Financial Policy 2017

SOUTH ASIA CENTER FOR media in development

promoting dialogue between government, media & citizen

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Purpose of the policy

Financial management is concerned with the acquisition, financing and management of assets with certain overall goal in mind. Thus, the decision-making function of financial management can be split into three major areas: Project operation, financing and management decision.

The policy presents the standard procedures of financial management of SACMID. This is the guiding rule of SACMID which serves the interest of all its stakeholders. This Policy will be used as the roadmap to implement the standard provision in terms of financial management covering book-keeping, accounting and administrative system. Proper management in finance is also imperative for quality implementation of the projects.

Each section of this policy defines the procedures of financial management. However, not all aspects can be incorporated/ defined. As such under special cases management shall try to remain true to the intent of interest of the beneficiaries/ stakeholders of the Project.

However the main purposes of the policy are as follows:

a. To ensure safe guarding of organization's asset
b. To maintain national and international standard books of Accounts, financial system, rules and procedures there into;
c. To formulate financial policy for effective implementation of the program and projects;
d. To ensure appropriate utilization of the financial resources to establish accountability and transparency as per protocol;
e. To develop a standard AIS (Accounts Information System) for efficient program monitoring at all levels;
f. To practice an accurate financial reporting system for quality service delivery for all stakeholders etc.

1. Commencement and updating of policy

a. <u>Commencement of the policy</u>

This policy will be effective as per decision of the BoT which will gradually improve the capacity of SACMID and shall be applied to all financial transactions of SACMID's projects undertaken by Head Office of SACMID.

b. <u>Process of updating policy</u>

This policy is not a static document; it is expected to review and update time to time to be a living and evolving document. It is to be assumed that the accounting system of an organization that reflects its Policy is also updated/ modified with approval of BoT on a periodic basis. Changes of the Policy shall be notified to all concerned. Time to time changes of policy as per need will be circulated through sequential number of office memo by CEO/Director which will be approved in the forthcoming BoT meeting. Policy will be updated after five years of implementation.

2. Accounting Principles & Policies.

Key principles of financial policy are Accountability, Security, Transparency and Development of SACMID**.**

a. <u>Basis of Accounting</u>

The financial statement will be prepared in accordance with Generally Accepted Accounting Principle (GAAP) under the historical cost convention and comply with International Financial Reporting Standards (IFRS) as adopted by the Institute of the Chartered Accountants of Bangladesh (ICAB). It shall follow the double entry system of book-keeping for recording and accounting of its financial transactions. The organization will primarily follow cash basis accounting and periodic accruals as per requirement of the organization and donors. But complete accrual basis of accounting will be followed after the growth of the organization.

b. <u>Accounting Period</u>

The accounting year of SACMID shall be the Gregorian calendar year, i.e. from January 01 to December 31 for the organization. But the accounting period of donor based project will depend on donors' guideline.

3. Accounting Concepts & Terminologies

a. <u>Accounting Theory</u>

Accounting is the process of recording, measuring, interpreting and communicating financial data. Accounting is the set of principles and procedures of book-keeping, analysing and interpreting the events which affect the financial condition of an organization.

b. <u>Accounting</u>

Accounting is the set of principles and procedures for financial book-keeping, analysing and interpreting the events which affect the financial condition of an organization.

c. <u>Book-keeping</u>

Book-keeping is the process of recording and classifying transaction in terms of money or some other units of measurement in the books of accounts.

d. <u>Double entry book-keeping</u>

The recording of transactions that require entries to at least two accounts. Every financial transaction is reflected in offsetting debit and credits, where debits are always equal to credits.

e. **Accrual Accounting**

Accrual accounting – “attempts to recognize non-cash events and circumstances as they occur and involve not only accruals but also deferrals, including allocations and amortization. Accrual is concerned with expected future cash receipts and payments”. It is the accounting process of recognizing assets or liabilities, revenues, expenses, gains or losses for amounts to be received or paid, usually in cash in future.

f. **Account**

An account can be defined as a classification or storage unit utilized to group and summarize money measurement of an activity. An account is a formal record of particular type of transaction expressed in money or other unit of measurement and keep in a ledger.

Types of accounts are as follows:

a) **Nominal Accounts**: Revenue, expenditure, gain or loss accounts

b) **Real Accounts.** : An assets, liabilities or net assets account.

g. **Transaction**

Transaction – event or happenings that change the financial position or earnings of an entity. Transactions should be recorded in journal by a voucher and then posted in a ledger.

h. **Rule of transaction**

For every debits entry, there must be a corresponding credit entry that is equal in amount, which is called double entry system.

a) The rules for transaction to accounts are:

- A Debit is defined as an entry on the left hand side of the account.
- A Credit is defined as an entry on the right hand side of the account.
- Assets and expenses account always have zero or debit balance
- Liabilities, net assets/capital fund and revenue accounts always have zero or credit balance

b) The rules of debit and credit are illustrated as below:

Debit	Credit
Increase assets	Decrease assets
Decrease liabilities	Increase liabilities
Decrease net assets	Decrease net assets
Decrease revenues	Increase revenues
Increase expenses	Decrease Expenses

i. **Entry**

An entry is the record in books of account or other accounting documents of the effect of an operation or transaction.

j. **Posting**

Posting is to transfer and amount to a ledger from a book of original entry or from a source documents. Posting – the act of transferring journal recorded transactions to the record of the General ledger (the Subsidiary Ledger, if applicable)

k. Adjustment Entry

Adjusting Entry – known as adjustment journal entry and it is made through Journal Voucher (JV).

- Accounting entry is made at the end of an accounting period to bring accounts up to date on accrual basis of accounting.
- A correcting entry is to correct a previous entry

l. Closing Entry

Closing entry is an entry and series of entries to reduce the balances of nominal accounts to zero in order to prepare the accounts for next period's transactions.

m. The accounting procedure of the SACMID finance section will function as follows:

Day-to-day Operation	Implementing Procedure
Transaction – Bank, cash and non- cash	As approved by the Authority
Approval (Paid by, Checked by and Approved by)	For each transaction as approved
Payment voucher (Business voucher)	For each transaction as approved
Payee's acknowledgment	For each transaction as approved
Receipt voucher (Business voucher)	For each transaction as approved
Posting to cash book	Daily/transaction day
Posting to ledger	Weekly basis
Petty cash book	Daily basis
Preparation of bank reconciliation statement	Monthly basis
Accounting Voucher (Debit,Credit,Journal Voucher)	As approved
Posting of fixed asset register	Following any procurement done
Posting of stock registers	Following any procurement done
Balancing of stock registers	Following all receipts and delivery
Posting and balancing of advance registers	Following any transactions made
Monthly report (Budget variance, Receipts and Payment accounts, Bank reconciliation, Bank balance report)	End of the month
Project Completion Financial Statement	End of the project
Preparation of Trial Balances	As per closing date of projects and programs
Preparation of Income and Expenditure Account for Project wise	As per closing date of projects and programs
Preparation of Financial Statement(R&P Statement,I& E Statement, Balance Sheet and notes to the accounts)	As per closing date of projects and programs

4. Chart of Accounts

The broad areas of expenditures are divided into major three parts:

a. Administrative cost

b. Program support cost

c. Program Cost

5. Internal control & Delegation of authority

i. Internal control: Internal Accounting controls assist in the preparation of fair and transparent reports and the preservation 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 SACMID. The essential elements of internal control are as follows;

a. Same persons will not be responsible for a series of accounting tasks like preparation of voucher, preparation of cheque, payment of expenses or receipts of revenues, review of bills and invoices and approval process. Rather, the responsibility will be segregated for at least two persons and even better for more than two persons.

   Such as,
   - One person will be responsible for preparation of voucher and cheque, payment and cashbook entry.
   - Second person will be responsible for review the bill, invoices and records and confirm ledger posting.
   - Separate individual (usually approval authority as per delegation) will be responsible for approval.

b. The organization will ensure plan with particular reference to the allocation of Staff functions appropriately and authorization, recording and custody procedures including internal verification.

c. Internal control also includes managerial supervision and reviews including audit.

ii. Delegation of authority

To perform day to day operation smoothly in a systematic manner the authorities are delegated to different positions which will be followed by the SACMID staff strictly. The delegation of authorities is as under:

Sl.	Activity	Reviewed by	Checked by	Approved by	Remarks
1	Voucher	Program /Project Head/ Director	Head of Finance	Director	
2	Top sheet of bill	N/A	Head of Finance	Director	
3	Bill/invoice	Immediate supervisor / Program/Project Head or Director	Concern Finance Person/ Head of Finance	Program/Project Head/ Director	In case of the bill of Director that will be reviewed by Head of Finance and approved by the
4	Advance Request	Immediate supervisor / Program/Project Head or Director	Concern Finance Person/ Head of Finance	Program/ Project Head/ Director	
5	Store Requisition (SR)/Purchase	Immediate supervisor	Concern Finance Person/	Program/Project Head/ Director	

	Request (PR)/ Goods or Services Delivery Note (GDN) etc.		Head of Finance		chairperson of the BoT
6	Leave	Immediate supervisor of the applicant	Administration	Director	
7	Project Budget	Program/Project Head	Head of Finance	Director	
8	Annual Organizational Budget	All Head of Programs/ Projects	Head of Finance	Director as well as BoT	Director must obtain approval from BoT
9	Annual Accounts	Program/Project Head	Head of Finance	Director	BoT will be informed and get a copy through Director

iii. Definition of Initiator, Paid by, Checked by, Prepared by, Reviewed by and Approved by :

- **Initiator** : Who requests for action
- **Paid by** : By whom the expenditures will be made
- **Prepared by** : By whom the accounting vouchers will be made
- **Reviewed by** : By whom the expenditures will be verified
- **Checked by** : By whom the expenditures will be checked with the compliance of budget and its code.
- **Approved by** : By whom the expenditures will be approved.

In case of any other issues that arises Director will take decision upon his discretionary authority.
The following sequence will be followed by SACMID staff to review, checking and approval of any item. The sequence is mentioned as below;

Initiator ⇒ **Supervisor for review** ⇒ **Head of Finance for Check** ⇒ Director **/Program Head for Approved**

6. Bill approval and Payment procedure

a. <u>Approval Procedure</u>

i. Initiator will check that a bill contains date, amount in figure and word, detail description of the items as particulars, name and address of the vendor/shop, signature of the vendor;

ii. If the bill has already paid and now placed for reimbursement that bill must contain paid seal or in written from the vendor. It is better to mention **<u>Taka…. Received in cash</u>**or in Bangla<u>“নগদ ...... টাকা বুঝিয়া পাইলাম”</u>;

iii. The bill must contain the signature of the initiator mentioning the detailed purpose of expenses and charging code/instruction in the opposite page of the bill or in the front page without damaging any information of the vendor/service provider in the bill;

iv. If the bill is more than one, there must have a top sheet mentioning the charging code, bill serial number and amount by the initiator;

v. The initiator will submit the complete bill to the supervisor or to the review authority for REVIEW and then to the finance for CHECKING and then to approval authority for APPROVAL and payment confirming the entry in the "Bill Register";

vi. SACMID will maintain a bill register specimen of the register is as follows:

Name of Vendor: ________________

Dt of Entry		Bill No	Submitted by	Amount	Dt of Payment	Voucher No

vii. Finance Section will make a thorough checkup of the bill and be confirmed about budget provision and its appropriateness;

viii. Then the Finance Section will prepare voucher, cheques or cash for payment;

b. <u>Payment Procedure</u>

i. During payment Finance Section will ensure Revenue Stamp for a bill of more than Tk.399 or as per Govt. rulesand VAT & Taxes as per Govt. rules;

ii. Every payment must have acknowledgement of the receiver in the voucher or in the photocopy of the cheque or in the top sheet of the bill as "payment received by". Money Receipt must be obtained from the vendor/service provider against payment. In case of absence of Money Receipt a computer generated acknowledgement may be obtained;

iii. Payment of bill to the staff will usually be done within seven working days after found everything okay based on availability of approval authority and cheque signing authority. And for the vendor payment this period may be extended up to 15 working days depending on the availability of fund and approval authority;

iv. All the bills of the expenses must be claimed within one month of the event and exceed not the quarter by anyway.

v. SACMID will try to pay through crossed/account payee cheque as much as possible. However, all payments above TK.5,000/- are to be made through "**crossed/account payee cheque or DD** only". But cash cheque will be allowed to the payment of govt. Vat, Taxes, fees, Electricity bill, Telephone and others utilities etc. In any case of emergency needs it can be paid through cash/open cheque [up to the amount of taka 20,000] by getting the approval of CEO/Director. If the ceiling exceeds, the amount will be approved by the Treasurer and Chairperson.

vi. Advance payment to staffs of SACMID for Tour, Program, purchases etc. will be done through cash or through bearer cheques;

vii. Payment of bill and internal payment within Tk.5,000 will be made from petty cash. For payment of above Tk.5,000 which is related to staffs own bill will be done through A/C Payeecheque;

viii. Single voucher will be prepared for a single party in a day whether he/she has expenses for variety of heads. It avoids payment to a single party for several items/variety of expenses.

ix. Advance or Travel expenses claiming or same nature of payment of several persons can be done through a single voucher with a top sheet containing serial number of bill, name of payee, amount as per payee and signature of payee;

x. A payment voucher should contain the following:

Name of payee, date, voucher number, particulars of expenditure, head of accounts, detail break down of expenditure as per heads of account, total in figure and word, prepared by, reviewed by, approved by and received by signature;

xi. After fixing the Revenue Stamps it must be signed over or crossed appropriately;

xii. After the payment the "PAID" seal must have to be ensured.

c. <u>Accounts Payable</u>

i. Accounts payable entry will be made through Journal Voucher (JV). It will be applicable when any payment (cash/bank) will not be made but needs to be shown as expenditure at the end of a particular period.

ii. In respect of preparing the accounts payable voucher, the work order/invoice has to be kept as business voucher along with JV as accounting voucher.

d. Accounts Receivable

1. Accounts receivable entry will be made through JV. It will be applicable when any amount yet to receive by cash/bank from the third party but needs to be shown as receivable at the end of a particular period.
2. In respect of preparing the accounts receivable voucher, the work order/invoice/ agreement/MoU has to be kept as business voucher along with JV as accounting voucher.

7. Budget and Reporting

i. Annual Budget of SACMID will be drafted by Project Heads in consultation with Head of Finance. After drafting of the budget CEO/Director will review it and submit to the Treasure of BoT. Treasure will present it to BoT for getting final approval.

ii. Head of Finance will prepare budget variance report at least on quarterly basis and inform to relevant program heads with a copy to CEO/Director for their response and corrective measures.

iii. Budget variance report including overall performance of the organization will be informed to BoT on quarterly basis.

iv. All sorts of documentation will be kept properly for future reference.

8. Cash Management

i. SACMID will maintain a central impress petty cash system with an initial amount of Tk. 10,000(Ten thousand only). A separate petty cash register or cashbook will be maintained on daily basis transaction.It will be prepared by Accounts Asst. /Officer and will be approved by Finance Coordinator.

ii. Petty cash in hand must be kept in a secured place and will be locked properly.The key custodian will be concerned finance official.

iii. Petty cash payment voucher will entry in petty cash book day basis through top sheet. During adjustment of central petty cash amount the relevant voucher will be charged under the concern project budget head line. That means that no need to maintain the petty cash accounting voucher separately.

iv. A single bill up to Tk. 5,000 (Five thousand) can be paid through petty cash.

v. The entire petty cash bill must be properly reviewed, checked and approved before payment.

vi. Petty cashier will close the petty cash book on daily basis for the transaction day and money denomination sheet will be prepared for the balance amount in hand.

vii. No refundable amount of advance will be kept in hand instead of depositing to the bank within the day. If banking hour is missed the advance adjustment will be done for the next day. The balance amount of advance will be kept by the advance receiver not the cashier.

viii. Every Cash/Cheque receipt must be done against issuance of pre-numbered Money Receipt.

ix. Bank book will be closed on daily basis, make balance and signed by the book keeper and the supervisor.

x. A surprise cash audit must be done by other than the person involved with cash who will describe/mention the status in written form.

xi. Petty cash float will replenish from main cash as soon as the float amount has been exhausted/used up or at least once in a month.

9. Bank Management

i. Principles of SACMID Bank Account Operation Systems

a. SACMID will maintain a Principal Bank Account (Mother Account) as per NGOAB regulations (where applicable). All foreign donations will be received through the Mother Account.

b. Following receipt of any foreign donations, the amount will be transferred from the Principal Bank Account to the respective project bank account which will be opened as per approval of BoT.

c. The Principal/Mother bank (for foreign grants/donation) operated under a joint signature of any two: either Chairperson or Treasurer and Director of the Board of Trust where the signature of Director is mandatory.

d. In case of organizational need the mother/any other the project account may be shifted to any scheduled bank following the decision of BoT.

e. Separate Bank Account may be opened for all other projects and programs including SACMID sustainability and staff welfare funds (if any) to be approved by BOT and the operation of these bank accounts will be determined by BOT.

f. CEO/Director can change any signatory of bank account or close or open or amend any instruction if deemed necessary other than Mother A/C.

ii. Safety of Cheque Books

Cheque books must be kept with Head of Finance, S/he should ensure to keep these in a safer place, under lock and key.The key custodian will be Accounts Officer of the organization. For safety of Cheque book, Cheque Register shall be maintained with the following details:

a. Date of Issue
b. Cheque serial number
c. Name of recipient
d. Recipient Signature
e. Purpose/head of payment
f. Signature of the joint signatories

iii. Bank Reconciliation

A Bank Statement should be collected from respective Bank at the end of each month. Bank Reconciliation Statement must be prepared in every month for every bank where there is any deviation or not.

a. A separate file will be maintained for Bank Reconciliation for each bank.

b. Signed reconciliation statement will be kept in the file on monthly basis.

c. 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.

d. Bank statement must be kept in the respective file.

e. All the relevant documents like signature card, meeting decisions of bank account opening and time to time instruction to bank must be kept in the respective bank file.

iv. Payment through bank

a. All cheques are to be signed by joint signatories. Only those persons who are authorized to prepare or supervise the preparation of cheques will have access to the cheque book.
b. Cancelled cheque will be kept with the cheque book mentioning CANCEL; the reason of cancellation must be written in the cancelled cheque.

v. Maintenance of Bankbook/Ledger

a. Bankbook will be updated, maintaining balance and signed by the keeper on daily basis.
b. Head of Finance will review the transaction (bank & cash) of bankbook and will be signed on daily basis.In absence of her/him the in-charge will ensure it.
c. Bank book will be kept in safety and secured place.
d. Only the keeper and the supervisor/head of finance have the access.
e. No ink or fluid will be used in respect of correction into the bank/cash/ledger.Any correction in the bankbook(e.g.over writing) must be validated by putting initial
f. Ledger :
    - To maintain for budget line
    - To make entry on daily/weekly basis
    - Debit/Credit has to be written properly as per accounting voucher(Dr/Cr/JV)
    - Balance of budget line has to be written

10. Advance Management

a. There are three types of advance. Such as;
    - Program/Project Advance
    - Travel Advance
    - Mini purchases /Miscellaneous Advance

b. Staff will submit advance request to accounts after filling-up all the required cells of the format and obtain approval from the authority.

c. Ceiling for travel advance will be as per actual requirement.

d. For office rent the ceiling will be maximum for six months' rent.

e. Usual practice for advance request will be made through 48 hours (except holiday) prior to receive. For emergency and exceptional case advance could be given depending on availability of approval authority and fund.

f. After the advance payment,it must be recorded/written in Advance register.The format is as follows:

Advance issue				Advance adjustment					
Date	Issue to	Cheque Number	Amount	Issue to	Voucher amount	Cash return(if any)	Adjusted amount	Balance	Signature

g. Travel, Program and Miscellaneous advance will be adjusted as soon as the program is completed and it must be within the 3 working days of the program completion.

h. Need to avoid providing advance those are possible to pay from office/accounts.

i. As soon as advance is adjusted that must be posted in the ledger and in the register.

j. The advance form and register will keep a cell for mentioning the exact last date of advance adjustments per policy.

k. Advance holder will be responsible for expenditureand adjustment of bill/advance.

l. The outstanding advance will be monitoredon fortnightly basis by the Head of Accounts and inform Director the status. Disciplinary actions will be taken for those are not adjusted the advance duly without any valid reason. If there is valid reason that must be noted down having approval of Director. And disciplinary action can be taken by the Director /Supervisor for delaying without any valid reason.

m. A separate sheet in the register will be maintained for each staff.

n. Second advance will not be provided until adjustment of the first advance. For any exceptional case with sufficient note for records and approval of Director, second advance could be given which will not be the regular practice.

o. If any activity has been postponed after partially completed the rest amount of advance and the bills can be adjusted having approval from appropriate authority as per delegation.

p. In case of emergency, advance for the second time can be given after submission and adjustment of bill with rest amount of 1stadvance (if any) to the accounts. In that case justification must be written in the second advance request.

q. The advance request form has the option of obtaining clearance about previous advance from finance.

r. No refund amount of advance will keep in hand rather deposit to the bank within the days. If banking hour is missed the adjustment of advance will be done for the next day. The balance amount of advance will keep by the advance taker not the cashier.

s. Every cash receipt against advance must be issued a pre-numbered Money Receipt.

t. Single voucher could be prepared for several advance payment and adjustment within the same date maintaining a top sheet having serial number, name, amount, signature etc. of the receiver/depositor.

11. Fund Management

a) SACMID will receive funds from various development partners from home and abroad. The fund will be managed according to the following procedure:

i. SACMID now receives its funds from different development partners from home and abroad and from different local sources like contributions, donations, service charge and sales of training manuals, publications etc.
ii. SACMID will promote fundraising program through resource mobilization and formulate sustainability fund for strengthening future programs. In such case reserve fund will be formulated and FDR will be maintained with any scheduled banks having approval of BoT.
iii. All funds should be received through SACMID Bank account (Mother A/C in case of receiving foreign currency.
iv. All receipts should be recorded in the related documents like cash/ledger book, control ledger through preparing Credit Voucher under appropriate head of account. All Credit Vouchers should be supported by money receipts and other related documents.
v. All approved funds (Receipts as donation through NGO-AB) should be deposited in the Principal/Mother Bank account of SACMID.
vi. Funds once received in Principal/Mother Bank account from different development partners against approved Programs/Projects should be transferred to the separate project/program bank account as per decisions of BoT.
vii. Interest gained from bank accounts in respect of donor funded project account shall be posted in Books of Accounts as per ToR and/or further negotiation with the development partners.
viii. Bank Charge should be charged from the respective project. When the charge deducted by Bank from Mother, that will be shared by project accounts on proportionate basis.

b) Fund Utilization and procedure of payment

SACMID will disburse fund from its project/program funds for implementing the activities of programs/projects as per approved annual Plan of Operation. A money requisition should be prepared by the Finance unit, which is to be approved by SACMID following the recommendation of concerned Project heads.

12. Procurement and its Management

Since SACMID is expanding through different projects/programs, various products and services from suppliers or service providers from home and abroadare required.

SACMID has prepared a separate procurement policy and will use the same after having approval of BOT **[Will be provided].**

13. Inventory Management

'Inventory' means all tangible items owned, such as office supplies/stationery, vehicle spare parts, project material/equipment, fuel, vehicle, furniture, fixture and equipment etc.The Inventorywill be verified physically and be checked with stock/asset register.

The term 'Inventory Management' is the process of managing the proper record keeping of tangible assets including receipt, issuance, balancing, accounting, ensuring adequate supporting documentation, controlling, monitoring and proper safeguarding.

Conducting Inventory:

The following format will be used in conducting Inventory:

SL	Name of Item	Stock as per the register	Stock physically found	Variance if any	Reason for variance

It will be conducted in every six months afterword. In any loss or damage, there should have appropriate justification.

14. Assets Management

1. **Definition of Assets:** Assets are defined as resources of an entity. They will be owned either as physical object or right having economic value to its owner.
2. Types of assets:
   a) Fixed Assets and
   b) Current Assets.

a) **Fixed Assets-**the items with physical substance, with a life of more than one year and acquired for use in the operation of the organization valued more than Tk. 1,000. Fixed assets are also known as non-warehoused items.

Types of fixed assets are as follows;

Types of Assets	Definition /Example
Land	--
Building and other constructions	--
Furniture and fixture	Chair, Table, Conference table, Fan, Desk table, Sofa sets, Fire Extinguisher, File cabinet, Water Filter etc.
Vehicle & Motorcycle	Vehicle includes Motorcycles, Four Wheel, Bi-cycle Trolley, Engine boat, etc
Electronic Equipment	Electrical Equipment and tools Computer, Printer, Photocopier, Generator, Fan, AC, Refrigerator, IPS etc.

b. **Current Assets-** assets include cash and other assets which are reasonably expected to be realized in cash, delivered or consumed during the normal operating cycle of an entity within one year.

Office supplies and stationery, as well as project materials are also current assets and known as warehoused Inventory. They are usually procured as per the requirement of the project and directly charged as expenses.

3. **Depreciation**

a. SACMID 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:

SL	Name of the assets	Rate of depreciation
1	Land	0%
2	Building & others construction	5%
3	Furniture and fixture	10%
4	Vehicle and motorcycle	20%
5	Electric equipment	20%

b. Depreciation calculation will be applicable it any assets would be purchased during the 1st six month of the year. If it is purchase in last six months of the year then the depreciation not be applicable.

4. **Fixed assets Auction :** In-case an asset is damaged or found unserviceable; the Administration section will certify the condition and propose for write off. Finance Section will place proposal with the relevant date of cost, year of purchase, depreciation charged, written down value etc. to the Management for appropriate decision with consent of the Board of Trust. Sale proceeds of the asset written off (if any); will be considered as "Other Income".

Auction Procedure: A committee will be formed by Director comprising 02 senior staffs of SACMID. Finance section will provide assistance to the committee activities during the auction period.

In case of donors assets, this will depend on agreement with donors, asset management criteria of the donor or donor's written instruction in this regard.

5. **<u>Maintenance of Assets</u>**

a. All fixed assets procured through organizational sources willbear ID Numbers as following index: "SACMIDC No -----"and for project the ID will be like "Project Abbreviated name SACMID No....." Example –**SACMID-FPU- Chair-01**

b. Fixed Assets are physically counted and verified through forming a committee by Director as soon as ending the financial year (but within the following month).

c. A register must be maintained for all assets consisting date of purchase, amount, source of fund, voucher/challan number specification etc.
d. Any asset under the custody of staff should be handed over through a written ToR/contract. And that must be kept in good and functional condition through regular maintenance. In case of any troubles, that must be informed to Authority/Director Administration as soon as possible within seven days of incident.

6. Forms and Registers to be maintained

SACMID will maintain the following books, documents and forms, which should be prepared for the warehoused and non-warehoused Inventory.

A. Forms:

Delivery Note (DN)/ Delivery Challan (DC) :

SACMID will prepare the Delivery Note during the delivery of materials and equipment and should maintain a file for the same. A sequential serial number will be maintained from January to December for every year.

B. Registers:

The following registers must be maintained:

-Fixed Assets Registers and

- Stock Registers

Fixed Asset Register

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

a. Date of purchase.

b. Source of funding (Project)

c. Description of assets. (if applicable)

d. Quantity of assets.

e. Value of assets.

f. Depreciation rate.

g. Annual depreciation ((if applicable)

h. Accumulated depreciation (if applicable)

i. Written down value

j. Location

k. Identification mark (Project name, Location, serial number, asset category)

l. Other information.

Stock Register

All warehoused inventories either for program or office supplies will be recorded in the Stock Register. Stationeries purchased at field level where no office exists can be used directly. But there should have an approved Purchase Request before procurement.

a. What items will be treated as stock items:

- The stationeries items are Pen, folder, Printing paper, etc will be treated stock items.

b. How the stock register will be used:

- The accounts assistant/office associate will maintain the stock register.

c. What will be the format: The following format will be followed:

Date	Receipts			Issued		Balance	Remarks
	Qty	Rate	Total	Date	Qty		

d. Verification process: every six month.

15. Financial Records & Accounting

Head of Finance will be responsible to close the accounts in every calendar month and the project accounts as per the deadline mentioned in the project agreement.

i. All books of accounts should be up-dated on daily basis, and receipts and payment statement; bank reconciliation statement should be prepared on monthly and quarterly basis.

ii. At the end of all project/program financial year the Receipts & Payments Account, Income & Expenditure Accounts, Budget Variance and Balance Sheet should be updated and be ready for BoT internal and external audit.

iii. Financial statement including budget variance report and reports as per demand will be providing to the BoT meeting for their information and feedback.

iv. Head of Finance will provide Budget Variance Report at least on quarterly basis to the program heads for their response against excess and less expenditure.

v. Affirmative action/corrective measures will be taken to minimize the gaps between expenditure and budget.

16. **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 will be maintained at SACMID:

- Bank Book/Ledger
- Petty Cash Book
- General ledger
- Salary Register
- Fixed Assets Register
- Advance Register
- Stock Register

- Bill Register/vendor register
- Voucher Forms:
- Debit Voucher
- Credit Voucher
- Journal Voucher

i. **Bank Book/Ledger**

Transactions relating to bank, which are recorded in a book in a chronological manner, is called a Bank Book.

SACMID has a number of projects/ programs and SACMID maintains separate bank accounts for each individual project.

ii. **Petty Cash Book**

Transactions relating to cash, which are recorded in a book in a chronological manner, are called a Cash Book. The single bill of expenses those are within Tk. 10,000 will be recorded in the petty cash book. SACMID will maintain a central petty cash book.

iii. **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 organization can be easily ascertained at a particular point of time by preparing financial statements from general ledger data.

iv. **Salary Register/Sheet**

Salary and service benefits are the largest part of the operating expenses. Details of salary will be written in the Salary Register or in the Salary Sheet.

v. **Bill Register/vendor register**

SACMID will maintain a bill register containing the information:date of submission, bill number, submitted by, amount, and date of payment and voucher number;

After payment Finance will mention the date of payment and voucher number against each record of bill. The example format of vendor register:

Name of the organization :							
Name of the Project :							
				Vendor Register			
Name of Vendor :							
Date of payment	**Purpose of payment**	**Voucher number**	**Amount paid**	**Cumulate amount**	**Tax deducted**	**Vat Deducted**	**Remarks**

vi. Fixed Assets Register

Fixed assets play an important role in every organization. It has been discussed in the asset part of this policy in detail. (Mentioned in Section :16-B)

Stock Register :(Mentioned in Section : 16-C)

Advance Register :

Advance Register

Advance Received for Expenses									Adjustment					
Date	Name	Desig.	Nature			V. No	Purpose	Expected dt. Of adjustment	Adjust Date	Voucher	Received	Refund	Total adjust	Signature
			Cash	Cheq.	Taka					V. NO	Tk.			

vii. Voucher Forms

Vouchers are primary document to record financial transaction of an organization with all essential – supporting documents.

Elements of vouchers:

a. Name of the organization
b. Number and nature of voucher
c. Date of preparation
d. Account name , code no. and amount
e. A brief narration about the transaction
f. Signature of appropriate authorities
g. Attachment of bill / cash memo and other supporting documents
h. Project Code #
i. Recipient's Signature
j. Indication of Cash / Bank

viii. Types of voucher

The following types of vouchers are used in SACMID:

a.Business Voucher:

-Provided by supplier/vendor
- Must be Pacca voucher
-Signature of vendor
-Business address

17. Record Keeping

i. Accounting Records

Head of Finance 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.

ii. Printing of Financial Documents

Head of Finance approves printing of financial documents.

Distribution of financial documents to outside organization requires the authorization of Director.

iii. Restriction of maintaining Financial Documents

Using pencil is prohibited in the processing of expense claims, voucher 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.

iv. Destruction of Financial and Accounting Records

Accounting records shall be destroyed with specific approval of theManagement. 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. SACMID's own records will be preserved as per following Guideline.

SI no.	Type of record	Preservation Period (lowest one)	Remarks
1.	Bank Book & Petty Cash Book	7 years/Life long	All documents will be kept as per donor's requirement in terms of keeping more than seven years
2.	General Ledger	7 years/Life long	
3.	Asset Register	7 years/Life long	
4.	Subsidiary Register	7 years/Life long	
5.	Audit Reports	7 years/Life long	
6.	Meeting Minutes	7 years/Life long	
7.	Trust Deed	Life long	
8.	Policies	Life long	
9.	Voucher (any type)	7 years/Life long	

10.	General file and Project documents	7 years	

18. Allowances:

a. Medical: Staff members are entitled to receive medical allowances as per agreed salary structure.

b. House Rent: Staff members are entitled to receive 50% of the basic as House rent allowances

c. Conveyance: Staff members are entitled to receive Conveyance allowance to staffs as per salary structure.

d. Group Insurance: It will applicable subject to the fund support from donor

e. Transportation, Food and Accommodation: Staffs are entitled to receive as follows:

i) In Country

Purpose	**Rate [BDT]**	**Remarks**
Breakfast	200	No need of receipt*
Lunch	350	No need of receipt*
Dinner	350	No need of receipt*
Hotel / Room	500-2500	According to Receipt,if it crossesthe limit of taka 2500,then Director's approval is needed
Transportation	Actual	Domestic flight (in case of emergency) AC Bus/ car / micro train/launch 1st class always. For internal mobility local conveyance on actual cost-basis will be claimed.

**** If the host arranges travel, hotel and other cost thetraveler only entitle to get the allowances as package, that mean the equivalent is food allowance.**

b) In Abroad: Actual travel cost will be provided by the organization in addition the cost for hotel and accommodation on official business if that is not covered by the host organization for any meeting, training or conferences. If the cost for food is not provided by the host organization then allowance, pocket money will be provided by SACMID or a total subsistence allowance will be given as follows(on case by case basis):

Area	**Food Allowance**	**Local transport**	**Subsistence allowance**	**Hotel**	**Remarks**
SAARC Countries		$20 (based on actual cost and Voucher required	$10	USD $60	per day/night
India and Nepal	$ 25(B.$5+10+10)				
For other SAARC countries	$ 35(B.$5+15+15)				
Asia Pacific Region	$35 (B.$5, Lunch.$15,	$20 (based on actual cost	$10	USD $200	SACMID will provide incidental

	Dinner $15)	and Voucher required			cost up to 500 US $ as and required that will be refundable.
Africa & Latin America, Europe/USA	$60 (B.$10, Lunch.$25, Dinner $25)	$50 (VR required	$15	USD 100	
-Anyone would be entitled to get the subsistence allowance in abroad if the fund is not provided by the donor / host organization on the availability of fund. - For networking/relation building dinner and other refreshment could be offered which will be reimbursement but original vouchers and details written note on the vouchers have to be provided. -All visa and airport transport cost have to be managed as reimbursement from invitee organization, until then it will be considered as personal advance and it will need to bring acknowledgement from invitee for reimbursement.					

c. Other Benefit Packages:

Contributory Staff Welfare Subscription and Gratuity fund: Staffs will be granted welfare fund in considering respective positions, salary and total service year in the organization. The staff will be eligible for Contributory staff welfare fund as 10% of her/his gross salary; 5% from her/his own contribution and the rest 5% will be adjusted from his/her annual gratuity fund (if fund is allocated in the budget) by the organization/project.

A separate bank account as SACMID staff welfare fund will be maintained for the purpose of this fund management.

c. **Festival Allowance:**

Staffs are entitled to enjoy one month's gross salary as festival allowance for their major festivals of the year. In case of the Muslims, the festival Allowance (equivalent to one month salary) will be shared in two festivals.

19. Reporting

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. By using Systematic recording system facilities, an accountant timely prepares 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. However, the financial data for BoT the case are generated from same set of books.

There are two type of user of financial statements/reports;

Internal:

a. Department
b. Management/BoT

External:

a. Donor
b. NGO-AB
c. Auditor
d. GoB etc.

To meet the requirements of above users, the reports are prepared under the following groups:

a. Internal reports
b. Donor reports
c. Statutory reports

The finance department is responsible for preparation of these Financial Reports.

a. Internal Reports

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

a. Daily Cash Denomination and certification
b. Monthly project wise Receipts & Payments Statement
c. Monthly Income Statement
d. Monthly Budget Variance Report

This statement presents monthly receipts and expenditure (all payments) as well as cumulative figure up to the month. It enables program head to monitor the financial position of the project.

The users of this report are Program/ Project Heads, Head of Finance and the related Finance Personnel.

Consolidated Periodical Receipts and Payments Statement& Income Statement

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 month 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.
The Income Statement shows the overall status of Income, Expenditure and Unspent/Over Spent Fund Status.

Key personnel like Director and head of concern section are the users of this statement.

Project wise Budget Variance (with analysis) Statement

This statement is done on monthly or periodically. It provides a column on analysis of budget with actual data and also contains the percentage of variance and the reasons of variance.

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

b. Donor Report

As per donors' requirement following reports are prepared:

Periodical Financial Report

This reportis prepared as per donors' requirement. This report also contains budget and actual data. It also contains analysis of budget variance with reasons of variance BoT negative and positive variances. This report may be prepared as per prescribed format provided by the donor.

Audit Report

At the end of each project phase, a Chartered Accountancy Firm is appointed to report and to conduct an external audit. This report includes- Independent auditors report, Donor fund utilization reports (Receipt and payment), and certification of the Income and Expenditure Statement and Balance Sheet. The report also includes necessary notes to the accounts.

c. Statutory Report

These reports are prepared to fulfill statutory requirements as per International Accounting Standard (IAS) - 01. Some of these are required by the constitution of the organization while some have legal requirements. These reports are as follows:

i. Balance Sheet
ii. Income Statement
iii. Cash Flow Statement
iv. Notes to the Statements

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

20. Auditing

Annual Audit

The Financial Year of SACMID will commence from 1st July to 30 June of the calendar year. Annual Audit shall be conducted within the next three (3) months following the completion of a financial year. Program/project audit will be conducted as per Terms of Reference/Agreement with the development partners and as per set rules of GOB.

For any external and internal audit, the ToR of audit, including the fee, should be shared and approved by BoT.Treasurer will finally sign the ToR. Treasurer will present the draft version of the Audit Report to the Board for final approval.

21. Conclusion

The 'Financial Policy' has been approved in 3rdmeeting of BoT dated 21 January 2017 and effected from 22 January 2017. It can be changed or amended with prior approval of the BoT

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Chairperson	Director
Date:	Date: