



INSTITUTE OF BUSINESS MANAGEMENT

Financial Policy Manual

INTRODUCTION

Institute of Business Management (the Institute) is a project of 'Foundation for Higher Education' (the Foundation), a society registered under the Societies Registration Act, 1860. The Institute was established under 'The Institute of Business Management Act, 1997' approved by the Provincial Assembly of Sindh. The Institute is managed by the Foundation for Higher Education to provide education for various professional level students. It is situated is located at Korangi Creek, Karachi, in the province of Sindh. The Institute is an approved non-profit Institute as per section 2(36) of the Income Tax Ordinance, 2001 and its surplus for the year, if any, is carried forward to the subsequent year in full.

This manual aims to develop and maintain an effective system of internal control in order to monitor compliance with established policies and procedures of the Institute. These policies and procedures principally focus on the following:

- Is to provide framework within which the Institute's financial guidelines and procedures are established.
- To make policies within that business transactions in the Institute are to be made. Adequate documents and records
- Assets are safeguarded, accounted for and controlled Independent checks on financial and non-financial activities Proper authorization of transaction and activities
- Sufficient segregation of duties, wherever practicable
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This manual of accounting policies, systems and procedures would be helpful to:

- The Authorities for monitoring compliance with prescribed policies and procedures
- New employees of the Institute for adaptation to the policies, systems and procedures
- Work Force of the Finance Department for use as a guide to the accounting system and procedures
- Other non-financial executives / employees who work closely with finance and accounts staff.

Through this manual, we endeavor to develop and maintain an effective internal control system which would provide assurance about the safeguarding of assets and detection / prevention of deliberate or unintentional material misstatement(s). The policies and procedures discussed herein are also useful for the fair presentation of financial statements.

This manual primarily illustrates individual work steps in accounting process and recording the business events in the books of accounts. It is intended to provide assistance in coordinating efforts of groups of people working together to perform an activity, with certain time frame.

OVERALL CONTROL SYSTEM

The Institute has two control systems, external control by the stakeholders of the business and internal control by the management. At the end of each financial year, an external audit of Institute's projects and financial transactions is conducted. An independent firm of chartered accountants conducts such an audit.

As regards internal control system, its main objective is to safeguard the asset of the Institute, ensure reliability of the accounts and achieve operational efficiency and effectiveness of the Institute.

The Institute is expected to build up a control environment with the following key fundamentals:

- Honesty,
- Ethical and principled morals,
- Ensuring that staff, at all levels, is competent to carry out the duties assigned to them.

Hence, it is imperative that employees adhere to high standards of personal integrity and set a good example to their subordinates.

The other key elements of the control environment are the communication of information and monitoring. Pertinent information must be communicated within the Institute so that well-informed personnel may make well-informed decisions. Monitoring requires not only formal procedures such as internal audit, but cultivation of a culture of recommendations for improvements to existing systems and procedures.

Under the umbrella of this control environment the Institute, through this manual, has developed policies and procedures to meet specific control objectives.

1 OVERALL ACCOUNTING SYSTEM

1.1 Basis of Accounting

The accounts of the Institute will be prepared under the historical cost convention, except for those items where IAS specifically requires accounting at fair value, market value or present value.

1.2 Accounting Year

The financial year of the Institute is from July– June (12 months).

1.3 Chart of Accounts

The Institute will develop and maintain flexible and appropriate chart of accounts in order to cater the present and future monetary transactions with an objective of coming up with timely, accurate and meaningful reporting for the Board of Governors.

The chart of accounts will act as a guiding and referring tool to the finance personnel while they post accounting entries to their respective head of accounts. In order to keep a vigilant control over accounting framework of the Institute, no accounting personnel is allowed to make amendment (including opening a new head of account) in the chart of accounts unless specific written approval thereof is duly sanctioned by the Head of Finance. For this purpose, a form has been designed which would be required to be filled up by the initiating officer desirous of altering the present structure of chart of accounts. Such form, once approved, will be kept by the Head of Finance.

1.4 Vouchers & Forms

The finance personnel will be responsible to record and maintain financial records, related correspondence, accounts, statements, supports, etc. pertaining the Institute. For effective and accurate maintenance of accounting records, a set of internal documents, forms have been designed which will be used for initiating and recording financial transactions.

Payment Voucher

- Payment can be made after approval of payment voucher. Payment voucher will be supported with bills or other relevant supporting documents. Such supports will be scrutinized by the finance department prior to their submission for sanction of payment before the approving authority.
- All cash payments will be recorded through cash payment vouchers and all bank payments will be recorded through bank payment vouchers.

Receipt Voucher

- Receipt voucher will be prepared to record the receipts and collections in bank accounts.
- Cash receipt transactions will be recorded through cash receipts.

Journal Voucher

Journal voucher (JV) is prepared to evidence the authorization to record non- cash transactions. A non-cash transaction is one which does not involve the actual receipt or / and payment of funds but the recognition of which in the books of account is fundamental to properly reflect the operating results and financial position of the Institute.

As a pre-requisite of the accrual basis of accounting, all accruals will be recorded on a monthly basis. Such accounting entries will be routed through JVs. All JVs will be prepared not later than two weeks from the close of relevant month.

1.5 Books of Accounts / Records

In addition to the abovementioned different types of vouchers, the Institute will keep and maintain the following information/record:

- Cash / Bank Book
- General Ledger
- Salary Register
- Bank Statements & Reconciliation's
- Fixed Assets Register
- Employee Personal Files
- Invoices
- Bank Deposit Slips
- Cheque Books
- Purchase Orders
- Receipts
- Invoices
- Donors' s Subsidiary Record

And any other record and information considered necessary.

1.6 Recording business transactions

All the financial transactions will be processed and recorded within a reasonable time of happening of any event. The test of 'reasonableness' will be judged on basic criteria as to availability of timely, accurate, meaningful information for internal and external users of financial statements.

The Head of Finance will ensure that, at all times, the Institute's books of accounts reflect true picture of its financial affairs and no significant event is deferred from appropriate recording.

1.7 Pre -numbering entries

All entries will be allotted sequential numbers so as to ensure completeness and proper authorization thereof. Any entry recorded out of the prescribed sequence would require immediate and thorough scrutiny to dispel the impression of any deliberate event. A written report of such inquiry will need to be submitted to the Head of Finance, who would then decide future course of action.

1.8 Review of accounting entries

All accounting entries will be submitted to the Head of Finance for the approval of the President or the Chief Advisor. Such entries will not be considered unless they are supported through documentary evidences originating such transaction(s).

After necessary approval, such entries should be posted in their relevant head of account. If this is not possible due to peculiar nature of the transaction, the matter should be referred to the superior personnel for proper guidance.

1.9 Segregation of duties

In order to keep a meaningful check over the affairs of Institute, segregation of duties is must, whenever practicable. Segregation of duties means distributing the execution of one activity over more than one person in order to ensure that no single individual is capable of handling the whole of a transaction individually.

If it is not practical to segregate any duty due to its operational nature and / or limited staff members, the management should ensure that all transactions are duly authorized and supported with all necessary documents and properly recorded in books of account in a timely manner.

1.10 Correction of entries

Ensure that in case of omission, error of disposition / classification, etc. the correction should always be routed through JV. To confirm this procedure in the computerized accounting software, access controls have been placed which prohibits and restricts the individual responsible for data entry from re-entering and accessing the recorded data.

1.11 Audit trail

At the time of approving the accounting entry, the Head of Finance will ensure that adequate and reliable audit trail of the subject transaction exists and that the entry would be easily auditable at the time of internal or external audit. Such audit trail would, ideally, start from the financial statements and end up at the related source document(s).

1.12 Custody of Accounting Records

All the accounting records, including but not limited to ledgers, statements, accounts, vouchers, invoices, banking records, record of procurement and sales, etc. should be in the custody of the

accounting personnel. The Head of Finance should ensure that adequate facilities exist for custody of accounting records. Such records should be kept and maintained for a minimum 5 years from the relevant year-end.

1.13 Computerized Accounting Software

Institute shall ensure that effective access controls are in place to restrict abuse of control environment in the accounting software.

All access rights should be well defined to the users of software. To specifically address this issue, written guidelines should be circulated among the intended users of software specifying clearly the working methodology.

2. MATERIAL ACCOUNTING POLICIES -The policy is set out below.

2.1 Property and equipment

2.1.1 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment losses, if any, except for leasehold land and capital work-in-progress which are stated at cost.

Depreciation is charged to statement of income and expenditure applying the straight line method at the rates specified in note 6.1 to the financial statements. Depreciation on additions is charged from the date when the asset is available for use till the date of disposal.

Assets' residual value, if significant, useful lives and depreciation rates are reviewed and adjusted, if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In case of reversal of impairment recorded in prior periods, the corresponding increase in value of asset is credited to statement of income and expenditure to the extent of impairment recorded in prior periods. Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

Maintenance and normal repairs are charged to statement of income and expenditure as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are derecognized.

Gain or loss, if any, on disposal of assets are taken to statement of income and expenditure.

2.1.2 Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost less accumulated impairment losses, if any. All expenditures connected to the specific assets incurred during construction period are carried under CWIP. The cost under this head is transferred to specific operating fixed assets' categories as and when the asset is available for intended use.

2.1.3 Intangible assets

Intangible assets comprise of costs of computer software and campus management system are stated at cost less accumulated amortization and accumulated impairment losses, if any. The costs of intangible assets are amortized over their estimated useful lives using the straight-line method. Costs associated with maintaining the computer software are recognized as expense in

statement of income and expenditure as and when incurred. The useful lives of intangible assets are reviewed and adjusted, if appropriate, at each reporting date.

2.1.4 Impairment of assets

'The Institute assesses at each reporting date whether there is any indication that non-financial assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of income and expenditure. The recoverable amount is the higher of an asset's 'fair value less costs to sell' and 'value in use'.

'Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income, in the statement of income and expenditure.

2.1.5 Financial instruments

Financial assets and liabilities are recognized in the Institute's statement of financial position when the Institute becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Institute loses control of the contractual rights that comprise the financial assets. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through statement of income and expenditure) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

2.1.6 Financial assets at amortized cost

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognized financial assets are measured subsequently in their entirety at amortized cost, that meet the following conditions:

- 'the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2.1.7 Impairment of financial assets

The Institute recognizes a loss allowance for expected credit loss (ECL) on financial assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Institute recognizes lifetime ECL for fee receivable. The ECL on these financial assets are estimated using the Institute's historical credit loss experience, fee recovered from the students in subsequent semesters, adjusted for factors that are specific to the students, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets, the Institute recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Institute

measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2.1.8 Write-off policy

The Institute writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

2.1.9 Financial liabilities at amortized cost

All financial liabilities are measured subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

2.1.10 Derecognition of financial liabilities

The Institute derecognizes financial liabilities when, and only when, the Institute's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in statement of income and expenditure.

2.1.11 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position, if the Institute has the enforceable legal right to set off the transaction and also intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

2.1.12 Accrued and other liabilities

Liabilities for accrued and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for the goods / services received, whether billed to the Institute or not.

2.1.13 General Fund

This is an unrestricted fund. Surplus or deficit of the Institute for the year is transferred to General Fund after appropriation to Fixed Capital Expenditure Fund and Contingency Reserve Fund.

2.1.14 Fixed Capital Expenditure Fund

This represents unrestricted fund created for construction of new buildings and capital assets acquisitions. Surplus or deficit of the Institute for the year which is to be transferred to Fixed Capital Expenditure Fund is determined by Board of Governors.

2.1.15 Contingency Reserve Fund

This is an unrestricted fund created to meet any unforeseen liabilities that may arise in future. Surplus or deficit of the Institute for the year which is to be transferred to Contingency Reserve Fund is determined by Board of Governors.

2.1.16 Gold Medal Fund

This represents restricted fund contributed by various organizations for gold medals to be awarded to the students scoring highest GPA in Human Resources Management, Finance & Banking and General. The income from the earmarked investments is transferred to the fund which is utilized to meet the cost of gold medals.

2.1.17 Donors' Endowment Fund

This represents restricted fund contributed by various donors for educational promotional activities. This fund is established to provide financial assistance to deserving students who cannot bear the expenses of their education. The income from the earmarked investments is transferred to the fund.

2.1.18 Students Activity Fund

This is a restricted fund which represents excess of income over expenditure in respect of various student activities financed by sponsors which is credited to this account. Deficit during the year, against these activities, if any, is charged first to this fund and excess deficit, if any, is charged to statement of income and expenditure. Surplus, if any, is carried within this fund for future activities. Besides other activities, the fund primarily serves to finance the graduation ceremony and student societies' events.

2.1.19 Students scholarship Fund

Unclaimed security deposit and advance fee is credited to statement of income and expenditure and transferred to this restricted fund. This fund is established to provide financial assistance to deserving students who cannot bear the expenses of their education. This fund is also used to settle Alumni's' refund request received after the deposit refundable to them was transferred to this account.

2.1.20 Entrepreneurship & Management Excellence Centre Activity Fund

This restricted fund represents surplus or deficit generated in respect of various seminars, workshops and aptitude tests conducted by the Entrepreneurship & Management Excellence Centre. The excess of income over expenditure generated from Entrepreneurship & Management Excellence Centre is credited to the Entrepreneurship & Management Excellence Centre Activity Fund established for serving business and personnel welfare.

2.1.21 Staff retirement benefits – provident fund

The Institute operates a contributory Provident Fund Scheme for all permanent employees. Provisions are made equally by the Institute and the employees at the rate of 8.33% of the salary, as defined in the Provident Fund Rules.

2.1.22 Security deposits from students

Security deposit received from students is refundable at the time of leaving the Institute after completion of program. These are measured at cost. This has become void with the introduction of onetime admission fee.

2.1.23 Taxation

The Institute's income is taxable under the provisions of the Income Tax Ordinance, 2001. However, the Institute, being a non-profit organization, is also entitled to a tax credit equal to one hundred percent of the tax payable including minimum tax and final taxes under section 100C of the Ordinance, subject to conditions prescribed by the Ordinance.

2.1.24 Change in accounting policy

The Institute of Chartered Accountants of Pakistan (ICAP) issued 'IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes' (the guide) in May 2024 and withdrawn the Technical Release 27 'IAS 12 - Income Taxes (Revised 2012)'. The guide requires to classify certain amounts of tax paid under minimum and final tax regime separately as a levies instead of classifying under current tax.

The guide has provided two approaches namely Approach A and Approach B to select any of them considering the business model of the Institute. Since the Institute is entitled to a tax

credit equal to one hundred percent of the tax payable, the above change has no effect on these financial statements.

2.1.25 Provisions

Provisions are recognized when the Institute has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.

2.1.26 Grants / Donations

Grants/Donations are recognized in accordance with the International Accounting Standards.

2.1.27 Income recognition

Tuition fee is recognized on accrual basis. Tuition fee received in lump sum or in installments is attributed to each semester and is recognized as income over the duration of each semester.

Registration fee is recognized as income over the duration of each semester.

Income from brochures, study materials, accessories, stationery and other printed materials is recognized on receipt basis net of related costs.

Income on investments is recognized on accrual basis.

Receipts against specific funds are directly credited to respective fund accounts.

2.1.28 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, bank balances and investments, if any, with a maturity of three months or less from the acquisition date. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Institute's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Institute's accounting policies, management has made following estimates and judgements which are significant to the financial statements:

2.3 Financial Assets (Investments)

The Institute classifies its financial assets in the following categories:

2.3.1 Investments at fair value through profit and loss

2.3.2 Held to maturity investments.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the trade date, the date on which the

Institute commits to sell or purchase the assets.

Fair Value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets, designated upon initial recognition, at fair value through profit and loss. Financial assets at fair value through profit and loss are carried in the balance sheet at their fair value, with changes therein recognized in the income for the year. Assets in this category are classified as current assets.

Held to maturity

No-derivate financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Institute has the positive intention and the ability to hold these assets to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the effective interest method, less impairment.

Impairment

The Institute assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

2.4 Allocation of Common Cost

Common costs are cost used by more than one activity and cannot be allocated to single project activity. Examples of such cost could be:

- Rent
- Staff Salaries
- Utility Bills
- Depreciation of computers, vehicles, furniture & fixture

Common costs should be allocated to the activities on a basis consistent, to the extent possible, with the actual use of the resources by individual activities.

3. Standing operating Procedure and Purchase policy

3.1 MISSION STATEMENT

The Purchase Department represents IoBM in the purchase of all required goods and printing services at the most favorable prices, terms, and conditions to support the needs of our faculty, staff and students. To establish and maintain a professional and productive relationship with businesses partners and to assure the compliance with policies and SOP set forth by Government, as related to purchasing. To maintain the highest level of ethics while procuring goods and services with the funds of Institute.

3.2 PURCHASE DEPARTMENT

The Purchase Department functions as per provision of the Institute of Business Management (IoBM) Purchase and Procurement Statutes 2012. All purchasing and printing of IoBM are centralized and processed through the Purchase Department. The purchase operation is overseen by the Chief Advisor, IoBM and VP, FHE/Finance. Manager Purchase as Head of the Department (HoD) supervises the Purchase Department in consultation with Advisor to ED Admin (HR, Purchase & Gen Admin) and reports to the Chief Advisor, IoBM and VP, FHE.

3.3 DEFINITIONS

“Bid” means a tender, or quotation in response to an invitation by sole proprietor, consultant, firm, company or an organization expressing willingness to undertake a specified task at a certain price.

“Competitive Bidding” means a procedure leading to the award of a contract whereby sole proprietor, firm, companies or organizations may bid for the contract.

“Contract” means an agreement by consent of parties concerned.

“Contractor” means a proprietor, consultant, firm, company or an organization who undertakes to supply goods, services or work at agreed terms and conditions.

“Emergency” means natural calamities, accidents, war and operational emergency which may give rise to abnormal situation regarding prompt and immediate action to limit or avoid damage to person, property, the environment or the smooth functioning of Institute of Business Management.

“Goods Receiving Note (GRN)” It is the record of goods supplied at the point of receipt. This document is used to confirm all goods have been received and compared to the purchase order before payment is released.

“Purchase” The act of acquiring a needed item or service by an authorized department of the Institution.

“Purchase Order (PO)” is a commercial document issued by a buyer to a seller, indicating description, quantities, and agreed prices with applicable tax for goods or services the seller will provide to the buyer. Acceptance of PO by a supplier constitutes a legal binding to supply goods or services as per terms and conditions of PO.

“Repeat Orders” means procurement of the same commodity from the same source without competition.

“Request for Quotation (RFQ)” means a written request to a vendor to invite bids/quotations to get price, payment terms and other related information about the requested item. The RFQ includes following:

- Item description & specifications in detail.
- Quantity required.
- Delivery details of goods/printing services.

- Requirement of survey, sampling or under taking etc.
- IoBM standard Purchase Order Terms and conditions.
- Customization, if any.
- Any other special term and condition.

“Sole Source “means a vendor or a sole proprietor who sells a product or service that meets the unique needs of the purchaser; generally, **sole source** means the one and only source available for the provision of goods or service in Pakistan.

“Supplier (Vendor)” A *supplier* is an entity that supplies goods and services to another organization. This entity is part of the supply chain of a business

3.4 MAIN FUNCTIONS OF PURCHASE DEPARTMENT

The Purchase Department is to obtain supplies, equipment and services at the lowest cost, without compromising on quality, for the institute that meets or exceeds the customer's specifications for performance quality and availability at the time of purchase. In conforming to this policy, the capability, capacity and historical performance of the supplier will be considered and weighed in the decision process.

3.5 SCOPE

All purchases and procurements are to be carried out in a fair and transparent manner. To this effect following are to be kept in mind during any purchase/procurement:

- Ensures purchases are made in a transparent and accountable manner.
- Delivers best value through the most appropriate service provider.
- Ensure open and effective competition.
- Supports in a sustainable manner, environmental and ethical practices.
- Appropriately manages risk example contractual, financial and sustainability.
- Promotes efficient purchasing practices and their continuous improvement.
- Ensures the Institute's purchasing activities are in accordance with legal frame-work i.e. rules on taxes and legislation.

The scope excludes the following:

- Major Projects.
- Land Acquisition.
- Purchase of Books/Magazines/Periodicals.
- Rentals.
- Repair and Maintenance of building/furniture/machinery/equipment etc.
- All kind of Service and Maintenance Agreements.
- All types of Works such e.g. Civil, Electrical, Mechanical or IT.
- Purchase of Soft wares.
- Fee payments, Advertisements, Utility Bills etc.
- Mail services, Postage, Travelling & Freight bills etc.
- Legal and Insurance Services.
- Seminars, Conventions and Entertainments.

3.6 PURCHASE PROCEDURE

The Purchase is processed as under:

- Receive the Purchase Requisition Forms (PRF) from all departments for the procurement of different items and the printing work. Complete details with respect to Justification, Make, Type, Brand, Country of origin, and Specifications of items to be

- purchased, shall be provided by the requisitioning department.
- Invite quotations on line or visit the market for collection of quotations.
- Evaluation of quotations and negotiations with suppliers.
- Finalize the terms and conditions for trading out the items where applicable.
- Send the completed Purchase Requisition Form to the competent authority for approval (Executive Director or President).
- Collect cash from Finance Department for the items valued less than Rs. 10,000/-for petty purchases or in case where the cheque is not acceptable to the supplier and the amount required is more than Rs. 10,000/-
- Collect cheque from Finance Department for amount greater than Rs. 10,000/- for disposal to the supplier.
- Collect purchased items from the supplier or arrange timely deliveries of supplies/printing work from vendors at IoBM site maintaining quality standards.
- Verify the receipt of requisite items by the Central Store.
- Record all the items and dispose off requisite items to the Central Store.
- Keep the Record of Warranties and use them within warranty period, if required.
- Keep a computerized record of all purchased items.
- Send Release of Payment voucher to Finance Department after receipt of invoice and successful point inspection.

A procurement cycle is attached at Annexure H.

3.7 CAPITAL CONTROLS

1. Requisitioning HoD is to ensure that proposed procurement is within the approved budget schedule of budget year, both in terms of quantity as well as cost of expenditure.
2. Purchase Requisition for Capital Purchases is to be routed by the concerned HoD through Corporate Affairs Department prior to forwarding the case to Purchase Department or the President for approval.
3. Inspection of delivered items should be jointly conducted by the Inspection Team consisting of a representative each from the Procurement department and the requisitioning department. Delivery Challan /GRN should be matched with delivered materials /equipment and jointly acknowledged as "Checked and Verified" by each member of "Inspection team".
4. Purchase Order for capital items is to include a condition stating that supplier should inform day/ time of delivery of goods by email one day prior to delivery. Purchase Department would then mobilize "Inspection team" for joint inspection on the stated date and time.
5. Bulky/heavy items which could not be transferred to "Central Store Room" may be kept in a safe and secure place, with proper planks for resting of equipment and coverage with plastic or other secure sheets against rain and dust, on the ground floor of Admin building.
6. Purchase order should include condition that a list of items (with Serial Number, if any) and warranty papers should be handed over with the consignment.

3.8 CODE OF ETHICS

Ethical values govern the purchase and procurement policy. Transparency in all stages of the purchase and printing process is an essential ingredient. Integrity is made obligatory through fairness, honesty and impartiality. The purchasing process cannot be both purpose oriented and self-serving; the two are incompatible. Everyone involved in the purchasing process is held accountable to the following principles:

- Give first consideration to the objectives and policies of the Institute.
- Must not become obligated to any supplier and shall not participate in any transaction in which they may personally benefit.
- In order to avoid conflict of interest, any business enterprise in which IoBM employee has significant proprietary interest or control must seek written approval from the Director in advance to conduct business.
- Comply with all Government Laws including Income tax, Sales tax and other applicable regulatory laws in a way that Institute would receive recognition as a good law abiding organization.
- Illegal and unethical practices such as kickbacks, bribery, undue favors, and leakage of confidential information with mala fide intention will not be acceptable and will be dealt with strict punitive action.
- No gifts, beyond those of publicity nature and insignificant value may be accepted. Gift received which are unacceptable according to this policy shall be returned to respective donor.
- Grant all suppliers an equal consideration/opportunity as per institutional norms.
- Conduct business with potential and current suppliers in congenial atmosphere and good faith devoid of personal interest.
- Demand honesty in sales representation whether offered through the medium of a verbal or written quote/mail or a sample of the product.
- Make every reasonable effort to negotiate a mutually agreeable settlement of any controversy with the supplier.
- Accord a courteous response to all who call on for legitimate business.
- By keeping prices confidential and not divulging these prices to the competitors.

3.9 CLASSIFICATION FOR APPROVALS

The approval for the payment for procurement is in accordance with the Purchase and Procurement Statutes 2012 of the Code Book of IoBM.

3.10 PURCHASE COMMITTEE

The Purchase Committee shall be constituted to review purchases. The Purchase Committee will:

- Consider and give its recommendations for the purchase of items valued over Rs. 150,000/-
- Oversee the justification of requirement of high value items.
- Carry out need analysis and may trim down the request to essentially required items and quantity.
- Discuss different matters relating to purchase of these items.
- Prepare and circulate minutes with recommendations to all concerned.

Purchase of the following items is out of the purview of the Purchase Committee:

- a) Diesel
- b) Printing Work
- c) Photocopy papers
- d) Bulk purchase of daily use items
- e) Any purchase deemed necessary by the management
- f) In case of emergency, purchase to be decided by the President of the Institute

3.11 BRIEF FOR PURCHASE COMMITTEE'S MEETING

The Secretary Purchase Committee will prepare a short/brief document to be placed before

the members of the Purchase Committee in the meeting. The paper will contain following Information:

- Brief knowledge about the request made by the Requisitioning Department.
- The justification of purchase provided by HoD and its Administrative Approval.
- Availability of budget (HoD Corporate Affairs).
- The detailed description of item(s) with specifications and quantities requested.
- A comparative Statement of all dealers/vendors indicating per unit and total cost of purchase with applicable taxes.
- Standing of vendors in the competition from lowest price quote to the highest.
- Payment terms of each vendor.
- Delivery period of each vendor.
- Warranty Details.
- Port of shipment (where applicable).
- Other terms and conditions, if any.
- Quotations/proposals of all vendors along with associated documents.
- Urgency of purchase.
- The recommendations of end user after carrying out technical analysis of all proposals. In the event purchase is recommended not on the basis of lowest quotation, the reason thereof shall be explicitly stated.
- Any other relevant information.

3.12 PROCUREMENT CATEGORIES

The requirements for the purchase of different items and printing services are shown in three categories as below:

- 1 Procurement from Sole Source.
- 2 Procurement by Competitive Bidding.
- 3 Purchases on Rate Contract.

PROCUREMENT FROM SOLE SOURCE: This method is used for requesting approvals on the basis of single source procurements. There is no point in conducting comparative procurement proceedings if the item is to be procured from one source. Following are the occasions where purchase can be carried out without acquiring three quotations/ bids:

- The amount of purchase is up to Rs. 10,000/-
- The item is available at the old or less than old purchase price.
- The purchase is made from the Authorized Distributors/Dealers or Stockist where the price of item is the same.
- The purchase is made from the original manufacturer, sole importer/ distributor, stockist or dealer.
- The change of supplier or product could result in incompatibility or technical difficulties in operation or maintenance.
- The price of product is fixed and controlled by the government.
- Repeat orders are processed subject to the following conditions:
 - If No change in the rates specifications as well as terms & conditions of supply.
 - Order is placed within 120 days' time from the date of the quotations after ensuring that there is no significant reduction (more than 10%) in the cost of the item(s).
 - No repeat order will be placed if buy-back is involved in the purchase.
 - Any amended order shall not be considered for repeat order.

- Spare parts/consumables from original manufacturer/supplier of a machine/ equipment.
- The customization is required and the expertise are available at one source only.
- In case of emergency, purchase is to be approved by the President.

PROCUREMENT BY COMPETITIVE BIDDING: This is the method which is used where the item(s) does not qualify for single source procurement. The competitive bidding aims at obtaining goods and services at the lowest price by stimulating competition. Quotation shall be invited by the Purchase Department after receiving approved Purchase Requisitions with detailed specifications. The enquiry will be floated to as many vendors as possible to have competitive rates. Minimum of three quotations are essential. Quotation can be called and received by hand/registered post/ courier service in sealed envelopes or by email. Purchase Department after receiving quotations will make comparative reports and send to concerned Requisitioning Department for Technical Analysis & Recommendations. The purchase shall be processed based on at least three quotations from reputed sellers unless an exemption to this effect has been explicitly obtained from the competent authority.

The request for quotation (RFQ) should mention following as applicable:

- (i) Description and specifications of the item.
- (ii) Quantity to be purchased.
- (iii) Date and time by which the quotation should be received.
- (iv) Date by which deliveries are expected.
- (v) Warranty requirements.
- (vi) Requirement of training, technical support.
- (vii) After sales service and requirement of annual maintenance contract, if any.
- (viii) Period of validity of quotation.
- (ix) Special requirements of packing and marking.
- (x) Payment terms of the institute.
- (xi) Applicable Tax / Tax exemptions.
- (xii) Inspection and testing Procedures
- (xiii) Cartage and delivery costs.
- (xiv) Installation, commissioning and Training requirement
- (xv) Any other special terms and condition which are applicable.

The competitive procurement is arranged as under:

- I. For the items from the value of Rs.10, 001/- to Rs.200,000/-the competent authority to approve the purchase is Executive Director. However, purchases of more than Rs.150,000/- are to be routed through Purchase Committee. Some three (3) quotations are invited from prospective suppliers/vendors. Unwritten or unauthentic response is not accepted. Received offers are evaluated technically as well as commercially. The best offer after negotiations is recommended for purchase.
- II. The competent authority to approve all purchases valuing more than Rs.200,000/-, is the President. A visit to new suppliers/vendors is to be conducted by Manager Purchase along with a senior person from Requisitioning Department, if procurement relates to technical items.
- III. In case of reordering of any previously purchased items at the same price or less than old price, fresh quotation is to be obtained from at least two other vendors for the procurement. This standard practice shall be applied concurrently to exemption Clauses 8.1 to 8.3 of Purchase and Procurement Statutes 2012.
- IV. Comparative Statement is then prepared. The negotiations are held with suppliers keeping in view the best quality, price, warranty where applicable, after sale service and possibly the track record of supplier. The matter is then finalized and placed before the Purchase Committee for review and recommendations.

- V. Where procurements value is above Rs.2,500,000/- the management may decide to appoint a consultant. If needed, the tenders are also invited directly by IoBM or by Consultant. The Senior Management may decide to advertise the purchase in at least two national dailies, one in English and other in Urdu.
- VI. In case the tenders are invited by IoBM, Purchase Department/Maintenance Department or Requisitioning Department is to formulate precise, unambiguous documents for bidders immediately after publication of invitation Bid, Security and validity date and other relevant details. In case the item is to be imported the process shall be regulated through Corporate Affairs Department. Selection of tender is done on the basis of above criteria and then sent to Purchase Committee for their review and recommendations.
- VII. In case the procurement is to be arranged by consultant, following will be the obligations of consultant:
- a) Analyze the requirement and recommend line of action.
 - b) Decide whether to go for open bidding or sealed bid process, with or without pre-qualification.
 - c) Prepare draft of all required documents such as Letter of Interest, Tender documents, Drawings, Maps, layouts, Technical Evaluation/Assessments, Letter of award of contract or Purchase Order etc.
 - d) Invite bids/proposals through advertisements or direct from suppliers/vendors on their panel.
 - e) Bids may be opened on the last date of its submission at the time specified in bidding document, at least half an hour after the closing time.
 - f) Bids may be opened in the presence of bidders or their representatives.
 - g) All the bidders in attendance shall sign attendance sheet.
 - h) In case of rejection of all bids, re-bidding may be called.
 - i) Each bid may comprise of one single envelope containing separately "Financial Proposal" and "Technical Proposal" (if any) marked accordingly.
 - j) Technical assessment and recommendations will be done by consultant however; the financial and commercial recommendations may be made by Purchase Committee.
 - k) In case the procurement is to be made in phases, consultant will monitor all stages of procurement particularly with respect to time and precision.
 - l) Part payments will be released as per agreed terms and conditions between the parties on the verification of consultant.
 - m) Final payment will be released after successful installation, commissioning and training duly verified by consultant.

PURCHASES ON RATE CONTRACT: A Rate Contract (commonly known as RC) is an agreement between the purchaser and the supplier for supply of specific goods and services at specified price and terms and conditions during the period covered by the Rate Contract.

- Based on requirements identified by Purchase Department the Institute may enter into rate contract arrangements for specified terms from one or more sellers for a specified length of time. The details of such arrangements shall be negotiated by Purchase Committee or Sub Committee.
- The recommendations of the committee shall be approved by the Executive Director before they are formally adopted.
- The period for which the Rate contract is valid will be counted from the day the rate contract is formally adopted.
- On the formal adoption of Rate Contract Manager Purchase will procure the items and services by placing direct orders on the firms.

- In case the item is not available ex stock with the contractor, the buyer will be at liberty to buy the item from any source. The item can be purchased at contract rate on single quotation.
- Rate contract will not be a binding as long as other purchase process is followed.

3.13 PURCHASE PROCESS

Purchase Requisition Form: The Purchase Requisition Form (PRF) (Annex A) is the basic document which is used for purchasing goods or printing services by any department of the Institute. The Head of Department initiates the Purchase Requisition and forward to Purchase Department after fulfilling all requirements (Please refer to Purchase Controls). Purchase Requisition serves a number of purposes such as:

- Documenting the need for the goods or printing services required.
- Confirming the availability of funding, based on the estimated value of item.
- Confirming that the goods required are justified in number and value.
- Replenishment to maintain maximum or minimum stocks (Annexure J & K).

Prerequisites: For proper requisitioning of goods/services, following prerequisites are set forth:

- The Requisitioning Authority (End User) would request for the purchase of goods/printing services on the prescribed "Purchase Requisition Form". Detailed description of goods/services such as Make, Brand, Model, Configuration, Specifications, features, Size and Dimensions must be mentioned on the form
- Where ever possible relevant literature, Drawing, Design, Snaps or a Sample of item be provided.
- Where a long list is involved, it should be attached with the PRF along with a summarized description e.g. Spare Parts/Consumables for 500 KVA Diesel Generator for maintenance as per list attached.
- The PRF should be raised after confirmation of non-availability of item in Store.
- Justification for the requested purchase/printing services must be mentioned in designated place on PRF.

- PR must not mix requirements of dissimilar items e.g. requirements for generator spares must not have requirements of overhead projectors on the same PRF.
- Where the estimated value of purchase is over Rs.100, 000/- Administrative Approval of Executive Director is obligatory. It is to be sought by HoD of requisitioning department.
- Names of vendors in case of specialized nature of work may be proposed. However appropriate vendor will be short listed by the Purchase.
- Based on the estimated cost of item/ service, the Requisitioning Authority is to confirm availability of budget.
- For maintenance related issues, all concerned are required to register their complaint online to the maintenance department at <https://iobmmaint.macmms.com/>. The Maintenance Department will thereupon decide whether to address the issue using in-house resources or to initiate a Purchase Requisition. For IT related issues, all concerned are required to register online complaint to IT Help Desk at address ithelpdesk@iobm.edu.pk. Thereupon, IT department determines whether to address the issue from existing resources or to initiate a Purchase Requisition.
- Only in case of emergency, to expedite the procurement request got approved through other means such as email, memo or on a note can be entertained provided it is followed by a written PRF having all the details of item as explained above.
- Purchase requirements where sampling is under taken, HoD will provide signed sample and put together with the Request Form. The sample provided by vendor will be approved by concerned authority. The time to process such PR will start from the time sample is approved.
- Replenishments must be timely demanded to maintain maximum or minimum level of stocks.

3.14 PURCHASE ORDER

All purchases, except those not required issuance of purchase order as provided below shall be made through a purchase order placed on the seller by the Institute. The Issuance of Purchase Order up to the value of Rs.50, 000.00 would be optional unless made obligatory by vendor. Purchase Order will contain following:

- The name of the supplier with registered address and contact details.
- Description of items with specifications.
- Approved quantity and price with applicable tax.
- The delivery time lines or date by which the item is to be supplied.
- Payment terms.
- Warranty.
- Penalty clause, if applicable.
- Any other term or condition deemed necessary for a certain procurement.

The Purchase Order will be approved by ED Administration / President after the endorsements by the Manager Purchase and Sr. Manager Accounts.

Purchase with Buyback Offer: If any item is purchased under buyback offer for old one, quotations are to be invited clearly mentioning the specification of old and new item asking the buyback offer from the vendor. Before finalizing the deal, a written report about the status of old item whether beyond economic repair or irreparable will be provided by the concerned department.

Change in Purchase Order: If for any reason a financial change in the purchase order is required, the request for such a change shall be thoroughly examined by Internal Auditor (IA)

and shall be approved by the ED Finance before the change is issued in the form of an amendment to the original purchase order.

Payment Terms: Efforts will be made to procure items without making payment in advance. However normal payment terms shall be 10% on complete delivery of the item and the remaining 90% after satisfactory installation, commissioning and training. Terms of payment may be changed from item to item. For regular purchase or small purchases up to Rs. 50,000/-, 100% payment against delivery subject to the inspection and checking be done. Those suppliers who require 100% advance payment, Purchase Department would try to manage the advance payment up to 50% of the total value. Remaining 50% payment be made as per agreed terms. However, where the 100% advance payment is unavoidable, full payment in advance may be done with the approval of CFA. Advance payment amounting to Rs. 2.5 million or more shall normally be made only against a bank guarantee.

Penalty Against Late Delivery: The penalty clause has been incorporated in the Purchase Order for claiming liquidated damages of appropriate amount from the supplier to take care of delays in supplies and performance, for which the supplier is responsible. The normal rate would be 1% of the delivered price of the delayed goods for each day subject to a maximum of 10% of the delivered price. If the payment term is 100% against delivery, then a cheque of penalty amount may be taken from the supplier.

3.15 GOODS RECEIVING

Normally delivery of purchased items shall be done at the Central Store. However, in exceptional situations the supplier may also deliver the items directly to the other campus of the Institute or project site. The Inventory Control Officer will be responsible for receipt of goods and the subsequent dispatch of receipted goods to installation area if the volume or quantity is large enough to be accommodated in the limited capacity of store.

The Inventory Control Officer shall ensure that the inspection of the items by end user is carried out and Goods Receiving Note (GRN) is endorsed by all concerned. In case inspection or checking of goods is not possible same day then GRN must be returned to Store and endorsed subsequently duly approved or rejected within fifteen days. Otherwise, it will be presumed that material supplied is acceptable to the requisitioning authority.

In the event of any shortage/damage/wrong supply, prompt action will be initiated by Inventory Control Officer to rectify the same. In case the supplier fails to rectify the same in a reasonable time, the matter shall be referred to competent authority to recover the cost paid from supplier or claim insurance if the goods are insured.

Once the purchase has materialized satisfactorily, the items must be entered in the appropriate stock register/data base and in the fixed asset inventory where ever relevant.

3.16 I OWE YOU (IOU)

The cash purchases above Rs.500/- are strictly forbidden. However, under unavoidable circumstances purchase against cash can be made directly by the purchaser from the market/authorized dealers after ensuring that the price is reasonable. Such purchases are limited to Rs.50,000/-and shall be done directly by the purchaser through an advance drawn from accounts for the purpose. This advance shall be subsequently adjusted, for which cash memo/bill/invoice or receipt must be submitted. Approved Requisitions/Memo shall be used for drawing the advance.

3.17 INSURANCE/WARRANTY CLAIMS

The under warranty equipment going out of order will be sent to the supplier for repair/replacement. The out of order equipment not covered by warranty will be disposed of by respective department. The equipment/items covered under comprehensive insurance, shall be claimed for Repair/ Replacement from the respective insurance company by Finance Department.

3.18 **LEAD TIME**

Time required by the Purchase when PRF is received and quotations are obtained is stipulated as below:

Nature of Purchase	Time required
Routine & Regular items available locally and valuing up to Rs.10,000/-	3 working days
Routine & regular items available locally valuing Rs.10,000 and Rs.99,000/-	1-2 weeks
Items requiring sampling or demo, after the approval of sample/demo.	2-3 weeks
Items where a wide range of options with regard to brands/cost variations are available in the market. User himself is unsure of what is exactly required and need extensive market search e.g. new machine/tools, technical equipment, consumables, spares etc.	2-3 weeks
High value items requiring in depth research survey of market or site e.g. Lab equipment, IT equipment, machines, customized items etc.	3-4 weeks
Items to be Imported.	Approx. 3-4 months depending on: <ul style="list-style-type: none"> • Source of Import • Customization requirement

3.19 **QUALITY ASSURANCE**

Quality of product is assured by taking following steps:

- Purchases be preferred from original manufacturers, authorized dealers/partners or resellers.
- Sample or Image or Literature of required item is acquired from Requisitioning Department/Person and shown/handed to supplier for matching.
- Where the sample/image/literature from end user is not possible, vendor is asked to provide sample of required item for approval.
- In case both of the above are not possible, a representative of Requisitioning Department is taken along to market to select the required quality of item.
- At the time of delivery, Inventory Control Officer checks the items as per the specifications mentioned on the PO / Purchase Requisition or he requests the Requisitioning Department to inspect the goods received and endorse on GRN.
- Bulk purchases of stationary and grocery is personally checked by Manager Purchase/Inventory Control Officer.
- Wrong specifications/quality items supplied by vendor are rejected and returned to vendor.

3.20 **VENDOR MANAGEMENT**

It shall be ensured that the vendors, with whom the Institute of Business Management is doing business, are capable of providing the required goods and services that would add value and be able to meet the changing requirements of IoBM.

Selection Method: Vendors will be selected through following methods:

- Market Visits
- Letters of Introduction/company profiles received from time to time and kept in Procurement data base
- Internet and Media
- Yellow Pages
- Industrial Trade Directory
- References of IoBM well-wishers

Selection Criteria: Following guide lines are to be followed for this purpose:

- a) Specialization in particular item/service
- b) Availability ex-stock/Lead Time
- c) Market reputation
- d) Performance through clientele reference
- e) After sale service
- f) Ability to provide sample for approval
- g) Ability to provide demo if needed
- h) Ability to conduct site survey
- i) Offers competitive price
- j) Legally and financially autonomous.
- h) ISO or other certifications

Registration: Upon selection, Vendor Registration Form is issued to the Vendor to provide all required information along with hard copies of requested documents. Following procedure is to be adapted:

1. Upon receipt of Vendor Registration Form duly completed by vendor, the procurement personnel visit the vendor facility / premises to verify the information provided and assesses the potential of vendor.
2. Vendor Registration Form is reviewed and signed by Visiting Officer and counter signed by Assistant Manager Purchase or Manager Purchase.
3. Contact and product/service details of Vendor are incorporated in the vendor list and Registration Form along with related documents.
4. Vendor List is developed, batch-wise based on time period, approved by Management and updated from time to time.

Vendor Evaluation: Vendors who provided goods/services worth of value Rs.200, 000/ in one calendar year to IoBM are evaluated for their performance as under:

1. The data for the value of business undertaken by each vendor during calendar year is extracted from the files and segregate based on the value of business as follows:
 - Between Rs.0.2 million to Rs. 0.5 million
 - Between Rs. 0.5 million to Rs. 1.0 million
 - Above Rs. 1.0 million
2. Vendor Evaluation will be based on:
 - Competitiveness of price
 - Adherence to specifications
 - Capability for offering volume discount

- Capability to extend credits
 - Timely deliveries against schedule
 - Quality of documentation
 - Promptness in replacing the rejections
 - Technical capability
 - Support for urgent requirement
 - After Sales Service/Response Time
 - Quality of products / material / services at the time of delivery
3. Ranking will be marked from A to C (A = Excellent, B = Average, C = Poor) according to the performances and standing in the market. In addition to the ranking, special instructions and/or comments may also be written on approved vendor list
 4. For vendors ranked "C" or those who need improvement, Purchase Department will arrange a meeting with the vendor and manager purchase would highlight the issues observed in performance of the vendor. The vendor would be given a chance of another year to improve upon the performance. Upon seeing the response over another year, the ranking may be changed according to results.
 5. If, through evaluation process, or on the advice of end user, any vendor is to be disapproved due to performance, disapproval protocol will be adopted.

Vendor Disapproval Protocol: Any user department including Purchase when recommends that Institute of Business Management should discontinue business with any vendor, should:

1. Submit request for disapproval to manager purchase with complete reasoning/ justification, facts and figures. Examples of reasons might be substandard supplies, continuous non-commitment of delivery schedule, acts or endeavor of corruption etc.
2. Manager Purchase will investigate and forward the case to Executive Director with finding/ observations and recommendations.
3. Executive Director, in the best interest of Institute, will decide final recommendations.

Black Listing: Blacklisting of firm can be done on the recommendations of HoD Purchase and with approval of Competent Authority. The Officer in charge Inventory & Purchase Section shall process all such cases reported by any Department / Centers. A committee specially constituted by the Chief Advisor, IoBM and VP, FHE or Chairman Purchase Committee shall examine the case and shall submit its recommendations to the competent authority for final action. The information on such firms shall be promptly and widely disseminated by Manager Purchase.

3.21 TRANSFER OF STORES

Transfer of stores within the institute from one department to another can be done by using the approved format available in the Stores Section. For transfer of items whose individual value is greater than Rs.100,000/-, explicit written approval of the Director will be required. The transfer must be duly recorded in the relevant register of Store. For transfer of item of lower values Director's permission will also be required. Transfer of items within department can be done with the consent of concerned HoD.

3.22 WRITING OFF, CONDEMNATION AND DISPOSAL

An item may be declared surplus, obsolete or no more useful in the process of up gradation or modernization of Institute. An item may be rendered unserviceable if it is beyond economical repair or has out lived its useful life. Under such circumstances the property / equipment be disposed of in the best interest of the Institute with prior approval of the Director as per the following guidelines.

- a) Wherever possible, the item(s) is traded under buy back offers.
- b) If the above option is not available, the obsolete, unusable or beyond economic repair material be disposed off as per laid down procedures.

Authority competent to purchase a store shall be competent to declare the store as obsolete / surplus /unserviceable.

Following table gives the financial limits for writing off an unserviceable item/material:

S#	Competent Authority	Value of Material/Item
1	Executive Director	Upto Rs.200,000/-
2	President	Above Rs.200,000

3.23 GENERAL PROCEDURE FOR WRITING OFF UNSERVICEABLE MATERIAL/ITEMS

- The items to be declared obsolete /surplus/ unserviceable or written off should be examined by a committee constituted as under:
 1. Chairman Purchase Committee or his nominee.
 2. In-charge (Internal Audit) or his nominee.
 3. HoD of respective department or his nominee.
 4. In-charge Inventory Control.
- Committee should take into account the prescribed or stipulated life period of the stores. In case, such period is not prescribed /stipulated or it is not over, the committee should examine the conditions of stores and recommend suitable disposal.
- If an item has become obsolete/surplus/ unserviceable on account of negligence, fraud or mischief on the part of employee, the same should be brought out clearly.
- Where the "life period" has been prescribed on any item and the same is already over, it should normally be taken as enough ground for declaring the item obsolete and unserviceable. However, the condition of the item should still be thoroughly examined to see whether the item could be put to further use.
- An item may be declared obsolete / surplus if it is no longer required by the Departments. Reasons for the same should be recorded.
- In case of loss due to negligence fraud or mischief on the part of any employee responsibility should be fixed and losses made good.
- Actual physical disposal of items which have been written-off will be done only after the Director has approved the recommendations of the write-off /condemnation committee.

3.24 MAINTENANCE OF RECORD

Following record will be maintained by the Purchase Department:

1. Purchase Requisitions
2. Quotations
3. Approvals
4. Memorandums
5. Technical Analysis
6. Purchase Order
7. General Correspondence
8. Release of Payment (ROP)
9. Comparative Statements
10. Suppliers/Vendors Files

11. Warranties
12. Minutes of Meeting
13. Equipment/Machine Files
14. Policy/Memorandum
15. Events/Activity File
16. Vendor List
17. Vendor Data
18. Gate Pass
19. Electronic Record

Retention Period: The retention period of record for the under mentioned categories is as under:

<u>S#</u>	<u>Record Type</u>	<u>Period</u>
1.	Release of Payment (ROP)	8 Years
2.	Comparative Statements	8 years
3.	Suppliers/Vendors Files	5 years
4.	Warranties	5 Years
5.	Minutes of Meeting	5 years
6.	Note for Approval	5 years
7.	Equipment/ Machine Files	5 Years
8.	Policy/ Memorandum	5 years
9.	Events/Activity File	4 years
10.	Gate Pass	4 years
11.	Vendors List	2 Years
12.	Vendors Data	5 Years
13.	Electronic Record	Life Time
14.	Students' Files/Record	Life Time

4. PAYROLL & RELATED COSTS (as recommended by PCP)

4.1 Monthly Salary

A person who is hired on permanent basis in the Institute requires completing 3 months probation period. An individual's salary is to be disbursed according to the terms and conditions mentioned in his appointment letter.

All employees, except daily wagers and support staff, should be paid through cross cheque issued in their name. At the time of approval of employees' salary expense for the month, a detailed report for each employee will be prepared containing the following information:

- Name of the Employee
- Staff Code
- Monthly salary
- Overtime for the month, if applicable
- Bonus, if any
- Leave Encashment, if any
- Leave Fare Assistance, if any
- Loan / Advance sanctioned to the employee
- Monthly deduction on account of loan or advance
- Payment on account of medical expenditure, if any
- Other allowances
- Any other payroll related information

The aforesaid report will be furnished to the Head of Finance for necessary approval, before approving salary disbursements Head of Finance should arrange comparison of gross salary with last month and obtain satisfactory reasons for change, if any. After the approval, the payroll officer will forward the cheque along with the bank letter mentioning all the staff accounts with their net salary for credit in their respective bank accounts.

4.2 Payroll Taxes

At the time of salary disbursement, income tax will be deducted as per Rule 45(1) of Income Tax Ordinance, 2001. Thereafter, due income tax will be deposited into the Government treasury through tax challan. The deducted amount of income tax is to be deposited within 15 days from the date of deduction thereof.

Periodic tax statements under the Income Tax Ordinance will be prepared within the stipulated time.

The parameters for computation of withholding income tax from payroll will be reviewed on a regular basis, especially after the announcement of the Federal Budget and modification(s) shall be incorporated on an immediate basis.

5. FIXED ASSET

5.1 Overall Policy

Capital expenditure is budgeted at the beginning of the year and forms part of Institute's annual budget. Enhancement of capital expenditure or change of budgeted amount can only be approved by the Executive Director up to a maximum of 15%, Boards approval is required beyond 15%.

Adequate and strong controls should be kept over fixed assets and their related records to ensure that all fixed assets are recorded in the books of accounts with appropriate carrying costs and all recorded assets existing in the Institute are safe guarded and operational.

All assets shall be recognized in books of accounts in accordance with policy framework of this manual. IAS 16 will remain the key principle for the accounting of fixed assets.

5.2 Requisition

See Purchases.

5.3 Quotation

See Purchases.

5.4 Ordering

See Purchases.

5.5 Receiving

See Purchases.

5.6 Recognition and Capitalization Policy

As per our policy, minor renewals replacements, maintenance and repairs less than Rs. 10,000/- are charged off as an expense, as and when they are incurred, while major renewals and improvements are capitalized.

Hence, an items shall be recognized as fixed assets only when:

- It is probable that future economic benefit will flow to the Institute as a result of its acquisition;
- The cost per individual item exceeds Rs. 10,000; and
- Item have useful life of more than one year.

Based on the nature of items, the Management may decide to capitalize an individual item of less than Rs. 10,000/-.

Cost of Asset

Cost of an asset includes purchase price, installation cost, import duties, all non-refundable Governmental taxes and cost of bringing the asset into working condition. All trade discounts and rebates are deducted in arriving the purchase price.

Subsequent Expenditure

Any subsequent expenditure on non-expendable items, which extend the useful lives, enhance the capacity or substantially reduce the operating cost, should also be capitalized.

5.7 Physical Identification of Assets

At the time of acquisition, all assets should bear exclusive identification of reference. This identification mark should be tagged and entered into Fixed Assets Register. Donor emblem should also be affixed on all donated assets while the rest of the assets will be assigned relevant code and tagged for the same.

A register will be maintained for all fixed assets containing:

- Description & cost of each item
- Date of acquisition
- Location of asset
- Item Code
- Rate of depreciation and per year charge
- Accumulated depreciation

Fixed assets records must be reconciled with General Ledger on a regular basis. The finance personnel shall take a physical inventory of all fixed assets at least annually to ensure the completeness and accuracy of the records. The inventory of assets on hand shall then be compared to actual. All the differences will need to be resolved by a responsible staff member. Any write off as a result of physical verification of fixed assets should require BOD approval.

5.8 Donor Related Assets

Assets purchased under any program of the donor agencies will remain the property of the donor agencies unless otherwise specified in the agreed terms and conditions. Due care should be taken for the safety and maintenance of such assets. At the end of the program, either the assets will be transferred to the donor agencies or shall be disposed off according to the terms and conditions.

5.9 Insurance of Fixed Assets

The Institute should arrange comprehensive insurance coverage from approved insurance agents for all high value movable assets against theft and fire and all non movable to be insured against fire only. The insured value is taken at current market replacement value. The renewal of insurance *will be carried out on a yearly basis*.

Upon receipt of premium estimate from insurance company, the concerned officer will obtain the approval for getting the asset insured. On receipt of premium notice, disbursement will only be made through cross cheque in the name of insurance company. A comprehensive record of insured assets will be maintained.

Relevant files should also be maintained for every insurance policy relating to Institute's property. The value of sum insured will be reviewed annually.

Assets received from the donors in kind should be insured in a similar fashion as the bought assets purchased, subject to donor funding.

5.10 Depreciation

Depreciation is charged to income from the year of acquisition to the year of disposal, on quarterly bases. Depreciation rates reflect the useful lives of the assets. The annual depreciation rates, applied on straight line method, are as follows:

Building	10%
Low tension panel	25%
Electric appliances and equipment	20%
Student Activity equipment	15%
Generator	25%
Furniture and Fixture	15%
Office equipment	15%
Photocopies	25%
Computer	25%
Books	33%
Motor Vehicles & Equipment	20%

5.11 Useful Lives

The useful life of an asset will be estimated after consideration of following factors:

- Expected physical wear and tear; and
- Technological obsolescence

5.12 Disposal of Assets

Disposal of fixed assets should be undertaken through tenders, auction or a private sale, whichever is suitable as approved by the President. A private sale would only be considered where the sales price can be reasonably / accurately assessed, and there is a possibility of fetching higher prices as compared to other modes of disposal.

Where the fixed assets, intended for disposal, comprise equipment, the estimated sales value is to be determined by using outside independent experts.

At the time of intended disposal of an asset, Head of Finance will issue an inter-office memo to the Chief Executive, containing the following.

- *Specification and description of the asset*
- *Reasons for disposal*
- *Where possible, an estimate of the realizable value*
- *The mode of disposal of asset, as per the donor's policy*
- *Comparative statement of bids in respect of tender*
- *Draft sale agreement / transfer note, in case of intended private sale*
-

After approval from the Chief Advisor, the sale shall be executed. Simultaneously, the responsible official who is knowledgeable and not directly responsible for the assets will remove the subject fixed asset from the premises.

At the time when asset is retired, the following procedures shall apply to record the transaction:

- The cost of the disposed asset shall be removed from the Fixed Assets' Register

- The related accumulated depreciation shall be removed from the allowance for depreciation account; and
- The profit and loss account, adjusted for the cost of removal, shall be recorded as income (gain) or expense (loss).

A report will also require to be furnished to the Chief Advisor containing the following details:

- Disposal value of the asset
- Mode of disposal
- Gain and loss on disposal of fixed assets
- Auctioneers receipt memo in case of auction
- Issues receipts
- Banking of fetched value

Where the asset is returned to the original donor, the applicable process for retirement (as above) shall, *mutatis mutandis* apply.

6. Investment Policy

The Governing Body of the Institute lays down the Investment Policy with regards to the deposit, investment and disbursement of all funds of the Institute.

The investment policy of the Institute provides for: Safety and marketability of funds

Reasonable yield on invested funds and

- Minimum idle cash in working funds

A Committee of Finance and Investment will be established by the Board which, in view of the policy laid down by the GB supervises the implementation thereof by ordering that the securities of the Institute be bought, sold, exchanged, or assigned by the Chief Executive and the Head of Finance.

All surplus funds, as well as the reserves of the Institute are to be invested. For this purpose the following procedure is to be followed;

For investment control, invested Funds are to be subdivided into two parts:

6.1 Working Capital

The Working Capital of the Funds is the amount required for normal needs. It is to be invested, so far as practicable, in income earning short-term Government securities, in short term notes of well-financed corporations, or in money market funds.

6.2 Investment Portfolio

The Investment Portfolio of the Funds consists of equities, fixed income securities and other types of investment. Safety of capital must be a prime consideration of investment. From time to time the Committee on Finance and Investment has to decide, based on the financial and economic conditions then prevailing, the ratio of equities and fixed income securities in the Investment Portfolio.

Besides the above mentioned, other options for investments are also available. However these may be considered after proper economic analyses demonstrate that they will produce a return equal to or greater than the return analyzed through equities and fixed income securities. These include;

- Purchase of real estate for use by the Institute. Purchase of real estate as a source of rental income.
- Other prudent investments.

It is to be noted here that The Committee on Finance and Investment may take the advice of professional investment counsel in:

- Deciding the desired ratio of equities to fixed-income securities, and
- Authorizing purchases and sales of specific real estate, equities, or fixed income securities in the investment portfolio.

The various funds of the Institute (General Fund, and Endowment Fund, and any other funds entrusted to the Committee) are pooled and invested as a unit. Profits or losses are allocated monthly, based on the percentage of capital each fund represents. All investment funds are to be treated equally.

7. FINANCIAL PLANNING

7.1 Budget Reporting

A budget is a financial plan of an entity relating to a period of time. It is prepared from a range of available data, within the overall guidelines and long term plans of the Institute. As a part of monitoring funds and expenses, the Institute will prepare the following Budgets:

- Revenue Expenditure Budget
- Capital Expenditure Budget

The budget year for Institute will be XXX to XXX. The management is responsible to prepare the budget for the following year and present it to the Board for approval before the start of the budget year.

The budgets for donor funded projects will be prepared in accordance with the guidelines provided by the respective donor agency with the support of the relevant Program Unit.

Institute's program must operate within the budget approved by the Donor Agency.

The Head of Finance shall ensure that expenditure should not be overrun. Any saving under the head of Fixed Expenditures such as staff cost, rent, insurance, premium, utilities bill and capital expenditure shall be utilized for any other purpose with prior approval of Donors.

7.2 Monitoring & Review of Budget

The budget should be monitored regularly and compared with actual results. A mid-year review of the budget should be made by the Head of Finance in the light of actual results; recommendations for upward or downward revision should be put for consideration by the Board.

Besides, on a quarterly basis, the budgeted data should be compared with actual experiences and variance report should be generated. This variance report should be submitted to the Chief Executive who would carry out investigations into all significant variances. While carrying out scrutiny, reasons for unusual or unforeseen fluctuations would be noted.

8. FUND MANAGEMENT

8.1 Bank Accounts

The Institute will maintain a bank account for day-to-day operation approved by the Governing Body. Each program / project must maintain a separate bank account.

The Governing Body shall authorize to open the bank account in the name of the Institute. At least two signatories duly authorized by the Governing Body shall operate bank accounts. A copy of

approved signatories and specimens of their signatures will be lodged with the bank.

At present the signatories are:

Members of the Board of Governance

Each financial instrument should bear two signatures as approved by the Board.

8.2 Cash Management

The sources of cash receipts would be either refund of working advance, donation, cash fee, etc. On receipt, a cash receipt would be prepared by the concerned personnel containing all the necessary details of the receipts. This cash receipt will be printed and used in a chronological sequence.

As a principle policy, an independent officer authorized by the Head of Finance will periodically count cash funds. This official would be independent from the official custodian of cash.

8.3 Donor Funding

As a principle, separate accounting record will be maintained for each project. Expenditure will be carried out in accordance with budgeted limits. Factors such as agreed terms and conditions of funding agencies will also be considered while expensing out funds.

Subject to the provisions of agreed terms and conditions, all financial policies and procedures shall be applicable and followed for incurring any expenditure related to donor agencies. The Head of Finance shall be responsible to submit Financial and narrative report in respect of each project activities to the respective donor agencies as per agreed terms and conditions.

8.4 Petty Cash Fund

To meet day-to-day cash expenditure of small amounts, a petty cash fund up to a maximum of Rs. 100,000/- will be maintained on imprest basis. In order to restrict petty cash fund only for small payments, no single payment out of it should exceed Rs. 25,000.

The Head of Finance will authorize every petty cash expense or any other person authorized by the Board. For custody of petty cash, a steel box would be used which will be kept in locked safe under the custody of Head of Finance. Any shortfall found in the petty cash fund would need to be made good by the custodian thereof.

A person authorized by the Head of Finance will maintain petty cash register to record petty transaction on daily basis.

9. REPORTING

The financial management system should provide complete, reliable, consistent, timely and useful financial management information and financial statements. Some of the reports to be generated as a regular feature are as follows:

Internal Reports:

- Project Reports
- Aged Receivables
- Aged Payables
- Cash Flow Position
- Variance analysis between budgeted costs / revenue and actual data, spelling down the reasons of significant variations
- Consolidated report of all project activities
- Balance Sheet

- Expenditure reported in statement of financial activities (Income Statement), classified into direct program cost and administrative support cost.

External Reports:

- Audited Financial Statements
- Annual Report

Every report which, as per terms and conditions previously agreed upon, is required to be submitted to the donor agencies should be timely and accurately prepared. It will be responsibility of the Head of Finance to brief the management about the deadlines, contents, frequency, etc. of reports that are required by the donor agencies together with the arrangement made by the Institute to meet such deadlines on time.

10. MONITORING BY THE BOARD

Head of Finance will keep a close liaison with the Chief Executive in the execution of day-to-day affairs of the Institute, including but not limited to satisfactory execution of various projects undertaken by the Institute.

All internal and external reports generated by the Finance Department would be sent to the Board for its review, once in every 6 months. The Board shall hold deliberations and discussions over such reports and suggest modifications / amendments / rectifications. The details of business conducted during meeting of the Board shall be duly recorded and its minutes shall be circulated by the Head of Finance to the Board Members.

11. AUDIT

11.1 External Audit

Financial statement of the Institute and / (or) each project will be audited on annual basis.

The auditors will be appointed in annual general meeting in accordance with the respective statutory legislation. The Institute will endeavor to get its financial statements audited by renowned and reputed firm of Chartered Accountants. This is expected to give more credibility to its financials and would increase its standing in the eyes of our donor agencies.

External auditors will be changed after every five years. If, for any reason this is impractical, the Institute may at a minimum, request for rotating the partner in charge of its audit engagement.

Besides, the donor at its discretion may also opt to get the financials of the relevant project audited by an independent firm of Chartered Accountants. In this case, notwithstanding the external audit by the auditing firm of the Institute, any project's accounts will again be subject to audit by another Chartered Accountant.

11.2 Internal Audit

There will be an Internal Audit Function in the Institute. The Head of Internal Audit will preferably be a qualified accountant. He shall have access to the Chair of the Audit Committee.

The Head of Internal Audit will be assisted by a proper team who will work under his guidance and control. The team of Internal Audit Function will comprise of individuals possessing relevant experience, training and accounting qualification.

11.2.1 Scope of Work

- Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective
- Instituting special projects, value for money studies or other investigations on any matter specified by the Governing Body
- Determination of measures to safeguard assets of the Institute
- Performing substantive testing of the financial transactions and account balances executed by the Institute

The Internal Audit Function will issue a monthly report to the Head of Internal Audit, who would share his findings with the Audit Committee. The report(s) of Internal Audit Function will also be provided for review of external auditors.

The Internal Audit Function will also carry out a follow up exercise to check up the corrective measures taken by the management as a result of its previous reports submitted highlighting weaknesses of internal control.

11.3 Audit Committee

The Audit Committee will comprise not less than two members. The members of the Committee shall be from among the non-executive directors of the Institute. All members of Audit Committee will be financially literate and at least one member shall have accounting or related financial management expertise.

The Audit Committee shall hold its meetings prior to the approval of interim results of the Institute by its Board.

A meeting of the Audit Committee shall also be held, if requested by the external auditors or the Head of Internal Audit.

Terms of Reference of Audit Committee

- The Board shall determine the terms of reference of the Audit Committee. The Governing Body shall act in accordance with the recommendations of the Audit Committee in all these matters.

11.4 Reporting by the Auditors

The draft accounts initialed by the external auditors will be subject to review by the Board along with the management letter, containing internal control weaknesses, issued by the external auditors. The Board might also seek further clarification(s) from the Audit Committee over the findings reported in the management letter. After review, the Board, if thinks fit, will approve the financial statements.

It will be the management responsibility to take adequate, timely and corrective actions to address the weaknesses identified by the external auditors in their management letter.

In case the external auditors do not issue a clean (unqualified) opinion on the financial statements of the Institute and (or) the projects undertaken by it, a special session of the Board shall be called which would discuss in detail the reasons, grounds and impact of such qualified opinion. The Head of Finance, Chief Executive and Members of Audit Committee will also attend the session.