FINANCIAL MANAGEMNET MANUAL

OF

Center of Participatory Research and Development-CPRD

House 1219, Flat A2, Road 10, Lane 10
Mirpur DOHS, Dhaka-1216, Bangladesh
E-mail:info@cprdbd.org; Web: www.cprdbd.org

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Approved by

Dr M Shahadat Hossain Chairperson Center for Participatory Research and Development-CPRD	Md. Shamsuddoha General Secretary Center for Participatory Research and Development-CPRD	Rabeya Begum Treasurer Center for Participatory Research and Development-CPRD

Chapter 1: Accounting System

1. Accounting System

1.1 Accounting System

The accounting system is accrual based and records are maintained by double entry system. However, cash basis financial reports may be prepared if required by the donors or regulatory agencies. All income received during a particular year shall be accounted for in the same year. Any part of income, which is committed for subsequent years, shall not be treated as income inthe year of receipt. All expenditures incurred, paid and accrued shall be considered as expenditure in the year to which it relates.

In the case of consolidating the financial statements of the projects i.e. project periods of which was not ended as on June 30. With the core organization (CPRD) consolidated financial statements shall recognize the cash receipts and payments of the other projects as on the reporting date.

The accounting of **CPRD** financial transactions shall be managed with properly designed accounting systems in accordance with internationally accepted principles and accounting standards.

1.2 Accounting Period

CPRD shall maintain its accounting year from July 01 to June 30. Accounting year of the projects may be different subject to the requirements of Donor.

1.3 Significant Accounting Policies.

1.3.1 Income Recognition

That income shall be accounted for as income during the year received by **CPRD** from whatever source (Any grant/donation) in the year to the extent it relates to that particular year. Any donation/grant received pertaining to the subsequent years' shall not be recognized as income during the year. Any commitment of fund for a particular year shall not be considered as receipt or income of that particular year rather income will be recognized in the year to which it relates.

a) Interest Income

Any interest received or accrued on the deposit or fund invested by **CPRD** Shall be treated as income of that particular year to which it relates.

b) Tuition / Training Fees

All fees, charges, training course fees etc. received from students and trainees are booked under this head at the time ofreceipt.

c) Donation

Any donation received from whatever source, shall be recognized as contribution in the year in which it is received, and depending on the nature thereof, will be credited to the Income & Expenditure Statement or Capital Fund Account, as appropriate. **CPRD** donation related accounting issues would be identified under the following categories:

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

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

i) Donations related to assets:

Donations related to assets including non –monetary grants should be presented in the balanced sheet at fair value by setting up donations as Deferred Income.

ii) Donations related to Income / Revenue:

Donations 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.

iii) Accounting of 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 **CPRD** 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 **CPRD** arranges the deficit financing from its

Own fund.

d) Donations in Kind

Any donations in kind, will have a value assigned to it, and will be credited to the Income & Expenditure Statement or Capital Fund Account, as appropriate.

e) Rental Income

Any income received or accrued by the organization on account of lease of organization properties, facilities etc. shall be treated as rental income and shall be accounted for in the year to which it relates.

f) Miscellaneous Income

Any income received or accrued from any source other than donation, interest, training fees etc. shall be considered as miscellaneous income and shall be accounted for in the year to which it relates.

1.3.2 Expenditure

Any payment or obligation for payment for a particular year shall be recognized as expenditure in the year to which it relates. Expenditure accrued but not paid shall also be considered as expenditure in the year it was obligated.

1.3.3 Apportionmentof Common Costs

If it deems necessary, some costs may be apportioned between different **(Projects)** programs/activities and cost centers. Any short-term consultant/purchase order /Event Management will not be considered for sharing the common cost. In such cases, the apportionment will be made depending upon the nature and purpose of expenses and budget allocation. The finance department will always review ratio of cost allocation after phased in/out of any project. This apportionment may be reviewed quarterly and revised at the discretion of management.

1.3.4 Bank Charges or Interest Expenses

Bank charges or interest paid for transferring/receiving any amount shall be charged to the particular program/project for which the amount was paid/received.

1.3.5 Fixed Assets

Fixed Assets shall be recorded at actual cost. Any expenses incurred in the acquisition or construction of fixed assets shall be included in the costs of assets i.e. capitalized.

1.3.6 Depreciation Policy

Full year's depreciation shall be charged on fixed assets if assets are acquired in the first six months of the year and no depreciation shall be charged if assets are procured in the second half of the year and in the year of disposal. Straight line method of depreciation will be applied on all the assets.

1.3.7 Rate of Depreciation

Depreciation shall be charged in each financial year on fixed assets at the rate provided below:
Examples:

Land	No
Building	5%
Furniture and Fixture	20%
Office Equipment	30%
Vehicle	25%
Computer, printer, Multimedia projector etc.	33%
Other Assets	20%

Any change in the rate of depreciation will be done through the approval of the Board of Directors. Prior year adjustment may be made giving effect of changes of depreciation rate.

1.3.8 Liabilities

Liabilities represent any obligation to any party, arising due to receipt of goods or services and any amount payable to any person or organization by **CPRD** fund. All liabilities and obligations must be accounted for in the accounts before the year end/closing date.

1.3.9 Fund Account

The fund account represents the accumulated balance of excess of income over expenditure, and may also contain direct credits, for example, donation of fixed assets.

Chapter 2: Maintenance of Accounts

2. Maintenance of Accounts

2.1 Accounting Responsibility

2.1.1. The responsibility of preparation of financial statements rests with the management. In his/her capacity as the Chief Executive of the Organization, the Chief Executive will be responsible for the overall accuracy and authenticity of the financial statements, and the accounting and other books and records on the basis of which such statements are prepared.

2.1.2. The Head of Account hasoverall responsibility for maintaining the accounting system and books of records. He/she is required to discharge this responsibility through a proper and efficient system ensuring effective internal controls, segregation of duties, and supervisory controls.

2.1.3. Every person whose duty is to prepare the primary documents is personally responsible for their completeness and accuracy.

2.1.4. An officer who signs or countersigns any primary document, accounting returns or certificate is personally responsible for the facts stated therein so far as it is his/her duty to know or to the extent to which he/she may reasonably be expected to be aware of them.

2.2 Accounts Department

2.2.1 The Accounts Department is headed by the Head of Accounts and is directly responsible to the Chief Executive. The departments is responsible for keeping proper records of all financial transactions and prepare various management and financial reports, as well as give necessary advice and assistances in the efficient and effective management of the organization.

2.2.2. Functions of Accounts Department

2.2.2.1. All transaction following the standard procedure of the Manual approved by the authority.

2.2.2.2. All transaction following the prevailing best practice and Manual Approved by the authority.

2.2.2.3. Receipts of all the income including foreign remittance, local income and sale proceeds of assets.

2.2.2.4. Processing and making all payments following the standard procedure approved policies of the organization.

2.2.2.5. Account for all transactions following double entrysystem.

2.2.2.6. Preparation all necessary books of accounts and supporting register following the Manuals of the organizations.

2.2.2.7. All pay fixation, increments and auxiliary works upon approval of the Board of Directors.

2.2.2.8. Processing and passing of salary and allowances of the employees.

2.2.2.9. Processing staff advance and adjustment of theadvances.

2.2.2.10. Take necessary initiative regarding VAT and Tax management as per govt. rules.
2.2.2.11. Preparation of monthly, quarterly, six monthly, annually financial statements.
2.2.2.12. Ensure the qualitative and correctness while preparation of financial statement within the time frame.
2.2.2.13. Preparation of the bank reconciliation statement in every month
2.2.2.14. Cost reimbursement of store and consumable items.
2.2.2.15. Necessary arrangement for depreciation of fixedassets.
2.2.2.16. Security of cash and bank balances.
2.2.2.17. Assist the Chief Executive, other senor project personals as per his/her requirement.
2.2.2.18. Assist; facilitate the external auditor in preparation of audited books of accounts.
2.2.2.19. Any other relevant functions as instructed by senior management

2.3 Internal Controls

2.3.1. **"Internal Control System**" means all the policies and procedures (Internal Control) adopted by the management of an entity to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. The internal control system extends beyond those matters, which relate directly to the functions of the accounting system.

2.4 Adoption of Internal Control

2.4.1. The Chief Executive from time to time may establish financial rules and procedures duly approved by Board of directors in order to improve the financial administration, good governance and accountability. Each head of department is responsible for the satisfactory functioning of the internal controls in the Organization. The internal controls apply to all the activities; ensuring that measures are carried out as agreed and the

2.4.2. Resources of **CPRD** is used effectively, in accordance with correct ethical principles and established agreements. The internal controls also include establishing internal routines for financial transactions in accordance with instructions from the donors and ensuring that the office employees follow these.

2.4.3. Sound internal control also requires establishing segregation of duties in such a way that ensures checking of one employee's work by another in the course of their routine works. Job description of each staff/officer shall be provided by the Organization at the time of joining the organization. Through the internal control systems, the management should ensurethat:

- Information is adequate and accurate.
- Resources of business are protected against losses resulting from theft, embezzlement or carelessness.
- Controls are in place over all phases of operation.

2.5 Segregation of duties and job description

2.5.1 This is a crucially important control activity (technique) that involves assigning job duties so that one employee can both perpetrate a misappropriation and conceal the misappropriation from timely detection. One major segregation of duties concept is that no employee should have more than one of the following types of job duties: maintaining custody over (access to) an asset, maintaining accounting records for the asset, and authorizing use of the asset.

2.6 Level of authority

2.6.1. By explicitly assigning authority limits based on job duties and position in the organization, this control activity limits an organization's exposure to inappropriate and improper activities. The level of authority that the organization has vested in each employee should be formally documented, and should be reviewed from time to time.

2.6.2. At present, the level of authority is determined as follows:

Activity	Extent of Authority	Authorized person
Financial Approval Authority	Full	Chief Executive
Procurement	Full	Chief Executive

2.6.3. Delegation of Authority may be changed or revised at the discretion of Board of Directors.

Chapter 3: Accounting Books of Records

2 Accounting Books of records

General

The accounting books and registers are important for recording financial transactions. These books and registers are treated as documentary evidence of financial transactions. The Accounts department of CPRD shall maintain necessary books of accounts and registers for recording the financial transactions and related information, manually or digitally.

The books of accounts and registers are important documents which should be maintained and preserved for proper documentation. CPRD should ensure that these are prepared carefully, avoiding over-writing, tampering, and unauthorized destruction / damage. Eraser/correction fluid will not be used. Correction entries will be initialed by an authorized person.

Depending on the needs of the organization, the Organization should maintain the following standard books and records:

Sl. #	Description	Maintained by	Checked by
1.	Cash Book		
2.	Ledger /General Ledger		
3.	Project wise cash book		
4.	Project wise ledger book		
5.	Daily petty cash statement		
6.	Receipt /Credit voucher		
7.	Payment /Debit voucher		
8.	Journal voucher		
9.	Cheque Register		
10.	Salary Register/Salary Sheet		
11.	Fixed Asset register		
12.	VAT register		
13.	TDS register		
14.	Advance register		
15.	Advance Requisition Form		
16.	Attendance register		
17.	Leave register		
18.	Staff Trip /Movement register		
19.	Store Register		

Sl. #	Description	Maintained by	Checked by
20.	FD-6, FD-2, and all NGO Bureau reporting		
21.	Monthly financial statements including budget variance statements		
22.	Quarterly financial statements including budget variance statements		
23.	Year-end financial statements including budget variance statements		
24.	Financial report to donors		
25.	Fund request and forecast to donors		
26.	All correspondence with banks		
27.	All correspondence with donors		
28.	All correspondence with NGO Affairs Bureau		
29.	All correspondence with government agencies and NBR		
30.	Other		

The frequency of recording transactions in the books and records will be as follows:

Activities	Frequency
Transaction – cash and non-cash	As and when it takes place
Adequacy of documents of transactions	For each transaction
Approval of transaction	For each transaction
Payee's acknowledgment	For each transaction
Receipt voucher	For each transaction
Posting to cash book	Daily basis
Balancing of cash book	Daily basis
Obtaining of bank balance confirmation	Monthly basis
Preparation of bank reconciliation statement	Monthly basis
Journal voucher	As and when it takes place
Adequacy of document of journal voucher	For each transaction
Posting to all types of ledgers	Daily basis
Balancing of all ledgers	Daily basis
Posting of fixed asset register	As and when it takes place
Posting to inventory register	As and when it takes place

Posting and balancing of advance register	As and when it takes place
Preparation of Trial Balances	Monthly/Quarterly/Yearly basis
Preparation of financial statements	Monthly/Quarterly/Yearly basis
Budget variance statement	Monthly/Quarterly/Yearly basis

3.1 Cash Book

The Cash book either maintained manually, is used to record all transactions made in cash or through bank. It is used to record the following types of transactions:

- ☐ All receipts in cash
- ☐ All payments in cash
- ☐ All receipts in the form of cheque/pay order/telegraphic transfer or any form other than cash
- ☐ All payments in the form of cheque/pay order/telegraphic transfer or any form other than cash

At the end of each day, the bank and cash balances should be extracted and the cash balance be checked against cash in hand. If the amounts are found correct and agreed, the concerned Accounts Officer should sign the Cash Book. At the end of each day, the Head of Accounts should review and sign the Cash Book for authentication.

The Cash Book must be totaled at the end of each month and balances of cash in hand and cash at bank extracted. The official authorized in this behalf to approve the expenditures should verify physical cash in hand. The Accounts Officer and the Approving authority must sign the Cash Book if it is agreed with the amount physically found.

3.2 Ledger /General Ledger

The ledger book will contain basic book keeping information from the main working books of account (Bank Book, Petty Cash Book). The Ledger book will have different pages for each category of income, expenditure, assets and liabilities and information is posted from the other accounting books into particular category. At the end of the month, a head-wise abstract will be prepared showing monthly totals of payment under each head.

3.3 Project wise cash book

These are maintained separately for each individual project.

3.4 Project wise ledger book

These are maintained separately for each individual project.

Supporting Documents:

CPRD will keeps files of the following original documents:

- Receipt or voucher for money received;

- Receipt or voucher for money paid out;
- Invoices – certified and stamped as paid;
- Paying-in vouchers for money paid into the bank;
- Bank statements;
- Journal vouchers - for adjustments and non-cash transactions;
- Payment Vouchers (PVs);
- Local Purchase Orders (LPOs)

3.5 Petty Cash Statement

A petty cash book will be maintained in CPRD by the Accounts officer to have small amounts of cash available for immediate payments of small amount of expenditures. Accounts officer will responsible for controlling the petty cash fund and documenting the disbursement made from the fund. Actual cash will spot-check and verify by the Senior Accounts Officer at least once per month. Accounts officer will reimburse the fund for any discrepancies.

Petty cash shall be maintained on an impress basis. At any given time, the cash and receipts in the cash box shall total the impress level. The level shall be maintained at BDT 10,000. All requests for petty cash must be signed by Senior Accounts Officer on a pre-numbered voucher. A check to replenish the fund will be issued when the fund is low and at the end of every month. The following cost will be paid from petty cash:

- Reimbursement of fares, and cost of local trip
- Adjustment of Advance
- Postage/stamp/phone and stationery & supplies
- Client conveyance, Carrying charges
- Utilities
- Meeting expenses
- Repairs and maintenance
- Casual staff
- Fuel
- Vat & Taxes deducted at source.
- Contingencies.

3.6 Receipts / Credit Voucher

This is one of the three types of vouchers used by the Organization. Any amount received in cash by way of grants, subscriptions, donations, or repayment of loans / advances, collection against dues, etc. shall be treated as cash receipt transaction.

Any amount received in the form of cheque / pay order / demand draft or in any form other than cash by way of grants, donations, interest, loans, or repayment of loans / advances, collection against dues shall be treated as bank transaction.

All cash or bank receipt transactions shall be accounted for through Credit Voucher.

3.7 Payment / Debit Voucher

Any amount paid in cash on account of incurring expenditure, purchase of assets, purchase of inventory, settlement of accounts or any other payment made by CPRD shall be considered as cash payment transaction.

Any amount paid by cheque, draft, pay order or account transfer on account of expenditure, purchase of assets, purchase of inventory, settlement of accounts or any other payment other than cash made by CPRD shall be considered as bank payment transactions.

All payment transactions shall be accounted for through Debit Voucher.

3.8 Journal Voucher

Journal Voucher is recognized as voucher for non-cash transactions, where receipt or payment of fund is not involved. Journal Voucher shall be used for transfer or adjustment of ledger account balances from one account to another account.

All account adjustments or transfer of general ledger account balances shall be recorded through Journal Voucher.

The Chief Executive and Head of Finance shall jointly authorize the Journal Voucher.

Preparation of journal voucher is necessary to record the posting of all financial transactions that are generally categorized as below:

- Depreciation of fixed assets
- Adjustment for shortfall, damaged or disposed of fixedassets
- Provision created for capital expenditure
- Provision created for revenue expenditure
- Adjustment for damage, shortfall, obsolescence in inventory accounting
- Adjustment of advances
- Accounting for income receivable
- Accounting of deduction of withholding tax andVAT
- All sorts of rectification entries for appropriatecorrections
- Other transactions not covered by any other vouchers

Adjustments are required at the end of financial reporting periods (quarter/year) to incorporate income and expenditures relating to the period concerned but not received or paid. On the other hand, some expenses may be paid, or some income may be received which do not relate to the concerned period. Inclusion of accruals and exclusions of advances are required to reflect true financial position of **CPRD** for the period concerned and to compare actual financial performance levels with those budgeted. These adjustments / accruals are made through journal vouchers.

3.9 Cheque Register/Bank Register

This register shall be maintained by the Finance Department for recording information relating to issue of cheques. The cheque register should contain the following minimum information:

a. Date of issue
b. Payees' name
c. Cheque number
d. Name of bank
e. Amount
f. Initial of approval officer

3.10 Salary Register/Salary Sheet

CPRD shall maintain a register for recording staff salary payment. It will contain the name of recipient of salary, designation, , basic salary, house rent, medical allowance, transportation allowance, income tax, salary deduction and other relevant information.

3.11 Fixed Asset Register

All fixed assets shall be recorded in the Fixed Asset Register soon after the purchase by affixing an identification mark for each individual item. The register should give details of each asset as follows:

- Asset ID number
- Date of acquisition
- Description of assets (including sl. no. on the assets wherever applicable)
- Unit
- Cost per unit
- Total value (cost) of the asset
- Location of the asset
- Condition of asset

3.12 VAT Register

VAT register shall always be maintained by the CPRD to control over the VAT deductions from suppliers and consultants. The deducted amount should be deposited to the Government Exchequer within the stipulated time.

3.13 Tax Deducted at Source (TDS) Register

CPRD shall always maintain TDS register to ensure control over deduction of income tax at source from payment. The deductions may be from the salary of staff members, suppliers, consultants etc. The deducted amount should be deposited to the Government Exchequer within the stipulated time.

3.14 Advance Register

An Advance Register shall have to be maintained to record advances given to employees. It contains information about nature of advances, installments and mode of adjustments, date of granting advances with probable date of complete adjustments.

3.15 Attendance Register

CPRD shall maintain an Attendance Register for the staff members, which contains information of office staff attendance for the purpose of administration.

3.16 Leave Register

This register will be maintained to record the leave availed by the staff members. This will contain information regarding name of staff, date and duration of leave, purpose and nature of leave etc.

3.17 Staff Trip/Movement Register

Movements of **CPRD** staff will be recorded in this register. This will contain information such as name, date and time of departure, return, destination, purpose, signature of the staff, remarks, etc.

3.18 Store Register

All inventory movements will be recorded in this Register which would contain information regarding quantity, price, and date of receipt and date of issue, name of recipient and source of materials, along with a separate column for total receives, total issues and total balances of materials and signature of recipient.

3.19 Reporting and correspondence with NGO Affairs Bureau

The Organization will submit all required reports, budgets and audited financial statements to the NGO Affairs Bureau, and will maintain files for all correspondence and submissions.

3.20 Monthly, quarterly and year-end financial statements including budget variance statements

The Organization will prepare periodic financial statements for the projects, on the basis of books and records maintained. Such statements will contain, as a minimum, Balance Sheet, Income & Expenditure Statement, Receipts & Payments Statement, Budget variance statement, explanatory notes and schedules, and cash and bank balances and bank reconciliation. These will be properly checked, approved and maintained in file.

3.21 Financial Reports to donors including fund request, forecast and other correspondence

The Organization will prepare and submit financial and other reports to the donors as per the terms of the agreement, and will maintain files for such reports and other correspondence.

3.22 Correspondence with banks

The Organization will maintain files for bank statements, bank reconciliation, and other correspondence with banks.

3.23 Others

The Organization will maintain such other books, records and other documents as considered necessary and appropriate for their purpose.

Chapter 4: Bank Accounts Operation

4. Bank Accounts Operation

4.1 General

Operation of bank account shall be determined by the prescribed guideline of CPRD constitution. Besides, the following management will be followed by CPRD Finance and Accounts department

4.2 Opening of Bank Accounts

The EC Committee of **CPRD** is empowered to authorize opening and closing of any bank account in the name of the Organization for its transactions.

Separate Bank Account will be opened for contributory fund (e.g. provident fund) as well.

An authorized person will be responsible to collect the bank statement or advice. Individual project accountant/organizational accountant is responsible for safety of Cheque books.

4.3 Mother Bank Account

Foreign grants / donation must be received through NGO Affairs Bureau approved bank account (Mother account).All other grants received from any source shall also be deposited into Organization's Mother Bank Account immediately.

4.4 Operation/Project Bank Account

The Organization, shall open operational bank accounts in any scheduled bank for day to day operation. The foreign grants received in above manner, shall be transferred to respective project accounts (operational bankaccount) for smooth and better functioning of projects/programmes/activities.

4.5 Bank Signatories

The CPRD Bank Signatories are:

4.5.1 Mother Bank Account

The Mother account will be jointly operated by the two signatories where the Chief Executive and Treasurer signature is mandatory. The signatories may be changed at the discretion of the MRDI Board.

4.5.2 Project Bank Account, Fixed deposits, etc.

The Operational/Project Bank Account, Fixed deposits account will be jointly operated by the two signatories where the Chief Executive signature is mandatory and Treasurer or any other EC member. The signatories may be changed at the discretion of the CPRD, EC.

4.6 Bank Statement and Bank Certificate

Collection of monthly Bank Statements along with Bank Certificate confirming bank balances at month end basis and relevant advice from Bank shall be the responsibility of Finance and Accounts department

4.7 Bank Reconciliation Statement

After collecting the monthly bank statement, the bank balance shown in that statement as of last day of the month must be reconciled with the balance shown in the bank book on the same day by preparing a Bank Reconciliation Statement. The bank reconciliation statement will be prepared by the Accountant and submitted for approval of the Executive Director/ Head of Accounts.

The bank charge or interest found to be not entered earlier should be entered in the bank book by preparing a voucher for the purpose.

Any credit for deposit / interest and debit for cheque issue or transfer not record in the bank accounts or Bank Statement shall be reconciled with book balance by adding or deducting from the closing balance shown in the Bank Statement.

A reversal entry should be processed for canceling the cheque issue entry if the cheque is found not presented within its validity period.

Any difference between bank balance and bankbook balance should be thoroughly investigated.

4.8 Cheque Recording Register

A Bank Register/Cheque recording register shall be maintained to record all cheques issued for payments. All cheque numbers should be verified to ensure that these have been registered in the statement and that cancelled cheques if any have been appropriately marked and held for Verification. Blank cheque and bearer cheque should not be issued or signed. All cheques issued should be account payee.

4.9 Cheque Counterfoil

While issuing cheques, the counterfoil of cheque shall also be filled with necessary particulars, e.g date of issue, and name of payee, amount, purpose and initials of the signatories.

4.10 Cancellation of Cheques

Any cheque issued but not presented for collection by the payee within six months from the date of issue, the bank shall be intimated in writing to treat it as cancelled. Accordingly, the Accounts department shall give reversal entry in the Bank Book and keep a note in the Bank reconciliation statement. Any loss or theft of the cheque or cheque book must be intimated to the concerned bank management as early as possible.

4.11 Cancelled Cheques

The word "CANCELLED" shall be written in the counterfoil as well as on the face of the cheque when a cheque is required to be cancelled

4.12 Ordering of New Cheque Book

Respective Accounts Officer shall initiate the ordering of new cheque book through a requisition. While receiving new cheque book respective Accounts Officer shall count the cheque leaves and satisfy himself that the numbers of cheque leaves are found in order.

4.13 Safety of Cheque Books

Accounts Department shall be the custodian of cheque book and shall ensure that cheque books are preserved safety. All cheque books should be kept in a safe place under lock andkey.

Cancelled cheques must be retained in the cheque book along with cheque counterfoil and marked **"Cancelled.**

Chapter 5: Budget and Budgetary Control

5. Budget and Budgetary Control

5.1 Budget

Budget is a predetermined statement of receipts and payments of an organization for a specific period, which includes projection of resources and estimated expenditures, required to achieve organizational goals in numeric terms. The purpose of preparing a budget is to ensure proper utilization of limited resources to their maximum potential, for which adequate planning, organizing and controlling are essential.

5.2 Budgetary Control

CPRD will follow the following guidelines for budgetary control system

5.2.1

In all cases expenditure will remain within approved budget unless the concern authorities revise it. It is important that all expenditures, irrespective of capital or revenue in nature, are to be kept within the budgeted allocation. However, circumstances occasionally may necessitate revision of original estimates to bring them in line with current condition. Finance and accounts personnel is to take corrective measures whenever variance in individual code wise budget targets is expected to occur and give satisfactory explanation to major deviation of financial budget targets.

5.2.2

Finance and accounts personnel are to analyze the entire budget situation on quarterly basis. The project coordinator will control the expenditure volume within the limit of the budgeted allocation. Written justification will be required for over expenditure up to 10%. Prior written permission will be required from the donor for over expenditure exceeding 10%. Prior written permission will be required from the donor or executive committee for any emergency expenditure outside the head of expenses of the approved budget.

5.2.3

A budget comparison report showing the budgeted allocation and actual expenditure must be prepared by the Finance and accounts personnel within the first week of the month. A budget line can be changed if necessary unless it is restricted by the donor. However, the executive committee has the exclusive right to add or subtract budgeted allocation depending upon the quantum of fund available.

5.2.4

The project coordinator will prepare an expenditure plan on the basis of annual approved budget and annual work plan along with showing a month-wise break-up of the projected expenditure.

Chapter 6: Advance Management

6. Advance

6.1 Purpose

Advances may be paid against expenses to be incurred for **CPRD's** official purposes, i.e. advances against travel expenses, program expenses and purchase of office supplies and materials. Advance covers for Travel, Project delivery, Vendor, Landlord, and Miscellaneous costs

6.2 Advance Management

Concerned staff through money requisition can initiate advance against any operational cost which will be verified by finance manager, assigned project staff and approve by the chief executive.

Adjustments against advance for conveyance will be made within 7(seven) days after completion of tour & submission of trip report. In case of advance to carry out day to day activities, advance should be adjusted within 3 days from the date of advance. Expenses incurred against the advance will be adjusted subsequently and approved. No further advance will be made unless the previous advance is adjusted.

6.3 Report on Advance

The Head of Finance shall be held responsible for closely monitoring the advance issues and reporting to the Executive Director on a periodic (i.e. quarterly) basis.

Chapter 7: Fund Management

7. Fund Management

7.1 Fund Receive and Payment

7.1.1 CPRD will receive funds from the donors according to agreement and other sources of fund like social contributors, member's subscription, donation, service charge, Consultancy fee etc. by issuing money receipts.

7.1.2 All receipts are recorded in the related documents like cash book, ledger book through preparing credit voucher under appropriate head of account. All credit vouchers are supported by money receipts and other related document.

7.1.3 All received funds against NGOAB approval shall be deposited in the main bank account. Upon receipt all documents against receipts, the finance and accounts personnel verify the relevant documents to justify it. The credit voucher is duly signed and approved by the Chief Executive.

7.1.4 Officer designated to collect cheque from the Bank must have a letter signed by the authorized official, authorizing him/her to collect the cheque. Before releasing the funds, approval from NGOAB is required provided donation is received from foreign agencies.

7.1.5 Each receipt is acknowledged either through acknowledgement letter or a money receipt. All payment vouchers must be supported by the documentary evidence such as requisition/indent, quotation, comparative statement, where applicable purchase committee resolution, purchase order/work order, bill/invoice, cash memo, job completion certificate etc. and duly approved by the authorized personnel. Upon receipt a bill, the finance and accounts personnel will verify the relevant document to justify the payment and prepare a voucher to process the payment.

7.1.6 Chief Executive can approve any amount of Project fund. Any amount of Mother Account need to be approved jointly by the Chief Executive and the Treasurer of CPRD.

7.1.7 All bills received must be duly checked by finance and accounts personnel with relevant documents. No payment shall be made without the prior approval of the delegated authority/the Chief Executive, Treasurer, and Chairman. The bills and the invoice for payment shall be cancelled by affixing the stamp "PAID" and shall be dated. All payments must have the supporting documents as its attachments. All payments must have the supporting documents as its attaching. All payments shall be recorded in cash books and other relevant documents. Payments voucher shall be prepared correctly and it must be signed by the person who prepare, checked, and approved

7.2.1 MANAGEMENT OF UNUSED FUNDS

7.2.1.1 CPRD will transfer funds to the recipient that have not been spent at the end date of the project implementation are to be repaid in donor's issuing currency after the approval of the final financial report, along with any earned interest or gains from exchange rate fluctuations on those unspent. This process also subject to NGOAB approval. The fund transfer of donor funded projects subjects to the donor requirement or terms and condition.

Chapter 8: Cash Management and Disbursement

8. Cash management and Disbursement

8.1 In order to avoid the misappropriation of cash, CPRD will follow below cash management Procedures.

8.1.1 Accounts personnel must ensure and keep in mind that the maximum closing cash balance in hand cannot exceed BDT 20000 after the day transaction. Excess of said amount for any valid reasons, the amount is kept in the main safe under lock and key. Each day, all cash receipts and payments are entered into the cash book daily basis. At the end of each day after making all transaction finance and accounts personnel shall count the cash physically and shall confirm the balance with the Cash Book. The Chief Executive shall verify the cash balance and cash book at the end of each month and put his signature. S/he may verify the cash balance and cash book at any time to ensure the books are maintaining appropriately.

8.1.2 Any payment exceeding BDT 15000 (Fifteen thousand) must be made through an Account Pay Cheque. If need to pay in cash more than BDT 15000 (Fifteen thousand) it can be done only after getting approval from the Chief Executive. In this situation a special note will be required.

8.1.3 For withdrawal of money from the bank account for working cash or for any operational expenses, money requisition must be approved by the Chief Executive. All cash receipts must be deposited in the bank account as soon as possible immediately after receipt cash. If not possible for any valid reason, that must be deposited into bank account by following working day. Cash should be kept in safety place under lock and key. Key must be kept with cash responsible person.

8.2. Petty Cash

8.2.1. A petty cash book will be maintained in CPRD by the Junior Accounts Officer to have small amounts of cash available for immediate payments of small amount of expenditures. Junior Accounts Officers officer will responsible for controlling the petty cash fund and documenting the disbursement made from the fund. Actual cash will spot-check and verify by the Senior Accounts and Admin Officer at least once per month. Junior Accounts Officer will reimburse the fund for any discrepancies.

8.2.2. Petty cash shall be maintained on an impress basis. At any given time, the cash and receipts in the cash box shall total the impress level. The level shall be maintained at BDT 10000. All requests for petty cash must be signed by Senior Accounts and Admin Officer on a pre-numbered voucher. A check to replenish the fund will be issued when the fund is low and at the end of every month.

8.2.3. The following cost will be paid from petty cash-

- Reimbursement of fares, and cost of local trip expenses
- Postage/Stamp and supplies
- Local Conveyance
- Utilities
- Adjustment of Advance
- Meeting expenses
- Repairs and maintenance
- Casual staff
- Stationeries
- Contingencies and others

Chapter 9: Salary Management

9. Salary Management

9.1 Appointment letter is issued to all permanent employees signed by the chief executive and employee by accepting of the terms and conditions set forth thereto. The appointment letter contains the initial salary, responsibilities, duties and the general terms and conditions.

9.2 Subsequent changes in salary, responsibilities, duties, terms or conditions of employment are communicated to the employee in writing. A personal file is opened for every employee. Copies of appointment letter and any other correspondence between employer and the employee are kept in this file.

9.3 Salary schedule of CPRD will contain the gross pay, advances, deductions and net pay will prepare by the finance officer, checked and verify by the finance manager or assigned project staff and approve by the chief executive r prior to the preparation of payment vouchers and the check.

9.4 Payment of salaries amount more or equal to BDT 15,000 will be made through Account Payee Cheque. All the staff members working at different offices of CPRD will be paid their salaries within 25-31th of that month.

Chapter 10: Store Management

10. Store Management

10.1. Store Management System

Store Section shall be responsible to maintain proper Store Register, where all receipts & issues of materials shall be recorded. This Section shall remain under the control of Accounts department.

10.2. Store Receipts

On receipts of materials, the storekeeper shall enter Stores Receipt No. on the Delivery Challan or Memo of the supplier of the Stores. Storekeeper shall check the challan with reference to Purchase Order. Purchase unit shall send a copy of Purchase Order to Stores Section when the order is placed to supplier for supply of any materials.

All materials purchased shall be entered in the Stores Ledger on the receipt side indicating clearly the date, quantity and price. The balance will be cast after every entry.

10.3. Store Issues

When any person in the organization requires materials She/he shall fill in Stores Requisition Slip. No material shall be issued from the stores unless there is proper Stores Requisition Slip duly signed by responsible officer or line Manager. Storekeeper shall enter on the issue side of the Stores Ledger the Issue slip assigning an issue NO. & date when any materials are issued against any Requisition.

Stores should be kept in a secured place where access of unauthorized personnel is restricted.

Chapter 11: Procurement Policy

11. Procurement Policy

11.1 Rules to follow for Product/ service purchase, construction/ innovation, development

11.1.1 Purchase Requisition and Budget Approval

11.1.1.1 Purchase requisition and appropriate budget must be submitted against each purchase.

11.1.1.2 Purchase requisition should be submitted to the budget holder associated with account department

11.1.1.3 Permission must be taken from the chief executive for all types of purchase.

11.1.1.4 Purchase requisition should mention clearly the name of the person or sector for whom or which the product/ service will be purchased.

11.1.2 Purchase committee with terms and condition

11.1.2.1 If purchase demand exceeds the amount of 25,000 BDT, A three members committee will be formed in combination of Programme and finance staffs and their TOR will be as bellow. This is subject to approval of EC and CE.

11.1.2.2 The committee will call for tender or quotation at different vendor/ supplier level. Tender-providers' their signature and along with mobile number are required in the office's copy of tender or quotation. The committee is responsible to submit an assessment report to The Chief Executive of CPRD for approval.

11.1.2.3 The committee is responsible to disburse work order/Purchase order on organization's letter head hard copy or soft copy with the sign of Chief Executive of CPRD.

11.1.2.4 The Committee is also responsible to ensure all Vat and Tax related issues during purchase (according to Vat, Tax Rules of Bangladesh Government)

11.1.2.5 The committee is responsible to confirm that all Financial Transaction above BDT 15,000/- (Fifteen Thousands) shall be made through Account Pay Cheque.

11.1.2.6 Associated vendor/ supplier should have government approved trade license along with their owner/ organization's account in public and private bank, which must be considered appropriate by the purchase committee. Moreover, they need to be registered by Vat and Tax authorities, or proof of regular Vat and Tax payment, and a recent copy of trade license should be attached with the revived copy of Work order. If any vendor/suppliers don't have trade license, they can be appointed with prior permission of the chief executive.

11.1.2.7 Vendor/ Supplier's tender or quotation will not be acceptable if it will be written in any other white paper rather than their official pad. While providing tender or quotation, the price of the products can be with or without adding VAT or Tax. In the final Purchase committee assessment sheet and while the vendor submit the bill, VAT/ Tax will be added accordingly.

11.1.2.8 At a particular date and time all the members of the committee should evaluate the tender or quotation and select the one on the basis of quality, price and energy efficiency of the product in a transparent method. If the committee don't get satisfied with the price, energy efficiency, they can cancel the tender/quotation. And the vendor/ supplier can't oppose the decision.

11.1.2.9 If the purchasing price is more than 25,000 BDT then two quotation and for more than 35,000 BDT three quotation are required. If necessary then the head of the purchasing committee and one other member of the committee can collect the quotation from the field. If the price exceeds the amount of 4 lakhs BDT, then it is necessary to give a purchase advertisement at national daily newspaper (in case of Dhaka) and local newspaper (in case of any other citied than Dhaka) or online advertisement portal. The papers and online portal have to be well recognized and approved by the chief executive.

11.1.2.10 The committee will make a comparative analytical report with necessary paper and will recommend the deserving tender/quotation with an assessment sheet in a meeting.

11.1.2.11 Any two employee can buy products without quotation if the price is within 25,000 BDT.

11.1.2.12 The power of tender or quotation assessment / providing notice/ approving bill is entitled to the chief executive.

11.1.2.13 In case of product purchase from branded products' showroom, quotation is not necessary but committee and notice are required.

11.1.2.14 Authorities have the right to cancel any notice without any reason. No one can make objections or refund application against any cancellation. This condition needs to be mentioned in all papers.

11.1.2.15 Product/ service can't be purchased from any vendor/ supplier who might be any employee's relatives (father, mother, brother, sister, paternal/ maternal uncle, paternal/maternal aunty, in-laws, cousins or any close neighbors).

11.1.2.16 Any employee of Finance and Accounts department (persons involved with financial activities) and audit department cannot buy any product/ service directly.

11.2 Before Bill Payment

11.2.1 After completing purchase

11.2.1.1 Accounts/ Finance/ Admin department should confirm bill, invoice and notice.

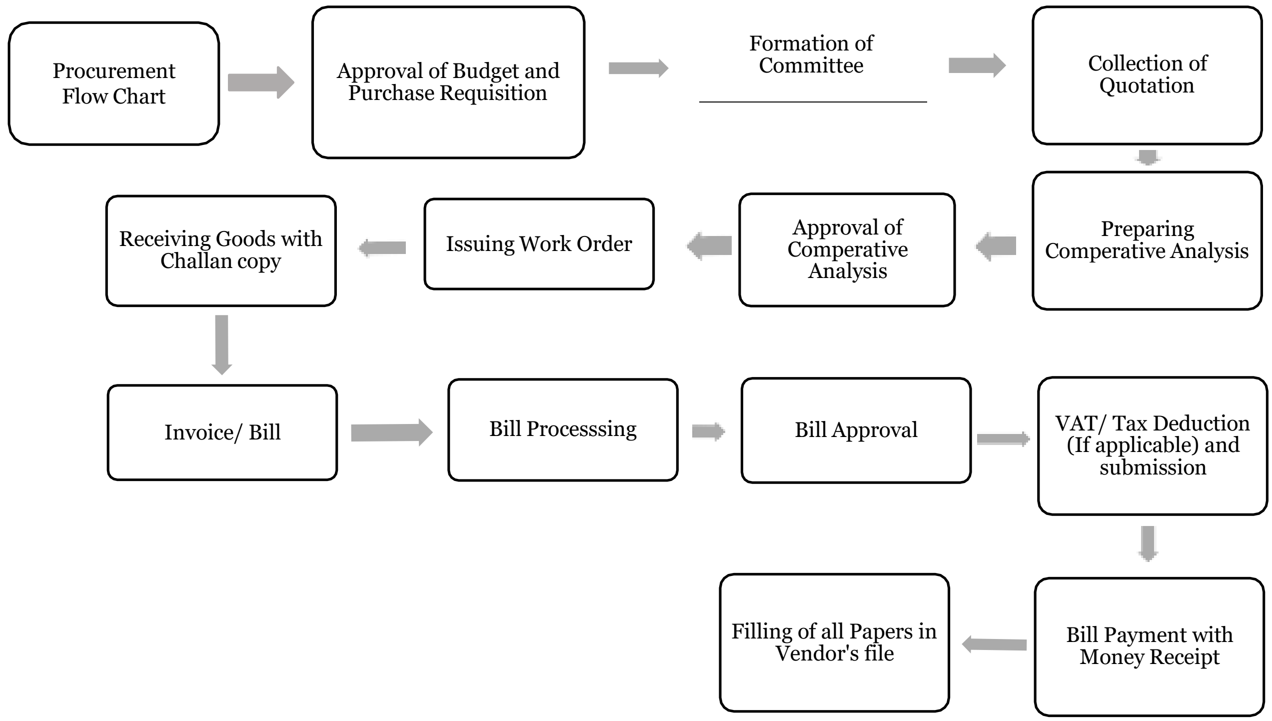
11.2.1.2 Admin department should check the quality of the product after receiving.

11.2.1.3 Vendor/ supplier must submit bill, invoice to the organization within 30 days of finishing duties; otherwise organizer has the right to cancel the bill.

11.2.1.4 Finance and accounts department must check whether the activities of the purchase committee is going according to the organization's policy or not, and whether any bill is repeated or not.

11.2.1.5 If the purchase is property relevant, then the admin departments duty is to check whether the property information is right or not, whether it is registered or not and to decide the id no. of the property.

11.2.1.6 Accounts/ admin department will check the following procedures-



11.2.1.7. Before submitting bill, accounts/admin department have to confirm the following documents-

i. Procurement Requisition,
ii. Committee Formation,
iii. Required Quotations
iv. Approved Comparative Analysis,
v. Work/ Purchase Order,
vi. Goods Receiving Notes,
vii. Invoice/ Challan,
viii. Bill processing and approval,
ix. VAT and Tax etc.

These above mentioned steps have to be completed accordingly.

11.2.1.8 Each bill amounting above BDT 15000 has to be submitted through A/C Payee Cheque with the name of the organization or associated owner.

11.2.1.9 According to suppliers/ vendors requests or terms and conditions and approval of chief executive, maximum 50% of the amount mentioned in the quotation/ tender can be paid as an advance. During the Bill Payment period, accounts department can only pay the whole amount if the suppliers/ vendor complete their 100% tasks as their quotation or tender.

11.2.1.10 After purchasing a product, it has to be documented in the store/ property register and in case of properties id no. has to be mentioned.

11.2.1.11 At last, accounts and finance department will end the process after mentioning the Cheque number and providing date, photocopy of the Cheque, Cut off Vat and Tax along with a signature on the bill.

11.3 Reserving Vendor/ Supplier's File

11.3.1 File has to be reserved separately based on the vender

11.3.2 After clearing the bill, only bill, money receipt, photocopy of cheque will be in the vendor's file. All main papers has to be reserved along with the accounting voucher

11.3.3 There must be a top sheet on the vendor file.

11.4 Selection of Annual Supplier (In terms of retail product purchase)

11.4.1 Providers can be selected at the division/district/upazilla level

11.4.2 Retail products mean- fuel, photocopy, stationary item, IT products (such as- printing katriz, keyboard, CD/DVD, mouse, pen drive, laptop charger, battery etc.).

11.4.3 Chief executive will form a three member committee, and those who will select provider for retail products; these will be expired after one year.

11.4.4 The committee will submit a report to the associated office supervisor after justifying product's quality and price twice a year,

11.4.5 Organization has the right to reject any supplier prior to 7 days of informing. This condition has to be mentioned in the contract agreement.

11.5 To Cut off VAT / Tax and Deposit Money

11.5.1 Vat/ Tax has to be cut off according to government rules. After giving the bill, the vendor/ supplier has to ensure money receipt and revenue stamp. If any supplier submit their VAT/ Tax through Government Treasury Challan, then no need to deduct VAT/Tax but the photocopy of submitted Challan must be kept in record.

11.5.2 The supplier's cut off Vat and Tax must be submitted at the required branch of Bangladesh Bank/ Sonali Bank through treasury Challan. For Vat it has to be within 15 days, for Tax it has to be within 1 month. The main copy of the Challan has to be reserved at the VAT/Tax's file and the photocopy has to be reserved with the accounting voucher.

11.5.3 The account and finance department has to pay the VAT/Tax through cash or cheque.

11.5.4 The accounts and finance department will inform all of the office staffs about the recent policy of government's VAT/ Tax related issues through proper circular.

11.5.5 In case of fulfilling donor agency's project, it is necessary to follow the donor agency's procurement policy. But while implementing a project, with prior permission of the chief executive, this policy can be modified as per required.

11.5.6 If any colleague or the purchasing committee violate any rules of the policy then proper actions, according to human resource policy, will be taken against them.

Chapter 12: Reporting and Audit

12. Reporting and Audit

12.1 Preparation of Report

Monthly financial reports will be prepared in CPRD by the finance and accounting personnel in the prescribed form and submitted to the chief executive within 7 days of the next month. Commencement Report, Midterm report, Final report etc., and all type of reports will be prepared as donors prescribed template within time frame.

12.1.1 Annual Financial Report

At the end of the fiscal year, the finance and accounting personnel will prepare the financial report and submit to the chief executive. The annual financial report includes the following

12.1.2 Receipts and payments account:

At the end of each month project wise receipts and payments account will be prepared on the basis of all receipts and all payments relating to each of the projects. A consolidated receipts & payments accounts for CPRD will prepare at the end of each month.

12.1.3 Income & expenditure account:

Project –wise income & expenditure shall be prepared to ascertain the excess of income over expenditure or the excess of expenditure over income on quarterly/half yearly/yearly basis.

12.1.4 The Balance sheet:

The position of fund, liabilities and assets on a specific date shall be presented through the balance sheet. It will be prepared on project-wise and a consolidated balance sheet of the CPRD will also be prepared.

12.2 Management Reports

Management reports shall be prepared monthly or at least every quarter in CPRD by finance and accounting personnel. These reports will produce so that managers can take decisions about the future management of the CPRD.

12.3 The Cash flow Report

The cash flow report will prepare for comparing of the cash flow forecast with actual receipts and payments each month, plus any new information about future spending or fund-raising plans. It will allow finance manager to predict periods when cash balances are likely to be insufficient to meet all commitments and any surplus funds during the year.

12.4 Chart of Accounts

CPRD 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. The Chart of Accounts (Accounts head or title) has been developed to allow separate tracking of individual programs, different program component and location –wise.

12.4.1 Main Accounts Heads (Example)

Fixed Asset

- ☐ Land and building
- ☐ Furniture and Fixture
- ☐ Office Equipment's
- ☐ Vehicles
- ☐ Office Decoration

Current Assets

- ☐ Cash in Hand
- ☐ Advance
- ☐ Earnest Money
- ☐ Cash at Bank
- ☐ Investment in FDR

Liability

- ☐ Loan from alternative source/s
- ☐ Payment to Contractors (Third Party)
- ☐ General Fund
- ☐ Provision for staff benefitsRevenue
- ☐ Sales of Handicraft
- ☐ Fund received from Donor
- ☐ Income from Bank Accounts
- ☐ Miscellaneous

Expense

- ☐ Printing and Stationeries
- ☐ Training venue rent
- ☐ Salaries

12.5 Audit

The chief executive will appoints audit firm enlisted by the NGO affairs Bureau to audit the accounts of the CPRD. Project accounts can be audited by donor selected audit firms both national and international. They can vigorously checking everything. Duration will set by the chief executive and selected CA firm through consultation.

An audit results will be in a report which gives an „audit opinion“ as to the „true and fair“ view of the state of affairs of the organisation and operations for the period. This audit report must be approved by the executive committee/Chief executive of the CPRD and project audit reports are shareable within concerned donors.

12.6 Annual Return

All the returns including annual returns must be submitted to the Registrar of Joint Stock Companies (If applicable), NGO Affairs Bureau and respective Donors in the stipulated time. The Head of Finance will ensure compliance of all the formalities in this regard.

12.7 Internal Audit

The Organization should introduce internal audit to ensure best practice, continuous monitoring and compliance. Internal audit will be carried out by a designated employee of the organization. Internal auditor will be completely independent from the day to day activities of the organization, and the auditor will report directly to the Executive Director and the Board. Internal audit should be carried out with a proper plan, audit programs, reporting templates, and adequate and timely follow-up of reported issues.

12.8 Internal Control System

The Chief executive may assign a staff to check the accounts internally for minimizing the possibility of fraud or irregularities or misappropriation of fund. The person will conduct internal audit who is not involve with handling cash, transaction recording, voucher preparation, fund receive and disbursement.

The Chief executive may form a committee comprising 2 (two) members for physical inventory counting and checking. The finance manager will serve as a convener. The committee shall do this job once in each year. The committee will submit the report within stipulated date & time. Required adjustment of any inconsistency shall be made having approval from the Chief Executive or delegated authority.