

**Board Resolution**  
**Approving the Revised Human Resource & Financial Policy Manual**

Passed on December 07, 2022

A meeting of the Child Health Research Foundation (CHRF) governing body was held online on December 07, 2022. Prof. Samir K Saha (Executive Director of CHRF) updated the members about the recent activities of CHRF.

The main issue was the amendment of the Human Resource & Financial Policy Manual of CHRF. Based on some requirements and the auditor's recommendation, the current manual has been updated by the leadership of the Executive Director. The updated points have been discussed, and all members agreed on them. It has also been decided that the final version must include the signature of the Executive Director on every page, and this resolution will be attached to the main manual copy. The updated manual will be effected from the date the resolution passed.

All the members duly agreed on that decision.

The following governing body members were present in the meeting;

1. Prof. Ruhul Amin, Chairman 
2. Prof. Samir K Saha, Executive Director 
3. Prof. ASM Nawshad Uddin Ahmed, Treasurer 
4. Prof. Mohammed Hanif, Director
5. Prof. Naila Zaman Khan, Director 
6. Dr. Shams El Arifeen, Director
7. Dr. Senjuti Saha, Director 



# **Financial Policy Manual**



**VERSION 2**  
**Updated on 07 December 2022**



**CHILD HEALTH RESEARCH FOUNDATION**  
SEL Huq Skypark, 23/2, Khilji Road, Block-B, Mohammadpur, Dhaka-1207.

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## Chapter 1: Introduction

### 1.1 Brief Description

The Child Health Research Foundation (CHRF) was initiated by a group of child health researchers of Bangladesh, working in different national and international organizations. It was initiated with a mission to improve child health in Bangladesh and other countries through research and educational efforts to facilitate the decision making on appropriate child health policy. The idea for setting up CHRF came from the realization of the founding group of researchers that developing countries like Bangladesh often lack the evidence needed for rational and timely policy decisions due to inadequate and improper use of limited resources. Scarcity of evidence, in turn, discourages the investment in child health. CHRF works to make sure that evidence about disease burden and causes is generated through high quality research conducted using limited resources.

In addition to research, CHRF also works with other non-profit hospitals to facilitate low cost diagnostic services for poor patients to improve child health while simultaneously collecting valuable evidence for policy designs. Through an association with the Bangladesh Shishu Hospital & Institute and through a consortium of urban and rural hospitals, CHRF has access to research facilities that enables it to contribute to scientific and medical knowledge and their applications in South Asia to improve public health approaches.

Through these activities, CHRF aims to break the vicious cycle that limits the potential of limited resources and convert it to a virtuous cycle by making appropriate use of limited resources, produce evidence, facilitate evidence-based policy decisions, shorten the time lag between evidence and implementation and generate interest for increased and sustained investments in child health. Finally, CHRF works to contribute to reducing child mortality by creating awareness and advocating for appropriate care and care-seeking behavior, ensuring rational treatments, and evidence-based preventive programs.

The Finance Manual is based on the above vision, values and mission of CHRF. It provides the framework of guiding principles and practices aimed at ensuring the highest standards of efficiency, integrity, accountability and transparency in managing CHRF. The Financial Manual is a living document, subject to amendment with the approval of the Board/Executive Director. Its practical value and importance lie in the availability of resources and commitment of CHRF in applying these standards in its work. Where the provisions of this Financial Manual are inconsistent with the laws of the land or the Board of Directors of CHRF, the provisions of law, as applicable, shall, prevail over provisions contained herein.

The present manual presents the standard Finance Management Policies and Procedures of CHRF. These procedures and rules shall apply to all employees of CHRF subject to availability of resources. The provisions of this manual shall be applicable to project(s) provided financial implications are covered within the project(s) funds available from project and other approved sources. The Board of Directors of CHRF shall have the right to bring required and relevant changes in any of the provisions if necessary.

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## 1.2 Needs for Finance Manual

In line with the new efforts towards improving the overall management system at the CHRF it has been acknowledged that a Finance Manual is to be developed. The Board of Directors (BOD) is of the opinion that the manual shall be practical and addresses the various financial issues faced by the foundation. As such, the management has thus decided to have a well-defined and intelligibly articulated Finance Manual in place.

The Finance Manual seeks to explain in detail the accounting rules and regulations for the Foundation, and it is intended that the manual will provide a practical set of policies and procedures for creating a transparent and accountable organization. The manual has been prepared after thorough review of existing practices, rules, regulations, policy decisions, existing practices and extensive discussions with the relevant key persons. The manual also needs to be consistent with the vision, values and mission of CHRF. This Finance Manual provides a complete structure for day-to-day transactions and guideline for their appropriate recording in the books of accounts and preparation of periodic financial statements.

The objective of this manual is to explain financial policy and principles so as to adopt a standardized accounting policy across all operations of the foundation in order to ensure accountability and consistency by fixing criteria and conditions for financial control and reporting.

## 1.3 Application of the Manual

The Financial Manual of the Child Health Research Foundation (CHRF) shall be applicable from the date it is approved by the Board of Director (BOD). This manual applies to all financial transactions related to CHRF and all other projects financed through CHRF in respect of budget and financial reporting.

Copy of this manual will be maintained in English and can be translated in Bengali. Where a dispute arises, the English version shall be followed.

## 1.4 Process of updating the Manual

- a. BOD shall have the right to modify, amend, replace, revise and/or add any of the provision of this Manual in such manner and to such extent, as may be deemed fit.
- b. Any change or modification/amendment, as approved by the Board shall be circulated through inter-office memo/circular under the signature of the Executive Director/Chairman of the Board or his/her designate.
- c. All the changes/amendments that have been taken place since the date of last revision, with the approval from Board, shall be incorporated in the revised version of the Finance Manual.
- d. Board may appoint consultant/consulting firm or form a committee/sub-committee to review and update the manual annually or biannually.

## 1.5 Commencement

This manual is effective from 01 July, 2021 and shall apply without exception to all financial transactions undertaken in the name of CHRF.



## Chapter 2: Definitions

**CHRF** means Child Health Research Foundation.

**Board or BOD** means the Board of Directors of CHRF constituted by the members of the Foundation.

**Chairman** means the Chairperson of the Board of Directors from time to time, duly nominated under the provisions of the Articles of Association of the Foundation.

**The Organization** means the Child Health Research Foundation.

**Donor** means any agency, organization, or government that contributes to monetary value and/or in-kind to the Foundation.

**Executive Director** means the Executive Director of CHRF who will be responsible to ensure proper management for the organization.

**Member** means the subscriber to the Memorandum and Articles of Association of the Foundation and shall include the Founder of the Foundation.

**Month** means English calendar month.

**Year** means the financial year of the organization, 01 July to 30 June.

**Certifying Officer** means the Sr. Finance Manager or any other officer designated in writing by the Head of Finance will be the alternate 'Certifying Officer'.

**Approving Officer** means the Executive Director and Director or the officer so designated by the Board to be responsible for approval of all types of transactions for the Foundation.

**Primary Document** includes money receipt, credit voucher, debit voucher and journal voucher.

**Financial Document** includes the letter of agreement between any Government, funding agency, grantor and organization, lease agreement, bank statement, cheque book, bank deposit slip, audit report and GoB letter of approval. It also includes all the books of accounts required for the Organization together with its supporting documents viz. the money receipts, bills, invoices, cash journals, journal vouchers, ledgers, subsidiary ledgers, registers and other accounting records, documents and statements.

**The Head of Finance** means the personnel holding the top position in the Finance Department of CHRF in time and be designated in writing by the Executive Director.

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## **Chapter 3: Accounting Principles and Policies**

### **3.1 Accounting System**

The accounting system is based on accrual basis and records are maintained on double entry system. The Financial Statements of CHRF is prepared on a going concern basis under the historical cost convention in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted in Bangladesh. Donor Guideline and NGOAB requirement is considered for all types of financial reporting.

All income received during a particular year shall be accounted for in the same year. Any donation or income received in advance in a particular year, which or part of which are committed for subsequent years, shall not be treated as income in the year of receipt. All expenditure incurred, paid and/or accrued shall be considered as expenditure in the year to which it relates.

### **3.2 Accounting Software**

The computerized accounting system shall be used by CHRF and all the transaction must be entered into the system. The software consists of Accounts modules and the software has the flexibility of customization. The Software provides Statement of Financial Position, Income and Expenditure Statements and Cash flow statement. Individual Software is required to for Fixed Assets management.

### **3.3 Chart of Accounts**

Chart of accounts is a list of all accounts by categorization as well as by code number under which the CHRF financial transaction is recorded. The formal classification of accounts such as assets, liabilities, revenue and expenditure are given in the "chart of accounts". The main purpose of this classification from the control standpoint is to guard against clerical mistakes in treating transactions that appear to be borderline case. The Chart of Accounts of CHRF is divided into segments.

### **3.4 Maintenance of Chart of Accounts**

Head of Finance / Finance Manager shall maintain the Chart of Accounts. Insertion/deletion of any code under the existing structure shall be his jurisdiction. The Chart of Accounts has the flexibility to add new account code on need basis in accordance with the basic structure. Head of Finance can revise and modify the Chart of Account.

### **3.5 Recording system**

The whole recording system comprises of two stages. First preliminary recording which refers to voucher processing and permanent recording that is make permanent entry posting in the software system.

### **3.6 Vouchers processing**

CHRF shall use Four types of vouchers to record its financial transactions depending upon the nature and type of transactions. These are:

1. Receipt Voucher
2. Payment Voucher
3. Journal Voucher
4. Contra Voucher

#### **3.6.1 Receipt Voucher**

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/electronic bank transfer/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 Receipt Voucher.

#### **3.6.2 Payment Voucher**

Any amount paid in cash on account of incurring expenditure, purchase of assets, purchase of stocks, settlement of accounts or any other payment made by CHRF 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 stocks, settlement of accounts or any other payment other than cash made by CHRF shall be considered as bank payment transactions. All payment transactions shall be accounted for through Payment Voucher.

#### **3.6.3 Journal Voucher**

Journal Voucher is recognized as voucher for paper 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.

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

- Depreciation of all fixed assets
- Provision created for the capital expenditure
- Provision created for the revenue expenditure
- All sorts of adjustment in inventory accounting
- All sorts of adjustment in advance



- All sorts of income receivable
- To account for all sorts of accrued liabilities
- Accounting of deduction of security deposit, Income Tax and VAT
- All sorts of rectification entries for appropriate corrections
- Other transactions not covered by any other vouchers

### **3.6.4 Contra Voucher**

Contra voucher is used to record transactions within the establishment specially to record transactions for Cash account to Bank account, Bank account to Cash account, Bank account to Bank account, and Cash account to Cash account. Sometimes, Contra Voucher requires for transfer Amount from one account to another account.

### **3.7 Accounting Period**

CHRF shall maintain its accounting year from July 01 to June 30. Both Annual Budget and Financial Statements are prepared according to the Accounting year. But the project financial year vary according to the project agreement.

### **3.8 Accounting Responsibility**

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

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.

### **3.9 Significant Accounting Policies**

#### **3.9.1 Income Recognition**

Any grant, service income, interest, and other income received by CHRF from whatever source shall be treated as income. All income shall be accounted for as income in the financial management system during the year to the extent it relates to that particular year.

Any receipts pertaining to the subsequent years shall not be recognized as income during the year. Any fund commitment for a specific year shall not be considered as receipt or income of that particular year, income will be recognized in the year to which it relates.

#### **3.9.2 Interest Income**

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

### 3.9.3 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.

### 3.9.4 Apportionment of Common Costs

If it deems necessary, some costs may be apportioned between different programs/activities and cost centers. In such cases, the apportionment will be made depending upon the nature and purpose of expenses and budget allocation.

### 3.9.5 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.

### 3.9.6 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.

#### Recognition of Fixed Assets

Fixed assets refer to property, plant and equipment as mentioned in the Bangladesh Accounting Standards 16 (BAS 16). CHRF acquires fixed assets in following three manners:

- Purchased fixed assets
- Donated fixed assets
- Leasehold assets

### 3.9.7 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 CHRF fund. All liabilities and obligations must be accounted for in the accounts before the year end/closing date.

#### i) Liabilities for expenses

Necessary provision is maintained for the expenses payable to different parties and recorded as current liabilities. Un-paid liabilities are monitored on a regular basis and paid and adjusted accordingly.

#### ii) Provident Fund

CHRF makes provision for its liability on account of contribution to employee's provident fund on a monthly basis at the time of disbursement of monthly salary. After disbursement of salary, employee's contribution deducted from their salary and CHRF contribution to the Provident Fund is transferred to the nominated Staff Provident Fund Account. Amount so deducted and CHRF contribution not transferred to the employee's Provident Fund Account is reflected in the Financial Statement as liability of CHRF.

### **3.9.8 Inventory**

The inventory of stores is valued at cost based on the physical count of all inventories held at the year-end.

### **3.9.9 Depreciation Policy**

CHRF depreciates all its fixed assets on Reducing balance method duly considering the estimated useful life of such assets. No depreciation is to be charged in the year of disposal or in the year of writing off of any fixed assets.

### **3.9.10 Offsetting**

CHRF's assets and liabilities shall not be offset except when offsetting is required or permitted by International Financial Reporting Standards. Items of income and expenditure shall not be setoff unless prescribed by International Financial Reporting Standards.

### **3.9.11 Currency**

The foundation shall record all transactions by Bangladesh Taka (BDT) that the expenditure is incurred. Foreign currency gain and loss will be recognized and calculated according to Bangladesh Accounting Standards 21.

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## Chapter 4: Maintenance of Accounts

### 4.1 General

The accounting of Foundation's financial transactions shall be managed with a properly designed Accounting System in accordance with International Financial Reporting Standards to the extent applicable to the Foundation. The accounting system should be computerized at the Foundation's conveniences/requirements.

### 4.2 Financial Activity Locations

At present, CHRF is conducting financial transactions through only Head Office in Dhaka. In future, a unit/ Branch office may be opened. Then It is required to maintain books of accounts for each location and submit reports to the Head Office for incorporation into the final accounts of CHRF.

### 4.3 Finance Department

The Finance Department is headed by the Head of Finance based in Dhaka and is responsible to the Executive Director through Director. The Finance Department is responsible for keeping proper records of all financial transactions and assets, preparing various management and financial reports as well as give necessary advice and assistance in the efficient and effective management of the Organization. The Finance Department will also monitor the work at the field level and help keep their records as per the requirements.

### 4.4 Objective of Accounting

The objectives of maintaining accounts are to provide:

- a) Full disclosure of the financial costs of providing the services under each program of the Organization.
- b) Reliable accounting records that can be served as basis for ascertaining the implementation of CHRF budget, for preparing future budgets and evaluating budget demands and proposal.
- c) Adequate financial information needed for monitoring expenditure and exercising effective management control of the operations of the Organization.

### 4.5 Accounting for Receipts

A Money Receipt (MR) shall be issued for each and every receipt of cash/cheques/drafts/TTs etc. MR is used for recording of financial transactions in the books of accounts.

Money Receipt will be printed in triplicate bearing pre-printed serial numbers. Finance Department shall maintain a register to control the stock of Money Receipts. Money Receipts should be used serially.

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The MR will be distributed as follows:

- Original to payer
- Duplicate to Head Office/Accounts
- Triplicate to retain by issuing office in the MR Book

Money receipts should be completed in all respects particularly describing the precise nature of receipts, the accounts head to be credited, date, amount and authorized signature. MR should be issued on required revenue stamps.

#### **4.6 Cash Receipts**

All cash received shall be recorded into the cash book and deposited in the bank immediately. Cash received after bank hour shall be deposited on the following working day. Bank book shall be updated accordingly.

#### **4.7 Fund Receipts**

Fund receipt has been discussed in chapter 7 (Fund Management).

#### **4.8 Accounting for Payments**

Before making any payment by cash or cheque or through other instruments it is essential to confirm that the expenditure is wholly and necessarily incurred for the purpose of the Foundation and has been duly approved by the competent authority. Budgetary provision for the expenditure will also be checked. It is essential for the authorizing person to ensure that the goods and services have been received in good condition, and to check the arithmetical accuracy of the documents for payments.

Income Tax and other deductions shall be deducted from all the payments, as per Income Tax Ordinance 1984 and other applicable laws and regulations.

#### **4.9 Payment Voucher**

For each payment, a Payment Voucher shall be prepared. Payment Voucher must be completed with all the particulars stated therein making sure that the account head is correctly debited. Payment Voucher must be approved by the competent authority and signature of payee shall be taken on the voucher as evidence of receipt if possible.

Before signing a Payment Voucher the official authorized to approve expenditure should ensure that the Accounts Officer has complied with all the instructions and requirements stated in this Manual.

#### **4.10 Supporting Documents**

All payments must be supported by bills/cash memos, or other supporting documents. Payment for goods must also be supported by a Purchase Order, Delivery Challan, Bill, payment for services by a Contract and salary cheques by a payroll signed by the staff members receiving salaries. Only after receiving all supporting documents, the Accounts Officer should prepare a Payment Voucher. Every bill/invoice/ voucher should attach with the following documents:

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### **Materials purchase bill**

- Approved MRF (Materials requisition form) with date
- Budget allocation (Core / Bilateral project)
- Quotations (sealed / Spot) as per procurement policy
- Comparative statement
- Resolution of purchase committee for bulk purchase
- Purchase order issued to supplier
- Agreement with supplier
- Bill /Invoice /Cash memo
- Materials received note (MRN)
- VAT & Tax deducted as per Govt. Rules
- Bill / Invoice / cash memo approval from the authority
- Affixation of revenue stamp on money receipt
- Account Payee cheque to be issued (Except some special case)

### **Training bill**

- Participant list with signature
- Training duration of training courses
- Budget allocation
- Bill / Invoice as Food, accommodation, Trainer's honorarium. TA of Trainees, Materials dispatch, Training room rent etc.
- Training Schedule from respective authority
- Field Visit Bill
- Bill to be approved by the concerned authority

### **Workshop / Meeting**

- Notice served by respective authority
- Time & date Location of Meeting specify
- Participant name of Designation
- Signature of Attendance Participant
- Materials supplies dispatch
- Food / TA / Honorarium Bill / Invoice for meeting participant with signature
- Agenda of Meeting / Workshop etc.

### **Field Visit / Tour**

- Approved Tour plan
- TA DA bill (duration & name and designation)
- Bill / Invoice Approval by approving authority
- Mode of Transport: (Rickshaw /Boat /Bus /Train /Microbus etc.)
- Enclosed by ticket (bus /train etc.) if any
- Accommodation bill /Food bill

### **Final Settlement: (Retirement/Resign/Terminate)**

- Clearance from Respective department / HRM Section
- Calculation of Particular Format
- Name of Staff & Designation Posting Place
- Grade Step Basic
- Date of Joining of the Job



- Age of Service
- Particulars of Payment (All Payment)
- Particulars of Deduction- Excess Payment, Proportionate dues etc.
- Arrear due
- Look after notice pay / Development cost if applicable
- Excess leave avail
- Payment to be made by account payee cheque
- Income tax deduction
- Bill approved by the competent authority

Only after receiving all supporting documents, the Accounts Officer should prepare a Payment Voucher.

Every bill will be signed and checked by Head of Finance or his/her delegated authority.

#### **4.11 Payment of Salary and Allowances**

Payment of salary of officers and staffs shall be made monthly. A statement of salary shall be prepared on the basis of attendance information provided by the Human Resource Management Unit. All the payments against salary except the payment to the temporary employees shall be made through bank advice in case of the Head Office and account payee cheque in case of Unit Offices. One payment voucher shall be prepared at the end of each month for net amount of salary and statement of salary shall be attached with the voucher as evidence of payment.

#### **4.12 Deduction against Salary**

The Finance Manager/Accounts officer /Accountant must check and ensure that the following deductions have duly been made from salary during the time of preparing the salary sheet.

##### **i) Income Tax deduction**

The Organization shall not bear any tax levied on staffs' income. Tax shall be deducted from the salary of the staff every month whose salary amount exceeds the tax exemption limit and deposit to the Government Exchequer in stipulated time.

- Individual tax is computed based on the current Fiscal Policy of the Govt.
- Total tax against salary income should be deducted as per Income Tax Law.
- An Income Tax Register is to be maintained in order to record total deduction, deposits to the bank and un-deposited balance.

The organization shall ensure that all staffs have filed their tax returns. A copy of the latest tax return acknowledgement shall be submitted to the Finance department.

##### **ii) Provident Fund Deduction**

- Check with individual basic salary.
- Check the deducted amount of salary sheet with the amount stated in PF statement.
- For Provident Fund loan realization as above.



**iii) Leave without pay**

- Before preparing the salary statement ensure & check whether there is any letter regarding leave without pay from any Executive Director.
- Deduct the amount as mentioned in the letter.
- Check that the amount so deducted is in agreement with the letter.
- Check the correctness of the calculation.

Any other deduction shall be made as per CHRF Human Resources Policy and guideline.

**4.13 Preservation of Documents**

**Financial Documents:** CHRF shall keep all the supporting documents in a safe storage to protect records from damage/loss. All financial documents of CHRF shall have to be preserved at least six years or as per donor's instructions or as per rules of NGO Affairs Bureau. In case of litigation, relevant documents shall have to be preserved till to the date of the settlement of relevant lawsuit. Normally the documents may be destroyed after six years with the decision from the Executive Director. Finance Department shall keep all the financial documents and files in a safe custody.

**Ownership and Legal Documents:** CHRF shall preserve all the associated documents of title/ ownership on the purchase, acquisition, or creation of assets and other legal documents under the Executive Director custodian. These documents shall be stored in a safe place free from theft, fire, and other risks. Copies of these documents shall also be in the custody of the Head of Finance/Admin or organization lawyer. A digital version of all the documents shall be kept in the organization's cloud drive with restricted access.

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## Chapter 5: Internal Control System

### 5.1 Definition

**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.

### 5.2 Adoption of Internal Control

The Executive Director from time to time may establish financial rules and procedures duly approved by BOD in order to improve the financial administration, good governance and accountability. Each head of departments is responsible for the satisfactory functioning of the internal controls in the organization. The internal controls apply to all the activities; that measures are carried out as agreed and the resources of CHRF are 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 such instructions.

### 5.3 Objectives of Internal Control

Establish 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 Foundation at the time of joining the organization. Through the internal control systems, the management should ensure that:

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

### 5.4 Risk Management

It is the responsibility of management at all levels to identify risks to the organization, categorize them and minimize them. The list of risks that have been identified include a wide variety of things such as security, fraud, losing key staff, poor budget management, natural disasters and so on when risks have been identified they are categorized in terms of:

- Likelihood of event happening and
- Risk of loss in terms of monetary value.

The aim of risk management is to consider and assess key risks, and then put in controls where necessary (see examples below) to reduce the likelihood of events

happening and reduce the monetary effect of those events. Particular attention must be paid to events with the most potentially damaging effect and which are most likely to happen. Risk management includes the following aspects:

- Effective monitoring, control and forecasting systems.
- A clear management structure.
- Consensus judgment for making decisions which involve significant uncertainty.
- Back-up for critical resources.
- Internal audit function which can target areas of high risk, etc.

### **5.5 Disciplinary Action for Misconduct**

CHRF shall arrange necessary training in time to time for the staffs to encourage not to involving in the unprofessional activities. If an employee found guilty of financial misconduct i.e., bribery, corruption and fraud after proper investigation shall be liable to any of the following punishments:

- Dismissal or discharge without prior notice or pay in lieu thereof or any compensation.
- Fine can be imposed.
- Legal actions can be taken if needed.

### **5.6 Payments**

Payments are attributable to all outflows of CHRF's funds in revenues and capital expenditures for the program activities. All payments will be booked under the respective heads of accounts following the Chart of Accounts.

### **5.7 Procedure of Payments**

All payments must be paid on the basis of supporting vouchers and other related documents and in compliance with the budget. All documents used for the financial transactions of the Foundation must be numbered and/or programmed. Payment System of CHRF indicates a persistent process, which includes regular sequential steps of the following:

- The concerned head of department should prepare a need-based requisition.
- Submit the requisition to the Director for authentication through Software-based Inventory Management System or manual system.
- Send the requisition for finance verification to the finance department.
- Pass to the competent authority for approval to incur expense.
- Prepare summary of bill along with appropriate supporting document.
- Prepare voucher classifying the expense to the appropriate accounting head.
- Check and verify by the 'Certifying Officer'.
- Get approval from the 'Approving Officer'.
- Make payment having acknowledged by payee.
- Recognize as organization's expense.
- Entry to be passed to the respective head of accounts.

## 5.8 Functions of Certifying Officer

Before certifying any payment, the 'Certifying Officer' shall verify and ensure that:

- Goods and services have been receiving/rendering in good order.
- Supporting documents pertaining to the invoices are correct.
- Expenditure incurred in accordance with existing policies, regulations and rules.
- Payments are based on proper authorization.
- Expenditures are in line with the purpose for which the budget is made.
- Disbursement against the same work was not made previously made/recorded.
- Correct account code is used when recording transactions.
- Certifying Officer shall not certify any payment unless all documents and supporting papers are available.

## 5.9 Functions of Approving Officer

- To approve payments against obligations on the basis of duly certified vouchers supported by necessary papers/documents.
- The functions performed by the Approving Officer are distinct from those performed by the Certifying Officer.

## 5.10 Accountability of Certifying and Approving Officer

- Certifying Officer and Approving Officer are accountable to the BOD for all transactions certified and approved by them.
- Certifying Officer or Approving Officer cannot delegate their responsibilities on their own.
- In the event that the Certifying Officer is requested to certify payments, which are not in accordance with established policies, rules and procedures or in violation of the financial regulations and rules, and which is his/her view, cannot be resolved through consultation at the department level, the Certifying Officer shall request the guidance/instructions of BOD.

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## Chapter 6: Budget and Budgetary Control

### 6.1 Introduction

A budget is a plan covering all phases of operations for a definite period in the future. It is a formal expression of policies, plans, objectives and goals laid down in advance by the top management for the concern as a whole and for each of its sub-divisions. The basic elements of budget are:

- i. It is a future plan of activity for a specified period of time.
- ii. It is expressed in physical or monetary units or in both.
- iii. It is prepared in advance, i.e., before the period during which it is to operate.

### 6.2 Budget Period

The core budget shall be prepared annually and reviewed at the end of the financial year. The grant budget shall be prepared as per the project timeline.

### 6.3 Classification of Budget

The organization shall maintain two types of budget for its all core and project based activities.

- i. Core Budget
- ii. Grant budget

#### 6.3.1 Core Budget

##### 6.3.1.1 Core Income Budget

The core Income Budget shall include all income expected to receive during the budget period. The income Budget shall provide sources of income with expected amounts from different sources under the budget period.

##### 6.3.1.2 Core Expenditure Budget

The core Expenditure Budget contains the presentation of costs that are required to achieve CHRF's goals. The expenditure Budget expresses all programs and activities in the financial term implemented by CHRF's own fund.

The expenditure Budget shall be presented with the details of the program, capital items, personnel, training, and other cost-center breakdowns if needed.

#### 6.3.2 Grant Budget

CHRF shall prepare a different budget for each grant application.

##### 6.3.2.1 Grant Income Budget

The grant Income budget shall include all expected income committed by the partners during the grant period for the specific program.

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### 6.3.2.2 Grant Expenditure Budget

The Grant Expenditure Budget expresses all programs/activities in the financial term as per the proposal/planning. CHRF shall follow the donors' terms and conditions to prepare the budget for every project.

The Grant Expenditure budget shall consist of two types of costs:

1. Project Direct cost
2. Project Indirect Cost

**Project Direct Costs:** Project direct costs means all direct charges, costs or expenditures other than the indirect charge for general administrative services and overhead expenses. Direct costs are those which can be identified specifically with a particular sponsored project and which can be directly assigned to such activities, relatively easily and with a high degree of accuracy.

Project direct costs shall include the following expenditures:

- Project staff's personal cost with fringe benefits
- Laboratory equipment
- Laboratory supplies & reagent
- Data management
- Training & workshop
- Travel
- Communication
- Printing & stationeries
- Computer accessories
- Lab equipment maintenance
- Ethical clearance fee
- Other direct cost

**Project Indirect Costs:** CHRF shall charge 15% of direct cost of any grant awarded in favor of CHRF as indirect cost where the grantor does not have any specific rules in charging the indirect cost. This indirect cost rate has been set based on the approximate values of the services provided by CHRF to the particular grant.

Indirect cost shall cover the following costs to handle the project:

- Administrative staff salaries
- Office space rental cost
- Utilities
- Office common supplies
- Audit fee and
- Any other administrative costs

The grant budget shall not include any of the above mentioned cost where 15% indirect cost has been applied.

### 6.3.2.3 Cash flow forecast

Cash flow forecast shall form an integral part of the budget. The forecast shall be prepared to reflect the cash flow of the organization for the year under review.

#### **6.4 Submission of Budget and Approval**

The Finance Department shall prepare the Core Budget with the help of different projects in charge and other departmental heads. The Budget Committee, headed by the Executive Director, shall check the budget. The budget for next year shall be prepared within the time set by the Board for each year and submitted to the Board of Directors by the Budget Committee for approval.

The Finance Department shall prepare the Grant Budget with the help of the project coordinator/principal Investigators. The Executive Director shall check and approve the budget.

#### **6.5 Budgetary Control, Analysis, and Monitoring**

Budgetary control is a system of planning and controlling cost, which starts with the approval/establishment of budget relating to activities to be carried out in order to achieve the organizational goals and regular comparison between budget and actual results/costs, analysis of variances and corrective measures.

The Budget Committee shall review the core budget at the end of each year and find the reasons for variances. After a thorough review, the Budget Committee will submit their comments and recommendations to the Board for necessary action on variances.

The project Coordinator/Principal Investigator shall review the grant budget at the end of each month and submit their comments and recommendations to the Executive Director for necessary revision.

#### **6.6 Transfer of Budget**

A budget line can be changed with the joint discretion of the Executive Director/Director and the Head of Finance unless otherwise restricted by the donor.

Transfer of funds from one budget head to another should, in no case, exceed 15% of the amount actually budgeted. However, any fund transfer from one head to another will definitely require permission from the BOD, and donors.

#### **6.7 Revision of Budget**

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 conditions. Full particulars are therefore be furnished by the Head of Finance when requesting modifications/justification of individual code-wise sanctioned budget estimates. Finally, Executive Director shall review and approve the revised budget.

Project wise revised budget shall be prepared by the respective Program In-charge as per the circumstances. The Head of Finance shall check the revised budget and submit it to the ED for the approval. The revised budget shall be submitted to the respective donor. The revised budget shall be into effect after getting formal approval from the donor.

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## Chapter 7: Fund Management

### 7.1 General

Fund Management is one of the most important tasks in an organization. Due consideration should be given to all financial transactions to ensure economy and efficiency and those should be for the interest of the Foundation. The currency shall be Bangladeshi Taka (BDT).

### 7.2 Sources of Funds

The organization receives most of its funds from the donors as per agreement and other sources of funds such as local donations, service charges from different projects, income from investment etc. Implementation of a project depends on the Donors' commitment and NGO Affairs Bureau's approval. After getting letter of intent from donor, FD-6 is prepared and submitted to the NGO Affairs Bureau for approval. No foreign donation can be received without NGOAB approval.

### 7.3 Nature of Fund

CHRF recognizes two types of funds based on nature of use referred to as Restricted Fund and Unrestricted Fund. The split between these funds is as follows:

#### 7.3.1 Restricted Fund

Restricted Funds (donor fund) are for expenditures in accordance with the requirements of the respective donors' guidelines. The organization can spend the donor fund outside the grant condition by only taking the written approval from the donor. CHRF shall keep track of it and report it appropriately in its financial statements.

#### 7.3.2 Unrestricted Fund

All income received by CHRF which are not specifically restricted by donors, creates a Foundation Fund. The Executive Director may decide on the use of such fund subject to the permission from NGO Affairs Bureau. The surplus/deficit for the year is presented as a part of General Fund (Fund Account) in the Statement of Financial Position. General fund is an unrestricted fund of the organization.

### 7.4 Investment of Fund

Funds in excess of the requirements of CHRF may be placed in short term deposits, fixed deposits, other savings instruments by the Executive Director in the name of the Foundation having the approval from BOD.

### 7.5 Fund Receipts

Fund receipt must be deposited in the bank account. Funds from different donors will be shown as income. CHRF shall prepare its annual budget defining objectives and physical targets and based on this budget, shall request necessary funds from donors. Donors, on approving the budget shall enter into formal agreements with the

Foundation for transfer of requisite funds to its accounts. These agreements amongst others shall contain disbursements schedules. Donors will remit funds on date(s) agreed either upon through bank transfers or in the form of bank demand drafts, cheques etc. Finance Department shall record all transaction properly.

## **7.6 Receipt from Other Sources**

Receipts other than grants, whether interest, subscriptions, sales proceeds or service charges, should be recorded in a different ledger separately. CHRF shall issue and keep uniquely numbered money-receipts against all receipts. Each entry in the book shall be signed by the concerned Manager, Head of Finance and Director-Administration. The amount received by cheque or in cash shall be forthwith deposited to the designated bank account by the concerned officer.

## **7.7 Donation/Contribution book**

The Finance & Accounts unit may additionally maintain a book to be called donation/contribution book with detail records of receipts of donations such as nature of donation, name of the donor, their full address, type of instrument through which received, number of the instrument, date and the amount both in Bangladesh Taka and in donor's currency, conversion cost and bank charges if any.

All entries in the book shall be signed by the concerned Manager, Head of Finance and Director- Administration, and be dated. Records of receipts should be maintained at least for six years or as agreed with donors (whichever is higher).

## **7.8 In-kind Contributions**

Services and products that are considered in-kind donations include legal services, accounting services, IT services, transportation, reagents, equipment's and others. Also, free office space, media, or airtime, like a public service announcement, and free administrative services may be considered in-kind donations. All contributions received should be recorded as revenue upon receipt, including in-kind donations. In-kind contributions should be recognized in the period the goods or services are received, at fair value. The Finance & Accounts unit maintain a book to be called In-kind contributions book with detail records of receipts of donations such as nature of donation, name of the donor, their full address, type of instrument through which received, number of the instrument, date and the amount both in Bangladesh Taka and in donor's currency, conversion cost and bank charges if any.

## **7.9 Custody of Fund**

The Board of Directors shall be the custodian of all the funds and shall designate the banks in which such funds shall be kept. The Board of Directors is empowered to authorize opening and closing of any bank account in the name of the Foundation for its transactions. Such authority shall not be delegated to any other official.

## **7.10 Grant Management and Compliance**

### **7.10.1 Application for grant**

CHRF shall check the organization's eligibility to apply for the grant as per donor's requirement before beginning the application process. CHRF shall not apply for grant that violate the rules and regulations of the Bangladesh Government.



Any grant application shall maintain the following steps::

- CHRF Program Research Manager shall obtain documentary evidence of the grant conditions for the grant application and determine the eligibility for specific funding opportunities.
- The Principal Investigator shall prepare the grant application.
- Head of Finance shall prepare the grant budget.
- Executive Director shall approve the grant application and budget
- Principal Investigator shall submit the proposal along with the budget to the grantor

### **7.10.2 Obtaining Clearance for Donations**

The Organization shall take clearance from relevant government authority regarding receipts and use of donations, either received locally or from foreign donors, if such clearance is required.

### **7.10.3 Monitoring and Reporting of grants**

CHRF shall follow the following steps for monitoring and reporting grants:

Each donor's reporting requirements must be identified and understood. Account codes (Chart of Accounts) shall re-design in such a way that account codes may be mapped to the donor's codes if they are different. Otherwise, cost center shall be maintained as per the grant conditions for separate donors.

CHRF shall preserve a file of supporting documents covering the financial and program aspects of the grant for project audit.

A timetable with internal targets must be set so that the reporting deadlines can be met. The Project Coordinator is responsible for reconciling quarterly budget reports in cooperation with the Finance Department. Grant expenditures must be monitored on a regular basis. The Project Coordinator should monitor the budget monthly by comparing the percentage of time elapsed in the grant period and percentage of the total budget spent. This will prevent returning unexpended funds or over-expenditures and will help ensure that the objectives of the project will be met.

### **7.10.4 Sub Grants Management**

A sub-grant is an award of financial assistance made by a preliminary recipient to an eligible sub-recipient, or by a sub-recipient to a lower tier subrecipient, to carry out a specific project or program. CHRF should enter into and execute a contract (sub-grant) agreement with the cooperating organization to implement the grant's approved activities. This agreement should include, but not be limited to, the project parameters by which both parties will operate, a payment schedule and reporting responsibilities. The grantee must require the cooperating organization, if applicable, to submit all appropriate financial documents, invoices, contracts and annual reports prior to the transfer of any grant funds to the cooperating organization.

CHRF should also have a legal assurance and certification by a sub-grantee that it will comply with the regulations, policies, guidelines, and requirements imposed by the respective donors.

## **Chapter 8: Banking Operations**

### **8.1 General**

All receipts of money through Cheque/Draft/Pay Order/Transfer Advice shall be debited and relevant source/income shall be credited. Cheque/Draft/Pay Order shall be deposited into bank through deposit slip of the bank. General principle of CHRF is to encourage all concern to make receipts / payments through banks.

### **8.2 Opening of Bank Accounts**

The Executive Director is empowered to authorize opening and closing of any bank account in the name of the foundation or specific project for its regular operations. All additions/closures/changes in relation to any bank accounts shall be done through board resolution.

### **8.3 Mother Bank Account**

Fund and Grant received from any source shall be deposited into Organization's Mother Bank Account immediately as per the rule of NGOAB. Next, the fund shall be transferred into the operational account.

### **8.4 Operational Bank Account**

The Organization, as envisaged in the constitution, shall open bank accounts in any scheduled bank for operation. CHRF can open separate bank account for each project in respective areas to run the project activities smoothly by taking resolution in the meeting of the Board of Directors (BOD).

### **8.5 Project/dedicated bank account**

A separate bank account may be opened as per required of the donors or in accordance with grant agreement. Otherwise, the operational bank account shall be used with maintaining proper cost centre. All signatories must be assigned in line with grant agreement or after mutual discussion with donors.

### **8.6 Bank Signatories**

All the CHRF bank accounts must have a minimum of three signatories. Executive Director will be compulsory to sign for any payment by Cheque. BOD shall decide for another signatories.

### **8.7 Cheque Signing/Online Transfer of Fund**

The signatories mentioned in the TOA will operate all CHRF bank accounts. Before placing any cheque for signature/bank transfer instruction for approval, the respective Head of Finance must check the debit voucher, the relevant documents and the narration recorded in the cheque register and bankbook, and then put his/her signature on the body of the voucher as a mark of his/her satisfaction and acceptance.

Computers used to process online transfer of funds must be secured with an updated and comprehensive antivirus software. Special care should be taken to have a strong

firewall software in place. Passwords must be changed frequently to further enhance security.

### **8.8 Deposit of Cash at Bank**

All cash receipts must be deposited in the bank account as soon as possible after receipt of cash. If not possible for any valid reason, that must be deposited into bank by the following working day.

### **8.9 Receipts of Cheques/Pay Orders/Drafts**

Soon after receiving Cheques/Pay Orders/Drafts etc., these should be stamped with "Accounts Payee Only" if needed, entered in the bank book and deposited with bank with bank deposit slip on the same day or the following day if received after banking hours. Appropriate steps need to be taken by the Head of Finance to realize the dishonored cheques, if any.

### **8.10 Bank Credit Advice**

In respect of every direct receipts of money into a bank account, a Credit Voucher shall be issued immediately on receipt of Bank Credit Advice.

### **8.11 Bank Debit Advice**

A payment voucher shall be prepared for each direct debit by the bank relating to any charges or payment. This voucher must be approved by the Executive Director/other competent authority approved by the Board and posted in the bank book and general ledger.

### **8.12 Bank Statement and Bank Certificate**

Bank Statements confirming bank balances on monthly basis and relevant advice must be collected from the bank for all bank account within ten days of the end of each month. Collection of such documents shall be the responsibility of Finance Department.

### **8.13 Bank Reconciliation Statement**

Bank Reconciliation Statement shall be prepared at regular intervals that is on monthly basis to reconcile the difference arising between the balance in the bank book and that appearing in the bank statement at the end of the month. This statement normally represents cheques issued but not presented to the bank for encashment by the payee and lodgments not yet credited by the bank.

Cheques not presented to the bank for encashment within six months from date of issue becomes time barred by operation of law and these will have to be taken back into the books. Deposited cheques not credited by the bank within a reasonable time will have to be enquired to note whether any cheque has been dishonored. In such cases necessary adjustments shall be made through a voucher reverting the original entries.

Differences in the two balances may also occur due to debits or credits made by the bank on various account, such as interest, other charges, remittances, etc. and these

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have to be accordingly dealt with by means of vouchers for proper reflection in the books of account.

Bank Reconciliation Statement shall be prepared by an official other than who maintains cash book/bank book within 10 days from the end of the month. The Head of Finance shall review and approve the statement with dates.

#### **8.14 Minimum Limit for Cheques Payment**

Payment exceeding Taka 10,000 should be made by account payee cheque. Cash payment exceeding Taka 10,000 must have written justification attached to the payment voucher.

#### **8.15 Cheque Recording Register**

A 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. All cheque books along with other bank documentation should be kept in a safe under lock and key.

#### **8.16 Cheque Counterfoil**

While issuing cheques, it is remembered that counterfoil of cheque shall also be filled in and put the date of issue, name of payees, initials of the Certifying Officer, amount in brief.

#### **8.17 Cancellation of Cheques**

If 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 cancel the cheque. Accordingly, the Finance 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 / cheque book must be informed to the concerned bank management at earliest possible time. It is important that entries into the cash book or ledger or correcting entries in the cash book or ledger will not be made by crossing, whiting out or changing the original entry. The original must remain and a new entry be made to correct the error. 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.

#### **8.18 Ordering of New Cheque Book**

Respective Accounts Officer shall initiate the ordering of new cheque book. When the cheque leaf reaches the order should be attached with the cheque book. 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.

#### **8.19 Custodian of Cheque Books**

Finance and Finance Department shall be the custodian of cheque book and shall ensure that cheque books are preserved safety.

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## Chapter 9: Cash Management

### 9.1 Cash Book

CHRF maintains Accounting Software for recoding all the cash and bank transactions cost center wise. At the end of each day the bank and cash balances should be extracted and the cash balance be checked against cash in hand by the concerned person.

The cash book must be totaled at the end of each month and balance of cash in hand and cash at bank extracted. Physical cash in hand should be verified by the official authorized to approve the expenditures.

### 9.2 Cash Control

The CHRF management shall follow the following steps for controlling cash management with the objectives to avoid misappropriations of cash:

- The person who deals the cash shall not make entry in the books of account.
- The person who is responsible to record the cash transactions in the books of account, he/she shall not deal cash.
- The person who approves the cash payments or receipts, he/she shall not involve himself/herself with cash dealings and recordings in the books.

### 9.3 Petty Cash

Petty cash amount should be limited as per instruction of BOD considering the daily operations to maintain for small day to day expenditures. The Petty Cash Book should be maintained by a reliable person not involved in accounting and procurement. Small expenditure will be made from this as per requirement; however, no single payment may normally exceed Taka 10,000. It may exceed with proper justification approved by Executive Director/Directors. When the petty cash advance is exhausted, payment voucher with supporting documents attached and petty cash book should be produced to the designated person of Finance Department for verification. If satisfied, he/she should sign the petty cash book, replenish the petty cash, and transfer petty cash expenditures to the main accounting system.

Generally, maximum limit of Petty cash will be taka 50,000. The same limit will be applicable for every separate project. However, Head of Finance will review the limit time to time and will recommend for increasing or decreasing the limit. Executive Director will have the authority to approve the new limit of Petty cash.

### 9.4 Duration of Cash Transaction

In order to complete writing of Cash Book, daily cash transactions shall be closed at least one (1) hour before the close of the office.

### 9.5 Closing of Account

Each day, all cash receipts and payments shall be entered into the Cash Book and it should be closed daily.

## 9.6 Verification of Cash

Head of Finance shall verify the cash balance and the Cash Book at the end of each month and put his/her signature on Cash count form. If there are any anomalies, Head of Finance shall report to Executive Director with the investigation report.

The Executive Director shall verify the cash balance and the Cash Book at the end of each quarter and put his/her signature on respective place in the Cash Book for authentication.

Surprise cash counting may be conducted by any person (other than the Head of Finance and the Cashier) assigned by the Director once or more in a year.

## 9.7 Safe Custodian of Cash

Finance Department shall be the custodian of petty cash and shall ensure that cash are preserved safety at CHRF's own premises. CHRF shall use own vehicle while carrying cash from the bank. One office staff shall have to be involved to withdraw cash from bank.

## 9.8 Money Receipt Book

A Money Receipt Book should be used for all receipts in cash or by cheques. No amount shall be received (other than advance refund) in cash or by cheque unless a "money receipt" is issued.

The Money Receipt issuing authority must also ensure that the sequence of the money receipt is maintained. If for any reason a Money Receipt is cancelled then the full set (all the three parts) of that Money Receipt shall be marked "VOID" and kept in the book for verification.

The Money Receipt Book shall be pre-numbered with at least three parts for each receipt. First part shall be issued to the client, second part shall be attached with the respective voucher and third copy shall be retained in the book.

All receipts shall be made centrally at the Head Office in Dhaka. In no other location or no other employee is allowed to receive any money from any source unless he/she is officially authorized by the Executive Director to do so.

## Chapter 10: Advance Management

### 10.1 Purpose

Advances may be paid against expenses to be incurred for CHRF's official purposes, i.e., advances against travel expenses, program expenses and purchase of office supplies, materials, and site office maintenance.

Advances against salary may also be allowed subject to the maximum limit of 75% of staff benefits.

Advances to the third parties may be paid in respect of terms of contract or agreement entered into. Executive Director approval must be obtained before making any advance to supplier.

### 10.2 Requisitions for Advances

The recipient of the advance must prepare a requisition in details purpose in the prescribed form against specific accounting head and to be furnished to the Head of Finance to check and verify. The requisition must be approved by program head/Executive Director.

### 10.3 Certification and Approval

Following the receipt of requisition, the Head of Finance shall check and verify the requisition. The Directors shall approve advances up to the maximum limit of Taka 9,99,999 and the Executive Director for Taka 10,00,000 to above.

### 10.4 Mode of Payment

Advances may be paid either in the form of cash or in the form of Account Payee Cheque in case of advance against official expenses.

Advance payment except advance against official expenses, i.e., advance to third parties and advance against salary must be in the form of Account Payee Cheque.

Every advance should be recorded in the accounting software using the advance slip with the following information :

- a) Amount, b) Date, c) Name of the recipient, d) Purpose e) Recipient's signature

### 10.5 Disqualification for Advance

No advance shall be allowed to any recipient without adjusting the balance of advances previously taken by him/her.

## **10.6 Adjustment of Advance**

Advances against official expenses must be adjusted against the respective head within the period of 10 working days from the date of actual expenditure incurred. The respective person shall submit the advance adjustment summary with original bill/invoice copies to the finance department. The balance of unspent amount must be refunded in cash to CHRF at the time of adjustment of such advances.

The advance paid to third parties in respect of terms of contracts will be adjusted as per terms and conditions laying in the respective contract/agreement.

## **10.7 Defaults in Adjustment**

The Finance Department shall make deduction from concerned staff's monthly salary, should there be a default in payment against the balance of advance to be refunded after two months from the time of adjustment of such advances subject to not more than 50% of monthly gross salary.

## **10.8 Report on Advance**

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

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## Chapter 11: Procurement Procedures

### 11.1 General

Procurement transactions should always be made through open and free competition. Cost analysis must be made for all purchases exceeding Taka 50,000 to ensure that a reasonable price is paid for goods and services.

Goods and services should be procured from responsible suppliers or contractors who possess the ability to provide goods and services successfully and at a competitive price. Consideration should be given to the contractor's integrity, record of past performance and financial and technical resources.

### 11.2 Procurement Committee

The Executive Director shall fix a procurement committee consisting of three members at the beginning of the financial year. The Executive Director must approve any changes in said committee through Director. The role of the purchase committee is to:

- Open the sealed quotation
- Prepare comparative statement
- Recommend for selection of supplier

The committee will write the basis of their recommendation on the selection of supplier. The Purchase Committee should not consider only the lowest cost of the items, but they should also consider the following things before recommending a supplier.

- Quality of the goods
- Warranty of the goods
- After sale service.

The committee should also consider the history of the supplier by gathering information from past experience and having the client list from the supplier. For procurement of major value items, the clients of the supplier may be consulted.

The committee will sign on the comparative statement and on the back side of all quotations received from the suppliers.

Executive Director will take decision for selection of supplier based on the recommendation of Purchase Committee, as per delegation.

All meeting minutes of the procurement committee shall be records in meeting minutes and a copy shall be distributed to relevant stakeholders.

### 11.3 Requisition

Whenever a purchase is required, the user of CHRF shall raise a requisition with full particulars of the items needed along with justification to purchase. This requisition shall be submitted by the departmental head to the Director.

The Director shall put the justification of the items needed and send to the Finance Department for verification with the budget.

### 11.4 Budget Provision

The Finance Department shall verify the request with the provisions in the budget and availability of the fund in the respective budget line item.

If the proposal agrees with the provisions in the budget, Finance Department shall send the proposal to Director for approval.

In cases where it is not budgeted earlier or if there is not sufficient budget in the respective line item then the proposal shall be rejected. However, depending on the necessity of the item and if it becomes absolutely necessary for the program then alternative sources shall be investigated within the budget and according to the terms of the grant.

If not otherwise contrary to the terms of the grant agreement an option shall be given to the requisition provider to share the cost from other similar budget line item where the requisition provider can assure a surplus at least to that extent in that line item. All the inquiries as above must be documented and submitted to the Executive Director/ Director for approval.

### 11.5 Invitation of Quotation

No item should be purchased without the approval of the appropriate approving officer. The invitation of quotations for all purchases shall be as follow;

Costs less than Taka 100,000	The quotation is not essential
Taka 100,001 and Taka 200,000	Three quotations can be taken verbally
Taka 2,00,001 and Taka 50,00,000	Three quotations
If Exceed Tk. 50,00,000	Open Tender

**Note:**

- Quotations can be collected by email or hard copy
- No quotation/Tender may be required for purchases of materials/items if there is only a single manufacture or sole distributor/agent. This fact must be noted in the records.
- Second-time quotations shall not be necessary for continuous purchases.
- In case of verbal quotation, an approval note must be maintained.

### 11.6 Comparative Bid Analysis

The Procurement Committee formed in this connection shall prepare a comparative statement and determine which supplier provides the most suitable item at the cheapest price subject to having recommendation from Quality Assurance Committee of CHRF regarding quality of the product or services. The committee shall record its decision on the comparative statement. The procurement should be done at the recommendation of this committee.

If only one participant submits the bids, the procurement committee may recommend whether re-tender should be called or not and provide justification thereon and forward to the Executive Director for approval.

Same formalities shall be maintained by the Unit Offices and the President in this regard shall form procurement committee.

### 11.7 Purchase Order

A Purchase Order must be prepared for above Taka 50,000 by the Authorized Officer for procurement of goods, or contract for services and be issued to the concerned supplier. The purchase order may be issued by email (must be cc to Executive Director if exceed more than Tk. 200,000). All documents related to the contract must be kept in secured storage.

Where delivery of any item/service is to be made within a definite period and delays are likely to cause serious operational interruptions, a penalty clause for delayed delivery should be included in the purchase order or incorporated in the agreement signed between the vendor and CHRF. This clause could either be a termination of the contract or a penalty fee being levied for each day of delay.

### 11.8 Receipt of Goods

All goods and services received must be verified for assurance of quality by a staff member not involved in the approval or accounting process. Goods will be received and verified by signing the Purchase Order as "Received" and prepare Goods Receipt Notes (GRN) on the basis of Purchase Order. Service will be verified by signing the contract as "Services Received". In case of goods, the store Keeper will receive and services will be acknowledged by the concerned department.

### 11.9 Payments

Any payment against purchase shall be made only after certification from the 'Certifying Officer' and duly approved by the 'Approving Officer'. On receipts of Supplier's Invoice, Goods Received Note (GRN) and suppliers Delivery Note (along with Purchase Order, Quotations, and/or bids summary) from the Store In-charge or concerned recipient, Finance Department shall process the payment.

Finance Department shall check:

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- If there is any comment from the Store In-Charge or of Procurement Committee or Quality Assurance Committee or concerned recipient of the goods and services.
- The quantity of the supplied items.
- Price/rate of supplied items.
- Copies of requisition, purchase order goods receipt acknowledgement, delivery note shall be attached with payment voucher for instant reference. The chronological order of submitted documents should be ascertained.
- Purchases including pending deliveries against orders should be verified.

### 11.10 Flow Chart of Procurement Procedure

01.	Respective department fills up the prescribed Requisition Form and submit to the Director.
	↓
02.	Issue of note by the Director to Finance Dept. for budget verification.
	↓
03.	Issue of note to approval authority (E.D/Director) for administrative approval.
	↓
04.	When approval authority approves purchase requisition form, procurement committee collect quotation/call tender, wherever necessary.
	↓
05.	After a specific time period, procurement committee open quotation/tender in presence of bidders/representatives.
	↓
06.	Prepare comparative statement mentioning necessary recommendation (preference should be given to sole distributor and supplier who provides warranty / guaranty on goods) by the procurement committee after obtaining opinion from quality assurance committee.
	↓
07.	The concerned authority (other than procurement committee) will issue purchase order to the lowest bidder or the bidder recommended by procurement committee.
	↓
08.	Receive material by store dept. with delivery challan after verification of quality by the quality control committee.
	↓
09.	Submission of invoice to the Finance dept. for payment with the opinion of quality control committee along with all the necessary documents relating to procurement.

### 11.11 Transaction Approval Authority Limit

The transaction approval authority of Child Health Research Foundation will be as follows:

Division	Designation	Limit
<b>Research Division:</b>		
Microbiology Department	Lab Manager	<b>Taka 1 to 99,999</b>
Genomics Department	Snr. Research Investigator	
Biochemistry Department	Snr. Research Investigator	
Epidemiology Department	Snr. Research Investigator	
Training & Advocacy Department	Asst. Manager Admin	
<b>Diagnostic Division:</b>		
CHRF-SSF Lab	Lab Manager & Research Officer	<b>Taka 1 to 99,999</b>
CHRF-Kumudini Lab	Lab Manager & Research Officer	
CHRF-BSHI Lab	Lab Manager & Research Officer	
CHRF-HQ Lab	Lab Manager & Research Officer	
<b>Admin Division:</b>		
IT Department	Manager	<b>Taka 1 to 99,999</b>
Finance Department	Snr. Finance Manager	
HR & Admin Department	Asst. Manager Admin	
All Division	Director & Scientist	<b>Taka 100,000 to 9,99,999</b>
All Division	Executive Director	<b>Taka 10,00,000 to Above</b>

Note: The list along with names will be reviewed yearly and finalized with office order, issued by Executive Director of the organization.



## Chapter 12: Fixed Assets Management

### 12.1 General

Organization can purchase any fixed assets as per their needs. Fixed Assets are resources of an organization that have the potential for providing with future economic benefits. Control over fixed assets is an essential part of routine management exercise. This chapter highlights some basic control issues concerning fixed assets management. CHRF management/employees shall ensure the best utilization and accounting for all of its fixed assets.

### 12.2 Safe keeping of Fixed Assets

Fixed Assets must be safeguarded from fire, theft, damage and other risk factors. Adequate firefighting measures should be taken, wherever necessary, to protect the assets from fire and other hazards. Electrical, electronic and other sensitive equipment must be protected from power surge and other electrical hazard. Computer and other office equipment must be protected under controlled environment from excessive heat and burn.

### 12.3 Insurance

All fixed assets of CHRF may be adequately covered by Insurance Policies from a reputed insurance company. The Executive Director with the assistance of the Finance Department shall be responsible for ensuring that insurance coverage is always up to date and renewed timely.

While taking the coverage, reputation of the insurance company in terms of settlement of claims must be considered. Insurance coverage should be comprehensive and broad based covering all probable risks. The assets must not be under insured to avoid average settlement at the time of actual loss.

### 12.4 Custodianship

The Executive Director on behalf of BOD shall act as the Chief Custodian of all assets of CHRF. A list of all Fixed Assets should be kept at the Head Office for controlling, tracking and instant reference. The Finance Department shall also retain a copy of the same.

The head of Unit Offices are to perform the primary custodianship function for the assets lying under his/her jurisdiction/area. As such, they are primarily responsible for regular maintenance of fixed assets under their custody. In discharging this responsibility, the head of Unit Offices need to perform the following functions.

- a) Maintains a list of fixed assets under their custody.
- b) Updates the list of assets annually considering all additions and disposal of fixed assets.
- c) Conducts physical verification of fixed assets periodically to ensure existence and quality of assets and record shortages/excesses with explanations and report to the Head Office.
- d) Ensures regular maintenance and servicing of fixed assets, wherever necessary.

## 12.5 Capitalization Policy

Fixed Assets shall be recorded at actual cost. Any expenses incurred in connection with the acquisition or construction of fixed assets shall be included in the costs of assets. The ownership of all fixed assets purchased by CHRF shall be in the name of CHRF.

Any asset purchased for the use of CHRF shall be capitalized when it satisfies any of the following conditions:

- The benefits of the expenditures on the assets are expected to extend more than one year.
- Minimum value for capitalization of a fixed assets shall be Taka 10,000, Purchase value of any asset less than Taka 10,000 shall be charged as revenue expenditure.
- Shall be used on a continuous basis and not intended for sale in the ordinary course of action.
- The item is owned by CHRF.

## 12.6 Depreciation Policy

CHRF depreciates all its fixed assets on Reducing balance method duly considering the estimated useful life of such assets.

Generally, Full year's depreciation is charged on fixed assets. In the first year, Half year's depreciation shall be charged irrespective of whether the fixed asset is purchased at any time during the year. No depreciation is to be charged in the year of disposal or in the year of writing off of any fixed assets.

## 12.7 Rate of Depreciation

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

• Land	0%
• Building and other constructions	10%
• Furniture and Fixtures	10%
• Laboratory Equipment	20%
• Office equipment	20%
• Machineries	20%
• Transport & Vehicles	20%
• Other Fixed Assets	20%
• Intangible Assets	25%

## 12.8 Classification of Fixed Assets:

Fixed Assets of CHRF is classified as follows:

- Land - Purchased and donated land.
- Building and other Constructions- Purchased building or full constructed building on purchased land and Under construction facilities.
- Furniture & Fixtures- Chair, Table, Bookshelf, File Cabinet, File Rack, Almira, Decoration, Partition, Counter, Sofa etc.
- Laboratory Equipment – Sequencing Machine, PCR Machine, Microscope, Elisa Reader, Blood Culture System Analyzer, Centrifuge Machine, Incubator, Urine Analyzer, Autoclave Machine, Refrigerator etc.
- Office Equipment- Computer, Printer, Scanner, PABX System, Attendance Machine, Camera, Photocopier, Television etc.
- Machineries- Electrical Sub-Station, Air-conditioner, Generator, Cash Counting Machine etc.
- Transport & Vehicles- Motor Vehicles etc.
- Other Fixed Assets- Oven, Water Purifier, Fan, Gym Instruments, Fire Extinguisher etc.
- Intangible Assets- Software, Website etc.

### **12.9 Donated Assets**

Assets, which have been donated to CHRF, should be included in the accounts, if the donor declares any valuation of such asset. In absence of any valuation, all such donated assets should be recorded in the Fixed Asset Register at “Fair Value” and be given a separate ID number for securing existence. CHRF shall ensure the terms and conditions as per the grant agreement to maintain the donated assets.

### **12.10 Project Assets**

Assets, which have been acquired for project purposes, CHRF, should be included in the project accounts. After completing the project, the assets will be booked as CHRF’s own Assets if there are no further obligations regarding assets by the donors.

### **12.11 Leasehold Assets**

Property which is held by virtue of a lease agreement for a period is to be classified as leasehold assets. It should be differentiated from the freehold assets. In case of leasehold asset CHRF will book it as assets at the lease value.

### **12.12 Fixed Asset ID Number**

When an asset is purchased, it should be given a unique asset serial number (ID Number) which should be physically marked only on fixed nature of movable assets and held in the Fixed Asset Register of CHRF.

This ID number is the identification mark provided by CHRF. Such ID mark should be written on the assets in such a way that it could be easily noticed.



The Head Office of CHRF shall be held responsible for determining fixed asset ID number. In case an asset is purchased in the Unit Offices then the Unit Offices must communicate to the Head Office for allocation an ID number for that asset. The ID number must include the following information:

- Ownership of fixed asset, for example: CHRF
- Location of fixed asset, for example: HO, UO
- Class of fixed asset, for example: Furniture and Fixture
- Category of fixed asset, for example: Table
- Year of acquisition, for example: 2007

Say, 5 (five) tables purchased from donor fund and situated at the Head Office shall be written as CHRF/HO/Code/year.

### 12.13 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 serial number on the assets wherever applicable)
- Unit
- Cost per unit
- Total value (cost) of the asset
- Depreciation rate
- Annual depreciation amount
- Accumulated depreciation (depreciation to date)
- Written down value
- Payment reference for example: voucher number, budget code/ donor/ project etc.
- Location of the asset
- Condition of asset
- Remarks

### 12.14 Transfer of Fixed Assets

Transfer of assets from one location to another location or from one user to another user can be done through proper authorization, acknowledgement and intimation to the Finance Department. This is to be done through Asset Transfer Form to have official record and ensuring control and custodianship. Administration Department will take lead in executing the transfer and keep records.

- If any asset needs to be transferred from its designated locations to some other locations, an Asset Transfer Form has to be filled in by the respective department/user and to be forwarded to the Executive Director/ Director stating the reasons for such transfer or dislocation. The Executive Director/ Director shall authorize the requested transfer and provide copies to The Finance and Administration Department.

- The authorized persons from Finance Department and Administration Department must countersign on the asset transfer order before the transfer takes place to ensure registration of new location/user of the asset.
- Immediately after the transfer of asset, the transfer information must be recorded in the Fixed Asset Register. No asset shall be transferred without the prior approval from the Executive Director/Director.

### **12.15 Movement of Fixed Assets**

No property of the Organization should be allowed to take out of the office premises without the prior approval from the Executive Director/Director.

For the purpose of recording and keeping control on fixed assets, a gate pass shall be issued for delivering any computer or other equipment to the vendor or repairing shop for repairing of those items.

The gate pass should be signed by the guard while taking out of the office premises as a witness of the movement of fixed assets.

### **12.16 Physical Verification of Fixed Assets**

CHRF shall arrange physical verification of its fixed assets at least once a year to verify the quantity and quality of the assets. A team comprising of internal audit, administration and finance personnel shall carry out the physical verification of assets. External auditors should be invited to witness the verification process. Alternatively, a well reputed chartered accountant firm may be appointed to conduct the verification of fixed assets.

Team engaged for physical verification of assets shall submit a report to the Executive Director/ Director, with a copy to the Finance Department. The report shall contain the following information:

- a. Asset No.
- b. Name/description of the assets
- c. Location of the assets
- d. User of the assets
- e. Quantity of assets as per register
- f. Quantity of assets physically found
- g. Quality of assets physically found
- h. Short/Excess of assets as per physical verification
- i. Condition of the asset
- j. Recommendation for sale/disposal, adjustments for excess/shortage, if any
- k. Remarks

### **12.17 Disposal of Fixed Assets**

Fixed assets, which are in poor condition or no longer required for use can be disposed of either by sale or scrapping. The process of disposal must be approved by the BOD prior to starting such process.

Before making any proposal for disposal of the assets, the conditions of the grant agreement must be followed. If there is any restriction on sale or otherwise instructed by the respective donor on disposal of assets then their instructions should be followed.

If there is no restriction from the donor on disposal of assets, then management can take its own decision on such disposal.

### **12.18 Procedure of Disposal**

To dispose of old or damaged or unusable assets or if assets are stolen or lost, a report with all the details of the assets shall be submitted to the Executive Director/ Director. For valuable assets stolen, an FIR shall be lodged with the local police station. For disposal, The Executive Director will decide how the assets will be disposed of. Accounts of the Foundation will be charged accordingly. Investigation shall be made for assets lost and stolen and action should be taken against person(s) responsible for such irregularities. The Executive Director/ Director at his discretion may ask for three quotations for disposal of an asset and dispose it off to the highest bidder and he may also arrange open auction for unusable/scrap items. In case of open auction, brief written information signed by the Executive Director/ Director shall be preserved for reference.

### **12.19 Accounting for Disposal of Fixed Assets**

At the time of disposal of the asset, the value of accumulated depreciation as well as the cost of the assets shall be taken out from the Fixed Asset Register.

In case of sale, if the sales price of the disposed asset is greater than the WDV, then the difference between the sales price and WDV shall be treated as 'Profit on Disposal of Fixed Assets'

On the other hand, if the sales price of the disposed asset is less than the WDV, then the difference between the sales price and WDV shall be treated as 'Loss on Disposal of Fixed Assets'

### **12.20 Writing off of Fixed Assets**

There can be situation where assets have been damaged or can no longer be located after investigation. In such situation, CHRF should follow the decision(s) of the BOD through Executive Director for writing off the damaged/ non-identified assets from the records.

### **12.21 Accounting for Writing off of Fixed Assets**

In case of writing off of fixed assets, the WDV of that particular asset, if any shall be charged as 'Loss on Disposal of Fixed Assets' in the Income and Expenditure Account of CHRF.

## Chapter 13: Inventory Management

### 13.1 Definition

Stock should be considered as those items, which are purchased but not immediately issued for the uses. The nature of items held under stock is mainly (i) laboratory supplies (ii) Stationery

Inventories are included in the financial statements at the lower of cost and net realizable value. Cost is generally determined on a first in, first out basis. Valuation for insurance (if required) shall be determined as such.

Stock held in Unit Offices shall not be treated as month-end or year-end inventory. These can be either purchased locally or issued from the Head Office, in all these cases the stock shall be charged to revenue as soon as it is purchased locally or issued from the Head Office.

Office Assistant of Unit Offices shall maintain a memorandum record of stock. A list shall be prepared by the Office Assistant of Unit Offices on a monthly basis and sent to the Head Office for verification.

### 13.2 Store Management

The store should be placed in a safe space and it should be kept in a place under lock and key. Store should be in such a place where access of unauthorized personnel is restricted. Care should be taken to ensure the storage space is suitable with regards to temperature, humidity, hygiene, security and risk of damage and deterioration from adverse weather conditions.

A good store management system ensures proper use of materials and saves wastage of materials, keeps proper record of materials. Storekeeper shall be responsible to maintain Store Register, where all receipts and issues of materials shall be recorded. Issue of store items to the personnel will be made only upon obtaining approval from the Director on requisition slip.

### 13.3 Recording Procedure

Goods shall be received by the Store Department through "challan" supported by the bills and full particulars of the goods in it.

All issues from the store shall be made through requisitions duly authorized by proper authority. At the time receiving delivery of goods from the store, the person receiving such delivery of goods must sign on the document (Invoice) as acknowledgement of receipts of those deliveries. All movements (Receives and Issues) will be documented by Software-based Inventory Management System and the "Store Ledger" shall be kept up to date.

### 13.4 Physical Control

The stock shall be kept under the control of the Administration Department in a secure and appropriate storage facility. The storekeeper of the store shall be responsible for maintaining documentation for recording the stock in the store.

Physical inventory shall be made on a monthly basis by the storekeeper and produce an inventory report to the Director. At the end of each financial year of a physical inventory verification shall be made by the committee formed by the Executive Director.

### **13.5 Physical Inventory Counting and Checking**

CHRF shall follow the under noted steps in verifying/checking the validity of all the inventories.

- An Ad-hoc committee formed comprising of three members by the Executive Director for physical inventory counting and checking. The said committee shall carry out the assignment once in each year. Alternatively, a well reputed chartered accountant firm may be appointed.
- Committee shall examine all inventories in the light of the lists prepared by the store department.
- The committee shall submit the report within the stipulated date and time.
- Required adjustment of any inconsistency shall be made having approval from the Executive Director or delegated authority.

### **13.6 Inventory obsolescence**

Management should establish a policy for evaluating stocks for obsolescence. Write off and write down of obsolete inventory recommended by HOF and be approved by the ED.

### **13.7 Store Item Reconciliation**

Physically found balances of store items should be reconciled with the balances lying in the stock register at the end of each financial reporting time or end of the Organizational fiscal period. Any excess or shortage will be adjusted in the accounts after taking approval from the Executive Director or appropriate authority and stock register balances will be adjusted accordingly.



## **Chapter 14: Books of Accounts and Registers**

### **14.1 General**

The accounts related books and registers are important for recording financial transactions. These books and registers are treated as documentary evidence of financial transactions. The Finance personnel of CHRF shall maintain the following books of accounts and registers for recording the financial transactions and its related information.

### **14.2 Cash Book / Bank Book**

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 Finance 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 Officer must sign the Cash Book if it is agreed with the amount physically found.

### **14.3 Petty Cash**

A petty cash account, not exceeding Taka 50,000 should be maintained for small day-to-day expenditures. A reliable person not involved in accounting and procurement should maintain this Petty Cash Book. Petty Cash Vouchers and Petty Cash Book must be maintained in the same format as Payment Voucher and Cash Book described earlier.

When the Petty Cash Advance is adjusted, Payment Voucher with supporting documents attached and Petty Cash Book should be produced to the Head of Finance for verification. If satisfied, The Head of Finance should sign the Petty Cash Book, replenish the petty cash advance, and transfer of petty cash expenditures to the main accounting system.

### **14.4 General Ledger**

At the end of each month, the ledger must be checked against the cash book and journal to ensure that all the expenditures have been posted in the ledger.

### **14.5 Adjustment for Accruals**

Although accounting system of CHRF is basically based on cash system, yet some adjustments at the end of the month and financial year will be required to incorporate income and expenditures relating to period concerned but not received or paid. Inclusion of such items is required to reflect true financial position of CHRF for the period concerned and to compare actual financial performance levels with those budgeted.

#### **14.6 Fixed Asset Register**

All fixed assets acquired shall be recorded in Fixed Asset Register. The fixed assets shall be physically verified at the end of each year, results should be reconciled with the Fixed Asset Register and short/excess, if any, shall be adjusted in the books of accounts. Disposal of any asset must be recorded in the appropriate column of the Register. Depreciation on fixed assets will be recorded in the Fixed Asset Register in appropriate column.

#### **14.7 Movement Register**

Movements of CHRF staffs will be recorded in this register. The information of name and position of staff, date and time of departure, arrival, destination, staying time, mode of transport, purpose, signature of the staff, remarks, etc. will be recorded in this register.

#### **14.8 Salary Register and Salary Sheet**

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

#### **14.9 Stock Register**

All stores shall be recorded in Stock Register which would contain information regarding quantity, price, date of receiving and date of issuing, 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.

#### **14.10 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.

#### **14.11 Advance Slip / IOU Register**

CHRF shall maintain IOU / Advance Slip Register to record the Taka amount given as IOU by using Advance Slip. This register will contain information relating to the amount adjusted / refunded by the staff members of the Organization. IOU / Advance Slip may be used only for emergency purposes or making expenses of very small amount.

#### **14.12 Cheque Issuing Register**

This register shall be maintained by the Finance Department for recording information relating to issue of cheques. It contains information such as voucher number, cheque number, date of issue, name of bank, bank account number, amount etc.

#### **14.13 Log Book**

CHRF should maintain a Log Book for recording of the driven hours, time of departure, time of arrival and other relevant information. It should be prepared for checking the mileage, fuel consumption that must be needed for controlling fuel bills.

#### **14.14 TDS Register**

CHRF Head Office and its Unit Offices shall always maintain TDS register to control over several deductions 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.

#### **14.15 VAT Register**

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

#### **14.16 Fund Register**

A Fund Register shall always be maintained in an updated manner by the Finance personnel to control over the movement and proper utilization of the fund. Necessary information should be recorded to administer, manage and operate the fund in an efficient way so that the objectives and goals of the Organization can be achieved.

#### **14.17 Visitor's Register**

A Visitor's Register shall be maintained in each of the Unit Offices of CHRF for keeping the records of visits of CHRF high officials, any staff member from the Head Office, any staff member from another Unit Office and any incumbent from GoB and concerned authority, which contains information of name of the person, position of the person, date of the visit, duration of the visit, purpose of the visit, any comment or advice.

#### **14.18 Maintenance of Books of Accounts and Registers**

The above mentioned forms, books of accounts and registers are important documents. CHRF must pay special attention to the said documents for proper documentation as well as pay attention for avoiding deletion, over writing or tearing of pages etc.

If any entry in the said documents found to be erroneous, then initials should be taken after inserting correct date deleting the previous one. Eraser, vanishing liquid/fluid should never be used to rectify a wrong entry.



### 14.19 General Accounting Activities Plan

**Activities Plan:**

Accounting activities plan of the CHRF's finance and accounting system is as follows:

**ACTIVITIES PLAN**

<b>Activities</b>	<b>Frequency</b>
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 (if possible)
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 stock register	As and when it takes place
Posting and balancing of advance register	As and when it takes place
Preparation of Trial Balances	Monthly basis
Preparation of financial statements	Monthly basis
Budget variance statement	Monthly basis



## Chapter 15: Financial Reports

### 15.1 Internal Financial Report

An Internal Financial Report should be prepared at the end of each month. The amount of each installment of fund received and the total of funds received should be available in this report. All the expenditure from the general ledger should be shown with budgeted figure of each item. Opening and closing balance of bank and cash book should also be included. When all receipts and payments are totaled and cash in hand and cash at bank extracted, total expenditures and the balances shown in the Internal Financial Report should agree with the general ledger and cash book/bank book.

The Head of Finance should submit it to the Executive Director/Director who after verification should also comments on the report. The report should be used as an internal document to monitor expenditures and balances of the budget and must be produced to the Board of Directors during its meeting, if needed.

### 15.2 Contents of Financial Statements

The Annual Financial Statements are prepared on accrual basis in accordance with IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards) as adopted in Bangladesh and it consists of:

- Statement of Financial Position
- Income and Expenditure Account
- Receipts and Payments Account
- Notes to the Financial Statements

The Annual Financial Statements shall be signed by the Executive Director and Head of Finance.

#### 15.2.1 Statement of Financial Position

The position of funds, Assets and Liabilities on a specific date is presented through the Balance Sheet. It is prepared Project-wise, Fund-wise and a Consolidation of all the funds.

The Statement of Financial Position shall have to be prepared based on the Trial Balance and the adjusting entries of the projects of CHRF.

The Excess of Income over Expenditure (surplus) or the Excess of Expenditure over Income (deficit) is to be adjusted against fund account of Balance Sheet.

The ultimate effects of the adjustments relating to advances, prepayments and outstanding expenses and depreciation shall be shown in the Balance Sheet.

The details of Fixed Assets should be shown in a schedule to be annexed with the Balance Sheet.

### **15.2.2 Income and Expenditure Account**

Project-wise, Fund-wise as well as consolidated Income and Expenditure Account is prepared to ascertain the Excess of Income over Expenditure or the Excess of Expenditure over Income on monthly and yearly basis. All the revenue receipts should be treated as income and all the revenue payments should be treated as expenditure.

Payments against advances or capital expenses should not be included in this account. These types of expenses should be treated as items to be shown in the Balance sheet. The surplus or deficit as shown by this account shall be transferred to the Balance Sheet as Capital Fund. The depreciation charges relating fixed assets and the bad debts will be shown in the Income and Expenditure Account.

All revenue nature income and expenditure relating to the reporting period will be reflected in this account irrespective of the status whether income received or not and the expenditure paid or not.

### **15.2.3 Receipts and Payments Account**

At the end of each month, Project-wise and Fund-wise Receipts and Payments Account shall be prepared based on all receipts and all payments relating to each of the projects. A Consolidated Receipts and Payments Account of CHRF shall be prepared at the end of each month, showing budget and cumulative figures of each of the budget line items.

At the time of preparing the above account, the closing balance of the previous month/year should be transferred as opening balance. The receipts and payments account will reflect the summation of all revenue and capital nature expenditure during the reporting period.

### **15.2.4 Comparative Statements: Budget vs. Actual Amount**

A comparative statement shall be prepared at the end of each month showing Budget vs. Actual amounts. This statement is also called Variance Report. The Finance Department of CHRF that prepares monthly Financial Statements shall be responsible for closely monitoring the Variance Report.

### **15.2.5 All supporting Documents with regard to:**

- Fixed Assets
- Accounts Receivable
- Accounts Payable
- Advances, Deposits and Prepayments
- Liabilities and all Unpaid Obligations
- Sources of Income
- Others, as may be required.

### **15.3 Financial Report to the Donors**

CHRF shall ensure that the financial reports submitted to grantors are in accordance with the grant conditions of the respective grantors. Financial Reports to grantor

must include structured, relevant, and up-to-date information about the grant's financial performance, budget implementation and variances. Financial reports are intended for Grantor's assessment of the grant's financial performance in light of the programmatic performance. CHRF shall prepare and submit financial reports using grantor's financial report template (or standard reporting format used by the CHRF) along with programmatic reports.

Financial reports should be derived from the CHRF Financial Management Systems. CHRF Finance department shall preserve the relevant evidence against all the expenditures. Finance Department shall prepare a reconciliation before submission of financial report to grantor or any key stake holder when the report does not match the line items in the Financial Management System.

The Financial / Grants accountant shall prepare the financial reports. The report (including reconciliation if needed) shall be signed off as prepared and include the preparation date. The prepared report shall be reviewed by the Head of Finance. The Principal Investigator/Project in-charge and Executive Director must approve the report with sign and date before submission to the donor.

A handwritten signature in black ink, appearing to be the initials 'db', is located in the bottom right corner of the page.

## Chapter 16: Audit

### 16.1 External Audit

All the accounts of the Foundation shall be audited by a reputed chartered accountant firm annually. Main Accounts and all the Project Accounts shall be audited separately. Audit shall be carried out in conformity with the Bangladesh Standards on Auditing and instructions of NGO affairs Bureau and Donors. The Executive Director shall submit the audited financial statement along with the auditor's report to the Board for discussion and approval.

In order to comply with specific donor requirements/grant agreement CHRF shall also appoint well reputed chartered accountant firm for auditing financial statements of projects.

The auditors shall have access at all convenient times, during the agreed period of annual audit to all books, records, vouchers, minutes and other documentations, which are in the opinion of the auditors, necessary in performance of the audit.

#### 16.1.1 Audit Period

CHRF organizational audit period will be from 1st July to 30th June. Project audit period will be according to the projects approved by the NGO Affairs Bureau and Donor's approved project period.

#### 16.1.2 Appointment of Auditor

Appointment of auditor of the CHRF and their remuneration will be fixed at CHRF Board of Directors Meeting. NGO Bureau enlisted external auditors will be appointment to verify the accounts of the CHRF. The audit will be conducted in line with the requirements of the NGO bureau, the donors and other local government authority.

#### 16.1.3 Terms of Reference

The terms of reference will be prepared for each audit according to the requirement of CHRF and NGO Affairs Bureau. The auditor will conduct the according to the terms of references stated in the terms of reference/ appointment letter.

#### 16.1.4 Follow-Up of Audit

The Executive Director and the Director will ensure that suggestions and requirements arising from audits will be discussed, disseminated and acted upon in an appropriated and timely manner.

#### 16.1.5 Management Letter

External auditor is required to produce management letter, which will include their observations of areas, which need improvement in the internal controls and operations of CHRF. The management letter should also include their recommendations and the responses from CHRF management. All matters contained

in the previous year's management letter must have been attended to in the following year and must not appear again in the next management letter.

### **16.1.6 Distribution of Audit report**

CHRF shall present the audited financial reports to the following stakeholders:

1. NGO Affairs Bureau
2. Concerned Donor
3. District Commissioner if required
4. Central Bank if required
5. Other related authorities.

### **16.2 Internal Audit**

CHRF's Internal Audit staffs/representative is responsible to monitor day to day financial transaction and process followed to record those transactions. During the financial monitoring CHRF staff should ensure maintenance of the following records:

- Double entry system of accounting on accrual basis.
- Cash book, Bank Book and General Ledger Book.
- Acknowledgment Receipts Book/Credit Voucher, Debit Voucher, Cheque Payment Voucher/Transfer Voucher and Journal Voucher.
- Cheque/bank Register, Journal Register, Advance Register, Asset Register, Stock Register and salary Register.
- Bank Reconciliation, Cash Indent, Monthly Attendance sheet, Salary Sheet, Monthly Salary List, Expenses Report Form, Conveyance Bill Form, Food/Daily Allowance Form, Material Requisition Form, Stock Inventory, Leave Record Sheet, Leave Application form. Logbook, Vehicle Monitoring sheet, Car Fuel record from as appropriate.
- Open and operate separate bank account for CHRF Funded project with a minimum two joint Signatories.
- Bank Statement are collected and reconciliation done monthly. Bank Certificate is to be collected for a particular date according to the project year.
- Check the internal cash control system is in place.
- All receipts are acknowledgement and record in the Book.
- Check the payment of supplies or for services have been made by a cross cheque and necessary supporting and original vouchers are attached with the payment vouchers. Purchase Shall be checked.
- Check that expenses are charged to proper line item. Vouchers are chronologically numbered and properly filled in.
- Checked that fund of one donor is not used for other
- Check that personnel records are properly maintained.
- Checked if procurement policy has been duly complied with.
- Internal audit is conducted by internal Audit Department of CHRF as per CHRF own internal Audit guideline.

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## Chapter 17: Government Regulation and Compliance

### 17.1 NGO Affairs Bureau

#### 17.1.1 Registration

- The registration of the organization shall be renewed every ten years. As a process of renewal, an application along with prescribed fee shall be made to the Director General of the Bureau at least six months before end of five years period.
- The constitution of the organization, list of members of committee and resolution of annual general meeting shall be submitted to the Bureau.

#### 17.1.2 Approval for the project Implementation and Fund Release

- The project holder shall submit the donor approved budget as per NGO Affairs Bureau Prescribed Format (FD 2, FD 6/Annexure A, B and C) to the NGO affairs Bureau for getting the approval for the project implementation and fund release order.
- For any change/revision in the project budget, the project holder shall submit the revised budget to NGOAB for approval.

#### 17.1.3 Accounts

- All foreign donations must be received through a particular bank account called mother account of any schedule bank.
- Payment vouchers shall be kept in the central office of the organization for ten years.
- When foreign donation is received in kind, book of accounts shall be kept in the form of FD-5.
- When foreign donation is received is received in cash, books of accounts shall be kept under Double entry system of Book-Keeping..
- Semi-annual statement of accounts shall be prepared.

#### 17.1.4 Project Audit

- Accounts of the Organization shall be audited within two months from the end of the accounting period a Chartered Accounts firm enlisted in the NGO Affairs Bureau.
- The copies of audited accounts & report shall be submitted to the NGO Affairs Bureau.

#### 17.1.5 Submission of Annual Report

An annual report stating the following information shall be prepared & submitted to the NGO Affairs Bureau within three months from the end of the accounting period.

- Objective of each project shall be discussed in the annual report.
- Activity-wise actual & budgeted expenditure.
- List of all immovable and movable property.
- Statement of organization's own source of project-wise income and expenditure.

- Statement of foreign tour of officers and staffs.
- Statement containing the various particulars of employees who gets at least Tk. 10,000/- per month. Particulars of employees include their name, designation, qualification, age, nationality, gross salary & allowances and length of service.

## **17.2 Registrar of Joint Stock Companies (RJSC)**

CHRF shall comply to submit the annual reports to the Registrar of Joint Stock Companies in the stipulated time. The Head of Finance will ensure compliance of all the formalities in this regard.

## **17.3 National Board of Revenue**

### **17.3.1 Tax and VAT Guidelines**

- CHRF is a non-profit organization, so tax return is to be submitted for every assessment year as per the income tax Ordinance 1984 and Income Tax Rule.
- Deduction of income tax and VAT under the law (As amended Income Tax Act and Rules -1984 and VAT Act, 1991 relevant financial year) shall be made from all payments rental and service providers/suppliers/contractors bill as applicable.
- Deducted amount shall be deposited to the govt. treasury within stipulated time in the name of the employee or the supplier/contractor.
- A record book shall be maintained for tax, VAT deduction and tax on bank interest by the account's personnel. Accounts personnel at central and Regional / Project office are to strictly follow the existing Tax and VAT Law and Rules.
- VAT return is to be submitted on monthly basis within 15 working days of the following month.
- Withholding return and other necessary return is to be submitted within stipulated time.
- Tax and VAT deduction certificate should be issued by CHRF as required by Income Tax and VAT Law.
- Tax and VAT at source rate will be updated by the Accounts and Finance Department as and when respective sections are amended or a new section is introduced through SRO or Finance Act under supervision of Head of Accounts and Finance.

### **17.3.2 Revenue Stamp Fixing**

Revenue stamp is to be affixed with the voucher supporting documents as per the Stamp Act. Cost of stamp will be borne by the receiving party. Accounts personnel should follow the rule of fixing revenue stamp with due importance.

**The End**

