



Improving the Business Environment in BiH

## Financial Procedures

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### **Purpose of this document:**

To define the financial procedures used by the Council. Minor amendments to be approved by President. Major amendments to be approved by Board of Directors.

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## **1. Ordering Supplies and Services**

It is important that all orders for supplies and services are placed properly, and are within agreed budget and delegated powers. For requested supplies and services there should be competitive selection process, with a minimum of two offers submitted by the potential suppliers/consultants. Expenditure is committed when an order is placed on behalf of the Council, not when the payment is requested.

### **Delegation of powers for orders of goods and services:**

**Up to KM 250:** are handled by the Executive Director/Executive Coordinator.

**In the range of KM 250 – KM 1000:** the Executive Director/Executive Coordinator should consult and obtain the approval of the President or the Treasurer.

**In the range of KM 1000 – KM 2500:** decision should be made by the Advisory Group<sup>1</sup>.

**Above KM 2500:** decision should be made by the Board of Directors.

The Executive Director/Executive Coordinator can place orders for goods or services within approved annual budget in accordance with delegated powers. Orders above 250 KM should be paid by electronic/transaction payment where possible.

Any lease, hire purchase agreement or other contract involving expenditure will be subject to the same authorization procedure as above, with the appropriate expenditure amount being the total committed expenditure over the period of the contract.

All orders must be in writing and should be approved by the President. The President/the Treasurer should approve an order either by Email or by fax.

Suppliers must be requested to produce invoices. If payment is needed on or before delivery, a 'pro-forma' should be provided. Claims for small items of expenditure may be made via petty cash (see section 4), adequate supporting documentation, preferably receipts must be obtained. Large items requiring cash payment must be checked with the President/ the Treasurer before the arrangement is confirmed.

Contracts above the amount of KM 2500 should be reviewed and approved by FIC Legal Advisor(s).

## **2. Payment Authorization and General/Purchase Ledger**

All invoices must be authorized for payment by the Treasurer, although the actual checking of details may be delegated to the Executive Director/Executive Coordinator. The Executive Director/Executive Coordinator is responsible for checking invoices for accuracy in terms of figures and conformity with the order placed, that the services or goods have been received, and following up any problems.

The Treasurer must be informed if there are queries delaying authorization or if payment is to be withheld for any reason.

Under the supervision of the Treasurer, a General/Purchase Ledger is operated by the Executive Director/Executive Coordinator. All incoming invoices will be recorded on to the Purchase Ledger within three days, unless there are coding problems. Once invoices authorized, suppliers will be paid within the appropriate timescale. This is 10 days. If there are exceptional cash-flow difficulties or specific supplier arrangements payment will be

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<sup>1</sup> Members of the Advisory Group are: The President, the Treasurer and the Executive Director/Executive Coordinator.

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made in 30 days. The latter must be communicated by the Treasurer, who will inform them of any difficulties in meeting these.

### **3. Bank Transfers and Signing**

The President and Treasurer will have an access to FIC bank account. Where a larger cash float is required<sup>2</sup>, this may be approved by the President.

### **4. Handling of Cash**

Petty cash is intended for incidental payments and the aggregated amount held in the office should not exceed KM 750. The petty cash balance will be reconciled on monthly basis. All payment should be backed up with receipts. Cash payments should be up to 250 KM.

In a real emergency, where another cash float has to be used for something, a clear record must be kept, and brought to the Treasurer's attention.

Cash should be kept in a secure location at all times.

### **5. Salaries and Payment of Consultants**

All payments will be made via bank account.

It is expected that a certain number of freelance consultants will be hired. Freelance consultants will only be taken on when their engagement is approved by Board of Directors. Consultants will be engaged on the bases of Service Contract<sup>3</sup> for the specific task and for the limited period of time.

Payments for additional work must be approved by the President. Clear written authorization must be given in adequate time for the Treasurer to process it for the relevant payroll. These claims are financial records, and should be treated in the same way as any other.

Payment will be made via one of the two banks where FIC has its account, direct to staff/consultant bank account. The salary payment listings will be checked by the Treasurer /or the President. Salaries will be paid on the 28th of the month, apart from February, when it will be the 26th.

Pay scales and new posts/re-structuring are approved by the Board of Directors.

The Treasurer is responsible for:

- paying each staff/consultant in accordance with the approved terms and conditions, and issuing pay slips,
- keeping the required records and communicating with the tax office as appropriate,
- making the correct deductions for income tax, and any other appropriate deduction authorized by staff/consultant; ensuring that deductions are paid to the correct body, and if applicable necessary returns made.

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<sup>2</sup> For a major event, purchase, etc.

<sup>3</sup> As defined by state/entity laws

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## **6. Per Diems & Trip Claims**

### **(i) Before the trip**

- A Travel Authorization must be filled out prior to all official travel, even if travel expenses will not be charged to the FIC. The trip should be approved by the President or Board of Directors.
- If a travel advance is required, it is necessary to complete a Travel Authorization form requesting an advance. The travel advance should be approved by the Treasurer. If the Treasurer is not available, the President may approve it.
- It is possible to fill out a DRAFT Travel Expense Report (before the trip) and request reimbursement of the BAM/EURO that have already been spent by the traveler using his/her own credit cards. These expenses can include hotel, airfare, conference registrations, etc.
- Car rentals have to be authorized where this method of transportation is economical and practical.
- When a private automobile is used while traveling on FIC business, the reimbursement rate will be: passed kilometers x fuel price x 0,20.
- Per diems:

*Within Bosnia and Herzegovina:*

(i) for the trip up to 12 hours 30 BAM and (ii) the trips above 12 hours 60 BAM.

*Outside of the country:* 100 BAM.

### **Non-Reimbursable Expenses**

- Personal Travel - When extending a business trip using personal time, the traveler will be eligible for reimbursement of lodging and meals only for the time he/she is conducting business for the FIC.
- Personal phone calls.

### **(ii) After the trip**

- Within 10 working days after the completion of the trip, complete a Travel Expense Report, itemizing expenses and per diem claims for each day should be submitted and processed.
- Lodging must be with a commercial establishment. The original itemized receipt is required, showing the establishment's name, address, telephone number, the dates of lodging, daily room charges.
- Reimbursements are made in BAM regardless of which currency was used to pay expenses. The exchange receipts should be kept for reimbursement.
- Airline receipts: When purchasing tickets via the internet/Agency, the confirmation must indicate that the tickets "have been charged" to a credit card. If this is not available a credit card statement must be provided to indicate that the tickets have been paid for along with a copy of the itinerary showing the passenger name.

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- Registration or conference fees: a brochure showing the opening and closing dates of the function is required along with original receipts.
- Parking/garage fees: Claims for parking/storage must be supported by a receipt.

### **7. Income**

The income received by the Council is from members' fees and services provided. Invoices will be issued for each FIC member and service provided.

All invoices should be issued on the Council letterhead and in a format that is in compliance with the state/entity laws standard invoice requirements.

Invoice listings will be produced on a regular basis. This is at least weekly, to fit in with the reporting system. Outstanding invoice payments will be followed up at bi-monthly.

If grant income is received, Treasurer will ensure that such income is correctly recorded in the accounts. It is the responsibility of the individual gaining the grant to ensure all grant income is claimed as it becomes due or available, and that Board of Directors is aware of relevant grant conditions and exactly how the grant is to be expended.

### **8. Bank Account**

The FIC bank is opened at:

UniCredit bank d.d., Kardinala Stepinca bb, 88000 Mostar, Bosnia and Herzegovina.

Bank Account (BAM): 338-900-22009881-13

### **9. Books of Account and Records**

Proper accounting records will be kept. At a minimum, the following records will be kept:

- appropriate control accounts (i.e. bank control, petty cash control),
- monthly balances to be checked and approved by PWC office Sarajevo.

Petty cash and bank accounts will be reconciled monthly.

All income/expenditure information will be entered into customized Excel sheet and recorded within the three days.

General/Purchase Ledger, electronic/transaction payments and banking sheets will be filed in the appropriate reference order, with any supporting documentation. All petty cash vouchers, transaction payments etc. will be retained for audit and for statutory purposes thereafter.

All fixed assets costing more than KM 200 will be capitalized in the accounts and recorded in a fixed assets register. This register will record details of date of purchase, supplier, cost, serial no. where applicable, description and in due course details of disposal.

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#### **10. Budget Setting**

12 monthly income and expenditure budgets will be prepared in time for final approval by the Board of Directors in December, before the start of the financial year.

Budget is prepared by the Executive Director/Coordinator, in coordination with the President /the Treasurer. The Board of Director will ensure that budget is set fairly, efficiently and in time.

Approval of the budgets is by recommendation of the Board of Directors. The approved budget will be used as a base to construct a cash-flow forecast for the year, which will be updated quarterly.

#### **11. Financial Monitoring and Audit**

The Executive Director / Executive Coordinator will produce regular reports of income and expenditure against budget.

The President will receive:

- bi-monthly snapshots of cash in hand, income and payments,
- monthly reports of income and expenditure versus budget.

Detailed monthly payroll reports will be produced. Detailed cash-flow reports will be produced as appropriate.

The FIC financial year is from 1<sup>st</sup> January to 31<sup>st</sup> December. Annual accounts will be submitted for audit to PWC Office in Sarajevo.

#### **12. Role of Treasurer**

The Treasurer works in close co-operation with, and provides support and advice to the Executive Director/Executive Coordinator. Specific responsibilities are to:

- guide and advise the Board in the approval of budgets, accounts and financial statements,
- keep the Board informed about its financial duties and responsibilities,
- advise the Board of Directors on the financial implications of the FIC's strategic plans and key assumptions included in operational plan and annual budget,
- confirm that the financial resources of the Council meet present and future needs,
- understand the accounting procedures and key internal controls, so as to be able assure the Board of the Council's financial integrity,
- ensure that the accounts are properly audited, that accepted recommendations of the auditors are implemented, and meet the auditor at least once a year.

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**13. Role of Board of Directors**

The Board of Directors is responsible for:

- approving the budget for the year,
- approving signatories to the bank accounts,
- receiving reports from the President on areas of concern,
- approving exceptional items of expenditure,
- monitoring the financial position based on monthly reports, with advice from the President,
- approving the annual accounts, auditors report and appointment.

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**Definitions**

*Consulting Services* are the services of independent contractor (individual or company) that provide support in operational areas of the FIC.

*Goods* are tangible products that fall under a variety of commodity headings including, but not limited to, stationery supplies, office equipment, furniture, computer hardware and software, audio-visual equipment, photocopiers, telephone/fax machine etc.

*Services* are non-tangible commodities and can include major labor contracts such as, catering services, equipment rental, installation and repair, mail delivery, painting, electrical work, etc.