

Shanti Mitra Somajkolyan Songstha

## Accounts and Finance Policy

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# Shanti Mitra Somajkolyan Songstha

## Accounts & Finance Policy

### 1. Operations and Authority

**The Executive Director (ED):** The Executive Director will be the head of controlling the *Shanti Mitra SomajKolyan Songstha (SMS)*. He/She should have complete control and power over Finance within organizational Rules/Constitution or within the limit of Budget duly approved by the Board of Directors of Shanti Mitra SomajKolyan Songstha & Government NGO Affairs Bureau.

### 2. General Declaration

- a. Shanti Mitra financial Policy declares that all its offices (Head & Project offices) will follow the same accounting principles and practice so that the consolidated financial information and accounting practices are consistent and can be examined by Donor representatives, Government representatives and outside Auditors. This will enable to provide accountability, transparency and internal control without exceptions and explanations.
- b. The accounting system and reporting should remain the same from period to period (monthly/quarterly/yearly) until the Board of Directors of Shanti Mitra approves a revised policy.
- c. To maintain the principles and transparent Finance & Accounts, Shanti Mitra should train up the concern staff in order to develop their competencies.
- d. The Executive Director (ED) must be a signatory of all cheques.

### 3. Usages of this policy, its amendment & approval authority

Only the Shanti Mitra permitted staff are allowed to use this Finance and Accounting Policy. The organizational accounts will be operated as per the rules of this policy. The violation of the rules of this policy is strictly forbidden. It is been communicated here that the rules of this policy could be changed, amended, added or deleted prior taking permission from the proper authority of Shanti Mitra.

### 4. Objectives of this Policy:

The objective of this policy is to make the organizational accounting system standard following the International Accounting Standard (IAS) and the Bangladesh Accounting System (BAS).

Other objectives of this policy are:

- a. To prepare standard and well accepted account reports as well as fulfill the requirement of NGO Bureau and Donor agencies.
- b. To keep accounting records following standard accounting formats and rules.
- c. To follow the same accounting procedures by all Shanti Mitra offices and prepare the reports following the same procedures.

#### **5. Responsibilities and Accountability of the Executive Director (ED):**

The Executive Director (ED) will be accountable and responsible for the following subjects of Finance & Accounts:

- a. The Executive Director (ED) has to submit transparent Budget, Financial Reports in time to the Board of Directors, Donors and NGO Affairs Bureau in order to get proper clearance from them.
- b. The ED is ultimately responsible for financial accountability for the organization, Shanti Mitra . The ED should have accounting education and accounting experience to run the office in the areas of Budgeting, Accounting Control, Financial Reporting and Analysis, Internal Control and Administration.
- c. ED has to review all financial reports with due care to ensure the accuracy and accountability of the reports.
- d. In a timely manner, ED must inform Donors and Board of Directors about any condition where the Lack of or any failure of internal controls which could put Shanti Mitra funds or assets at risk.
- e. ED has to follow up what is going on in the Central Office as well as in the project areas.
- f. The project office accounts should work under the guidance of the ED.
- g. The ED should prudently safeguard the interest of Shanti Mitra.

#### **6. Preparation of Budget and Budget Controlling and Monitoring:**

The plan for the income and expenditure which is being prepared for the next fiscal year is known as Budget. There must be a budget against the actual expenditure. The proposed budget must be prepared according to the procedures of Shanti Mitra. Annual budget has to be prepared by the concerned project incharge and the Executive Director will check it accordingly and submit the budgets of all offices to the Executive Board for the approval. After receiving approval the ED will send the budget to the stakeholders in due time. Shanti Mitra should follow the financial year from January to December or as per the donors' rules for project and the budget has to be prepared in December or as per the donor rules for project for the next financial year.

The controlling of Budget means the process those are being taken proper for controlling of income and expenditures of budget items. The project office has to take the approval of category wise budget from the head office at the beginning of the fiscal year in order to mitigate the expenditure of project office. A comparative quarterly financial report has to be prepared showing the expenditure of line items and actual cost kept in the budget for that item(s). In the expenditure of a particular item is found less/more than 10% of the actual budget for that particular item then the explanation of this deviation has to be mentioned in the comparative quarterly financial report.

**Supplementary Budget preparation and approval:** The respective project has to prepare the supplementary budget for the over/under expenditure and has to take approval from the head office. The approved budget amount has to be recorded in the ledger book which will be vital for budget monitoring. Supplementary budget would prepare for the following reasons:

- a. If the price hike/reduce
- b. If the amount change
- c. If new staff is appointed
- d. If the timeline of Budget is changed
- e. If any new activity launched
- f. Others

## **7. Accounting:**

Keeping and maintaining the document, deeds and other papers of organizational financial transaction and bring transactions under accounting process and preparing accounting and financial reports are the main works of accounting department. The principal accounting systems are:

1. Cash Basis Accounting System
2. Accrual Basis Accounting System

Shanti Mitra will follow the Accrual Accounting System for keeping its accounts in head office as well as project offices.

**7.1 Accrual Basis Accounting:** When the financial reports and statements are prepared on the basis of non-cash receive and payment is known as Accrual Basis Accounting. In this system the financial report is prepared showing the total amount received and paid from 1<sup>st</sup> day of financial year to last day of financial year. The financial report of this system also shows the actual budget of income and expenditure which was supposed to be occurred. The financial report of this system also shows the deficit income and expenditure against the actual budget.

**7.2 Necessary ledgers books, documents, and papers for keeping accounts:** In view of internal controlling and future reference it is obvious for the organization to use different ledger books, documents and papers in keeping accounts. The head office and the project offices of Shanti Mitra have to maintain the following ledger books and documents:

- i) Cash book including debit & credit
- ii) Ledger book
- iii) Advance register
- iv) Salary register
- v) Stock register
- vi) Permanent asset register
- vii) Cheque requisition register
- viii) Money receipt books
- ix) Local income register (cash and ledger)
- x) Provident fund ledger
- xi) Gratuity register
- xii) Staff movement register
- xiii) Vehicle Log book
- xiv) Visitor register

xv) Attendance register

The above ledgers and registers have to maintain for the smooth operation of the project activities. These documents will help to serve the purposes of NGO Affairs Bureau policy.

**7.3 Different Codes of the Accounts:** To make the account easy each of the items are identified by a permanent code number. These numbers are known as account codes. To make the account more accurate and easy Shanti Mitra has classified the following codes of items:

Account items	Account Code numbers	Comments
Staff Salary		Staff Salary and other benefits, staff welfare fund, DPS, life insurance, dress allowance, medical allowance, gratuity, tax, cycle allowance, BP allowance, house rent, social tax, water tax, festival bonus, coastal allowance, food to staff etc.
Printing & stationary		Cash book, Ledger, different registers, pencil, papers, pencil curter, stationeries, calculator, insurance book, different voucher book, medicine sheet, reporting forms, vaccination card, pregnancy card, different forms, photocopy, type ribbon, delivery chalan form, requisition form, computer toner, computer papers, carbon paper, scale, punch machine, lock, soap, purchase order form, work order form, advance form, voucher form, office file, diary, toilet paper, tissue paper, chalk, duster, marker etc.
Conveyance		Conveyance bill, traveling food bill, transport bill
Electric & lighting		Bulb, ware, board, switch, screw, clip, light, tube light set, plug, hericane, torch light, battery, charger light, kerosene, candle, matches, electric meter etc.
Furniture & Machinery		TV, refrigerator, fan, chair, table, rack, file cabinet, almirah, office furniture, telephone set, mobile set, air cooler, OHP, trolley, bed, board, khat, alna, TV box, showcase, sofa set, computer table, stabilizer, generator etc.
Computer items		Computer, printer, UPS, other computer parts etc.
Persons with disabilities support items		Wheel chair, BP machine, Cylinder, Weight machine and other items
Transport		Minibus, microbus, office car, motorcycle, van, pick up, good carrying car, registration fee, Bicycle etc.
Postal & Telephone		Telephone, telegram, letter post, courier, fax, internet, e-mail, postal stamps etc.
Educational materials		Chalk, duster, attendance register, papers, pen, pencil, Board ink, setting mat, newsprint paper, question papers etc.
Building maintenance		Repair cost, cleaning cost, labour bill, paposh, phenyl, harpic, sweep etc.
Transport maintenance		Motorcycle & other car repair bill, transport insurance, fitness and renewal fee etc.
Fuel		Motorcycle & other car fuel, Mobile, Lubricant etc.
Maintenance & repair		Furniture, office instrument and repair cost.
Building		Bricks, sand, cement, rod, iron, CI sheet (tin), wood small parts, contractor bill, Rajmistri, Mistri, other cost for making building etc.
Land purchase & land development		Purchase land, development of land, Registry cost etc.
Sports & cultural instruments		Ball, Carom board, musical instruments, harmonium, tabla, dugi, musical drum set, sports items, annual sport competition at Thana and District level etc.
Entertainment		Tea, biscuit and other entertainment cost, meeting cost etc.
Newspapers & Magazines		Daily/monthly newspaper, Magazine, other books, greetings, publication etc.
Utilities		Gas, water, electricity, kerosene, candles etc.
Utensils		Thala, Bason, plate, Jug, Balti, Mug, Kitchen materials etc.
Advertisement		Staff appointment advertisement, purchase & sell advertisement, tender, signboard making, banner, mikeing etc.
Fertilizer & pesticides		Fertilizer & pesticides for agriculture,
Livestock treatment		Livestock treatment, medicine, vaccines for livestock etc.
Forestry, fertilizer, Seeds,		Saplings, labour for planting saplings, care taking of saplings etc.

pesticides		
Pond re-excavation		Pond excavation, re-excavation, caring cost etc.
Livestock purchasing		Purchasing cost of cow, goat, poultry etc.
Fodder purchasing		Purchasing fodder for livestock
Irrigation cost		Irrigation cost for agriculture
Fish food		Fish food cost
Bank charge		Bank commission, service charge, tax deduction, excise duty etc.
Training		Training related all costs
Legal cost, land tax		Legal case cost, land tax, tax revenue, land dispute, license fee, registry cost etc.
Days observation		Cost of different days observation
Cautious Fee		Project proposal writing, evaluation, audit etc.
Book purchasing		Purchase of books
Admission fee/central fee		Board member fee and others
Local donation receive		Donation receive from well-wishers, friends etc.
Bank interest receive		Bank interest and others
Miscellaneous receives		Miscellaneous receives
Inter organizational loan		Loan given and taken from different sectors.

## 8. Approval Process

Without approving the voucher no transaction could be made. For each and every transaction early approval from the proper authority should be taken. In order to smooth operation of the activities of the organization the early approval of proper authority should be there on each and every bill. The approval procedure of Shanti Mitra is given below:

### 8.1 Payments

- a) Transactions systems should be adequate. Individual payments are designed to ensure that several persons are involved in the processing and that no individual is placed in a position to control the entire transaction/payments of the organization.
- b) Payments of salaries of contact staff will normally be paid by Bank Cheque or Bank transfer. The salary sheets or salary book will be prepared by the designated staff and will be checked and signed by the ED or designated staff.
- c) In case of paying salaries by cash, the salary sheet will be checked and will be approved by ED or designated staff. Assigned Account staff will countersign on salary sheet.
- d) The daily wages for contact wage staff (labours) could be paid in cash prior taking approval from the ED or designated staff.

### 8.2 Signing Authority:

- a) For operating expenses an approval authority chart mentioning the name /position and the limit (figure) of approval has to be kept in all offices of Shanti Mitra. So all staff could understand which staff have approval authority of limit.
- b) For all the cheques the ED must signed. ED could assign any other staff or Board members for signing cheques.
- c) The voucher or expenditure bill all level field staff should be checked by the related project Accountant and approved by the Project Incharge.

- d) The voucher or expenditure bill of Project In charge will be approved by the Executive Director.
- e) The related Accountant shall check the budget whether the demanded item or amount is available in the budget. After getting permission from the Accountant only then the demanded item can be purchased or amount can be paid. The related staff will submit the bill. The bill should be recommended by the related Supervisor and then it will be recorded in the related register. After then the bill will be checked by the Accountant and the approval authority will approve it. After then the Accountant will prepare the voucher and take the approval of the voucher from the approval authority. The money of the bill can be paid only after the approval of voucher. There should be someone in the office having bill approval and cheque signing authority.
- f) To implement and operate the activities the organization may have several bank accounts (Saving and Current account). But in case of opening new bank account and changing the cheque signatory the early approval of the proper authority should be taken.
- g) Shanti Mitra Executive Director or Assigned Officer will provide “*Delegation of Authority*” to any particular staff. This official order will express the extent of power of that particular staff (amount of money can be approved, extent of power of signing bank cheque/voucher, extent of power to make any deed with any third party etc.). Issue beyond “*Delegation of Authority*” has to be send to the higher authority for approval.

**8.3 In absence of the Approval authority following things to be done:** If the staff assigned with “*delegation of authority*” is on leave or temporary stay outside of office or stay outside for official duty, in this case any other staff can continue the duty of that absent staff if he/she is assigned with written official letter. This letter should cover the following issues:

- a. Time: from what date to what date he/she will continue the absent staff duty
- b. Issue of signing bank cheque
- c. Issue of approving voucher/other documents or papers
- d. Issue of staff appointment/transfer/salary increase
- e. Issues have to do at emergency
- f. Issue of taking decision on any new issue

## **9. Banking:**

- a. Numbers of Bank accounts are to be kept to a minimum. But there should be one Foreign Currency Account to receive the foreign currency from the Overseas Donors.
- b. A separate set of journals/voucher to be kept for each account. All Bank Accounts are to be reconciled monthly. Adjustment must be posted to books for any Bank charges or credit shown on the Bank statement that has not been recorded on the books previously.
- c. Bank reconciliation should mention:
  - a) Balance of the end of the proceeding months
  - b) Deposit made during the month
  - c) Withdrawal made the month



- d) Charges made by Bank for services
- e) Credit by Bank for interest on the deposit
- f) Balance at the end of the present month.
- d. Cheque expenses vouchers must have proper supporting documents for payment. These will normally be the same as for Cash Voucher.
- e. Check expense voucher shall be posted daily in ink to the Bank book by the authorized person.
- f. The ED should review the monthly Bank Books.
- g. No erasure and overwriting are permitted in the Bank Books.
- h. Check writing – cheques stubs will be cross referenced with the Cheque voucher number, and Cheque vouchers will be show the relative Cheque number.

#### **10. Cash Advance:**

Cash advance could be allowed to any organization or person against any work or service which that organization or person is going to deliver to Shanti Mitra . The advance money will be shown in register as advance until the work or service is completed. Usually advance is allowed for the following issues:

- a. Against purchasing anything
- b. Against conveyance and traveling
- c. Against service
- d. Against house /office rent
- e. Others

For any advance against any service/work the requester has to submit application with necessary papers or documents to the authority. After accepting the advance application and approved by the authority the voucher has to be prepared and approved. After finishing all these procedures only then advance money would be given to the requestor. In case of advance the following issues have to be followed:

- a. The ED and the authorized staff in both central and project offices will approve all Cash Advanced. No self-approval will be allowed.
- b. Cash Advance must be reconciled within 15 days from the date of issue. Exception must be indicated on cash advance form at the time of approval by the respective authority. No second cash advance will be allowed until previous one has been settled.
- c. A cash advance reconciliation form will be used to clear cash advance.
- d. Advance money cannot be used in mitigating other purpose rather the mentioned purpose.

#### **11. Petty Cash Management:**

- a) Petty Cash payments are defined as small cash transactions. This will not exceed Tk. 10,000 (Ten thousand). The Executive Director will allow petty cash accounts for the project offices.
- b) The respective staff for both Head and Project offices should maintain Petty Cash records in both Head and Project offices. These staffs are fully responsible for the money received & its management.
- c) With the exception Petty Cash will not be used for purchasing items that are identified as assets.
- d) Cash reimbursement forms will always be used for reimbursement of Petty Cash. The respective staff should do it.

- e) Any advance given from Petty Cash must be settled within one month.

## **12. Incomes and Receipt:**

- a) In case of receiving income from funding and supporting agencies, overseas donations, expatriate cheques, travelers cheques etc. on behalf of Shanti Mitra the Executive Director will acknowledge the senders by sending receipts over fax, email or other sources immediately.
- b) In case of receiving income from Sales of Assets, income from house rents, income from service charges and income from administration miscellaneous income, the respective office should acknowledge all the incomes by issuing receipts to the party/parties.
- c) Incomes are received by project offices from any source or sources should put it in the right place in time. Project office should keep proper documentations of these incomes also. Responsible person/persons in project office will be responsible for misappropriation & misuse of these incomes.
- d) Income from service charges of organizational loan money if any should be accumulated in the loan money and revolve these service charges in a cyclic order. But the project offices should submit monthly statements of the loan money to the central office.
- e) Respective staff should strictly control all the receipt books. The assigned staff is authorized to handle the receipt book. An income register should be maintained in the respective office and all the incomes should be updated in the register.
- f) Assigned staff will reconcile daily income & deposit all incomes in banks.

## **13. Staff Salary & other Benefits:**

### **A) Staff Salary:**

- a. According to the policy of Shanti Mitra the salary and benefits of all staff have to send to their respective bank account. But where there is no bank facility, in that case the salary and benefits of staff of those areas could be given in cash. In this case, early approval has to be taken from the authority prior informing the situation of those areas.
- b. The salary register/sheet against the salary has to be maintained. The salary of a month has to be given in last week of that month. Salary can be given earlier specially on religious festivals.
- c. All the information related to salary like basic, house rent, medical allowance, conveyance allowance, entertainment, provident fund, gratuity etc. have to be recorded in the salary register/sheet. After deducting all dues the net salary has to be sent to bank those who have bank account and has to be given cash those who have no bank account. The deducted money has to be deposited in the relevant account immediately after deduction.
- d. Every month before sending or giving salary the approval has to be taken from the authority on salary sheet and then prepare the voucher. It is better to prepare the salary sheet in computer.
- e. The salary register/sheet has to be maintained program wise. It has to be examined properly if any dissimilarity found between last and present month salaries and it has to be recorded with explanations.

- f. According to government rule the tax has to be deducted from salary of eligible tax paying staff and deposit to the government treasury within stipulated time. At the end of the year the salary information like total basic salary, other benefits and total deducted money, chalan number and date has to be provided to each of the staff.
- g. It is stated here that the following detail salary information of staff has to be preserved in the related office.

**B) The personal file of the staff:** the personal file of a staff will content the following necessary information:

- ❖ Application copy with Bio-Data and Photo.
- ❖ Other papers related to appointment (written/oral exams information, final decision of the Employer)
- ❖ Copy of the appointment letter
- ❖ Educational and experience certificates
- ❖ The Job description of the staff
- ❖ Letter of appointing as regular/permanent staff
- ❖ Appreciation/warning/show cause notice etc.
- ❖ Yearly evaluation copy
- ❖ Detail training information those have been received working in Shanti Mitra
- ❖ Annual contact & salary information
- ❖ The final account settling copy & release letter at leaving time

Staff personal file should be maintained very confidentially.

#### **14. Provident Fund (PF):**

The regular and yearly contact staff of Shanti Mitra will get the provident fund (PF) facility. Shanti Mitra management has decided that the provident fund will be contributory by both staff and organization. Staff will pay 10% of his/her basic salary and organization will add more 10% of his/her basic salary.

**System of Depositing PF money:** Every month the PF money (staff + office contribution) has to be deposited to Head office or project to deposit it to the bank in time through cheque. The related Project Incharge and account department separately will preserve copy of detail staff PF information for future inspection and need.

**Return to PF money to the farewell staff:** If any staff is being farewell in normal process or if any staff normally go to retirement, these staff have right to receive their FP.

Following information has to fulfill for receiving PF money by a farewell staff:

- a. Have to be released from Shanti Mitra job following all its rules and regulations. The contact period and other conditions and the bond conditions for training/higher education have to be completed.

- b. The farewell staff have to send the following information to the head office and the head office will receive these papers with date:
- b.1) The release letter
  - b.2) All the evidence of depositing amount to Head office.
  - b.3) The penalty record has to be attached, if any.
  - b.4) Deduction of salary, if any, for any penalty has to be attached.
  - b.5) Appreciation letter, if any, has to be attached.
  - b.6) Evidences of advance payment for bicycle or motorcycle and evidence of depositing it to the Head office or in the right place. Evidence of settling any other advance has to be attached. The staff has to preserve the evidence of paying advance for bicycle or motorcycle or settling any other advance and these could be shown if needed.
  - b.7) The Project Accountant and the Project Incharge has to certify that the farewell staff has no liability to the office. One copy of this certificate will go to the store keeper, one copy to the Head office Accountant and one copy to the Executive Director.
  - b.8) If no objection is found with the approval of Executive Director/Project Incharge the PF of the farewell staff has to be paid within 4 (four) weeks of submitting the final account of his/her PF. The farewell staff has to submit his/her final PF bill with application to the head office at within 2 (two) weeks before receiving final PF bill. The related project office has to collect no objection certification from the head office.

**Duty of Staff and Project about the deposit of PF:**

- a. Both staff and project office shall enquire whether his/her PF has been documented properly and deposited in Head office account or project office account.
- b. If any PF amount is not deposited in Head office or right place PF account within two months, it has to be informed the Head office or project office in written. Head office/project office will not liable to settle this problem but the accountant will be liable for this and the disputed amount will be deducted from his/her security/salary/PF.
- c. Every year the PF amount of all staff has to be calculated and it has to be informed to each of the staff at beginning of a New Year or financial year.
- d. The last salary and the deposited PF amount have to be informed in written to the staff when he/she will be transferred. In right time the personal file of the transferred staff has to send to the project where he/she is being transferred. The related project has to collect the receipt of receiving personal file of the transferred staff. It is stated that the staff has to be informed in written if he/she is transferred or shifted.
- e. The PF amount has to be included in Budget.

**Investment of staff Provident Fund:** Every regular and confirmed staff can get loan from the provident fund on the base of his/her deposited amount. The rest of fund/amount can be invested in any Government approved bank or any profitable institutions in order to beneficial of staff and organization. The benefits on

invested amount will be divided into two parties that are 60% of benefit goes to individual staff and 40% goes to organization. Staff can get 80% loan from staff provident fund based on his/her both contribution following terms and conditions:

- a. Annual service charge would be 4%
- b. The interest would be followed the decline method
- c. Loan refund duration depends on loan amount/bi lateral decision
- d. Loan installment must be deducted from the salary during disbursement.
- e. An employee may have loan from PF who has completed two years service in the organization from the date of confirmation.

#### **15. Gratuity:**

The confirmed or permanent staff in Shanti Mitra will be entitled for Gratuity. The gratuity will be calculated his/her basic salary multiple by total working years in Shanti Mitra . In case of fraction of a year, according to practice, the last month basic salary will be divided by 12 (twelve) months and will be multiplied by number of months. The probation staff will not be entitled for Gratuity. The employee must be completed 2 years in organization from the date of confirmation to get the gratuity.

The staff Provident Fund (PF) and Gratuity Fund will be deposited in a separate account. Staff PF, Gratuity fund has been assigned to a separate management council. Every year PF and Gratuity account will be audited by a recognized Audit firm.

**Investment of staff Gratuity:** Staff gratuity fund can be invested in any Government approved bank or any profitable institutions in order to increase the gratuity fund which would be used during leaving of staff.

#### **16. Accident Insurance Policy:** (Prior approval of Donor and availability of the fund):

With the following conditions accident insurance will be considered for the staff who are at risk at their working field:

- a. Driver(s), Electrician(s), Pump machine operator(s), Motorcycle User(s) will be brought under taka 100,000/- (one lac) accident insurance policy from the day they have joined in Shanti Mitra .
- b. The 25% accident insurance premium has to be paid by the relevant staff and 75% will be paid by Shanti Mitra.

#### **17. Traveling and Food Allowance:**

**Traveling in abroad and Transfer allowance:** The staff will logically and minimally paid his/her actual conveyance bill prior getting approval from the approval authority. No food allowance will be allowed while working within his/her working areas but prior approval of the authority food can be provided. In case of traveling outside of his/her working areas the food allowance will be allowed. Traveling to abroad bill will be settled on actual basis.

#### **18. Bicycle purchase and its account:**

Bicycle: Organization will provide bicycle to the field staff. Organization encourages using the cycle only for organizational works.

**19. Finance & Purchasing Committee:**

Shanti Mitra will form a finance and purchasing committee. The Finance and Purchasing Committee will recommend and approve the store requisition. Usually the Finance and Purchasing Committee is constituted with the following personnel (except Accountant, Storekeeper and Bill Approver):

1. Program Coordinator-1
2. Project Manager-1
3. Finance Manager-1

**20. Quotation Collection for purchasing goods:**

Purchasing materials of taka more than Tk. 10,000 (Ten thousand) will require at least 3 quotations in favour of purchasing committee. The purchasing committee will scrutiny these quotations and a comparative report will prepare. These 3 quotations will be analyzed and base on the analysis the purchasing committee will selected one among them. This committee will recommend it to authorized person and the authorized person will provide the work order/supply order to the company/person who has been selected. It is important to mention that the work order/supply order is must for purchasing materials valued more than Tk. 10,000 (ten thousand).

In case of Brand item three quotations would not be needed for comparison. But waiver approval is required from the Executive Director. Here the price list has to collect for Brand item. For unavoidable case of getting three quotations, in this situation the purchase committee members will physically visit minimum three relevant shops for comparison and they will prepare a comparison report. Those materials could be purchased after signing by the Executive Director.

**Conditions of supplying ordered goods:**

- a. After supplying the materials in good conditions, the bill could be paid by ‘Account payee’ cheque, ‘DD’ ‘Pay order’ etc.
- b. The materials described in the work order/supply order have to supply to the related office within the stipulated date.
- c. If applicable, the Tax and VAT will be deducted from the bill as per government rule.
- d. Other conditions will be applicable as per the situation.
- e. After supplying the materials by the supplier, the Material receiving Receipt (MRR) has to be prepared.
- f. The material receiving information store verification, purchase order, work order #, MRR # have to recorded on the opposite side of the chalan/bill.
- g. Bill/Chalan, MRR, quotations, purchasing order/work order, and application have to submit to the related account department.

**21. Permanent Assets Calculation:**

As per the normal practice, if any item valued more than Tk. 3,000 (three thousand) and if it is longevity is more than three years will be treated as permanent asset. The permanent asset would be gained by purchasing,

donation or handover. Building, official instruments, patient instruments, transports, motorcycle, land, computer, electric instruments etc. will be considered as permanent assets. The permanent asset register has to be recorded regularly. In this register the total value and numbers/amount of that item should be recorded. For each of the permanent asset there should be a separate identity number on its body and it has to be recorded in the register too. It is stated here that the identity number of the body of the item should be written by non-erasable ink.

Every year at least once the permanent asset register has to be audited by internal Auditor and the Auditor will physically examine the balance of the assets. The audit report has to submit to the proper authority and then it should be approved by the authority. The destroyed, broken and stolen permanent assets should be properly mentioned in details in the audit report and after accepting the report by the authority the destroyed, broken and stolen permanent assets should be adjusted with the accounts. The approval of the authority should be needed for handing over any permanent asset and the related documents have to preserve. All donated items should be recorded in the permanent asset register and the identification number on each item should be given. The values of the donated item will be calculated basing on the present market value of that item and then its value will be fixed and will bring under accounting process.

## **22. Depreciation Calculation:**

The depreciation of each of the permanent asset has to be calculated and then bring under accounting process. At least at the time of preparing annual report the depreciation list has to be prepared and to show in Journal Account.

Journal is as follows:

The depreciation of permanent assets has to calculate as per the following rates:

Sl #	Nature of Permanent Asset	Depreciation Rate (%)
1	Land & land development	None
2	Pacca building	3%
3	Semi pacca building	10%
4	Tin shed or kancha house	20%
5	Office equipments (computer and all equipments items)	15%
6	Furniture	10%
7	Apparatus	10%
8	Vehicles (car, motor cycle, bicycle etc.)	20%
9	Book	20%

## **The rule of using the permanent assets if any project is being closed:**

If the project needs to be closed or phase out/over for any reason, in this case the permanent assets of that project will be used in the following ways:

- a. In consultation with the donor these assets could be used in new project or in other running project.
- b. Could be sold after calculating the value and the sold amount could be used to meet the budget of new project.
- c. Could be donated to same-minded organization for smooth operation of their programs.
- d. Could be donated to any government approved welfare or service providing institution.
- e. Could be sold to meet the liabilities of the organization.

## **23. Tax & VAT Deduction:**

The Assigned accountant shall calculate Tax and VAT deductions from staff and sources who/which are eligible to pay Tax and VAT as per Government Income Tax Rules. The deducted Tax and VAT should be deposited to the government treasury within stipulated time. In case of not to able to follow the rule; the government authority could fine the organization. Some samples of applicable Tax and VAT paying cases are shown below:

- a. In case of staff salary: Only Tax
- b. In case of purchasing materials: Tax & VAT
- c. Against receiving service: Tax & VAT
- d. Against printing: Tax & VAT
- e. Against Contractor bill: Tax & VAT

#### **24. Internal Audit and Checking:**

Internal audit and monitoring would be an integral part of Shanti Mitra . Its entire project accounts including head office accounts should have to be audited and checked by the Executive Board appointed internal Auditor at any time.

The Executive Board will review the internal Auditor's reports and will take necessary actions.

#### **Objectives of the Internal Audit:**

- a. To check the records of all transactions commenced all over the year and verify the appropriateness and accuracy of the monthly/quarterly/annual finance reports.
- b. Examine whether the organizational administrative, finance & accounts and other policies are being applied properly and provide comments and suggestions in this regard.
- c. To check the faults, irregularities, monetary fraud, misappropriations etc. If any fault, irregularity, monetary fraud, misappropriation etc. are found immediately it has to be informed accordingly to the higher Management.
- d. To check and examine whether the internal controlling system is working properly and accordingly and inform it to the higher authority.
- e. To check and examine whether the organizational budget controlling system is working properly and accordingly inform it to the higher authority.
- f. To act as a catalyst in order to save and preserve organizational wealth.
- g. To take responsible role to maintain the country's rules and regulations.
- h. To check and examine whether each of the activity of all projects are running as per plan in order to achieve the yearly targets.
- i. To help the higher authority in decision making.

#### **25. External Audit:**



As per the organizational own fiscal year the external audit of central office accounts and all project office accounts will be carried out by a Chartered Accounting Firm affiliated with Institute of Chartered Accountants of Bangladesh and approved by NGO Affairs bureau.

The panel of audit firms and audit fee will be finalized by the Executive Board for a period of one year.

## **26. Investigation Committee:**

Apart from the above audits the investing committee would be formed any time in need under the supervision of the Executive Board for better and discipline operation of the activities of the organization. This committee will investigate on the particular report/phenomena that have been raised. Before any investigation the Executive Board will provide Terms Of Reference (TOR) mentioning the nature of work, arenas, and conditions to the investing committee. The committee will submit a report to the Executive Board after completion of their works. It is stated here that the investigation would be occurred on the incomplete issues mentioned in the audit report. The investigating committee will automatically be dissolved immediate after submitting their investigation report.

## **27. Miscellaneous**

**25.1 Journal voucher:** A journal voucher serially numbered shall be prepared whenever necessary and must be supported by a correctly authorized instruction with narrative as to reason for the journal entry.

**25.2 Current Account Transfer:** This document is used to transfer expenses/payments incurred in project (s) on behalf of another project or Head Office.

- a) Transfer should be made once in a month if any.
- b) Sufficient details of each transaction must be given on each transfer sheet to allow correct posting to relevant account code.

**25.3 Year End Financial Statement:** Special reports, returns and statements are required at the end of each financial year. The Executive Director (ED) issues instructions prior to the end of each year for this purpose. All-important information about the organization's Financial Position and Operations should be disclosed in a full and fair manner. The returns/statements required include:

- a) Cash on hand statement including Bank Accounts
- b) Cash flow statement for the year
- c) Physical inventory of stocks
- d) Assets Schedule and Depreciation schedule
- e) Final current account transfer
- f) Trial balance and all supporting documents like:
  - Loan Schedule
  - Tax schedule
  - Suspense schedule

- Sundry creditors and sundry debtors
- Bank reconciliation statement