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## Financial Policy

### 1. Purpose & Scope

This financial policy sets out the principles and procedures that govern the financial management at Diverse Patterns. The purpose is to ensure the transparent, accountable, and compliant management of all financial resources in line with legal and regulatory requirements. The policy applies to all staff, consultants, vendors, and anyone involved in financial processes within the organization.

This policy aims to:

- Promote financial transparency and integrity.
- Ensure proper budgetary control and reporting.
- Prevent misuse of funds and ensure financial accountability.
- Ensure compliance with relevant laws and regulations.

### 2. Budgeting & Planning

#### Annual Budgeting Process

- The annual budget is prepared by the Director in coordination with the Finance Head and staff. The budget reflects the operational and financial goals for the year, ensuring that funds are allocated efficiently to meet organizational objectives.
- The process begins with consultations among departments to identify financial needs and set priorities for the year.
- The Finance Head reviews the budget proposal, and it is then submitted to the Board of Directors for final approval.
- **Budget Approval & Flexibility:** The budget is formally approved by the Board of Directors. Once approved, the Finance Head is responsible for monitoring spending. A 10% flexibility within each budget head is allowed for minor adjustments. Major revisions require the approval of the Board, particularly in cases such as changes in funding sources, tax/policy changes, or unforeseen circumstances like a disaster.
- **Mid-Year Revisions:** In extraordinary circumstances, the budget may be revised. This includes changes in funding, tax regulations, or if unforeseen events require additional funding.

DIVERSE PATTERNS PVT. LTD.

Registration No: 211740/075/076

VAT Number: 606820440

+977 9810300782

+977 9852061892

diversepatterns.com.np

connect@diversepatterns.com.np

Araniko Marga, Battisputali

KMC-09, Kathmandu





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### 3. Income & Fund Management

#### Sources of Income

- Diverse Patterns generates income through service fees for clients and grants from various donors.
- All incoming funds are tracked using electronic software to ensure proper documentation and reporting. The Finance Head is responsible for overseeing this process and ensuring compliance with government regulations and donor agreements.
- **Grant & Restricted Funds:** For grants with specific restrictions, the Finance Head ensures that funds are used for the designated purpose. These funds are maintained in separate accounts to ensure there is no commingling with general operating funds. Detailed reports are maintained to demonstrate the proper use of restricted funds to donors and oversight agencies.

#### Donor/Client Guidelines

- The Finance Head is responsible for ensuring that all donor/client guidelines for fund management are adhered to. Specific procedures must be followed for the use of restricted funds, including separate accounting and reporting.

### 4. Expense & Payment Controls

#### Expense Request & Approval Process

- All expenses must be pre-approved. Staff members must submit an expense request, outlining the purpose, details of the expenditure, and the relevant project.
- **Approval Process:** The Finance Head reviews all expenses and submits them to the Director for final approval. Once approved, payments are processed via the organization's financial software.
- **Payment Methods:** Payments are primarily made via cheque or electronic transfer (ConnectIPS). Cash payments are strongly discouraged, except in extraordinary circumstances where individuals do not have access to a bank account. Payments are only made to those who have PAN number and are registered tax payers.
- **Expense Reports:** All staff and consultants must submit expense reports for any incurred costs. These reports must include:
  - Type of expense (e.g., travel, office supplies, etc.)
  - The purpose of the expense
  - Date of the expense
  - Project associated with the expense
  - Name of the approving authority

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- **Limit on Small Expenses:** Any single expense without an accompanying bill or invoice is limited to Rs. 1,000.

## 5. Financial Reporting & Audits

### Internal Financial Reporting

- Financial reports are generated monthly, including detailed reconciliation between the bank accounts and the financial software.
- The Finance Head is responsible for ensuring all financial reports are accurate and complete.
- Monthly reports are reviewed by the Director and discussed with the Board of Directors as required.

### External Audits

- **Frequency:** External audits are conducted annually at the end of the financial year (July).
- **Audit Process:** An external auditor is engaged to review all financial records, ensuring compliance with regulatory requirements and the organization's policies. The auditor also provides recommendations for improving financial management.
- **Internal Reviews:** The organization conducts internal financial reviews every six months to ensure the accuracy of financial records and compliance with internal controls. Any discrepancies are promptly addressed.

## 6. Asset & Procurement Management

### Asset Management

- All organizational assets are properly tracked and accounted for. Each asset is assigned a unique identification code, which is entered into the financial software.
- The Finance Head ensures that a physical inventory is conducted regularly to ensure the accuracy of asset records.
- **Procurement Process:** When a need for an asset or service arises, the following steps are taken:
  1. The office staff identifies the need and submits a request for purchase with a proper memo to the Finance Head.
  2. The Finance Head reviews the request and, if necessary, submits it to the Director for final approval.
  3. Once approved, a purchase order is generated and sent to the vendor.
- **Large Purchases:** For purchases exceeding Rs. 500,000, at least three vendors are invited to submit quotations. The decision is made based on a balance of price, quality,



and vendor experience. A public notice may be issued to invite quotations through social media and the website.

## 7. Fraud Prevention & Accountability

### Fraud Prevention Measures

- To safeguard the organization's financial resources, several measures are put in place:
  - Multi-level approval processes for significant expenses.
  - Routine audits (internal and external) to identify potential financial irregularities.
  - Separation of duties to ensure no individual has full control over financial transactions (e.g., the person requesting funds is not the same person approving or processing them).

### Handling Financial Misconduct

- Any suspicion of fraud or financial misconduct is subject to immediate internal review, followed by appropriate action. This could include suspending the employee or consultant until the investigation is completed.

## 8. Review & Amendments

### Policy Review

- This financial policy will be reviewed every three years to ensure it remains relevant and effective.
- **Amendments:** The Director, in consultation with the Finance Head, staff, auditor, and other relevant experts, is responsible for making any amendments to this policy.

## 9. Other General Guidelines

### Program Advances

- Staff may request program advances up to Rs. 30,000. The advance must be settled within 15 days, and no new advances can be requested without settling previous ones.
- The Director must approve all advances.

### Sales & VAT

- All sales made by Diverse Patterns will be invoiced with VAT, and the VAT will be remitted to the Inland Revenue Department.





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- All vendors must provide a PAN bill for purchases up to Rs. 50,000 and a VAT bill for amounts exceeding Rs. 50,000.

#### **Consultant Payments**

- For consultant contracts involving deliverables, a maximum of 30% of the total contract value may be paid upfront. The remaining 70% will be paid only after successful delivery and approval of the contracted services.

#### **Staff Travel & Daily Allowance (TADA)**

- Staff traveling for fieldwork requiring an overnight stay will be entitled to Rs. 3,500 per day for allowances, accommodation, and food.

#### **10. Petty Cash Management**

- The petty cash fund is limited to Rs. 5,000 per transaction. The Admin Officer is responsible for managing the petty cash fund and maintaining accurate records for all disbursements.
- Any disbursements from the petty cash fund must be approved by the Finance Head.

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**Approved by:** Sagar Prasai, Director

**Date:** July 25, 2024

**Next Review Date:** July 30 2026



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