

Financial Management Manual 2012

Centre for Integrated Programme and Development (CIPD)

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Financial Management Manual, CIPD, Rangamati

1. PREAMBLE

Chittagong Hill Tracts (CHT), south-eastern part of Bangladesh is the land of 12 different indigenous communities including Bengali community. It covers an area of 5093 square miles, mostly hilly, remote and inaccessible. It is distinct from other parts of Bangladesh in terms of land's pattern, geographical features, culture, life style, religion and social structure. Besides, the political conflict over the last few decades destroyed all development initiatives, as there was no development environment. After signing the CHT Peace Accord, the situation is changing gradually. Many of the development agencies are showing their interest to extend their support to CHT development initiatives. Some of them already started their programs developing partnership with Local NGOs. Considering the above circumstances some committed, selfless, some social workers came forward to form CIPD aiming at facilitation of development projects for solving the problems of peoples in effective and efficient way. With a view to use the resources economically and prudently CIPD developed financial manual as basic framework and guidance of financial management of the organization. .

1.1 Purpose of the Manual

This manual presents the standard procedure and policies of financial management of CIPD This is a guiding rule for all projects/programs, staff members of CIPD, which serves the interest of all its stakeholders.

Each section of this manual defines the policies and procedures of financial management, however, not all events can be incorporated/defined. As such, under special cases management shall try to remain true to the intent of welfare of the stakeholders of CIPD.

2. Internal Controls and Cash Management Issues

Accounting controls assist in the preparation of fair and transparent reports and the safeguarding of assets. Controls can include compliance with generally accepted accounting principles, voucher systems, dual cheques signing, multiple approvals for large expenditures, etc.

The accounting procedures incorporated in this section have been designed to provide adequate internal control for CIPD. The essential elements of internal control are as follows:

- The organisation plan with particular reference to the allocation of Staff functions
- Authorisation, recording and custody procedures including internal verification
- Managerial supervision and reviews including audit.

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General Secretary
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2.1 Areas for Applications of Internal Controls

- a) Receipts
- b) Payments
- c) Accounts Payable
- d) Accounts Receivable
- e) Procurement
- f) Sales
- g) Inventories (Stock of Store)
- h) Fixed Assets

2.1.1 Receipts

The duties and functions of person receiving **Cash** should be segregated as much feasible from the under noted duty:

- Approving credit vouchers/money receipt

A pre-numbered receipt is to be issued to the payee for all Cash collections and a copy is to be retained as official record.

In case of **Kind** receipts (donation), the following procedures will be followed:

- The Coordinator/CEO will confirm the receipts through an internal note
- Items of Fixed Asset nature will be valued at market price and be made accounts for.
- Items of Fixed Asset nature are to be included in the Fixed Asset Register
- Items of consumable nature are to be deposited to the store and properly recorded

2.1.2 Payments

- All payments above Tk. 5000 are to be made through cheques crossed "Account Payee only", other than exceptional circumstances but with prior written approval of the Coordinator/Chief Executive Officer.
- Preparation and Approval of payment voucher must be segregated;
- Internal payments may be made through cash cheques;
- All cheques are to be signed by joint signatories. Only persons authorized to prepare or supervise the preparation of cheques have access to the cheque book;
- All void cheques are to be retained;
- Bank accounts are to be reconciled monthly and cheques or deposits outstanding for more than one month must be investigated and followed up in compliance with administrative and financial procedures.

2.1.3 Accounts Payable

- Invoices from suppliers will be checked against purchase order and the receiving report. Differences, if any, will be promptly followed up and an authorised person approves adjustments arising there from.
- Recording of the supplier's invoice is to be made promptly and accurately.

2.1.4 Accounts Receivable

- Invoices against credit supply will be checked against supply order and the delivery report. Differences, if any, will be promptly followed up and adjustments arising there from are to be approved by an authorised person.
- Recovery of payment is to be followed-up on a regular interval keeping the management informed on the status.
- Recording of the credit invoice and payment acknowledgement is to be made promptly and accurately.

2.1.5 Procurement

- Proper requisition for any procurement is to be raised, verified and approved by appropriate authority
- Procurement must be in congruence with the procurement policy section of this manual
- Procured items are to be received with quality certification by relevant department (store, admin etc.)

2.1.6 Sales

- Price of the saleable items (if any) are to be fixed by the appropriate authority, ensuring all associated production costs are covered plus a mark up (profit).
- Sales invoice and/or money receipt is to be issued
- Account section must be informed immediately in case of credit sale
- Sales register must be maintained for recording of sales
- Sales register and pricing is to be verified periodically by the management.

2.1.7 Inventories (Stock of Stores)

- All incoming materials are to be certified and properly recorded by the assigned personnel
- Issue of goods from store to be signed by both the issuer and receiver
- The materials held in store will be inaccessible to anyone other than the store personnel
- Stored in an orderly manner

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CIPD, Rangamati

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General Secretary
CIPD, Rangamati

- Issued only on properly approved requisition.
- Store records are verified periodically by physical count.

✓ 2.1.8 Fixed Asset

Purchase of Fixed Asset will be processed with the administrative and financial authority as laid out below:

- Actual cost will be checked against sanctioned budgeted cost of the Fixed Asset;
- Assets purchased must be recorded in the register immediately after receipt of the item;
- Sales and disposals of fixed assets will be made only after specific authorisation of the Executive Board within the organisational policy;

3. Budget

The 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.

Budget is the principal instrument, through which the Executive Board provides policy guidance to CIPD's programs and activities. The Operational Management of CIPD prepares the Annual Work Plan and corresponding Budget and places to the Executive Board through the CEO/Coordinator for approval.

Budget of an organisation performs the following functions:

- Expression of broad policy guideline in terms of specific activities;
- Provides guidelines for administrative performance;
- Sets limits of expenditures in specific areas of activities;
- Establishes personnel requirements for the organisation;
- Provides the means of monitoring of performance and evaluation of impact.

3.1 Budget preparation and program planning

Budget is prepared and maintained according to fiscal year (July-June). While preparing the budget, due considerations are required on the following factors:

- Strategic orientation of the organization
- Consistency between program priorities and resource allocation
- Planned activities of the organisation
- Availability and Source of Fund

Budget is developed with strategic thrust of program planning. Each Program Unit develops its annual work plan with details of activities with expected income and expenditure, which is submitted to Account Officer. The senior management then finalizes the draft budget for approval by the Executive Board.

The Account Officer prepares following types of budget as mentioned:

Cash flow Budget: To indicate the cash requirement with time frame for Donors for consideration of contribution to the program

Detailed Working Budget: To indicate the approved activities with financial implication for all program units to follow and maintain budget line activities and expenses

Summary Consolidated Budget: To indicate overall Program wise Receipts and Expenses for Management to monitor and take necessary steps.

Revised Budget: To accommodate the over/under income or expenditure, in view of changed situation during the implementation period.

3.2 Budget Accountability

In case of bilateral projects, budget limits are determined within the project agreement. Such agreement also specifies the limit of flexibility either in terms of percentage or amount.

In case of extreme requirement, over expenditure up to maximum of 10% over the budget of a particular line item is allowable. Any expenditure in excess of 10% will require prior approval of the Executive Board. However, in any case, the actual expenditure shall not exceed the overall budget limit.

3.3 Budget Revision

In case of shortage of funding or essential requirement of additional expenditure beyond allowable limit, the Management may require to revise the approved budget at any given period. In such cases, the revised budget to be placed before the Executive Board and respective donor for its approval and onward implementation.

4. Chart of Accounts

CIPD is an expanding organization and expected to take up new projects and programs. As per organization and donor need different financial report to be generated for different project and duration. A Chart of Accounts (Accounts head or title) will be used allow separate tracking of individual programs, different program component and location –wise.

5. Financial Records And Accounting

Books, Forms and Registers

Books, forms and registers are the primary records in which day-to-day transactions are recorded. Following is the list of books, forms and registers maintained at CIPD:

1.	Cash Book (Cash Register)
2.	General Ledger
3.	Salary Register
4.	Fixed Assets Register
5.	Advance Register
6.	Voucher Forms:
	-Debit Voucher
	-Credit Voucher
	-Journal Voucher
7.	Stock Register
8.	Money Receipt

5.1 Cash Book (Cash Register)

Transactions relating to cash and bank, which are recorded in a book in a chronological manner is called a Cash Book. CIPD has a number of projects/programs and CIPD maintains separate bank accounts for each individual project.

5.2 General Ledger

Cash/bank and non-cash transactions are recorded in a particular book classified according to their heads of accounts is called a General Ledger. Daily cash transactions are recorded in the cash register according to their heads of accounts. All the transactions from Cash Book are entered into the General ledger. For non-cash transactions, journal vouchers are prepared and posted in the general ledger directly.

General ledger is the principal book of accounts. The financial position of an organisation can be easily ascertained at a particular point of time by preparing financial statements from general ledger data.

5.3 Salary Register

Salary and benefits is the largest part of the operating expenses. Details about salary/payroll register have been discussed in Payroll section of this Manual.

5.4 Fixed Assets Register

Fixed assets play an important role in every organization. The following data are very essential as regards to fixed assets:

- a. Date of purchase.
- b. Source of funding (Project)
- c. Description of assets.
- d. Quantity of assets.
- e. Value of assets.
- f. Depreciation rate.
- g. Annual depreciation
- h. Accumulated depreciation
- i. Written down value
- j. Location
- k. Identification mark (Project name, Location, serial number, asset category);
- l. Other information.

5.4.1 Depreciation

CIPD will follow the straight-line method for calculation of depreciation on fixed assets. The annual rates of depreciation on different categories of assets are as follows:

Examples

Group of Asset	Rate of Depreciation
Building (Pucca)	5%
Building (Semi Pucca)	7.5%
Building (Kacha)	10%
Furniture and Fixture	20%
Office Equipments	15%
Vehicle	20%
Other Assets	20%
Computer with printer	25%
Crockery	20%

Any change in the rate of depreciation will be done through the approval of the Executive Board.

5.4.2 Fixed assets Write off

In case an asset is damaged or becomes unserviceable, the maintenance section will certify the condition and propose for write off. Finance Section will place the proposal with the relevant data of cost, year of purchase, depreciation charged, written down value etc. to the Management for appropriate decision with the consent of the Executive Board. Sale proceeds of the asset written off (if any), will be considered as Other Income.

5.5 Advance Register

Advance is a normal phenomenon of an organization. To carry out various activities, it becomes essential to procure goods and services from different persons or organizations at different point in time and in doing so, advance payments need to be made from time to time. Depending on the particular situation, these advance payments are made directly to third parties and sometimes to own staff.

Advance register is a controlling tool by which proper control on advance payment could be established. It is a subsidiary record in addition to general ledger. It is essential to maintain all necessary information properly in respect of advance payments and their subsequent adjustment. While preparing financial statements, list is prepared for unadjusted advances from this register and the total of such advances is compared with that of the general ledger.

5.6 Voucher Forms

Vouchers are primary document to record financial transaction of a business organization with essential-supporting documents.

Elements of vouchers:

- | |
|---|
| <ul style="list-style-type: none">▪ Name of the organization▪ Number and nature of voucher▪ Date of preparation▪ Account name, code no. and amount▪ A brief narration about the transaction |
| <ul style="list-style-type: none">▪ Signature of appropriate authorities▪ Attachment of bill/cash memo and other supporting documents▪ Project Code #▪ Recipient's Signature▪ Indication of Cash/Bank |

5.7 Types of voucher

Three types of vouchers are used in CIPD as follows:

- Debit voucher
- Credit voucher
- Journal voucher

5.7.1 Debit Voucher

Debit vouchers are prepared for recording of revenue and capital expenditure such as-staff salary, travelling & transportation etc. and plant & machinery, furniture & fixtures etc. respectively. Notable that, this voucher is prepared for all types of cash/bank expenditure. Necessary original supporting documents should be attached with Debit voucher except original telephone, electricity, gas, water and contract documents which is to be filed separately. This voucher has other alternative names available in use, such as payment voucher, disbursement voucher etc.

5.7.2 Credit voucher

Amount received from donor agencies, advance refund from staff or amount received by any means through sale, transfer etc. is recorded in books of accounts through credit vouchers. Before approving this voucher, it is ensured that all necessary supporting documents have been attached thereto.

5.7.3 Journal Voucher

Transactions other than cash are recorded in the books of accounts through vouchers are called Journal voucher. PF, income tax, advance adjustment, deduction from salary, depreciation on fixed assets etc. are recorded in the books of accounts through journal voucher. Necessary supporting documents are attached with this voucher before it is approved.

Preparation of journal voucher:

Project, code, voucher no, date are same as debit and credit voucher. Others are as follows: -

Heads of account	:Debit and credit sides of transaction are mentioned here.
Debit (Taka) and Credit (Taka)	:Amount is written down here.
Source	: Source of journal is mentioned here. For example, circular no., minutes, approval, working sheet, etc.
Particulars	: Explanation of transactions is written down in this column as follows-

- a. **Provision** - the provision was made against for the month of
- b. **Adjustment** – the amount is adjusted as per schedule/list attached.

- c. **Rectification** - Rectification entry is made against voucher no (reference of previous voucher) Dated
- d. **Transfer** - the amount is transferred to from as per circular/minutes/others etc.

5.8 Money Receipt

Money Receipt is the acknowledgement of money for both cash and cheque. This is the primary evidence based on which amount received by any means is recorded in cash book. While receiving any amount a money receipt will be used.

5.9 Record Keeping

5.9.1 Accounting Records

Account Officer ensures proper maintenance of accounting and financial records, and other essential records, their protection from damage (by fire or other means) and unauthorized access or removal. Further, the finance staff ensures, where appropriate, that the copies of records and cheque-books and cash are kept in safe custody.

5.9.2 Printing of Financial Documents

Account Officer approves printing of financial documents. Distribution of financial documents to outside organization requires the authorization of the CEO/Coordinator.

5.9.3 Processing of Financial Documents


Using pencil is prohibited in the processing of expense claims, vouchers, and other financial documents. Erasers (including use of correction fluids or chemicals) are not permitted in any records and books of account. In case of necessity of correction the straight line is drawn on the incorrect line/ record to keep it legible. However, concerned person making the correction puts his/her initials.

5.9.4 Destruction of Financial and Accounting Records

Accounting records shall be destroyed with specific approval of the Executive Board. Destruction of accounting documents must comply with the GOB rules and regulations for NGOs.

From the date of last transaction, all the records will be preserved for the period as required by the respective donors/funders. CIPD's own records will be preserved for 5 years.


 Chairperson
 CIPD, Ranganmati
 (Central Secretariat)
 Ranganmati


 General Secretary
 CIPD, Ranganmati
 (Central Secretariat)
 Ranganmati

Sl no.	Type of record	Preservation Period
	Cash Book	Life long
	General Ledger	
	Asset Register	
	Subsidiary Register	
	Audit Notes	
	Meeting Minutes	
	Constitution of the organization	
	Service Rule	
	Voucher (any type)	
	General file and records – program	

6. Banking

6.1 Official Bank Accounts

Executive Board is the sole authority for opening and closure of bank accounts. Executive Board assigns appropriate signing officers to operate bank accounts. Correspondence with respective bank must be done after getting approval of the Executive Board in the following cases:

- Opening and closing of bank accounts;
- Alteration to the designation of account signatories;
- Appointment of cheque signing officers; and
- Cancellation of appointments as signing officers.

6.2 Operational Procedure of Bank Account

- a. Any two of the following signatories jointly operates all the bank accounts of CIPD:
 - Chairperson
 - General Secretary
 - Treasurer
- b. All the payments over Tk. 5000 to be made through cheque.

c. According to the NGOAB (NGO Affairs Bureau) rules all grants / donation must be received through one bank account (Mother account) by the Organisation but more than one operational bank account may be operated for implementing the project activities. Following is the procedure to operate bank accounts:

- After receiving all grants in foreign currency or foreign grants originating abroad but received in local currency through only one bank account (mother account), the account number with address of the bank must be furnished to the NGO Affairs Bureau.
- The foreign grants received in above manner, may be transferred to separate accounts (operational bank account) for smooth and better functioning of program activities

6.3 Receipt of Cheques

Following steps are to be followed against receipt of any cheque:

- Official Money Receipt (MR) to be issued against each receipt of cheques.
- All the cheque(s) received to be crossed as "Account Payee" after receipt.
- Cheque(s) received during the day to be deposited to respective bank within the next working day.

6.4 Cheque Register


When a cheque book is collected from the bank, the Finance Department shall make an entry in the cheque register mentioning the number of cheque leaves.

For recording of the cheques issued, the Finance Department shall maintain a "Cheque Register Book" which should contain the following information at least:

- Cheque number
- Date of issue
- Payees' name
- Amount of cheque
- Initial of authorizing officer

6.5 Reconciliation of Bank Account

At the closure of each month the bank reconciliation statement must be prepared and checked within 5 days of the following month. The Finance Officer shall sign the reconciliation statement.


Chairperson
NGO, Rangamati
(Mangroves)


General Secretary
NGO, Rangamati
(Mangroves)

6.6 Cancellation of spoiled cheque forms or issued cheque

Cancelled cheque should be marked by red pen, and marking "void" should cross-spoilt cheque. Any signature on the cheque should be removed and destroyed. The cancelled and void cheques should be kept in the safe for subsequent audit.

7. Cash Transaction

7.1 Cash Payments

- i) For handling of daily cash transactions, project wise Tk. 5000 (maximum) and overall maximum of Tk.10000 cash shall be maintained by the Cashier, who will be responsible for it.
- ii) At the end of days' operation, the Account Officer/Chief Finance section shall check the physical cash with cashbook and confirm the balance by putting his initial in the cash book. The Chief Executive Officer shall make random checking of the cash balance on a regular interval and certify the cash balance.
- iii) Ledger posting from the cash book shall be made by an Accountant other than the person responsible for maintenance of cash book.
- iv) The cash payment approval level shall be limited to:
 - Coordinator/Programme Coordinator up to Tk. 5000, but under special circumstances upto Tk. 10000 with special note from the CEO/Coordinator.
 - Coordinator upto Tk. 5000
 - Account Officer upto Tk. 5000 (only in absence of the Programme Coordinator)
- v) At the time of bill verification, the following expense limit to be considered:
 - Working area visit bill as fixed by the Management.
- vi) After payment "PAID" seal with date to be stamped on all the supporting bills
- vii) Revenue stamp to be affixed on the bills as per GoB rules.
- viii) Petty cash shall not be advanced for personal use.

7.2 Changes of custody

Should there be a change in custodianship, a formal hand-over of cash and vouchers should take place and be recorded in the cash book. Both the outgoing and incoming custodians should sign the declaration of cash balance and the same to be countersigned by the Account Officer.

7.3 Use of petty cash will be confined to-

- Reimbursement of fares, and cost of local trip expenses
- Postage/Stamp and supplies
- Client Conveyance
- Utilities
- Meeting expenses
- Repairs and maintenance

- Casual staff
- Fuel
- Petty stationeries below 500.00
- Contingencies

7.4 Cash Receipts

Official Money Receipts shall be issued against cash received by way of sale proceeds/refund of advance etc. The Account Officer to ensure that all the cash received during a day is deposited in the relevant bank account within the next working day without fail.

8. Payments and Receipts

8.1 Advances, claims and accounting for advances

Three types of advance shall be paid by CIPD:

- i) Advance Payment to Staff for Travel or Other Official purposes
- ii) Advance payment to Suppliers/Contractors
- iii) District (branch)/Sub Office advance

Contractual agreements shall be made between CIPD and Suppliers/Contractors before making any advances and all the advances shall be made through "Account Payee" cheque only.

8.1.1 Approval and Processing of Advance

The Account Officer shall ensure that the following procedures are followed/implemented when dealing with the advance payments.

- i) Advance for overseas/domestic travel/program expense is approved by the Coordinator/Competent Authority.
- ii) Requests for advances must be submitted to the Account Officer at least 2 working days prior to an event takes place. The amount of advance shall be based on the estimated travel costs and allowances.
- iii) Advance payment to Suppliers/Contractors shall be based on the contents of the contract/work order.
- iv) No additional travel advance will be provided where a previous advance remains unadjusted.
- v) Advance paid to staff member shall be adjusted within 15 working days after the event is completed.
- vi) Contractors/suppliers advance shall be adjusted from the final bill.

- vii) An advance register shall be maintained to record the party-wise advance payments and corresponding adjustments.

8.1.2 Accounting (settlement) for advances

Claims for allowances and reimbursement of costs, and accounting for advances shall be made on the basis of Travel Expense Report.

- i) A staff member who has undertaken the travel shall carefully prepare the travel expense claim. He/she will ensure that the expenses are dated, itemized and referenced.
- ii) Original receipts, that is, ticket stubs and boarding pass, train fares or bus fares, receipts for taxi fares, receipts for business phone calls and faxes, and hotel bills wherever applicable, shall be appropriately numbered and attached. Claim for travel expense shall be calculated as per rule of CIPD.
- iii) The Travel Expense Report shall be certified and verified by the respective Section In charge and approved by the Coordinator/CEO, as the case may be, prior to submission to the Finance Department.

8.2 Payment of Salaries and Wages

For the purpose of salary, all staff members shall open personal bank account with any commercial bank and inform the account number to Finance Department in writing. Monthly salary of the staff members shall be transferred to their respective bank account by the end of each month.

8.2.1 Payroll Processing

Account Officer will process project wise monthly payroll. He/She will follow the following procedures:

- i) Relevant payroll input documents of all appointments; promotions, transfers, resignations, removal from office etc. are promptly recorded.
- ii) Entries on these documents are supported by the necessary approvals, advice etc. and verified properly.
- iii) Prepare the payroll by the end of each month.
- iv) Payroll shall contain the information like – Name, Designation, Basic salary, House Rent Allowance, Medical Allowance, Special Allowance (if any) and deductions like Provident Fund Contribution, PF Loan, PF Loan Interest, Income tax etc., the Net Pay and bank account number with bank name and branch.
- v) Account Officer and Program Chief shall recommend the payment and the same will be submitted to the CEO for approval.
- vi) An "Account Payee" cheque/debit advice along with a copy of the payroll shall be sent to bank for organizing payment to relevant staff members bank account.

vii) Gratuity transfer twice a year (December and June)

viii) In case of overtime – as per rule (sheet certified by the Section Incharge), no time frame but next month

8.2.2 Payment of Salaries, PF, Gratuity due to an employee at the time of resignation or dismissal.

Payment of salaries, PF, gratuity to an employee at the time of resignation or dismissal will be administered by the Service Rules/Personnel Manual of CIPD.

8.2.3 Payment of salaries and benefits due to a deceased employee

In case of death of an employee the following steps will be followed for settlement of dues to the successors:

- A list containing entitled dues, allowance etc. will be provided to his/her nominee(s)/ successor(s) . (format to be developed for nominee declaration
- Unpaid salaries, wages, allowance and Provident Fund balance shall be paid to the nominee(s)/ successor(s) of the deceased employee upon receiving appropriate documents from the nominee(s)/ successor(s). Casual staff
- Payments will be made through "Account payee" cheque(s).

8.2.4 Records to be maintained for each Employees

Account Officer will ensure that the following data in respect of each employee is maintained in the Finance and Administration Department.

- Employment contract
- Identification number
- Bank account information
- Insurance records Utilities
- Vacation request
- Payment of annual benefits or Provident Fund

8.2.5 Payroll Taxes

As per prevailing law, Income Tax will be deducted at source from the monthly

8.3 Accounts Payable/Payment to third party:

The transaction starts through issuance of a contract, agreement or work order to any supplier, contractor or consultant. The nominal clauses that should be incorporated in every contract are as follows :

- Both party signs the agreement
- Materials to be delivered (in kind or by service)
- Specific time frame

- Payments shall be made through "Account payee" cheque only
- Mention that tax will be deducted at source as per relevant Income tax rule
- Arbitration clause, in case of any disagreement/discrepancies

8.3.1 The payment process:

- The party shall submit bill and challan to the user section.
- Finance Section shall check the invoice and other relevant documents, and the Account Officer recommends payment on the payment initiation form. For purchase of fixed assets, new asset number to be allocated.
- Depending on the amount, the Chief Executive Officer approves the payment
- Finance section issues cheque in favour of the party, receives Money Receipt from the party and pass it to relevant person for cash book and ledger posting

9. Accounts Receivable

- i) The Account Officer shall prepare all accounts receivables invoices or "Request for Advance" for projects/contracts. Request letters shall be signed by the Chief Executive Officer. Invoice shall be prepared for all revenues.
- ii) Invoices will be prepared using CIPD's invoice form. An invoice number will be obtained from the invoice book, which will be kept by Accountant. Account Officer will sign all invoices, and copies of them will be sent to concerned Accountant for raising journal voucher and posting to the General Ledger.
- iii) The Account Officer will approve all the journal entries.
- iv) Account Officer will ensure the recovery of all outstanding invoices. he/she will ensure the followings actions:
 - Issue of invoice in due time;
 - Issue of reminder notices;
 - Consulting the CEO in cases of doubtful debt.

9.1 Writing off of irrecoverable amounts due to CIPD

- i) Before classifying a debt as irrecoverable, either of the following conditions must be satisfied:
 - the debtor became non traceable;
 - it is uneconomic to follow up recovery action due to the relatively small value of the debt;
 - legal proceedings through the courts have proved unsuccessful
- ii) The Director will propose to Executive Board for approval of writing off the irrecoverable debts.

iii) The party shall not be informed regarding the decision of writing off the irrecoverable debts.

10. Procurement – Policy And Accounting Procedures


10.1 Procurement Policy

CIPD policy for purchasing goods, supplies and services are designed to ensure that CIPD gets best price for the best products in purchasing goods, supplies and services. The following are the rules to be followed:

- For the purpose of purchasing major stationery goods at the beginning of the year, open tender will be invited from bonafide suppliers and material will be procured from lowest bidder.
- Concerned section shall raise a requisition for procurement of an item and submit it to Finance Section for verification with budget provision.
- The Coordinator or the Program Coordinator shall approve the requisition for purchase.
- The Chief Executive Officer shall constitute procurement Board where one finance staff is mandatory to ensure financial procedures are maintained, depending on the volume of amount to arrange procurement following the formalities and give decision.
- The goods supplied must be officially received and performance certified by the requisitioning section.
- Finance section will verify bills along with challan, and Purchase Board decision for payment to the supplier.
- The bid solicitation procedure may not be required while the procurement is made from Government/ Semi-Government/ Corporation or exclusive dealers and that should be properly documented.
- Advance payment at the time of placing work order to any party should not be considered. But under special circumstances the Director can approve 50 percent of the estimated value
- After approval of the requisition, procurement to be arranged following the Bid solicitation procedure mention below.

10.2 Bid Solicitation Procedure:

<u>Estimated Value</u>	<u>Solicitation Procedure</u>
Under Tk. 5,000	Cash purchase through market verification
Purchase between Tk.5,000 and Tk.25,000	Obtain at least 3 spot quotations from bonafide suppliers and observe other standard purchase procedure
Purchase between Tk.25,000 and Tk. 100,000	Obtain at least 3 sealed quotations from bonafide suppliers and observe other standard purchase procedure


Chairperson
CIPD, R
General Secretary
(Kangamati)


General Secretary
CIPD, R
(Kangamati)

Purchase above Tk. 100,000


Purchase through inviting sealed quotations from bonafide suppliers and observing other standard purchase procedures

Note: Other standard purchase procedure involves:

- Opening of tender in presence of bidder(s)
- Prepare Comparative statement for price comparison
- Document committee decision on selection of suppliers
- Issue work order etc.

10.3 Accounting Procedures

- i) An invoice must be received for all goods and services procured. Only original invoices prepared by the supplier are acceptable. Supporting documents such as quotations or the documentation report should be attached.
- ii) Payment certification to be done through Payment Initiation Form
- iii) Account Officer to confirm that new asset number is mentioned on the Payment Initiation Form in case of fixed assets procurement
- iv) All invoices shall be stamped "PAID" and dated. Account Officer will check the correctness and appropriateness of the invoices before payment.
- v) Cash book entry and ledger posting to be done by relevant Accountant as per account code
- vi) In case of failure by the supplier to meet its obligations of supplying contractual goods and services the prompt action will be taken by Account Officer to safeguard organisation interest. Any security deposit provided by the supplier will be forfeited.
- vii) Should it become necessary to terminate a procurement contract (for purchasing goods or services) at any time during its performance, the Account Officer will be responsible for investigating the legal aspects of the proposed action, and, where appropriate, negotiate terms of settlements. These actions shall be carried out in consultation with the CEO/Coordinator.


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11. Delegation Of Authority

The following chart provides the detailed of authority level that the Senior and Mid management can exercise as decided by the Executive Board:

Sl. No	Instrument/ Document	Authority	Extent of Authority	Remarks
1	Cheque signature	Chairperson/CEO Treasurer	Any amount	Any two signatories
2.	Re-allocation of budget items	Coordinator/CEO	Upto 10%	Above 10% Executive Board
3	Capital Expenditure	Coordinator/CEO	Full	Provided budget provision and purchase procedures are followed
4	Write off of asset, Bills Receivables etc.	Executive Board	Full	Management to place necessary information
5	Renting/ Leasing	Coordinator/CEO	Full	
6	Salary, allowance and other benefits	Coordinator/CEO	Full	As per Personnel Manual of CIPD
7	Local Travel Advance/ Overseas Travel advance	Coordinator Chief Executive Officer Account Officer	Tk. 1,001 & above Tk. 501 to Tk. 1,000 Upto Tk. 500 only in absence of Coordinator/CEO	With concurrence to recommendation from concerned Section In charge
7	Party bills	Coordinator/CEO	Full	All formalities to be followed
8	Cash expenses like conveyance, client	Coordinator Chief Executive Officer/ Account Officer	As per approved level	As specified under section of cash transaction

Sl. No	Instrument/ Document	Authority	Extent of Authority	Remarks
	conveyance, entertainment, petty stationery purchase etc	Area/Sub-Office Coordinator	Upto Tk. 500	Only the expenses at concerned area level
9	Airfare	Coordinator/CEO	Full	Provided budget provision
10	TA/DA	Coordinator/CEO Secretary/ Chief Executive Officer/ Account Officer	As per approved level	Recommendation from concerned Section
11	Professional fee like audit, surveyor	Coordinator/CEO	Full	
12	Consultants Bill	Coordinator/CEO	Full	
13	Utilities bill	Coordinator/Chief Executive Officer	As per approved level	

Explanatory Notes:

- Where financial authority is given to the Coordinator/CEO, in his absence Deputy/may exercise the authority
- Where financial authority given to the Account Officer, in his absence Program Coordinator may exercise the authority
- No payment can be made unless there is appropriate provision in the budget

2. Sub- Office/Area Office Accounts

CIPD maintains its accounts centrally but the District/Upazila offices are allowed to maintain subsidiary accounts and adjust balances following the CIPD's fiscal year.

12.1 Procedures for Sub Office

a) Description

At the District/Upazila level, accounting will be purely on cash basis, since the volume of transaction and amount involvement will be very low in comparison to Central office.

The accounts of District/Upazila office will be maintained by the **assigned staff of the respective district**, who is not likely to be finance back ground person but have basic knowledge of keeping simple accounts.

b) Fund Transfer

Fund transfer to a district office shall be based on the calculation of 3 (three) months program expenses as per budget, which will be kept in a bank account maintained at district level. In all cases the central office will handle staff salary and capital expenditure directly.

When the fund is transferred to a district office, the same will be treated as Advance to the district. The advance account will be cleared against Expense Report of that district office.

c) Cash Book

The district office shall maintain columnar cash book and all cash and bank transactions will be posted in the respective cash or bank column and at the same time in the expense column. The District Coordinator or Upazila In-charge shall check entry in the Cashbook.


d) Operation of Bank Account and Cash transaction

- i) District In-charge, Assistant Coordinator/Supervisor and Chief Executive Officer shall be the bank account signatories. Tk. 3,000 per week can be drawn by two signatories. Beyond that limit, signature of the Chief Executive Officer is mandatory.
- ii) The District Supervisor is authorized to approve payments like local conveyance, Beneficiary allowance, client conveyance etc. within the rates specified by CIPD and within the budget limit provided to district office with the fund disbursement advice.
- iii) No payments can be approved by the District Supervisor/Upazila Incharge unless the same is recommended by the concerned Coordinator/ Field supervisor

e) Reporting to Central Office

The District office shall send the Expense Report on monthly basis within 7 days of the next month. All the vouchers of the expenses shall be retained by the district office with due care for next 5 years as per rule of CIPD. The District Supervisor and the Office Assistant responsible for maintenance of accounts shall sign the Expense Report.


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f) Internal audit

In addition to district office internal checking system, the expenses incurred by district office shall be checked by Central Office Finance section at regular interval not less than once a month.

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13. Donor Fund

CIPD's major projects are financed by donor grant/donation. So accounting treatment for donor grant is one of the major issues in CIPD's accounting system. CIPD's grant related accounting issues would be identified under the following categories:

- Donor fund - General
- Donor fund - Investment in fixed assets

Grant related to assets and revenue will be accounted for as per following norms:

13.1 Grant Related to Assets:

Grant related to assets including non-monetary grants at fair value should be presented in the Balance Sheet by setting up the grant as Deferred Income.

13.2 Grant Related to Income/Revenue:

Grant should be recognized as income over the periods necessary to match them with the related cost, which they are intended to compensate on a systematic basis. They should not be credited directly to own fund.

13.3 Donor Fund - General

When donation is received, it is recorded under this account irrespective of the nature of donation. Thereafter, donations utilized for assets are transferred to respective accounts. Donation utilized for revenue type expenses for a period is transferred to income. The balance remaining in this account represents unutilized donor fund.

Sometimes CIPD finds shortage of fund in donation account. In such a situation it creates receivable on donors' account and this accrued income is matched against expenditure or CIPD arranges the deficit financing from its own fund.

13.4 Completion of a phase/project

On completion of a phase of a project the remaining donor funds are treated in the following manner:

Donor Fund-General

The balance of this fund is treated as per the terms of the agreement. If any refund clause exists in the agreement, then the related unutilized fund is refunded to the donor concerned. Otherwise it is carried forward to new phase or in case of completed projects, transferred to General Fund (capital fund) account.

Donor Fund-Investment in Fixed Assets

On completion of a phase, the remaining balance under this head is transferred to the Mother fund.

14. Financial Reports

Financial reports and statements are the ultimate product of the finance and accounts department. All financial transactions generated throughout the year are recorded in a set of books and records. A systematic recording system facilitates an accountant timely to prepare financial report as per the requirements of the users.

Financial statements and reports contain a typical presentation of financial data. Statutory financial statements are prepared in accordance with accounting concepts, convention and other applicable standards. In other cases, reports and statements are prepared on the basis of requirements of the users.

The Finance department is responsible for preparation of these financial reports.


14.1 Internal Reports

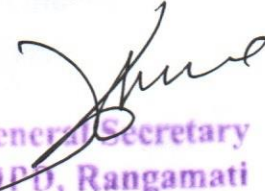
These reports are prepared for the purpose of internal users only. The internal reports are as follows:

Daily Cash and Bank balance/certificate

Monthly project-wise receipts and expenditure statement

This statement presents monthly receipts and expenditure as well as cumulative picture up to that month. It enables programme head to monitor the financial position of the project. The users of this report are Programme/Project Heads, Coordinator Finance and related Accounts Officers.


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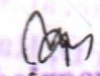

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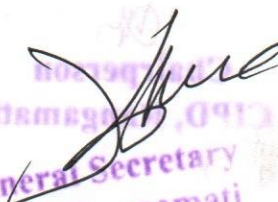
Form of this statement is given below:

CIPD					
Name of Project:					
For the month of -----					
Particulars	Budget Month- month	Actual Expenditure		Balance Month- month	% of Budget spent
		For the Month	Cumulative Up to this month		
1	2	3	4	5=(2-4)	6
<u>Receipts</u>					
Total receipts					
<u>Expenditure</u>					
Total expenditure					
Closing					

14.2 Periodical Receipts and Expenditure statement (All Projects)

This statement includes accounts head wise position of all projects cash receipts and payments in order to understand mainly the cash and bank position. It helps making next months projections because it shows cash and bank balances at the month end. It also helps comparing data with similar previous period, as it contains previous data beside the current period data. Key personnel like Director, Chief Executive Officer are the users of this statement.


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Form of this statement is given below:

CIPD Receipts and Expenditure Statement For the period from to			
	August 2001	Sept. 2001	Increase/ (Decrease)
	Taka	Taka	%
<u>Receipts</u>			
Total receipts			
<u>Expenditure</u>			
Total expenditure			
Closing balance			

14.3 Project-wise budget variance analysis

This analysis is done on monthly or sometimes on quarterly basis. It provides a columnar analysis of budget with actual data and also contains the percentage of variance and the reasons for variance.

Finance and Administration Division, Programme Head are the users of this statement.


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Form of this statement is given below:

CIPD				
Name of Project: _____				
Periodical Financial Report				
For the period				
	Budget Taka	Actual Taka	Variance Taka	Variance %
1	2	3	4=(2-3)	5
<u>Expenditure</u>				
Total expenditure				

14.4 Donor Reports

As per donors' requirements following reports are prepared

14.5 Periodical financial report

It is a columnar financial report prepared as per donors' requirement. This report also contains budget and actual data for the relevant six-month period. It also contains analysis of budget variance.

14.6 Project Audit Report

At the end of each project phase, a chartered accountancy firm is appointed to report for the total project period conducts an external audit. This report includes – Independent auditors report, Donor fund utilization report (Receipts and Payments), and certification of the Income and Expenditure Statement and Balance Sheet.

14.7 Statutory Reports

These reports are prepared to fulfill statutory requirements. Some of these are required by the constitution of the organization while some have legal requirements. These reports are as follows:

14.8 Annual Financial Statements

The following financial statements are to be prepared at each fiscal-end on December 31. These statements are basically a consolidation of all projects' annual financial statements. Consolidated financial statement includes:


- A Balance Sheet
- An Income & Expenditure Statement
- A Cash Flow Statement and
- Related explanatory notes


This financial statement is audited by the independent auditor and published in the annual report of CIPD for public use.

14.9 Reports for GOB (NGO Affairs Bureau)

NGOAB has a requirement to submit a set of financial reports along with auditor's certificate (FD-4) for each donor-funded project. These reports are required to be submitted annually, i.e. project year. The following are the project wise requirements of NGOAB as per circular dated 23rd October 2000:

- Independent Auditors' Report
- Balance Sheet
- Income and Expenditure Statement
- Receipts and Payments Statement (As per FD-6)
- A Brief project description along with related notes, Budget variance if required.
- FD-4 Certificate with Anex-A/1
- Auditors observation
- Others, if any.


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Formats of financial statements are given below:

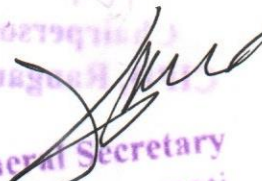
a) Balance Sheet

CIPD Name of Project _____ Balance Sheet as at _____			
Property and Assets	Note	Current Project Year	Previous Project Year
Fund and Liabilities			

b) Statement of Income and Expenditure

CIPD Name of Project _____ Statement of Income and Expenditure For the year _____ to _____			
Income	Note	Current Project Year	Previous Project Year
Expenditure			
Surplus/(Deficit) of Income over Expenditure transferred to: Capital fund			


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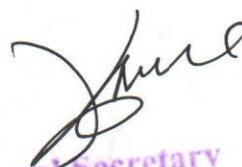
C) Statement of Receipts and Payments

CIPD			
Name of Project _____			
Statement of Receipts and Payments			
For the period (Project financial year)			
Receipts	Note	Current Year	Previous year
Opening balance			
Grants received			
Total			
Payments			
Head wise (As per FD-6)			
Total			
Closing balance			

14.10 External Audit

- A chartered accountancy firm for fulfilments of statutory requirements must complete annual audit of accounts.
- Selection of auditors will be decided by the Executive Board
- All possible efforts will be made to complete the yearly audit within 3 months after the fiscal year.
- Account Officer/Finance Manager will ensure submission of final accounts of relevant schedule/document and required clarification arising out of the audit.
- Account Officer/Manager will finalize the TOR in consultation with the Director taking into considerations on requirements of the donors.


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