

THE SINDH FARMERS ORGANIZATION FINANCIAL REGULATIONS, 2004

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THE SINDH FARMERS ORGANIZATION FINANCIAL REGULATIONS, 2004

1. Short Title and Commencement:

- (a) These rules and regulations are called “The (name) Sindh Farmers Organizations Financial Regulations 2004”.
- (b) They shall come into force at once.

2. Definition:

In these Regulations, unless the context provides otherwise, words and phrases used shall have the meanings attributed to them in the Sindh Water Management Ordinance, 2002 (SWMO). In reference to an individual or general person or party; the use of the singular may also denote the plural where this does not materially affect the meaning of the phrases.

- (a) ‘abiana’ means service charge levied on farmers by a FO or, where there is no FO, by the AWB, for the supply of irrigation water and the provision of drainage.
- (b) ‘FO’ means a Farmers Organization, established under the SWMO 2002 which now applies to all FOs established under the repealed Sindh Irrigation and Drainage Act. 1997.
- (c) ‘Administrative approval’ means the formal acceptance by the competent authority of the proposals for incurring any expenditure on work initiated by, or connected with the requirements of the FO. it is, in effect, an order to execute specified works for a stated sum to meet the administrative needs of the authority.
- (d) ‘Board of Management’ consists of the Chairman, Vice Chairman, Secretary, Treasurer and two additional members elected by the General Body of the FO.
- (e) ‘Financial Year’ means the period from 1st July to 30th June of the following year (both inclusive) for which a budget is prepared and for which accounts are kept.
- (f) ‘Government’ means the Government of Sindh.
- (g) ‘Regulations and Rules’ mean regulations and rules made under these Financial Regulations and approved by the Regulatory Authority.

- (h) “Water – user” means a person whose land or property is linked to the Irrigation system or water supply system by a watercourse or canal or other form of connection. The Land or property may be owned by him, or occupied by him with the authority of the owner, for agriculture, industrial or other purposes.
- (i) “WCA” means Water Course Administration established and registered with FO (S 55 & 56 of the SWMO).
- (j) “DBG” means Drainage Beneficiary Groups formed and registered with FO (S 61 & 62 of the SWMO).

SECTION – II

FUNDS

3. There shall be a fund to be known as the “FO Fund” vested in the concerned FO.
4. The FO Fund shall consist of:-
 - a) Member’s subscription annual or other received from its members (WCAs and DBGs)
 - b) All amounts received by the FO in respect of abiana, water charges, drainage cess, and the proceeds of the sale or rental of other goods and services;
 - c) Grants made by Government.
 - d) Loans obtained from Government,
 - e) Grants made by Councils as required by Government.
 - f) Foreign assistance and loans obtained from different foreign agencies with the sanction of, and on such terms and conditions as may be approved buy Government, and
 - g) All other amounts receivable by the FO.

5. Banks

- 5.1 The FO will open its own bank account in one of the Scheduled banks notified by the Government of Pakistan. The FO can open more than one bank account in the scheduled banks of the approval of the General Body.
- 5.2 The bank account will be operated jointly by two signatories. The Chairman and the Treasurer of the FO will be the authorized signatories for all the FO’s bank accounts and cheques.
- 5.3 A monthly bank reconciliation of all the bank accounts will be prepared by the treasurer of the FO.

6. Budget and Business Plan

- 6.1 A business plan for the FO will be compiled by the Board of Management for five years and submitted to the FO General Body for approval by February of each year et. Seq. the first year of the business plan will be adopted as budget for the next year.
- 6.2 The budget period will be from 1st July to 30th June of the following year and cover both seasons of Kharif and Rabi falling in that year.
- 6.3 A revision in the budget allocations can be made before the close of the year tentatively by 30th May of the year due to change in the revenue targets or change in expenditure priority after approval by the Board of Management.

7. Vouchers

- 7.1 All vouchers will be serially numbered and dated.
- 7.2 Journal vouchers will be used for posting adjustments to the accounts or for recording unusual transactions. All journal vouchers must be authorized by the Accountant / Treasurer.
- 7.3 All vouchers (i.e. receipt vouchers, payment vouchers, petty cash vouchers and journal vouchers) will be posted to the books of account by the working day following the day of the transaction.

8. Receipts

- 1.1 A receipt must be given to the payer by the Treasurer authorized by the Board of Management for all money received on behalf of the FO.
- 1.2 All receipts must be serially numbered.
- 1.3 Money received must be deposited in the FO's bank account within three working days.
- 1.4 Receipt vouchers must be prepared for each receipt, with relevant supporting documents.

9. Payments

- 9.1 All payments must be made by crossed cheque, except for petty cash replenishment.
- 9.2 All payments will be supported by payment vouchers justified by supporting documents, duly authorized by the Treasurer.

- 9.3 Chairman and Treasurer will together be authorized for payments into and from the Bank Account of the FO.
- 9.4 Payment will be made only if it is in accordance with the budget as approved by the General Body with the reallocation authorized by the Board of Management.

10. Income Tax Deductions:

Deduction from bills on account of income tax shall be made strictly in accordance with the relevant provisions of the Income Tax Ordinance 2001 as amended from time to time and of the rules and orders issued there –under and brought together in the Income Tax Manual.

SECTION III

ACCOUNTING POLICIES

11. **Accounting Convention**

Accounts will be prepared under the historical cost convention and in conformity with applicable International Accounting Standards, without taking into account the effects of inflation.

12. **Double – Entry Accounting System**

The double entry accounting system will be used for recording all transactions. This is necessary to recognize and record the income on assessment basis and liability committed by the FD.

13. **Accounting Year**

The accounting year of the FO will be from 1 July to 30 June of the following year.

14. **Taxation**

No provisions for taxation will be made in the financial statements of the project accounts as the FO operates as an organization which is not-for-profit for distribution amongst its members.

15. **Fixed Assets and Depreciation**

16.1 Fixed assets will be shown at historical cost.

16.2 Depreciation will be charged on the straight-line or diminishing-value method depending upon the nature of the asset.

16.3 A full year's depreciation will be charged on fixed assets acquired during the year.

16.4 The scheduled rates for depreciation are as follows:

<u>Particulars</u>	<u>Rate</u>
Vehicles	10-20%

Computers and allied equipment	25-33.3%
Machinery & Equipment	10-20%
Telecommunication Equipment	15%
Furniture & Fixture	10-15%

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17. **Development Expenditure / Capital Work in progress**

Development expenditure / Capital work in progress includes all costs including material, labour and overheads incurred on construction / rehabilitation of a project / development scheme which is not complete at the end of financial year. No depreciation will be charged on this asset, as the assets will ultimately be recorded in the books or transferred to the owners of the project.

18. **Books of account**

The FO will maintain the following books of account

- 1- Cash book
- 2- Petty cash book
- 3- Revenue Abiana Other Charges for each season
- 4- General Ledger
- 5- General journal
- 6- Budget book for the year
- 7- Receipts (Files)
- 8- Vouchers (files)

19. **Annual Accounts**

Every FO will produce annual accounts not later than three months of close of the financial year. The annual accounts will include income & Expenditure accounts and Balance sheet

20. **Audit of Account**

Annual accounts will be audited by a Chartered Accountants Within six months of the close of financial year for submission to its members and to the SIDA/Regulatory Body.

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SECTION IV

POWERS FOR REVENUE ASSESSMENT AND COLLECTION

21. **Members Share Subscription Fund**

A membership fee of Rs. 1000/- or an amount specified by the FO General Body will be collected by FO from its members i.e. WCAs and DBGs at the time of formation of FO as members share subscription (Capital) fund for starting its operation

22. **Revenue**

22.1 The Board of Management is responsible for the preparation of schedule of rates of abiana / other charges for each crop to be assessed separately for each season Kharif & Rabi in the time of making annual business plan / budget. The rates for non-agriculture use of water will be separately defined. This schedule will be presented in the General Body meeting for review and approval.

22.2 After approval of the rates, an exercise of assessment will be made to calculate the abiana and any other charges to be recovered against each land owner/water user. Collection of these charges will be made for each season separately and deposited in the bank account of FO.

22.3 As a last resort, the Board of Management in case of non-payment of abiana and other charges may levy a surcharge for the late payment and such dues and charges will be recovered as arrear of land revenue under the Sindh Land Revenue Act. 1967 (SWMO 0 to 46).

- 22.4 As proposed by the BOM, the General Body of the FO may approve separate contributions to be paid by the WCAs and DBGs and / or by the individual framers holding a legal title to lands within the FO for special purpose, investment in projects / schemes, approved by the FO General Body.

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SECTION V

POWERS FOR RE-ALLOCATION OF FUNDS WITHIN THE APPROVED BUDGET ALLOCATION

The General Body will have the full power, for re-allocation of funds between various head of accounts, sub-heads, minor heads and sub-major heads within the approved business plan and budget.

Note: The exercise of powers under this section is subject to the following conditions:-

- (a) The amount for which re-allocation is required does not exceed the monetary limits for which the General Body is empowered to grant administrative approval.
- (b) Re-allocation does not entail any recurring liability for the FO.
- (c) Every re-allocation recommended by the Board of Management is submitted to the next meeting of the FO's General Body for ratification.
- (d) Funds from grant will only be used for the purpose specified in the grant agreement.

SECTION VI

AUTHORIZATION OF CAPITAL EXPENDITURE

	NATURE OF POWER	COMPETENT AUTHORITY	MONETARY LIMITS
	Administrative approval of capital expenditure	Board of Management	Full Power
	Technical sanction of the capital expenditure, subject to the condition that any excess over the approved cost is not more than 15 percent and that unit costs have not changed.	Board of Management	Full Power
	Technical sanction of capital expenditure on repairs to non – residential Buildings on structure	Board of Management	Full Power
	Administrative approval of the purchase of office equipment, tools and machines (excluding vehicles)	Board of Management	Full Power
	At with previous item, capital expenditure is subject to the provisions of the approved budget, or with re-allocations duly authorized by the General Body.		
	Technical acceptance of estimates for the purchase of office equipment, tools and machines (excluding vehicles).	Board of Management	Full Power
	Placing of orders for repairing or	Board of	Full Power but 3

	overhauling office equipment, tools, vehicles and light machines over Rs. 20,000	Management	quotations needed;
	Technical acceptance of estimates for the purchase of furniture and fittings and vehicles.	Board of Management	Full Power

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SECTION VII

POWERS FOR REVENUE EXPENDITURE

Definition: Revenue expenditure comprises those charges which are incidental to the management of an office “as an office” and includes the cost of stationery, postage, books & periodicals, telephone charges, communication charges, office repairs & maintenance, electricity charges, transport, etc.

Note: All the expenses must be within the budget approved by the FO General Body.

	Name of Powers Limit	Competent Authority	Monetary
A.	Salaries & Wages	Board of Management	Full Power
B.	Expenditure on O & M of minor / distributory	Board of Management	Full Power
C.	Purchase of Stationary items	Board of Management	Full Power
D.	Electricity, water charges and telephone charges	Board of Management	Full Power
E.	Sanction of telephone connection	Board of Management	Full Power
F.	Routine Office Expenditure	Treasurer	Full Power

G.	Advertisement charges	Board of Management	Full Power
H.	Other contingent expenditure not covered by the specific items	Board of Management	Full Power
		Treasurer	Rs. 3,000

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SECTION VIII

AUTHORIZATION OF CONSULTANTS & CONTRACTORS' SERVICES

Note: All the expenses must be within the budget approved by the General Body.

	Name of Powers	Competent Authority	Ceiling of Amount
A.	Approved for a consultancy contract involving expenditure on construction / fixed assets essential for the FO to achieve its objective.	General Body	Full Power
B.	Technical acceptance of the completed assignment, subject to the conditions that any excess is not more than 15 percent and that the price per unit has not changed.	Board of Management	Full Power
C.	Approval for a consultancy contract.	General Body	Full Power
D.	Technical acceptance of the	Board of	Full Power

completed assignment, subject
to the condition that the amount
is in accordance with the
contract.

Management

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