



# FINANCIAL MANAGEMENT POLICY



chandradip  
development society

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**চন্দ্রদ্বীপ ডেভেলপমেন্ট সোসাইটি**

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খাদিজা বেগম  
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## TABLE OF CONTENTS

Chapter	Particulars	Pages no
1.0	Introduction and Background	01
	1.1. Introduction	01
	1.2. Background	02
2.0	Double entry system of Accounting	02
3.0	Managing Bank Accounts	02
4.0	Bank payment procedure	03
5.0	Books of Accounts and registers	03
	5.1 Case basis of Accounting	03
	5.2 Voucher	03
	5.3 Petty Case management	05
	5.4 Case/bank book. 5.5 Ledger	05
	5.6 Advance Payment	05
	5.7 Movement Register	05
	5.8 Time sheet / Attendance register	06
	5.9 Cheque approves & issue Register	06
	5.10. Bank Reconciliation Statement	06
6.0	Budget	06
7.0	Internal control system	06
	7.1 Delegated authority	07
	7.2 Staff salary	08
	7.3 Deduction of TAM from salary	09
	7.4 Petty cash	09
	7.5 Collection of service charges	09
	7.6 Compliance of Local laws	09
8.0	Financial implication of HR policy	09
	8.1 Staff payroll	10
	8.2 Feasible Bonus/Fringe benefits	10
9.0	Procurement	10
	9.1 Types of Goods	10
	9.2 Petty purchase procedure	10
	9.3 General purchase	10
	9.4 Payment for procurement	11
	9.5 Accounting for Consumable and fixed assets	12
	9.6 Compliance of terms and conditions of Grants	12
	9.7 Disposal of unusable item	12
	9.8 Depreciation	13
10.0	Financial responsibility and authority	13
11.0	Overhead	13
12.0	Travel & daily allowances	13
	12.1 Travel, 12.2. Travel advance, 12.3. Daily allowance	13/14
	12.4. Supporting documents for payment of Travel bill	15
	12.5 Motorcycle Policy	15
13.0	Mobile Policy	15
14.0	Financial Report	15
15.0	Audit	16
	15.1. Internal Audit 15.2. External Audit	15/16
16.0	Preservation of financial books and records	17
17.0	Updating	17
18.0	Commandant	17
19.0	Compliance with the policy	17



## 1.0 Introduction & Background:

### 1.1 Introduction

Chandradip Development Society (CDS) is a Non Government and not -for profit Organization in established 1 June 1999 by a group of dedicated youths and local philanthropist for socio- economic (EC) of Chandradip Development Society elected by the general body works actively for setting up standards and reviewing the overall policy guidelines of the Organization . The Director remains responsible for overall implementation of the CDS program and activities.

### Vision of the organization:

To ensure a sustainable development through a gender balance society.

### Mission of the organization:

To achieve a positive change & sustainable development in the community life style that is socially just, environmentally perfect & really democratic.

### Goal & objectives of the organizations:

The overall goal of the organization is to establish a hygienic & balanced environment for the safe growth of new generation.

The specific objectives of the organization are the following:

- ❖ To ensure women's in their decision-making at different levels & to increase their participation in income generating activities as well as creating leadership.
- ❖ To establish & uphold the social and human rights of the disadvantaged & vulnerable community people.
- ❖ To change life styles of the targeted people by being aware them on their basic rights to ensure a balanced environment.
- ❖ To assist the target group financially & legally to reduces their dependency on others.

### 1.2 Background:

Chandradip is the beta version of Chandradwip, which was the old name of ancient Barisal region & was the focal point surrounded by a few small islands. To ensure all kinds of possible development for the poverty stricken simple illiterate mass belong to this greater region, Chandradip Development Society has been established in 1999 with organizational motto "We Ensure Development for All". The organization has been formed as a community based non-profitable, non-political & non-government voluntary organization. It is registered with Social Welfare Directorate, Ngo Bureau, and Youth Development Directorate & Women Affairs Bureau. Though initially Chandradip Development Society was setup to assist women empowerment improving their socio economic status, at present Chandradip is conducting the activities like income generating, safe water supply & sanitation, legal aid awareness & support, education, strengthening local governance, health rights, environment preservation & disaster management, AIDS prevention, health & nutrition of pregnancy mother & child etc. All the activities are conducted according to its approved constitution. The organization is liable to its stakeholders, community member & Executive Committee as well as General Committee.

CHANDRADIP is working with the disadvantaged poor for their empowerment through improving their situation by attaining self-reliance. It always tries to address the emerging needs of the working communities and collaborates with various local, national and international NGOs and government departments in realizing their common goal of social development. Since inception, CHANDRADIP is working on different development aspects spreading almost all over the Barisal District region. CHANDRADIP implement its activities systematically in a planned way by consulting the community people and other development partners.



The Chandradip Development Society is a non-government organization which started its journey in 1999 with a project of Rabobank Foundation, The Netherlands on IGAs. It became a legal entity under Society's Registration Act, in 1981, with the Department of Social Services in 2000 and with the NGO Affairs Bureau, Bangladesh. CHANDRADIP is established with a vision "To establish a sustainable development ensuring equal community participation ". Mission is to "To ensure a hygienic & balanced environment for the safe growth of new generation ".

CHANDRADIP is working with the disadvantaged poor for their empowerment through improving their situation by attaining self-reliance. It always tries to address the emerging needs of the working communities and collaborates with various local, national and international NGOs and government departments in realizing their common goal of social development. Since inception, CHANDRADIP is working on different development aspects spreading almost all over the Barisal District region. CHANDRADIP implement its activities systematically in a planned way by consulting the community people and other development partners.

## 2.0 Double entry system of Accounting:

Accounting system recognizes events, records them, summarizes them and reports accounting information. A transaction is an economic event –dealing with money or money's worth. It always involves two –fold aspect of every transaction, i.e. one giving the benefit and the other receiving the benefit. Double entry book keeping is the system which enables the Cashier/Accountant to record the two- fold aspect of each transaction, this being the double effect of each transaction. the two-fold effect of a transaction involves two accounts in the ledger, that is, one account that receives the benefit and the other that gives that benefit against that transaction. The classified summary of transactions of the same nature and type constitutes an account

.An account is a formal record of a particular type of transaction expressed in money or money's worth and kept in cashbook and ledger.

The easiest method to understand the effect of an Accounting transaction is via-T- Account.

The left side of T- Account is called debit and the right side is called credit. Debit and credit are terms used to refer to whether a particular account is increased or decreased when recording a transaction. The rules for transaction of account are:

- Debit is an entry on the left hand side of the account.
- Credit is an entry on the right hand side of the account.
- Assets and expenses are an account which always have zero or debit balance.
- Liability, net assets and income account always have credit balances.

For every debit entry, there must be a corresponding credit entry that is equal in amount.

Double entry system has been adopted to reflect accounting transactions properly in the books of accounts. Printed pre numbered vouchers and other Accountable forms are to be used to control and facilitate the recording of transactions.

## 3.0 Managing Bank Accounts:

CDS will operate mainly three deferent types of Bank Account.

- A Mother bank account approved by the NGO Affairs Bureau for foreign funds received and other activity which is not mandatory to operate individually for local donation.
- Individual project fund accounts.
- In addition, bank account for employees' provident fund and income generation fund will be maintained.

Organization can open any type of bank Account as per its need (i.e. SB, STD, Current accounts). All bank accounts shall be jointly operated, not by a single signatory. Two /There must be

- Two /There authorized signatories as approved by the EC.
- Two signatories among the there for each transaction.
- The signature of Director is mandatory. But it could be changed by written authorization.

#### 4.0 Bank payment procedure:

- All payments over TK 5000.00 are to be paid through Account payee Cheque.
- Payment of monthly salary, benefits, and honorarium must be through crossed cheque or bank account advice whatever the amount is.
- If for any reason any payee or supplier disagrees to accept the account payee cheque, a written request may be received from the supplier/payee and on approval of Director.
- The payment shall be made by the bearer cheque up to the limit of TK 5000.00. The request letter must be attached with the voucher.
- Travel advance to staff for field monitoring for attending training, workshop and seminar may be paid in cash.
- Payment of telephone and utilities can be paid in cash.

#### 5.0 Books of Accounts and registers:

The following Books of Accounts and register are to be kept for convenience:

- Cash Book
- Ledger Book
- Stock register
- Salary Register
- Advance Register
- Cheque Approve & Issue Register
- Cheque Received Register
- Attendance Register
- Movement Register
- Cash Denomination Register
- Fixed Asset Register
- Leave Register

#### 5.1 Cash basis of Accounting:

It is advisable to maintain Cash basis of accounting, which requires that transaction should be recorded in the books of accounts immediately after a transaction, is done . It should be according to International Accounting Standard (IAS) as adopted in Bangladesh as Bangladesh Accounting Standard (BAS).

#### 5.2 Voucher:

Vouchers are the source documents in any book keeping / accounting system and three types of vouchers are recognized:

- ❖ Debit voucher (For Bank and cash)
- ❖ Credit voucher (For Bank and cash)
- ❖ Journal voucher
- ❖ Contra voucher
- ❖ Payment (Debit) voucher, Receipt (Credit) voucher, Journal vouchers and Contra voucher each should have distinctive colors.

Pages-03



i **Debit Voucher**- is prepared in case of cash /bank expenses, or payment and shall contain following information:

Project name , the data of transaction , voucher number, payees name amount of payment, accounting code (if any) , budget category , description of transaction and supporting documents such as copy of work order, invoice , challan for goods received, bills, quotations collected and their comparative statements, photo copy of cheque and salary statements

No bills and vouches shall be paid without proper checking by the authorized person and approval by the duty authorized officials. Paid seal must be affixed on the payment voucher to avoid duplicate payment. All relevant documents should be kept with the voucher for future reference and audits. (Debit Voucher Format is given in Annex-1)

ii **Credit Voucher**-

Incase cash ,pay order, Demand Draft or cheque is received from any source of funds credit voucher will be prepared. A credit should have the following information-

Name of the project and the organization, data of preparation of the voucher, taka amount in figure and words, Budget line item and Code No (if any)

A Money Receipt should be produce against the received amount. Moreover the Bank advice / cheque/DD/pay Order photocopy or other document (if any) should affix with the credit voucher. Signature of the prepared and signature with the approval of the authorized official is mandatory. (Credit Voucher Format is given in Annex-2.)

iii **Journal Voucher**-

Journal voucher is a non cash voucher. The transaction which is not directly affect the cash/Bank book in that the cases journal voucher will prepare. A journal voucher is prepare in the following cases:

- ❖ To adjust an advance given earlier;
- ❖ To bring accounts up to date on accruals basis of accounting;
- ❖ To process record for non –cash transaction;
- ❖ To correct a previous entry.

(Journal Voucher Format is given in Annex-3.)

iii. **Contra Voucher**: (If Necessary)

Incase the amount withdrawn from bank by cheque for expend by cash Contra Voucher must will be Prepared. Which is the cash withdrawn/deposit must be used Photocopy of cheque/deposit sheep by supported Voucher. Contra Voucher must be used both side on cash book properly. Proper checking and approved by the authoring Person.

A Contra Voucher should have the following information –

Name of the project and the organization, date of preparation of the voucher, Taka amount in figure and in a word, vide cheque no, Bank account number, date.

(Contra Voucher Format is given in Annex-4.)

Only one serial no is kept for Debit & Credit Voucher of one project. Debit & Credit Voucher documents in support of transactions. It is mostly needed for audit of books of accounts. Through examination and verification of the vouchers, the Auditors take decision on the correctness and authenticity of the books of accounts and the financial statement presented to them for audit. So, filing of voucher should be done systematically and preserved accordingly for future audit and reference. As per terms of grant agreement of Donors it is mandatory for the recipient voucher for at least 3 years on completion of the project.





### 5.3 Petty Cash Management:

CDS follows the imp rest for system for petty cash fund management considering volume of transaction, distance of bank and. Generally, an imp rest fund of Taka 10,000.00 is acceptable for projects. In cash Book, chronological record of transaction of both receipt and expenditure made through cash is recorded. Supporting Debit Vouchers shall also be kept for petty cash expenses.

When 80% of the impress funds are exhausted and AO/FAO/FO will submit it to authorized person for reimburse the amount spent. Authorized person after being satisfied of the correctness of the record, issues the cheque for exact amount spent. The amount of this cheque together with the unspent balance will restore the original petty cash amount. It is the responsibility of AO/FAO/FO to ensure that these petty expenses are recorded properly in cash book.

### 5.4 Cash & Bank Book:

Amount the important books of accounts; the cash book is primarily important. Cash book with different rulings are used in CDS to keep records of all receipts and payments of money. Basically, a double column cash & bank book with additional columns for date, code number, voucher number, ledger folio number and cheque number will be kept chronologically recording all cash and bank receipt and payments. It is both a book of original record and a part of the ledger. It is a book of original record because all cash and bank transaction are recorded in it as when they take place. It is also a part of the ledger because it contains the cash and bank accounts taken out of the ledger and separately.

Cash & bank book figures would be individually posted to the respective heads of accounts in the ledger. Every money transaction individually posted to the respective heads of accounts in the ledger. Every money transaction involving above Taka 5000 should be made through "A/C payee" cheque.

All bank accounts should be reconciled at least monthly. The reconciliation statement should be prepared by the Chief Accountant reviewed and signed by the PC/ FC/ ED /Director or any responsible official designated and explanations should be given for any unusual reconciling item/items.

(The Cash Book format is given in Annex-5.)

### 5.5 Ledger:

Ledgers, each with account head conforming budget 'line-item' should be maintained. The total of all the subsidiary heads under a control head would agree with total figure of the control head. Posting to the subsidiary heads will be made chronologically from the vouchers, which will act as source documents. The budget allocation should be written on the top of each page so that it may determine the differences between expenditure and allocation.

Ledger should be used to help for budgetary control, prepare periodical reports, Trial balance and other financial statements. (The Ledger format is given in Annex-6)

### 5.6 Advance payment:

Temporary advances can be given against approved requisition to meet the expenses on travel, purchases and training /orientation etc. Advance should be adjusted within ten working days after completion event, Within Five days of procurement and other advances (if any) are required to be recovered as per stipulation in respective their sanction. All Advance payment and adjustment shall be recorded properly. No advance can be given to same person if the previous advance is not adjusted. (The Advance Register format is given in Annex-7.)

### 5.7 Movement Register (MR.):

Any Type of traveling must be recorded in Movement Register by the staff who travels for official purpose . Detail description is to be recorded in movement register (MR) .The MR. should be submitted for obtaining approval pf the respective PM/PC as appropriate. In case of using official transport or journey or by air and tour of PM/PC, the travel of ED is to be approved by Chairman, EC. (Movement register format is Annex-30)





### 5.8 Time Sheet / Attendance Register:

All staff will sign in attendance register . If necessary monthly Time sheet for receipt of monthly salary. Attendance register or monthly Time sheet will be checked before payment of monthly salary. (Time Sheet format is Annex-8 & Attendance Register format is Annex-9 ).

### 5.9 Cheque Approves & Issue Register:

Individual cheque register will be maintained for each bank account separately. Cheque must be issued with the signature/s of authorized signatories.

Always AO/FO/F&AO have to preserve the cheque book in his/her custody. When a cheque is required to be cancelled for permissible reason, it should be market "cancelled" as well as no its counterfoil and must be recorded accordingly in the cheque issue register. Counter foil of issued and cancelled cheques must be preserved to place till audit.

(Cheque issue & approve register format Annex-10).

### 5.10 Bank Reconciliation Statement:

All bank accounts should be reconciled at least monthly. It is required by management to reconcile the bank balance as per as cash book with bank statement balance or the Bank Pass book balance. The reasons are:

- Cheque issued may not be presented by the payee in the bank for collection (un-presented cheques)
- Cheque , Demand Draft or pay order deposited to bank for collection but the bank could not collect the same from the issuing bank (outstanding Deposit)
- Bank credited interest or deducted bank charges directly.
- Any deposit directly in the bank is to be recorded.

So, it is the responsibility of the Account to prepare bank reconciliation statement to adjust the balance as per cash book with balance as per bank statement. Explanations should be given for any unusual reconciling items. The AO/FAO/FO shall prepare the reconciliation statement, initial with date and get it countersigned by his immediate supervisors.

(Bank reconciliation Statement format Annex-11.)

### 6.0 Budget:

A budget is an estimate of future needs, arranged according to an orderly basis, covering some or all of the activities of the organization. It is the responsibility of FAM/ FAO/ AO to prepare yearly budget of the organization, concerning with program persons. ED will review it and place before the EC for their approval for exploring sources of funding.

The budget is the financial expression of the project or program as approved. Project agreed to support by funding agencies must have their approval for the particular period and agreement signed with the organization. The organization may implement project from its own resources and its budget will be approved by EC. Expenditure will be incurred budget line wise. PC / PM will closely monitor the budget against budgeted performance to assess the effectiveness of budget expenditure.

Is case of Project budget, line item adjustment shall be up to the limit of 5%. Prior approval will be required from donor to cross more over 5% to 10% of line item. Adjustment in particular line item may be done provided savings are available in other line item/s of the budget. But in no way the total approved budget will be exceeded.

### 7.0 Internal Control System:

The whole system of controls, financial and otherwise, established by management in order to carry on the business in an orderly and efficient manner, ensures adherence to management policies, safeguards the assess against waste, loss, unauthorized use or misappropriation and secure the completeness and accuracy of the records to permit the preparation of accounts and reliable financial and statistical reports.



An effective internal control system is a prime tool of management. To be effective it needs to be on the solid foundation of an appropriate control environment where management and team members have a clear understanding of the program's philosophy, objectives, policies and procedures within which the organization is operating.

An internal control system is not static; it is a continuing process that needs regular review to confirm its effectiveness in practice and to ensure that it is modified to meet the changing needs of the program.

**The objectives of the internal control system are:**

- To ensure adherence to management policies in order to achieve the program's goal
- To ensure effectiveness and efficiency of operations
- To ensure economical use of resources and to safeguard assets
- To ensure reliability and integrity of financial information
- To ensure compliance with statutory requirements

In short, internal control should establish an environment that creates the appropriate control awareness, attitude and discipline in the organization.

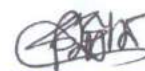
### **7.1 Delegated Authority:**

For sound internal control, the organization should have well delegated authority and designed payment systems and procedures.

Every staff of finance unit knows in advance who should do what in finance unit. There shall be a delegated authority document to clarify who has the authority to make decisions, commit expenditure and sign legal undertakings on behalf of the organization so that there is no confusion of the individual staff responsibility.

The delegated authority document should include instructions for such duties a

- ❖ Placing and authorizing orders for goods and services
- ❖ Signing cheques
- ❖ Authorizing expenses
- ❖ Handling of incoming cheques and cash
- ❖ Checking and authorizing accounting records
- ❖ Signing legal undertaking/ contracts
- ❖ Deputizing arrangements for to cover for key personnel.
- ❖ The well delegated authority and designed payment systems and procedures ensure:
- ❖ Documents are properly authorized, approved and examined before making payment.
- ❖ Payment should only be authorized if relevant supporting documentation is attached to the voucher.
- ❖ Invoice should be marked "PAID & cancelled" to show they have paid in order to avoid duplicate payment.
- ❖ Pre-numbered vouchers should be used for all cheque payments, which should be retained and checked to ensure that the sequence is complete.
- ❖ Payment should be made by crossed or account payee cheque beyond above TK. 5000.
- ❖ Cancelled cheques should be retained in the cheque book.
- ❖ All bank accounts should be reconciled at least monthly. The reconciliation statement should be reviewed by the financial manager and explanations should be given for any unusual reconciling items.
- ❖ Payment vouchers approval authority rests with the PM/PC/ED/Director /CE.
- ❖ The following chart provides the details of authority level that the senior and mid management can exercise as by the board of trustees:





SI	Instrument/ Document	Authority	Extant of Power	Remarks
01	Cheque Signature	EC,ED,PM/PC, AO,F&AO	ED/Director Signature is must	Any two signature
02	Re-allocation of budget items	ED/Director	Up to 10%	Above 10% EC
03	Capital Expenditure	ED/Director	Full	Budget provision and purchase procedures
04	Renting & leasing	ED/Director	Full	
05	All revenue expenses at project level	Head of respective project	Full	Within the approved budget
06	Program, Admin, Travel, Advance, Stationary Purchase	ED,PC,PM F&AO	Full	Above taka 2000
07	Bill Voucher approval	ED,PM/PC	Full	ED can authorized anybody to approve bill voucher
08	Professionals fess/honorarium	ED/Director	Full	Head of project will recommend in case of performance incentives
09	Utilities bill	Finance Officer	Full	
10	Salary allowance & other benefits	ED,PM/PC	Full	Head of project will recommend in case of performance
11	Leave, Travel	PM,PC	Full	Only normal cases

## 7.2 Staff Salary :

The organization and its project staff will be entitled salaries and other benefits as per staff grading (ANNEX-10) & salary scales approved by EC and agreed by Donors. Local staff payroll will be prepared based on appointment letters and Attendance registers/ Time sheet. Monthly staff salary will be paid through bank advice or account payee cheque. Each staff is required to have their bank account. A separate salary register/ sheet must be maintained. Income tax and other relevant deductions will be made in accordance with the local tax law and paid over in good time.

Information to be maintained in the salary sheet / register (ANNEX-19) are:

- ❖ Month and year
- ❖ Name of employee and designation
- ❖ Number of days present as per attendance register / time sheet
- ❖ Monthly basic salary
- ❖ Monthly benefits/ bonus
- ❖ Gross salary
- ❖ Deduction such as income tax , provident fund and for unauthorized leave.
- ❖ Net amount paid
- ❖ Grand total for the month
- ❖ Signature and date of the officials for preparation and approval.

(Salary Register if available in market)



### 7.3 Dictation of TAX form Staff salary.

Bangladesh Income Tax Ordinance latest requires deduction of income tax at source from staff salary. Income tax must be deducted at source from staff whose salary income falls under taxable income as per respective year Finance Act. Income tax must be deposited in local NBR authorized treasury of Sonali Bank / Bangladesh Bank.

### 7.4 Petty Cash;

- ❖ Petty Cash vouchers (Debit Voucher along with supporting documents ) will be prepared by the AO/ FAO/ FAM and reviewed by the immediate supervisor and approved by the PM/PC/ ED/Director At least during petty cash replenishment voucher processing time , petty cash will be checked and counted by AO/F&AO/ FAO.
- ❖ The organization can maintain imp rest system of petty cash and the slot amount may be TK 10,000 for a project. When the needs arise to reimburse its petty cash balance it can be reimbursed when the 80+% of the slot amount is spent. Proper supporting papers should be attached which making request for reimbursement.

### 7.5 Collection of Service Charges:

Service charges collection should be introduced for attaining organizational financial sustainability. Money receipts will be prepared and issued to the concerned payees for service charges collection. Monet receipts from must be printed and pre-numbered. Money receipts will be written in carbon copies in duplicate. Original copy of receipts will be given to the payee; the second will be preserved safely for future record and also for audit.

Service charges collection should be deposited into the appropriate bank account daily.

If any expenditure needs to be incurred from service charges recovery that should have prior approval ED/Director /authorized person.

There must be adequate books of records for service charges collection and any expenditure incurred there from.

### 7.6 Compliance of local laws:

CDS will follow all the financial Act of Bangladesh Government to comply the VAT & Tax deduction at source.

- ❖ Deduction of Income Tax at source from the salary of staff if her/his yearly income exceeds the Bangladesh Government circular ceiling.
- ❖ Affixation of revenue stamp for Taka10.00 if the individual payment for Kacha voucher of expenses and salary is TK. 1000 and more
- ❖ Deduction of Income tax at source if the monthly office rent payment exceeds Taka 18,300 to a owner.
- ❖ Deduction of tax from the payment of professional fees to consultant According to the Bangladesh Government Tax rate.
- ❖ Deduction of VAT at source from the payment of any kind purchase. Tax at source from the payment to suppliers for purchase of stationeries and printing if the total amount exceeds TK 100,000.000

The rate of reduction VAT & taxes at sources and taxable limit will be as per finance act Bangladesh Government circular.

### 8.0 Financial implication of HR policy:

Implications of HR Policy have been incorporated here; such as staff salary benefit implementation (i.e. House rent, conveyance, Medical, provident fund, gratuity, and over time (if any).





## 8.1 Staff Payroll:

CDS has a staff payroll structure (ANNEX-12) which was approved on 2013 There is a provision for normal annual increment in the salary scales generally for all staff which are granted on the basis of satisfactory performances.

In addition there is a provision for a meritorious increment in addition to normal increment. This will be decided by the authority on the basis of recommendation of project Coordinator / Manager or considering annual performance report.

## 8.2 Festival Bonus/ Fringe benefits:

All regular employees who serve minimum six months in the organization are eligible to receive a Festival bonus/ Fringe Benefits equal to two months of basic salary/13th month gross salary per year . Bonus will be paid in the event of Eid-UI-Fitar and Eid-UI-Azha for Muslim employees, Durga puja for Hindu employees, the Buddha Purnima for Buddhists and the Christmas for the Christian employees. Festival Bonus/Fringe Benefit will given prorata basis.

## 9.0 Procurement :

### 9.1 Types of Goods:

There are two types of physical goods that can be acquired:

**Consumables-** Items which have a short life and will be consumed within 12 months or a unit value of Taka 2000 or less may be consumed under consumables and supplies. Examples are Office supplies, soap etc. A stock register must be maintained for consumable items.

**Fixed assets-** These items may be categorized –capital equipment and property and building. All fixed assets have useful life of more than one year and a unit cost of more than TK 2000. Examples are land, buildings, chair, table, computers, examination table and autoclave machine etc.

### 9.2 Petty purchase procedure:

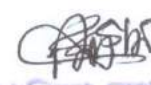
All procurement and maintenance involving less than TK.5, 000 must be done through and must have prior approval of the Program manager / Project Coordinator. Procurement also includes purchase of office supplies, supplies for workshop/ training, materials, etc. All procurement purchase requests must be submitted to the AO/FAO/FAM. Employees are not authorized to undertake any purchase without proper approval.

Transaction involves less than TK. 5,000 do not require competitive bids but market verification needs to be done. The amount agreed must be reasonable in the light of market price. Budget availability must be closely checked before committing to a purchase. It is mentioned that if purchased over TK. 40,000.00 from one vendor payment should made through Cheque.

(Purchase without purchase order is given in Flow chart-1)

### 9.3 General purchase:

- ❖ If the estimated value of the purchase is TK. 5,001 but less than TK. 20,000 two spot quotations shall be collected from the suppliers / enlisted vendor. A comparative statement of quotations will be prepared. A comparative statement of submitted quotations shall be prepared and placed before the purchase committee for selection of lowest bidder.
- ❖ If the transaction value is TK.20, 001 but less than TK.2, 00,000 and at least three quotations must be collect from the suppliers/ enlisted vendor (if any). A comparative statement of submitted quotations shall be prepared and placed before the purchase committee for selection of lowest bidder.





- ❖ If the transaction value is TK.2, 00,000 and above the sealed quotations must be invited from the Vendor / enlisted suppliers (if any). A comparative statement of submitted quotations shall be prepared and placed before the purchase committee for selection of lowest bidder.
- ❖ In case of decision to purchase other than the lowest quotation, justification must be given therein by the purchase committee. In special circumstances, in order to save time, purchase may be done, with the decision of the purchase Committee, from immediately previous supplier provided that the supplier agrees to make delivery at that rate.
- ❖ A purchase Committee will be constituted by EC with the 3 staff members for making all decisions about all purchases above TK.10,000.

(Purchase with purchase order is given in Flow chart-2).

Opinion of Specialist staff may be taken for all procurement of technical items. He/She will remain present the purchase Committee where selection of supplier for computer/s will be done.

### RULES OF PROCUREMENT AT A GLANC

Size Of Transaction	Evidence of price competitiveness	Decision making authority	External approval required
less than Tk10,000	Direct purchase by AO/FAO. Verifying open market.	AO/FAO/FAM/ED	None
From TK. 10,001 to TK. 20,000	Collect 2 Competitive bids from open market. Documentation of selection procedure. Issue purchase order.	AO/FAO/FAM/ED and Purchase Committee	None
From TK.20,001 to TK. 2,00,000	Collect 3 competitive bids from open market. Documentation of selection procedure. Issue purchase order.	AO/FAO/FAM/ED and purchase Committee	None
TK.2,00,000 & above	Invitation of Sealed Tenders/ Quotations with press circular/ open market/ selected vendor. At least 3 competitive bids. Preparation of comparative statement Documentation of selection procedure Issue purchase order.	AO/FAO/FAM/ED and purchase Committee.	In some cases, donors approval may be required as per terms and conditions of

- ❖ A single transaction must not break into smaller components in order to avoid the above procurement rules.
- ❖ Employees involved in the purchase procedures must not accept gratuities, favors or anything monetary value from supplier or Vendor.
- ❖ All information about TAX & VAT which will be deducted at source should have to inform vendors with quotation invitation litter and purchase order.

#### 9.4 Payment for procurement:

- ❖ Generally AO/FAO/FAM will comply will comply with the following requirements before making any payment for procurement.
- ❖ Collection of quotation/ marker verification: market verification for procurement for less than TK. 10,000 and collection quotations from different vendors/suppliers for TK. 10,000 and above. A quotation must contain date, Tax/VAT rate, quantity, unit price, total price, and it must be on official pad with signature of bidder/supplier.



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- ❖ Preparation of comparative statement and quotations collected
- ❖ Approval of quotation, comparative statement and selection of vendor/ supplier by purchase committee
- ❖ Issue of work /purchase order must contain date, total quantity, total price data of delivery,
- ❖ Delivery challan- must contain date, quantity, total price, date of delivery.
- ❖ Material receiving report (MAR) and stock register entry.

**(Material Receiving Report (MRR) format is Annex-13)**

- ❖ Approval for payment: Attach all of the above documents with bill and submit for approval of payment.
- ❖ Issue of cheques – after detail examination of all documents.
- ❖ Preparation of voucher
- ❖ Approval of voucher and signature of cheque(s) by authorized official(s)
- ❖ Deliver the cheque and receive the acknowledgement (Money receipt).
- ❖ Attach the acknowledgement (Money receipt) with the voucher for filing.
- ❖ “Paid stamp “must be used on the voucher and attached supporting documents with date and signature of preparers

**9.5 Accounting for Consumable and Fixed assets:**

Store keeper/concern officer shall verify the items on the basis of purchase items. All consumable items purchased must be recorded in the Stock register for Consumable item immediately after receipt of goods. The register will show correctly the quantity received, quantity issued and balance of individual item. The register must be updated monthly and physical verification (Stock Inventory) must be done half-yearly. (Stock Register Format is given in Annex-14)

Fixed assets should be recorded in a fixed assets register indicating locations. Fixed assets should be identified with an asset number, which also appears in the fixed asset register. (Fixed Assets Register Format is given in Annex-15)

All furniture equipment and vehicles are assets of the organization. Individual project/ unit must use, maintain and repair equipment properly to keep them in good condition. No equipment or vehicle must be used for personal purpose. Logbook must be maintained for use of vehicle and user’s signature must be put and fuel consumption must be recorded in the logbook.

The Fixed /Permanent assets register should be updated quarterly and physical verification should be conducted annually. ED will form a Committee for annual physical verification (fixed assets inventory) of assets. On completion of the assignment the committee will submit a report to ED for approval. Concern Officer will take necessary actions on the approved report.


**9.6 Compliance of terms and conditions of grants;**

In case of implementation of any project of the organization which is funded by any donor agency, their terms and conditions in awarding the grant will be complied with even if they contradicts any clause of the financial manual of the organization.

**9.7 Disposal of Unusable items:**

Disposal of unusable equipment, furniture and any other items will require prior approval from appropriate authority. Unusable items must be disposed through Auction Committee and sale proceeds shall be deposited to organization’s Revenue fund. There must be records for disposal of unusable items and the unusable which must be written off from the fixed Assets Register with a comment in the remark column.

  
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Pages-12  
  
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9.8 **Depreciation:** CDS follows different methods calculating depreciation for different type of fixed assets. The rates of depreciation on different categories of assets and methods are as follows:

SI	Category of Assets	Rate of Depreciation	Method
01	Furniture	10%	Reducing
02	Vehicle	20%	Strait line
03	Computer	20%	Strait line
04	Electric Goods (Fan, TV,DVD, Refrigerator, photocopy etc)	20%	Strait line
05	Constructions/Building	10%	Reducing
06	Clinical Material	25%	Strait line

### 10.0 **Financial responsibility and authority:**

ED shall have all authority to spend project money for which he/she is responsible for implementation. He/she will be responsible to ensuring funds- in and funds-out and which must be recorded with adequate supporting documentation. He/she will operate bank account jointly with other official as assigned by EC of the organization.

Ed shall have overall authority to look into the financial aspect of individual project and make project Coordinator /Program Manager responsible for any lapses and should suggest corrective actions to improve the situation.

### 11.0 **Overhead:**

Every organization has to bear some expenditure for continuing activities which cannot be charged against any project directly, such as head office rent, utilities, documentation cost, correspondence with the other organization, contributing local administrative activities, new project purpose communication etc. Also some expenditure expends for implementation the project but this cost cannot charge against related project. So CDS will lay the blame on overhead cost in the justified rate for every project execution.

CDS will charge the following rate overhead on total project cost:

SI NO	Some of total project cost	Rate of Overhead
01	Up 5,00,000.00	12%
02	From 5,00,001.00 to 50,00,000.00	08%
03	From 50,00,001.00 to 1,00,00,000.00	06%
04	Above 1,00.00.000.00	05%

### 12.0 **Travel and Daily Allowance.**

#### 12.1 **Travel:**

An employee is on tour when he/she is absent on duty from his/her working place with proper sanction for a specific purpose.

- ❖ All travel must be directly related to official activities.
- ❖ Appropriate authority shall approve the travel plan showing the start and end dates, duration to travel and mode of transport of the travel.
- ❖ Perdiem payments shall include meals is more than 7 (seven) hours.
- ❖ Perdiem is allowed if the travel period is more than 7 (seven) hours.
- ❖ Receipts must be obtained fir hotel accommodation. Accommodation is allowed if the travel period is more than 12(twelve hours). Accommodation cost cannot exceed ceiling

(ANNEX 16) amount.



- ❖ Local transportation (rickshaw, short route bus, tempo, CNG etc.) cost and other expenses are not supported by tickets.
- ❖ Transportation cost of long journey must be supported by plane, bus train, steamer, etc tickets. Transportation cost cannot exceed ceiling

(ANNEX 17) amount.

## 12.2 Travel advance:

An employee may be given advance against approved tour and request for travel advance. This amount shall not exceed 80% of the estimated total cost. Travel advance must be cleared/ adjusted within 7 working days after completion of the travel. It is noted that the travel advance will always be discourage without proper cause.

(Request for Travel Advance format is given in Annex-17)

## 12.3 Daily allowance / Perdiem:-

- ❖ A daily allowance is a uniform allowance for each day of absence from working station / office, which is intended to cover the extra daily expenditure incurred by an employee in consequence of such absence.
- ❖ A day is recognized from Mid-night(12.00 am).
- ❖ Daily allowance should be calculated from the time of commencement of Journey & return to the station of permanent duty.
- ❖ Daily allowance / Perdiem Rate is mentioned in the Travel and Perdiem policy

(ANNEX 16)

- ❖ Turning personal is entitled to perdiem for time consumed during journey outside of working station/office(go and back required time)
- ❖ Perdiem will be paid as proportion of hours and minimum tour period outside fo working station should have to ne 9 hours;
- ❖ If sponsoring organization provides food and accommodation, the touring personnel won't be eligible to claim any perdiem for the particular period of time the sponsoring organization provides;
- ❖ If sponsoring organization provides lunch only, the touring personnel will get 50% of His / her normal perdiem and actual accommodation cost as per entitled for that particular period;
- ❖ The accommodation entitlement is exclusive of VAT and any GOB TAX;
- ❖ If sponsoring organization provides food, accommodation and perdiem, the touring personnel is not entitled to any benefits.

### Travel and Perdiem policy

Grad	PERDIAM		Accommodation		Travel
	Big city	Small City	Big city	Small City	
Grad-1	2,000	1500	3,000	2,000	1 <sup>st</sup> Class (AC)
Grad-2	1,500	1,000	2,500	1,500	1 <sup>st</sup> Class (AC)
Grad-3	1,200	800	2,000	1,500	1 <sup>st</sup> Class
Grad-4	1,000	700	1,500	1,000	2 <sup>nd</sup> Class
Grad-5	800	600	1,000	800	2 <sup>nd</sup> Class
Grad-6	600	400	8,00	600	3 <sup>rd</sup> Class

Pages-14



#### 12.4 Supporting documents for payments of travel bill:

- Filled up travel expense report format with travel's signature.
- Trip report
- Travel authorization
- Air, bus, train and lunch tickets
- Original receipts- hotel, air port tax
- Travel advance clearance copy (if advance taken)
- Payment voucher
- All voucher should be marked "Paid"

(Travel Expense Report format is given in Annex: 17- 18).

#### 12.5 Motorcycle Policy:

The staff who is entitled for Motorcycle must have a valid driving license. Before handover the vehicle an agreement should be made between the staff and organization. Motorcycle can be used only for official purpose. The responsibilities of the organization and user for the motorcycle are given below.

##### Responsibility of Organization:

- The registration and insurance will be done under the organization name.
- A set of all original papers provided to riders.
- All matters relating to renewal of important papers will lie with the organization.
- The fuel and maintenance cost of the motorcycle will be borne by the organization. But it must be ensured that the vehicle is used for the organization activity/ purpose.
- If the registration sheet, tax token or insurance papers are lost must report to the police immediately for general diary entry (GD entry).

##### Responsibility of User:

- The user must have a valid driving license. He is responsible for taking care of motorcycle and keeping all important original documents of the motorcycle.
- The user should have to use safety helmet while driving.
- User should have sound knowledge about the traffic rules and he/she must obey it.
- User should have to maintain Motorcycle Log Book (ANNEX-20) regularly.
- Rider should be cautious about the limitation of children, handicapped, old people, animals and unruly mob that may cause an accident.
- Staff family members and relatives are allowed to use motorcycle.
- User cannot handover the motorcycle by any means without any approval of proper authority.

#### 13.0 Mobile Policy:

All staff can use the official mobile for official or personal use. In case of personal use he/she must pay the actual bill to CDS.

Every staff also can use their personal mobile for official use if there is a budget provision. When they will do such should maintain the Mobile Log Sheet (ANNEX-21) in details. At the end of the month the log sheet should be submitted to Accounts for bill with recommendation of immediate supervisor.

#### 14.0 Financial Reports:

As transaction takes place, these are first recorded in the books of prime or original entry in the form of vouchers and then given entry to cash book, General ledger, subsidiary ledger etc. At the end of a specific period from general ledger a Trial balance is to be prepared. If there are any non-cash transactions, adjustment entries are given for such transaction and then, adjusted Trial balance is to be prepared. The Trial balance helps the preparation of income and Expenditure Account and Balance Sheet to know the actual financial position of the organization at the end of particular period. Monthly Financial Report (MFR) / Quarterly



Financial Report (QFR) and Annual Financial Reports (AFR) are to be submitted to the Donors in prescribed formats as provisions of grants of individual funding agency. These formats are filled up from Cash & Bank book and ledger maintained separately for individual Donor. Necessary supporting papers/ documents, such as bank statement, bank reconciliation statement, budget variance statement, call forward/ requisition should be submitted with the report.

### 15.0 Audit:

Auditing is a systematic examination of the books of accounts and records of the project/ organization by an independent auditor appointed in order to ascertain or verify the correctness of the books of accounts and to detect errors and frauds, if any, and to report upon the facts regarding its financial operations and the results thereof. CDS will audit all financial transactions, Books of account & records yearly appointing external audit by EC. Donor agency generally will engage auditor to audit the project/ program funded by them. There are two types of audits- internal audit and external audit.

### 15.1 Internal Audit:

An Internal financial Review is an independent appraisal whether individual unit and projects are adhering to financial policy guidelines and complying other policies in performing their financial operations, whether internal control and checks are adequate to enable the organization to achieve the objective in the planned manner. The internal financial review may be especially in the following areas.

- ❖ Maintenance of Books of records.
- ❖ Making Payments.
- ❖ Procurement
- ❖ Inventory management.
- ❖ Compliance with Donors agreement and local laws and Regulations

An Internal Financial Review committee will be formed to verify the vouchers. Ed will nominate the committee members from senior professional staff. PO, PM, PC and any senior professional staff can be included in the committee to conduct financial review of CDS. The committee will conduct the review for every three months or six months, prepare and submit a report with their observation and recommendations to ED/Director.

Sometimes, Donor agencies may conduct internal financial review of the project funded to ensure that funds given are utilization properly and in compliance with the standard regulations. The findings and observations are shared with recipient organization for further improvement or to avoid any future problem from external audit.

### 15.2 External Audit:

The funding agency appoints independent qualified audit firm to ascertain the effectiveness of financial management systems and internal procedures of the recipient organization to meet terms and condition of grant, and to report upon the facts regarding its financial operation and the results thereof.

Individual Project Director/ Project Manager will be responsible for management of external audit of the Donor funded project. FAO/ FC/FO will take necessary Preparation for updating books of accounts and systematically arranging books, voucher files, bank statement and other related documents. On receipt of the audit report the PO/PM/PC will take corrective actions for improvement of their financial management as per audit findings and recommendations. As per EC decision ED/Director shall appoint independent qualified audit firm for yearly audit of the organization and submit report to the EC for approval. In case of the foreign donation which is to be approved by NGO Bureau the audit report of that project will be submitted to NGO Affairs Bureau and Directorate of Social Welfare and for other use.



#### 16.0 Preservation of financial books and records:

The financial books and records such as, vouchers, cash book, ledger, financial reports and statements, other registers and their related supporting papers and documents shall be preserved safely for a period of 5 (Five) years on completion of the external audit by Chartered Accounting firm after the project is closed.

#### 17.0 Updating:

It is to be assumed that accounting system of an organization reflects its organizational requirements. Therefore, as requirements change, it is imperative that this Manual be also update / modified with approval of EC. The related finance person shall notify changes to the manual. All pages are to be deleted to ensure accuracy.

#### 18.0 Commandment:


This policy is effective from 1st January 2013 and shall apply all financial transaction undertaken by CDS.


#### 19.0 Compliance with the policy :

Every staff will abide by this policy. Who will fail to comply this policy will be accuse by any decision of EC/MC/ED/Director.

N.B.: This Financial Management Policy Reviewed on March' 2021 and subject of further review after three (3) years or when necessary upon consent of Executive Board of the Organization.

End

  
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