



BASIC INFORMATION ON PREPARATION & MANAGEMENT OF VOUCHERS IN PROJECT MANAGEMENT

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VOUCHERS

1. INTRODUCTION

Generally, an accounting system includes various procedures for documenting and reporting accurate and up-to-date financial information. The system should also contain procedures to assist management in controlling day-to-day operations/transactions. Any financial transaction has to be supported by documents, which validate that the said transaction has actually taken place. This is where vouchers play a crucial role.

Vouchers refer to the documents that summarize the transaction along with the supporting documents as evidence for the same. Vouchers are known as ‘cash equivalent’, which means that for every payment, we generate a cash/bank voucher.

Therefore, in effect, vouchers assume the same importance as that of cash.

2. UNDERSTANDING VOUCHERS

Vouchers are helpful for following reasons:

- 2.1. Proper **recording of transactions**
- 2.2. Providing proper **evidence/supporting of financial transactions**
- 2.3. Establishing safe **administrative procedures**

2.1. Recording of transactions:

When any activity/ transaction occur, the first place where the recording is done is the voucher. Various information that are required for basic bookkeeping such as the date, account head, mode of payment, etc. are captured in the voucher.

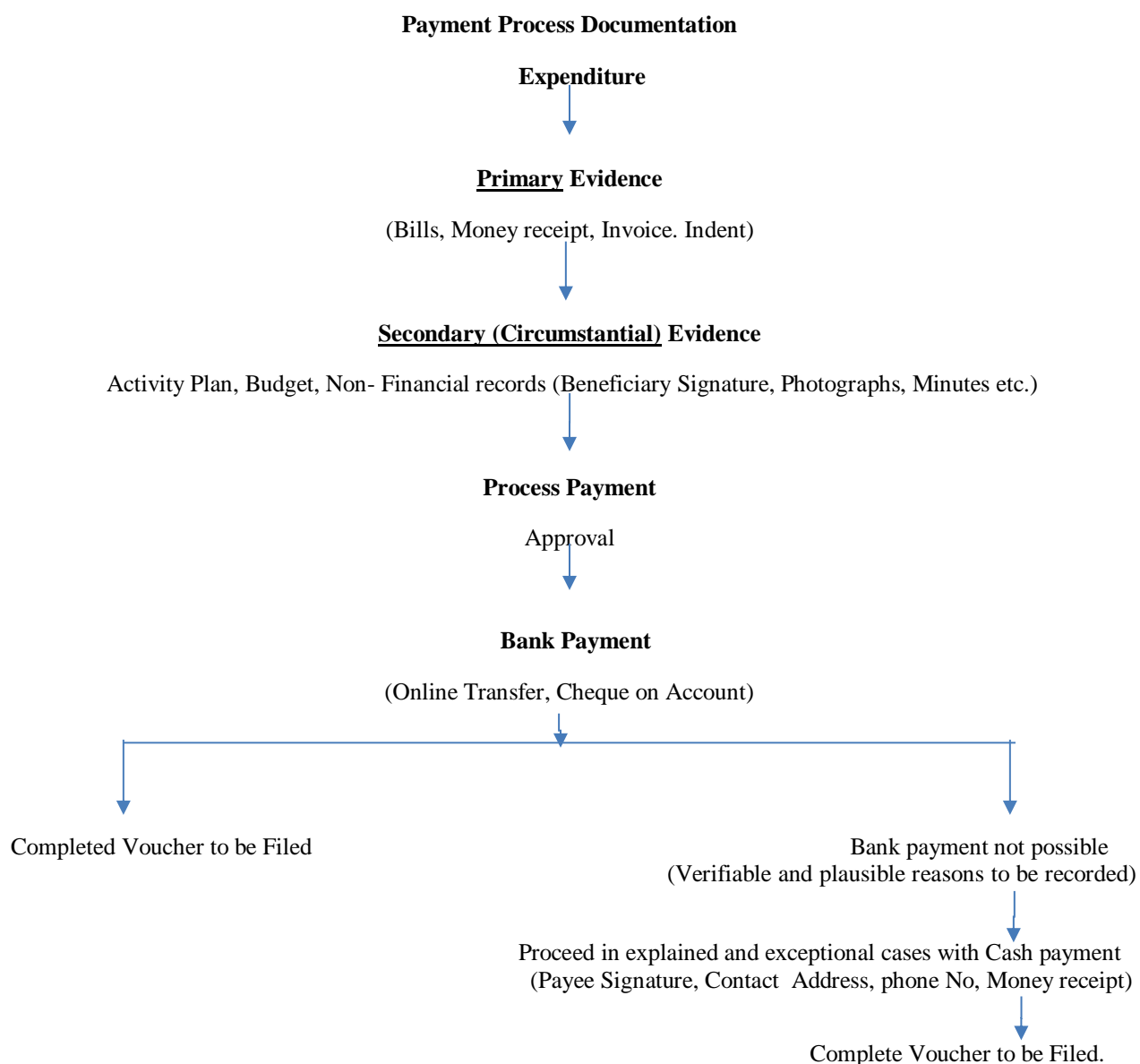
2.2. Evidence/Supporting:

Vouchers as a record of transaction contain evidence of occurrence of such transaction, activity or event. The evidence may be bills, receipts, invoices, purchase orders, agreement paper and other summaries like list and signature of participants (in case of training, workshop, etc.) For example, all capital items purchase require that three quotations from three different vendors must be obtained and then the purchase order should be placed based on the comparative analysis. It would be important to mention here that all capital items above the value of Euro 410 require three competitive quotations as part of documentation.

2.3. Administrative Procedure:

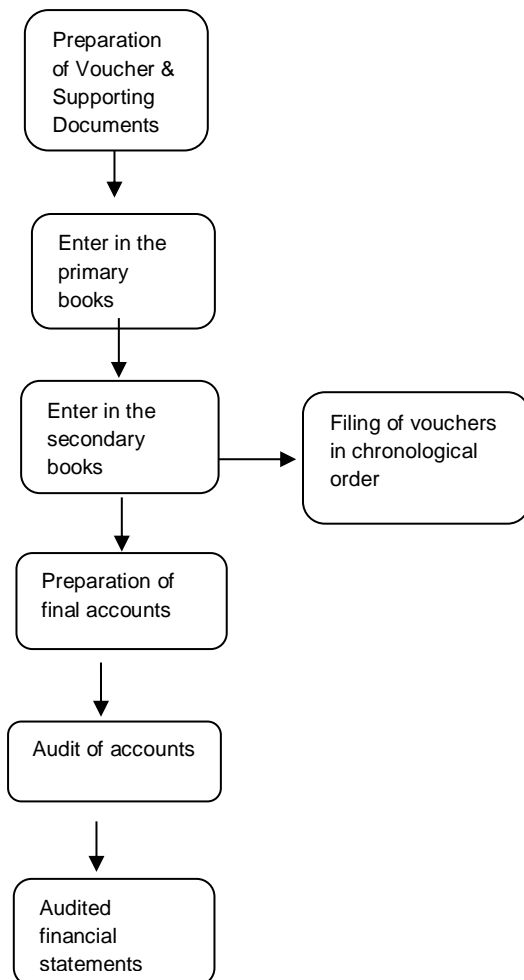
Vouchers make the requirement of verification and approval compulsory and properly followed. Therefore, it promotes healthy internal processes.

Vouchers make the financial transaction independent and verifiable. Normally, a voucher discloses information such as details of the goods purchased, amount paid for the goods purchased, date and mode of payment, name of the supplier, name of persons passing or approving the purchase, name of the person making the payment and purpose for which the purchase was made.



For organizations dealing with more than one project and funding agencies, the project name and number and the funding agency to which the expenditure is to be charged must also be disclosed in the voucher (primary and secondary evidence). This would provide information as to under which exact project the expenditure has been incurred. If there are common costs, which are part of more than one project, the basis of allocation must be mentioned clearly on the voucher and the supporting document. The supporting document in that case should contain the information of both the projects and the amount charged to each project.

The steps involved in vouching i.e. from voucher preparation to its use during audit are depicted in the diagram below:



3. TYPES OF VOUCHERS

Many types of vouchers are used for recording the transactions as a source document in accounting.

The standard vouchers in accounting comprises of Vouchers classified into categories:

- 3.1. Contra Voucher
- 3.2. Payment Vouchers
- 3.3. Receipt Vouchers
- 3.4. Journal Vouchers

3.1. Contra Voucher is used to indicate transfer of funds from:

- Bank account to Cash account
- Bank account to Bank account
- Cash account to Bank account
- Cash account to Cash account

In other words, cash deposited in bank or cash withdrawn from bank are recorded through contra voucher. 'Contra' means both sides. Therefore, a contra voucher is recorded in both the receipt as well as in the payment side.

3.2. Payment Voucher is a document prepared at the time when payment is to be effected and it serves as evidence for payment of goods and services that were purchased by the organization.

3.3. Receipt Voucher is documentary evidence that the sum stated thereon has been received on behalf of the organization

3.4. Journal Voucher is documentary evidence of formal entries that need to be made in case of non-cash transactions. It records all transactions that do not involve cash and bank. Usually, journal vouchers are prepared under the following circumstances:

- Correction of accounting errors arising from misclassification
- Carrying out adjustments or transfers between accounts i.e. provision for payment in future, for depreciation, etc.

4. COLOR CODING

Vouchers can additionally also help to identify the type of voucher on the basis of agreed color usage for the voucher. Please note, that the color coding is not replacing any of the mentioned requirements, but helps additionally for a quicker overview of the voucher type you are looking at. For example, the following color coding may be useful:

- Cash Voucher (White in color)
- Bank Voucher (Yellow in color)
- Journal Voucher (Pink in color)

5. INTERNAL BILLINGS AND NOTIONAL EXPENDITURE

Sometimes it is observed that organizations prepare internal invoices to charge for certain services provided by the organization itself to the project. For example: Rent of a training center (which is owned by the organization) or Vehicle Usage (Owned by the organization) on flat rate basis charged to the project. Such kind of expenditures are not allowed within the BftW Cooperation framework. The expenses charged to the project should not be accumulated within the organization. The principle is that for every expenditure the two parties involved have to be different. The payer and the payee cannot be the same party. However, if there are some costs actually incurred as part of common costs (e.g: electricity or water charges), part of it can be charged based on a clear basis of such cost allocation. In that case copy of the invoices must be attached as part of the payment voucher and the cost allocation must be clearly explained and documented on the voucher.

6. HOW TO ENHANCE THE QUALITY OF VOUCHER DOCUMENTATION?

Vouchers are primary documents in accounting which gives the overall view of a particular transaction and the trail of events before and after. The characteristics of vouchers are:

- 6.1 Clarity
- 6.2 External Evidence
- 6.3 Verifiability

6.1. Clarity

Vouchers should provide clarity (minimum requirements) in terms of:

- **Project number**
- **Date of transaction**
- **Person who has prepared the voucher**
- **Person who has authorized the transaction**
- **Purpose of the transaction**
- **Amount in words and figures**
- **Account head which has to be debited/credited**

6.2. External Evidence

The supporting documents that are attached with the vouchers such as bills, invoices, receipts and summaries are called external evidence. These vouchers must have other circumstantial evidence through which the authenticity can be enhanced. For example, if petrol is purchased for vehicle, then the vehicle number and the meter reading at the point of putting the petrol must be stated in the log book and attached. Similarly, for stationary purchase, the purpose must be documented. If there are food bills, then it must be related to the program for which it is incurred at least with verifiable circumstantial evidence.

6.3. Verifiability

The verifiability of a voucher can be tested if the external evidence/supporting documents provided with the vouchers can be independently verified whenever required.

7. WHAT ARE VALID SUPPORTINGS?

It is very essential that each voucher must be accompanied by third party documents such as bills, cash memos, letters, etc. These documents should be of such kind that they are self-sufficient to justify the occurrence of the transaction without the need of giving verbal explanations.

8. WHAT TO DO WHEN VALID SUPPORTING DOCUMENTS ARE NOT AVAILABLE?

In case of NGOs who operate at remote locations, setting appropriate external evidence as described in previous sections can be a challenging task. In some locations, it may be challenging or not enough explored how to get proper bills, invoice, money receipts, etc. In cases where only self-receipts are prepared the external evidence is very weak. Therefore it is very important that these evidences **MUST** be strengthened through strong and verifiable circumstantial evidence.

A circumstantial evidence is indirect evidence that supports the fact that the expenditure has incurred. For example, if there is expenditure on food for a meeting at the village level, circumstantial evidence can be the list of participants in the meeting, their signatures, the activity plan of the organization signifying that the meetings have taken place, e.g. signed minutes of the meeting, photographs and certification for participants by the field coordinator. These will contribute to provide greater evidence to support the incurred expenditures. For local travel, the purpose of travel with the number of Taxi/rickshaw and if possible the signature and telephone number of the driver and/or photo should be obtained.

NOTE: All vouchers and for that matter specifically circumstantial evidences must be approved by an authorized person other than the accountant who prepares the vouchers.

9. INTERNAL VS EXTERNAL

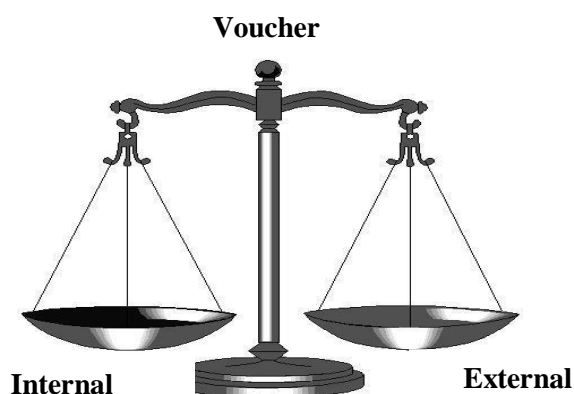
Internal: The internal side refers to the internal processes of a voucher. They are the voucher details like date, voucher no., head of account, narrative explanation etc., and internal steps like Prepared, Checked and Approved.

External: The external side of the voucher is as (or even more) important than internal side. The external side voucher is for the payment by an external party and thereby strengthens the claim of payment.

Examples of external process are:

- Bills
- Money receipt
- Invoice
- Way bill
- In exceptional cases a Self-receipt

A balanced voucher is:



10. TEMPLATE OF ACCEPTABLE PARAMETERS

A template of acceptable parameters for different types of expenditures is attached herewith *as Annexure-A*. It should be noted that this is only an illustrative list and not a comprehensive one. Since NPOs work in diverse fields, it would not be possible to cover every type of expenditure. However, these examples serve as pointers for support documentation and when in doubt to get advice by your auditor and/or finance consultant.

11. TEN POINTS TO REMEMBER WHILE PREPARING VOUCHERS

Vouchers are the base of whole accounting system. Therefore, the accountant has to be very careful while preparing them. The following points will help to remind basic aspects while writing vouchers:

- 11.1 The accountant who prepares the vouchers should be well versed with the accounting policies.
- 11.2 Vouchers should be prepared and filed separately on a daily basis.
- 11.3 Voucher should be prepared for each and every entry made in the books of account.
- 11.4 All vouchers should be computer generated, if there is computerized accounting.
- 11.5 Each voucher should be serially numbered and such numbers should be mentioned in the respective original books of account maintained in order to facilitate cross-reference.
- 11.6 Various types of vouchers could be printed in different colors to help in easy identification.
- 11.7 For payments, the payee or the person authorized by the payee should sign and write his/her name and address along with contact telephone number for verification.
- 11.8 To ensure correct accounting to the respective funding agency, vouchers and supporting documents should not only be issued in the name of the payee, but it should also show the name and number of the respective project and funding agency. Where it is not possible to include these details in the original voucher or supporting document, a rubber stamp in the name of the respective project & funding agency should be added.
- 11.9 In order to avoid double payments, it is important to put a '**Paid**' stamp on the voucher as well as on the supporting documents.
- 11.10 Neither the voucher nor the supporting document should be overwritten and correction fluid should not be used. In case, correction is to be made, it should be approved by the authorized person. Therefore, one should be very cautious while writing vouchers.

12. CONCLUSION

Vouchers are crucial documents for an organization in terms of their credibility and visibility of a healthy financial management system. Vouchers should be kept by the organization for at least 10 years after the closure of the project period as per BftW guidelines. A good voucher management system is important for future reference for the auditors and the statutory authorities and other external stakeholders. Therefore, it is important that a voucher must be filled correctly with requisite narrations and supporting documentations, so that the person verifying it can easily obtain the required information that is being sought, specifically after personnel have left the organization or other events in the organizations have occurred. The joint responsibility of organizations and BftW in regard to financial and social accountability towards (back)-donors and beneficiaries are the pillars of the credibility for the future.

TEMPLATE-ANNEXURE A

Note: All payments should be made in bank.

Only when bank transfers are not possible and this has been clearly evidenced,
cash payments can be made in low totals in exceptional cases with stated
reasons and verifiable secondary/circumstantial documentation.

Template: Annexure AS.No.	Office Level	Cash/ Bank expenditure	Primary Evidence	Secondary Evidence
Supplies				
	<i>Capital Expenses</i>			
1	Office Building	Bank	Registration documents	Board meeting minutes and board resolution regarding building purchase, quotations, comparative cost sheets.
2	Building under construction -WIP	Bank	Authorized contract with the contractor, Legal Documents wrt constructing property, purchase documents, invoices, bills etc.	Board meeting minutes and board resolution regarding building construction, quotations, comparative cost sheets.
3	Electric Installations and Fittings	Bank	Purchase invoice	Board resolution regarding purchase/ purchase committee resolution, quotations, comparative cost sheets, purchase order.
4	Furniture and Fixtures	Bank	Purchase invoice	Board resolution regarding purchase/ purchase committee resolution, quotations, comparative cost sheets, purchase order.
5	Computers	Bank	Purchase invoice	Board resolution regarding purchase/ purchase committee resolution, requisition, quotations, comparative cost sheets, purchase order.

6	Office Equipments	Bank	Purchase invoice	Board resolution regarding purchase/ purchase committee resolution, requisition, quotations, comparative cost sheets, purchase order.
7	Vehicles	Bank	Purchase invoice	Board resolution regarding purchase, quotations, comparative cost sheets, purchase order.
	<i>Revenue Expenses</i>			
1	Wages	Bank (Preferable)/ Cash	Wages payment register/ work report/ Muster roll	Workers contract
2	Salaries	Bank	NEFT copy regarding payment of salary/ bank transfer, salary sheet	Staff files, appointment letters
3	Legal Expenses	Bank	Professional's invoice /contract/agreement	Bank statement regarding bill payment
4	Printing and Stationery Expenses	Bank (Preferable)/ Cash	Invoice (purchase order)	Physically verification of purchased item/ entry into stock register
5	Telephone Expenses	Bank	Telephone bill	Physical verification of telephone/ resolution/ internal note for use of personal mobile
6	Internet Expenses	Bank	Internet bill	Bank statement regarding bill payment
7	Website Expenses	Bank	Website maintenance invoice	Website, resolution to have website
8	Postage and Courier	Bank (Preferable)/ Cash	Postage and courier invoice	Outward register

9	Audit Fees	Bank	Auditor's invoice	Audit Report/ resolution for appointment/ letter of appointment
10	Water Charges	Bank	Water bill	Bank statement regarding bill payment
11	Electricity expenses	Bank	Electricity bill	Bank statement regarding bill payment
12	Rent	Bank	Rent bill, rent receipts	Rent agreement
13	Advertisement Expenses	Bank	Advertisement invoice	Advertisement proof (like newspaper, magazine etc.), resolution of advertisement.
14	Recruitment Expenses	Bank	Recruitment related invoices	Documents sufficing recruitment procedures like job post resolution, applicants details, shortlisted candidates, interviews details, selected candidates details etc.
15	Vehicle fuel-Oil to lubricants	Bank (Preferable)/ Cash	Fuel invoice	Log book/ internal note
16	Repair and maintenance expenses incurred on fixed assets.	Bank	Vendor/ Service Provider invoice	Physical verification of the fixed asset/ requisition for repair/ resolution for repair and maintenance
17	Bank Charges	Bank	Bank statement	
18	Interest on borrowed money.	Bank	Bank statement	Details of borrowed money regarding its purpose and actual utilization of such amount/ resolution for borrowing
19	Travel and Conveyance-transportation	Bank (Preferable)/ Cash	Transportation bills	Purpose of travel with reports (like for field visit, field reports etc.)/ log book/ travel requisition form.
20	Insurance of office assets	Bank	Insurance Policy	Physical verification of assets

21	Repair & maintainance of Vehicles	Bank	Vendor/ Service Provider invoice/ fuel bill	Physical verification of vehicle/ requisition for repair
22	Repair & Maintainance of office equipments	Bank	Vendor/ Service Provider invoice	Physical verification of office equipment/ requisition for repair
23	Staff welfare expenses	Bank (Preferable)/ Cash	Invoice	Purpose of staff welfare expense (like for tea/ coffee of board members meeting, meeting minutes)/ meeting minutes
24	Entertainment and Hospitality	Bank	Entertainment and hospitality bills	Office order/ internal note
25	Generator Running and Maintenance	Bank (Preferable)/ Cash	Running (fuel)/ maintenance invoice	Physical verification of generator
26	Computers Maintenance	Bank	Service Provider invoice	Physical verification of computer/ requisition for repair/ job sheet
27	Office Building Repair and Maintenance	Bank	Contractor/ Vendor invoice	Physical verification of the building/ requisition/ resolution of repair

Programme Expenses				
	Travel Cost- Personal	Bank (Preferable)/ Cash	Transportation bill	Purpose of travel with reports (like for field visit, field reports etc.)/ log book/ travel requisition form
	Communication- Telephone, Internet, website, Postage etc	Bank (Preferable)/ Cash	Telephone/Internet/ Website/Postage bill	Physical verification of telephone/ resolution/ internal note for use of personal mobile, website verification, outward register.
	Mobility- Vehicle Maintenance and fuel	Bank	Repair & maintenance invoice/ fuel bill	Physical verification of vehicle/ requisition for repair (if any)
	Training cost of Beneficiaries- Capacity Building			
	- travel cost of beneficiaries	Bank (Preferable)/ Cash	Travel bill	Beneficiaries details, meeting minutes
	- accommodation cost of beneficiaries	Bank (Preferable)/ Cash	Accommodation bill	Beneficiaries details, baseline data, meeting minutes signed by all
	- fooding expenses of beneficiaries	Bank (Preferable)/ Cash	Supplier bill/ food bills	Beneficiaries details, meeting minutes signed by all, photos,
	- other incidental expenses - like venue, mic. and sound system etc,	Bank (Preferable)/ Cash	Vendor invoice	Attendees list signed, training report, meeting minutes
	- Resource person fees / honorarium	Bank	Contract with resource person	Training details/ report
	- Resource person travel cost	Bank	Bills/ invoice	Contract with resource person
	- Exposure Visit	Bank	Travel bills	Visitors details, purpose, reports, signed by visited groups, photos
	Staff Capacity Building Training			

	- travel cost	Bank (Preferable)/ Cash	Travel invoice	Staff details, training report, meeting minutes, photos e.g. bus & registration plate
	- accommodation cost	Bank (Preferable)/ Cash	Accommodation bills	Staff details, training report, meeting minutes, photos, name & address and telephone of accommodation owner and signature
	- fooding expenses	Bank (Preferable)/ Cash	Food bills	Staff details, training report, meeting minutes
	- other incidental expenses - like venue, mike and sound system etc.,	Bank	Invoice	Attendees list, training report
	- Resource person fees / honorarium	Bank	Invoice of resource person	Training report
	- Resource person travel cost	Bank	Bills	Contract with resource person
	Cost of living enhancement of beneficiaries			
	- cost of purchase of seeds / or living animals / groceries / equipment's like rickshaw / sewing machine etc.	Bank	Purchase invoice/ bills	Distribution details, Stock (seeds, equipment's etc.), Beneficiary details
	- Distribution cost of seeds / or living animals / groceries / equipment's like rickshaw / sewing machine etc.	Bank	Muster roll/ travel bills/ recipient beneficiary details	Distribution details, Stock (seeds, equipment's etc.), Beneficiary details
	Construction of bore well / tube well for community			
	- labor cost	Bank (Preferable)/ Cash	Labour contract/ muster roll	Payment register (if any)
	- material cost	Bank	Material invoice	Physical verification of supplies/ stock register
	- legal / professional fees	Bank	Professional invoice	

	- Awareness camp for safe drinking water and its preservation	Bank (Preferable)/ Cash	List of participants, photographs, expenses bills	Awareness camp reports
	- Resource person fees/ honorarium	Bank	Invoice of resource person	Training report

Don't forget: All payments should be made in bank. Only when bank transfers are not possible and this has been clearly evidenced, cash payments can be made in low totals and in very exceptional cases with stated reasons and proper documentation.