

Financial Manual

Bangladesh Clinical Psychology Society (BCPS)

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1. INTRODUCTION

This manual is a part of a series of manuals to comply with the financial and administrative requirements of Bangladesh Clinical Psychology Society (BCPS).

Finance & Accounting manual is a vital document for an organization. This manual presents the standard procedure and policies of financial management of BCPS. This is a guiding rule for all programs/projects, staffs and members of BCPS, which serves the interest of all its stakeholders.

Each section of this manual defines the policies and procedures of financial management; however, not all events can be incorporated/defined. As such, under special cases management shall try to remain true to the intent of welfare of the stakeholders of BCPS.

This manual is a positive step to ensure BCPS's commitment towards achieving financial excellence.

2. PURPOSE OF THE MANUAL

- a) Help all financial planning of BCPS.
- b) Record and classify all financial transactions.
- c) Monitor and control all income and expenditure.
- d) Maintain a complete record of all Assets owned and Liabilities.
- e) Satisfy statutory reporting requirements.
- f) Ensure timely and accurate financial reporting to the Executive Committee(EC), donors and grant makers.

3. ACCOUNTING PRINCIPLES & PROCEDURES

3.1. Principles of Accounting:

- a) All accounts shall be kept in accordance with the Generally Accepted Accounting Principles (GAAP) double entries method. The book of accounts would be maintained on cash basis.
- b) Financial year will be considered from **1st January to 31st December**.
- c) Financial statements should in addition be prepared for overall activities of BCPS and for individual projects/programs as well. Statements are also to be prepared for donor agencies in accordance with the requirements outline by them, if funds are provided by different donor agencies, the methods of allocating the funds to different activities has to be derived as discussed with donor agencies whose approval has to be obtained. The method of allocation has also to be explained as footnote to the financial statements.
- d) The accounts System should be codified with a systemic division or classification of the accounts head.

3.2. Procedure of financial management:

- a) Prepare forecasts of revenues and expenses of BCPS for every month and year and prepare budget estimates on the basis of the forecasts;
- b) Implement the budget and prepare financial reports on variances;
- c) Undertake analytical studies to assist in financial decision-making;
- d) Ensure that resources are used economically, efficiently and effectively.

4. INCOME & EXPENDITURE

4.1. Income/receipts:

- b) **Income from service delivery:** These may be income by selling different types of services like: Psychotherapy/Counseling, Psychometric Assessment of different client/client groups.
- c) **Income from consultancy & training:** These will be income from doing any consultancy and selling out of training in and out of the country.
- d) **Income from funding agencies:** These may be funds from donor agencies for implementation of different programs, services, capacity building training, research etc. All income will be received by issuing money receipts.

When donor agencies provide funds to enable BCPS to render a service, the amount is properly treated as income. When donor agencies provide resources (in kind) for distribution among people, the amount is a remittance since the resources will merely flow through BCPS. If the donor agencies pay cost of administering the resources that portion will be treated as income.

Any kind of service charge (overhead cost) BCPS receives from the donor agencies for implementing any kind of project will be treated as an income of BCPS.

- e) **Other Miscellaneous Income:** These are normally non-budgeted items or designated or undesignated gifts, and are often single transaction only. Such funds are normally received by Bank draft or bank transfer or by cheque or by cash. Head of Accounts will issue a money receipt immediately and a letter of acknowledgement (if necessary), when the Taka equivalent has been credited to BCPS bank account.

Interest received from bank deposits, sales of assets and handicrafts etc. will also be included into this category. Cash or cheques received from any of these sources will be recorded by money receipt given. Miscellaneous Income also includes rent out of furniture and equipment, house rent, etc. and all other income not elsewhere specified.

President/General Secretary/Treasurer or on behalf of them the Head of Accounts is entitled to receive all kinds of money by cash, cheque, DD, TT, Pay order etc. from the donors and other sources.

4.2. Expenditure/Payment:

Expenditure represents expenses incurred directly for program activities. These are recognized when payments are made (i.e., when cheque or cash is disbursed or paid).

Following are the processes of Expenditure/Payment:

4.2.1. Authorization of Expenditure/Payment**a) Check & Balance**

The Department/Unit Head/Coordinator will prepare a request for buying goods or services after having checked that the expenditure, which is foreseen, is necessary to implement BCPS's activities, reasonable and eligible, and that required budget is available. A purchase request form has to be prepared by any responsible from the department and will be submitted to the Approval Authority (General Secretary/AGS/Treasurer) for authorization through Departmental Head.

b) Initial Approval

GS will authorize any request for expenditure. All such requisition must be supported by the submission for appropriate documentation. After authorization, a proper expenditure procedure is launched.

c) Payment for purchases and services

All bills/invoices shall be forwarded directly to the Head of Accounts/Finance & Accounts Officer (FAO) for checking before payment. After checking all the vouchers (all vouchers must be original printed voucher supplied by the vendor/seller except when it is not available for valid reasons and in such cases a printed BCPA voucher must be used; be duly signed by the purchaser and the departmental/unit head) to be forwarded to Treasurer and finally to the GS for approval. Payment will be made only after the approval of the vouchers. Cash expenses voucher must have supporting documents for payment.

4.3. Responsibility of FAO for Expenditure/Payment

Following are the accounting responsibility of FAO for Expenditure/Payment:

- a. Ensure that expenditure/procurement is incurred only when a budget provision exists; the expenditure is authorized by a competent authority and also the procedures for expenditure etc. have been observed .
- b. Record the daily transaction to the relevant accounting head on that day.
- c. If the total invoice amount is more than Taka 2,000, payment should be made by an account payee/cash cheque. i.e. cash payment is restricted up to Taka 2,000. For exceptional cases prior approval from the GS/Treasurer is required.
- d. To ensure that at the end of the day, the cash balance as per cash book tallies with the balances and prepare a Cash-Certificate. Also in the same day Cash Book and Cash-Certificate is signed by the GS/ Treasurer.

5. CASH MANAGEMENT & DISBURSEMENT

5.1. Steps for smooth management and disbursement of cash:

- a. Cash required by the Cashier will be supplied by a cash cheque for the required amount. Cash requirement should be attached with the cash requisition form. Income cash will not be used for operational payments.
- b. Cash cheque for cashier's funds will always be accompanied by cash in hand report and cash forecasting report (i.e., Cash Certificate). No cheque will be signed without these documents.
- c. The daily cash in hand (excluding collection) balance should not exceed Taka 10,000 (ten thousand).
- d. Treasurer/Head of Accounts is totally responsible for cash management and reportable to the GS. For any unavoidable situation if the closing cash balance exceeded the limit, written instruction by the GS should be required.
- e. Cash Advance is a method of financial transaction, though often necessary, is the least desirable method of making payments, and should be kept to absolute minimum use. GS or his designated person will approve all cash advances. Cash requisition should be accompanied with the advance form, where details of use should be mentioned. The same person will not be allowed for second cash advance if s/he has taken one advance already. Thus, before looking for cash advance the previous advance should be settled. For any exceptional cases the permission from the GS is required.

Cash advance must be reconciled within 3 working days of the event ends. All the travel advances (Domestic or International) should be settled within 7 working days after completion of the travel.

5.2. Person involved in the processing/disbursement of CASH:

- a) **Responsibility:** There should be at least 2 two (2) individuals involved in the processing of cash.
- b) **Cash Handling:** The individual (FAO) who prepares the transaction voucher, writes Cheque, and also receives all cash/cheques and deposits them via a transaction voucher.
- c) **Recording/Accounting:** The individual (FAO) who enters the transaction into the Cash Book and posts it to the appropriate Ledger.
- d) **Approval:** The individuals (GS/Treasurer) who approves the vouchers and may sign the Cheque (along with other cheque signatories).

5.3. Cash deposit and Recording Procedure:

- All cash receipts are to be deposited at least 1 time in a week into the bank.
- Vouchers are required to support all cash disbursement and receipts.
- Disbursement Vouchers, procurement orders, and invoices are to be stamped 'PAID'.
- An employee (GS/AGS/Treasurer) other than the one who keeps the records should regularly review the records periodically and randomly.

5.4. Cash Payments

- i) For handling of daily cash transactions, overall maximum of BDT.20,000.00 shall be maintained by the FAO, who will be responsible for it.
- ii) At the end of days' operation, the Treasurer shall check the physical cash with cashbook and confirm the balance by putting his initial in the cash book and in the Cash Certificate.
- iii) Ledger posting from the cashbook shall be made by the FAO every working day
- iv) After payment "PAID" seal with date to be stamped on all the supporting bills.
- v) Revenue stamp to be affixed on the bills as per GoB rules.
- vi) Petty cash shall not be advanced for personal use.

5.5. Changes of custody

Should there be a change in custodianship, a formal hand-over of cash and vouchers should take place and be recorded in the cashbook. Both the outgoing and incoming custodians should sign the declaration of cash balance and the same to be countersigned by the GS/Treasurer.

5.6. Cash Receipts

Official Money Receipts shall be issued against cash received by way of sale proceeds/refund of advance etc. The Treasurer to ensure that all the cash received during a day is deposited in the relevant bank account within the next 3(three) working day without fail.

5.7. Petty Cash Management

Use of petty cash will be confined to:

Petty cash impressed Accounts are allowed for various reasons mainly for convenience at operation level.

- Petty cash payments are defined as small cash transactions not exceeding BDT 2,000 (Two Thousand) and as such not more than BDT 20,000/- would be kept as daily petty cash
- Petty cash will not be used for purchasing standard inventory items, nor items identified as assets and controlled by ledgers
- Each petty cash account will be the responsibility of the FAO who will be responsible to the Treasurer for proper maintenance of records and cash handling procedures
- Cash reimbursement forms will always be used for reimbursement of petty cash account and will be prepared by FAO

- Treasurer/FAO is entirely responsible for the money received and its management
- No advance can be made from the petty cash accounts
- Staff salary should not be paid from the petty cash, but wages can be paid from the petty cash.

The following cost will be paid from petty cash-

- Reimbursement of fares, and cost of local trip expenses
- Postage/Stamp and supplies
- Conveyance
- Utilities
- Grocery items
- Meeting expenses
- Repairs and maintenance
- Casual staff
- Fuel
- Petty stationeries below 2,000.00
- Payment up to Tk.2,000.00
- Contingencies

5.8. Petty cash control

Petty Cash is used for small expenditure where it is not practical to issue Cheques – usually for amounts up to BDT.2,000. Initially, this fund will start with allocated amount (not more than BDT 20,000/-) and after the funds are exhausted, the expended amounts are replenished from the bank. Petty cash operation system is stated below:

- The Petty Cash should be BDT.20,000 or less. Depending on the usage of petty cash fund it may be reduced or increased with prior approval from the GS.
- The Petty Cash fund must be kept in lockable metal box during petty cash hours. After the close of the workday, the petty cash box should be kept in a safe/secured place under lock and key. The key should be kept with another responsible person (other than the cashier).
- All payments should be made after authorization from the appropriate person/s. The Authorized signatory/ies must sign on the bill/invoice before payment from the petty cash.
- There should be adequate documents (bill/invoice) against every disbursement and a ‘PAID’ seal should be stamped on the bills and invoices during the payment.
- The recipient must sign on the appropriate documents while receiving any payment.
- The Petty Cash transaction should be recorded for each payment. Petty Cash ledger/book should be updated daily and the cash balance should not exceed the approval limit.

- The physical cash in hand at the end of the day should be counted and documented. Surprise petty cash audit should be conducted and documented by his supervisors at least once in a month.
- Staff salary cannot be paid from petty cash.

6. BANK OPERATION

6.1 Mode of operation

- a. BCPS will maintain a Central Account with a Scheduled/ National or International Bank to which foreign funds will channel through. Joint Signatories of the Bank Account shall be any of the two: the President, General Secretary and the Treasurer. During withdrawal of money from Bank, two signatures are allowed. But signature of the President or General Secretary is a must and other signature from Treasurer is necessary. Any fund from development partners (DPs) will enter into the central account first from which funds will be transferred to the project account by a single cheque.
- b. BCPS Head Office will maintain other Bank Accounts with the same or any other authorized Bank for its project operations from which fund may be utilized for the particular project(s). Signatories of the Bank Account shall be as like as central accounts.
- c. Separate Bank Account may be opened in the name of project if donor will advise.

6.2. Bank transaction:

All the transactions would be made through the Bank Accounts. All kinds of income must be received through a money receipt would be deposited in the bank account at least once a week. The un-deposited money must be kept in the cash vault. All payments would be made cheques except the items which are procured by the cash from petty cash and which is impractical to use the cheque.

6.3. Bank reconciliation:

All bank accounts are to be reconciled on monthly basis. Adjustment must be posted to the books for bank interests and charges or credit shown on the bank statement that has not recorded on the books previously. Any query that should be resolved with the bank before, the issues of their next statement.

7. PROCUREMENT OF GOODS AND SERVICES

7.1. Authorization and Limits

All purchase and sale be made as authorized in the following table of authority. All supplies obtained as per table of authority will be brought on the books and payments will only be made when the receipt of goods have been certified.

Table of Authority : Purchase

Item Cost	Purchaser	Sanctioning Authority	Mode of payment
Below BDT.2000	Any Trainee Member	Treasurer	Cash payment/ Cheque or draft payment
BDT.2,000 - BDT.9,999	Authorized General Member	Treasurer/GS	Cheque or draft payment
BDT.10,000 - BDT.99,999	Procurement Committee	Chairperson/GS	Cheque or draft or pay order
BDT.100,000 and above	Procurement Committee	Chairperson through Executive Committee(EC)	Cheque or draft or pay order

Table of Authority: Sale/dispose

Purchase value	Proposed by	Sanctioning Authority	Mode of payment
Up to Tk.2,000	Senior Staff/FAO	Treasurer	Cash payment/Cheque or draft payment
Up to Tk.25,000	Unit Head	Chairperson/GS	Cash payment/ Cheque or draft payment
Above Tk.25,000	GS	Chairperson through Executive Committee(EC)	Cash payment Cheque or draft payment /

7.2. Process

- a) If valuation of assets/goods stand between BDT.10,000 and below BDT 100,000 the President/GS will from a procurement committee consisting three (3) members who will collect at least three (3) spot quotations and it will be placed to President/GS for consideration. President/GS later shall endorse at GB meeting.
- b) If valuation of assets stand between BDT 100,000 and below of BDT 500,000, a Procurement Committee (PC) consisting 3 members shall be formed. The PC will go for bidding procedure with prior notice to the prospective bidders and best offer be

selected by the PC from three (3) quotations. The decision will be endorsed by the GB.

- c) If valuation of assets stands over Tk.500,000 a Procurement Committee (PC) consisting 3 members shall be formed. The PC will invite tender/quotation and the best offer be selected by the PC from at least three (3) quotations. The decision being endorsed by the Chairperson and finally approved by the GB.
- d) It is not necessary that lowest offer always be accepted. The PC will have the authority to accept an offer of higher cost if they can provide written justification on their bidding.
- e) The PC shall consist of three members from BCPA Executive Committee and selected by President or members selected by the Governing Body (GB).
- f) To the provision of purchasing any asset up to Tk.10,000 shall require prior approval of the GS.

7.3. Upkeep

General Secretary is responsible for safeguarding the assets of BCPS. Records shall be kept to show the date of purchase, the price value, and source of financing and location of assets. From instruction manual and other documents, a routine shall be established for maintenance of the assets. GS shall be responsible for ensuring that the assets are maintained according to the schedule.

Insurance as per Bangladeshi standard is not possible. But if there is any donor suggestion to make it for all properties then the cost related to these should be borne by donor.

Any asset transferred/moved from one place to another place to use for BCPS's purpose must be properly authorized and recorded.

8. BUDGETING AND BUDGETARY CONTROL

8.1. The Budget

The Effective management process of an organisational activity consists of two basic elements: Planning and Control. Planning denotes to Budgeting, which is an important mechanism of organisational internal control. Budget acts as an instrument to provide focus on the future, performance evaluation, co-ordination, communication as well as a source of motivation.

Budget is the principal instrument, through which the EC provides policy guidance to BCPS's programs and activities. The GS with the help of different departmental/unit/Project heads prepares the Annual Work Plan and corresponding Budget and places to the EC through the GS for approval.

8.2. Functions of the Budget:

Budget of an organization performs the following functions:

- Expression of EC guideline in terms of specific activities.
- Provides guidelines for administrative performance.
- Sets limits of expenditures in specific areas of activities.
- Establishes personnel requirements for the organization.
- Provides the means of monitoring of performance and evaluation of impact.

8.3. Budget preparation and program planning

Budget is prepared and maintained according to fiscal year (January-December). While preparing the budget, due considerations are required on the following factors:

- Strategic orientation of the organization.
- Consistency between program priorities and resource allocation.
- Planned activities of the organization.
- Availability and Source of Fund.

Budget is developed with strategic thrust of program planning. Each Program Unit develops its annual work plan with details of activities with expected income and expenditure, which is submitted to GS. The Budget Committee then finalises the draft budget and the EC approves it accordingly.

The Treasurer prepares following types of budget as mentioned:

- a) **Cash flow Budget:** To indicate the cash requirement with time frame for EC as well as for Donors consideration of contribution to the program.
- b) **Detailed Working Budget:** To indicate the approved activities with financial implication for all program units to follow and maintain budget line activities and expenses.
- c) **Summary Consolidated Budget:** To indicate overall Program wise Receipts and Expenses for Management to monitor and take necessary steps.
- d) **Revised Budget:** To accommodate the over/under income or expenditure, in view of changed situation during the implementation period.

8.4. Budget Accountability

In case of bilateral projects, budget limits are determined within the project agreement. Such agreement also specifies the limit of flexibility either in terms of percentage or amount.

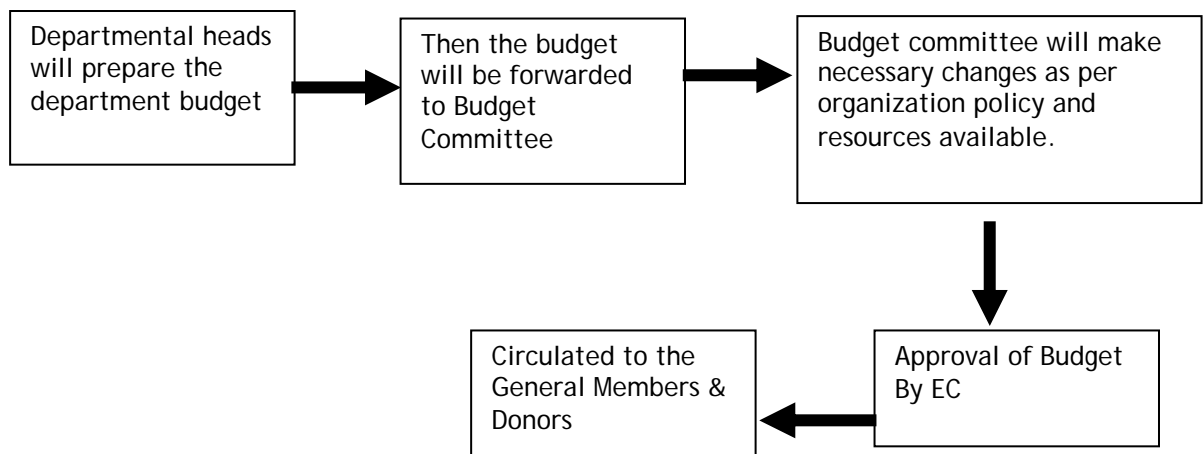
In case of extreme requirement for any activity of BCPS (other than Donor Funded Projects), over expenditure up to maximum of 15% over the budget of a particular line item is allowable. Any expenditure in excess of 15% will require prior approval of the EC. However, in any case, the actual expenditure shall not exceed the overall budget limit.

8.5. Budget Revision

In case of shortage of funding or essential requirement of additional expenditure beyond allowable limit, the Management may require to revise the approved budget at any given period. In such cases, the revised budget has to be placed before the EC and/or respective donor for its approval and onward implementation.

- In general, the Departmental heads have the responsibility to determine reasonable projected expenses. In order to make an accurate budget, all must provide a reasonable estimate of the costs associated with implementing their activities for the fiscal year.
- Although budgets are determined by department/s and should review previous fiscal year’s expenditures to scrutinize their necessity and cost-effectiveness.
- While recovering previous year’s expenditures, it could be found that those costs have some application on this fiscal year’s projected activities. A review of previous year’s expenditures can provide valuable information as to the validity of previous assumptions and calculations.
- A budget committee might be formed consisting of three members within the organization, headed by GS.
- Budget committee will check the justification of the proposed budget and will finalize the budget as per organization’s long-term plan and resources available.

Budget flow of BCPS will be as follows:



8.6. Budgetary Control

- FO is responsible for budgetary control. If any Departmental head plans any expenditure which is not included in the original budget or any variance under a particular line item is likely to exceed the pre-determined percentage of allowable variance, the special permission need to be taken from the GS.
- After completing the activity or part of activity against approved budget Finance/Accounts Department will prepare budget variance statement. If actual expenditure is less or excess from the budget, justification should be made and

approved by the GS. Amount for various excesses must be adjusted with other budget line items subject to approval of the GS or authorized person by the EC.

- Head of Accounts or concerned Accountant will provide the monthly budget variance report to the departmental heads after the monthly/quarterly accounts is completed'

9. ASSETS & LIABILITIES

9.1 Fixed Assets

Fixed assets are defined as tangible assets, which have been acquired either through purchase or donation and

- are used in the BCPS operation.
- are not intended for resale.
- which costs at least BDT 5,000/- (Five thousand)
- and have an estimated life more than 1 year. Such as Land, building, vehicles, equipment, furniture & fixture etc.

Concerned Accounts Personnel/s is/are responsible for updating Fixed Assets Register. This process should include physical verification of the assets and charges of depreciation. A separate list of inventory items needs to be prepared for the assets under BDT 5,000/- (Five thousand).

Purchase of Fixed Asset will be processed with the administrative and financial authority as laid out below:

- a) Actual cost will be checked against sanctioned budgeted cost of the Fixed Asset
- b) Assets purchased must be recorded in the register immediately after receipt of the item
- c) Sales and disposals of fixed assets will be made only after specific authorization of the EC within the organizational policy.

9.2. Fixed Assets Register

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

- a. Date of purchase.
- b. Source of funding (Project).
- c. Description of assets.
- d. Quantity of assets.
- e. Value of assets.
- f. Depreciation rate.
- g. Annual depreciation.
- h. Accumulated depreciation.
- i. Written down value.
- j. Location.

- k. Identification mark (Project name, Location, serial number, asset category);
- l. Other information.

9.3. Depreciation

Depreciation is the periodic allocation of cost of an asset over its estimated useful life. It is recorded by debiting depreciation expenses and crediting a related contra assets account called Accumulated Depreciation. Factors that affect the computation of depreciation are cost, residual value, depreciable cost and useful life. For BCPAS depreciation is calculated on the straight-line method, at the following rates which may be altered by the management.

BCPS will follow the straight-line method for calculation of depreciation on fixed assets. The annual rates of depreciation on different categories of assets are as follows:

Group of Asset	Rate of Depreciation
Land	No
Building (Pucca)	5%
Building (Semi Pucca)	7.5%
Building (Kacha)	10%
Furniture and Fixture	20%
Office Equipments	30%
Vehicle	25%
Computer with printer	33%
Other Assets	20%

Major assets still in current use shall be retained on the Fixed Assets Register at a nominal value when full depreciation could be applied.

Any change in the rate of depreciation will be done through the approval of the EC.

9.4. Fixed assets Write Off

In case an asset is damaged or becomes unserviceable, the maintenance section will certify the condition and propose for write off. Finance Section will place the proposal with the relevant data of cost, year of purchase, depreciation charged, written down value etc. to the Management for appropriate decision with the consent of the EC. Sale proceeds of the asset written off (if any) will be considered as Other Income.

- a) Necessary journal for write off will be as follows:

Accumulated Depreciation – Equipment.....	Dr.
Grant Fixed Assets Account.....	Dr.
.....	
Equipment.....	Cr.

b) Necessary journal for sale proceeds (if any):

Cash in Hand.....	Dr.
Other Income Account.....	Cr.

9.5. Store procedure and inventory management:

- a) All the purchased/procured items would be posted to respective registers such as fixed asset register, consumable register, and stationary register.
- b) Under direct supervision of the Head of Accounts the respective personnel would maintain all the above mentioned registers.
- c) The fixed assets would be appreciated by revising its cost at the end of the year.
- d) The fixed assets would be maintained by the FO through the respective personnel.
- e) One yearly inventory of all fixed assets would be performed by an inventory committee formed by the GB, and the report would be submitted to the GB through Director Admin.

10. TRAVEL

When BCPS officials are to move 40 kilometers far from office for any official approved responsibilities or to stay at least one (1) night at outside will be called as travel.

10.1.Traveling allowances:

- a) President, GS, AGS, Treasurer, Unit heads and any EC member are entitled for first-class rail fare or air-conditioned coach fare during official journey or travel. And the other office employees are entitled for economic class rail fare or normal chair coach fare for the official journey or travel. All kinds of journey or travels must be supported by the original tickets. The daily lodging and food allowances will be paid as determine by the EC from time to time.
- b) For President, GS, AGS, Unit heads and any EC member a fixed amount of BDT.1000 for Lodging and BDT.300 for food per day will be allocated.
- c) For all other employees fixed amount of BDT.500 for Lodging and BDT.200 food per day will be allocated.
- d) Lodging and Food receipts must have to be placed along with the TA bill during submitting time.
- e) Different Travel Allowance policy may be developed for different project as per budget approved.

11. TAX & VAT

Respective officials would pay their own taxes from their salary income but FO would cut the taxable amount at source. He would also cut the Tax from respective supplier as per schedule. FO would calculate the VAT and would receive the VAT amount from the suppliers. The collected Tax money and the received VAT must be deposited to the Govt. fund through *chalan*. If the respective suppliers possess and submit their VAT

certificates, that they have already deposited the VAT against the items, certificate of the Vat should be attached to the relevant documents of procurement.

Income Tax return should be submitted through a reputed Tax consultant to avoid the hazard thereafter.

12. AUDIT & INTERNAL CONTROL

12.1. Internal audit:

The internal auditor would be a senior Member of BCPS. S/he will have a dotted line relationship with the finance and administration. However, s/he is independent of the administrative controls and will report to the President. The internal auditor should have some experience of accounting. A small group of BCPA members whose number will be determined by the sampling design and intensity of audit will assist him.

12.1.1. The internal auditor is responsible for two functions:

- (i) Ensuring that books are properly kept and that financial procedures are followed in keeping the books of account, and
- (ii) Ensuring that policies and management practices are appropriate and to recommend changes if the situation so warrants.

For the first function, the internal auditor will undertake sample checks of books maintained at the office. S/he will certify that on the basis of his/her examination, s/he is satisfied that the accounts have been kept in accordance with generally accepted accounting principles. S/he will make two lists of the discrepancies found:

- (a) The list of minor discrepancies will be sent to the Director Admin with suggestions for remedial action.
- (b) The list of major deficiencies will be sent to the Chairperson/GS with recommendations.

The sample size and the frequency of tests will be determined by an assessment of the quality of accounts and the extent of checks needed to satisfy the internal auditor of the reliability of accounts. It is expected that sample transactions of all field level office will be test audited every year.

For the second function, the internal auditor will review policies and management decisions and undertake checks to ensure that they are being followed. S/he will also comment on the operational cost of various operations of BCPS and indicate whether the operations were cost effective. If the operations were not cost effective, the internal auditor will identify the reasons for the slack.

The second report will be sent to the Chairperson/GS .The report will suggest remedial actions to be taken.

12.2. External audit:

External Audit is undertaken in accordance with the law and the instructions of BCPS constitution. The following specific instructions must be included in all assignments for external audit:

12.2.1. Auditor's Responsibilities:

- a. That consolidated statements for all transactions of BCPS has been prepared in accordance with the generally accepted accounting principles.
- b. That all bill/vouchers are checked
- c. That it ensures opening and closing balance of 'cash in hand and 'cash at bank'.
- d. That full explanatory statement is available to explain changes in accounting practices.
- e. That they have obtained all the information that was necessary in order to obtain a satisfaction about the state of accounts.
- f. That complete information is provided about all transactions in land, buildings, equipment etc. and the purchase or disposal of all capital assets.
- g. That audit is conducted in accordance with the generally accepted auditing standards.

12.2.2. Appointment of External Auditor:

The External Auditor is appointed by BCPS in accordance with the directives of the government. The following specific instructions must be included in all assignments for external auditor:

- a. Ensure that BCPS has explained its aims, objectives and nature of activities of the organization to the audit firm.
- b. Ensure that the NGO Affairs Bureau enlists the Audit Firm.
- c. Ensure that sufficient audit staffs are available in the audit firm.
- d. Ensure the audit fee before issuing the letter of appointment.
- e. One audit firm may be appointed for two years or more if the EC in a General Meeting shall approve it.
- f. If the audit report will satisfy the management of BCPA, the duration of appointment may be extended.

Audit of accounts will be conducted annually for overall accounts followed the Financial Year (FY) as decided by the EC. This audit should call "general Audit" of BCPA, which will be discussed in the Annual General Meeting. Though this report is confidential, but that should be distributed among the members. Individual Audit will be carried out for individual projects (if any) supported by individual donor and that needs to be submitted to the concerned donor(s) as well as to the authorities whenever it is necessary.

12.3. Internal Control

Accounting controls assist in the preparation of fair and transparent reports and the safeguarding of assets. Controls can include compliance with generally accepted accounting principles, voucher systems, dual cheques signing, multiple approvals for large expenditures, etc.

The accounting procedures incorporated in this section have been designed to provide adequate internal control for BCPS. The essential elements of internal control are as follows:

- a) The organization plan with particular reference to the allocation of Staff functions
- b) Authorization, recording and custody procedures including internal verification
- c) Managerial supervision and reviews including audit.

12.3.1. Areas for Applications of Internal Controls

- a) Receipts
- b) Payments
- d) Accounts Payable
- e) Accounts Receivable
- f) Procurement
- g) Sales
- h) Inventories (Stock of Store)
- i) Fixed Assets

12.4. Receipts

The duties and functions of person receiving **Cash** should be segregated as much feasible from the under noted duties:

- Approving credit vouchers/money receipt
- A pre-numbered receipt is to be issued to the payee for all Cash collections and a copy is to be retained as official record.

In case of **Kind** receipts (donation), the following procedures will be followed:

- a) The Chairperson/GS will confirm the receipts through an internal note.
- b) Items of Fixed Asset nature will be valued at market price and be made accounts for.
- c) Items of Fixed Asset nature are to be included in the Fixed Asset Register.
- d) Items of consumable nature are to be deposited to the store and properly recorded.

12.5. Payments

- a) All payments above BDT.2,000 (Two Thousand) are to be made through cheques crossed "Account Payee only", other than exceptional circumstances
- b) Preparation and Approval of payment voucher must be segregated
- c) Internal payments may be made through cash cheques
- d) All cheques are to be signed by joint signatories. Only persons authorized to prepare or supervise the preparation of cheques have access to the cheque book
- e) All void cheques are to be retained

- f) Bank accounts are to be reconciled monthly and cheques or deposits outstanding for more than one month must be investigated and followed up in compliance with administrative and financial procedures.

12.6. Accounts Payable

- a) Invoices from suppliers will be checked against purchase order and the receiving report. Differences, if any, will be promptly followed up and an authorized person approves adjustments arising there from.
- b) Recording of the supplier's invoice is to be made promptly and accurately.

12.7. Accounts Receivable

- a) Invoices against credit supply will be checked against supply order and the delivery report. Differences, if any, will be promptly followed up and adjustments arising there from are to be approved by an authorized person.
- b) Recovery of payment is to be followed-up on a regular interval keeping the management informed on the status.
- c) Recording of the credit invoice and payment acknowledgement is to be made promptly and accurately.

12.8. Accounts Receivable

- i) The FO shall prepare all accounts receivable invoices or "Request for Advance" for projects/contracts. Request letters shall be signed by the AGS/Treasurer. Invoice shall be prepared for all revenues.
- ii) Invoices will be prepared using BCPS's invoice form. An invoice number will be obtained from the invoice book, which will be kept by FO. AGS/Treasurer will sign all invoices, and copies of them will be sent to concerned Accountant for raising journal voucher and posting to the General Ledger.
- iii) The Chairperson and GS will approve all the journal entries.
- iv) FO will ensure the recovery of all outstanding invoices. S/he will ensure the followings actions:
- Issue of invoice in due time
 - Issue of reminder notices
 - Consulting the Chairperson/GS in cases of doubtful debt.

12.9. Writing off of irrecoverable amounts due to BCPS.

- i) Before classifying a debt as irrecoverable, either of the following conditions must be satisfied:
- the debtor became non traceable;
 - it is uneconomic to follow-up recovery action due to the relatively small value of the debt;
 - legal proceedings through the courts have proved unsuccessful.

ii) The Director will propose to the EC for approval of writing off the irrecoverable debts.

iii) The party shall not be informed regarding the decision of writing off the irrecoverable debts.

12.10. Procurement

A list of approval authorities for procurement along with their approval limit should be fixed prior to procurement (see:). The department/employees must immediately notify any subsequent changes. The Chairperson/GS must approve this list. The Chairperson/GS may approve up to a limit of BDT 200,000 in single transaction if this budget is available. The EC can approve the expenditure that is above BDT 200,000 (Budgeted or Unbudgeted).

12.10.1. Procurement Committee (PROC): A Procurement Committee (PROC) consisting of at least three members should be formed at the beginning of the year. As the Chairperson/GS is the approval authority s/he will be beyond the PROC, and if necessary the committee may seek her/his opinion in special cases. The PROC will send their recommendation/s to the GS and s/he will finally approve the recommendation/s made by the Procurement Committee. The members of the PROC will be:

- Treasurer
- Head of Accounts
- Representative from concerned Project/Unit/Department

12.11. Broad Principles of Internal Control

Over and above, the following broad principles of internal control system of CREA are to be maintained:

12.11.1. Establishing Responsibilities

Responsibilities should be clearly established. Good internal control necessitates that responsibilities are clearly established and for a given task, one person is to be made responsible.

12.11.2. Maintenance of Adequate records

Adequate records should be maintained. Good records provide a means of control by placing responsibility for the care and protection of assets.

12.11.3. Separated Record Keeping and Custody

Record keeping and custody should be separated. The person who has access to or is responsible for an asset should not maintain the accounting record for that asset, viz. in store, when issue and receipt of goods are recorded in the register by the Assistant Store Keeper while the Store Keeper will sign Material receipt Requisitions.

12.11.4. Divided Responsibility for Related Transactions

Responsibility for a divisible transaction or a series of related transactions should be divided between individuals or departments in such a manner that the work of one acts as a check on that of another.

12.11.5. Financial review

Should be completed as soon as possible after the end of each quarter and in any event not later than 60 days. Concerned accounts personnel will prepare a financial review for all departments. This review would be forwarded to the Chief Executive for his information and necessary action.

12.12. Financial review committee

A **Financial review committee (FRC)** consisting of (i) GS; (ii) Treasurer; (iii) EC member (iii) & (iv) FO , would study the **financial review report** as well as the **monthly income and expenditure statement** from time to time and make necessary revision and adjustment in the financial planning for the smooth functioning of BCPA fund.

13. REPORTING

The following financial statement would be prepared to submit to the respective EC and concerned authority, whenever necessary.

13.1. Trial Balance: It would be prepared by the FO, on monthly basis so that head wise income and expenditure could be understood.

13.2. Income and Expenditure statement: The FO would prepare income and expenditure statement according to the trial balance on monthly basis.

13.3. Balance sheet: It is the function of external auditor, even then accountants would assist the auditors in doing the preparation of balance sheet.

All the statements would be verified and counter signed by the Treasurer before it would be placed and submitted to the respective authority. Individual audit would be carried out for individual project supported by respective donor, report of which might need to submit to the said donor as well as NGO affairs Bureau/concerned ministries as required.

Head Office of BCPA is responsible to prepare consolidated statements of accounts and to maintain principle of accounts. Head Office is also responsible to submit financial report to the management, donor(s) and for their requirement.

14. PAYROLL

14.1. Payment of Salaries and Wages

For the purpose of salary, all staff members of BCPA shall open personal bank account with any commercial bank and inform the account number to Finance Department in writing. Monthly salary of the staff members shall be transferred to their respective bank account by the end of each month. Payment of salary must have authorized salary sheet.

14.1.1 Payroll Processing

GS will process monthly payroll. S/he will follow the following procedures:

- i) Relevant payroll input documents of all appointments; promotions, transfers, resignations, removal from office etc. are promptly recorded.
- ii) Entries on these documents are supported by the necessary approvals, advice etc. and verified properly.

- iii) Prepare the payroll by the end of each month.
- iv) Payroll shall contain the information like – Name, Designation, Basic salary, House Rent Allowance, Medical Allowance, Special Allowance (if any) and deductions like Provident Fund Contribution, PF Loan, PF Loan Interest, Income tax etc., the Net Pay and bank account number with bank name and branch.
- v) GS recommend the payment and the same will be submitted to the Chairperson for approval.
- vi) An “Account Payee” cheque/debit advice along with a copy of the payroll shall be sent to bank for organizing payment to relevant staff members bank account.
- vii) In case of overtime payment would be paid following the HR policy of BCPS.

14.1.2. Payment of Salaries, PF, due to an employee at the time of resignation or dismissal

Payment of salaries, PF to an employee at the time of resignation or dismissal will be administered by the HR manual and Service Rule Manual of BCPS.

14.1.3 Payment of salaries and benefits due to a deceased employee

In case of death of an employee the following steps will be followed for settlement of dues to the successors:

- a) A list containing entitled dues, allowance etc. will be provided to his/her nominee(s)/ successor(s).
- b) Unpaid salaries, wages, allowance and Provident Fund balance shall be paid to the nominee(s)/ successor(s) of the deceased employee upon receiving appropriate documents from the nominee(s)/ successor(s).
- c) Payments will be made through “Account payee” cheque(s).

14.1.4 Records to be maintained for each Employee

FO will ensure that the following data in respect of each employee is maintained in the Finance and Administration Department.

- a) Employment contract
- b) Identification number (if any)
- c) Bank account information
- d) Insurance records (if any)
- e) Vacation request
- f) Payment of annual benefits or Provident Fund (if any)

14.1.5. Payroll Taxes

As per prevailing law, Income Tax will be deducted at source from the monthly salary.

15. BOOKS OF ACCOUNT

BCPA's Books of account consists of the following:

- a) Cash Book
- b) Ledger Book
- c) Stock Register
- d) Asset Register
- e) Bank Ledger Book
- f) Cheque Register
- g) Petty-Cash Book

Cash Book: This book records the cash inflow and outflow of the organization as well as individual project(s).

- Every cash receipts and payments must be recorded in the cash book within the day;
- In support of every receipts and payments, the necessary papers/documents must be enclosed with the respective vouchers;
- All purchase (receipts/bills) must be countersigned by the purchaser and sanctioning authority before submission to the Accountant;
- The balancing of daily cash transaction must be completed at the end of everyday;
- No inclusion or deletion will be allowed in the cashbook, if it is very essential then the Accountant must sign the correction sheet;
- Monthly closing balance of cashbook must be checked and jointly signed by the FO and GS;
- Impress cash will be limited up to Tk.10,000 (Ten thousand) for day to day expenses.

NOTE: Individual Cashbook shall be maintained for individual donor's support.

General Ledger: This book records the accounts of various transactions pertain.

The posting of daily transaction is completed from the cashbook(s) to the ledger. It is very essential to complete the posting as soon as the transaction is made. There must be similarity between the "Head of approved Budget" and "Ledger Head".

NOTE: Individual Ledger Book shall be maintained for individual donor's support.

Stock Register: The Stock Register (Stationary, consumable goods etc) to be maintained by BCPA by the staffs of the concerned departments under the supervision of the Accountant.

Accounts must prepare a stock consumption statement in the closing of every month.

Fixed Assets Register: The organization will maintain a fixed assets register for the keeping of actual account of its fixed assets. As soon as the fixed assets are purchased, the entry of assets should be made in the fixed assets register. The Inventory Committee must make a physical inventory at the closing of every financial year. Every fixed asset has to be marked by its "code number". A standard rate of depreciation/ appreciation is charged on the fixed assets in every year. Vouching: All payments will be based on appropriate vouchers. The accountants will undertake the preliminary checks to ensure that the transaction is in order. The accountant will classify the transaction amount to the

appropriate heads of account, gives posting of the transaction and prepare the cheques for the payment.

Bank Ledger & Cheque Register: The Bank Statement should be collected from Banks at the end of each month for each Bank Account. The Accountant should maintain the Bank Ledger, Cheque Book Register and should keep the cheque book in the safe custody of accountant/relevant personnel of the project.

15.1. Vouching: All payments will be based on vouchers. The accountants will undertake the preliminary checks to ensure that the transaction is in order. The accountant will classify the transaction amount to the appropriate heads of account, gives posting of the transaction and prepare the cheques for the payment.

In transactions, transfer and different account adjustment following vouchers has to be maintained.

- a) Credit Voucher
- b) Debit Voucher
- c) Purchase/ Money requisition voucher

15.2. Other Printing documents: In order to smooth running of the transaction, administration and operation the following printing documents are also to be used.

- a) Money Receipt
- b) Conveyance Bill
- c) Slip for daily consumable goods

16. FUND FROM DONOR/DONOR AGENCIES

If BCPA's major projects are financed by donor grant/donation then accounting treatment for donor grant is one of the major issues in BCPA's accounting system. BCPA's grant related accounting issues would be identified under the following categories:

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

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

16.1. Grant Related to Assets:

Grant related to assets including non-monetary grants at fair value should be presented in the Balance Sheet by setting up the grant as Deferred Income.

16.2. Grant Related to Income/Revenue:

Grant should be recognized as income over the periods necessary to match them with the related cost, which they are intended to compensate on a systematic basis. They should not be credited directly to own fund.

16.3. Accounting of Donor Fund - General

When donation is received, it is recorded under this account irrespective of the nature of donation. Thereafter, donations utilized for assets are transferred to respective accounts. Donation utilized for revenue type expenses for a period is transferred to income. The balance remaining in this account represents unutilized donor fund.

Sometimes BCPS may find shortage of fund in donation account. In such a situation it creates receivable on donors' account and this accrued income is matched against expenditure or BCPS arranges the deficit financing from its own fund. On creation of receivable, donation receivable account is debited and donor fund-general account is credited.

The accounting entries related to donor fund-general are as follows:

- a. When donation is received

Cash and Bank A/c	Dr
Donor Fund-General A/c	Cr.
- b. When donation is utilized for fixed assets

Donor Fund-General A/c	Dr.
Donor Fund-Investment in Fixed Assets A/c 0	Cr.
- c. When donation is utilised for revenue expenses

Donor Fund-General A/c	Dr.
Donation Income A/c	Cr.
- d. When fund utilisation exceeds, donation receivable is accounted for

Accounts Receivable A/c	Dr.
Donation Income A/c	Cr.

The fund utilization entries are made at year-end based on consolidated project accounts.

16.4. Donor Fund-Investment in fixed assets

When donation is utilized for fixed assets, related donation is transferred from Donor Fund-General and recorded under this head and this portion of the fund is treated as Deferred Income. At the end of the year, income will be recognized from this fund to the extent of depreciation charged on the related asset by making the following entry:

- | | |
|---|-----|
| Donor Fund-Investment in fixed assets A/c | Dr. |
| Income & Expenditure A/c | Cr. |
- (Only for depreciation on donor funded fixed assets)

16.5. Completion of a phase/project

On completion of a phase of a project, the remaining donor funds are treated in the following manner:

16.5.1. Donor Fund-General

The balance of this fund is treated as per the terms of the agreement. If any refund clause exists in the agreement, then the related unutilized fund is refunded to the donor concerned. Otherwise it is carried forward to new phase or in case of completed projects, transferred to General Fund (capital fund) account.

16.5.2. Donor Fund-Investment in Fixed Assets

On completion of a phase, the remaining balance under this head is transferred to the capital fund. At this stage the following accounting entry is passed:

- | | |
|---|-----|
| Donor Fund-Investment in Fixed Assets A/c | Dr. |
| Capital Fund A/c | Cr. |

17. CIS (COMPUTER INFORMATION SYSTEM)

17.1. Objectives of the BCPS CIS:

- An appropriate information system is used by the BCPS
- There is no unauthorized access to the BCPS's computer system
- BCPS has adequate disaster recovery plans for its computerized information
- All financial information is accumulated, processed and reported on accurately and in cost-effective manner
- Personnel have adequate knowledge of the computer system being used by the organization

17.2. Computer Software issue

- BCPS management will use both off the self and customized software as per the demand of the respective departments
- The software used should be able to report by cost code or budget line in order to make the reports comparable to approved budgets
- The software would be configured to generate meaningful reports such as reports to donors, annual financial statements and any other report relevant for organization's operations, with minimum human intervention.

17.3. Computer information system procedures

The following procedures would be followed in order to meet the above mentioned objectives:

- Back ups of information would be carried out on a daily basis. Weekly backup copies would be stored off site to ensure their safety in the event that files at the processing location are destroyed
- An anti-virus software should be loaded
- All systems should be password protected to restrict unauthorized access and to ensure the integrity of information processed and passwords would be changed on a periodic basis
- Personnel would be given the required training to properly use the systems and derive maximum benefits from it
- Access to computer information system would be restricted to appropriate staff

18. AMMENDMENTS:

Whenever it shall appear to the Executive Committee (EC) that it is advisable to alter, amend, extend and abridge any clause of this manual the EC has authorization to do accordingly.

19. DECLARATION

This Manual is the property of BCPS. No part of this manual shall be copied without the prior permission from the Chairperson. Copies of it can be given to the members, donor(s), relevant government officials, internal and external auditors or to any other person or organization after obtaining prior permission from the Chairperson. The Manual defines Financial and Accounting management and practices of the BCPS to be followed within the organization.

Note:

Financial Manual is one of the documents, guidelines and manuals that BCPS has decided to prepare to ensure smooth functioning, transparency and good governance of the Society's activity at every level. This Financial Manual has been prepared by a subcommittee the members of which was nominated by the Executive Committee, and the members were as follows:

1. Tarun Kanti Gayen, Coordinator
2. Md. Zahir Uddin, Member
3. A.K.M. Azad, Member
4. Most. Nazma Khatun, Member

The document has been passed in Annual General Meeting of Bangladesh Clinical Psychology Society held in 24th December 2011.