About the manual:

This manual is submitted by USAID-Assessment & Strengthening Program and has been prepared by M/S Rafaqat Mansha, Mohsin Dossani, Masoom & Co Chartered Accountants
Chapter-1

Introduction

(Financial Management Manual)
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A. SCOPE OF THE MANUAL

The Financial Management Manual (this manual) sets out the finance and accounting principles, policies and procedures adopted by Health Services Academy (HSA) with objective to enhances accountability and consistency, while at the same time producing long-term savings from reduced duplication, rework, training, and increased focus, consistency, and productivity. 

This manual has been approved by the Board of Governors in their meeting on XX (Day) XXX (Month) 2012.

The Executive Director shall be responsible for the:

- Distribution of the manual to various process owners;
- Maintenance of the record of the holders of the manual; and
- Approval of the recommended modifications to existing accounting policies and procedures.

The Heads of Departments / Process Owners shall be responsible for the:

- Implementation of the manual; and
- Monitoring of compliance with the policies and procedures in the manual
- Receiving queries and modifications to the existing finance and accounting policies and forwarding onwards to HOD - Finance for clarification and approval.

The manual comprises of the following chapters which cover all the processes related to finance and accounting:

- Introduction
- Organisational Chart
- Key Accounting Policies and Financial Management
- Capital Expenditure and Non-Current Assets Management
- Planning and Budgeting
- Investments
- Loans, advances, pre-payments and other receivables
- Cash and Bank Management
- Creditors, Accounts Payables and Payments
- Deferred liabilities
- Endowment fund
- Research proposals and consultancy
- Payroll and other expenses
- Tax and legal compliance
- Financial Reporting; and
- General principles
Processes related to Procurement and Materials Management are covered in their respective manuals.

All queries, matters, exceptions and modifications to the existing finance and accounting policies and procedures in this manual should be addressed to the HOD - Finance.

This manual provides a source of instruction and guidance to all employees of the HSA for the application of finance and accounting policies and procedures. The finance and accounting policies and procedures contained in this manual shall be complied with by all the employees of the HSA.

Where the employees of the HSA consider that they are unable, for any reason, to comply with the policies and procedures defined in this manual, they should refer the matter to the Executive Director for resolution through their respective HOD. However, general queries and clarification matters regarding this manual should be addressed to the HOD - Finance.
B. OBJECTIVE

The objective of this manual is to promote uniformity and consistency in the HSA finance and accounting function by clearly defining responsibilities, authorities, and functions. The objective of this manual shall be met by ensuring the following:

- that all departments adopt and implement leading accounting practices, policies and procedures uniformly;
- that internal controls are in place to safeguard the assets of the HSA which shall be ensured during the internal audit;
- that the HSA maintains its financial records and prepare its financial statements in accordance with generally accepted accounting principles as applicable in Pakistan and in compliance with related regulatory and reporting requirements;
- that financial administration is conducted throughout the HSA in a controlled and orderly manner; and
- that guidance and instructions are provided to the employees of the HSA on the application of the accounting policies, procedures and financial controls.
- that the manual is to be used as a standard by the internal audit department for compliance, and also to identify any missing controls, that can be introduced through amendments in this manual.
C. HISTORY OF HSA

Health Services Academy was established in 1988 as an autonomous department under the Federal Ministry of Health and now under the Cabinet Division, Government of Pakistan, provided short courses and training for public health professionals. Since its beginnings as a training institute, the Academy has grown steadily and has established itself as the premier institute of public health in Pakistan, looking to provide more academic programs in the near future, as well as providing an environment that focuses on excellence in academics, research, and policy-making.

Since all leading academic and research organizations require autonomous status in order to create an environment of academic excellence, the Ministry of Health promulgated an ordinance entitled *Health Services Academy Ordinance, 2002*, put into place in November, 2002. Following the implementation of this ordinance from July 1, 2003, the Board of Governors has been supervising the overall affairs of the Academy.
D. VISION, MISSION STATEMENTS AND CORE VALUES

D.1 VISION STATEMENT

To be a nationally and internationally recognised centre of excellence in Public Health, contributing to the health and well-being of the People of Pakistan and around the world.

D.2 MISSION STATEMENT

To strengthen the capacity of public health professionals by offering excellence in teaching, research, service and policy advice.

D.3 CORE VALUES

• Diversity
• Innovation
• Equity
• Ethics
• Academic Freedom
E. FINANCE DEPARTMENTS FUNCTIONS

The Finance Department shall be responsible for the financial, accounting and budgeting activities of the HSA. The department shall also provide technical assistance in financial management and accounting to various departments.

Finance and accounting activities shall include the processing of financial data, preparation of financial reports, supervision and monitoring of financial activities, maintenance and development of the accounting system and implementing controls to safeguard HSA’s assets. The budget function shall include collecting, preparing and consolidation of data in the development of the annual corporate budget.

The following are some of the major functions of the Finance Department:

- Compilation, provision and revision of various finance and accounting policies and procedures and their implementation;
- Collecting budget data, preparing, consolidating, re-appropriating budgets and reporting variances against budgets, vetting and appraisal of capital expenditure / investment proposals to ensure their financial viability;
- Costing of various services provided by the HSA;
- Maintaining accounts payable ledger and processing all departmental requests for all payments;
- Ensuring the accurate and timely payment of employee payroll;
- Assessing, collecting, deducting and depositing taxes as per the prevailing tax laws;
- Maintaining fixed asset records and safeguarding the assets of the HSA;
- Managing the funds and investing excess funds in accordance with the policies of the HSA and accounting for investments;
- Monitoring the cash flows of the HSA through various Financial Management tools;
- Preparing financial and ancillary statements for internal and external (regulatory) purposes;
- Collection of receivable from employees, and outside parties;
- Opening of letters of credit and issuance of letters of guarantee;
- Providing financial information for management decision support;
- Coordinating the annual audit and preparation of the quarterly, half yearly and annual financial statements;
- Assisting in contracts administration and tender evaluation and participating in tender committees; and
- Providing financial information, guidance and advice to other departments.
F. DISTRIBUTION OF THE MANUAL AND PHYSICAL SECURITY

The Finance and Accounting Manual of the HSA shall be available to the users in the following two forms:

- a hard copy available with the Finance Department; and
- An electronic copy (read only) available on the company’s website, access to which shall be given by the IT Department, through secure password.

Distribution of the manual whether in the form of a hard copy or an electronic copy is the responsibility of the Executive Director.

Distribution of this manual, in whole or part, shall be to only those personnel who shall have to act on the basis of this manual or who would require guidance to carry out their day to day work.

Where a hard copy is required, it shall be provided against an approved request. The accounting manual request shall contain the following information:

- Date;
- Manual version number;
- Manual description;
- Custodian;
- Custodian designation;
- Signature of the requesting HOD; and
- Signature of custodian for accepting the manual.

A register shall be maintained by the HOD - Finance, in which the details of the department/personal to whom the manual is issued, shall be entered. Each hard copy of this manual shall be numbered and entered into the register prior to issuance.

The Executive Director shall also ensure that all the relevant people in the Finance Department and other end user departments are aware that there is an electronic copy available on the company’s website and shall provide a secured access through password to the relevant personnel.

Where access to this manual is being given through the website password (electronic copy) it shall be authorised by the IT department on the basis of a request approved by the HOD – Finance and Executive Director.

The IT Department shall have a record of the personnel to whom electronic access of the manual has been provided.

The contents of this manual are confidential and should not be copied (physically or electronically) or distributed outside the company either in whole or in part without the prior written approval of the Executive Director. Any employee who is given access to this manual shall be required to sign an undertaking in this regard.

Where there is a change of responsibility of an employee, the copy/access that the employee has of/to this manual should be handed over to the new employee and this action shall be documented in the previous employee’s handing over notes.

Where an employee leaves the employment of the HSA without another employee taking over his duties, then the copy of this manual should be returned to the HOD prior to his/her departure.
G. PROCEDURES FOR UPDATING THE MANUAL

G.1. GENERAL

It shall be the responsibility of the HOD - Finance to ensure that the manual is regularly updated and periodic reviews of the manual shall be carried out for this purpose.

The manual shall require changes on account of any of the following reasons:

- additional policies and procedures consequent to introduction of new services, financial reporting requirements, the level of automation or changing needs of the HSA;
- Changes in IFRS adopted by SECP, changes in corporate laws or other statutory requirements;
- improvements to existing policies and procedures; and
- deletions, for example, for superseded or redundant policies and procedures.

Changes to this manual shall be reviewed and recommended by the respective HOD. The respective HOD shall send the recommended changes to the HOD - Finance who shall review it with the Executive Director (for his approval) and include the same in agenda for the forthcoming meetings of the executive committee and Board of Directors for approval.

G.2. AMENDMENT TO THE MANUAL

All requests for amendments to the final version of the Financial Management shall be documented on a request using the Amendment Form specified for this purpose. The Request for Amendment Form shall be raised by the respective Head of Department. Please refer Annexure A for a copy of “Request for Amendment Form”.

Where a new service is planned to be introduced, such a request shall be accompanied with a detailed description of the service and approved operation procedures.

The Request for Amendment Form shall be forwarded to HOD - Finance, who shall review it with the Executive Director (for his approval) and include the same in agenda for the forthcoming meetings of the executive committee and Board of Directors for approval.

G.3. AMENDMENT CONTROL LOG

A central repository of all amendments made shall be maintained in an Amendment Control Log by the HOD - Finance and shall form part of each chapter in this manual for the reference of those who shall not receive Request for Amendment Form. Please refer to “Annexure B” for a copy of “The Amendment Control Log”.

G.4. AMENDMENT TO THE HARD COPY

Any amendment to this manual shall warrant a reprinting of the affected chapter and issuance to those users who are holding hard copies. This shall be so due to the amendment of the version number of the chapter which shall be changed by the Finance Department.

On receiving the approved Request for Amendment Form, the Finance Department shall incorporate the changes in the electronic copy of the manual and then make the necessary printouts.

In the interest of economising one shall choose to reprint only the modified pages. This is possible when a modification does not change the page number on which any subsequent sub headings can be found. In this case the affected pages shall physically be removed from the existing copy of this manual and new pages inserted to replace them.
Where a modification shall change the page number on which a subsequent sub heading can be found then the affected chapter shall physically be removed from the existing hardcopy of this manual and the updated chapter shall be reprinted and inserted in this manual.

G.5. AMENDMENT TO THE ELECTRONIC COPY

The original electronic file containing the respective chapter that needs amendment shall be copied and saved with a new version number equivalent to the old version number plus one by the Information Technology Department, thus ensuring that the original file remains unchanged.

The amended electronic copy shall be forwarded to the IT department for replacing the existing electronic copy on the website with the amended electronic copy.
H. DOCUMENT CONTROL

H.1. VOUCHERS AND FORMS

All departments shall adhere to and use the standard forms prepared and distributed. The standard templates (wherever manual documentation takes place) shall be provided to each department.

The Deputy Director shall be responsible for the printing and production of forms and providing the same to department to ensure consistency throughout the HSA.

Any changes to forms shall be well justified to the HOD - Finance before they can be approved by Executive Director.

Data entry on the computer system shall be supported by a serially numbered vouchers / data entry forms. These vouchers shall either be pre-numbered or shall be assigned numbers manually.

All pre-numbered vouchers / forms shall be held with one individual in the department and shall be filed with that individual. All original cancelled pre-numbered forms shall be retained as record of their cancellation. All numbers in the serial shall be accounted for at any point in time.

For vouchers / forms requiring manual numbering and utilising a serial number, one individual shall maintain a register of the used serials. It shall also be this individual who assigns the next serial number to a vouchers / form as per the register. All used serials shall be accounted for and supported by a numbered form at any point in time.

The HOD - Finance shall periodically assign an employee of the department to verify that all vouchers / form serial numbers are accounted for by reviewing the audit trail. Any missing serials shall be investigated and the problem rectified.

In preparation of any voucher or form all blank lines and / or spaces shall be crossed out before the voucher or form is approved.

H.2. ERASURES AND ALTERATIONS

Modification of forms / vouchers shall be conducted very carefully. If an internal form’s details have not been posted into the system and the form needs to be modified one of two things shall be done:

- If the form is pre-numbered then the mistake shall be crossed out in pen, the correct value recorded and the individual making the modification shall initial the form where the alteration has been made. Correcting fluid shall not be used to make alterations; and

- If the form’s serial number is manually entered on the form from a register then the form itself shall be destroyed and a new one with the correct details on it shall be prepared.

If a form’s details have been entered into the system and posted then the entry shall be completely reversed through a fully documented reversal journal entry and a new journal entry shall be created with the correct details and posted.

Alterations should be initialled by the person authorising the documents, all blank lines or spaces should be crossed out.
H.3. RETENTION AND DISPOSAL

H.3.1 Policy for Retention Periods

All documents shall be retained for a period of ten years, the responsibility of which shall be of the respective Heads of Departments. Upon expiry of the retention period the documents shall be destroyed.

Retention periods shall begin at the end of the financial year in which the document was created and settled. Where a document is being disputed then the retention period shall begin at the end of the financial year in which the dispute and the document are settled.

Retention periods shall end at the end of the financial year in which the document completes the retention period, after which the document shall be destroyed.

Where a document is to be maintained forever then the retention period shall be ‘Indefinite’ (e.g. legal documents, etc). Documents that shall be maintained for an indefinite period of time shall be kept to a minimum which shall be ensured by the respective HOD.

H.3.2 Storage of Documents

Documents shall be stored in fire resistant filing cabinets for one year, within the access of the employees using the documents. The contents of each cabinet shall be labelled clearly to allow quick retrieval of documents when required.

After completion of the external and donor audit for a particular year, the documents shall be moved to fire resistant filing cabinets in the Archives section (Stores).

H.3.3 Destruction of Documents

All documents shall be destroyed upon expiry of their retention period. If any documents labelled ‘Indefinite’ are seen, for a valid reason, to warrant disposal, approval shall be sought from HOD - Finance, after which the document shall be destroyed.

H.3.4 Method of Destruction

The method of destruction of documents shall be left to the discretion of the HOD - Finance, but the following principles shall be observed.

- All confidential documents shall be either burned or shredded;
- Other documents shall be disposed off in the fastest, most economical and environment friendly manner;
- Destruction of documents shall be supervised by a committee appointed by the Executive Committee.
# Annexure A – Request for Amendment Form

**Health Services Academy**  
REQUEST FOR AMENDMENT FORM

<table>
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<th>Section / sub section</th>
<th>Page reference</th>
<th>Type of amendment (addition / deletion / modification to an existing policy or procedure)</th>
<th>Description of amendment and reasons for amendment</th>
</tr>
</thead>
</table>

Amendment No __________  
Date of Amendment ___/___/___

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Name of Proposer  
Signature of Proposer  
Reviewed by  
Approved by  

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09 May 2013
# Annexure B – Amendment Control Log

<table>
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Prepared by:    Reviewed by:
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<td>Approve</td>
<td>Approve</td>
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<td>Responsible</td>
<td>Receive Queries</td>
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A. SCOPE OF CHAPTER

This chapter outlines the structure of procurement function within the overall organisational structure of Health Services Academy (HSA).
B. ORGANISATIONAL CHART

Board of Governors

Executive Director

Registrar (BS-20)

Professor (BS-20)

Assistant Professor (BS-19)

Assistant Professor (BS-18)

Lecturer (BS-17)

Deputy Director (Admin) (BS-18)

Assistant Director (Admin) (BS-17)

Civil Engineer (BS-16)

Deputy Director (Finance) (BS-18)

Assistant Director (Finance) (BS-17)

Telephone Operator (BS-16)

Superintendent (BS-16)

Accounts Officer (BS-16)

Librarian (BS-16)
Chapter-3

Key Accounting Principles
# Chapter 3 – Key Accounting Principles

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A. SCOPE OF THE CHAPTER

This chapter comprises of accounting principles, and policies relating to preparation and presentation of financial statements of Health Services Academy (HSA).

These accounting principles and policies shall be applied to all financial information prepared by the HSA and in particular the financial reporting package prepared on a monthly and annual basis as discussed in Financial Reporting chapter of this manual.

The financial statements of the HSA shall be prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards shall comprise of Accounting and Reporting Standard (AFRS) for Medium – Sized Entities issued by the Institute of Chartered Accountants of Pakistan.
B. KEY ACCOUNTING PRINCIPLES AND ASSUMPTIONS

B.1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The HSA’s financial statements shall be prepared in accordance with generally accepted accounting standards and approved financial reporting standards as applicable in Pakistan.

B.2. BASIS OF MEASUREMENT

The financial statements of the HSA shall be prepared on the historical cost basis except for revaluation of certain financial instruments at fair value and recognition of employee retirement benefits at present value.

The preparation of financial statements in conformity with approved accounting standards shall require the use of certain critical accounting estimates. It shall also require management to exercise its judgment in the process of applying the HSA’s accounting policies. Estimates and judgments shall be continually evaluated and shall be based on historical experience, including expectations of future events that shall be believed to be reasonable under the circumstances.

B.3. UNDERLYING ASSUMPTIONS

B.3.1. Accrual Basis

The financial statements shall be prepared on the accrual basis of accounting. Under this basis, the effects of transactions and other events shall be recognised when they occur (and not as cash or its equivalent is received or paid) and they shall be recorded in the accounting records and reported in the financial statements of the periods to which they relate.

B.3.2. Going Concern

The financial statements shall be prepared on the assumption that the HSA is a going concern and will continue in operation for the foreseeable future. Hence, it shall be assumed that the HSA has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used shall be disclosed.
B.4. QUALITATIVE CHARACTERISTICS AND OTHER CONSIDERATION FOR PREPARATION OF FINANCIAL STATEMENTS

Qualitative characteristics are the attributes that make the information provided in financial statements of the HSA useful to users. The HSA shall comply with the following principal qualitative characteristics as provided in IFRS Framework for the preparation of financial statements:

B.4.1. Understandability

An essential quality of the information provided in the HSA’s financial statements is that it is readily understandable by users. For this purpose, users shall be assumed to have a reasonable knowledge of academic activities and accounting and a willingness to study the information with reasonable diligence. However, information about complex matters that should be included in the financial statements shall not be excluded merely on the grounds that it may be too difficult for certain users to understand.

B.4.2. Relevance

To be useful, the information in the HSA’s financial statements must be relevant to the decision-making needs of users. The relevance of information is affected by its nature and materiality.

The requirements of International Accounting Standard (IAS) 1 ‘Presentation of Financial Statements’ to disclose the material information and aggregation of similar items have been discussed below.

B.4.2.1. Materiality and Aggregation

Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they shall be immaterial.

Financial statements result from processing large numbers of transactions or other events that shall be aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification shall be the presentation of condensed and classified data, which shall form line items on the face of the balance sheet, income statement, statement of changes in equity and cash flow statement, or in the notes. If a line item shall not be individually material, it shall be aggregated with other items either on the face of those statements or in the notes. An item that shall not be sufficiently material to warrant separate presentation on the face of those statements may nevertheless be sufficiently material for it to be presented separately in the notes.

B.4.3. Reliability

To be useful, the information in the HSA’s financial statements must also be reliable. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users of the financial information to represent faithfully that which it either purports to represent or could reasonably be expected to represent. As per the requirements of IFRS Framework for the preparation of financial statements the information shall be reliable if it has following characteristics:
B.4.3.1. Faithful Representation

To be reliable, the information in the financial statements must represent faithfully the transactions and other events it either purports to represent or could reasonably be expected to represent. Thus, for example, the balance sheet of the HSA should represent faithfully the transactions and other events that result in assets, liabilities and equity of the entity at the reporting date which meet the recognition criteria.

B.4.3.2. Substance Over Form

If information is to represent faithfully in the financial statements of the HSA the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form.

The substance of transactions or other events is not always consistent with that which is apparent from their legal or contrived form. For example, an entity may dispose of an asset to another party in such a way that the documentation purports to pass legal ownership to that party; nevertheless, agreements may exist that ensure that the entity continues to enjoy the future economic benefits embodied in the asset. In such circumstances, the reporting of a sale would not represent faithfully the transaction entered into (if indeed there was a transaction).

B.4.3.3. Neutrality

To be reliable, the information contained in the HSA’s financial statements must be neutral, that is, free from bias. Financial statements are not neutral if, by the selection or presentation of information, they influence the making of a decision or judgment in order to achieve a predetermined result or outcome.

B.4.3.4. Prudence

The management of the HSA shall exercise the concept of prudence when preparing the financial information.

Prudence shall be the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or income shall not be overstated and liabilities or expenses shall be not understated. However, the exercise of prudence shall not allow, for example, the creation of hidden reserves or excessive provisions, the deliberate understatement of assets or income, or the deliberate overstatement of liabilities or expenses, because the financial statements would not be neutral and, therefore, not have the quality of reliability.

B.4.3.5. Completeness

To be reliable, the information in financial statements of the HSA must be complete within the bounds of materiality and cost. An omission can cause information to be false or misleading and thus unreliable and deficient in terms of its relevance.

B.4.4. Comparability

The users of the HSA’s financial statements must be able to compare the financial statements through time in order to identify trends in its financial position and performance. Hence, the measurement and display of the financial effect of like transactions and other events must be carried out in a consistent way throughout the HSA and over time for the HSA. The requirements of IAS 1 ‘Presentation of Financial Statements’ with respect consistency are as follows:
B.4.4.1. Consistency

The presentation and classification of items in the financial statements shall be kept consistent from one period to the next unless:

- it shall be apparent, following a significant change in the nature of the HSA’s operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS 8; or
- any IAS / IFRS or an Interpretation requires a change in presentation; or
- Due to the changes in the requirements of Companies Ordinance 1984.

A significant acquisition or disposal, or a review of the presentation of the financial statements, might suggest that the financial statements need to be presented differently. The HSA shall change the presentation of its financial statements only if the changed presentation provides information that shall be reliable and shall be more relevant to users of the financial statements and the revised structure shall be likely to continue, so that comparability shall not be impaired. When making such changes in presentation, the HSA reclassifies its comparative information.

B.4.5. Other Considerations for Preparation Of Financial Statements

The HSA shall comply with the following additional considerations provided in IAS 1 for preparation of financial statements:

B.4.5.1. Fair Presentation and Compliance with IFRSs

The HSA shall present fairly the financial position, financial performance and cash flows in its financial statements. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the IFRS Framework for preparation of financial statements. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

B.4.5.2. Offsetting

Assets and liabilities, and income and expenses, shall not be offset unless required or permitted by any IAS / IFRS or an Interpretation.

It shall be important that assets and liabilities, and income and expenses, shall be reported separately. Offsetting in the income statement or the balance sheet, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users of the HSA financial statements both to understand the transactions, other events and conditions that have occurred and to assess the HSA’s future cash flows.

There are certain items which can be set off which adhere to the above mentioned policies. These items include General Sales Tax, Discounts and receivables and payables to Foreign Administration for the International business services.

B.4.5.3. Comparative Information

Comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements except when any IAS / IFRS or an Interpretation permits or requires otherwise. Comparative information shall be included for narrative and descriptive information when it shall be relevant to an understanding of the current period’s financial statements.
When the presentation or classification of items in the financial statements shall be amended, comparative amounts shall be reclassified unless the reclassification shall be impracticable. When comparative amounts shall be reclassified, the HSA shall disclose:

- the nature of the reclassification;
- the amount of each item or class of items that shall be reclassified; and
- The reason for the reclassification.

When it shall be impracticable to reclassify comparative amounts, the HSA shall disclose:

- the reason for not reclassifying the amounts; and
- The nature of the adjustments that would have been made if the amounts had been reclassified.
Chapter-4

Capital Expenditure and Other Non-Current Assets
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A. **SCOPE OF CHAPTER**

This chapter states the policies and procedures of Health Services Academy (the HSA) relating to capital expenditure and non-current assets (tangible and intangible assets) and its management.

The procurement cycle for capital expenditure from the initiation of a purchase request, its review, approval, ordering till the asset is received by the end user has been covered in the Procurement Management Manual.

This chapter deals with the recognition, de-recognition, transfer and safeguarding of assets and maintenance of the fixed assets register of the HSA. This chapter also provides the flow of transactions, accounting entries, standard forms, management reports and authority limits that shall be abided by the employees of the HSA.

Capital expenditure activities for a financial year are carried out based on the Capital Expenditure Programme, which is prepared with annual budget and approved by the Executive Committee (EC) and Board of Governors (BoG).
B. DEFINITIONS

For the purpose of this chapter following terms shall have given description:

B.1. AMORTISATION
Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

B.2. CAPITAL EXPENDITURE PROGRAMME
The Capital Expenditure Programme details the proposed financial commitment of planned capital expenditure. The EC and BoG shall approve the proposed expenditure for the coming fiscal year within the Capital Expenditure Programme.

B.3. CARRYING AMOUNT
Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

B.4. COST
Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of Accounting and Financial Reporting Standards for medium-sized entities issued by the Institute of Chartered Accountants of Pakistan.

B.5. CURRENT ASSET
Current asset is an asset that satisfies any of the following criteria:
- it is expected to be realised in, or is intended for sale or consumption in, the HSA’s normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within twelve months after the balance sheet date; or
- it is cash or a cash equivalent asset unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

B.6. DEPRECIABLE AMOUNT
Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

B.7. DEPRECIATION
Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

B.8. DEPRECIATION METHOD
Straight line method is used to allocate the depreciable amount of an asset over its useful life.

B.9. ECONOMIC BENEFITS
Future services or benefits that may, directly or indirectly, help in generating cash flows.
B.10. **FAIR VALUE**

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

B.11. **FIXED ASSETS REGISTER (FAR)**

FAR is an itemised register of fixed assets maintained by the HSA, which at a minimum includes, the particulars as mentioned in this chapter.

B.12. **INTANGIBLE ASSET**

An intangible asset shall refer to an identifiable non-monetary asset without physical substance.

To be identifiable, it must either:

- Be separable, i.e. capable of being separated or divided from the HSA and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability; or
- Arise from contractual or other legal rights, regardless of whether these rights are transferable or separable from the HSA or from other rights and obligations.

B.13. **IMPAIRMENT LOSS**

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

B.14. **LOCATION**

Location includes, but is not restricted to department or construction site.

B.15. **MONETARY ASSETS**

Monetary assets are money held and assets to be received in fixed or determinable amounts of money.

B.16. **NET BOOK VALUE OF AN ASSET**

Net book value of an asset is the historical cost or re-valued amount of the asset less its accumulated depreciation and accumulated impairment loss.

B.17. **NON-CURRENT ASSET**

A non-current asset is an asset that does not meet the definition of a current asset. This chapter uses the term ‘non-current’ to include tangible and intangible assets.

B.18. **PROPERTY AND EQUIPMENT**

Property and equipment are tangible items that:

- are held, for official use, for administrative purpose and for rental to others, or; and
- are expected to be used during more than one period.

B.19. **RECOVERABLE AMOUNT**

Recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use.
B.20. RETIREMENT

Retirement maybe initiated when no future economic benefits are expected from an intangible assets use. The reasons for retirement may include obsolescence of an intangible asset or the expiration of the term of a licence / software acquired.

B.21. RESIDUAL VALUE

The residual value of an asset is the estimated amount that the HSA would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

B.22. USEFUL LIFE

Useful life is the period over which an asset is expected to be available for use by the HSA.
C. POLICIES

Policies have been broadly categorised into the following:

- Non-Current Assets (Policies common for both tangible and intangible assets)
- Tangible Assets
- Intangible Assets
C.1. **NON-CURRENT ASSETS**

The following policies are applicable to non-current assets which include tangible assets and intangible assets.

### C.1.1. **Asset Capitalisation Limit**

Asset capitalisation limit for tangible and intangible assets shall be Rs. 10,000 per item.

Any item of tangible and intangible assets having a cost of less than the capitalisation limit shall be charged to the profit and loss account as an operating expense. However, the Administration Department, shall maintain a separate listing for assets below capitalisation limit for control purposes.

### C.1.2. **Subsequent Expenditure and Enhancement Costs**

Subsequent expenditure relating to a fixed asset shall be added to the carrying amount of the asset when the expenditure meets the asset recognition criteria in section C.3.1 of this chapter and it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing asset or the estimated useful life, will flow to the HSA.

The expenditure so capitalised shall be included in the FAR as a sub-asset, thus the asset code generated for such capitalisation shall have a reference to the main asset. The depreciation charge on the subsequent expenditure capitalised shall be based on the remaining useful life of the asset and not the original life of the asset. Expenditure on maintenance, repairs, minor improvements to assets and renewals that does not result in enhancement of the future economic benefits to HSA shall be expensed out in the profit and loss account as and when incurred.

### C.1.3. **Asset Issuance**

All assets shall be issued subject to completion of “Asset Requisition Form” and approval of the same by Head of Department and HOD Finance. Upon issuance of the asset, the particulars (i.e. custodian, location, etc) shall be updated accordingly.

### C.1.4. **Asset Insurance**

The Administration Department shall ensure that all assets are adequately insured. And, the insurance claims are submitted timely in case of any fire, loss or damage to assets.

### C.1.5. **Asset Coding**

The asset code shall be affixed clearly on each fixed asset item. The code shall be the same as per fixed asset register. This number shall be checked during physical verification of assets.

The asset code shall be divided into following four parts:
Separate coding series shall be maintained for each project or program asset. This will ease the asset disposition at project close-out.

### C.1.6. Asset Write Offs

Assets which shall be considered no longer useful may be demolished, destroyed, scrapped or disposed off subject to the recommendation of the “Asset Verification Committee”, which the ED will constitute, comprising of following members:

- One member from Academic Department;
- One member from Internal Audit Department;
- One member from Finance Department; and
- One member from Administration Department

Net book value of the assets shall be written off at the time of disposal of the respective asset and a gain or loss on disposal shall be recorded accordingly.

Assets with a residual market value shall be sold to a third party through a tender process. Assets with residual market value below cost of tendering process shall be disposed off through ordinary quotations enquiry process. Prior to sale to the public, the assets excluding exchange equipment shall be offered for sale to the employees of the company.

Assets written off shall be disposed off / scrapped / sold within three months of being written off.

### C.1.7. Asset Disposals

Assets not in use shall be classified as “held for sale”. Assets identified as not in use (write off cases) shall not be subject to a depreciation charge. On disposal of assets, a gain or loss on disposal of assets shall be recorded being the difference between net book value and estimated residual value, if any.

Disposal of tangible assets shall be approved by the Executive Director on recommendation by “Asset Verification Committee” and shall be disposed off either to the employees of the company or to third parties.

Gains or losses on disposal of non-current assets shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. It shall be recognised in the profit or loss account when the asset is disposed off.

Any gains or losses on the disposal of assets shall be credited or debited to “Gain or loss on disposal of asset” account.

Donors’ regulations or guidelines, related to “asset disposition” (for donated assets or asset acquired through grant assistance) shall prevail incase of any conflict with the above asset...
disposal policies.

The Donors’ regulations related to “asset disposition (at project end)” may require the HSA:

- To dispose the donated or program asset and forward the sale proceeds to donor, after deduction of selling expenses;
- Transfer the donated or program asset to some other project; or
- To retain the donated or program assets for use in furtherance of its objectives.

C.1.8. Asset Verification

The Administration Department shall be responsible for safeguarding the all assets. All tangible assets shall be subject to an annual independent physical verification by “Asset Verification Committee”.

The process shall be initiated by “Internal Audit Department”. The verification process shall include all the assets (including assets below capitalization limit – recorded in separate list maintained by the Administration Department for control purposes) including the nil value assets.

The Administration Department shall be responsible to ensure that a process of physical verification of assets is implemented in coordination with the concerned departments. It shall also be the responsibility of “Administration Department” to submit the results of the physical verification, with reasoning of missing assets or any other differences, to the Finance Department for review and approval by Joint Director and Executive Director.

The fixed assets shall also be verified and reconciled by the independent external firm of Chartered Accountants, once after every three years.

C.1.9. Maintenance of Fixed Asset Register

Access to the FAR shall be restricted to the Finance Support Officer, responsible to record entries regarding asset recognition / asset disposals / asset write offs / asset transfers / adjustments / impairments / depreciation / amortisation.

C.1.10. Impairment Testing

As part of annual physical verification process, the “Asset Verification Committee” shall assess whether any indication exists that an asset may be impaired. If such indication exists, the carrying amount of such assets shall be reviewed to assess whether they have been recorded in excess of their recoverable amount.

Where carrying values exceed the respective recoverable amount, assets shall be written down to their recoverable amount with the approval of Joint Director and Executive Director. After the recognition of an impairment loss, the depreciation charge shall be adjusted for the future periods to allocate the assets’ revised carrying amount over its useful life.
C.2. TANGIBLE ASSETS

C.2.1 Asset Recognition

All Property and Equipment shall be recorded either on completion of Capital Work in Progress or through direct purchases of assets.

An item shall be recognised as Property and Equipment in the books of account, only if it meets the following criteria:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the HSA; and
- it’s cost can be measured reliably;

An item of Property and Equipment that qualifies for recognition as an asset shall initially be recorded at its cost. All items capitalised as Property and Equipment shall be included in the FAR. An asset code shall be generated from the FAR and the asset shall be tagged accordingly.

C.2.2 Carrying Value of an Asset

Property and Equipment, except freehold land shall be stated at cost less accumulated depreciation and impairment loss, if any. Freehold land and capital work in progress are stated at cost less any identified impairment loss. Cost includes direct cost, related overheads and mark up.

C.2.3 Depreciation

Depreciation on Property and Equipment shall be charged to the profit and loss account using the straight line method so as to write off the depreciable cost of the assets over their estimated useful lives at the rates given below.

Depreciation on additions shall be charged from the month the asset is available for use, while no depreciation shall be charged in the month in which the asset is disposed off.

The depreciable amount of an asset is determined after deducting its residual value.

In the case of subsequent expenditure which is capitalised, the depreciation charge shall be based on the remaining useful life of the asset and not the original life of the asset.

<table>
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<th>Class of asset</th>
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<tr>
<td>Buildings</td>
<td>5</td>
</tr>
<tr>
<td>Machinery and electrical equipment</td>
<td>10</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>33</td>
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Office equipment  &  20  
Furniture and fixtures  &  20  
Vehicles  &  20  

C.2.4 Cost of an Asset

The cost of an item of Property and Equipment shall comprise of:

a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the HSA; and

C.2.5 Relocated Assets

All the costs associated with installing the asset in its new location (including any additional cabling or trenching work, removal and transportation from original location) will be charged to the profit and loss account.
C.3 INTANGIBLE ASSETS

C.3.1. Asset Recognition

An intangible asset shall be recognised if, and only if:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the company; and
- the cost of the asset can be measured reliably.

C.3.2. Carrying Value of an Asset

Non-tangible assets shall be stated at cost less accumulated amortisation and impairment loss, if any.

C.3.3. Copyrights and Donors right

The HSA may copyright any work that is subject to copyright and was developed or for which ownership was purchased under an award. Further, the donor shall have royalty-free and non-exclusive right to reproduce, publish or otherwise use the work for its use or authorize others to do so.

C.3.4. Amortisation

Amortisation on intangible assets shall be charged to the profit and loss account using the straight line method so as to write off the cost of the assets over their estimated useful lives.

Amortisation on additions to intangible assets shall be charged from the month in which an asset is acquired or capitalised while no amortisation shall be charged for the month in which the asset is disposed off.

C.3.5. Cost of an Asset

The cost of a separately acquired intangible asset comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any directly attributable cost of preparing the asset for its intended use.
The directly attributable includes the following costs:

- costs of employee benefits arising directly from bringing the asset to its working condition;
- professional fees arising directly from bringing the asset to its working condition; and
- costs of testing whether the asset shall be functioning properly.

Expenditure that shall not be part of the cost of an intangible asset includes the following:

- costs of introducing a new product or service (including costs of advertising and promotional activities); and
- Administration and other general overhead costs.

The following cost shall also be expensed out:

- Start-up costs;
- Training costs;
- Advertising and promotional costs; and
- Relocation or reorganisation costs.
D. PROCEDURES

This section contains the procedures related to following:

- Non-Current Assets (Procedures common for both tangible and intangible assets)
- Tangible Assets
- Intangible Assets
D.1. NON-CURRENT ASSETS – TANGIBLE

Tangible assets shall comprise of the following categories:

- Land
- Buildings
- Machinery and electrical equipment
- Office equipment
- Furniture and fixtures
- Computer equipment; and
- Vehicles

D.1.1. Asset Recognition

For a direct purchase of an asset, the administration department on receipt of the requested asset shall raise a Goods Received Note (GRN), which the end-user will counter sign. On generation of the GRN, a tangible asset shall be recorded and a liability shall be recorded in the general ledger. For accounting entries please refer to Annexure A to this chapter.

The Finance Department will generate an asset code for newly purchased asset and Administration Department shall tag the asset accordingly.

D.1.2. Asset Coding

The Administration Department shall ensure on quarterly basis that coding has been done on all fixed assets acquired and issued.

Tagging and coding shall be done immediately at the time of asset issuance by the Administration Department after generation of fixed asset code as per HSA policy.

D.1.3. Assets Issuance

The issuance of asset to staff or other users shall be subject to the following provisions:

Asset Requisition / Issuance Form shall be completed by end-user and forwarded to Administration departmental head for approval. Please refer to annexure B for a copy of “Asset Requisition Form”
On receipt of Asset Requisition Form, availability shall be checked by Stores Officer and details thereof are filled in. The form shall be then forwarded to Administration for authorization.

The asset, if available in stores, shall be issued through the same form; and

In case the requested item is not available, the fact shall be intimated to the Procurement Officer who then initiates the procurement process after approval by HOD Administration.

**D.1.4. Asset Write offs**

When an asset or class of assets is identified, by the “Asset Verification Committee” during yearly physical verification of assets, as a write off item, the following procedures shall be carried out:

- The Asset Verification Committee shall:
  - confirm that the assets cannot be replaced under warranty or are beyond economic repair and shall not be used in the foreseeable future; and
  - confirm that the assets are obsolete
  - assets are missing

- Once the above procedures have been completed, the committee shall document the reasons / justification for write off on the Proposed Write off Report and possibly recommend that the asset(s) be scrapped or sold

- The Proposed Write off Report with the reasons / justification for write off shall be submitted to the Joint Director and Executive Director for their review and approval

- After the approval of the write off report, the Finance Officer shall update the FAR by making the entry in the Asset Accounting Module which shall mark those assets as write off cases until disposal of those assets take place. Once marked as write off cases, depreciation against those assets shall not be charged. A provision for loss on disposal of these assets shall be calculated and recorded. For accounting entries please refer to Annexure A to this chapter.

- The asset may be kept at the existing location or be physically transferred to the Stores or held in a separate designated area, as the case may be, until the asset is disposed off / scrapped / sold within three months from the date of write off.
**D.1.5. Asset Disposals**

The HSA may decide to dispose-off a particular asset(s) and delete it from the books of account. When an asset or a class of assets is to be disposed-off, the following procedures shall be adhered to:

- The Administration Department based on the approved write off shall identify the assets to be disposed off and prepare an Asset Disposal. Please refer to Annexure C for a copy of “Asset Disposal Form”

- Where the assets are to be scrapped or destroyed as per the recommendation of the Asset Verification Committee, the ADF shall state the same and the assets shall be scrapped or destroyed as soon as possible after the approval of the ADF by the Executive Director.

- Where assets are lost, damaged or destroyed their loss shall be adjusted against the insurance reserve.

- The assets may be sold to the public or to the HSA’s employees. Prior to disposal to the public, the assets (vehicles, office equipment and furniture and fixtures) may be offered to the company’s employees. Employees shall submit their bids within the due date specified, only for the numbers of items as required by him / her for personal use and this should be clearly mentioned in each individual bid.

  The bids shall be opened immediately after the last date of submission of the bid by the Asset Disposal Team, which the ED will constitute, comprising of following members:

  - One member from Internal Audit Department;
  - One member from Finance Department; and
  - One member from Administration Department

  A summary of the bids shall be prepared by the Administration. The Asset Disposal Team shall review the summary and accept the employee with the highest bid. The asset shall be transferred to the successful employee on receipt of the full bid amount.

- Where the asset(s) are to be sold to the public, the Asset Disposal Team shall invite public bids through an advertisement in a newspaper. The Asset Disposal Team shall determine a minimum bid value (market realisable value against each asset)
that shall be acceptable to the HSA. The frequency of inviting public bids will depend upon accumulated volumes of assets.

- All bidders shall be required to deposit five percent of the value of their bid through pay order / bank draft along with their bid price in sealed envelopes within the due date to be set by the Asset Disposal Team.

- On close of bid date, the Asset Disposal Team, shall evaluate the bids and accept the highest price offered.

- On accepting the bid, the bidder shall be asked to submit the balance amount to the HSA (within a certain number of days – to be decided by the Asset Disposal Team depending on the volume of disposals) and on receipt of payment of the balance amount, the asset shall be physically transferred to the successful bidder. The deposits received from the other bidders shall be returned to them within seven days of the close of bid by the Asset Disposal Team.

- Once the assets are disposed of, the Administration shall forward the ADFs to the Finance Officer.

- The Finance Officer shall post the disposal entry in the general ledger and FAR and shall calculate resulting gain or loss after adjusting the provision for loss on disposal of assets recorded at the time the assets were marked as write off cases.

For accounting entries please refer to Annexure A to this chapter.

D.1.6. Depreciation

Additions to tangible assets shall be depreciated in accordance with the depreciation policy of the HSA applicable to that particular class of asset.

The depreciation for each asset shall be charged on monthly basis. This shall be reviewed and approved by the HOD Finance.

D.1.7. Assets Verification

The Administration Department shall be responsible for safe guarding the assets being used in his designated location. In this regard, an annual physical verification of assets shall be carried out. It shall be the responsibility of Internal Audit Department to initiate the annual physical verification process. The personnel performing the physical verification shall include members independent of the department where the physical verification is being carried out.
While carrying out the verification of assets, the following guidelines shall be observed:

- The Joint Director shall, before the annual physical verification exercise, form a “Physical Verification Committee” with composition as per policy.

- The Joint Director shall issue a memo stating the modalities and the time lines for completion of the exercise.

- The Finance Officer shall generate a “Report for Physical Verification” (Print out of the FAR - location wise). The report, among other information, shall also include the asset code for each asset.

- The Physical Verification Committee shall match the asset code from the Report for Physical Verification to the code on the tag of each asset (list to floor).

- Further, on a random basis, the Physical Verification Committee shall also match the asset code on the tag of the asset (floor to list) back to the Report for Physical Verification.

- In addition to the above procedures, the Physical Verification Committee shall also check and report separately on the following:
  - Assets without tags on them;
  - Physical condition of the assets, consideration for impairment testing;
  - Assets that are appearing in the fixed assets register but missing / lost;
  - Assets that are not in use that could be considered for disposal; and
  - Assets to be written off.

- After the completion of physical verification process, the report shall be forwarded to the Finance Department for necessary action and approval by Executive Director.

- After the approval of the compiled report, the Administration Department shall tag the assets which were found with no tags during the verification process.

- Where assets appearing in the fixed assets register are missing / lost it shall be the responsibility of Administration Department to provide a satisfactory explanation in writing to Joint Director and Executive Director. Where the explanation is satisfactory no action shall be taken except writing off the asset. However, where the explanation is not satisfactory, the Administration Department shall be responsible for ensuring that end-user shall replace the missing asset or make
payment to the extent of replacement value, as approved by the Joint Director, to the HSA.

**D.1.8. Maintenance of Fixed Asset Register**

Access to make entries in / amendments to the FAR shall be as per the HSA policy as given in this chapter.

The contents of the FAR shall be, as a minimum, in line with the requirements of TR-6 issued by the Institute of Chartered Accountants of Pakistan (ICAP) and donors’ regulations, which include the following:

- Asset description
- Nature of acquisition (i.e. purchased or donated)
- Asset code / tag
- Unit cost / total cost
- Date of acquisition
- Location / custodian
- Depreciation rate
- Written down value
- Make or manufacturer
- Model
- Serial number or other identification number
- Funding source (owned or donated) and award number
- Title; and
- Physical condition

*For the particulars of the FAR please refer to Annexure H to this chapter.*
**D.1.9. Impairment Testing**

The HSA policy states that impairment testing shall be conducted as part of the annual physical verification process. *For the asset verification process please refer to section D.1.6 of this chapter.* If the result of the physical verification exercise indicates that an asset(s) has / have been impaired, the Administration Department shall determine the recoverable amount for “Asset Verification Committee” to review and recommend the impairment adjustment.

If the carrying amount of the asset exceeds the recoverable amount then after having a discussion with the relevant department head, if required and obtaining the Executive Director’s concurrence, the shall enter the asset at the recoverable amount and post the impairment loss in general ledger and FAR.. *For accounting entries please refer to Annexure A to this chapter.*

In assessing whether any indication exists that an asset may be impaired, the following indication shall be considered:

- **External indicators shall include:**

  - Significant decline in the asset’s market value (e.g. more than would be expected as a result of the passage of time or normal use).

  - Significant changes with an adverse effect on the HSA that may take place during a period, or shall take place in the near future, in the technological, market, economic or legal environment in which the HSA operates or in the market to which an asset has been dedicated.

- **Internal indicators shall include:**

  - Evidence available of obsolescence or physical damage of an asset.

  - Significant changes with an adverse effect on the HSA that may take place during a period, or shall be expected to take place in the near future, in the extent to which, or manner in which, the asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which the asset belongs, plans to dispose of the asset before the previously expected date, and reassessing the useful life of the asset as finite rather than indefinite.

  - Evidence available from internal reporting that indicates that the economic performance of the asset is, or shall be, worse than expected.
The above list is not exhaustive, and the HSA may identify other indications that the asset may be impaired.

- Evidence of internal indicators that an asset may be impaired includes the existence of:

- Cash flows for acquiring the asset, or subsequent cash needs for operating or maintaining it, that shall be significantly higher than those originally budgeted;

- Actual net cash flows or operating profit or loss flowing from the asset that shall be significantly worse than those budgeted;

- Significant decline in budgeted net cash flows or operating profit, or a significant increase in budgeted loss, flowing from the asset; or

- Operating losses or net cash outflows for the asset, when current period amounts shall be aggregated with budgeted amounts for the future.

If any indication exists that an asset may be impaired, this may indicate that the remaining useful life, the depreciation (amortisation) method or the residual value for the asset needs to be reviewed and adjusted in accordance with the standard applicable to the asset, even if no impairment loss is recognised for the asset.
D.2. NON-CURRENT ASSETS – INTANGIBLE

D.2.1. Asset Recognition

For a direct purchase of an intangible asset the recognition as an asset shall depend on its (i.e. software, patent, licence or research-work which requires copy-right registration, etc). Once the end user is ready to use a newly acquired intangible asset, the Administration Department shall raise a GRN, which the Head of concerned Department shall counter-sign. On generation of the GRN, an intangible asset shall be recorded and a liability shall be recorded in the general ledger. For accounting entries please refer to Annexure A to this chapter.

The asset code for this asset shall have a reference, identifying this asset to be an intangible asset.

D.2.2. Disposals / Retirement

The HSA may decide to dispose off / retire a particular intangible asset from the books of account. The following procedure shall be followed in respect of disposal / retirement of an intangible asset:

- The end user shall prepare an ADF justifying the reasons of the intended disposal / retirement.
- The documentation along with the justifications shall be sent for approval to the Executive Director for approval.
- The approved documentation shall be sent to Finance, to update the FAR.

D.2.3. Amortisation

Additions to intangible assets shall be amortised in accordance with the amortisation policy of the HSA keeping in view the useful life of the intangible asset.

The Finance Officer shall calculate the amortisation for each asset on a monthly basis, which shall be reviewed and approved by the HOD Finance.

D.2.4. Impairment Testing

The procedure for impairment testing of intangible assets shall as per process set-out in section D.1.9.
## ANNEXURE A – ACCOUNTING ENTRIES

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<thead>
<tr>
<th>Account Code</th>
<th>Account Head</th>
<th>Debit Rupees</th>
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<td><strong>On purchase of equipment</strong></td>
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<td></td>
<td>Advance to Suppliers</td>
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<td>Cash at Bank</td>
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<td>(Payment of advance)</td>
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<td>CWIP / Asset (Class of asset)</td>
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<tr>
<td></td>
<td>Accounts Payable</td>
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<td>(On receipt of equipment from the supplier)</td>
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<td></td>
<td>Retention Money Payable</td>
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<td>XXX</td>
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<td></td>
<td>Income/Sales Tax withheld</td>
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<td>XXX</td>
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<tr>
<td></td>
<td>Advance to Suppliers</td>
<td>XXX</td>
<td>XXX</td>
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<tr>
<td></td>
<td>Cash at Bank</td>
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<td>XXX</td>
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<td></td>
<td>(Payment against delivery on receipt of verified invoice)</td>
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<td></td>
<td>Retention Money Payable</td>
<td>XXX</td>
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<td></td>
<td>Cash at Bank</td>
<td>XXX</td>
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<tr>
<td></td>
<td>(Payment against retention money)</td>
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<td><strong>On purchase of tangible assets (Imports)</strong></td>
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<td>LC for Imports</td>
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<td></td>
<td>Cash at Bank</td>
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<tr>
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<td>(Placement of margin against delivery on receipt of shipping documents)</td>
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<td></td>
<td>Asset (Class of asset)</td>
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</table>
### Account Code

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<thead>
<tr>
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<th>Debit Rupees</th>
<th>Credit Rupees</th>
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<td>LC for Imports</td>
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<td>Cash at Bank</td>
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<td>(Clearance of margin on receipt of debit advise from bank)</td>
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### Depreciation - Tangible assets

<table>
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<td>Depreciation Expenses</td>
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<td></td>
<td>Accumulated Depreciation</td>
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<tr>
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<td>(Recording depreciation of tangible assets)</td>
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### On disposal - Tangible assets

<table>
<thead>
<tr>
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<th>Account Head</th>
<th>Debit Rupees</th>
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<tbody>
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<td>Accumulated Depreciation</td>
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<td>XXX</td>
</tr>
<tr>
<td></td>
<td>Loss on Disposal of Asset</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td></td>
<td>Bank / Cash Accounts</td>
<td>XXX</td>
<td>XXX</td>
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<tr>
<td></td>
<td>Asset (Original cost)</td>
<td></td>
<td>XXX</td>
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<tr>
<td></td>
<td>Gain on Disposal of Asset</td>
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<td>XXX</td>
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<td></td>
<td>(Disposal of tangible assets and recording of gain / loss on disposal)</td>
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### Capitalisation of CWIP – Intangible assets

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<th>Account Head</th>
<th>Debit Rupees</th>
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<td>Intangible Assets</td>
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<tr>
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<td>CWIP (Class of asset)</td>
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<tr>
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<td>(Capitalisation of CWIP)</td>
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### Direct addition – Intangible assets
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<tr>
<th>Account Code</th>
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<th>Debit Rupees</th>
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<tr>
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<td>Intangible Assets</td>
<td>XXX</td>
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</tr>
<tr>
<td></td>
<td>Bank / Cash</td>
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<tr>
<td></td>
<td>(Direct acquisition of intangible asset)</td>
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**Amortisation - Intangible assets**

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<th>Account Code</th>
<th>Account Head</th>
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<td>Amortisation Expense</td>
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<tr>
<td></td>
<td>Accumulated Amortisation</td>
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<tr>
<td></td>
<td>(Recording amortisation of intangible assets)</td>
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</table>

**On retirement / – Intangible assets**

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Head</th>
<th>Debit Rupees</th>
<th>Credit Rupees</th>
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<tbody>
<tr>
<td></td>
<td>Accumulated Amortisation</td>
<td>XXX</td>
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<tr>
<td></td>
<td>Loss on Disposal of Asset</td>
<td>XXX</td>
<td>XXX</td>
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<tr>
<td></td>
<td>Gain Disposal of Asset</td>
<td>XXX</td>
<td>XXX</td>
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<tr>
<td></td>
<td>(Disposal of intangible assets and recording of loss / gain on disposal)</td>
<td>XXX</td>
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</table>

**On write off of assets (tangible and intangible)**

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Head</th>
<th>Debit Rupees</th>
<th>Credit Rupees</th>
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<tbody>
<tr>
<td></td>
<td>Loss on Disposal of Assets</td>
<td>XXX</td>
<td>XXX</td>
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<tr>
<td></td>
<td>Provision For Loss on Disposal of Assets</td>
<td>XXX</td>
<td>XXX</td>
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<tr>
<td></td>
<td>(To record the provision for loss on disposal of assets at the time of marking assets as write off cases)</td>
<td>XXX</td>
<td>XXX</td>
</tr>
</tbody>
</table>
### Impairment of assets (tangible and intangible)

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Account Head</th>
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<tbody>
<tr>
<td></td>
<td>Impairment Loss Asset (Class of asset) (To record the impairment loss of an asset by recording it at its recoverable amount)</td>
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</table>
ANNEXURE B – ASSET REQUISITION / ISSUANCE FORM

HEALTH SERVICES ACADEMY
ASSET REQUISITION / ISSUANCE FORM

<table>
<thead>
<tr>
<th>Asset Code</th>
<th>Description and Category of Asset</th>
<th>Requisitioner Name</th>
<th>Department</th>
<th>Available in Stock</th>
<th>Asset Issued (if available)</th>
<th>Signature (Requisitioner)</th>
<th>Request to Procurement Department</th>
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<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td>YES</td>
<td>NO</td>
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Prepared by

Approval – Head of Department

Approval - Administration
### ANNEXURE C – ASSET DISPOSAL FORM

#### HEALTH SERVICES ACADEMY

#### ASSET DISPOSAL FORM

<table>
<thead>
<tr>
<th>Asset Code</th>
<th>Description and Category of Asset</th>
<th>Date of Purchase / Capitalisation</th>
<th>Cost</th>
<th>Accumulated Depreciation</th>
<th>Net Book Value (NBV)</th>
<th>Date of Disposal</th>
<th>Mode of Disposal</th>
<th>Sales Proceeds</th>
<th>Gain or Loss on Disposal</th>
<th>Reasons / Justification for Disposal</th>
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Prepared by
Reviewed by
Approved by

09 May 2013
### ANNEXURE D – ASSET WRITE OFF FORM

#### HEALTH SERVICES ACADEMY
ASSET WRITE OFF FORM

<table>
<thead>
<tr>
<th>Asset Code</th>
<th>Description and Category of Asset</th>
<th>Date of Purchase / Capitalisation</th>
<th>Cost</th>
<th>Accumulated Depreciation</th>
<th>Net Book Value (NBV)</th>
<th>Date of Write Off</th>
<th>Reasons / Justification for write off</th>
<th>Recommendation for Scrap / Disposal</th>
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ANNEXURE E – FIXED ASSET REGISTER

HEALTH SERVICES ACADEMY
FIXED ASSET REGISTER

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Chapter-5

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A. SCOPE OF CHAPTER

This chapter states the policies and procedures of the Health Services Academy (HSA) related to the planning and budgeting process.

The purpose of the planning process is to translate the vision and mission statement of the HSA into objectives and targets. These objectives shall be determined by taking into account opportunities and threats and by setting both financial and non-financial targets that can be monitored/measured against the HSA’s performance.

The planning process shall be initiated by the preparation of a strategic plan; in the form of a five year Master Plan (for details please refer to sections C.3 and D.1 of this chapter).

This chapter covers the following areas:

- Master Plan;
- Annual budget; and
- Budgetary Controls.
B. DEFINITIONS

B.1. ANNUAL BUDGET
The Annual budget is the HSA’s short term budget which covers the coming financial year. The Annual budget is the consolidation of the Revenue Budget, the Capital expenditure budget, the Human Resource Budget and the Expenditure Budget along with the projected financial statements of the HSA for the coming financial year.

B.2. CAPITAL EXPENDITURE BUDGET
The Capital expenditure budget details the proposed financial commitment of planned capital expenditure.

B.3. MASTER PLAN
The Master Plan is the HSA’s long term plan which consists of strategic plans and the financial impact of the same, both covering a period of five years.

B.4. PROJECT
Proposals for capital expenditure that are required by the HSA for expansion and improve efficiency are called projects.
C. POLICIES

The budgeting activities of the HSA shall be broadly divided into two categories, which are:

- Long term planning in the form of a Master Plan which shall cover a period of five years;
- Short term planning in the form of an Annual budget.

The Master Plan shall be revised every year along with the Annual budget. The HSA’s short term planning is part of the annual budgeting process which shall be in line with the Master Plan.

- Timelines and responsibilities
- Budget sequence
- Master plan
- Revenue budget
- Capital expenditure budget
- Human resource budget
- Operating expenditure budget
C.1. TIMELINES AND RESPONSIBILITIES

The planning and budgeting process results in a series of related budgets (as summarised in the table below). The timelines and responsibilities for the preparation of these related budgets are summarised as follows:

<table>
<thead>
<tr>
<th>Type of Plan / Budget</th>
<th>Initiation</th>
<th>Department Responsible for Preparation</th>
<th>Consolidation</th>
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<td>Expenditure Budget</td>
<td>April</td>
<td>Admin &amp; Finance Departments</td>
<td>Finance Department</td>
</tr>
<tr>
<td>Budget Pack*</td>
<td>April</td>
<td>Respective Departments</td>
<td>Finance Department</td>
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* This shall be reviewed and approved by the Executive Committee (EC) and onwards recommended to the Board of Governors (BoG) for approval.
C.2. BUDGET SEQUENCE

The budgeting process shall be initiated once the strategic plan within the Master Plan has been finalised.

Due to the interdependencies between the budgets and to enable the effective and efficient preparation of the Annual budget the sequence of preparation of the budgets shall be as follows:

- Revenue Budget (Fees revenue, GOP / foreign grant estimates, etc);
- Capital expenditure budget;
- Human Resource Budget; and
- Expenditure Budget.

The above mentioned budgets are interdependent on each other. Therefore the people responsible for preparing the budget shall make sure that they are constantly in touch with each other. The Joint Director shall call regular meetings to discuss the major changes during the preparation phase and the impact of such changes on the other budgets.
C.3. MASTER PLAN

The purpose of the Master Plan is to bridge the planning gap between the long term aspirations of the HSA and what actually is expected to be achieved within the context of a changing environment. Alternatively it gives the management early sight of key issues which may require goals to be adjusted.

The Master Plan shall be prepared for the next five years and shall be used to allocate resources within the HSA based on projected revenues and expenditure and to implement proposed strategies within the timelines set by the BoG and Executive Committee.

C.3.1. Preparation

The Executive Director shall instruct the Joint Director to prepare a Master Plan for the next five years which shall comprise of:

- a strategy plan; and
- a financial impact of these strategies for the next five years.

The input for the strategic plan shall be gathered from:

- The EC and BoG, directly or through the minutes of the meetings;
- The ED of the HSA; and
- Heads of Departments of the HSA.

The input for the financial impact of the strategies over the next five years shall be provided by the Heads of Departments at HSA. The strategy plan within the Master Plan shall be updated annually before the annual budget guidelines / instructions / assumptions are sent out. However, the financial impact of the updated strategies over the next five years shall be prepared by the Heads of Departments of the HSA while preparing and compiling the annual budget.

C.3.2. Review

The five year financial impact shall be submitted to the ED for review and onward submission to the EC for approval and recommendations.

C.3.3. Approval

The updated Master Plan shall be approved by the BoG every year along with the Annual budget. For the process of the final review, recommendation and approval please refer to section D.6 of this chapter.
C.4. **REVENUE BUDGET**

The purpose of the Revenue Budget is to provide the management of the HSA a detailed projection of grant receipts, fees revenue and other revenues for the coming financial year which can be used to measure the performance of the HSA.

C.4.1. **Preparation**

The Revenue Budget shall be prepared for the coming financial year and shall include a break-up between expected core activity revenue (i.e. academic programmes fee), grant receipts (including research activities) and other revenue.

Before the commencement of the annual budgeting process the Joint Director shall issue guidelines / instructions / assumptions (which shall be in conformity with the overall growth targets as recommended for approval by the BoG in the Master Plan) by end-February every year for use in the preparation and completion of the annual Budget.

C.4.1.1. **Academic Programmes Fees budget**

The Head of Academia Departments shall be responsible for the preparation of “fee budgets - academic activities” (e.g. Ph.D programme, MSPH programme, FCPS programme, MSC Programme, MS & PGD Programme, HRH Programme, etc).

Each Academia Department Head shall submit their budget forecasts to the Finance Department by 1st week of April every year for consolidation and onwards approval.

C.4.1.2. **Grant Receipts budgets (GoP, local and foreign donors)**

The HOD Finance, Project Management Department and Research & Development Department shall be responsible for the preparation Grant Receipts Budget.

The Project Management Department shall be responsible for projecting the grant receipts from local / foreign donors, of on-going projects and projects in pipelines, based on the terms of award agreements, related approvals and correspondence with donors.

The Research & Development Department shall be responsible for projecting the grant receipts from local / foreign donors, of on-going research activities and proposals in the approval process, based on their respective research activities budgets; and

The HOD Finance shall be responsible for projecting the GoP grant receipts (including donors grant receipts, if any) for the HSA core activities.

C.4.1.3. **Other Revenues budget**

The HOD Finance, with the assistance of Administration Department, shall be responsible for projecting the other revenue receipts (including rent of auditorium, revenue from rent of vehicles, donors grant receipts, if any).
C.4.2. **Review and Consolidation**

The Joint Director, with assistance of Finance Department, shall consolidate the revenue budget for review and approval by the ED and EC. Further, the Joint Director shall, ensure that the budget is in-line with the Master plan.

The EC, after their review and necessary changes, shall make recommendation, to the BoG, for final approval.

C.4.3. **Approval**

The ultimate approval of the annual budget rests with the BoG. For the process of the final review, recommendation and approval please refer to section D.6 of this chapter.
C.5. CAPITAL EXPENDITURE BUDGET

The Capital expenditure budget is the planned commitment for proposed capital expenditure of the HSA to be incurred during the coming financial year. It shall consist of new capital projects, alterations or additions to existing facilities. Further, it shall also include expenditure to be incurred on the carryover capital expenditure which were approved in the previous year’s Capital expenditure budget.

Capital projects shall be completed within an approved timeframe from the year that they were initially approved in the budget. Any delays in completion / execution shall require specific approval to include the same in the following year’s capital expenditure budget.

C.5.1. Preparation

The HOD Administration, Project Management Department and Research & Development Department shall be responsible for the preparation and compilation of respective capital expenditure budget.

Before the commencement of the annual budgeting process, the Joint Director, shall issue guidelines / instructions / assumptions (which shall be in line with the Master Plan) by end-February every year for use in the preparation and completion of the Capital expenditure budget.

The Project Management Department shall be responsible for projecting the capital expenditure requirement for on-going projects and projects in pipelines, based on the terms of award agreements, related approvals and correspondence with donors.

The Research & Development Department shall be responsible for projecting the capital expenditure requirement for on-going research activities and proposals in the approval process, based on their respective research activities budgets; and

The HOD Administration, with the guidance of Finance Department, shall be responsible for projecting the capital expenditure, if any, for the HSA core activities.

The budget holder shall compare the actual expenditure of carryover activities / projects with the budgeted expenditure and shall on the basis of this comparison alter the coming year’s allocation for the carryover activities / project.
C.5.2. **Review and Consolidation**

The Joint Director, with assistance of Finance Department, shall consolidate the capital expenditure budget for review and approval by the ED and EC. Further, the Joint Director shall, ensure that the budget is in-line with the Master plan.

The EC, after their review and necessary changes, shall make recommendation, to the BoG, for final approval.

C.5.3. **Approval**

The ultimate approval of the annual budget rests with the BoG. For the process of the final review, recommendation and approval please refer to section D.6 of this chapter.
C.6. HUMAN RESOURCE BUDGET

The Human Resource Budget provides the HSA with forecasted numbers of manpower, identifying existing staff levels, expected staff retirements, promotions, job upgrades, increments and recruitment targets for the coming financial year. The Human Resource Budget also includes the financial impact of the above.

The Human Resource Budget shall be prepared month wise and any change in existing human resource requirements shall not take place before the budgeted month.

If a position for staff has been approved in one year’s budget, however due to some reason that position remains vacant till the end of that budget year, that position may be carried forward to the following financial year.

C.6.1. Preparation

The HOD Administration / HR, shall be responsible for preparing the Human Resource Budget.

Before the commencement of the annual budgeting process, the Joint Director, shall issue guidelines / instructions / assumptions (which shall be in line with the Master Plan) by end-February every year for use in the preparation and completion of the Human Resource budget. The information shall also include current salaries, allowances and perquisites of the employees by head of account as per the general ledger.

C.6.2. Review and Consolidation

The Joint Director shall review the consolidated Human Resource Budget to ensure that the budget is in-line with the Master plan. The budget shall be approval by the ED and EC.

The EC, after their review and necessary changes, shall make recommendation, to the BoG, for final approval.

C.6.3. Approval

The ultimate approval of the annual budget rests with the BoG. For the process of the final review, recommendation and approval please refer to section D.6 of this chapter.
C.7. OPERATING EXPENDITURE BUDGET

The Expenditure Budget provides the management of the HSA a detailed projection of the operating expenditure for the coming financial year which can be used to measure the performance of the HSA.

The Expenditure Budget shall be prepared for the coming financial year and shall include operating expenses and shall not include items that form part of the Capital expenditure budget.

The Expenditure Budget shall be prepared month wise and where expenditure is expected to exceed the budgeted amount for a particular month allowance for the same shall not be made unless the re-appropriation is approved.

C.7.1. Preparation

The HOD Administration, with the guidance of Finance Department, shall be responsible for the preparation and compilation of the Expenditure Budget.

Before the commencement of the annual budgeting process, the Joint Director, shall issue guidelines / instructions / assumptions (which shall be in line with the Master Plan) by end-February every year for use in the preparation and completion of the Operating Expenditure budget.

The budget information shall include current expenditure incurred by head of account as per the general ledger.

The Expenditure Budget shall be in conformity with the overall expansion and growth as planned and recommended for approval by the BoG in the Master Plan.

C.7.2. Review and Consolidation

The Joint Director shall review the consolidated Operating Expenditure Budget to ensure that the budget is in-line with the Master plan. The budget shall be approval by the ED and EC.

The EC, after their review and necessary changes, shall make recommendation, to the BoG, for final approval.

C.7.3. Approval

The ultimate approval of the annual budget rests with the BoG. For the process of the final review, recommendation and approval please refer to section D.6 of this chapter.
D. PROCEDURES

The guidelines / instructions / assumptions and standard templates, where necessary for the preparation of all budgets shall be provided by the Finance department as mentioned in this chapter and shall be distributed to all relevant staff at the commencement of the annual budgeting process.

It shall be the responsibility of the Finance Department to consolidate all budgets received from the appropriate controlling departments to produce the Annual budget.

The following section provides detailed guidance on the contents, preparation, review and approval of the HSA’s Master Plan and budgets.
D.1. MASTER PLAN

D.1.1. Contents

The Master Plan of the HSA shall be prepared for the next five years and shall have two broad components i.e. a strategic plan and the financial impact of the strategic plan.

The strategic plan within the Master Plan shall contain the following information as a minimum:

- The high level objectives of the HSA (as approved by the BoG) and the strategies to achieve such objectives;
- High level financial and non-financial targets;
- A review of the HSA’s economic environment, highlighting key economic indicators that could be used as key assumptions for forecasting purposes;
- A detailed commentary on the activities and initiatives required to be undertaken to achieve the performance targets;
- A review of the current activities/services offered along with their fees/charges for the current year; and
- A review of the new activities/services to be offered along with their proposed fees/charges. The proposed expansion plan in terms of capital projects to achieve the above.

The financial impact of the strategic plan over the next five years shall contain the following information as a minimum:

- Five year projected financial statements of the HSA, including:
  - Balance Sheet;
  - Profit and Loss Account; and
  - Cash Flow Statement;
- Detailed projections of revenues from the existing activities within a range of scenarios. Similarly, projected revenue for the new planned activities keeping in view the expansion plans and new projects included in the strategic plan;
- A macro projection of operating and capital expenditure;
- A macro projection of the human resource expected requirements as a result of the expected expansion; and
- A comprehensive list of assumptions and bases used to project the financial statements.
D.1.2. Preparation

The Master Plan shall be prepared for a period of five years and the responsibility to prepare the same with the ED and Joint Director, with the assistance of Finance Department.

The strategic plan within the Master Plan shall be prepared on the basis of the mission and vision statements of the HSA as approved by the BoG. In addition, the ED shall ensure that the Master Plan includes long term strategies as documented in the minutes of the meetings of the BoG and by having a meeting with the Chairman (BoG) to confirm these strategies.

The ED shall hold a strategy meeting with all the Heads of the Department where the long term strategic plans shall be discussed.

The ED, with the assistance of Joint Director, shall prepare a strategic plan to form part of the Master Plan, based on all the above activities. The Strategic plans shall be rolled out for the following:

- to assist the Heads of Departments to project the five year financial impact of the strategic plan on the HSA’s performance; and
- to assist the Joint Director in preparing the guidelines for the annual budget for the coming financial year.

The Heads of Departments shall work out their respective departments’ five year financial impact (high level) on the basis of the long term strategic plans of the HSA. This shall be prepared simultaneously with the annual budget and shall be based on:

- the existing performance and capacity; and
- the planned / expected expansion in the coming financial years.

Once the financial impacts have been finalised by the respective Heads of Departments, they shall submit the following to HOD Finance for consolidation and preparation of the projected Balance Sheet, Profit and Loss Account and the Cash Flow Statement:

- The detailed projections of revenues from existing and new planned activities within a range of scenarios (to be submitted by the Heads of the Academic Department);
- A macro projection of capital expenditures (to be submitted by the Project and Administration Departments, respectively); and
- A macro projection of the human resource expected requirements which shall be submitted by the Administration / Human Resource Department.

Once the Joint Director, receives the above, he / she shall:

- review them to ensure consistency with the current year figures;
- review them to ensure that the requirements of the guidelines and the Master Plan are met; and
- prepare the expected operating expenditure for the five years.
This projected Master Plan along with the five year financial impact shall be submitted to the ED for review before the same is submitted to the EC for recommendation to BoG for final approval.

**D.1.3. Review and Approval**

The ultimate approval of the Master Plan rests with the BoG. For the process of the final review, recommendation and approval please refer to section D.7 of this chapter.
D.2. REVENUE BUDGET

D.2.1. Contents

The Revenue Budget shall contain:

- A detail of fee projections by each academic activity / services (existing and new);
- A list of assumptions and bases for the projected revenues; and
- A summary of the budget for approval of BoG.

The Revenue Budget shall be in conformity with the overall growth targets as approved by the BoG in the Master Plan Academic Programmes Fees budget

The Revenue Budget shall be divided into the following types of revenue:

- Academic Programmes Fees
- Grant Receipts
- Other Revenue

D.2.2. Preparation

The Joint Director shall send the strategic plans and guidelines / instructions / assumptions (which shall be in conformity with the overall growth targets as recommended for approval by the BoG in the Master Plan) to the Heads of Academic and Other Departments.

- **Academic Programmes Fees**

  On receipt of the guidelines / instructions / assumptions, the Head of the Academic Department shall prepare the projections or budget estimates of revenue from different academic programmes (e.g. Ph.D programme, MSPH programme, FCPS programme, MSC Programme, MS & PGD Programme, HRH Programme, etc) and related activities.

  To prepare the projections, the HoD shall take into consideration the plans for expansion of academic activities, the proposed fee, demand / need of academic programmes at regional and country level, expected admissions, practices being followed by the similar institutions, etc.

- **Grant Revenue**

  On receipt of the guidelines / instructions / assumptions, the Heads of Project Management Department, R & DD and Finance shall prepare the projections or budget estimates of grant receipts.

  The Project Management Department shall be responsible for projecting the grant receipts from local / foreign donors, of on-going projects and projects in pipelines, based on the terms of award agreements, related approvals and correspondence with donors.
The Research & Development Department shall be responsible for projecting the grant receipts from local / foreign donors, of on-going research activities and proposals in the approval process, based on their respective research activities budgets; and

The HOD Finance shall be responsible for projecting the GoP grant receipts (including donors grant receipts, if any) for the HSA core activities.

- **Other Revenue**

  On receipt of the guidelines / instructions / assumptions, the HOD Finance, with the assistance of Administration Department, shall be prepare budget for other revenue receipts (including rent of auditorium, revenue from rent of vehicles, donors grant receipts, if any).

  To prepare the projections, the HOD Finance shall take into consideration the plans for new services, proposed charges, demand of these services in market and practices being followed by the similar institutions, etc

**D.2.3. Review and Consolidation**

The Joint Director, with assistance of Finance Department, shall consolidate the revenue budget for review and approval by the ED and EC. Further, the Joint Director shall, ensure that the budget is in-line with the Master plan.

The EC, after their review and necessary changes, shall make recommendation, to the BoG, for final approval.
D.3. CAPITAL EXPENDITURE BUDGET

D.3.1. Contents

The Capital expenditure budget shall contain:

- A listing of all category wise capital expenditure activities with the following details:
- The planned commencement and completion dates of the each capital expenditure;
- The initial budgeted expenditure with estimated quantities;
- A breakdown of expenditure by year;
- The budget shall include the requisite reasons and rationale to justify the proposed capital expenditure; and
- There shall be clear segregation between carryover and new projects;
- A summary of the category wise capital expenditure activities for the BoG approval.
  The above shall be accompanied by the requisite reasons and justifications;
- A budget for unforeseen capital expenditure projects that may have to be undertaken due to any reason; and
- Estimated overheads by each activity which shall be an approved percent of the total budgeted expenditure.

D.3.2. Preparation

The Joint Director shall send the strategic plans and guidelines / instructions / assumptions (which shall be in conformity with the overall growth targets as recommended for approval by the BoG in the Master Plan) by end-February to the concerned Heads of Departments.

The Project Management Department shall be responsible for projecting the capital expenditure requirement for on-going projects and projects in pipelines, based on the terms of award agreements, related approvals and correspondence with donors.

The Research & Development Department shall be responsible for projecting the capital expenditure requirement for on-going research activities and proposals in the approval process, based on their respective research activities budgets; and

The HOD Administration, with the guidance of Finance Department, shall be responsible for projecting the capital expenditure, if any, for the HSA core activities.

The budget holder shall compare the actual expenditure of carryover activities / projects with the budgeted expenditure and shall on the basis of this comparison alter the coming year’s allocation for the carryover activities / project.

The capital expenditure activity / project costs shall include but shall not be restricted to the following:
- The cost of store and equipment, including freight, insurance, storage, duties and handling costs;
- Installation / construction costs including the cost of labour, supervision and contract services, fringe benefits and other overheads associated with labour costs which may be outsourced to third party contractors;
- Consultancy / engineering costs, where applicable;
- Purchase of land, right of way, field survey, site clearance, development etc.;
- Legal charges and other miscellaneous costs;
- Civil works (for buildings, towers and cables, etc.);
- Costs of store items; and
- Equipment costs.

**D.3.3. Review and Consolidation**

The Joint Director, with assistance of Finance Department, shall consolidate the capital expenditure budget for review and approval by the ED and EC. Further, the Joint Director shall, ensure that the budget is in-line with the Master plan.

The EC, after their review and necessary changes, shall make recommendation, to the BoG, for final approval.
D.4. **HUMAN RESOURCE BUDGET**

**D.4.1. Contents**

The Human Resource Budget shall contain:

- A summary identifying job upgrade and promotions by location;
- A summary identifying additional staff requirements by grade;
- A summary identifying additional staff requirements by location, and
- A summary of the all of the above for approval;
- The above information shall include the number of employees and the expected financial impact; and
- The budget shall include the requisite reasons and rationale to justify the changes in human resource.

**D.4.2. Preparation**

The HOD Administration / HR, shall be responsible for preparing the Human Resource Budget.

Before the commencement of the annual budgeting process, the Joint Director, shall issue guidelines / instructions / assumptions (which shall be in line with the Master Plan) by end-February every year for use in the preparation and completion of the Human Resource budget.

On receipt of the guidelines / instructions / assumptions, the HOD Administration / HR shall prepare the Human Resource Budget, with contents listed in the section D.4.1.

The Head of all departments shall provide the HOD Administration / HR with their staff requirements. The information shall also include current salaries, allowances and perquisites of the employees by head of account as per the general ledger.

The expected recruitments shall also take into account the carry forwards activities and expansion plans.

The HOD Administration / HR shall also be responsible for the financial impact of the new human resource requirements.
The HOD Administration shall also review the budget prepared, the reasons and justifications provided for consistency and reasonableness keeping in view the budget guidelines received.

**D.4.3. Review and Consolidation**

The Joint Director shall review the consolidated Human Resource Budget to ensure that the budget is in-line with the Master plan. The budget shall be approval by the ED and EC.

The EC, after their review and necessary changes, shall make recommendation, to the BoG, for final approval.
D.5. OPERATING EXPENDITURE BUDGET

D.5.1. Contents

The Expenditure Budget shall contain:

- A detail of estimated operating expenditure by head of account including the current years figures as comparative information;
- A detail of estimated operating expenditure by activity;
- An summary of the estimated expenditure;
- A list of assumptions and bases for the estimated operating expenditure including assumptions for asset depreciation and amortisation, rent, cleaning, stationery, and bad debt provisions.

D.5.2. Preparation

The Joint Director shall send the strategic plans to the HOD Administration with guidelines / instructions / assumptions (which shall be in line with the Master Plan) for the preparation and completion of the Expenditure Budget.

The broad categories of expenditure and their basis for calculation shall include but shall not be restricted to the following:

Staff Cost

The financial impact calculated and consolidated in the Human Resource Budget.

Depreciation / Amortisation

Depreciation / amortisation shall be calculated based on existing assets, projected asset additions on a monthly basis (as proposed by the Capital expenditure budget) and expected monthly retirements / disposals and write offs.

Repairs and Maintenance

Repairs and maintenance can be broadly categorised as follows:

- Repairs and maintenance of building, hostels and staff accommodations;
- Repairs and maintenance of other administrative assets

Other Operating Cost

The HOD Administration, while preparing the expenditure budget for other heads of account shall take into consideration the current year’s expenditure and the impact of the proposed expansion as planned for in the Revenue Budget and the Capital expenditure budget.

This shall be prepared with the guidance of Finance Department.
D.5.3. **Review and Consolidation**

The Joint Director shall review the consolidated Operating Expenditure Budget to ensure that the budget is in-line with the Master plan. The budget shall be approval by the ED and EC.

The EC, after their review and necessary changes, shall make recommendation, to the BoG, for final approval.
D.6. MASTER PLAN AND BUDGET PACK REVIEW, CONSOLIDATION AND APPROVAL PROCESS

The Master Plan shall be prepared by the ED and Joint Director and shall be submitted along with the Annual budget for approval by the EC and BoG.

The following section covers the contents and preparation of the Budget Pack after which, the Master Plan and the Annual budget shall be subject to a review and approval process.
**D.6.1. Contents and Preparation of the Budget Pack**

The Budget Pack shall be put together in the form of a reporting pack and as a minimum shall contain the following schedules and ancillary information:

<table>
<thead>
<tr>
<th>Contents</th>
<th>Source</th>
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<tbody>
<tr>
<td>a) Executive Summary</td>
<td>Shall be prepared in a Microsoft Word / Excel document based on the summaries of all the budgets and the projected financial statements as mentioned below.</td>
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<tr>
<td>b) Assumptions</td>
<td>Shall be prepared in a Microsoft Word / Excel document separately for each type of the budget statement mentioned below. These shall be based on the budget guidelines distributed to all before the annual budgeting process.</td>
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<tr>
<td>c) Summary of Revenue Budget</td>
<td>Shall be prepared in a Excel document</td>
</tr>
<tr>
<td>d) Summary of Expenditure Budget (by head of account and location)</td>
<td>Shall be prepared in a Excel document</td>
</tr>
<tr>
<td>e) Summary of Human Resource Budget (Manpower numbers and financial impact)</td>
<td>Shall be prepared in a Excel document</td>
</tr>
<tr>
<td>f) Summary of the Capital expenditure budget</td>
<td>Shall be prepared in a Excel document</td>
</tr>
<tr>
<td>g) Projected Profit and Loss Account</td>
<td>This shall be prepared in a Microsoft Excel spreadsheet based on the figures from the Revenue Budget (from ‘c’), Human Resource Budget (from “e”) and Expenditure Budget (from ‘d’).</td>
</tr>
<tr>
<td>h) Projected Balance Sheet</td>
<td>This shall be prepared in a Microsoft Excel spreadsheet based on the figures from the Projected Profit and Loss Account (from ‘g’), Capital expenditure budget (from ‘f’).</td>
</tr>
<tr>
<td>i) Projected Cash Flow Statement;</td>
<td>This shall be prepared in a Microsoft Excel spreadsheet based on the cash inflows and outflows from the Revenue Budget (from ‘c’), Human Resource Budget (from “e”) and Expenditure Budget (from ‘d’).</td>
</tr>
</tbody>
</table>
The preparation of the above contents shall be the responsibility of the Executive Director and Joint Director, with assistance from the Finance Department.

The Budget reporting pack shall be compiled and sent to the ED for review along with, the Master Plan prepared in line with the procedures mentioned in section D.1.2 of this chapter.

**D.6.2. Review and Recommendation**

The review process shall consist of three levels of review and in the following sequence:

- Joint Director,
- Executive Director, and
- Executive Committee.

The objectives of the review process are as follows:

- To ensure that the budgets are in line with the HSA’s goals and objectives;
- To ensure consistency between all the budgets of the HSA;
- To ensure that the budgets are appropriate and realistic, taking into consideration the coming financial years expansion plans;
- To agree any amendments or revisions to proposed budgets; and
- To recommend the Budget Pack for approval of the BoG.

Any adjustments / amendments that are proposed and agreed by any of the reviewers shall be made in each budget and on a proportionate basis by the Finance Department before forwarding the same to the BoG for approval.

**D.6.3. Approval**

The recommended Master Plan and Budget Pack shall be reviewed and approved by the BoG according to the timelines mentioned in the Budget Guidelines.

Adjustments / amendments that are proposed by the BoG shall be made in each budget location wise and on a proportionate basis as discussed above.

After the requisite adjustments / amendments have been made the Budget Pack shall be forwarded to the respective Heads of Department for control purposes in the coming financial year.
E. BUDGETARY CONTROL

The HSA shall establish transaction level controls and periodic controls to monitor the revenue and expenditure to ensure that these are in line with the respective approved budgets.

E.1. TRANSACTION LEVEL CONTROLS

E.1.1. Capital Expenditure Control

The approved budgeted amounts for each activity / project shall be controlled through maintaining a separate general ledger code for each activity / project.

Expenditure shall not be incurred on an approved budgeted capital expenditure activity, unless, expenditure authorisation is given by the ED.

Further, no expenditure shall be incurred until a Purchase Requisition (PR) is raised for the same. The end user shall enter the ledger-code when generating a purchase requisition. The Finance Department shall perform a check each time a purchase requisition is raised to ensure that the budget in terms of quantity and value is available to meet the requested expenditure. Where expenditure is incurred without a PR or a purchase order the budget availability shall be checked at the time of recording the invoice.

The Finance department shall issue an intimation message once a defined threshold has been reached and prevent the raising of the PR by the end user.

If the actual expenditure is expected to exceed the budgeted expenditure, then the concerned Head of Department shall raise a request for re-appropriation of budget. The request shall also include the reasons / justification for such re-appropriation. The request shall be forwarded to the ED for his approval.

Any amount exceeding the budget shall only be made available if re-appropriation of budget is approved.

E.1.2. Operating Expenditure Control

Any expenditure above the petty cash limit shall be incurred through a Purchase Requisition (PR) which shall be raised only if there is an available budget for that expenditure.

Budgeted expenditure shall be entered into the general ledger separately for each head of account or cost centre thus identifying the budget line item code, which in effect shall act as a budgetary control at the time of raising a PR for a particular expense.

The approval of the expenditure shall be as per section ?? of Delegation of Authority chapter Matrix.
Further, no expenditure shall be incurred until a Purchase Requisition (PR) is raised for the same. The end user shall enter the ledger-code when generating a purchase requisition. The Finance Department shall perform a check each time a purchase requisition is raised to ensure that the budget in terms of quantity and value is available to meet the requested expenditure. Where expenditure is incurred without a PR or a purchase order the budget availability shall be checked at the time of recording the invoice.

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Any amount exceeding the budget shall only be made available if re-appropriation of budget is approved.

E.2. PERIODIC CONTROLS

E.2.1. By each Department

At month end the Finance Department shall prepare / extract a report for comparison between actual and budgeted figures.

These reports shall be forwarded to the concerned Heads of Department, for their review and commentaries, with-in 7 days after the end of relevant month.

All the above reports shall compare the actual with the budget on a month to month basis, actual month to-date with budgeted month to-date and by budget line item. The Heads of Department, shall forward their comments and justification of variance to the Finance Department, with-in three days.

All the above variance reports shall be consolidated by the Finance Department into the monthly financial reporting pack for review by the ED.

The monthly management reporting pack shall be submitted to the ED, with-in 15 days after the end of relevant month.
E.2.2. **By Senior Management**

On a monthly basis the ED shall receive a consolidated monthly reporting pack from the Finance Department with variance analysis and reasons for variances, for high level review.

The purpose of the review is to ensure the following:

- the actual purchases / expenditure is as per the approved budget;
- there are no cost over runs; and,
- budget savings are legitimate and identification of usage of these savings.

E.2.3. **By the Executive Committee**

In order to facilitate effective budgeting and monitoring of actual expenditure incurred, the EC shall review the monthly reporting pack on a monthly basis and make necessary recommendations / directions.
Chapter-6

Investments
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A  INTRODUCTION

This chapter states the policies and procedures of Health Services Academy (HSA) in respect of accounting for investments.

This chapter covers both short-term and long-term strategic investment.
B DEFINITIONS

For the purpose of this chapter, the following terms are used to describe the different areas within the HSA.

B.1. FAIR VALUE

The amount for which an investment or asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

B.2. INVESTMENT

An asset held for the accrual of wealth through distribution (such as interest, royalties, dividends and rentals) and for capital appreciation. Inventory and fixed assets do not fall within this definition. Short term investment shall be intended to be held for up to one year. Long term investment shall be for a period of more than one year.

B.3. HELD FOR TRADING INVESTMENT

These are investments, which are either acquired for generating profits from short-term fluctuations in market prices, interest rate changes, dealer margin, etc.

B.4. HELD TO MATURITY INVESTMENT

These are investments with fixed or determinable payments and fixed maturities with intent and ability to hold them till maturity.

B.5. AVAILABLE FOR SALE INVESTMENT

These are investments, other than those in subsidiaries and associates, which do not fall under “held for trading” and “held to maturity” categories.
C POLICIES

This section entails an overview of the following general policies adopted by the HSA in respect of investment and its accounting treatment:

- Initial recognition
- Subsequent recognition
- Investment decision
- Impairment; and
- Physical verification
C.1. INITIAL RECOGNITION

Investment other than those categorised as “held for trading” shall be initially recognised at fair value including transaction costs associated with the investment.

Investment “held for trading” shall be initially recognised at fair value and transaction costs shall be expensed-out.
C.2. SUBSEQUENT RECOGNITION

The quoted securities other than those classified as “held to maturity” are subsequently re-measured to market value.

Surplus / (deficit) arising on revaluation of securities, classified as “available for sale” is included in the statement of income, but is taken to a separate account shown in the statement of financial position below equity.

Investment classified as “held to maturity” are carried at amortised cost.

Unquoted equity investment, excluding investment in subsidiary and associates, shall be valued at lower of cost and break-up value. The breakup value of equity investment shall be calculated with reference to the net assets of the investee company as per the latest financial statement.
C.3. INVESTMENT DECISION

The decision of investment shall be made with by the Executive Committee (EC) and Board of Governors (BoG) shall approve the same on post-facto basis.
C.4. IMPAIRMENT

Impairment loss in respect of investment classified “held for sale” and “held to maturity” shall be recognised based on management assessment of impairment as a result of one or more events that may have an impact of estimate future cash flows of the investment.

A significant or prolonged decline in the fair value of equity investment below cost is considered an objective evidence of impairment.

In case of impairment of investment classified as “held for sale”, the cumulative surplus / (deficit) shall be recognised on the statement of financial position below equity.

For investment classified as held to maturity, the impairment loss, is recognised in the profit and loss account.
C.5. SALE OF INVESTMENT

The sale of investment shall be recognised, when HSA title in the investment does not stand any more, with the approval of Executive Director.

Disinvestment for any reason, other than terms of maturity, shall be made with the approval of BoG.
C.6. PHYSICAL VERIFICATION

The physical verification of investment certificates shall be made on periodical basis, but not less than twice a year.
D PROCEDURES

D.1. INVESTMENT DECISION

D.1.1. Investment Decision

The decision for investment shall be made by the BoG (on post-facto basis) on the basis of a business case recommendation made by the EC.

The EC shall be responsible for the appraisal of the proposed investment.

D.1.2. Investment Appraisal Plan

Once an investment opportunity is identified by the management, or, it shall be referred to the Executive Director for the business case recommendation.

The HOD - Finance shall be responsible to appraise the proposed investment within two weeks of the date of such investment opportunity was identified and referred for appraisal.

The HOD - Finance shall take inputs for estimates of investment return and related cash-flows for the preparation of the business case and appraisal against the criteria referred in section D.3.

The investment business case shall be approved by the Executive Director before onward submission to EC for its evaluation.

D.1.3. Appraisal Criteria

The HSA shall decide upon, the investment opportunities, on the following factors:

- Instructions or guidelines issued by the Ministry of Finance, from time to time;
- Assessment of the risk, economic stability and credit-rating associated with each investment (i.e. Government securities, banks, financial institutions, etc);
- Assessment of the regulatory and competitive environment;
- Rate of return offered on investment; and
- Liquidity position of the HSA and sources for financing the investment.

The financial benefits of making the investment shall be documented and analysed in the form of a business case which shall include the following:
estimates of investment return;
- estimated cash flows over the investment life;
- a comprehensive investment risk assessment; and
- any additional data as may be required in order to appraise the investment.

Investments shall be assessed using a number of measures including:

- Net present value calculation;
- Internal rate of return calculation;
- Calculation of pay-back period; and
- Identification of any non-financial benefits.

All proposed long-term investments shall be appraised on a “real” expenditure basis, after adjusting for any inflation, cost escalation or exchange rates movements.

D.1.4. Approval of Investment Proposal

The EC shall vet the investment proposal / business case recommendations made by the Executive Director and forward the same to EC for the final decision.

Once the EC decides in favour of the investment, the Executive Director shall be responsible for the execution of the investment.

D.1.5. Payment for Approved Investment

After the Investment Proposal is approved by the EC, a funds transfer letter or the cheque shall be prepared and signed off by the authorised signatories to make payment to the investee organization.

D.1.6. Updating Accounting Records

Once the funds are transferred to the investee, the advance given for the investment shall be recorded as an advance for purchase of investment.

The advance shall be recognised as investment, once all the legal requirements for issuance of investment certificate or transfer of title to HSA are completed.
D.2. IMPAIRMENT

At each reporting date, the HSA shall review the carrying amount of the investment to assess whether there shall be any indication that such investment has suffered an impairment loss. The HOD - Finance shall prepare a working for impairment test inline with the requirements of International Financial Reporting Standards (IFRS).

Based on initial assessment if any such indication exist that the investment has been impaired, the HOD - Finance shall estimate the recoverable amount in order to determine the extent of the impairment loss.

The working prepared by the HOD - Finance shall be reviewed and approved by the Executive Director.

Once the working for impairment is approved, the accounting records shall be updated accordingly.
D.3. SALE OF INVESTMENT

The decision to disinvest shall be made by the BoG based on various strategic factors such as economic / political conditions, investment return, terms of maturity, etc.

Once the decision to divest has been taken by the BoG, the Executive Director shall be responsible for taking the necessary action after getting input from legal and financial advisors.

The ordinary disinvestment or sale, as a result of term maturity, shall be made only with the approval of Executive Director.
D.4. PHYSICAL VERIFICATION

The Joint Director and HOD - Finance shall be responsible, for the physical verification of investment certificates on periodical basis, but not less than twice a year.
Chapter 7

Managing Advances, Loans, Prepayments and Other Receivables’
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A INTRODUCTION

This chapter states the policies and procedures of Health Services Academy (HSA) in respect of approval, security and financial management of the “Advances, Loans, Prepayments and Other Receivables”.
B DEFINITIONS

For the purpose of this chapter, the following terms are used to describe the different areas within the HSA:

B.1. PREPAYMENT

Prepayments are payments which have been made already, but the benefits of which are not yet realised. Prepayments are amounts paid in advance for the goods or services to be received after the period or year end.

B.2. STAFF LOANS

Staff loan is an interest-free loan or subsidise interest loan provided by the HSA to its permanent or contractual staff, for their personal objective, and according to their entitlement as per policy covered under the Human Resource Manual. This includes loan against salary.

B.3. STAFF ADVANCES

Staff advance is a short-term loan given by the HSA to its permanent or contractual staff, to meet the expenses to be incurred, in performance of their duties.

B.4. OTHER RECEIVABLES

Other receivables represent amount that other parties (e.g. other institutions or universities, students, donors, etc) owe to HSA for academic or research activity or any other transaction, which has completed and established HSA’s right on such amounts. Other receivables are considered as current asset and appear on the balance sheets.

Other receivables may include advance tax, security deposits, accrued interest, receivable from any vendor, outstanding fee receivable from students, research projects related receivables, receivable from other institution / university, etc.
C POLICIES

This section entails an overview of the general policies adopted by the HSA in respect of advances, loans, prepayments and other receivables.

- Designated categories of advances and loans
- Approval and entitlement for staff advances and loans
- Conditions applicable to staff advances and loans
- Settlement or recovery of staff advances and loans
- Policies applicable to travel advances
- Policies applicable to prepayments
- Policies applicable to other receivables
C.I. DESIGNATED CATEGORIES OF ADVANCES AND LOANS

Advances and loans shall be given to the staff only for the following designated categories:

Staff advances:

- Advance against salary
- Travel expenses advance
- Temporary advance (for official expenses); and
- Imprest advance

Staff loans:

- House building loan
- Motor car loan
- Motor cycle loan
- Welfare loan
- Other loan
-
C.2. APPROVAL AND ENTITLEMENT FOR STAFF ADVANCES AND LOANS

The staff loans (i.e. House building, Motor Car and Motor Cycle advance/loan) shall be granted with the approval of Executive Director and subject to availability of funds.

Policies regarding Loans and Advances for government employees will be subject to General Financial Rules of the Federal Government, however, contractual employees will be subject to policies as covered under the Human Resource Manual as approved by BoG.
C.3. CONDITIONS APPLICABLE TO STAFF ADVANCES AND LOANS

Release and approval of staff advances and loans shall be subject to observance of prescribed procedures. A second advance will not be given to the same employee, unless the first one is settled, with the Finance Department. Under exceptional circumstances, prior approval of Joint Director shall be required.

The concerned officers shall ensure that temporary advances are settled within 30 days following the date of payment in order to ensure that expenditures are recorded in the relevant period. Advances shall not exceed the total balance in the account of post employment benefits payable to an employee by HSA. However, the ED may approve a salary advance in excess of an amount to which the staff member would be entitled if the staff member was to terminate their employment.
C.4. SETTLEMENT OR RECOVERY OF STAFF ADVANCES AND LOANS

The Human Resource Officer and Finance Officer shall be responsible to review on monthly basis the status of staff advances and loans to ensure that deductions are made according to the policies of HSA.

Unsettled advances at the time of the retirement, death or on resignation shall be adjusted against the dues payable to outgoing employees. In case, advances exceed the balance payable by HSA, then necessary adjustment for the settlement / recovery of these advances is made against the balance payable to outgoing member from his post employment benefits.
C.5. POLICIES APPLICABLE TO TRAVEL ADVANCES

A travel advance shall not be used for substantial costs (e.g. airfares, accommodation, car hire etc) that can be prepaid by other means.

No new or additional advances shall be made where previous travel advance has not been settled.
C.6. POLICIES APPLICABLE TO PREPAYMENTS

The HSA may make payments for advertising, insurance, subscriptions, fees and other similar expenses on a long-term basis. The prepaid portion of the expenses shall not be charged to the expenses head directly and accounted for as current asset in the balance sheet.

Prior to approval and release of prepayment, the Joint Director and concerned Head of Department shall assess the financial risk. The payment shall be made with the approval of Executive Director (ED) and HOD Finance.

Prepayments for complete transactions of less than PKR 50,000/= shall be expensed directly and not apportioned over the time period for which the expense relates. Payment exceeding PKP 50,000/= shall be apportioned to the relevant expense heads over the time period to which the payment relates.
C.7. POLICIES APPLICABLE TO OTHER RECEIVABLES

The HOD Finance shall be responsible to ensure that adequate procedures in place, to monitor and recover debts / other receivables, due to the HSA.

The HSA shall follow the standard payment terms of 30 days after the invoice date (for research projects related). However, for other categories of “other receivables” (e.g. un-paid fees and hostel charges, etc), the HSA may decide shorter payment terms (e.g. 7 – 15 days).
D PROCEDURES

This section contains procedures adopted by the HSA in respect of advances, loans, prepayments and other receivables.

D.1 APPROVAL, ENTITLEMENT AND SETTLEMENT OF STAFF ADVANCES AND LOANS

D.1.1. Advance against salary

The amount of the salary advance shall be approved by the ED and Human Resource Officer and subject to availability of funds.

The terms and conditions of the salary advance, including the manner and timing for its recovery, shall be accepted in writing by the employee prior to the issuance of the salary advance.

Advances shall not exceed the total balance in the account of post employment benefits payable to an employee by HSA. However, the ED may approve a salary advance in excess of an amount to which the staff member would be entitled if the staff member was to terminate their employment.

On request, a staff member proceeding on a special studies program may be issued with a salary advance in the pay period immediately prior to the commencement of the special studies program. The salary advance shall not exceed 50% of the total of net salary amount for the period of the special studies program or three month's net salary whichever is the lesser amount. The remainder of the salary, for a staff member who has received a salary advance for special studies program, will be paid on the normal monthly basis for the period of the special studies program.

Unless alternate recovery arrangements have been approved by the ED and Human Resources Department, the future salary entitlements will be withheld in full until the salary advance is fully recovered.

D.1.2. Travel advance

The travel shall not have occurred at the time of requesting an advance. A travel advance shall not be used for substantial costs (e.g. airfares, accommodation, car hire etc) that can be prepaid by other means.

A travel advance shall be released within the 14 day period prior to travel. If the travel, for which an advance has been received, is postponed for a period greater than 28 days, or is cancelled, the travel advance shall be repaid in full, to the Cashier.
A travel advance shall be fully settled within 21 days of completion of travel for which the advance was approved. Unless approved by the Manager, Procure to Pay, no new or additional advances are to be made where a travel advance has not been settled.

It is the responsibility of the recipient of the travel advance to:

- provide documentation for the advance to be settled within 21 days from completion of travel;
- ensure the safe custody of the funds advanced and any related documentation; and
- at the time of settlement, to repay to the Cashier, any unspent money advanced.

D.1.3. Other advances

The purpose of the advance shall relate solely to the HSA’s academic, research and other activities.

Another advance to any one recipient for any single / one purpose shall not exceed the limit / allocation as approved by the ED. The terms and conditions of the advance, including the manner and timing for its settlement shall be approved by the ED and HOD Finance and accepted in writing by the recipient prior to the issuance of an advance.

An advance, made to another institution as the result of a condition of a grant received by the HSA, shall be consistent with the term of the grant and shall be settled in accordance with the terms of the grant agreement with the funding body.

The recipient is responsible for making full settlement of advance, either 28 days after completion of the stated purpose of the advance or after full expenditure of the advance whichever occurs first. If an advance is not utilised according to accepted terms and conditions it shall be returned within 28 days to the Finance Department.

A new advance shall not be issued to an individual or organisation that has a previous advance outstanding past the settlement deadline, unless approved by the ED.

D.2 PREPAYMENTS

Prepayments for complete transactions of less than PKR 50,000/= shall be expensed directly and not apportioned over the time period for which the expense relates. The other prepayments shall be charged to expense account in equal monthly instalments over the period, to which such prepayments relate.

Prior to approving the prepayment, the Joint Director and concerned Head of Department shall assess the financial risk.
Details of all prepayments shall be maintained in a proper form and use as supporting document to charge the prepayment to relevant expense head on a monthly basis. Please refer to “Annexure A” for a copy of “Prepayment Card”.

D.3 OTHER RECEIVABLES

The Finance Department shall be responsible to provide monthly reports of “un-paid receivables” to the Heads of all concerned department to follow-up their respective receivables recoveries.

D.3.1 Research projects related receivables

The Head of “R & D Department” shall ensure that all contractual requirements related to contents, quality, timing deadlines, etc are complied, so that the payment is not unnecessarily delayed.

If the payment continues to be withheld without good reason, the fact shall be notified to the Joint Director and Executive Director, to take the necessary action for recovery.

D.3.2 Collection Follow-up

The HSA shall strictly follow-up the collection of its receivables. Written follow-ups shall be generated with the following frequency:

1\textsuperscript{st} reminder or statement \quad with-in 10 days after due-date
2\textsuperscript{nd} reminder or statement \quad with-in 15 days after 1\textsuperscript{st} reminder
Formal letter \quad with-in 20 days after 2\textsuperscript{nd} reminder

Personal contacts (e.g. phone call, visit, etc) may help in the collection of outstanding receivables.

D.3.3 Receivables ageing

The Finance Department shall prepare the receivables ageing on a monthly basis, with following division:

Age below 30 days
60 days
90 days
180 days
360 days

Age above 360 days
D.3.4 **Recovery of receivables**

The cash or cheque received against other receivables shall be promptly deposited in the HSA bank account, using pre-number receipt acknowledgement.

The particulars of payment, account-code, date, number of corresponding bank receipt voucher, name of person making payment, shall be clearly mentioned on the receipt document.

D.3.5 **Accrued Interest**

The recording of “accrued interest” shall be made on monthly basis and separate breakdown / details shall be provided for:

- Accrued interest on saving bank accounts;
- Accrued interest on term deposits;
- Accrued interest on other short-term investments; and
- Accrued interest on long-term investments

D.3.6 **Doubtful Receivables**

Provision shall be made in the accounts for doubtful debts. The Finance Department shall prepare the list of doubtful debts on a monthly basis.

All possible resources shall be used to ensure the full recovery of doubtful debts. The cancellation or adjustment of an invoice by way of credit note must be approved by the ED. Cost effective procedures must be employed to ensure collection of all accounts receivable on a timely basis. Such procedures may include due legal process where applicable.

The receivables, for which all collection efforts have been exhausted, shall be written-off with the approval of EC and BoG.
### NNEXURE A – PREPAYMENT CARDS

**PAYMENT – Prepayment:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Voucher</th>
<th>GL Code</th>
<th>Amount</th>
<th>Charged to Expense Code</th>
<th>Prepayment (Current Asset)</th>
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MONTHLY AMORTIZATION – Prepayment:

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<th>Month</th>
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<th>Amount (Amortization)</th>
<th>Balance Carryforward</th>
<th>GL Code</th>
<th>Remarks</th>
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</thead>
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<tr>
<td>Current Month</td>
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<td>Year to-date</td>
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<td>Next Year</td>
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Prepared by: Finance Officer
Approved by: HOD Finance
Chapter 8

Managing Cash & Bank
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A  INTRODUCTION

This chapter states the policies and procedures of Health Services Academy (HSA) in respect of accounting for cash & bank.

This chapter also covers the policies and procedures for short-term investment.
B DEFINITIONS

B.1. CASH EQUIVALENTS

Cash equivalents shall include short term, highly liquid investments that shall be readily convertible to known amounts of cash and which shall be subject to an insignificant risk of change in value.

B.2. FAIR VALUE

The amount for which an investment or asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

B.3. SHORT-TERM INVESTMENT

A short-term investment is an investment that is by its nature readily realizable and is intended to be held for not more than one year.
POLICIES

This section entails an overview of the general policies adopted by the HSA in respect of cash, cash equivalents and bank.

The objective of Cash & Bank Management is to secure the long-term solvency of HSA.

- Bank reconciliation
- Bank accounts
- Bank account operations
- Monthly cash planning
- Petty cash operations
- Segregation of duties
- Controlling cash embezzlement
- Completeness
C.1. BANK RECONCILIATION

The bank balances as per books of accounts shall be reconciled with the bank statement on monthly basis.
C.2. BANK ACCOUNTS

The Board of Governors (BoG) shall approve the opening of a new bank account or closing of any existing bank account. Any proposed change to a banking relationship shall also be approved by the BoG.

The Board of Governors (BoG) shall, at their following meeting, approve the bank accounts opened / closed, on recommendation by Executive Committee (EC).
C.3. BANK ACCOUNT OPERATIONS

The HSA bank accounts shall be jointly operated by minimum two authorised signatories from the penal approved by the BoG. The penal shall comprise two groups (i.e. group A and B) and minimum one signatory from each group shall sign the payments.

The EC shall approve the names of authorised signatories to operate the HSA bank accounts and recommend the same to BoG for approval at the following meeting.
C.4. MONTHLY CASH PLANNING

The Finance Officer shall ensure the recording of daily collections and payments in order to determine the current balance in the bank accounts.

Further he / she shall prepare monthly cash forecast on monthly basis. This tool helps to forecast the cash difficulties over the period and enables the management to make timely arrangements of funds well in advance so that operational activities are running smoothly.
C.5. PETTY CASH OPERATIONS

Petty cash for operational expenses shall be maintained on imprest basis. The HSA shall maintain the following petty cash limits for smooth operation of day to day activities:

- Maximum amount of cash that can be kept by the Administration or other departments is PKR 50,000.
- Maximum amount of cash transaction shall not exceed the amount of PKR 15,000

The Executive Director (ED) shall decide the imprest limits for each petty cash holder. Petty-cash funds shall not be used for the procurement of Non-Current Assets. No payment of more than fifteen thousand Rupees shall be made in cash except for utilities, postage or other payment heads allowable under the tax laws.
C.6. SEGREGATION OF DUTIES

Cash shall be handled and vouchers shall be prepared by the Cashier / Assistant Accounts Officer. The vouchers shall be checked by the Finance Officer and approved by the HOD Finance.

Cashier shall not be involved in the voucher entries or bank reconciliation.
C.7. CONTROLLING CASH EMBEZZLEMENT

The petty cash holder shall count the cash at day-end and reconcile the balance with record.

The HOD Finance shall count (i.e. surprise count) the cash once during each quarter.
C.8. COMPLETENESS

For all cash receipts, pre-numbered acknowledgement receipt shall be issued by the Cashier and Finance Officer shall ensure that for each cash receipt, a voucher has been prepared.
D PROCEDURES

This section contains procedures related to cash & bank management.

D.1. BANK ACCOUNTS

Bank's financial positions will be monitored by the HOD Finance through Audited Financial Statements of the concerned bank before opening accounts and later on a continued basis. Immediate action of transferring funds will be taken on authentic information regarding the financial position of the bank, if significant adverse circumstances are indicated in the Audited Financial Statements.

The HSA shall maintain accounts with banks as designated by Ministry of Finance from time to time. However, keeping in view the current requirements of HAS, the following Bank Accounts shall also be maintained;

D.1.1. Assignment Account

To administer the Grants in Aid received from the Federal Government, an Assignment Account shall be maintained with the National Bank of Pakistan, Civic Centre, Islamabad with the approval of Finance Division and AGPR.

The Assignment Accounts shall be operated as per the Revised Procedure of Assignment Account, 2008, as amended from time to time.

Finance Department shall be responsible for recording of entries in respect of transfer of funds on the basis of allocations by the Government as per approved procedure. The amount so received shall be available at the disposal of HSA for incurrence of approved budgeted expenditures in accordance with the approved HSA financial rules. Any unexpended amount at the end of the financial year in this account shall be lapsable to the government.

D.1.2. Revolving Account for Foreign Donor Grant Receipts

To administer the Grants received from the foreign donors, separate bank account shall be maintained, for each grant program. The nature of these bank accounts shall be “Saving Account”.

These bank accounts shall be operated according to the terms of award agreement and donor regulations.

The HSA shall comply with the donors’ requirement / maximum threshold, for month-end balances (e.g. USAID regulations requires month-end bank balance not to exceed US$10,000). Further, where the month-end balance exceeds, the maximum balance threshold, the HSA shall remit the excess amount to the donor, in accordance with requirement of donor regulations.
D.1.3. **Assignment Account for Foreign Donor Grant Receipts**

For Grant awards, which have the involvement of host-government (i.e. Government of Pakistan), the grant receipts shall be governed by the Revised Accounting Procedure (issued in 2010) for Revolving Fund Accounts (Foreign Currency Assignment Account).

Receipts from donor organizations shall be recognized at the time of actual receipt of money. However, the receipts shall be executed in accordance with the terms and conditions of the grant agreements and adequate compliance with stipulated milestones agreed with the donor.

D.1.4. **MPH and Other Academic Programmes Fee Account**

The HSA shall maintain separate bank account for receipt of fee of MPH and other academic programmes being run by HSA or being arranged on the direction of sponsoring Agency and will be opened with the approval of the EC. The nature of these bank accounts shall be “Saving Account”. This will also become a part of annual budget. The amount so received shall be available at the disposal of HSA for incurrence of approved budgeted expenditures in accordance with the approved HSA financial rules. However, left over balance at the end of each financial year would be taken as saving & being not lapsable.

This saving shall be transferred to PH General Account at the end of the year. However, in case there is a funds shortage (e.g. Lesser students enrolling in MPH programme than expected, or the commencement of the MPH programme is delayed etc.) then the funds balance available in PH General Account can be used to cater for the operational needs of HSA.

D.1.5. **PH General Account**

All kinds of receipts, including receipts from Research and consulting activities, sale proceeds of unserviceable store, proceeds of brochures printed at the expense of fund other-than grant, fines, interest on loans and advances, hostel rent etc., would be deposited in this Account. However, as most of these receipts are not capable of being forecasted with precision level, these will not be made part of the regular budget.

A working balance of Rs. 3 million or 5% of the budget of preceding financial year, whichever is higher, should be maintained. Any amount over this balance/limit shall be invested in investment schemes launched by the Government of Pakistan.

Further, the HSA shall comply with the instruction issued by Finance Division via memorandum No. F.4(1)/2002 – BR.II related to working balances. For the sake of the safety and security of deposits, the bank/financial institutions taking a deposit should have a minimum “A” rating (long-term) as appearing on the web-site of the State Bank of Pakistan. This “A” rating refers to the rating scale used by Pakistan Credit Rating Agency and JCR-VIS Credit Rating Company for banks incorporated in Pakistan and Moody’s, Fitch’s and Standard & Poor’s rating for foreign banks operating in Pakistan. Rating scales of other agencies acceptable to the State Bank should be equivalent to the rating of the above mentioned companies. Information and clarification on this matter may be obtained from Banking Policy Department of the State Bank of Pakistan.
Further, the where total working balance of HSA exceeds Rs.10 million, not more than 50% of such balance shall be kept with one bank.

The higher working balance limit may be determined with the approval of the administrative ministry in consultation with Finance Division. The account of this working balance may be maintained in a current or savings bank account.

D.2. BANK ACCOUNT OPERATIONS

The HSA bank accounts shall be jointly operated by minimum two authorised signatories from the penal approved by the EC and BoG. The penal shall comprise two groups (i.e. group A and B) and minimum one signatory from each group shall sign the payments.

Individual signatures as well as signing of blank cheques are strictly prohibited. Within the framework of the HSA Delegation of Powers, competent and trustworthy employees shall be assigned signatory power. The number of signatories must be kept at an absolute minimum in order to prevent misuse.

The HOD Finance shall be responsible to remove the signature of outgoing signatories immediately on his transfer, retirement or death from the authorized panel of signatories with the concerned bank. A request to this effect shall be immediately launched to HOD Finance along with the National Identity Card’s copy and three specimen signatures of the new signatory. The HOD Finance shall direct the concerned bank to replace the name of the outgoing signatories with the new one (after seeking the EC approval).

D.2.1. Bank Reconciliation

The bank balance as per accounts must be reconciled with the bank balance as per the bank statement within 10 days of the following month. The reconciliation should be based on the balance existing at the month end.

All reconciling items must be identified and supported (i.e., a list detailing cheque numbers and amounts and deposit dates must be attached to the reconciliation).

Bank reconciliation must also show all the reconciliation items, including cheques issued but not presented for payment and cheques/cash deposited but not credited by bank. All unusual reconciling items such as bank charges, interest etc must be investigated and recorded.

The HOD Finance shall approve the bank reconciliations. All bank errors must be communicated to the appropriate bank personnel on a timely basis and followed up to ensure that the necessary corrections are recorded by the bank. Please refer to “Annexure A” for the format of bank reconciliation.

Cheques, which have been issued for payments, but are overdue for more than six months, shall not appear in Bank Reconciliation Statement and shall be reversed immediately after the last due date for presentation of cheque to the concerned bank.

The Finance Officer will ensure that adjustments in connection with bank charges, commission and reversal of overdue cheques etc. are passed in the relevant month.
D.2.2. **Incoming Cheques**

The incoming cheques, bank drafts, pay orders etc. shall be deposited in the bank account within 24 hours of the receipt. The Finance Officer shall ensure that cheques are crossed and entered in Receipt Register, when delivered or mailed directly to HSA Offices.

Cheques shall be deposited into bank within the prescribed time limit.

D.2.3. **Outgoing Cheques**

All payments shall be made by a crossed cheque through a Payment Voucher. The Assistant Accounts Officer shall ensure that all outgoing cheques are entered in Cheque Dispatch Register. *Please refer to the Annexure-C for a Copy of “Cheque Dispatch Register”.*

D.2.4. **Bank Payments and Vouchers**

Payment vouchers shall be properly filled with the following particulars:

- Voucher Number
- Date
- Cheque number
- Name of payee
- General Ledger Code
- Particulars of payment
- Invoice / Reference number
- Amount in figures and in words and
- Other information as required on Payment Voucher.

A Voucher shall be prepared by Cashier / Assistant Accounts Officer after hundred percent (100%) checking of supporting documents. The Voucher shall then be checked/ audited by Finance Officer and rechecked and approved by HOD Finance to book the expenditure.

The following documents shall be attached with the payment voucher for payment against supplies:

- Original invoice/bill of the supplier
- Purchase order
- Goods Receipt Note; and
- Inspection report

The Cheques shall be sent to the supplier directly by registered mail or a designated person or supplier. Issuance of post-dated cheques shall be avoided in all cases except in case of finance lease.
D.2.5.  **Cheque Books Security**

The Finance Officer shall take the following precautions to prevent misuse of the cheques:

- Cheques shall be crossed or stamped as "Accounts payee only"
- Cheque books shall be kept under lock and key. Custody of the Cheque Book is the responsibility of the Cashier.
- Cheque Book shall be received from the bank and entered in the Cheque Book Register with the complete serial number of the Cheque Book.
- Separate record shall be maintained for all cancelled Cheques, if any.

*Please refer to the “Annexure-D” for a Copy of “Chequebook Register”.*

D.2.6.  **Lapse Cheques**

The following procedure shall be followed in situations where the cheque has lapsed and is no longer acceptable by the bank:

The concerned individual/party to whom the cheque was issued shall contact the Finance Officer. They shall submit a written request, for reissuing the cheque, stating the following:

- reasons for making such a request
- cheque number
- bank name
- date cheque was issued
- amount
- description of transaction for which the cheque was issued
- signature of the competent authority of the concerned party’s accounting and finance department.

In addition to the letter the following should be attached:

- photocopy of the CNIC of the individual submitting the request
- original cheque photocopy of the written agreement or contract, if any, or proof of transaction for which the cheque was issued

On submission of the letter and attachments the Finance Officer is to confirm the transaction, the amount and the party by checking the accounting records and other relevant documents. The letter and the attachments are to be filed in the individual/party’s file. The Finance Officer shall then report the findings along with the letter and the attachments to HOD Finance. The HOD Finance after having reviewed the case and being satisfied direct the Finance Officer to issue a new cheque to the individual/party along with a letter stating that a new cheque has been issued in replacement of the lapsed cheque and that the lapsed cheque has been returned to HSA.
D.2.7. **Lost / Damaged Cheques**

In situations, where the individual/party has misplaced the cheque or the cheque has damaged, the following procedure shall be followed:

The Finance Officer shall immediately notify the bank of the stolen/misplaced cheque and inform them not to accept any cheque of that number. In addition the Finance Officer should immediately also notify the HOD Finance. However, incase the cheque has already been cashed then the HOD Finance shall not issue a new cheque. Instead the HOD Finance should meet with the Executive Director and discuss the case with him/her.

An investigation should be conducted and disciplinary action should be taken against those responsible for misplacing the cheque. For very serious offences or offences of a fraudulent nature the concerned authorities should be notified and legal action should be taken against them.

For, cases where the cheque is not cashed yet, the HOD Finance shall issue a letter in addition to the cheque to the individual/party. The concerned individual/party should also be made to sign a letter of understanding for the stolen cheque which clearly states that the concerned individual/party is responsible for the lost/misplaced cheque.

D.3. **PETTY CASH OPERATIONS**

Petty cash for operational expenses shall be maintained on imprest basis.

The HSA shall maintain the following petty cash limits for smooth operation of day to day activities:

- Maximum amount of cash that can be kept in the Finance Department is PKR 50,000; and
- Maximum amount of cash transaction shall not exceed the amount of PKR 15,000.

The Executive Director (ED) and HOD Finance shall approve the imprest limits for each petty cash holder. *Please refer to “Annexure F” for a copy Imprest Approval Form”.

Cash payments shall be avoided in all cases. No payment of more than fifteen thousand Rupees shall be made in cash except for utilities, postage or other payment heads allowable under the tax laws.

Petty cash shall be replenished with the approval of HOD Finance. *Please refer to “Annexure G” for a copy of “Imprest Replenishment Form”.

Further, the Imprest holder shall provide the account-code and item-wise detail of expenses incurred out of Imprest Advance. *Please refer to “Annexure H” for a copy of “Imprest Expenses Form”.

For handing-over of Imprest from one person to another shall also be approved by the ED and HOD Finance. *Please refer to “Annexure I” for a copy of “Imprest Handing-over Form”.*
D.4. SEGREGATION OF DUTIES

Cash shall be handled and vouchers shall be prepared by the Cashier / Assistant Accounts Officer. The vouchers shall be checked by the Finance Officer and approved by the HOD Finance.

Cashier shall not be involved in the voucher entries or bank reconciliation.

D.5 CONTROLLING CASH EMBEZZLEMENT

Adequate arrangement shall be made for transfer of cash to/from the bank and where necessary escorts shall be provided.

Access to cash office shall be restricted only to personnel authorized by HOD Finance. Keys of the Cash Safe shall be held one each by Cashier / Finance Officer and HOD Finance.

Daily Cash shall be closed at specified time. The Finance Officer / HOD Finance shall conduct surprise cash counts (atleast once each quarter) to ensure that physical cash balance is in conformity with the Cash Book.
ANNEXURE A – BANK RECONCILIATION FORMAT

<table>
<thead>
<tr>
<th>Bank Account Number</th>
<th></th>
<th>Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**BANK RECONCILIATION STATEMENT**

For the month of ____________________

Balance as per bank statement

(Attach copy of bank statement)

ADD:

Uncredited/uncleared cheques

<table>
<thead>
<tr>
<th>Date</th>
<th>Cheque Number</th>
<th>Particulars</th>
<th>Amount</th>
</tr>
</thead>
</table>

LESS:

Unpresented cheques

<table>
<thead>
<tr>
<th>Date</th>
<th>Cheque Number</th>
<th>Particulars</th>
<th>Amount</th>
</tr>
</thead>
</table>

Balance as per bank book

Prepared by

Verified by

Approved by

Assistant Account Officer

Finance Officer

dputy Director Finance

Executive Director

09 May 2013
## ANNEXURE B – CHEQUE DISPATCH REGISTER

<table>
<thead>
<tr>
<th>Voucher Ref</th>
<th>Cheque No.</th>
<th>Date</th>
<th>Particulars of Payee</th>
<th>Amount (Rs.)</th>
<th>Mode of Dispatch</th>
<th>Date / Courier Ref</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>By hand</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Via courier</td>
<td></td>
</tr>
</tbody>
</table>

Prepared by: 
Assistant Account Officer  
Checked by:  
Finance Officer  
Approved by:  
HOD Finance

Page 1
ANNEXURE C – CHEQUE BOOK REGISTER

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of Bank Account</th>
<th>Account Number</th>
<th>Date of Issue</th>
<th>Cheque Number From</th>
<th>Cheque Number To</th>
<th>Signatures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Prepared by Assistant Accounts Officer
Checked by Finance Officer
Approved by HOD - Finance
Approved by Executive Director
# ANNEXURE D – IMPREST APPROVAL FORM

<table>
<thead>
<tr>
<th>Location</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Current authorized amount**: Rs

**Requested increase or decrease**: Rs

**New authorized amount**: Rs (maximum Rs 20,000)

- [ ] Request for imprest
- [ ] Change of imprest holder
- [ ] Request to change amount

**If new fund, amount of fund requested**: Rs [ ] (Maximum allowed is 20,000)

**Purpose of Fund**

<table>
<thead>
<tr>
<th>Imprest Holder</th>
<th>(Name)</th>
<th>(Designation)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Alternate Imprest Holder</th>
<th>(Name)</th>
<th>(Designation)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Recommended by**

<table>
<thead>
<tr>
<th>(Name)</th>
<th>(Designation)</th>
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<td></td>
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</table>

**Approve**

<table>
<thead>
<tr>
<th>HOD Finance</th>
<th>(Date)</th>
<th>Imprest Holder</th>
<th>(Date)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Remarks**

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>(Date)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note**: This form will be used for new request of imprest, change of imprest holder and change in the amount of imprest.
ANNEXURE E – IMPREST REPLENISHMENT FORM

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td></td>
</tr>
<tr>
<td>500</td>
<td></td>
</tr>
<tr>
<td>100</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

**Total cash**

Imprest holder of Petty Cash Imprest

Signature

Remarks

Checked by  

Finance Officer

Approved by  

HOD – Finance

Approved by  

Executive Director
## ANNEXURE F – IMPREST EXPENSE FORM

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Date</th>
<th>Description</th>
<th>Accounts Code</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Prepared by: [Name]  
Checked by: [Name]  
Approved by: [Name]  
Approved by: [Name]
ANNEXURE G – IMPREST HANDING-OVER FORM

### SUMMARY OF IMPREST ACCOUNT

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Imprest Limit:</td>
</tr>
<tr>
<td>B</td>
<td>Petty cash vouchers in hand (attached)</td>
</tr>
<tr>
<td>C</td>
<td>Cash in hand:</td>
</tr>
<tr>
<td></td>
<td>B+C (Total Amount)</td>
</tr>
</tbody>
</table>

### CASH IN HAND

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000 M</td>
<td></td>
</tr>
<tr>
<td>500 M</td>
<td></td>
</tr>
<tr>
<td>100 M</td>
<td></td>
</tr>
<tr>
<td>50 M</td>
<td></td>
</tr>
<tr>
<td>10 M</td>
<td></td>
</tr>
<tr>
<td>5 M</td>
<td></td>
</tr>
<tr>
<td>2 x</td>
<td></td>
</tr>
<tr>
<td>1 x</td>
<td></td>
</tr>
<tr>
<td><strong>Total cash</strong></td>
<td></td>
</tr>
</tbody>
</table>

Handed over by:  
Signature:  

Taken over by:  
Signature:  

Witness:  

Finance Officer  
Date  
HOU – Finance  
Date
Chapter-9

Creditors and Other Current Liabilities
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<td>171</td>
</tr>
<tr>
<td>D.2. Settlement of Creditors and Other Current Liabilities</td>
<td>171</td>
</tr>
<tr>
<td>D.4. Updating Suppliers' Subsidiary Ledger</td>
<td>172</td>
</tr>
<tr>
<td>D.5. Creditors Report and Aging</td>
<td>172</td>
</tr>
<tr>
<td>D.6. Write-off and Rectification Adjustment</td>
<td>172</td>
</tr>
<tr>
<td>D.7. Accruals for Liabilities</td>
<td>173</td>
</tr>
</tbody>
</table>
A  INTRODUCTION

This chapter states the policies and procedures of Health Services Academy (HSA) in respect of the financial management of “Creditors and Other Current Liabilities”.

These policies shall provide clear direction on the commitment of funds, and discharge and payment of liabilities relating to Creditors for goods and services procured on behalf of the HSA. Further, the liability management system shall provide for:

- Identifying, incurring, measuring, managing, satisfying and recording liabilities;
- Promptly identifying, monitoring, recording and reporting commitments for capital expenditure; and
- Any commitment entered into for the employment of persons, to be in accordance with the requirements of the applicable Acts, industrial awards and agreements, University policy and the like
DEFINITIONS

For the purpose of this chapter, the following terms are used to describe the different areas within the HSA:

B.1. CREDITOR

A creditor is an external party (including an employee) to whom the HSA owes money.

This debt would normally arise as a result of the supply of goods or services prior to receiving payment. Creditors are often categorised as trade creditors and other creditors based upon the nature of the goods or services supplied.

B.2. LIABILITY

A liability is a legal obligation to pay in the future as a result of a past transaction or event. As such, it is a debt owed by the HSA. For accounting purposes, liabilities are normally classified as either current or non-current liabilities.

Liabilities represent amounts owing to creditors who have supplied goods and services (commonly known as accounts payable);

- money received where there is an obligation to provide future benefit or in default to refund the money (e.g. grants received in advance, funds held on behalf of other parties and bond money held for accommodation);
- unpaid employee entitlements such as accrued annual leave and long service leave; and
- borrowings, debt servicing, lease agreements and other financial arrangements

B.3. CURRENT AND NON-CURRENT LIABILITY

A liability is considered as current, where full payment is likely to be required under normal business circumstances within twelve months of the end of the financial year. Non-current liabilities are those where full payment is not likely to be required within twelve months following the end of the financial year.
POLICIES

This section entails an overview of the general policies adopted by the HSA in respect of creditors and other current liabilities.

- Commitment of HSA funds
- Recording of liability
- Settlement of creditors and other current liabilities
- Payment terms
- Creditors report and aging
- Write-off and rectification adjustments
- Updating suppliers’ subsidiary ledgers
- Accruals for liabilities
C.1. COMMITMENT OF HSA FUNDS

The commitment of HSA funds shall be made in accordance with the procurement policies and with approval as per “delegation of authority matrix”.
C.2. RECORDING OF LIABILITY

The Finance Officer shall be responsible to record the creditors’ liability at the time of updating subsidiary records through “goods / services received note” (GRN).
C.3. SETTLEMENT OF CREDITORS AND OTHER CURRENT LIABILITIES

An authority to discharge a liability to a creditor shall not be given unless the goods or services have been received in satisfactory condition, or in the case of prepayments, it is believed that the goods or services will be received in a timely manner.
C.4. PAYMENT TERMS

Settlement of a liability will be made on payment terms in accordance with contractual or legislative requirements.

The procurement department shall negotiate and agree the payment terms with the creditors’ in-line with the HSA procurement and credit policies. Further, the payment terms shall be clearly documented in the procurement / service agreement to avoid any dispute at the time of invoice settlement.

The Finance Department shall make sure that invoices are settled according to payment terms to maintain the credibility of HSA.
C.5. CREDITORS REPORT AND AGING

The Finance Department shall prepare the “Creditors Report” on monthly basis with their aging information for internal monitoring.
C.6. WRITE-OFF AND RECTIFICATION ADJUSTMENTS

Time-barred outstanding balances with age over three years, and yet not claimed by the concerned supplier or remained unsettled due to any compliance pending on the part of supplier, shall be considered for write-off.
C.7. UPDATING SUPPLIERS’ SUBSIDIARY LEDGERS

The reconciliation shall be done immediately, whenever any difference arise with the supplier. These differences may arise due to wrong allocation of payments, data entry mistakes and unrecorded charges / invoices (e.g. invoices not received or not accounted for by the finance department).
C.8. ACCRUALS FOR LIABILITIES

The Finance Department shall make accruals for creditors and other liabilities at month-end and year-end to capture all the cost (including related liabilities), which has already been incurred / committed.
D PROCEDURES

This section contains procedures adopted by the HSA in respect of creditors and other current liabilities.

D.1. RECORDING OF LIABILITY

The Finance Officer shall be responsible to record the creditors’ liability at the time of updating subsidiary records through “goods / services received note” (GRN) and following documents shall be attached with the transaction voucher:

- Original invoice
- Copy of purchase order or purchase requisition, as applicable; and
- GRN and Inspection report

D.2. SETTLEMENT OF CREDITORS AND OTHER CURRENT LIABILITIES

The settlement of creditors and other current liabilities shall be made through payment voucher, containing the following particulars:

- Voucher Number
- Date
- Cheque number
- Name of payee
- General Ledger Code
- Particulars of payment
- Invoice / Reference number
- Amount in figures and in words and
- Other information as required on Payment Voucher.

A Voucher shall be prepared by Cashier / Assistant Accounts Officer after hundred percent (100%) checking of supporting documents. The Voucher shall then be checked/ audited by Finance Officer and rechecked and approved by HOD Finance to book the expenditure.

The following documents shall be attached with the payment voucher for payment against supplies:

- Original invoice/bill of the supplier
- Copy of Purchase order
- Copy of the Annual Services / Supplies Agreements (i.e. regular procurement, are controlled through annual agreements)
- Goods Receipt Note; and
- Inspection report
The Cheques shall be sent to the supplier directly by registered mail or a designated person or supplier. Issuance of post-dated cheques shall be avoided in all cases except in case of finance lease.

D.4. UPDATING SUPPLIERS’ SUBSIDIARY LEDGER

The HOD Finance shall ensure that reconciliation with all major suppliers is done on month-to-month basis. Suppliers’ shall be advised to provide their “statement of accounts”, whenever they submit any invoice. No payment shall be made to any supplier having unreconciled balance.

All unrecorded invoices, which the finance department have not recorded / received, but appearing in the suppliers’ statement, shall be requested immediately and recorded accordingly for timely reconciliation.

D.5. CREDITORS REPORT AND AGING

The Finance Department shall be responsible to provide monthly reports of “un-paid suppliers’ balances” to the Heads of all concerned department (i.e. procurement, administration, etc) to follow-up / review the status.

The Finance Department shall prepare the suppliers’ balances ageing on a monthly basis, with following division:

<table>
<thead>
<tr>
<th>Age</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>below</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>days</td>
</tr>
<tr>
<td>60</td>
<td></td>
</tr>
<tr>
<td>90</td>
<td></td>
</tr>
<tr>
<td>180</td>
<td>days</td>
</tr>
<tr>
<td>360</td>
<td></td>
</tr>
</tbody>
</table>

| Age above | 360 days |

D.6. WRITE OFF AND RECTIFICATION ADJUSTMENT

The HOD Finance shall analyze the aging statement and after consultation with the concerned department, shall recommend the write-off adjustment.

The documentary evidence of recommendation for write-off adjustment and it’s approval shall be annexed to the voucher.

Rectification adjustments for allocation of payment to wrong / inappropriate expense or other ledger codes shall be made through Journal Voucher instead of through tempering the original entry. The HOD Finance shall approve the rectification adjustment.
D.7. ACCRUALS FOR LIABILITIES

The Finance Department shall make accruals for creditors and other liabilities at month-end and year-end.

The month-end accruals include accruals for salaries, utilities, security and other administrative costs.

The year-end accruals include accrual for audit-fee, staff retirement benefits, etc.
Chapter-10

Deferred Liabilities
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<tr>
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<th>PAGE</th>
</tr>
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<td>B DEFINITIONS</td>
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<td>D PROCEDURES</td>
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<tr>
<td>D.1. ESTIMATION OF DEFERRED TAX LIABILITY</td>
<td>181</td>
</tr>
<tr>
<td>D.2. DEFERRED COMPENSATION OBLIGATIONS</td>
<td>182</td>
</tr>
</tbody>
</table>
A  SCOPE OF THE CHAPTER

This chapter states the policies and procedures of Health Services Academy (HSA) in respect of the financial management of “Deferred Liabilities”.

Deferred tax liability is a very common form of deferred liabilities. In this case, it is recognized in the books that extra tax liability is being incurred, but it is not paid at that point in time. There are several liabilities, which have incurred but remain unpaid, such as changes in accounting practices and tax rates, acceptance of credits which are not yet applied, and so forth.
B DEFINITIONS

B.1. DEFERRED LIABILITIES

Deferred liability refers to a debt which is incurred and due but the entity does not resolve with a payment. The payment will be due at some point in the future and thus the liability is said to be “deferred.”

A number of types of liabilities can be deferred, ranging from retirement benefits to income tax. Deferred liabilities are accounted for in the accounting books to provide a more complete financial picture.

B.2. DEFERRED COMPENSATION LIABILITY

The deferred Compensation Liability represents obligation for staff compensation, of which the payment becomes due at the time of retirement or resignation.

The structure of deferred compensation plans varies among companies. Some have elective plans, while others are non-elective. The former consists of employees deciding to have a certain amount deducted from their salaries. Non-elective plans do not take from employees’ salaries, but rather function as an extension of their compensation.

B.3. DEFERRED INCOME TAX LIABILITY

A deferred income tax liability represents an estimate of amount of future taxes that will be assessed on income that has been recognized on a company’s accounting statement but that has not yet been recognized for income tax purposes.

The entities makes note of the deferred tax liability because otherwise there would be no way to mark down that it will owe taxes on that transaction in the future. Accounting for deferred tax liabilities allows entities to estimate how much they will need to pay in taxes so that they can set aside funds to do so.
This section entails an overview of the general policies adopted by the HSA in respect of Deferred Liabilities.

- Categories of deferred liabilities
- Deferred compensation obligations
C.1. CATEGORIES OF DEFERRED LIABILITIES

The deferred liabilities shall be recorded in the general ledger under the following designated categories:

- Deferred Compensation liability; and
- Deferred tax liability
C.2. DEFERRED COMPENSATION OBLIGATIONS

The compensation obligations, which are not funded separately and paid to staff, at the time of retirement, are recognised in the books of accounts as “deferred compensation obligations”.

The following compensation obligations shall be recorded in the HSA books of accounts as part of deferred liabilities:

- Provident fund; and
- Gratuity fund
D PROCEDURES

This section contains procedures adopted by the HSA in respect of Deferred Liabilities.

D.1. ESTIMATION OF DEFERRED TAX LIABILITY

A deferred income tax liability account estimates the amount of future taxes that will be assessed on income that has been recognized on HSA’s accounting results statement but that has not yet been recognized for income tax purposes.

The HSA, being “not for profit entity”, has tax exemption (on grant and other receipts) under the provision of Income Tax Act, 200. And, therefore, no deferred tax liability is required to be accounted for in the HSA books of accounts.
D.2. DEFERRED COMPENSATION OBLIGATIONS

Provident fund (PF)

The liability for PF obligation shall be accounted for on month-to-month basis. Both employer and employee make equal contribute (i.e. 10%) towards this compensation.

At year-end, the accumulated balance of PF obligation, appearing in the balance sheet, represents the amount of PF deferred obligation, which is not yet due for payment, but will become due for payment in future (i.e. at the time of retirement / resignation).

Gratuity

The liability for gratuity obligation shall be accounted for on month-to-month basis. Only employer makes equal contribute (i.e. 10%) towards this compensation.

To qualify for the gratuity benefit, the staff member has to complete the requirement of minimum service. In-case of employees taking early retirement, the payment of this obligation does not become due. The provision for this obligation shall be made on the basis of Actuary’s computation (revised after three years) of gratuity obligation.

At year-end, the accumulated balance of gratuity obligation, appearing in the balance sheet, represents the amount of deferred obligation, which is not yet due for payment, but will become due for payment in future (i.e. at the time of retirement / resignation).
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Endowment Fund
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<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
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A SCOPE OF CHAPTER

This chapter states the policies and procedures of Health Services Academy (HSA) in respect of the financial management of “Endowment Fund (Endowment)”. Policies and procedures related to “Investment Appraisal and Recognition of Investment Principle / Profits” shall be same as provided in Chapter VI – Investments”.

The Endowment is an aggregation of funds comprised of donations, gifts, etc from the donors with the requirement they be held in perpetuity to generate income now and in the future. The income supports scholarships, chairs, professorships, basic research, as well as academic and public service programs, as defined by the individual endowment agreements.

The Endowment is expected to provide fiscal stability since the principal is invested and income is generated year after year.

The HSA has a fiduciary responsibility to prudently manage the individual endowment funds, in order to evenly support present and future beneficiaries. This fiduciary responsibility constitutes both a legal and moral obligation to donors.

The Endowment also includes other funds set aside by the Board of Governors with the expectation that they be invested on a long-term basis.
B DEFINITIONS

B.1. ENDOWMENT FUND

This is the standard term for the endowment fund for financial statement reporting purposes. Endowment funds are generally subject to the restrictions of grant / donation instrument or an institute owns governing board that requires the principal of the funds to be invested and only the income spent.

B.2. TRUE ENDOWMENT FUND

For True Endowment Fund, the donor or other outside agency stipulates that the principal of the fund cannot be spent. The income shall be spent, however generally is restricted for a particular use per the donor’s request. If it is an unrestricted endowment, the income can be used for any purpose. An endowment agreement or other gift instrument such as a shall governs the endowment fund and its use.

B.3. TERM ENDOWMENT FUND

Similar to a true endowment in that a donor or outside agency has stipulated that the principal of the fund cannot be spent, however the gift instrument stipulates that after a stated period of time, part or the entire principal shall be spent. Like the income for a true endowment, the income for a term endowment fund shall be restricted for a particular use per the donor's request.
This section entails an overview of the general policies adopted by the HSA in respect of Endowment Fund.

- Commitment of endowment fund
- Endowment investment committee
- Responsibilities of investment committee
- Endowment investment objectives
- Investment policy
- Appropriation of expenditure
C.1. COMMITMENT OF ENDOWMENT FUND

The commitment of Endowment funds shall be made with the approval of “Endowment Investment Committee”.
ENDOWMENT INVESTMENT COMMITTEE

The Endowment Investment Committee shall be established by the Board of Governors. The Investment Committee shall comprise of the following:

- Two members of the Board of Governors (preferably, one representing Government and the other representing Academia);
- Executive Director (HSA);
- A Head of Department (representing Academia or R & D); and

The “HOD Finance” shall provide the secretarial and management support to the Investment Committee.

The members of the committee shall be appointed for the term of three years. And, any vacancy shall be filled immediately.
C.3. RESPONSIBILITIES OF INVESTMENT COMMITTEE

The Investment Committee shall be responsible for the overall review and oversight of the Endowment investment. The responsibility includes:

- formulating and reviewing investment policies
- appointing, monitoring and evaluating investment managers (if needed)
- reviewing and approving annual investment plans of the endowment fund; and
- reviewing and approving expenditure plans and general management of the endowment fund

The Investment Committee shall submit their reports (on half-yearly basis) on the performance results of endowment investments.

Policies of the Investment Committee shall be implemented by the HOD Finance.
C.4. ENDOWMENT INVESTMENT OBJECTIVES

The Investment of Endowment shall be made with the following objectives:

- To preserve the purchasing power of the endowment assets and the related revenue stream over time to evenly allocate support between current and future beneficiaries; and

- To earn an average annual real return, after inflation and expenses, as per target set by the Management and Endowment Investment Committee.
C.5. INVESTMENT POLICY

The Investment Committee shall formulate the Endowment investment policy in-line with the following principles:

- At least, 50% of the endowment fund shall be invested, in the risk-free Government Securities;
- No investment shall be made with commercial banks having “long-term credit-rating” below A;
- No investment shall be made in stocks, listed securities or other risk-carrying securities; and
- The investment of individual endowment shall be made separately and in a clearly identifiable manner.
C.6. APPROPRIATION OF EXPENDITURE

No expenditure shall be incurred out of Endowment, unless, the appropriation of the same is made by the Investment Committee, at the time of approving expenditure plans.

No expenditure shall be incurred in excess of the fund’s income, unless, the donors’ conditions permit using the principle amount, after the expiry of certain time period (i.e. Term Endowment Fund).
D PROCEDURES

This section contains following procedures adopted by the HSA in respect of Endowment fund:

- Endowment investment committee; and
- Appropriation of expenditure
D.2. ENDOWMENT INVESTMENT COMMITTEE

The Investment Committee shall meet at least twice a year. The quorum requirement for Investment Committee meeting is three members.

The Investment Committee shall be review and approve the following at their meeting:

- Performance status and realised return on investment;
- Investment plans of the endowment fund;
- Appropriation for expenditure and approval of expenditure plans; and
- General management of the endowment fund

D.3. APPROPRIATION OF EXPENDITURE

The endowment funds shall be used for scholarships, chairs, professorships, basic research, academic and public service programs, fund administration costs and such other purposes, if specifically permitted under the respective endowment agreement with donors.

The appropriation of expenditures (to be incurred out of Endowment) shall be made by the Investment Committee, at the time of approving expenditure plans.

No expenditure shall be incurred in excess of the fund’s income, unless, the donors’ conditions permit using the principle amount, after the expiry of certain time period (i.e. Term Endowment Fund).
Chapter-12

Payroll and Other Expenses
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A  **SCOPE OF THE CHAPTER**

This chapter set out the requirements regarding the establishment and maintenance of an expense management system.

Further, it states the policies and procedures of Health Services Academy (HSA) in respect of expense management system.

This policies and procedures related to advances and pre-payments are covered under the Chapter – 7 (Advances, Loans, Prepayments and Other Receivables).
B DEFINITIONS

B.1. EXPENDITURE
An expenditure is the amount of cash paid for goods and services. It is not a measure of the consumption of the goods or service. For example, expenditure can be made to purchase an expense item (e.g. payment of salary owed to an employee) or a capital item (e.g. purchase of a building).

B.2. EXPENSE
Expenses represent the cost of goods and services consumed in the process of fulfilling the University's objectives. They are measured by the amount of an asset used (e.g. depreciation) or the amount of a liability incurred (e.g. creditor's amount).

There are two common methods of expense recognition for accounting purposes. These are the cash basis and the accrual basis. Under the cash basis, the expense is recognised in the accounts when the cash is paid. Under the accrual basis, the expense is recognised when the benefit arising from the goods or services is received. The University is required by government legislation to adopt the accrual accounting method.

For accounting purposes, expenses are normally classified by their nature such as salaries, electricity charges and taxes. Expenses include:

- Salary owed to staff for time worked as an employee of the HSA;
- Payroll tax owed to the Government as a result of employing staff; and
- Purchase cost of stationery.

B.3. EXPENSE MANAGEMENT SYSTEM
The System to request, approve, reimburse, record and report expenses.

B.4. SALARY
The term salary includes all types of payments made to an employee in consideration of the services rendered by that employee in performance of the duties or functions in connection with the management of the affairs of the HSA.
POLICIES

This section entails an overview of the general policies adopted by the HSA in respect of expense management system:

- Control and monitoring
- Approval of expenditure
- Budgetary allocation
- Payroll and staff costs policies
- Travel policies
- Pool vehicle policies
- Communication facilities policy
- Other expenses policy
C.1. CONTROL AND MONITORING

Adequate systems, including adequate internal controls, shall be established and maintained to monitor and ensure:

- The prompt recognition and recording of expenses in the accounts in a way which allows reporting objectives and accountability requirements to be satisfied;
- The appropriate recording of expenses arising from consumption, actual loss or as a provision for a probable loss;
- Expenses are only incurred for an authorised purpose;
- That operational responsibility is assigned for the approval and management of expenses in terms of strategic plans and of identifying expenses otherwise occurring or accruing;
- The timely payment of expenses; and
- That accounting policies to be applied in the recognition of expenses in the accounts and/or as general disclosures in notes to the financial statements are defined and consistently applied
C.2. APPROVAL OF EXPENDITURE

The financial concurrence prior to sanction of the expenditure for purchase of stores, durable goods, creating posts, civil-work, supplies and contracts shall be obtained as provided in the policies and procedures.
C.3. BUDGETARY ALLOCATION

The expenditure shall be incurred against specific budgetary allocation.

Re-appropriation of funds can only be made with the approval of Executive Director (ED) with the concurrence of HOD – Finance.
C.4. PAYROLL AND STAFF COSTS POLICIES

The hiring of “Faculty Members” shall be subject to policies and procedures set out in the Human Resource Manual.

C.4.1. Recording and Classification

The salary cost shall further classified as required for donor and other reporting objectives. The faculty members cost shall be recorded under the “Academic Activities Expenses” and the salary cost of administrative, HR, Finance, etc” shall be recorded under the “General and Administrative Expenses”. Whereas, the salary cost of “Research & Development Department” shall be charged to the respective projects.

C.4.2. Payroll payment

The payroll payment shall be approved by the ED, HOD – Finance and HOD – Human Resource.

C.4.3. Payroll deductions and recoveries

The deductions shall be made from monthly payroll for income tax, provident fund and other loans / advances (issued as per entitlement under the Human Resource Manual) and other recoveries.

C.4.4. Staff attendance and leave record

The staff attendance and leave record shall be maintained by the Administration Department.
C.5. TRAVEL POLICIES

C.5.1. Travel authorization
For each trip or official visit, the staff shall submit the “Travel Application” for approval by the concerned Head of Department, HOD - Finance and HOD – Administration. The “Travel Application” for Head of Departments shall be approved by the ED.

C.5.2. Travel advance
The release of advance for travel shall be subject to amount as approved in the “Travel Application”.

C.6. **POOL VEHICLE POLICIES**

**C.6.1. Vehicles Logs**

The administration department shall maintain proper log for each pool vehicle.

For out of city travel, the official vehicle shall only be used, after approval through “Travel Application”.

**C.6.2. Personal use of official vehicles**

The administration department shall not allow the use of official vehicles for personal use, without prior approval (in writing), from the concerned Head of Department and HOD – Administration.

Use of official driver, with-out office driver, shall not be permitted.

**C.6.3. Fuel and Maintenance Records**

The administration department shall maintain monthly records of “fuel cost” and “maintenance cost”.
C.7. COMMUNICATION FACILITIES POLICY

The administration department shall maintain the necessary usage logs of communication facilities [i.e. fax, landlines (international usage only), courier, etc] and shall not allow personal usage of the same, except after prior approval from the concerned Head of Department and HOD – Administration.
C.8. OTHER EXPENSES POLICY

The Other expenses shall be accounted for in the relevant category in the profit and loss account.

For major expenses categories, separate ledger account-code shall be maintained, which includes the following:

- Rent expense
- Utilities expense
- Insurance expense
- Stationery
- Printing
- Books and periodicals
- Computer supplies
- Advertisement;
- Repair & maintenance
- House-keeping; and
- Conferences and related lodging / travel expenses.

And, other minor expenses shall be classified under the “Misc Expenses” category.
D.1. APPROVAL OF EXPENDITURE

The financial concurrence prior to sanction of the expenditure for purchase of stores, durable goods, creating posts, civil-work, supplies and contracts shall be obtained as delegation of authorities matrix annexed as appendix to this manual.
D.2. BUDGETARY ALLOCATION

The expenditure shall be incurred against specific budgetary allocation.

The policies and procedures for budget controls are set out in the Chapter V (Planning and Budget).
D.3. PAYROLL AND STAFF COSTS PROCEDURES

D.3.1. Collection of primary data for payroll
The salaries and benefits of regular employees shall be calculated in accordance with their respective offer letters, any authorized changes thereto and the policies provided in related Human Resource Policies Manuals.

Salaries of employees shall be calculated in accordance with their terms of employment / authorised changes in terms of employment.

Payroll shall be processed based on the data maintained in the payroll master file. Attendance records for each employee, where appropriate, in addition to absence lists and late comers list shall be submitted for review and checking by the HR Department before the monthly payroll processing run. These records must have HOD - Administration approvals before processing.

HR shall calculate and maintain a serial record of the out of payroll payments. Out of the payroll payments shall be separately calculated and maintained outside the Payroll Module. These may include leave advance salary, end of service/final settlement payable to employees, duty travel advance etc.

D.3.2. Review of payroll
The Human Resources Department shall check all changes for proper authorisations before they are entered on the Payroll. Once documents are entered on the Payroll they shall be stamped “Processed/Entered”

The change shall be forwarded to the Payroll Section of the Financial Accounts Department who will reviews the change for completeness, accuracy.

The Human Resources Department shall be responsible for ensuring that all staff change and source document are serially numbered. The Payroll section of the Accounts department shall be responsible for identifying and following up on missing or duplicate change.

D.3.3. Recording and classification
The faculty members cost shall be recorded under the “Academic Activities Expenses” and the salary cost of administrative, HR, Finance, etc” shall be recorded under the “General and Administrative Expenses”. Whereas, the salary cost of “Research & Development Department” shall be charged to the respective projects.

The salary cost shall be further classified as under for donor and other reporting objectives:

Government Funded:
- Permanent staff;
- Short-term and long-term contracts

Donor Funded / Project:
- Permanent staff;
- Short-term and long-term contracts

Further, the staff cost information related to following shall be made available for reporting objectives:
- Gender-wise (i.e. Male and female)
- Special persons
D.3.4. Payroll payment

The payroll payment shall be made not later than 7 days after the end of relevant salary month. The Payroll payment shall be approved by the ED, HOD – Finance and HOD – Human Resource.

No payment against salary shall be made to any employee in cash, except for casual labour payment (not exceeding Rs 5,000 per person).

In case of bank payments, the amount payable to each employee shall be transferred to the bank account, as specified by the employee.

D.3.5. Payroll deductions and recoveries

The following deductions shall be made from monthly payroll:

- Income tax, as applicable to salary income;
- Provident fund;
- Advances against salary;
- Imprest or temporary advance;
- Travel advance; and
- Staff loans (i.e. house building, car / motor cycle, etc)

The following recoveries shall be made from monthly payroll:

- Telephone ceiling
- Electricity bills
- Medical expenses; and
- Transport facilities
D.4. TRAVEL PROCEDURES

D.4.1. Travel authorization

For each trip or official visit, the staff shall submit the “Travel Application” for approval by the concerned Head of Department, HOD - Finance and HOD – Administration. The “Travel Application” for Head of Departments shall be approved by the ED. The travel application shall include the following information:

- Employee name, designation, department, etc
- Travel dates
- Mode of travel;
- Purpose of travel; and
- Estimate of travel expenses and requirement of advance, if any

D.4.2. Travel advance

The release of advance for travel shall be subject to amount as approved in the “Travel Application”. Advance against expenses shall be restricted to 80% of the estimate. The request for advance shall be submitted to the Finance Department at-least 2 days in advance.
D.5. **POOL VEHICLE PROCEDURES**

**D.5.1. Vehicles Logs**

The administration department shall maintain proper log for all pool vehicle. For out of city travel, the official vehicle shall only be used, after approval through “Travel Application”.

**D.5.2. Personal use of office vehicles**

Use of official driver, with-out office driver, shall not be permitted.

The administration department shall not allow the use of official vehicles for personal use, without prior approval (in writing), from the concerned Head of Department and HOD – Administration.

For personal use of official vehicle, the staff will pay Rs 20 / KM to HSA along-with overtime of concerned driver staff. Whereas, for official use of personal vehicle, the HAS shall reimburse the fuel / maintenance cost to staff, at the rate of Rs 14 / KM (and Rs 12 / KM for out of city travel).

**D.5.3. Fuel and maintenance records**

The administration department shall maintain record of:

- Monthly fuel cost (i.e. fuel re-fill, meter reading, mileage, etc)
- Monthly maintenance cost

The copies of the above record shall be forwarded to the Finance Department on a monthly basis, with relevant bills, for payment.
D.6. COMMUNICATION FACILITIES PROCEDURES

The administration department shall maintain the necessary usage logs of communication facilities [i.e. fax, landlines (international usage only), courier, etc]. The usage logs shall be forwarded to the Finance Department on a monthly basis with related bills for payment to vendors and recoveries for personal usage.

The Administration Department shall not allow personal usage of the same, except after prior approval from the concerned Head of Department and HOD – Administration.
Chapter-13

Financial Reporting
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A. **SCOPE OF CHAPTER**

Financial reporting relates to the provision of information to the management for the purpose of planning, controlling and decision-making. The main purposes of financial reporting are:

- To assist management for planning and controlling routine operations;
- To facilitate management in making non-routine decisions;
- To help management in formulating major plans and policies;
- To provide timely and accurate information to the Board of Governors (BoG);
- To provide forward looking and easily understandable information.
- To provide the relevant and correct information to the Auditors and management to allow the financial statements to be prepared.

This chapter states the policies and procedures of Health Services Academy (HSA) relating to the financial reporting activities.

This chapter covers the policies and procedures for the preparation of the following:

- Internal Reporting
  - Monthly and annual reports
- External Reporting
  - Annual statutory reports
  - Reporting to foreign donors; and
  - Reporting to Government of Pakistan

Please refer to the Accounting Policies chapter (i.e. chapter 3) of this manual for the detailed accounting principles and policies to be used for recording financial transactions and preparation of financial statements of the HSA.
B. DEFINITIONS

B.1. FINANCIAL REPORTING
This is a process of systematic recording, reporting, and analysing financial transactions of the HSA. This process comprises gathering, compiling and reporting of information to management and BoG of the HSA for the purpose of controlling the operational activities, making decisions, and informing the external stakeholder about the true and fair view of financial position and performance of the HSA.

B.2. FINANCIAL STATEMENTS
Financial statements shall comprise of following:

- Balance sheet
- Profit and loss accounts
- Cash flow statement
- Statement of changes in equity
- Notes to the financial statements
C. POLICIES

It shall be the responsibility of Finance Department to maintain financial information required for the preparation of periodic financial statements and reports and to ensure data validity and integrity.

The provision of timely and accurate information to the management shall encompass the following purposes:

- To formulate policies and strategies;
- To plan and control the activities of the HSA;
- To support decision making and choosing on alternative courses of action;
- To safeguard assets of the HSA;
- To provide right and accurate information at the right time;
- To ensure that the needs of the business are met; and
- To align financial reporting with business strategies of the HSA.

The policies relating to financial and management reporting can broadly be divided into the following:

- Time period for retaining books of accounts
- Internal reporting policies
- Reporting timetable
- External reporting policies
EXTERNAL REPORTING POLICIES

The financial statements for external reporting shall be made available to donors, regulators, tax authorities and other stakeholders of the HSA as per the requirements of International Financial Reporting Standards and other regulatory requirements.
C.2. INTERNAL REPORTING POLICIES

The finance department shall be responsible to prepare standardised formats and templates for the internal reporting purposes.

The internal reporting policies and presentation shall be based on the requirements of the management and BoG. Therefore, it shall not need to comply completely with the policies and presentation used for external reporting purposes as discussed in section C.1 of this chapter.

Further, the management of the HSA shall decide the assumptions, concepts and presentation techniques that serve the purposes of management more appropriately and the presentation format shall be tailored to serve those needs.
C.3. REPORTING TIMETABLE

The HOD - Finance shall prepare a detailed timetable for internal and external reporting. The reporting timetable to management, BoG, donors, regulators, tax authorities, etc shall be prepared with due consideration given to the statutory, award agreement and legal requirements.

The reporting timetable for internal purposes shall be prepared as per the management’s requirements. These have been tabulated as follows:

<table>
<thead>
<tr>
<th>Reporting</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month-end closing</td>
<td>Within 10 working days after month end.</td>
</tr>
<tr>
<td>Annual Accounts (un-audited)</td>
<td>Within one month after the year-end.</td>
</tr>
<tr>
<td>Annual Audited Accounts</td>
<td>Within three months after the year end.</td>
</tr>
</tbody>
</table>
C.4. TIME PERIOD FOR RETAINING BOOKS OF ACCOUNTS

The books of account of the HSA relating to any specific financial year shall be preserved in good order for not less than ten years immediately proceeding before that financial year.
D. PROCEDURES

Financial reporting is the responsibility of the finance department. The finance department shall ensure that the accounting policies are correctly applied and statutory requirements are being complied with.

This section comprises the procedures for the following:

- Preparation and communication of reporting timetable
- Monthly closing and monthly reporting package
- Annual closing and annual reporting package; and
- Preparation, audit and approval of the annual financial statements
D.1. REPORTING TIMETABLE

The timelines of compilation of financial information is imperative to enable the management to control the businesses and make timely and effective decisions.

The HOD - Finance shall prepare a detailed timetable (on excel worksheets) for internal and external reporting.

The timetable for external reporting shall be prepared with due consideration given to the statutory, award agreement and legal requirements. The reporting timetable for internal purposes shall be prepared as per management's requirements.

The HOD - Finance shall forward the reporting timetable to the senior management for review and comments. The timetable shall comprise the following:

- Name of the report / template
- Purpose of the report
- User of the report
- Due date for submission of report / template to Finance
- Due date for transmission of consolidated report / template to external / internal user

Any revisions, recommendation to the timetable shall immediately be forwarded to HOD - Finance with the reasons for the same. The approved timetable shall be forwarded to the relevant personnel in Finance, Administration, Human Resource, academia, Internal Audit, etc.
D.2. MONTH-END CLOSING

At the month end, the day to day financial / accounting transactions data shall be captured into the general ledger. This data shall include the following:

- Course fees and other charges information provided by the registrar office;
- The procurement data including purchases for projects, stores, their consumption and capitalisation during the period, shall be verified with the Administration and Procurement Departments;
- The data for daily administration expenses, petty cash balances, shall also be verified with the information provided by Administration Department;
- The data for fixed assets including purchase and disposal of fixed assets shall be extracted from the Fixed Asset Register;
- The data for payroll expense, statutory and other deductions and net payable shall be verified with the Human Resource Department.

The Finance Officer shall perform a reconciliation to ensure that the balances as per the subsidiary GL control accounts for receivables and payables are reconciled with the subsidiary records. Any variances shall be investigated and adjusted accordingly.

These reconciliations shall be forwarded to HOD - Finance for review and approval.

Once the GL control account balances are reconciled with the totals of respective subsidiary records, the routine monthly adjusting entries shall be required to be made.

The Finance Officer shall maintain a checklist for all such routine adjusting entries to ensure the completeness of adjustments to be made. The routine adjusting entries at the Regions shall include the following:

- Accrual of administrative expenses, e.g. rental expense, repair and maintenance, insurance expense, utilities expense, including adjustments for any prepayments, accruals for service contract with manpower agencies such as janitorial, security guards etc.;
- Accrual for the month’s payroll;
- Provisions for bad debts, if applicable;
- Receivables / payables;
- Any other adjustments;

The Finance Officer shall refer to the checklist for the adjusting entries and shall prepare the required workings for the adjustments. The information for preparing the month end adjusting entries shall be obtained from the respective modules and records.

The Assistant Accounts Officer shall prepare journal vouchers (JV) for the adjusting entries. The Finance Officer shall verify the vouchers.

The HOD - Finance shall review the workings received. He shall compare the JVs prepared with the checklist and approve the same. After the approval by the HOD - Finance, the JVs shall be posted to the GL.

The HOD - Finance shall ensure that closing process is completed as per the timelines mentioned in section D.1 of this chapter.

The HOD - Finance shall also identify the major variances in the balances and ratios compared to previous month as well as with the current year budget and investigate the
reasons and document the same in a ‘Variance Analysis Report’ (VAR). The reason for this analysis is to make sure that the balances are reasonable and are consistent after taking account of current month’s activity level etc.

Once all the monthly adjusting entries have been posted to the GL and the HOD - Finance shall close the GL once he is satisfied with the reasonableness and accuracy of the Trial Balance.
D.3. MONTHLY REPORTING PACKAGE

Once the HOD - Finance approves the TB, the Finance Officer shall run the program for preparing the standard monthly financial reporting package from the Peachtree accounting software.

The standard monthly accounting package shall contain the current comparison between the current month balances with the prior month balances for the following:

- Balance sheet;
- Profit and loss account;
- Cash flow statement;
- Condensed notes to the financial statements;
- Major financial ratios;
- A fee revenue summary showing revenue from each course and other charges;
- A summary of operating expenditure;
- Variance analysis of actual balances as per balance sheet and profit and loss account against prior period balances and following budgets:
  - Fee revenue budget
  - Operational budget
  - Human resource budget
  - Admin budget
  - Capital expenditure budget
- Any other report as considered necessary by the management.

D.1.1. Review and Approval

The monthly corporate reporting package shall be reviewed by the HOD - Finance. Any changes recommended by him shall be made in the package and the report thereof shall be forwarded to the Executive Director and Joint Director for approval.
D.4. ANNUAL CLOSING AND ANNUAL REPORTING PACKAGE

The preparation process of annual reporting package shall be the same as for preparing the monthly reporting package as discussed in previous sections of this chapter.

However, there shall be certain additional year end procedures which shall be carried out prior to preparation of annual financial reporting package.

D.4.1. Additional Year End Procedures

The HSA shall issue instructions prior to carrying out certain additional year end procedures prior to preparation of annual financial statements. These additional instructions shall be issued as follows:

- The instructions for the year end cash count shall be issued by the HOD - Finance
- The instructions for year end physical verification of fixed assets shall be issued by the Joint Director

These instructions shall describe the extent and timing of the additional procedures.

These additional procedures shall vary from year to year, however, they shall at a minimum, include the following:

- Physical cash counts instructions

Petty cash balances maintained at HSA shall be counted physically by the Finance Officer in the presence of the External Auditors of the HSA.

Any differences found on physical count, whether excesses or shortages, shall be investigated and recovered / adjusted accordingly.

The cash count sheets shall be signed by the cashier, Finance Officer and the representative of the external auditors.

- Physical verification of fixed assets

The fixed assets shall be verified by the “Assets Verification Committee”. Please refer to Chapter 4, Capital Expenditure and Other Non-Current Assets (Section C.1.8) for detail procedures.

Any differences found during the physical verification, shall be investigated and adjusting entries shall be recommended accordingly. The approval of all adjustments in FAR shall be given by the Joint Director. Based on the above approval, the accounting entries for the adjustments shall be made before the closure of the GL and TB.

D.4.2. Additional Adjusting Entries

Besides the above mentioned year end procedures, there shall be some additional adjusting entries which include:

- Provision for income tax, if required;
- Year end write offs for receivables and fixed assets;
- Provision for doubtful debts;
- Other adjustments.

The additional adjusting entries mentioned above shall be approved by the HOD - Finance.
D.4.3. **Closing of Trial Balance**

Once all the above activities shall be completed, the TB shall be closed in the same manner as the monthly TB is closed.

D.4.4. **TB and Reporting Package**

The Finance Officer shall be responsible for preparing the TB and the reporting package. On approval of the HOD - Finance, The Finance Officer shall run the preparation of standard financial reporting package from the Peachtree accounting software.

The annual reporting package shall comprise the same reports as included in the monthly reporting package with the exception of the following additional reports:

- A statement showing financial charges, if any,
- A statement for bad debt written offs against provision for doubtful debts account
- A statement for fixed assets write offs,
- Details of legal cases and the contingent liabilities arising from such legal cases,
- Others reports, as considered appropriate by the management.

The procedures for review and approval of the annual reporting package by the management shall remain the same as for the monthly reporting package as mentioned in section D.3.1 of this chapter. The HSA annual financial statements shall be forwarded to the audit committee and the BoG.
D.5. ANNUAL FINANCIAL STATEMENTS

As per the regulatory requirements, the HSA shall issue the annual audited financial statements to the stakeholders (such as Cabinet Division, AGPR / Ministry of Finance, Donors, etc.).

D.5.1. Closing of Trial Balance

The HOD - Finance shall prepare a format on MS Excel worksheet as per the detailed disclosure requirements of IFRS. The annual financial statements shall comprise the following:

- Balance sheet,
- Profit and loss account,
- Cash flow statement,
- Detailed notes to the accounts.

The HOD - Finance shall also prepare a working to map the balances from the financial statements with annual financial reporting package, which shall be used for preparation of annual statutory financial statement and detailed notes to the accounts.

The Finance Officer shall extract the data from the reporting package to prepare the annual statutory financial statements. The HOD - Finance shall match the balances as per annual statutory financial statements including detailed notes to the accounts with the TB of the HSA and financial statements as per annual financial reporting package.

The annual statutory financial statements and working to map the balance shall be forwarded to the Joint Director and Executive Director for approval.

D.5.2. Audit of Annual Financial Statements

The statutory Auditors of the HSA shall be requested to carry out an audit of these financial statements and issue an audit report thereon within a prescribed timeframe.

Any adjustments arising from the audit, shall be approved by the HOD - Finance and incorporated in the financial statements.

On completion of the audit, the Auditors of the HSA shall issue the stand alone initialled financial statements along with audit report.

D.5.3. Approval by the Audit Committee and Board of Governors

The initialled annual financial statements of the HSA and auditor’s report thereon shall be forwarded to the Audit Committee for their review by the secretary audit committee. The recommendation of Audit Committee shall be placed before BoG for consideration.

Any comments from the Audit Committee shall be incorporated in the HSA financial statements and forwarded to the BoG for their approval. The HOD - Finance shall present the financial statements duly endorsed, for consideration and approval of the BoG. The BoG after consideration and approval authorise the signing of financial statements for issuance and circulation.

Thereafter the Auditors of the HSA shall issue the financial statements with the signed audit report taking into accounts the BoG resolutions.
D.5.4. Distribution of Annual Financial Statements

The HSA shall distribute the approved annual financial statements to the stakeholders (i.e. Donors, Cabinet Division, AGPR / Ministry of Finance, taxation authorities etc).
D.6. AD-HOC REPORTING

D.6.1. Reason and Reporting Formats

Apart from periodic reporting as included in the reporting timetable, information and reports shall also be required for both, internal and external purposes on an ad-hoc basis. Ah-hoc reports shall be requested for the following users:

- Internal Users – include senior management of the HSA.
- External Users – include regulatory and government bodies who shall require financial and statistical data for specific analysis.

In case of internal users, the reporting formats shall be provided by the management as per their requirements. These requirements shall be forwarded to the HOD - Finance along with the reason by respective Heads of Department.

In case of external users, the reporting formats shall be provided by the information recipient.

D.6.2. Audit of Annual Financial Statements

Based on the reporting requirements, HSA policy and confidentiality issues, the HOD - Finance shall issue special guidelines / instructions to the Finance Officer for the preparation of the required ad-hoc reports after obtaining the specific approval of Joint Director.

The Finance Officer shall prepare the ad-hoc report on the approved format and forward it to the HOD - Finance for review / approval and onward submission to concerned quarters.
Chapter-14

Tax and Legal Compliance
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A SCOPE OF THE CHAPTER

This chapter states the policies and procedures of Health Services Academy (HSA) to comply with the requirements of tax and legal framework.

The HSA, being an autonomous body, working under the Cabinet Division, Government of Pakistan, is not subject to compliance requirements, prescribed by SECP or under corporate laws.

However, the general requirements, prescribed under Income Tax Ordinance, 2001, Income Tax Rules, 2002 and Pakistan Labour Laws, applies to HSA.
DEFINITIONS

B.1. NON-PROFIT ORGANIZATION

Any person other than an individual, which is:

- Established for religious, educational, charitable, welfare or development purposes, or for the promotion of an amateur sport;
- Formed and registered under any law as a non-profit organization;
- Approved by the Commissioner for specified period, on an application made by such person in the prescribed form and manner, accompanied by the prescribed documents and, on requisition, such other documents as shall be required by the Commissioner; and none of the assets of such person confers, or shall confer, a private benefit to any other person;

B.2. PERSON

The following have been defined as “Person” under the Income Tax Ordinance, 2001, which are required to comply with ordinance requirements:

- An individual;
- A company or association of persons incorporated, formed, organised or established in Pakistan or elsewhere; and
- The Federal Government, a foreign government, or public international organisation.

The HSA, being an autonomous body / department of the federal government, shall be considered as “person” for the purpose of compliance with provisions of the “Income Tax Ordinance, 2001”.

B.3. TAX PAYER

The following have been defined as “Tax Payer” under the Income Tax Ordinance, 2001, which are required to comply with ordinance requirements:

Any person who derives an amount chargeable to tax under this Ordinance, and includes:

- Any representative of a person who derives an amount chargeable to tax under this Ordinance;
- Any person who is required to deduct or collect tax under Part V of Chapter X [and Chapter XII]; or
- Any person required to furnish a return of income or pay tax under this Ordinance;

The HSA, being required to deduct tax, under Part V of Chapter X of the Income Tax Ordinance, 2001, shall be considered as “tax payer” for the purpose of compliance with provisions of the “Income Tax Ordinance, 2001”.

B.4. COMMERCIAL ESTABLISHMENT

The following has been defined as “commercial establishment” under “Industrial and Commercial Employment (Standing Order) Ordinance, 1968”, “Minimum Wages for Unskilled Workers Ordinance, 1969” and other labour laws, which is required to comply with the provisions of respective labour law:
An establishment in which the business of advertising, commission or forwarding is conducted or which is a commercial agency and includes a clerical department of a factory or of any industrial or commercial undertaking, the office establishment of a person who for the purpose of fulfilling a contract with the owner of any commercial establishment or industrial establishment, employs workmen, a unit of a joint - stock company, an insurance company, a banking company or a bank, a broker’s office or stock-exchange, a club, a hotel, a restaurant or an eating house, a cinema or theatre and such other establishment or class thereof, as Government shall, by notification in the official Gazette, declare to be a commercial establishment for the purposes of this Ordinance”.

B.5. ESTABLISHMENT

The following has been defined as “establishment” under the “Employees’ Old-age Benefits Act, 1976”, which is required to comply with the provisions of Act:

- An establishment to which the West of Pakistan and Establishments Ordinance, 1969 (West Pakistan Ordinance No. VIII of 1969) for the time being applies, and notwithstanding anything contained in section 5 thereof, includes clubs, hostels, organisations and messes not maintained for profit or gain and establishment, including hospitals, for the treatment or care of sick, infirm, destitute or mentally unfit persons;
- A construction industry as defined in the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968 (West Pakistan Ordinance No. VI of 1968);
- A factory as defined in the Factories Act, 1934 (XXV of 1934);
- A mine as defined in the Mines Act, 1923 (IV of 1923); and
- A road transport service as defined in the Road Transport Workers Ordinance, 1961 (XXVIII of1961) ; and includes any class of industries or establishments which the Federal Government shall, by notification in the official Gazette, declare to be establishments for the purposes of this Act.

B.6. PERMANENT STAFF OR WORKMAN

A staff member or worker who has been engaged on work of permanent nature likely to last more than nine months and has satisfactorily completed a probationary period of three months.
This section entails an overview of the general policies adopted by the HSA to comply with the requirements:

- Tax framework; and
- Legal framework:
C.1. TAX COMPLIANCE

The HSA, being a “person” and “tax-payer”, with-in the meaning of definitions provided in Section – B and the Income Tax Ordinance, 2001, shall comply with the following requirements as prescribed under Income Tax Ordinance, 2001:

- E-filing of annual return of income
- Deduction of withholding tax from payments
- Deposit of withholding tax
- Issuance of certificate of tax deduction
- E-filing of monthly and annual statements (withholding tax related)

In addition to the above requirement, the HAS shall apply to the tax authorities for “Approval as Non-profit Organization” to avail exemption from income tax on grant and other receipts.
C.2. LEGAL COMPLIANCE

The HSA, being “an establishment”, with-in the meaning of definitions provided in Section – B and Pakistan Labour Laws, shall comply with the requirements of following labour laws:

- Industrial and Commercial Employment (Standing Orders) Ordinance, 1968
- Minimum Wages for Unskilled Workers Ordinance, 1969; and
- Employees Old Age Benefits Act, 1976

The HSA, not being a “company” or “an Industrial Undertaking”, shall not be required to comply with the following labour laws:

- The Companies Ordinance, 1984
- Companies (General Provisions and Forms) Rules, 1985
- Workman’s Compensation Act, 1923
- Workers Welfare Fund Ordinance, 1971
- The Companies Profits (Workers' Participation) Act, 1968
- Factories Act, 1934
- Wages Act, 1936
- Employment Record of Service Act, 1951
- Industrial Relations Ordinance, 2002
- Hazardous Occupations Rules, 1978
- Employment of Children Act, 1991
- Maternity Benefit Ordinance, 1959
- Shops & Commercial Establishments Ordinance, 1969; and
- Road Transport Workers Ordinance, 1961
D. PROCEDURES

This section contains procedures adopted by the HSA to comply with the tax and legal framework.

D.1. TAX COMPLIANCE
The HSA, being a “person” and “tax-payer”, with-in the meaning of definitions provided in Section – B and the Income Tax Ordinance, 2001, shall comply with the following requirements as prescribed under Income Tax Ordinance, 2001:

D.1.1. Approval as Non-profit Organization
The HSA shall apply to Commissioner (Income Tax) for approval under rule 211 of the Income Tax Rules, 2002 to declare HSA as Non-profit organization for the purpose of clause 32 of section 2 of the Income Tax Ordinance, 2001. The HSA receipts from academic and R & D activities, shall be exempt from income tax, once the approval under section 2 (36) is given. Please refer to “Annexure G”, for the prescribed format of, application under rule 211.

D.1.2. Filing of Annual Return of Income
The HSA shall e-file the “annual return of income” with-in 90 days from the end of each financial year. However, no income tax shall be paid by the HSA for the reason of it’s being non-profit organization for the purpose of clause 32 of section 2 of the Income Tax Ordinance, 2001.

D.1.3. Withholding Tax

- Salary (Section 149):
The withholding tax shall be deducted from monthly salary payment at effective tax rate according to salary range and applicable slab under “Part 1 of 1st Schedule of the Ordinance”.
Tax shall be deducted from compensation (i.e. gratuity received other then from the Government or Recognised Gratuity Fund), payable on employment termination, at average rate of tax rates for last three years. However, the initial Rs 75,000 or 50% (whichever is less) shall be exempt.

- Payment to Non-resident (Section 152)
The withholding tax shall be deducted from payments to non-residents, on account of royalty, fee for technical services, etc, at the rate of 15% or lower rate as prescribed under the relevant International Tax Treaty

○ Payment on account of Supply of Goods / Services (Section 153)
The withholding tax shall be deducted from payments to residents on account of supply of goods and services at following rates:

| Supply of good | 3.5% |
| Transport services | 2% |
| Other services and contracts | 6% |

All payments are liable to withholding tax except for supply of goods and services with limits of Rs.25,000 and Rs. 10,000 respectively.
Payment on account of rent (Section 155)
The withholding tax shall be deducted from payments on account of rent at following rates:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Gross amount of rent</th>
<th>Rate of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Where the gross amount of rent does not exceed Rs.150,000.</td>
<td>Nil.</td>
</tr>
<tr>
<td>(2)</td>
<td>Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.400,000.</td>
<td>5 per cent of the gross amount exceeding Rs.150,000.</td>
</tr>
<tr>
<td>(3)</td>
<td>Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.</td>
<td>Rs.12,500 plus 7.5 per cent of the gross amount exceeding Rs.400,000.</td>
</tr>
<tr>
<td>(4)</td>
<td>Where the gross amount of rent exceeds Rs.1,000,000.</td>
<td>Rs.57,500 plus 10 per cent of the gross amount exceeding Rs.1,000,000.</td>
</tr>
</tbody>
</table>

Deposit of withholding tax (Rule-43)
The HSA shall deposit the tax deducted from salary into the government treasury within 15 days from the end of each month. Further, the HSA shall also deposit the withholding tax deducted from the above mentioned payments (other than tax deducted from salary) into the government treasury within seven days from the end of each fortnight (Rule 43).

D.1.4. **Certificate of Tax Deduction**
The HSA shall issue, with the 60 days after the end of relevant financial year, the certificate of tax deduction from salary (i.e. Employer’s certificate) to every employee. The HSA shall also issue, with the 15 days after the end of relevant financial year, the withholding tax certificate to every person, from whom the tax has been deducted. Please refer to Annexure A, for the prescribed format of, withholding tax certificate (Rule – 42).  

D.1.5. **Monthly & Annual Withholding Tax Statements**
The HSA shall e-file, or furnish to the tax commissioner, the monthly and annual statements of tax deducted from:
- Payment of salary (u/s 149, rule 51A and 51B)
- Payment to non-residents (u/s 152 and rule 55)
- Payment for supply of goods and services (u/s 153 and rule 56); and
- Payment of rent (u/s 155 and rule 57)
The monthly withholding tax statement shall be e-filed with-in 15 days from the end of each month. Whereas, the annual withholding tax statement shall be e-filed with-in 60 days from the end of relevant financial year. Please refer to Annexure B - F, for the prescribed formats of, monthly and annual withholding tax statements (Rule – 42)
D.2. LEGAL COMPLIANCE

The HSA, being “an establishment”, with-in the meaning of definitions provided in Section – B and Pakistan Labour Laws, shall comply with the requirements of following labour laws:

The below mentioned compliance requirements shall be substituted with the revised requirements, if any changes are made by the Government, in the respective labour law:

### D.2.1 Industrial and Commercial Employment (S.O.) Ordinance, 1968

- The terms and conditions of staff shall be in writing
- The working hours, pay-days and holidays shall be exhibited in Urdu and English languages
- Wages shall be paid before the expiry of 7th day after the end of wage period (i.e. month-end)
- Insure the staff against natural death, disability or injury arising out of contingencies not covered by the workman’s Compensation Act, 1923
- Shall not terminate the employment of more than 50% staff except with the approval of labour court or in the event of fire, catastrophe, stoppage of power supply, epidemics or civic commotion
- Give one month notice in writing (which explains the reason for this action) to terminate the employment of a permanent staff or pay one month salary in lieu of notice
- All dues, including compensation for unavailed leaves, shall be paid not later the second working day after the service of termination notice
- Pay one month wage (as gratuity) for each completed year or part more than the six months, if the permanent employee resigns or if his / her employment is terminated for any reason other than misconduct
- No gratuity shall be paid for the period during which HSA maintains “Provident Fund” with equal contribution
- No gratuity shall be paid for the period during which HSA maintains “Approved Pension Fund” with contribution not less than 15%; and
- Issue service certificate at the time of employment termination

The above requirements of the Ordinance shall not apply to permanent staff of the HSA, to which the statutory rules of service, conduct or discipline are applicable.

### D.2.2 Minimum Wages for Unskilled Workers Ordinance, 1969

- Minimum wage for unskilled worker shall not be less than Rs 8,000/= a month.

### D.2.3 Employees Old Age Benefits Act, 1976

- Make monthly payment of contribution, under self-assessment scheme, required under the Act, equivalent to Rs 150, for each employee (including temporary staff, interns, etc)
- Maintain necessary records to verify the employees data and contribution working; and
- File the prescribed returns with the EOBI
ANNEXURE A – CERTIFICATE OF TAX DEDUCTION

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<th>S.No.</th>
<th>Original/Duplicate</th>
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</tbody>
</table>

Certified that the sum of Rupees [Amount of tax credited/deducted in figure] on account of income tax has been deducted/collected from (Name and Address of the person from whom tax collected/deducted) in case of an individual, his/her name in full and in case of an association of persons/ company, name and style of the association of persons/company having National Tax Number [FN and end]

Or during the period From [Period of collection/deduction]

under section [Section of Income Tax Ordinance, 2001]

On account of vide [specify order]

on the value/amount of Rupee [Amount of tax credited/deducted in figure]

This is to further certify that the tax collected/deducted has been deposited in the Federal Government Account as per the following details:

<table>
<thead>
<tr>
<th>Date of deposit</th>
<th>SB/NRP/Treasury</th>
<th>Branch/City</th>
<th>Account (Rupees)</th>
<th>Challkan No/CPR No.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Company / office etc. collecting/deducting the tax:

Name. 
Address. 
NTI (if any) 
Date.

Signature 
Designation 
Seal
ANNEXURE B – MONTHLY SALARY STATEMENT (u/s 149 and rule 51B)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of the employee</th>
<th>National Tax Number</th>
<th>Appointment or nature of employment</th>
<th>Total amount of salary, wages, annuities, pension, gratuity, fees, commission and allowances of all kinds, perquisites, utilities, etc.</th>
<th>Net amount on which tax has been deducted</th>
<th>Amount of tax deducted during the month</th>
<th>Date on which deducted to the credit of Government</th>
<th>Date on which deducted to the credit of Government</th>
<th>Challan No.</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

I, ____________________________, being the person responsible for paying the salary shown in the above statement, do hereby declare that the above statement is complete and that the particulars given therein are, correct.

Date: ______________________ Signature: ____________________
ANNEXURE C – MONTHLY / ANNUAL STATEMENT (u/s 152 and rule 55)

QUARTERLY/ANNUAL STATEMENT OF DEDUCTION OF TAX UNDER SECTION 152 OF THE INCOME TAX ORDINANCE, 2001
FOR YEAR ENDED 30TH JUNE 20__/FOR QUARTER ENDED ____

<table>
<thead>
<tr>
<th>Name and address of the non-resident to whom payment is made.</th>
<th>Nature of payment</th>
<th>Dates of payment</th>
<th>Total amount paid</th>
<th>Chairman No.</th>
<th>Tax deducted and deposited</th>
<th>Date of deposit to government treasury</th>
<th>Treasury Challan No.</th>
<th>Remarks in case no tax or low tax is deducted (Please specify the details of the recipient, reasons for non/low deduction of tax with amount paid)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>

I ____________________________________________________________________ hereby certify that the above statement contains a complete list of persons from whom tax was deductible under section 152 of the Income Tax Ordinance, 2001), during the year/quarter ending on _______200 __________.

Name and Address _______________________________________________________ Signature ______________________________
Date________________________ Designation______________________________
ANNEXURE D – MONTHLY / ANNUAL STATEMENT (u/s 153 and rule 56)

STATEMENT OF DEDUCTION OF TAX MADE UNDER SECTION 153 OF INCOME TAX ORDINANCE, 2001

<table>
<thead>
<tr>
<th>Name of the recipient</th>
<th>Address</th>
<th>National Number</th>
<th>Tax</th>
<th>Nature of payment</th>
<th>Contract order No.</th>
<th>Date of payment</th>
<th>Total amount payable before deduction of tax</th>
<th>Amount paid after deduction of tax</th>
<th>Income tax deducted and deposited</th>
<th>Date of deposit of tax to government treasury</th>
<th>Treasury Challan No.</th>
<th>Remarks if any amount paid without deducting tax or low rate mentioning amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total amount payable before deduction of tax</td>
<td>Amount paid after deduction of tax</td>
<td>Income tax deducted and deposited</td>
<td>Date of deposit of tax to government treasury</td>
<td>Treasury Challan No.</td>
<td>Remarks if any amount paid without deducting tax or low rate mentioning amounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ANNEXURE E – MONTHLY / ANNUAL STATEMENT (u/s 155 and rule 57)

QUARTERLY / ANNUAL STATEMENT OF DEDUCTION OF TAX UNDER SECTION 155 OF THE
INCOME TAX ORDINANCE 2001
FOR THE YEAR ENDED 30TH JUNE 20-__/FOR THE QUARTER ENDED ___

| S. No. | Name of recipient | Address | NTN | Address of property | Amount paid before deduction of tax. | Amount paid after deduction of tax. | Tax deducted and deposited treasury | Chalan No. & date. | Dates of deposit/transfer through Bank to the NBP/ SBP in federal govt. treasury. | Remarks in case no/low tax is deducted
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Name of officer making payment_________________________ Signature_________________________
Address: ___________________________________________ Name and Designation_________ Date: ___________________________
## ANNEXURE F – ANNUAL SALARY STATEMENT (rule 51B)

<table>
<thead>
<tr>
<th>S. No</th>
<th>Name of Employee</th>
<th>National Tax Number</th>
<th>Address</th>
<th>Appointment or Nature of Appointment</th>
<th>Pay, wages or other remuneration including leave pay, payment in lieu of leave, overtime payment, bonus, commission fees, gratuity or work condition supplement (such as unpleasant or dangerous working conditions)</th>
<th>Perquisites whether convertible to money or not</th>
<th>Amount of any allowance including cost of living, subsistence, rent, utilities, education, entertainment or travel allowance, but excluding any allowance solely expended in the performance of the employee's duties of employment</th>
<th>Amount of any expenditure incurred by an employee that is paid or reimbursed by the employer, other than expenditure incurred on behalf of the employee in the performance of the employee's duties of employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Remuneration paid by employer or domestic and personal services provided to the employee**

<table>
<thead>
<tr>
<th>Remuneration paid by employer or domestic and personal services provided to the employee</th>
<th>Value of rent free accommodation or any concession in rent free accommodation provided by the employer on account of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rent unfurnished accommodation</td>
</tr>
<tr>
<td>17</td>
<td>18</td>
</tr>
</tbody>
</table>

**Value of free conveyance provided by the employer**

<table>
<thead>
<tr>
<th>Conveyance provided exclusively for personal or private use</th>
<th>Value of free of concessional passage provided by the employer</th>
<th>Employer's contribution</th>
<th>Recognized provided fund</th>
<th>Recognized superannuation fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>25</td>
<td>26</td>
<td>27</td>
<td>28</td>
</tr>
</tbody>
</table>

**Interest credited to employer's account in a recognized provident superannuation fund**

<table>
<thead>
<tr>
<th>Amount liable to tax under the Income Tax Ordinance, 2021</th>
<th>Contribution to</th>
<th>Contribution to provident or superannuation fund, life premium, other investments</th>
<th>Taxable income</th>
<th>Tax payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>34</td>
<td>35</td>
<td>36</td>
<td>37</td>
<td>38</td>
</tr>
</tbody>
</table>

**Total**

<table>
<thead>
<tr>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>39</td>
</tr>
</tbody>
</table>
ANNEXURE G – APPLICATION FOR APPROVAL / Section 2 (36)

APPLICATION FOR APPROVAL FOR THE PURPOSES OF CLAUSE (36) OF SECTION 2 OF THE INCOME TAX ORDINANCE, 2001

To,

The Commissioner of Income Tax,

___________ Zone,

___________ (City).

1. With reference to clause (36) of section 2 of the Income Tax Ordinance, 2001 (XLIX of 2001), I the undersigned, hereby apply, on behalf of __________ (name of the organization) for its approval for the purposes of the said clause for the tax year ending on ________.

2. Necessary particulars are set out below, and in the schedule to this application.

3. The following documents required under sub-rule (2) of rule 211 of the Income Tax Rules, 2002, are enclosed.

   (i) _______________

   (ii) _______________

   (iii) _______________

   (iv) _______________

   (v) _______________

Signature ______________________________
Name (in block letters) ______________________
Designation _____________________________

Application must be signed either by the President or the Secretary of the organization or by a Trustee, of the trust.
Chapter-15

General Ledger
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<th>Page</th>
</tr>
</thead>
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<tr>
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</tr>
<tr>
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</tr>
<tr>
<td>D.4.2. Opening of a New Accounting Period</td>
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<tr>
<td>D.4.3. Opening a Closed Accounting Period</td>
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</tr>
<tr>
<td><strong>A. SCOPE OF CHAPTER</strong></td>
<td>255</td>
</tr>
</tbody>
</table>
This section states the policies and procedures of the HSA relating to the maintenance of General Ledger (GL).

This chapter covers the following areas:

- Chart of accounts;
- Additions and deletions in the chart of accounts;
- Processing of journal vouchers; and
- GL period end processing.
B. DEFINITIONS

B.1. CHART OF ACCOUNTS

A chart of accounts is a list of all accounts tracked by a single accounting system, and is
designed to capture financial information in accordance with the needs of the
management, regulators and other stakeholders. Each account in the chart is assigned a
unique identifier, typically an account code. Each account in the chart is classified into
one of the four categories: Asset, Equity and Liabilities, Revenue and Expense.

B.2. JOURNAL VOUCHER

The journal voucher is the point of entry of business transactions into the accounting
system. It is a chronological record of transactions, showing an explanation of each
transaction, the accounts affected, whether those accounts are increased or decreased, and
by what amount.

B.3. JOURNAL VOUCHER PARKING

Invoice parking is a process where a user enters the details of journal voucher in GL
Module after verifying it against supporting documentation. The parking of journal
voucher does not affect the GL.

B.4. JOURNAL VOUCHER POSTING

Journal voucher posting is a process where a user, independent of the person who parked
the journal voucher, verifies the journal voucher in the GL Module after checking it
against the supporting details. The posting process affects the GL.
C. POLICIES

- General ledger period end processing
- Journal voucher processing
- Additions, amendment or deletions in chart of accounts
- Chart of accounts
C.1. CHART OF ACCOUNTS

The HOD Finance shall be responsible to maintain a centralised Chart of Accounts (COA) for the HSA. The input for the maintenance of COA shall be provided by all the user departments.
C.2. ADDITIONS, AMENDMENT OR DELETIONS IN CHART OF ACCOUNTS

The HOD Finance shall authorise any additions or deletions in the chart of accounts based on the requests received.
C.3. JOURNAL VOUCHER PROCESSING

Journal vouchers shall be prepared only for those GL accounts heads which do not have a subsidiary ledger (such as accrual, provisions, write offs etc).

No journal voucher shall be allowed in control accounts (inventory, payables, sales, accounts receivables, etc.). Entries shall be recorded into the control accounts through corresponding subsidiary ledgers (respective modules).

The journal vouchers shall be used to record the following adjustments:

- Accruals;
- Prepayments;
- Provisions;
- Write offs (Journal vouchers shall be posted only for write offs to adjust provisions. Write off postings for stocks / debtors shall be triggered through respective modules and not handled through non-routine vouchers in system); etc

Staff responsible for parking journals shall not have access to post journals in the GL Module and vice versa.
C.4. GENERAL LEDGER PERIOD END PROCESSING

C.4.1. **Closing of Current Accounting Period**
Approval to close accounting period shall be accorded by the HOD Finance only.

C.4.2. **Opening of New Accounting Period**
Approval to open new accounting period shall be granted by the HOD Finance only.

C.4.3. **Opening of Closed Accounting Period**
Closed accounting period can be opened only at the time of annual financial statements finalisation. Approval to open a closed accounting period shall be granted by the HOD Finance.

In no circumstances the closed accounting period shall remain open more than three working days.
D. PROCEDURES

D.1. CHART OF ACCOUNTS

The HSA shall maintain a Chart of Accounts with following structure:

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>This single digit code represents the main accounts category:</td>
</tr>
<tr>
<td></td>
<td>1. Long-term and current assets</td>
</tr>
<tr>
<td></td>
<td>2. Grant and Liabilities</td>
</tr>
<tr>
<td></td>
<td>3. Revenue</td>
</tr>
<tr>
<td></td>
<td>4. Academic activities costs</td>
</tr>
<tr>
<td></td>
<td>5. Administrative costs</td>
</tr>
<tr>
<td></td>
<td>6. Other income</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Control Account</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>XXX</td>
<td>This 3 digits code represents the control account of the above account-categories:</td>
</tr>
<tr>
<td></td>
<td>- Tangible fixed assets</td>
</tr>
<tr>
<td></td>
<td>- Intangible fixed assets, etc</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main Account</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>XX</td>
<td>This 2 digits code represents main account of the control account:</td>
</tr>
<tr>
<td></td>
<td>- Land</td>
</tr>
<tr>
<td></td>
<td>- Building</td>
</tr>
<tr>
<td></td>
<td>- Office equipment, etc</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-Account*</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>XXX-XXX-XXX</td>
<td>This 9 digits code represents the accounts code assigned in system. Transactions are recorded at this level.</td>
</tr>
</tbody>
</table>

* All transactions shall be recorded at this (account code) level with reference to respective cost / profit centre.
D.2. ADDITIONS, AMENDMENTS OR DELETIONS IN CHART OF ACCOUNTS

D.2.1. Additions / Amendments in the Chart of Accounts

- Initiation of Request

The Finance Officer shall initiate a request on a manual Account Code Addition / Amendment Form to open a new account code or amend the label of the existing account code in COA. The request shall contain the reason as to why the new account code or amendment to existing account code is required. Please refer to Annexure-A for a copy of “Account Code Addition / Deletion Form”

- Approval of Request

The HOD Finance shall approve the account code addition / amendment form.

D.2.2. Blocking an Account Code from the Chart of Accounts

- Review of Inactive Account Codes

At the end of each accounting period, the Finance Officer shall generate an ‘Inactive Accounts Summary’ from the GL, detailing all account codes in which no transactions have been recorded during last one year. This report shall be forwarded to the HOD Finance for review. Please refer to Annexure-B for a copy of “Inactive Accounts Summary”.

- Approval for Blocking an Inactive Account Codes

The HOD Finance shall review the ‘Inactive Account Summary’ and approve the same.

D.2.3. Review of Transaction Log for Changes Made in the Chart of Accounts

On monthly basis the Finance Officer shall generate a Transaction Log for Changes made in Chart of Accounts from the GL Module and shall forward the same to the HOD Finance. He shall review the Transaction Log to ensure that all changes to chart of accounts are authorised and shall sign off the same as an evidence of review. Please refer to Annexure-E for a copy of “Log for changes in COA”.
D.3. **JOURNALS VOUCHER PROCESSING**

**D.3.1. Journal Voucher Parking**

The Accounts Assistant shall park journal vouchers on the basis of approved documentation received from the relevant department.

**D.3.2. Journal Voucher Posting**

The Finance Officer shall post journal vouchers on the basis of approved documentation received from the Accounts Assistant who parked the journal vouchers in the system. The Finance Officer shall match the details as per journal vouchers parked in the GL against supporting documentation. The Finance Officer shall take the print outs of journal vouchers prepared on system on the basis of journal voucher and forward it to the HOD Finance.

**D.3.3. Manual Approval**

The HOD Finance shall match the contents of journal vouchers against supporting documents and shall ensure that accurate account heads have been used. The HOD Finance shall sign off the JV as an evidence of review and approval.
D.4. GENERAL LEDGER PERIOD END PROCESSING

D.4.1. Closing of the Current Accounting Period
The HOD Finance shall communicate the closing date and time through Accounting Period Closing Request. The Accounting Period Closing Request shall also include a request to open new accounting period after current period has been closed.

The Finance Officer shall close the accounting period in accordance with the time lines communicated by the HOD Finance and shall inform him about the closure of the accounting period by signing the Accounting Period Closing Request. Please refer to Annexure-C for a copy of “Accounting Period Closing Request”.

D.4.2. Opening of a New Accounting Period
After closing the current accounting period, the Finance Officer shall open the new accounting period and shall inform the HOD Finance about opening of new accounting period through the Accounting Period Closing Request.

D.4.3. Opening a Closed Accounting Period
The Finance Officer shall forward a form (Request to Open Closed Period) to the HOD Finance for approval. The Finance Officer shall specify the reasons and duration for which a closed accounting period is to be opened and shall also specify the names of user who shall be given access to post journal vouchers in the re-opened accounting period. The Finance Officer shall also attach the details of JVs to be made in the closed accounting period. Please refer to Annexure-D for a copy of “Request to Open Closed Period”.

After approval, the Finance Officer shall open the closed accounting period in accordance with the timelines specified by the HOD Finance. He shall close the opened accounting period in accordance with the duration specified by the HOD Finance. The SM Information Systems shall sign off the Request to Open Closed Period and file the same for subsequent reference.

D.4.4. Review of Transaction Logs for Journal Vouchers Posted in Re-Opened Accounting Period
On a monthly basis the Finance Officer shall generate a Transaction Log for Journal Vouchers Posted in Re-opened Accounting Period from the GL Module and shall forward the same to relevant staff who posted vouchers as appearing on the log.

Respective staff shall sign against entries posted by them and return the same to the HOD Finance. The HOD Finance shall match the journal vouchers posted in closed accounting period as per transaction log with the details of journal vouchers. The HOD Finance shall sign the transaction log as an evidence of review and approval. Please refer to Annexure-F for a copy of “Transaction Log for Vouchers posted in re-opened in accounting Period”.
ANNEXURE A - ACCOUNT CODE ADDITION / AMENDMENT FORM

HEALTH SERVICES ACADEMY

ACCOUNT CODE ADDITION / AMENDMENT FORM

This form is for  [ ] New Accounts Code  [ ] Amendment to Existing Code

General Ledger Code: ____________________ Category: _________________________

Account Description:  _______________________________________________________

Reasons for addition or amendment to Chart of Accounts:
___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
<th>Date</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Request Prepared by</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Request Approved by</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Addition or amendment recommended by</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ANNEXURE B - INACTIVE ACCOUNTS SUMMARY

HEALTH SERVICES ACADEMY

INACTIVE ACCOUNTS SUMMARY

Report Date: Accounts with no activity from [date] to [current date]

<table>
<thead>
<tr>
<th>Account code</th>
<th>Account description</th>
<th>Category</th>
<th>Debits</th>
<th>Credits</th>
<th>Closing Balance</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Block</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Retain</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
<th>Date</th>
<th>Signature</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Report generated by</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Approved by</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts blocked by</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts blocked on</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ANNEXURE C - PERIOD CLOSE REQUEST

HEALTH SERVICES ACADEMY

ACCOUNTING PERIOD CLOSE REQUEST

Please close the Accounting Period: ____________________
on [Closing date] at [Specify time]
Please also open the new accounting period: ____________________ after closing the current accounting period

Remarks:___________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
<th>Date</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Request Prepared by</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Request Approved by</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period closed on</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New period opened on</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ANNEXURE D - CLOSED PERIOD RE-OPEN REQUEST

HEALTH SERVICES ACADEMY

REQUEST TO RE-OPEN CLOSED PERIOD

Please Approve to Re-open the Accounting Period:  ______________________

Reasons for Opening the Closed Accounting Period: ______________________

Form  [Period Opening Date]   to   [Period Closing date]

Please provide access to make journal vouchers to following staff in re-opened accounting period:

<table>
<thead>
<tr>
<th>Employee Name</th>
<th>Designation</th>
<th>User name in the system</th>
<th>Access</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Post</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Read only</td>
</tr>
</tbody>
</table>

Reasons for opening closed period: ______________________________________________
___________________________________________________________________________
___________________________________________________________________________

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
<th>Date</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Request Approved by

New period opened by

Period closed by
### ANNEXURE E - TRANSACTION LOG COA

HEALTH SERVICES ACADEMY

TRANSACTION LOG FOR CHANGES IN CHART OF ACCOUNTS

**Report Date:** Changes made from [date] to [current date]

<table>
<thead>
<tr>
<th>Account code</th>
<th>Account description</th>
<th>Track of changes</th>
<th>Details of amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Addition</td>
<td>Amendment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Date</td>
<td>Requested by</td>
</tr>
</tbody>
</table>

---

09 May 2013
ANNEXURE F - TRANSACTION LOG ACCOUNTING PERIOD

HEALTH SERVICES ACADEMY

TRANSACTION LOG FOR JOURNAL VOUCHERS POSTED IN RE-OPENED ACCOUNTING PERIOD

Period opened on [date]: Period closed on [date]

<table>
<thead>
<tr>
<th>JV No.</th>
<th>JV date</th>
<th>JV description</th>
<th>Account codes affected</th>
<th>Debit Rupees</th>
<th>Credit Rupees</th>
<th>JV parked by</th>
<th>JV posted by</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Chapter-16

Donors’ Compliance and General Provisions
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<td>D.2. FINANCIAL MANAGEMENT COMPLIANCE</td>
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</tbody>
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A SCOPE OF THE CHAPTER

This chapter states the policies and procedures of Health Services Academy (HSA) for the administration of donors’ funded program through grant or cooperative agreements. While not providing all the needed information in detail, it does refer to the relevant clauses of the agreement or regulations that set out the official policies and procedures.

Further, this chapter also covers the USAID general requirements and financial management regulations, which includes:

- Financial and Program Management - 22 CFR 226
- Cost Principles - OMB Circular A-122
- Guidelines for Financial Audits Contracted by Foreign Recipients

The acquisition, source & origin and other procurement related donor (USAID) requirements are covered in chapter xx of the Procurement Manual.
B  DEFINITIONS

B.1. OFFICE OF MANAGEMENT AND BUDGET (OMB)

The Office of Management and Budget (OMB) is one of the agencies of the Executive Branch of the U.S. Government. OMB's predominant mission is to assist the President in overseeing the preparation of the Federal budget and to supervise its administration in Executive Branch agencies. OMB evaluates the effectiveness of agency programs, policies, and procedures, assesses competing funding demands among agencies, and sets funding priorities.

Working cooperatively with Federal agencies and non-Federal parties, OMB establishes government-wide grants management policies and guidelines through circulars and common rules. These policies are adopted by each grantmaking agency and inserted into their Federal regulations.

B.2. COST PRINCIPLES

These principles define those costs that are allowable and allocable to the donor.

The OMB Circulars, A-21, is titled Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions. The cost principles in A-21 provide the general accounting "rules" for colleges and universities.

B.3. COGNIZANT TECHNICAL OFFICER (CTO)

The individual in the office or on the Strategic Objective Team sponsoring the activity who is responsible for the technical oversight and administration of the activity, and it includes the role of Contracting Officer's Technical Representative (COTR). USAID has determined to use the term CTO rather than COTR.

B.4. FEDERAL ACQUISITION REGULATIONS (FAR)

The primary document containing the uniform policies and procedures for acquisition for all executive agencies.

B.5. USAID ACQUISITION REGULATIONS (AIDAR)

USAID's supplement to the FAR, issued as Chapter 7 of Title 48 of the Code of Federal regulations.
C POLICIES

This section entails an overview of the policies adopted by the HSA for effective compliance with the general requirements of grant agreement and applicable USAID Financial Management Standards.

- Recipient contracted audit
- Financial records and supporting documents
- Cost principles compliance
- Financial management compliance
- Grant agreement compliance
C.1. GRANT AGREEMENT COMPLIANCE

The HSA shall comply with the following requirements of the grant agreement with Donor.
C.2. FINANCIAL MANAGEMENT COMPLIANCE

The HSA shall comply with the financial management standards of the Donor.
C.3. COST PRINCIPLES COMPLIANCE

The HSA shall comply with the cost principles, of the donors, as applicable to educational institutions.
C.4. FINANCIAL RECORDS AND SUPPORTING DOCUMENTS

HSA shall maintain financial records, supporting documents, statistical records and all other records pertinent to the award in accordance with generally accepted accounting principles formally prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants).

Accounting records that are supported by documentation will, at a minimum, be adequate to show all costs incurred under the award, receipt, and use of goods and services acquired under the award, the costs of the program supplied from other sources, and the overall progress of the program. Unless otherwise notified, the recipient records and subrecipient records which pertain to this award shall be retained for a period of five years from the date of submission of the final expenditure report and may be audited by USAID and/or its representatives.
C.5. RECIPIENT CONTRACTED AUDIT

If during any financial year, the HSA expend $300,000 or more as recipients of USAID grants, it shall have an annual audit conducted in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the USAID Inspector General.

The audit report shall be submitted to USAID within 30 days after completion of the audit. The audit shall be completed, and the report submitted, not later than nine months after the close of the recipient's fiscal year.

The USAID Inspector General will review this report to determine whether it complies with the audit requirements of this award. No audit costs may be charged to this award if audits have not been made in accordance with the terms of this provision. In cases of continued inability or unwillingness to have an audit performed in accordance with the terms of this provision, USAID will consider appropriate sanctions which may include suspension of all or a percentage of disbursements until the audit is satisfactorily completed.
D PROCEDURES

This section contains procedures adopted by the HSA to comply with the tax and legal framework.
D.1. **GRANT AGREEMENT COMPLIANCE**

The HSA shall comply with the following requirements of the grant agreement with Donor. The existing grant agreement with USAID set-out the following compliance on HSA part:

<table>
<thead>
<tr>
<th>S.No</th>
<th>Process / Compliance Area</th>
<th>Compliance Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reports</td>
<td>The award agreement requires submission of annual workplan, annual report, quarterly performance report and final project reports to USAID according to applicable timeframe.</td>
</tr>
<tr>
<td>2</td>
<td>Liquidation report</td>
<td>The award agreement requires submission of liquidation report (Form: SF 1034) to liquidate the advances received during each quarter.</td>
</tr>
<tr>
<td>3</td>
<td>Interest bearing bank accounts</td>
<td>The award agreement requires grant funds to be maintained in interest bearing bank accounts.</td>
</tr>
<tr>
<td>4</td>
<td>Records</td>
<td>The award agreement requires maintaining financial records in accordance with GAAP or IFRS.</td>
</tr>
<tr>
<td>5</td>
<td>Right to conduct financial review</td>
<td>Under the award agreement, USAID retains the right to conduct a financial review or require an audit of recipient.</td>
</tr>
<tr>
<td>6</td>
<td>International air-travel and transportation</td>
<td>The award agreement requires all international air-travel to be made on US air carriers, to the extent services of such carriers is available.</td>
</tr>
<tr>
<td>7</td>
<td>Prohibition on assistance to drug traffickers</td>
<td>The award agreement prohibits any assistance to drug traffickers.</td>
</tr>
<tr>
<td>8</td>
<td>Prohibition on support to terrorism</td>
<td>The award agreement prohibits any assistance for terrorism.</td>
</tr>
<tr>
<td>9</td>
<td>Marking and branding requirements</td>
<td>The award agreement requires recipient to appropriately mark all programs, projects, activities and communications according to USAID marking and branding requirements.</td>
</tr>
<tr>
<td>10</td>
<td>No discrimination</td>
<td>The award agreement requires recipient not to discriminate any beneficiary on the basis of religion or belief.</td>
</tr>
</tbody>
</table>
D.2. **FINANCIAL MANAGEMENT COMPLIANCE**

The HSA shall comply with the financial management standards of the Donor.

The 22 CFR, Part 226 (USAID), set out the following financial management standards, applicable to the HSA.

<table>
<thead>
<tr>
<th>S No</th>
<th>Process / Compliance Area</th>
<th>Observation/Finding for the Sub-Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Minimize the time elapse</td>
<td>The USAID regulation (Ref: 22 CFR, Part 226), requires the recipients, to have written procedures to minimize the time elapsing between the transfer of funds to recipients from donors and issuance of cheques, payments and warrants. At present, the HSA financial rules are not compliant with the above.</td>
</tr>
<tr>
<td>2</td>
<td>Disposition of donated assets</td>
<td>The USAID regulation (Ref: 22 CFR, Part 226), requires documenting the separate policy for disposition of donated assets, which is aligned with award conditions.</td>
</tr>
<tr>
<td>3</td>
<td>Intangible assets</td>
<td>The USAID regulation (Ref: 22 CFR, Part 226), requires to document policy to copy-right any work that is subject to copy-right and developed with donor or internal funding. At present, the policy regarding right of foreign donor on research work is not documented in the HSA financial management rules.</td>
</tr>
<tr>
<td>4</td>
<td>Other Financial Requirements</td>
<td>The other financial management requirements, applicable to fixed assets, cash &amp; bank, reporting, procurement, etc, are included in the respective chapters of this manual.</td>
</tr>
</tbody>
</table>
D.3. COST PRINCIPLES COMPLIANCE

The HSA shall comply with the cost principles, of the Donors, as applicable to educational institutions.

The OMB Circular A-21 (USAID) set-out the following cost-principles, as applicable to the HSA:

**Basic Considerations - To be allowable, costs must meet the following general criteria:**

1. Costs must be reasonable:
   a. Recognized as ordinary and necessary.
   b. Arms length transactions.
   c. Individuals concerned acted with prudence.
   d. Not deviating from established practices of the organization.

2. Costs must be allocated to the grant, project, etc. in accordance with benefits received:
   a. Incurred specifically for the award.
   b. Benefits both award and other work and can be reasonably distributed in proportion to benefits received.
   c. Necessary to overall operation - if no direct relationship to award can be shown.

**Direct Costs**

1. Can be identified specifically with a particular grant, award, project, etc.
2. Direct costs of minor amounts may be treated as indirect.
3. Unallowable costs may be treated as direct costs for computation of overhead rates.

**Indirect Costs**

Costs that have been incurred for common objectives but cannot be readily identified with a particular grant, award project, etc. *Only applicable with a HUD certified cost allocation plan.*

**Allocation of Indirect Costs**

1. Simplified Method
   a. Used when major functions benefit from indirect costs to approximately the same degree.
   b. Distribution base may be total direct costs, direct salaries or other equitable distribution base.

2. Multiple allocation base method:
   a. Used when major functions benefit in varying degrees from indirect costs.
   b. Costs separated into distinct groupings. Each grouping then allocated to benefiting functions by means of base which best measures relative results.
E. Selected Items of Cost

1. Advertising - only advertising costs allowable are those associated with:
   a. Recruitment of personnel.
   b. Procurement of goods.
   c. Disposal of surplus materials.

2. Alcoholic Beverages, unallowable.


5. Communication costs - allowable.

6. Compensation for personal services:
   a. Includes salaries, wages, incentive awards, fringe benefits, pension plan costs, location allowances and cost of, living differentials.
   b. Allowable provided they are reasonable.
   c. May be direct or indirect. Fringe benefits in the form of vacation, sick pay, holidays, and authorized absences are allowable provided they are absorbed by all organization activities in proportion to relative time or effort devoted to each.
   d. Fringe benefits in the form of social security, employee insurance, workmen’s compensation, pension plans, etc. Are allowable provided they are distributed in accordance with salaries and wages chargeable to particular awards and activities.
   e. Charges to award for salaries and wages must be supported by documented, approved payroll records:
      i. Distribution must be supported by personnel activity reports (time sheets).
      ii. Time sheets must be maintained by all personnel whose compensation in whole, or in part, is charged to government awards.
      iii. Time sheets must reflect after-the-fact determination of actual activity of each employee.
      iv. Each time sheet must account for employee’s total time.
      v. Time sheets must indicate total number of hours worked each day.
      vi. Time sheets must be signed by employee and approved by supervisor.
      vii. Time sheets must be prepared at least monthly and coincide with one or more payrolls.

6. Contingency reserves - unallowable

7. Contributions - unallowable

8. Depreciation - allowable

9. Donated services:
   May be used in overhead computations in allocating indirect costs.

10. Employee moral, health, and welfare costs - allowable as indirect cost.
11. Entertainment costs - unallowable.

12. Equipment and other capital expenditures:
   a. Equipment - Personal property with a useful life of more than 1 year costing $5000
      or more per unit.
   i. Special purpose equipment - usable only for research, medical, scientific or
      technical activities - allowable as direct cost with prior approval of items
      costing over $5,000.
   ii. General purpose equipment - usable for other purposes
   b. Unallowable as direct costs.
   c. Depreciation allowable as indirect costs.
   d. Land, buildings or improvements.
      i. Unallowable as direct costs.
      ii. Depreciation allowable as indirect costs.

15. Insurance and indemnification - allowable.

16. Interest, fund raising, and investment management costs - unallowable.
17. Labor relations costs - allowable

18. Losses on other awards - unallowable
19. Maintenance and repair costs - allowable

20. Materials and supplies - allowable
21. Meetings, conferences - allowable provided they do not involve entertainment costs
22. Membership, subscriptions and professional activity costs- allowable
23. Organization costs (incorporation fees, attorneys, accountants etc. in connection with
    establishment or reorganization of organization) – allowable
24. Overtime, premium pay - allowable as direct costs with prior approval.
25. Page charges in professional journals - (e-mail publications) - allowable
26. Participant support costs - allowable as direct costs with prior approval
27. Patent costs - allowable only if required by award.
28. Pre-award costs - allowable only with written approval.
29. Professional Service costs - allowable when reasonable in relation to services and not
    contingent upon recovery from government. In determining allowability, certain factors
    are relevant:
       b. Necessity of contracting for service vs. Organization’s own capability.
       c. Past patterns of costs.
d. Impact of government awards.
e. If proportion of government work to total organization work, justify incurring cost.
f. Can service be performed more economically by hiring employee.
g. Qualifications of individual performing service.
h. Adequacy of contractual agreement.
i. Retainer fees must be supported by evidence of services available.

31. Profits and losses on sale or retirement of depreciable property:
   Allowable - charge or credit must be included in cost grouping where depreciation was applicable.

32. Public information service costs - (pamphlets, new releases and other forms of disseminating information):
   a. Allowable as direct costs with prior approval.
   b. Allowable as indirect costs.

33. Publication and printing costs:
   a. Allowable as direct costs with prior approval.
   b. Allowable as indirect costs.

34. Rearrangement and alteration costs - allowable with prior approval.

35. Reconversion costs - (restoration or rehabilitation cost) - allowable with prior approval.

36. Recruiting costs - allowable.

37. Relocation costs - (employee relocation) allowable within certain limitations.

38. Rental costs - allowable within certain limitations.

39. Royalties and other costs for user of patents and copyrights - allowable.

40. Severance Pay - allowable to the extent required by:
   a. Law
   b. Employer-employee agreement
   c. Established policy
   d. Circumstances of particular employment

41. Specialized service facilities - allowable within certain limitations.

42. Taxes - allowable unless exemptions from taxes are available.

43. Termination costs - (costs in connection with termination of award):
   a. For common items reasonably usable on organization’s other work - allowable.
   b. Cost continuing after termination - allowable only if cannot be discontinued despite all reasonable efforts.
   c. Loss of value of special tooling etc. - allowable.
   d. Rental costs - (unexpired leases) - allowable
   e. Settlement expenses - generally allowable
44. Training and education costs - allowable

45. Transportation costs (related to goods purchases) - allowable

46. Travel costs:
   a. Airline travel allowable except first-class.
   b. Foreign travel allowable only with prior approval. Each separate trip must be approved.