AFN	Afghani
PKS	Pakistani Rupees
SSU	Service Support Unit
SO	Senior Officer
CGLP	Community Governance and Livelihood Project
AD	Administration Director
FSE	Field Senior Engineer
RD	Rural Development
PD	Program Director
TIN	Tax Identification Number

HRM	Human Resource Management
CBE	Community Based Education
MoF	Ministry of Finance
NGO	Non-Governmental Organization
IT	Information Technology
IAU	Internal Audit Unit
M & E	Monitoring & Evaluation
BCU	Budget Communication Unit
SHB	Staff Handbook
ERMO	Eastern Regional Management Office
EPMU	Education Programme Management Unit
ICT	Information Communication Technology
PRU	Planning Reporting Unit
SP	Strategic Planning
BFU	Budget Follow-up
MoPH	Ministry of Public Health
MoEc	Ministry of Economy
MoE	Ministry of Education
MRRD	Ministry of Rural Rehabilitation and Development
ESG	Environmental, Social and Governance
UN	United Nations
SO	Strategic Objective Codes
OC	Outcome Codes
CAU	Central Account Unit
PDG	Proposal Development Guideline
NBV	Net book value

- 5.2 Annex 2: Investment Policy**
- 5.3 Annex 3: Fixed Asset Registration Manual**
- 5.4 Annex 4: SCA financial regulation for civil society partners**
- 5.5 Annex 5: SCA Guidelines to facilitate external Audit**