

Research Evaluation And Development Initiative-READI

FINANCIAL GUIDELINE

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Rationale for Financial Policy and Guideline

Financial Management is the lifeblood of an organization's whole management system for survival, growth and long-term financial sustainability of that organization. It ensures the economical and efficient use of resources of the organization through safeguarding the assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption and also communicating the true and reliable information, data and accounts to all the related stakeholders in a timely manner.

So, a well-defined financial policy and guideline is urgent to practice and couple up the internationally accepted financial system aiming to control and guide the personnel management and other stakeholders towards achieving financial excellence in managing the organization in a very effective and transparent way. This Financial Policy and Guideline has been developed to provide the basic framework and guidance for READI in order to make its development impact economically and efficiently

It may be noted that, the policy, system, process, procedures and methods of each and every financial activity in general, have been defined and explained here in to make high quality accounting practice easier and to trim down the chance of puzzlement and misinterpretation that may arise in course of execution of activities covering the area of financial management. The rationale for developing this policy and guideline are delineated below.

- Provide a customized accounting and financial system based on generally accepted accounting principles (GAAP) and standard practices along with a comprehensive guideline for initiating relevant financial policies and procedures
- Improve the existing policies and procedures for further strengthening of Financial Management Systems as a tool for fulfilling the basic financial management requirements
- Supplement the books, registers and statements concerning financial activities of the organization for preparing accurate and reliable financial reports on time
- Ensure better degrees of financial control, transparency and accountability in day-to-day operations to donors and other stakeholders to gain their respect and confidence
- Ensure compliance with applicable laws and regulations for long-term financial sustainability
- Establish control over uses of donated funds and resources to the best corollary for achieving the organization's mission and objectives.
- *Manage* internal and external risks, which can threaten operations and even survival (e.g. funds being withdrawn, an office fire or a fraud) in an organized way to limit the damage establishing systems and procedures to bring about financial control.

2.0 Areas of Financial and Accounting System

This Policy and Guideline is basically centered on financial and accounting aspects of READI to act in conformity with generally accepted accounting principles (GAAP), standard practices and Govt. laws to

avoid all sorts of legal and management controversies, The financial and accounting aspects generally, contain Accounting and Financial Management Policies, Cash and Inventory Management, Table of Financial Authority, Payroll, Advances, Procurement Policy, Internal Control, Budget and Budgetary Control Reporting, etc.

2.1 Code of conduct for employees

This policy unambiguously provides the following code of conduct for the employees in dealing with different stakeholders violation of which may lead to disciplinary action as per organization policies. Head of the organization is responsible for disseminating this policy to all employees and for instituting and maintaining a program to ensure that employees understand organization's standards of ethical conduct.

- No funds or assets will be used for any unlawful or improper purpose.
- No contributions will be made for political purposes.
- Gratuities, business entertainment, meals and gifts, which are both lawful and customary, may be permissible.
- Financial data must be accurate, complete and current and prepared in accordance with the organizational policies and procedures.
- No payments will be solicited or received by an employee or relative of an employee from a vendor or sub-grantee or prospective vendor or sub-grantee.
- Payments to vendors, consultants or others may be made where required in the normal course of business to secure goods and services for organization, taking care that such payments are in line with prevailing practice. Vendor payment must be reasonable in relation to the services performed and will not exceed the normal rate for transactions of a similar nature.
- All financial transactions will be accounted for accurately and properly. No undisclosed or unrecorded funds or assets will be established or maintained for any purpose.
- Payments/cash transactions will be made only into approved bank accounts.
- Personal loans or advances cannot be made to staff under any circumstances, other than project/miscellaneous/travel advances.

2.2 Commencement

This manual commenced on 01 January, 2000.

3.0 Accounting and Financial Management Policies

3.1 Accounting Principles

The fundamental accounting principles of READI shall be as follows:

- The accounts shall be maintained according to the double entry system of accounting.
- The accounts shall be maintained under historical cost convention on a going concern basis.

- The consolidated accounts shall be maintained under accruals basis accounting. However cash basis accounting will be followed for individual projects if the conditions of grants from the donors dictate a cash basis accounting.
- Over Head Cost such as, Core Staff Salary, Office Rent, Utilities, Office Maintenance cost, etc. shall be allocated by Pro-Rata basis as per donor fund.
- READI will follow International/national Accounting Standard in preparing its:
 - ✓ Receipts & Payments Statement
 - ✓ Income & Expenditure Statement
 - ✓ Cash Flow Statement
 - ✓ Balance Sheet
 - ✓ Notes to the Accounts
- Depreciation should be charged on the various categories of assets under diminishing/reducing balancing method.
- All the centers & Partner NGOs of READI shall maintain complete sets of accounts in respect of their transactions separately for each project. And periodical Financial Report shall be prepared as per organization donors and NGO Affairs Bureau requirement.

3.2 Accounting Period

- The accounting period of READI from 1st July to 30th June.
- The accounting period of the Projects shall be in accordance with the agreements with the donors approved by the NGO Affairs Bureau.

3.3 Accounting System of Head Office

The accounts of all the projects shall be maintained separately and distinctly so that transactions of respective projects can be identified. The basic policy in this regard shall be as follows:

- Separate sets of books and records shall be maintained for each and every project whether funded by donors or from own sources.
- All Income & Expenses of the respective project shall be separately accounted for
- There shall be separate chart of accounts for each project for recording the project transactions.
- Financial Report for each project for the separately prepared.
- Consolidated Financial Statement shall be prepared under accrual basis accounting to reflect the state of affairs and results of the organizations as a whole.

3.4 Organizations Structure of the Accounts & Finance Department

Will follow the organizational structure.

4.0 Functions of Accounts & Finance Department:

Cash/Treasury Section

- Make all payments by A/c payee cheques or cash as per policy /rules
- Make payments of vendors, Partner NGOs, Center Offices and Branches after verification/adjustment of previous unspent balances or as per financial action plan.
- Receive all kinds of cash or cheque.
- Control all bank accounts of Head Office, Partner NGOs and Center and Branch Offices.
- Settle accounts of the outgoing staff of READI.
- Maintain Petty cash book and update on a daily basis.
- Prepare the daily cash custody certificate and the joint custodians i.e., Cashier and Head of Accounts must sign.
- Prepare & preserve bank related documents daily i.e Cheque controlling register, cheque book etc.

Accounts Section

- Prepare vouchers for all financial transactions of READI.
- Maintain all the books and documents for project and READI i.e. cash book, ledger book, subsidiary ledger, cheque register, advance register, fixed assets register, stock register, bank reconciliation statement etc.
- Coordinate, collect and verify monthly accounts from the Centers and Partner NGOs separately for each project.
- Prepare consolidated accounts for the organization and financial reports of all projects as per donor and NGO Affairs Bureau requirements.
- Prepare requisition for cash operation of READI & Verify the PNGOs fund request for effecting payments.
- Coordinate with external auditors for audit of accounts of the projects as per requirements of the donor
- Coordinate with external auditors for statutory audit of the organization
- All the budget books of accounts, register, vouchers, audit report, financial statements etc, shall be preserved in safe locker in the office premise according to the Donor and NGO Affairs Bureau requirement.
- Reconcile all transactions between Head Office and Partner NGOs, Centers, Branches
- Prepare Bank Reconciliation Statement on Monthly Basis.
- Updating advance register on a daily basis
- Maintain computerized accounting software packages

Finance Section

- Prepare monthly financial action plan
- Make Master Budget or Master Plan with activities plan.
- Associate Project Budget Making.
- Prepare Budget for READI.
- Prepare chart of accounts for identifying the expenditure and income of each project
- Prepare Monthly/ Quarterly financial projections for funds on the basis of budgets.
- Prepare the cash call forward as per need of the donor.
- Prepare and analyze the budget variances reports.
- Check & approve all cash requisition submitted by Accounts Section.
- Monitoring the implementation status of all PNGOs, projects and READI.
- Control all expenses according to budget
- Monitor budgets and deliver information to other departments
- Monitor the Accounts and Financial activities of the Center Office, Partner NGOs and the Branches on monthly basis

5.0 Chart of accounts

- Separate chart of accounts shall be maintained for identifying the expenditure or income of each project.
- The donor's budget account code shall be followed for each accounting transaction to maintain and prepare the financial books and reports to promote consistency and transparency.
- The same categories shall be used in the organization's budget and financial reports, The categories will be sorted by type of Account and also into sub-groups under 'family' headings – such as Administration, Personnel and Vehicle Running for presenting summarized information.
- The coding method may be used either in a numerical or alphabetical system and will follow the same logic using a group of numbers for the same family of items to bring uniformity in the classification of expenditures and income.
- While preparing the chart of accounts it shall be noted that transactions are segregated in to the following categories.
 - ✓ Receipts/ grants/ donation
 - ✓ Direct Program cost
 - ✓ Personnel cost
 - ✓ Capital expenditure
 - ✓ Program support cost/Admin cost(Overhead cost)

6.0 Separate Project Accounts

READI shall maintain separate books of accounts in respect of each project fund financed by Donors. Inter project fund transfer is strictly restricted. But temporary loan can be taken from the general fund of

READI on temporary basis with the approval of READI Governing Body. No fund shall be transferred from the project account except the loan amount to any other project.

For each of the project the following books and records must be maintained:

- a) Daily Central Controlling Cash Book/ Petty Cash Book
- b) Cash Book
- c) General Ledger
- d) Subsidiary Ledger
- e) Advances register
- f) Fixed assets register
- g) Daily Cheque controlling Register
- h) Cheque register
- i) Store Register (Central)
- j) Salary Register (Project Wise)

7.0 Computerized Accounts

Incase of using Computerized Accounting Soft Ware all vouchers should be prepared manually and preserved it according to the Donors and NGO Affairs Bureau requirement. All kinds of Accounting Software data must be preserved in the CD or other drive as a precaution for any sort of damage.

8.0 Delegation of Authority

The Executive Board of an NGO made up of volunteers have a statutory duty to see that the organization is being properly operated in conformity with the vision and mission of the organization although they meet only a few times a year. So, it delegates authority to the Executive Director for day-to-day management who further delegates authority amongst the staff team. The following chart provides a detail of authority level that the Management of READI can exercise. :

Sl. No.	Instrument/ Document	Authority	Extent of Authority	Remarks
1	Cheque signature	General secretary/ED, Treasurer, Finance/Programme Director	Project Coordinator/ Manager	In case of exception it may be more extended after the approval of Board of Directors/SMT
2.	Re-allocation of budget items	Board of Directors/SMT	Coordinator	-----
3	Capital Expenditure	Governing Body (GB)/ Board of Directors/SMT	Do	-----
4	Write off of asset,			-----

Sl. No.	Instrument/ Document	Authority	Extent of Authority	Remarks
	Bills Receivables etc.	GB/Board Director		
5	Renting/ Leasing	GB	Board of Directors/SMT	In case of exception it may be more extended after the approval of Board of Directors/SMT
6	Salary, allowance and other benefits	Board of Directors/SMT	Board of Directors/SMT	-----
7	Local Travel Advance/ Overseas Travel advance	Board of Directors/SMT	Coordinator	Do (Except overseas)
		GB	Board of Directors/SMT	
		Board of Directors/SMT	Coordinator	
8	Party bills	Finance Director (FD) /Project Director (PD)	Project Coordinator (PC) /Project Manager (PM)	-----
9	Cash expenses like conveyance, entertainment, petty stationery purchase etc	FD	PC/MC	-----
10	International Airfare	GB	Board of Directors/SMT	-----
12	Professional fee like audit, surveyor	GB	Board of Directors/SMT	-----
13	Utilities bill	FD	PC/PM	-----

Signature Authorities

Provided that the granting of this authority does not compromise an internal accounting control, the Director/his or her designate person will have the indicated signature authority to approve the following transactions with regard to:

Sign a grant application or contract proposal:

To sign a grant ED has final authority only.

Hire:

Expatriate Staff: ED/Assistant Executive Director has Final authority within the approved budget

National Staff: ED/Assistant Executive Director/Director has final authority within the approved budget

Temporary Employee: Assistant Executive Director/Director has final authority within the approved budget

Consultant: ED/Assistant Executive Director/Director has authority within the approved budget

Executing a sub-grant or a subcontract:

Assistant Executive Director/Director has authority within the approved budget

Entering into a Memorandum of Understanding: ED or designate has final authority.

Approving a timesheet of staff: ED /Director has final authority

Limit on making expenditures: ED/Director has authority to incur expenditures approved with in the budget.

Granting a salary increase: ED/Director has final authority within the approved budget

Authorizing a vacation: ED/Director has final authority.

Purchase of equipment: ED/Director has final authority within the budget.

Purchase or lease of a vehicle: ED or designate has final authority within the budget.

Vehicle use: ED/Director his or she has final authority

Taking out an insurance policy: For routine insurance (i.e., automobile insurance), ED or designate has final authority

International travel: ED or designate has final authority within the approved budget.

Opening a bank account: ED/Director has final authority with the consent of the board and donor.

Authorizing/executing a bank transfer: ED/Director his or she has final authority.

Taking of capital assets inventory: ED/designate his or her designate has final authority.

9.0 Operational Policy & Procedure of Bank Accounts
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Bank Account:

- One bank account (mother account) shall be maintained for all foreign grants received either in foreign currency or local currency with intimation to the NGO Affairs Bureau.
- Separate bank accounts (Operational bank account) shall be operated for each donor/project after receiving the grants through mother account to facilitate the Project activities proficiently and successfully.
- Overhead cost account/salary account of the core staffs may be operated as, when and where necessary. Exception may be considered as, when and where necessary

Bank Signatory

- Body of READI is the sole authority for opening and closing of official bank accounts and assigns appropriate signing authorities to operate bank accounts.

- In case of transfer or separation of an authorized signatory from the organization and appointment of any signatory Executive Director (ED) or his/her designate should inform the Bank Manager in writing for deletion/inclusion.
- The bank accounts shall be operated as per decision taken by the Governing Body meeting.
- Exception can be considered as, when and where necessary

Policy and Procedure for Bank Operation

- The Accountant/Accounts Officer shall prepare all cheques.
- A Check signatory must not prepare Cheque and vouchers.
- All cancelled Check should be marked "CANCELLED" and preserved in a separate file along with the supporting voucher.
- Serial number will be used on the cover page of all cheque books.
- The receiver of any cheque must sign the respective counter foil.
- Official money receipt shall be issued against each receipt of cheque.
- Advance signature in the cheque leaf shall not be allowed.
- All cheques shall be crossed as "Account Payee" just after received.
- Cheque(s) received during the day shall be deposited to the bank within the next working day.
- A cheque register shall be maintained for all cheque payments or, withdrawal where cheque number, date issue, payees' name, amount of cheque, initial of authorizing officer. Entry shall be made for collecting cheque book from the bank mentioning the number of cheque leaves in the cheque register.
- All payments must be effected through Account Payee Check for TK.5,000 and above.
- An acknowledgement must be obtained from the receiver for such payments.

Reconciliation of Bank Account

Bank Statement shall be obtained from the bank after the end of each month and Finance Coordinator/assigned persons of READI shall prepare a Bank Reconciliation Statement. The Finance Director shall sign the reconciliation statement.

10.0 Maintenance of Cash

Accountability in Cash dealings

- Minimum two (2) accounts persons must be appointed for all kinds of cash transactions. Project will be exception.

- Staff with physical access to cash, such as the Petty Cashier, should not record the receipt or disbursement of cash.
- The person who approves vouchers for payment should not prepare or sign checks

Cash transactions and Recording

- Official Money Receipts shall be issued against cash received by way of sale proceeds, service delivery, refund of advance etc
- All cash receipts are to be deposited daily into the bank. If not possible for any valid reason, they must be deposited into the bank within the following working day without fail
- Payments must be made after authorization of related bill/invoice from the appropriate authorities.
- Maximum limit of single cash payment shall be Taka 5000(Five thousand)
- Vouchers are required to support all cash disbursement and receipts
- "PAID" seal with date shall be stamped on all the supporting bills after effecting payment
- Revenue stamp shall be affixed on the bills as per GOB rules
- The recipient must sign on the appropriate documents while receiving any payment
- An Accountant other than the person responsible for maintenance of cashbook shall make ledger posting.
- An employee other than the one who keeps the records should regularly review the records periodically and randomly.

PETTY CASH

- The Accountant/Cashier shall maintain maximum Tk. 20,000 cash for handling of daily cash transactions
- Excess of cash over the limit must be deposited into bank.
- Finance Coordinator/Assigned Person shall check the physical cash with Petty Cashbook and confirm the balance by putting his/her initial in the Petty Cashbook at the end of day's operation
- The petty cash box must be kept in a secured place under lock and key. The key should be kept with Concern Director/Finance Coordinator after the close of the workday.
- The Petty Cash transaction should be recorded for each payment. Petty cash ledger/book should be updated daily and the cash balance should not exceed the approval limit.
- Surprise petty cash audit should be conducted and documented by Finance Director/designates/project chief at least once in a month.

Changes of Custody

A change in custodianship, a formal hand-over of cash and vouchers should take place and be recorded in the cashbook. Both the outgoing and incoming custodians should sign the declaration of cash balance and the same to be countersigned by the Finance Coordinator.

11. Payroll

Payment of Salaries and Benefits

- Salary and benefits of the staff shall be paid through their personal bank account (Bank be nominated by READI) by the end of each month.
- The Administration Department shall maintain attendance records and documents of all appointments; promotions, transfers, resignations, removal from office etc, of employees and shall forward the same to the Accounts and Finance Department for preparing the salary sheets and disbursement.
- The Accountant shall ascertain the net amount payable to each employee after adjusting the deductions in respect of salary advance, income tax etc.
- Finance Co-coordinator/Designates will check the salary sheet and submit it to Finance Director for review. Afterwards, the same will be submitted to the Executive Director/Assistant Executive Director for approval.
- An "Account Payee" cheque/debit advice with net payable amount shall be sent to bank for organizing payment to relevant staff member's bank account
- Each employee shall sign in the prescribed column of the payroll sheet..
- Income tax shall be deducted at source from the monthly salary of each staff that has exceeded the non-taxable limit as per prevailing law. Such deduction will be deposited to Govt. account within 7 days of deduction or prescribed time by the tax authority.
- Provision for gratuity will be made once a year in for each employee.
- Overtime will be paid as per rule at a suitable time of next month. The overtime sheet will be certified by the Section in Charge and recommended by the relevant Programme Director.

Final Payment (Resignation, redundancy or dismissal)

- Payment of salaries, PF, gratuity and other benefits to an employee at the time of resignation, redundancy or dismissal will be administered as per relevant clause of the Personnel and Admin Policy of READI.

Payment of salaries and benefits due to a deceased employee

- Unpaid salaries, wages, allowances, provident fund balance, group insurance etc, shall be paid to the nominee(s)/ successor(s) of the deceased employee upon receiving appropriate documents from the nominee(s)/ successor(s).

Payments will be made through "Account payee" cheque(s).

12.0 Advances

Advance may be paid against procurement, works, training, traveling, office rent, petty expenses, salary etc. to employees, vendor, suppliers, house owner, service providers or contractors The grounds, limit, adjustment time and dealing procedures are stated below. It is noted that Procurement procedures of READI must be followed for making any kind of advances.

Advance against Procurement

- **Grounds:** Advance may be allowed to employees, vendor or suppliers for purchase of capital items such as vehicles, furniture and fixtures, computers etc and project materials.
- **Limit:** Procurement advance may be provided to staff as required amount to complete the purchase and to vendor/ Supplier 30% of total price or as per contract.
- **Adjustment time:** Procurement advance must be adjusted within 15 days from the date of taking advance or 07 days after completion of the purchase.

Advance against works/ program expenses

Grounds: Advance may be allowed to staff or vendor/ suppliers for program activities such as Street drama, Rally, Vehicle Repair, meeting, seminar, workshop, training, views exchange meeting, day observance, court yard session, travelling.

Limit: The maximum limit of works advance for staff Tk. 20,000.00 at a time with proper authorization and for contractor 30% of total works value. In case of any project, it must be relaxed considering activity of nature.

- **Adjustment Time:** This advance must be adjusted within 6 working days after completion of full work or part of work. In case of oversea visit it may be relaxed as per situation.

Advance against Conveyance and Transportation

- **Grounds:** Advance may be allowed to staff for travel to outside the project/ working area for official purpose.
- **Limit:** The maximum limit of traveling advance will be calculated amount of admissible TA & DA of the respective staff.
- **Adjustment Time:** Maximum adjustable time is 07 (Seven) office days from the date of re-joining at station.

Advance against Salary, Provident Fund :

Grounds: Advance may be allowed to staff against current month salary under special consideration of Executive Director for emergency requirement like treatment, childbirth, accident, death and any other reasonable purpose. under consideration of Administrative Policy.

Limit

- The maximum limit of the salary advance is 80% of his /her monthly salary.
- Advance against Provident Fund and Gratuity is 80% of his/her reserve amount.

Adjustment Time:

- Advance against salary must be adjustable within 30 (Thirty) days from the date of advance receipts or the next month salary.

- Advance against Provident Fund must be adjustable within 02 (Two) years by 24 equal installment of total amount.

Advance against Office Rent

- **Grounds:** Advance may be allowed to the house owner against office house rent for official purpose.
- **Limit:** Office house rent advance will be provided as per terms and conditions of the agreement
- **Adjustment Time:** The advance will have to be adjusted /recovered as per terms and conditions as may be laid down in the agreement.

Advance against Petty Expenses

- **Grounds:** Advance may be allowed to staff for purchase of Stationeries, Entertainment etc, and payment of bills for fax-phone, electricity, postage etc.
- **Limit:** The maximum limit for Head Office is Tk. 2,000.00 and Project Field Office Tk.1000.00. Exception can be considered as per donor policy in case of donor project.
- **Time of Adjustment:** This advance must be adjusted within 03 (three) office days from the date of advance receipts.

Advance to Partner NGOs of READI

- **Grounds::** Advance may be granted to the Partner NGOs of READI against program activities, office rent, general expenses, staff salary for implementation of the project activities,
- **Limit:** Advance will be given not more than the whole months programs expenses of the respective Partner NGO
- **Adjustment Time:** Advance may be taken before one week of implementing the activity and must be adjusted with the next fund request to READI.

Policy and Procedures for Advance to the contractors

- Advance may be allowed to contractors for construction of office buildings and infrastructures of READI.
- A committee comprising of three members will be formed to maintain and observe all procedures and systems for carrying out any construction/development work
- The Administration Department must prepare the relevant documents such as Tender or Board Notice and Schedule, verify applications, prepare comparative statement and obtain signature from the committee and issue work order, contract/agreement paper etc.
- The Accounts Department shall receive security money as per work order and make advance payment to the contractor upon issuance of work order through A/c payee cheque or A/c payee Demand Draft against properly approved advance request.
- The contractors may submit running bill (current bill) against partially completed construction

works. The advance payment prior to this bill will have to be adjusted against the current bill.

- The official 'hand-over' of works to the respective authority will take place after completion of the entire construction job as per work order
- The final bill must be prepared after finalizing all the estimation and calculation of the works being completed and adjustment of all the advance payments..
- The contractor and engagement engineer will sign the final bill. which must be paid by A/c payee cheque, Demand Draft.
- Security money usually @2.25% - 10% shall be deducted while payment of running bills and the final bills of all construction works.
- This security money will be refunded after a minimum period of 15 days since the official hand-over of the works being completed at the written application of the contractor
- Security money in all cases will be refunded from the head office only.

Policy for Payment of Advance

- All accounts in respect of advance payments and their subsequent adjustments shall be made properly
- All advance is payable only through the application/ advance requisition slip, which must be approved by the proper authority
- Second time advance must not be allowed to any staff prior to adjust the previous advance
- Advance against conveyance and transportation shall only be given against valid travel authorization
- Executive Director of READI is the final authority for approving advance to Partner NGOs against fund request
- If the concerned person/s fails to adjust the advance by submitting bill or in cash in time, the authority may take any reasonable administrative action.
- Advance to third party such as - vendor, supplier, contractor, owner of the office house initiates through issuance of a contract, agreement or work order house
- Any authorized staff on behalf of READI may carry out the initial formalities needed prior to the letting of the house and the Administration Department on behalf of READI, however, will sign the agreement.
- An advance register shall be maintained to record the party-wise advance payment and corresponding adjustments

Procedures for Payment of Advance

- When one or more staff is likely to incur expenses on behalf of the organization for travel, project or miscellaneous costs, the Project Coordinator/Designates will complete an Advance Request

and have it signed by himself, or the Chief Executive (for amounts above TK 10,000).

- The Accountant or the designate should review the Advance Request to determine if all previous advances have been adjusted.
- Following this review, the Accountant or designate will prepare a Debit Voucher with the Advance Request as supporting documentation for the recommended amount.
- If the advance is for one employee designated by the Project Coordinator/Designates the Debit Voucher and Check should be made with the individual employee as payee.
- However, if more than one employee requires advances on the same day, a Debit Voucher and check are to be prepared for the total value of the Advance Request in the name of the Petty Cashier or the person who handles the other Cash.
- The person preparing the request, which is reviewed by the Accountant, signs the completed Debit Voucher (Cash Disbursement Voucher). The Debit Voucher and a check with the employee or Petty Cashier as payee are presented to the authorized signatories.
- If the Cheque is made payable to the Petty Cashier or the person who handles the other Cash, they will encash the cheque at the bank. The Petty Cashier or concerned person of project then disburse the advance to each employee listed on the Advance Request and, after receipt of the advance, employee must sign against his/her name.

Procedure for payment to third party (Accounts Payable)

- Bill and challan must be submitted by the party at the supply point and take acknowledgement.
- Finance Section shall check the invoice and other relevant documents, and the Project Coordinator/Designates, Finance and Administration recommend payment.
- Concern Director approves the payment against the delegated authority.
- Accounts and Finance Department issues cheque in favour of the party, receives Money Receipt from the party and record in the cashbook and ledger.

Procedure for Advance against job order

Payment received in advance against any job order is an interim liability for the organization. This liability is adjustable against supply of the ordered goods and the final bill. The following are the steps to be followed for receiving and adjustment of such advance:

- Payment received in advance against any job order must be adjusted against supply of the ordered goods and the final bill.
- Money receipt shall be issued for the amount received in advance.

Procedures for Advance Adjustment:

- Upon completion of official travel or incurring expenses related to an advance provided for

miscellaneous project activities an Expenses Report must be prepared by the employee that recaps the allowable expenses incurred.

- Expenses Report and adjustment must be completed within the stipulated time after completion of travel or works in order to adjust the advances
- The completed Expenses Report has to be reviewed by the Program Director or designate with regard to the field visit schedule, duty record and or activities that were completed.
- Following their review, the Accountant will verify the Expenses Report with supporting documents to determine the arithmetical accuracy and proper distribution of expenses to appropriate account head.

Clauses in the Agreement with third party

A contract, agreement or work order must be issued to any supplier, contractor or consultant in every contract incorporating the following clauses for purchasing any material or services

- Both the parties must sign the contract, agreement or work order.
- Delivery must be made in kind or by service
- Specific time frame for delivery
- “Account payee” cheque will be issued against payment
- Tax/ vat will be deducted at source as per relevant Income tax rule, if applicable
- Arbitration clause, in case of any disagreement/discrepancies

14.0 Procedure for Accounts Receivable

Sometimes goods and services are delivered on credit or any expenses are incurred on the basis of commitment the amount receivable from the relevant party is treated as Accounts Receivable. The following procedures shall be followed for ensuring appropriate recording and timely recovery of such credit.

- Invoices will be prepared in due time for any supply by the relevant department and a copy will be submitted to Accounts and Finance Department for follow up of payment and preparing journal voucher and posting to the General Ledger.
- Written work order by the party shall be attached with the credit invoice.
- Prior approval from the Concern Director/Coordinator/Project Manager, Finance and Administration must be taken in case of credit supply to local clients,
- Regular follow up must be done for recovery of all outstanding invoices through issuance of reminder notices and consulting the Concern Director in cases of doubtful debt.
- Posting will be made in separate ledger as liability

15.0 Inventory Management

Inventory management is a system or process of managing the proper record keeping of tangible assets such as furniture, fixture, equipment office supplies, stationeries, vehicle, fuel, spare parts etc. It ensures efficient and effective management of receipt, issuance, balancing, accounting, and documentation, controlling, monitoring and safeguarding of the inventory materials.

Types of Inventory

Warehoused Inventory

- Office supplies, stationeries, project materials, equipments etc. will be treated as warehouse inventory.
- Procurement of warehouse inventory will be done as per requirement of the project against approved budget following the Procurement Policy of READI

Non-warehoused Inventory

Things and items valued more than TK.1, 000.00 and a useful life of more than 1 year are generally considered as non-warehoused Inventory which are:

- **Furniture, Fixture and Equipment:** Table, Chair, Calculator, Computer, Printer, Photocopier, Generator, Sofa sets, Fire Extinguisher, File cabinet, Fan, etc fall in this group.
- **Vehicles:** Motorcycles, Four Wheel, Bi-cycle Trolley, Engine boat, etc. come under this category

Inventory Management Policy

- READI shall keep sufficient and detail records of both incoming and outgoing inventory.
- Responsibilities must be decentralized to at least two persons to maintain the inventory in the store in the area of Handling & Recording, Purchasing & Accounting and Approval for ensuring better internal control system,
- The Finance Director or any designate shall authorize the Store Requisition Form
- Responsibilities for and access to the Store must be clearly identified.
- The store shall be placed in a safe space and kept under lock and key
- Asset identification number must be affixed to each Furniture, Fixture and Equipment item
- All items part of the Warehoused Inventory shall be recorded in the Stock Register.
- In case of any loss, damage or loss of Furniture, Fixture and Equipment item the concerned authority shall duly fill up a write-off form for approval. The Executive Director shall approve the writing off of any Asset.

Receiving procedures

- Store in-charge will receive all the store items from the suppliers after checking the quality and duly signed by the concerned authority

- Every receipt must accompany with documented bill or invoice
- All the documents must be preserved in a file

Issuance procedures

- Store item will be issued to the staff or designated person for project purpose through approved Store Requisition Form, which must be preserved in a file
- Documented Store Requisition Form, Delivery note or Waybill must be issued against every issuance.
- The receiver must sign on Store Requisition Form at the time of receiving inventory items from the store.
- Delivery note or Challan must be prepared during the delivery of materials and equipment and preserved file for the same

Physical Inventory

- The balance of physical inventory at the end of each month must be agreeing with the Stock Register.
- A committee or team must conduct physical counting of inventory to reconcile with the stock register at least once a year.

Preparation of Reports

Under noted reports must be prepared and updated on monthly basis.

- Materials and Equipment Report
- Furniture, Fixture and Equipment Report
- Disposal Report for lost, damaged or sold items

16.0 Fixed Assets

Definition

Any material or asset shall be considered as fixed asset if fulfils the following criteria:

- Expected life is more than one year.
- Cost exceeds Tk. 1,000.00
- Must be tangible.
- Must generate economic benefit

Fixed Assets Policy

- All fixed assets shall be procured by READI at head office level by the Administrative Department.
- READI's Procurement Policy must be followed for all types of purchase
- Fixed assets must be recorded at original cost plus any capital cost incurred thereto within 7

days after receiving the said fixed assets.

- Personal use of any fixed asset is restricted
- Value of any Fixed Asset will never be zero
- Particulars of fixed asset will be mentioned in the debit vouchers.

Maintenance of Fixed Assets Register

It is very crucial to preserve and up-date various data and information regarding fixed assets as they generate benefits for the organization for a longer period. Fixed assets register must be maintained containing the following data as control tools for safe guarding the fixed assets from any loss or damage and. reflecting their appropriate position in the Financial Statements.

- **Date of purchase:** Purchase, sales/transfer and depreciation are mentioned here according to their date
- **Description of assets:** Items of fixed assets according to Group (line item) are written here e.g., chair, table etc.

Group of assets: Group (line item) of fixed assets is mentioned here e.g., furniture & fixture is a group.

Voucher Number: Number of debit/credit or journal voucher is written here:

- **Identification mark:** Identification number must be attached with all movable fixed assets with unreadable ink. The following procedures shall be followed in attaching number with fixed assets:
 - Three digit number for particular project
 - Two-digit number for group assets.
 - Two-digit number for particular assets within the group of assets
 - Three digit number for identification of assets
 - Miscellaneous information

Rate of depreciation: Percentage of depreciation shall be written down here.

Procedure for Depreciation

- Depreciation will be calculated on straight-line method for all fixed assets of READI Under this method an asset's expected economic life is ascertained in terms of year. Thus the total cost of the assets is divided by the number of years
- Calculation of depreciation starts from the date of procurement or use.
- A journal voucher must be prepared for depreciation charged. In the financial accounts by debiting Depreciation A/C and crediting Accumulated depreciation A/C.
- The fixed assets shall be written down to its recoverable amount by deducting accumulated depreciation from the total cost of the asset.
- If any salvage value is considered for an asset on its expiry of expected life, this amount is to be deducted from initial cost to arrive at the depreciable amount.
- When sales/transfer of fixed asset is made, the related accumulated depreciation will also be removed from general ledger by debiting accumulated depreciation a/c and crediting fixed assets a/c.
- A chart of depreciation rate is given below.

Assets category	Depreciation rate	Remarks
Land Building (1 st class)	4%	Higher/lower Depreciation may be charged depending on the nature of Assets
Building (Others)	5%-15%	"Do"
Furniture & Fixtures	10%	"Do"
Office Equipment	15%	"Do"
Electrical Equipment	20%-33%	"Do"
Vehicle	20%	"Do"

Procedure for Transfer or Sale of Fixed Assets

- Fixed assets may be transferred from one office to another within the organization if required. All such transfers must be executed by the Administration Department
- Permanently unusable, broken, and obsolete or no longer necessary item will be sold out.
- A sale committee shall be formed.
- The committee will invite, circulate and collect the quotations from the parties.
- The committee will evaluate the quotations and dispose off the assets to the highest bidder.
- A credit/journal voucher shall be prepared for sale or transfer of fixed assets mentioning quantity, rate, identification no. etc,
- When sale/ transfer of fixed asset is made, the related accumulated depreciation will also be removed from general ledger by debiting accumulated depreciation a/c and crediting fixed assets a/c.

Physical Verification of Fixed Assets

Monthly or surprise physical verification of all assets must be conducted by the Finance Director or any other responsible person for better uses and preservation and put signature on the Fixed Assets Register books.

17.0 Procurement Policy

Procurement policy shall mainly serve the following purposes:.

- Required quantity and quality of goods and services shall be procured at the lowest total system cost without sacrificing quality, on time delivery, etc.
- Best possible service and timely delivery by the supplier shall be guaranteed
- Potential suppliers and relationship with the suppliers will be developed.
- New and alternative sources, materials and products shall be found out and proposed.

Guiding Principle for Procurement

- All purchase function will be carried out by the Concern Department through purchase committee
- The Administration Department in its central buying role (Purchase function) is responsible for carrying out all purchase decisions involving all items and of all type (including capital, stackable, non-stackable, etc.).
- In the case of purchases, large cash purchase should be avoided and efforts must always be made to purchase on credit. If not possible, payment shall be made by A/c payee cheque on delivery for purchases exceeding Tk. 10,000/- per transaction.
- Irrespective of all purchases, supplier shall be placed into competition with one another and shall be made aware of this fact.
- As a general rule-except where conditions of supply dictate otherwise- at least 03 (three) competitive quotations must be sought.
- Details of one supplier's quotation shall not be disclosed to any other suppliers.

Procurement Procedure

- Receive purchase requisition by Administration Department to buy materials or services where description, quantity, quality and delivery date of desired items are stated.
- Select suppliers/Vendors through the following steps.
 - ✓ Identifying suppliers capability for providing the items,
 - ✓ Group items that can be provided by the same supplier,
 - ✓ Request bids on the requested items mentioning selection criteria
 - ✓ Evaluate the bids in terms of set criteria
 - ✓ Select a supplier.
- A purchase order shall be issued to the selected vendor for supplying the goods/ services as per the required quality, quantity, price and delivery time.
- Routine follow-up of orders will be done by letter, fax, telephone, or e-mail to avoid late delivery or deviations from requested order quantities particularly for large purchase when a delay could disrupt project delivery.
- Incoming shipments must be checked for specifications, quantity and quality, with the purchase order. If the shipment isn't satisfactory, purchaser must decide whether to return it to the supplier. Records on punctuality, quality and quantity deviations as well as the price must be updated as part of supplier evaluation.
- Goods must be delivered to the respective users at the earliest opportunity to solve the storing and space problems and reduce the risk of pilferage, breakage, damages etc.
- Invoices must be checked after receiving the goods against the purchase order and the delivery note before being approved and paid.

Procurement Limit

<i>Amount</i>	Source	Quotation	Method of Procurement
<i>Up to TK. 5,000</i>	Open Market/ Enlisted Vendors	None	Direct purchase by Procurement Officer/In- charge/Designate
<i>TK. 5,001 - 20,000</i>	Open Market/ Enlisted Vendors	Two	Open market purchase by PROC. For enlisted vendor, purchase order should be issued.
<i>TK. 20,001-2,00,000</i>	Open Market/ Enlisted Vendors	Three	Open market purchase by PROC. For enlisted vendor, purchase order should be issued.
<i>above TK. 2,00,000</i>	Open Market/ Enlisted Vendors/Press Tender	Three	Through limited tender (sealed bid)/ press tender. For all cases Purchase Order will be issued.

General Procedure about Vendor Enlistment**Invitation, Evaluation and selection of vendor**

It involves finding potential vendors and determining the likelihood of them becoming good suppliers. This phase requires the development of evaluation criteria, the eligibility factors upon which the vendors will be selected and compared with the others. The main issues should be focused on the financial strength, quality, management, technical ability, delivery time and potential for close long-term relationships, which play an increasingly important role. The vendor's company profile, its services, product's quality, price, warranty etc, and its sales personnel capabilities should also be noted in the evaluation process. The ED should approve the list of vendors.

Maintaining and developing the enlisted vendor

The nature of the relationships maintained with vendors can affect the quality, timeliness, and the price of vendor's goods and services. The PROC have to make sure that the vendor has an appreciation of quality requirement, schedule of delivery, payment system and above all the procurement procedure as adopted by the grantee.

Database of vendors

A database of vendors pre-selected through an objective process will be set up for goods or services needs to be procured on a regular basis to reduce the risk of improper procurement, inappropriate vendors selection, and to improve the efficiency and effectiveness of procurement.

Purchasing strategies from enlisted vendors

Price List purchase / Sole Sourcing

The vendor prices are fixed on a published price or index. For example, Bata shoe, prices of lubricant and fuel by the Govt. organizations, Motor Cycles from Atlas Bangladesh etc. In such case, purchases may be done based on the price list or if the vendor is the sole producer/ agent then sole sourcing can be done. But the PROC should finalize the commission/ discounts/ levy if any before confirming the goods. While purchasing under this procedure, documents evidence such as published price list, sole proprietorship or distributorship must be attached.

Competitive Bidding Process

The majority of purchases are done through this process. To run this process, several enlisted suppliers are necessary. Refer to the Standard Procedure Policy.

Preferred Vendor

This is a vendor negotiation strategy to develop long-term partnering relationships with a few suppliers who will work with the purchaser to satisfy the end users needs. This implies that purchasers should not always look for short-term attributes, such as prices. Instead, a purchaser will be better off by forming a long-term relationship with a few dedicated suppliers. Long terms suppliers are more likely to understand the broad objectives of the purchaser and the end users. Using a few suppliers can create value by allowing suppliers to economies of scales that yields both lower transactions cost and lower ordering costs.

Preferred vendor strategy favors a few suppliers on particular item or service, with just one or two suppliers being the ideal number. As the volume of order increases, the supplier receives the repeat order, which follows the strategy of high volume at low cost. Another advantage of the preferred vendor is the potential to reduce the number of suppliers in the supply-chain, thereby reducing the complexity of managing them.

18.0 Budget & Budgetary Control System

Introduction

Effective management process of an organizational activity consists of two basic elements: Planning and Control. Planning denotes to Budgeting, which is an important mechanism of organizational internal control. Budget acts as an instrument to provide focus on the future, performance evaluation, coordination, communication as well as a source of motivation.

READI shall use budget as the main tool of controlling the finance and operations of the organization. Short-term budget for the organization as a whole shall be prepared for the donor and own financed projects and regular monitoring must be done to ensure that the operations of the organization are moving according to plans.

Objectives of Budget Preparation

- Expression of broad policy guideline in terms of specific activities;
- Provide guidelines for administrative performance;
- Set limits of expenditures in specific areas of activities;
- Establish resource requirements (human and institutional) for the organization;
- Provide the means for monitoring performance and evaluation of impact.

Types of Budgets

Donor Budgets

These shall be prepared in consultation with the respective donors.

Budgets for own fund

These shall be prepared for projects, which will be funded from READI's own resources.

Short Term Budget-

READI shall prepare a yearly short-term budget by combining all the Project budgets for the total organization every year. This budget shall be broken into monthly plans. At the end each of month this budget shall be compared with the actual financial & physical performance.

Long Term Budget-

This plan should be prepared for 2 years, 3 years, 4 years or 5 years incorporating future visions and action plans of READI. Such budgets will help in mobilizing financial and logistic support from the donors. This will also give the organization a longer-term vision and probable sources of finance for the longer term sustenance of the organization.

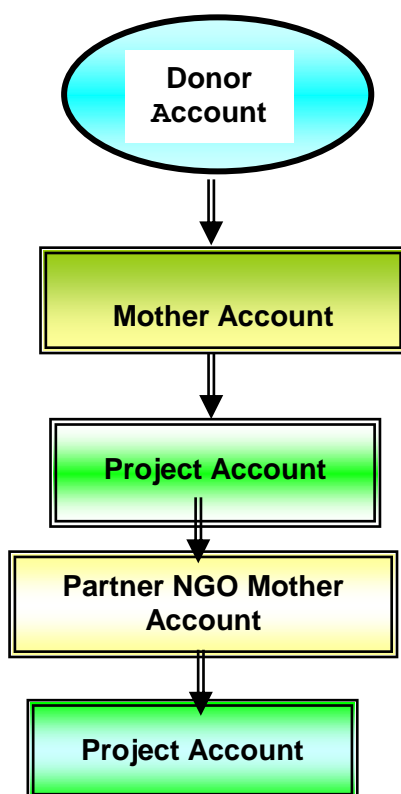
Budget Monitoring

Close monitoring must be done for both short term and long term budgets for their effectiveness. READI shall monitor all projects based on the budgets and take corrective measures in case of any deviations between budget and actual.

19.0 Flow of Fund:

Donor fund will be entered in to the Mother Account. Then the fund will be transferred to the concerned

Project Account. If there is copartner NGOs involved in the project then the fund will be transferred to the Copartner NGO's mother Bank Account. From the mother account the fund will be transferred to the concerned project account.



20.0 Fund transfer Procedures to Partner NGOs

- Partner NGOs must submit a Fund Request Application/Call forward Form to READI for transfer of fund to implement the project. The following papers should be enclosed with the Fund Request Application Form
 - ✓ Period Net fund requirement,
 - ✓ Last quarter financial report as per the prescribed format
 - ✓ Bank Statement
 - ✓ Bank reconciliation Report including last page of the cash book that support the cash & bank balances
 - ✓ Call forward budget for the requested period
 - ✓ Activity plan for the requested
- Finance Coordinator/designates of the Project will check all these documents and provide recommendation for fund disbursement consulting with the concerned Project Coordinator/Designates.
- Programme Director will approve the fund disbursement upon the recommendation of the Project Coordinator/Designates.
- Upon approval, the fund will be transferred to the partner NGOs mother account through Account Payee cheque.

- The head of the Partner NGO will send official acknowledgement to the Finance Director having received the fund.
- The whole fund of the project will be transferred to the project account from the mother account wherein split fund transfer system shall not be acceptable.
- Fund may be transferred to the project account as advance through cheque from the general fund of READI in case of delay in getting donor's fund.
- Organization will bear all the expenses related to the bank transactions such as bank charge, collection charge or other charges from its own source which are not included in the budget.
- A voucher must be prepared while transfer the fund from the Mother Account to Project account to support this transaction

21.0 Organization Contribution Policy

For the implementation of the project organization may incur expenditure from its own sources. In this aspect proper documentations and record should be maintained separately for accounting discipline.

22.0 Monitoring system and Procedures

Regular and close monitoring of the project activities is extremely required for protecting and safeguarding the interests of donors, NGOs and the target people. Monitoring activities shall be undertaken for the proper utilization of funds as well as effective and efficient implementation of the various programs. Monitoring is not a one time exercise but a continuous process covering all the aspects like drawing up of program guidelines, wide circulation, selection of deserving project proposals, release of funds, project implementation, etc. NGOs and donors both will monitor all such project activities as a tool of control mechanism. Lead NGOs must monitor, closely and regularly, all the activities of the Partner NGOs starting from the selection process to ending of the projects.

Monitoring Policy

- Select appropriate organizations based on their reputation for commitment to service and their ability to carry out the responsibility
- Ensure that the benefits of the projects reach the target groups in time.
- Ensure that the organizations have legality, loyalty to the people, credibility, reliability and capability to deliver the services required to the beneficiaries.
- A general attribute of the selected organization should be that it remains a non-political and non-partisan organization with members dedicated to community service.
- Ensure that the NGO should be able to bring about innovation and experimentation in organizing services, which are to be related to the needs of the people instead merely deploying people around services.
- Monitor all the activities related to filed program and financial management system of Partner NGOs and their own projects on regular basis and prepare a monthly monitoring report for submitting to the Executive Director of READI.

- Corrective action must be taken on the basis of this monitoring report particularly in the field of budget, internal control system and program activities.
- In case of any adverse comments by the monitor the concerned NGO shall be asked to submit clarifications and provide necessary documents and take corrective actions. In case of continued default, action must be taken for stoppage of assistance.

Monitoring Process

- Prepare a checklist selecting the indicators to be monitored on the basis of which check and verification will be performed.
- Verify physical cash with the cashbook balance to see whether the cash in hand is correct and kept minimum balance as per procedure.
- Check all the debit, credit and journal vouchers with the supporting bills and documents to justify the validity of the transactions.
- Check all the cashbooks and ledgers with the related vouchers, documents and registers for ensuring proper recoding.
- Check the stock register with the related challans; store requisition form, delivery notes etc, and crosscheck with their physical existence.
- Check the movement register and cross check with the Daily attendance register, leave file and program schedule..
- Compare the monthly program action plan of the project staff with their implementation status.
- Review the Budget Variance Report with the help of approved budget and General Ledger.
- Check all the financial reports with the relevant documents to justify the accuracy of financial information,
- Check the bills and crosscheck through spot visit for ensuring the authenticity of the bill like Training, Meeting, Workshop and seller.
- Review the present implementation status in terms of MoU.
- Check whether all procurements have done as per procurement policy.
- Verify the Advance Register and crosscheck the payment and its adjustment with the related papers and documents.
- Crosscheck the Cheque Register with the Bank Statement and cheque counterfoil.
- Check the Bank Reconciliation Statement with the Cashbook balance and the bank statement of the same day.
- Crosscheck the payments of office rent with the lease agreement of the rented office.
- Share all the findings with the Executive Director and related staff.
- Prepare monitoring report as and when conducted monitoring and submit the same to the Executive Director.

23.0 Documentation and Reporting System

Introduction

READI will prepare, maintain and retain the following books and documents related to each transaction of the projects. These documents must be preserved as per donor requirement for future auditing purposes.

The actual maintaining of the account include:

- Receipt and check of vouchers, cash and non-cash. The check shall include check of authorization, and check of the arithmetic.
- Numbering of vouchers.
- Control of data entry.
 - Filing of vouchers and journals.
 - Possible daily/periodic reports to management (not month end).

Books and Registers

Petty Cash Book: Petty Cash Book is the day-to-day working accounts book

Cash Book: Cash Book should be maintained only for Cash & Bank transaction under individual Bank Account as per Annexure.

General ledger/Subsidiary ledger: General Ledger/subsidiary ledger for all types of financial transactions as per Annexure must be maintained.

General Ledger – This is a main record of all accounting transaction, which comes from the book of original entry. It pulls together basic bookkeeping information from the main working books of account (Bank Book, Petty Cash Book, Purchase Ledgers etc). It plays a central role in the double-entry bookkeeping system and is the basis for the Trial Balance, the starting point for preparation of financial statements.

Subsidiary Ledger – This is a supporting record of the general ledger. The total of all subsidiary ledgers for an account should equal the account total in the general ledger. The subsidiary ledger usually contains more detail than the general ledger.

Other Ledgers: Other elements in a full-bookkeeping system include:

- Sales ledger and sales day book
- Purchase ledger and purchase day book
- Journal or Daybook: It is used to record unusual, one-off transactions, which cannot be recorded easily in other books of accounts. These will include non-cash transactions (such as depreciation and donations-in-kind), adjustments and corrections. If these kinds of transactions are made infrequently, for example at the year-end, a separate Journal is not required.

Stock Register: Stock register is maintained for consumable items purchased

Fixed Assets Register: A register for assets (equipment/vehicles and non-consumable items) for a value of TK. 1,000 and above and a useful life of more than one year should be maintained. Affix identification

number for all the assets by project.

Individual Inventory Register: An Individual Inventory Register for assets item under staff custody as per Annexure is required to maintain(may be optional)

Procurement Register: Procurement registers for TK. 5,000 or above against the quotation or Contract of Purchase/Purchase Order is required to maintain.

Advance Register: An Advance Register to account for all kind of advances is Check issue & receive register for tracking the all Bank Transactions is required to maintain.

Cheque Register: An Individual cheque register must be maintained for tracking any issuance of cheque and preserved cheque delivery record.

Salary Register: A register, which brings together all information on staff salaries and deductions.

Documents/Reports

VOUCHER

Voucher is a form used in an internal control system to document information about and authorization of accounting transactions. So, Vouchers are supporting documentation for the organizations Journals.

An important aspect of proper documentation of voucher is cross-referencing of final books of an organization.

Types of Voucher:

- **Credit Voucher:** It is prepared for each deposit into the grantee fund bank account. All receipt, such as, cash, Cheque/ demand draft, bank transfers, interests, and other deposits should be recorded on a Credit Voucher (CV).
- **Debit voucher:** It is prepared for each check that is written for the payment of goods or services received by the grantee. All cash disbursement from a grantee bank account, including disbursements that are the result of Cheque, withdrawals, transfers and bank charges should be recorded with the accounting entry authorized on a Debit Voucher (DV).
- **Journal Voucher:** It is a voucher that is prepared in order to record non-cash entry.
 - i. Accounting entry made at the end of an accounting period to bring accounts up to date on an accrual basis of accounting.
 - ii. Rectifying a previous entry.

Bank Statement

A Bank Statement is a chronological record of the financial transactions that have occurred in bank account for a specific period of time. Therefore, a bank statement should be collected from the financial transactions performed by the bank.**Bank Reconciliation Report.**

A comparison of the cash balance as reported by the bank, and the balance noted on the

organization books, for a given period, is called a Bank Reconciliation Report.

Purpose

The purpose is to find errors or irregularities/differences items between Bank statements and grantee's records.

Reason for differences in cashbook and bank balance

- Debit on the grantee records without corresponding credits on the bank statement, e.g., deposit in transit.
- Credit on the grantee records without corresponding debits on the bank statement, e.g., Outstanding Cheque.
- Credit on the bank statement without corresponding debits on the grantee records, e.g., deposit in the bank not known to the grantee.
- Debits on the bank statement without corresponding credits on the grantee records, e.g., interest charges, service charges, NSF (not sufficient fund) returned Cheque.
- If organization/Bank makes any mistake in their Books of accounts.

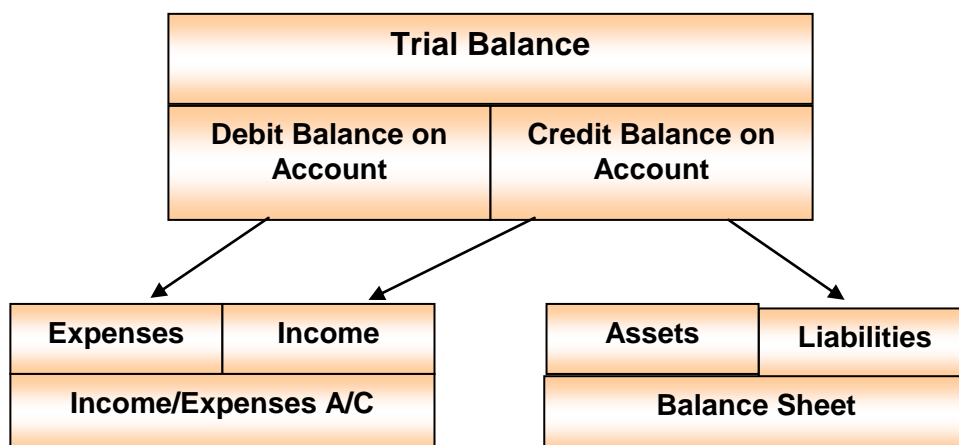
Cash Recap by Bank Account

The Cash Recap by Bank Account is a summarization of the financial activities through Bank Account for the current financial month. One Cash Recap should be prepared for every bank account at the end of the month.

TRIAL BALANCE

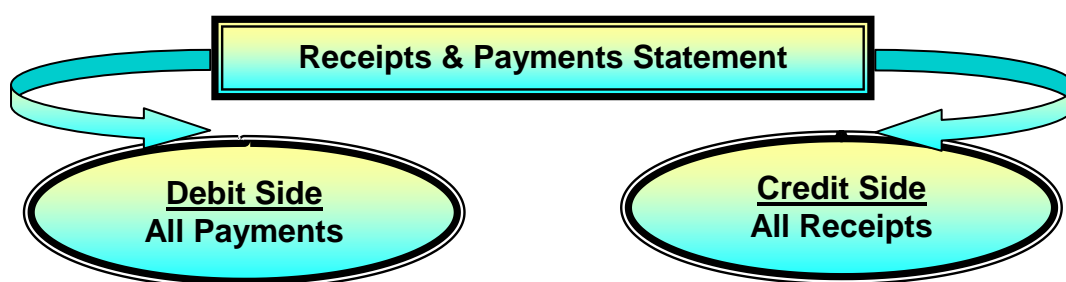
At the end of the monthly accounting period for an organization a Trial Balance (Annex) is prepared which compares the total of all debit balances with the total of all credit balances for various expenses, liability and asset accounts.

As every transaction results in an equal amount of debits and credits in the subsidiary ledger, in total of debit entries in the subsidiary ledger must equal the total of all credit entries. Trial Balance is the list of all ledger balances in a particular date, which shows total of debit balances equal to total of credit balances.



Receipt & Payment Statement

Receipt and Payment Statement must be prepared at the end of every month. All receipts during the month are shown in the credit side and all payments are shown in the debit side of this statement.



Income and Expenditure Statement

Income and Expenditure Account Is either produced from a Trial Balance where the accruals-based system of accounting is used; or it is based on a Receipts and Payments account with adjustments. It records as a summary of:

- All categories of income and expenditure which belong to that year;
- All income not yet received but belonging to that financial year; and
- All payments not yet paid but belonging to that financial year

Income items usually appear first in a list down the page, followed by the summary of expenditure items. The difference between total income and total expenditure appears on the bottom line and is expressed either as:

- 'Excess of income over expenditure where there is a surplus; or
- 'Excess of expenditure over income where there is a deficit.

Balance Sheet

An accompanying Balance Sheet shall be prepared for the same date that the Income and Expenditure Account is prepared. The excess figure of income over expenditure/ expenditure over income is included on the Balance Sheet under the heading Accumulated Funds.

Project Material & Equipment Report: A report should be prepared on project material & equipment and include the said report in the annual report.

Furniture, Fixture & Office Equipment Report: A report should be prepared on Furniture, Fixture & Office Equipment using identification numbers (Annexure N) on a quarterly basis.

Monthly Report

The Finance Coordinator /Designates shall generate a monthly report high lighting the financial and operational status of the various projects and the organization. Operational data shall be collected from the relevant program heads for preparation of the monthly report.

Reporting to Donor

Financial Report - Quarterly (Soft copy of this format attached)

Progress report - Six monthly

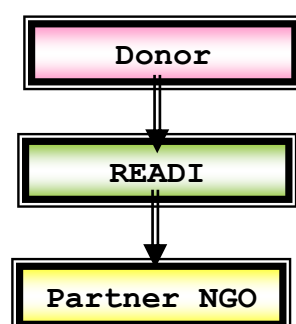
Audit report - Annually (according to the project period not calendar year) conducted by NGO Affairs Bureau enlisted audit firm.

Reporting to NGO Affairs Bureau

NGO Affairs Bureau has a requirement for submission of a set of financial reports along with auditor's certification (FD-4) for each donor-funded project. These reports are to be submitted annually. Besides, NGO Affairs Bureau may require to submit any other report on the donor-funded project at any time.

Flow of Reporting

Partner NGO (if any) submits the required report to the Lead NGO, and then the Lead NGO will submit to Donor agencies as per their guidelines.



23.1. Documents preservation:

All the financial documents of READI shall be preserved as per the clause no. 8.2. (ga) of NGO affairs bureau's circular for the foreign and foreign donation supported non government voluntary national organization.

24.0 Internal Control

READI shall introduce and maintain internal control procedures and techniques to ensure that objectives are achieved and standards are met. The following guidelines will help to promote a strong and healthy

control environment through good practice in policies, procedures, regulations, directions, supervising, monitoring and reporting in all operations, functions and activities.

An Internal Control System is the whole network of systems-administrative, operational and financial, at each level of activity of the organization, to provide reasonable assurance that objective will be achieved, with particular reference to:

- **Effectiveness:** The effectiveness of operations
- **Value for money:** The economical and efficient use of resources,
- **Compliance:** Compliance with applicable policies, procedures, laws and regulations,
- **Fraud:** The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption, and
- **Financial control:** The integrity and reliability of information, accounts and data

Mechanisms for Internal Control

Segregation of duties

Roles and responsibilities shall be defined so as to ensure:

- Areas of activity involving risk of error, fraud or irregularities are separated e.g. the person responsible for authorizing a payment should not be the person recording the data, making the payment, and checking the transaction.
- Clearly defined lines of authority.

Result

- Reduce the chances of involvement and intentional errors leading to fraud
- Ensure every area of work is independently supervised, validated or reconciled,
- Promote competence and accountability

Organization Structure

Appropriate organization structures shall exist to ensure:

- Work is organized to maximum efficiency in the use of resources, duplication of effort eliminated, objectives and plans achieved and a disciplined control environment maintained.
- Deployment of adequate resources at all level to meet objectives and plans.
- Appropriate communication takes place:
- An operational ethic, which fosters commitment to the organization, its objectives and plans, and its control environment.

Authorization and Approval Policies

Appropriate authorization and approval procedures shall be introduced to ensure:

- Project policies, objectives and plans are adhered to
- Only legitimate activities are performed
- Integrity of systems through validation of data
- The use of systems and assets are controlled;
- The operation of authority is documented and a clear management and audit trail is maintained

Physical safeguards

Appropriate physical safeguards shall be established to:

- Limit access to assets, systems and records
- Establish clear control of the use of assets, and custodial responsibility for them

Management review and monitoring

Financial and other performance shall be closely monitored to ensure:

- Personnel understand the systems, processes, procedures and activities established by the management
- Records and systems are maintained and reconciliation performed accurately and efficiently
- Policies, timetable and objectives are met
- Areas of weakness are identified for management attention
- Errors, abuse and fraud are deterred and detected;
- Appropriate anticipatory and remedial actions are taken promptly

Accounting and Arithmetical

Appropriate accounting and arithmetical procedures shall be operated to ensure

- Statutory and other professional requirement, as appropriate, to maintain proper books of accounts are observed
- Books of account, ledger balances and reconciliation procedures are carried out at regular intervals to ensure transactions are correctly recorded and processed
- Carried forward totals are correct
- Accounting records are properly preserved.
- Four basic tests -- completeness, validity, accuracy and maintenance applied consistently to all transactions.

Personnel Arrangements

Appropriate personnel arrangements shall exist to ensure that:

- Employees are of the requisite standard to meet the needs of the work and its control, as defined by the Organization's objectives and plans
- Personnel employed have the integrity, history and competence to meet the needs of the work and its controls, statutory requirements and the project's values
- Appropriate training is provided to maintain the competence of the personnel
- Personnel are treated fairly

Supervision

Appropriate procedures shall exist to ensure:

- Internal checks are performed effectively
- Procedural errors are detected through systematic checks and corrected
- Weaknesses in controls are identified and reported to management

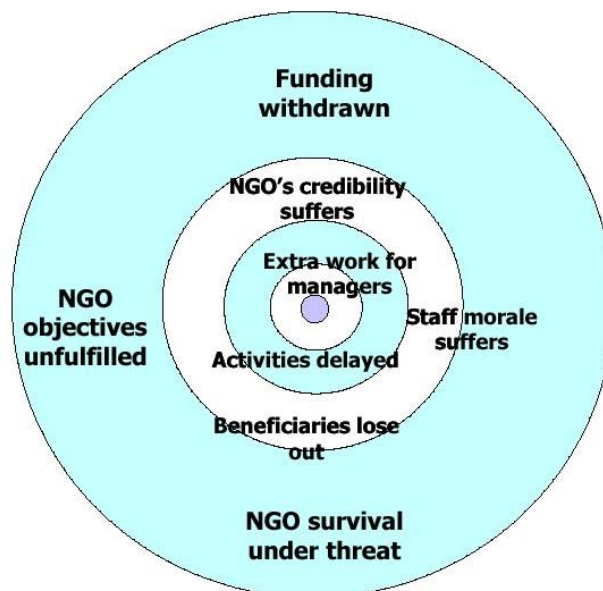
Cost of Controls

- READI must consider the cost of controls in relation to the risk and exposure they cover.
- The needs for and costs of individual controls must be balanced against the wider needs for control over economy, efficiency and effectiveness.
- Selection of control methods must be based on a comparison of costs and expected benefits or reduction of risk.

Dealing with Fraud and Other Irregularities

It may happen that internal control systems fail to prevent losses through theft of goods or property; falsifying expenses or claims; misrepresentation or destruction of records to conceal an improper action and unauthorized activities for private gain: e.g. 'borrowing' from petty cash; use of vehicles; or abuse of telephones and other equipment.

The Ripple Effect of Fraud



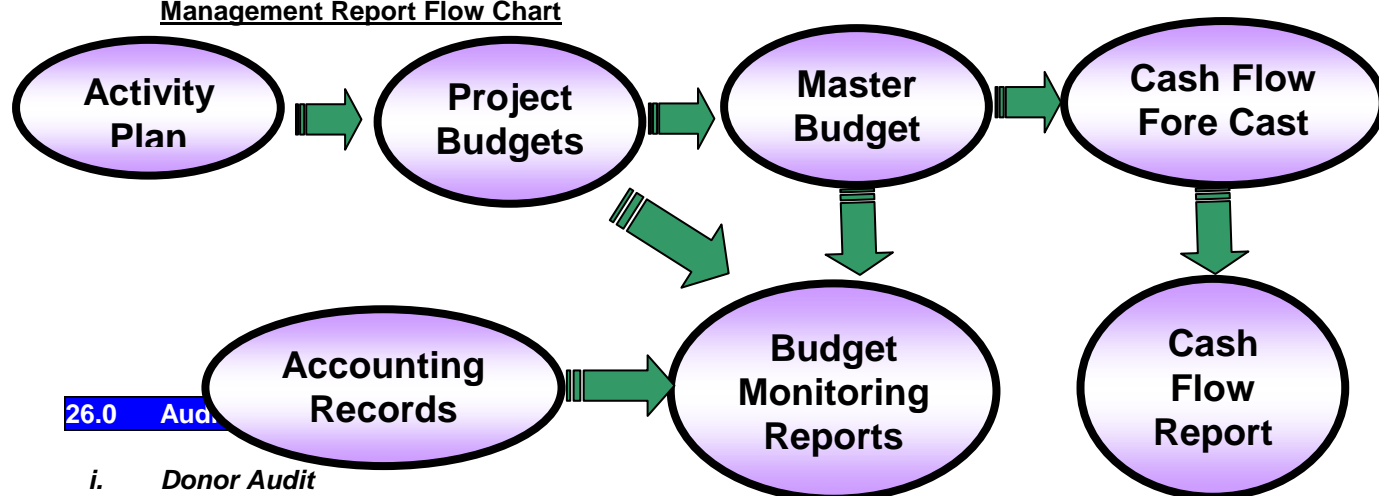
Investigation Policy and Procedure

- Deal all the irregularities hurriedly and sensitively.
- Look for appropriate evidence before initiating a formal investigation.
- The individual(s) involved must be formally interviewed with a third person present to take notes. If all the evidence points to an irregularity.
- Protect documents and records by either removing access to the person/s involved in the irregularity or by suspending the person/s during the investigation.
- Investigation shall be conducted formally by the senior manager, the internal auditor, the external auditor or, in more serious cases, the Police depending on the nature of the irregularity;

25.0 Management Reporting

- Management reports shall be produced monthly or quarterly as the Executive Director/Assistant Executive Director needs financial information throughout the financial year to monitor project progress
- Managers shall take decisions about the future management of the organization,
- The meetings of the governing body can be set to coincide with the Management Accounts cycle so that the information is still timely.
- There are two kinds of reports that will be of use to managers: the Budget Compared to Actual Performance Report and the Cash flow Report.
- The following figure shows how the financial planning and financial accounting processes come together to produce management reports.

Management Report Flow Chart



i. Donor Audit

Donor or the representative of the donor or any other person/ auditor/ organization appointed by them should conduct routine auditor any time whenever felt necessary. The Auditor can check all the financial and program related records and activities of all projects of the same donor during the visit.

ii. External Audit:

The external Auditor will conduct audit as per requirement of the project/GOB. The External Audit Firm shall oversee all records, books of accounts, financial reports, related documents and other reports as per the Agreement.

iii. Internal Audit:

Internal audit is inevitable to ensure better internal control and operate the program activities smoothly. READI will conduct internal Audit within the organization and among the partner organization for transparency and accountability. Partner NGOs must cooperate READI staff to check and review all records, books of accounts, financial reports, related documents and other reports.

27.0 Tax & Vat

Individual / Organization of one country must observe the rules and regulations laid down by the government of that country regarding Tax & VAT payment. So Government of Bangladesh has passed Income Tax Ordinance Act for proper administering of Tax and VAT which is the main source of Govt. revenues. In Bangladesh Tax & VAT has been waived in some cases and applicable rate varies case to case.

Special Income Tax Ordinance Act has been enforced for the Indigenous People (IP). In this Act Tax & VAT has been relieved from the IP vendors as well as organizations and business owned by the IP. Tax & VAT will be applicable for other people/organizations. So, the Tax & VAT deduction rules and regulations are attached in the Annexure-3.

28. Amendment/addition/modify/substitute:

28.1. This policy/guideline shall be amended/added/modified/substituted by the decision of the Governing body and finally approved as per clause no. 20 (3) of the organization's Memorandum of Association & Rules and Regulation.

28.2. This guideline had been first amended on June, 2004.

28.3. The second amendment/addition occurred on July, 2007

28.4. The present and third amendment occurred on January 05, 2011 and effective from February 01, 2011 and shall apply to all financial transactions undertaken by READI.

CHART OF ACCOUNTS

Chart of Accounts- a list of general ledger account name and numbers. A complete list of all accounts utilized by an organization or a company. This list also contains account descriptions and other identifying heads.

<u>Head No.</u>	<u>Description of individual head</u>
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HD-1 Cash Ledger

The cash ledger is a chronological record of the receipt and disbursement of funds from the organization's cash account. A cash ledger is maintained to record on a regular basis. Example: Donation received in cash member's contribution received in cash etc.

HD-2 Bank Ledger

The Bank ledger is chronological record of the receipt and disbursement of funds from the company bank account. Whenever a receipt memo or cheque request is made and funds have been either received or disbursed, the information should be entered on the Bank ledger.

HD-3 Petty Cash Ledger

The petty cash ledger is maintained to record daily petty cash funds. Disbursements will be reimbursed periodically from the Bank account.

HD-4 Advances

Miscellaneous advance: This advance is applicable for miscellaneous expenses such as tickets, postage and other small expenses or advances to employees. It should be debited HD-4.

Project Advance:

This is applicable for project expenses (where a project account

Does not exist) such as training, beneficiary payments and miscellaneous project expenses at site. It should be debited in HD-5.

Travel advance: This is applicable for travel for field trips and other office trips. It should be debited HD-6.

HD-5 Prepaid expenses:

It may be necessary to advance money for services to be received over a period of time (months or years). A common example would be an office/ware house rent advance would cover a period anywhere between two months to no. of years. While this advance is given, it should be debited HD-5 and credited bank account (HD-2). Each month for which the advance applies, an adjusting journal entry is prepared crediting HD-5.

HD-6 Vendor Advance:

It may be necessary to provide an under capitalized vendor with an advance in order to obtain materials and equipments and that should not be above 25% of total amounts. It is expected that such advance will be adjusted within a short period not more than one month. Such advance should be debited HD-6.

HD-7 Miscellaneous Receivable:

In general, the term receivable are claims held against others for money, goods or services. The term receivable is utilized in accounting to include any money due to be received from any party or entity for any

reason due to a past transaction such as office maintenance and repairs, telephone bill etc. expenses on behalf of a landlord. Such receivable is debited to HD-7.

HD-8 Deposit:

Deposits are sums submitted to utilities, landlords or service companies as security or collateral. This account should be used if it is reasonable expected that the deposit will be returned upon completion of service/rental agreement. It is unlikely that a deposit will be returned upon completion of service/rental agreement an appropriate expense head should be used.

HD-9 Accrued Income:

This account is concerned with expected future cash receipts against our services or goods provided to or for others. Such as materials sold but amount not yet received on time.

LIABILITIES:

HD-10 Organization Fund (Loan) Account:

This account will be established when the organization/partner will provide the initial fund as loan for starting before receiving the fund from donor.

HD-11 Cash in Transit:

The cash in transit ledger, is chronological record of the transfers of a direct fund from donor/other parties through demand draft. This ledger will always have zero or credit balance.

HD-12: Miscellaneous payable account:

In general, the terms payable are amount owed by the organization/partner to other entities. The payable is utilized in accounting in include any money owe to be paid to any party or entity for any reason due to a past transaction such as office maintenance and repairs, telephone bill, etc. expenses. Payments received from transferring personnel to pay for personal bills received after their departure.

HD-13 Accrued Expenses:

Services/goods have been received but payment not yet made, this is called accrued expenses. Thus accruals may be occurred or each month/quarter/year or at the end of a contractual agreement with a donor or any other unavoidable situation.

HD-14 Tax & VAT:

This account includes all type of deductions from the vendor and service providers/staffs against their payment as tax, rent tax, source tax and VAT as per GOB policy.

INCOME

HD-15 Income

Gain profit on organization's IGA, Micro-credit, commercial activities, sale of organization's equipments, materials, non-fixed assets and received any miscellaneous sources such as bank interest, donation etc. Such transactions are debited to cash/bank (HD-2) and credited to Income HD-15.

EXPENSES:

HD- 16 Salary and benefits:

This account includes all type of staff salary and benefits (festival bonus, award, gratuity, field allowance, performance allowance, increment, PF, cost of living allowance (COLA), insurance, treatment cost etc.

HD-17 Honorarium:

This account includes all type of consultant fee for organization's/project's related consultant, teachers remuneration for all time school, caretaker etc.

HD-18 Office and Warehouse rent:

This account includes all type of expenses related of office rend, temporary or permanent warehouse rent etc.

HD-19 Office Maintenance, repairs and cleaning materials (utilities):

This account includes all types of expenses related to office maintenance, repairs and cleaning materials like electric, gas sewerage bills & goods, repairs the furniture fixture and equipments, sign board, cleaning materials, etc .

HD-20 Communication:

This account includes all type of expenses related to telephone bills and goods, connection cost, fax, courier service, postal expresses, postage, email bills etc.

HD-21 Entertainment:

This account includes all type of expenses related to entertainment including tea, sugar, milk, light food items, tea utensils etc.

HD-23 Stationary and supplies:

This account includes all type of expenses related to stationary and other paper supply, printing, books/poster binding, ledger books, photocopy, towel, duster cloth, rain coat, file, bag, pencil, pen, eraser, sharpener, diary, note pad, stapler, pin remover, puncher etc.

HD-24 Furniture, fixture and equipments:

This account includes all type of expenses related to furniture, fixture & equipment like table, chair, wooden rack, pigeon box, steel almirah, board, ceiling fan, table fan, water filter, calculator, computer, computer table, printer, UPS, voltage stabilizer, generator, fire extinguisher, solar power machineries, file cabinet, sofa set, motor cycle, by-cycle, helmet, trolley, engine boat, all types of engine driven vehicles, book selves, fridge, television, food utensils etc.

HD-25 Vehicle Fuel, Oil, Repairs & Maintenance:

This account includes all type of expenses related to vehicle fuel, oil, repairs & maintenances like petrol,

oil, spare parts, vehicle registration fee, driving license fee, and insurance etc.

HD-26 Travel and Lodging:

This account includes all type of expenses related to travel while on official business. Such as travel allowance, food, hotel fare, dearness allowance, daily allowance, local conveyance and other expenses related to fieldwork.

HD-27 Activity

This account includes all type of expenses related to (staff & beneficiary) training, workshop, seminar, views exchange meeting, rally, day observance, press conference, press release, meeting, court yard session, volunteers, gender, monitor, evaluator, advocate, risk and resource mapping, resource center rent, nutrition & rehabilitation, cultural and recreation, musical, simulation, awareness campaign/program, study plot, cross visit, field day, all sorts of fair, capacity building, foundation, IGA, school program, AOP/self evaluation, report writing, produces facilitation skill, PVS , LE, HLS, BIG, HSP, DAE, LPS, arsenic, nursery establish, right based advocacy, tree improvement, experimental learning, coordination meeting, farmers field school, exhibition, home gardening, link, age development, on farm trials, action research FPHNE including CBV, FPHNE season for LPS/MC/CF, strategic planning, sustainability campaign, leaflet/poster, newsletter publication, networking, refresher, program related materials, venue food, activity arrangement travel cost, passport for oversea visit, sound system, decorator, decoration, facilitator honorarium, photographs, banner, etc.

HD-28 Material and Equipments:

This account includes all type of expenses related to direct delivery material & equipment to the project beneficiaries, like all commodities, including food, medicine, relief and rehabilitation goods, seeds, roofing materials, sapling, bamboo, rope, fertilizer, pesticide, carrying charges (any mode of transportation), spade, khunti, umbrella, torch light, charger light, battery, hurricane, fodder/nipper, homestead fruit/tree plantation, arsenic testing materials, stove, table for village, trunk for field, tools and any contingency expenses related with beneficiaries etc.

HD-29 Construction and maintenance

This account includes all type of expenses related to construction and maintenance like, building/house for office or other purposes, flood shelter, community latrine, bridge, culvert, low cost/sanitary latrine, urinal shallow, tube well, homestead/institute ground rising, cc-block works, wave protection wall, village road and connecting, maintenance work, contingency for earthwork, plantation tools, plantation at community places, plantation activity, contractors services and labor etc.

HD-30 Evaluation:

This account includes all type of expenses related to evaluation fees like baseline survey, mid- term, post evaluation, OPR, Work load analysis, policy development and up gradation etc.

HD-31 Audit

This account includes all type of expenses related to financial records, audit etc.

HD-32 Overhead/Other administrative cost:

Any item of office administrative cost in nature does not fall under any aforesaid head (above heads), which includes advertisement, bank charge, recruitment cost, newspapers, legal fees, or any unseen cost etc. A certain percentage of total program management cost may be considered in the annual budget for this head.

HD-33 Contingency:

This account includes all type of expenses that organization sustainability, if possibility to hamper the program/project implementation by natural calamities, fire etc.

Annexure: Credit Voucher, Debit Voucher, Journal Voucher, Cash book, Petty cash book, general ledger, advance request, purchase request, stock register, store requisition form, delivery note, individual inventory register, asset register, FF& E register, write off form, bank reconciliation report, cash recap by bank account, cash recap by bank preparation process, trial balance, expenditure statement, income and expenditure, balance sheet, cash flow chart, bid evaluation, work/purchase order.