

# Financial Policy



Approved by: Executive Committee (EC)  
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**ProvaSociety**

House#109, Road#5,  
Kabi Sukanto Sarak, Jhenaidah-7300.

E-mail : [provasociety@gmail.com](mailto:provasociety@gmail.com)

Website : [www.provasociety.org](http://www.provasociety.org)

facebook: [www.facebook.com/provasociety](https://www.facebook.com/provasociety).

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# CHAPTER ONE

## **Introduction:**

Employees and material resources are essential elements for achieving the goals and objectives of the organization. Therefore, financial management Jhenaidah Jor Jhenaidah Sadar Upazila, a group of social workers, launched the Proba Society in January 1994. With the aim of effective cooperation in the socio-economic development of the poor people of the local underprivileged areas and the overall improvement of their quality of life, Proba Society has been undertaking and implementing various developmental activities based on the needs of the community.

From the beginning, the organization has felt the importance and necessity of financial management in the larger interest of its development, expansion, success and sustainability and has been continuously trying to ensure sound financial management at the early stage of implementing the activities through limited resources. Proba Society has taken effective initiatives to prepare these guidelines with the aim of making financial management more transparent d) To ensure financial transactions in a relatively simple and acceptable manner and to effectively cooperate with the accounting department of the organization for the preservation and maintenance of accounts of daily financial transactions as per the rules.

## **Objectives:**

- a) To provide direction possible source of fund to run the organization
- b) To provide necessary ideas regarding financial transactions and management to all categories of employees of the organization and to strengthen the foundation of financial management by ensuring the cooperation of all concerned employees.
- c) To establish and ensure mutual accountability

**1.02 Effectiveness:** This guideline will be effective from 1st July 2016. All levels of employees including the Accounts Department of the organization will be covered by this guideline in terms of financial transactions. After the implementation of this guideline, all the previous financial processes and procedures of the organization will be considered null and void.

## **1.03 INTERPRITATION**

If any chapter or any matter mentioned in this guideline or any sentence or word mentioned in any subject is unclear, the explanation given by the authority in collaboration with the Accounts Department of the organization's Executive Council will be considered appropriate.

## **1.04 Amendment (Effectiveness)**

In order to further accelerate the financial management process of the organization and to bring it into line with the changing situation, the Accounts Department of the organization may

amend any chapter or any part of any chapter of this guideline subject to the approval of the Executive Council.

### 1.05 Accounting Offices

Basically, the regional/project offices, including the head office of the organization, will be considered as accounting offices.

## CHAPTER TWO

### 2.1 Budgeting

The process of formulating financial allocations is a critical aspect of financial management within any organization. It ensures that project activities are funded properly and executed efficiently, which significantly impacts the overall success of the project. Proper financial allocation involves determining the necessary funding for various activities, distributing funds appropriately, ensuring effective use of allocated funds, and maintaining stringent financial control.

A well-formulated budget serves several key purposes:

1. **Identifying the Required Funds:** It helps determine the exact amount of money needed for the various identified and listed activities within a specified time frame. This ensures that sufficient resources are available to meet project objectives without over or under-estimating financial needs.
2. **Allocating Funds for Effective Control:** A budget ensures that the minimum required funds are allocated to each activity. This allocation enables effective financial control, allowing project managers to track spending and ensure that funds are used efficiently and according to the plan.
3. **Coordinating Funds Between Project Activities:** Proper budget formulation helps to ensure that funds are effectively distributed across the project timeline and between various project activities. This coordination ensures that the project progresses smoothly without financial disruptions.
4. **Preparation for Project Requirements:** In addition to supporting the project's activities, the budget also prepares the necessary funds for the project's undertakings, ensuring that financial resources are available when needed.

In essence, a well-structured budget is essential for the effective financial management of a project, contributing to its smooth execution and ultimate success.

## **2.2 Budget Preparation Process (Budget Preparation Process)**

The budget preparation process is a critical step in financial management that ensures proper allocation of resources for the successful execution of a project. Typically, budgets are prepared in the following manner:

### **2.3 PREDCEDENCE BUDGET PROCESS**

The budget preparation process described is a retrospective approach, where the allocated budget for similar projects from previous years is used as a reference for the current one. This method typically involves adjusting for inflation, depreciation costs, and potential costs due to natural events. However, as you correctly point out, this approach can be problematic. It often fails to consider changes in needs, circumstances, and other dynamic factors that could impact the project in the current period. As a result, the budget may not align with the actual requirements and challenges faced by the project, leading to unrealistic and potentially risky financial planning.

### **2.4 Zero-space based budget preparation process (Zero-space based budget preparation process)**

The budget process, when prepared based on the minimum necessary financial allocation, is grounded in the actual needs and potential deviations of the project undertaken. This approach is commonly referred to as a zero-based budgeting process, where prior financial allocations from previous projects are not considered when preparing the current budget. Instead, the focus is placed on the reality of the project, assessing its specific needs, and accounting for any potential risks.

While previous projects may be reviewed for insights into financial allocation experience, they do not influence the current budget. This method ensures that each new project is funded based on its unique requirements rather than historical spending patterns. As a result, zero-based budgeting is often seen as a more realistic and acceptable approach, as it reflects a true assessment of the project's scope and necessary resources. By considering these factors, the budget process provides a solid foundation that supports the effective and successful implementation of the project's activities.

## **2.5 STEPS OF BUDGETING**

The steps in budget preparation are as follows:

### **a) AGGREGATION OF BUDGTING**

Aggregation of the allocated funds based on the activities listed in the adopted project is a fundamental step in the budget preparation process. In this phase, the necessary financial allocation is assigned to each scheduled activity of the project. Each activity is evaluated for its financial requirements, and the corresponding funds are allocated accordingly.

To determine the total financial amount for the proposed project, the allocated funds for each activity are added together. This aggregated sum represents the total financial requirement for the project, based on the specific needs of each individual activity. This process ensures that the budget is aligned with the actual needs of the project and that sufficient funds are provided for its successful execution.

## **B) Discussion of Budget**

Regular discussions regarding the minimum possible allocation of funds, based on the proposed project activities, with the relevant staff of the organization are essential for ensuring transparency and clarity in the budget preparation process. Engaging all involved parties in these discussions allows for a shared understanding of the financial resources required for each activity within the project.

By considering the input and feedback from the relevant stakeholders, the budget can be amended, if necessary, to better reflect the reality of the project and the needs of the organization. This collaborative approach helps in making the budget more realistic, acceptable, and aligned with the practical considerations of those responsible for executing the project. As a result, the finalized budget is more likely to gain widespread support and contribute to the overall success of the project.

## **C) NEGOTIATION WITH THE SPONSORS**

Effective communication with donors or funding organizations helps clarify any potential funding gaps and aligns expectations regarding the financial support. By addressing this step early, the project can avoid delays and setbacks caused by insufficient funds. This ensures that the budget is not only well-prepared but also supported by a reliable source of funding, making it a critical and effective part of the overall budget process.

### **d) APPROVAL OF BUDGET**

The approval of the Executive Committee of the organization for the regular expenditure of the money received through necessary communication with the relevant funding agency should be obtained. For this, the meeting of the concerned Executive Committee should be called at the specified time and the agenda of the meeting should be determined accordingly.

## **2.6 PRINCIPAL OF BEDGETING**

In order to prepare the budget effectively, it is essential to give due importance to the following issues:

a) **Expert Involvement:** The budget should be initially prepared by the relevant expert person or team within the organization. If the organization lacks internal expertise in budget preparation, it may be beneficial to seek the assistance of an external expert or consultant to ensure the budget is accurate and well-structured.

b) **Inclusive Participation:** To create a more effective and realistic budget, it is important to ensure that all categories of employees who are concerned with the project are represented in the process. This inclusivity helps capture a comprehensive view of the needs and resources required across the organization.

c) **Alignment with Organizational Size and Project Scope:** The budget should reflect an amount that is consistent with the size of the organization and the scope of the project. This ensures that financial resources are allocated in a way that supports the organization's capacity and the project's objectives.

d) **Provision for Inflation and Contingencies:** When preparing the project proposal and making recommendations, the budget should include a provision for potential inflation and contingencies. A minimum amount should be added to the original budget to account for unforeseen cost increases or other unexpected circumstances.

e) **Cost Control and Coordination:** It is vital to control necessary costs and ensure coordination. The budget should be allocated for the entire project period and calculated annually, semi-annually, quarterly, and monthly, depending on the project's timeline. This enables effective tracking and management of funds over the course of the project.

f) **Long-Term Operational Goals:** The budget should be based on the goals and objectives of the organization for a specific long-term period, aligned with a strategic plan. By identifying the minimum budget required for the implementation of planned activities, the budget becomes more suitable and acceptable to all stakeholders involved.

g) **Project Account and Long-Term Budget:** A project account should be prepared for a maximum period of 3 years, aligning with the strategic plan and the overall timeline of the activities. This long-term budget helps to provide a clear financial roadmap for the project, ensuring that the necessary resources are available over time.

**Motivational Strategy:** Budget preparation serves as a motivational strategy for the organization. A well-prepared budget can inspire financial aid organizations to provide grants, as they see a clear, realistic financial plan. Additionally, it encourages the staff within the organization to actively engage in project implementation, knowing that the budget ensures their job security. Finally, by ensuring the proper use of the funds received, the organization can develop a path toward sustainability, demonstrating responsible financial management to donors, partners, and stakeholders.

## CHAPTER THREE

### 3.1 FUND RAISING

Financing is a critical component of financial management within an organization, serving as the foundation for the entire ongoing process. Without proper financing, the financial management framework of the organization lacks substance and cannot function effectively. Therefore, based on the



prepared budget, it is essential to make arrangements for securing the necessary minimum amount of funds from potential sources.

To ensure the success of the funding strategy, the organization must establish clear and effective communication channels with all identified financing sources. Regular and transparent communication is crucial in building strong relationships with these stakeholders, keeping them informed of the organization's progress, and ensuring continued support. By proactively securing the necessary funds from these diverse sources, the organization can maintain a solid financial base, enabling the successful implementation of its projects and long-term sustainability.

### **3.2 SELF-REVENUE GENERATING ACTIVITIES**

To prepare proper planning for executing the own activities, the following steps can be adopted and implemented:

#### **a) PROPER UTILIZATION OF LOCAL RESOURCES**

To identify the local resources and its proper implementation, fund raising activities can be taken. Local resource can be used based on the geographical local and nature of localities. Agriculture, fisheries, cattle, afforestation, handcraft related projects can be adopted and implemented. The parties formed by the target population of the organization can be encouraged to regularly save money for the party and arrange for the necessary financing for the concerned party. The funds created should be used properly for income and development activities for the concerned beneficiaries. In this case, arrangements should be made for the skill development and capacity building of the said party. In order for the concerned party to ensure the proper use of the said money for its income-generating activities, the party should be provided with guidelines for the use of the funds at the initiative of the organization. In addition, the party should be assisted in developing the necessary skills so that the concerned party can maintain and preserve proper accounts of the funds created.

#### **c) FUND RAISING INSIDE THE COUNTRY:**

There are several organizations at the government and private levels within the country for providing minimum financial assistance and services to voluntary organizations in developmental activities. These organizations can generally be considered as service-providing, financial-aiding and financial-investing organizations. A brief description of the organizations is given below.

##### **a) Service-providing organizations (non-governmental organizations):**

There are service-providing organizations at both the government and private levels. Such organizations provide small-scale financial and technical assistance and training to organizations working at the community level on a program and project basis. Such organizations raise funds from the relevant donor organizations and provide necessary assistance to the partners on relatively simple terms and methods.

Among the service providers working at the government level, the names of the Department of Social Services, Department of Fisheries, Department of Education, Department of Water Resources, Department of Health and Family Planning, Department of Women Development, Department of Environment, etc. are particularly noteworthy.

Among the organizations working at the private level, the names of Bangladesh Health and Population Consortium, FPSTC, Pathfinder Fund-Bangladesh, Helen Keeler International, CDF, IVS, Prep Trust, etc. are particularly noteworthy. In addition, BRAC, CARE and other organizations have recently provided small-scale cooperation to small organizations in some activities.

Such organizations usually receive loans from various donor organizations and financing organizations at relatively low interest rates and provide loans to the implementing organizations through a proper process and very reasonable interest rates and special conditions. Among such financial institutions, the name of Palli Karma Sahayak Foundation is particularly noteworthy. In addition, recently, national level organizations such as BRAC, Proshika, ASHA, etc. have been providing small-scale financial assistance to small NGOs by providing loans. In addition, recently, various types of banking institutions have been providing loan facilities at the community level through NGOs on relatively easy terms.

#### **b) DONOR AGENCIES:**

In the development and management of NGO activities, several donor organizations in this country provide minimum financial assistance to their local offices as per the rules. Among these donor organizations, the names of the following are particularly noteworthy: USAID, SDC, WORLD BANK, EU, etc.

#### **c) UNITED NATIONS ORGANIZATIONS:**

Some of UN agencies have been working as an aid organization in this country. These donor agencies provide grants to the NGOs through different government division. Among the UN agencies, UNICEF, WFP, UNFPA, UNHCR are notably.

### **3.3 STRATEGIES OF FUND RAISING:**

The following methods should be followed for fund raising of the organization.

#### **a) Preparation of Financial Plan**

A realistic and appropriate plan should be prepared for the organization for financing. The financial plan should include a clear explanation and guidelines on how much money will be collected in which sector, from where, by whom and how. In this case, the organization should have a strategic plan .

b) Possible sources of funding should be found and a list of government, private, international and UN-level domestic and foreign organizations/institutions that are providing and providing funds should be collected.

- c) Communicating the matter of receiving funds through the relevant financial assistance and providing institutions located in the country and abroad through official letters and collecting guidelines for receiving funds.
- d) A project proposal (PP) should be prepared and submitted on time, mentioning the acceptable and possible financial needs based on the financial basis provided by the concerned donor agency.
- e) A realistic financial plan should be prepared and implemented for the organization's self-financing activities (FYI).

## **CHAPTER FOUR**

### **Account Management**

The main goal of account management is to ensure that the daily accounting activities are carried out systematically and as expected by ensuring the effective participation and necessary cooperation of all the employees concerned at all levels of the organization. Account management will be conducted by the department. In order to ensure proper account management, the activities of the account department can be divided into four parts: planning, preparation, budgeting and financial control. A brief description of the activities mentioned below is given.

#### **a) Accounting Plan:**

The accounting management of the organization is completely dependent on proper accounting planning. In accounting management, the detailed description of what will be done, how it will be done, when it will be done, where it will be done, who will do it and why it will be done should be included in the accounting plan. The accounting department of the organization will prepare this accounting plan in consultation with the concerned authorities of Prova Society.

#### **b) Accounting of Organization:**

Necessary preparations and arrangements should be made to organize the accounting system properly based on the prepared accounting plan. Bank accounts should be opened for accounting, account registers (cash books, ledgers, journals, etc.), debit and credit vouchers, account statements, balance sheets and other necessary documents should be prepared. In addition, all the employees and officers who will directly manage the accounting management should be organized in a proper manner.

#### **c) MOTIVATION OF ACCOUNTING STAFF**

It is an important task of accounting management to make the concerned staff interested in the smooth running of the accounting activities of the organization. Arrangements should be made to provide the necessary ideas and training so that the concerned staff completes the accounting activities on time and regularly and to recognize their work. In addition, those

involved in the implementation of the organization's program are also an integral part of accounting management, so they should be provided with the necessary ideas so that they can also provide and account for the money received on time and regularly.

**d) Financial Control:**

Financial control is another major task of accounting management. One of the main objectives of financial control activities is to ensure that the amount of money approved in the prepared budget is spent in the same way as it can be spent in all sectors. In addition, all necessary activities related to accounting, including effective daily account maintenance and preservation, preparation of financial reports, are included in accounting management.

## **ACCOUNTING SYSTEM:**

### **4.01 BANK ACCOUNT:**

In order to make the accurate accounting of the money earned and received on a project-based basis, security and more systematic and acceptable accounting system, a bank account will be opened in the name of the Prova Society. The organization will follow the prescribed matters in opening and operating the bank account.

a) By decision of the Executive Council, the Prova Society can open and operate a bank account in the name of the organization in any convenient local bank approved by the Government of the People's Republic of Bangladesh.

b) As per the decision of the Executive Council, there will be a main bank account (Bank Account) in the name of the Prova Society in any convenient bank located at the local level.

c) As per the instructions of the concerned disbursing institution or donor agency, the authority will determine the nature of the bank account of the organization (savings account, current account, STD account, etc.).

d) Joint signatories will be elected to operate all types of bank accounts as per the instructions mentioned in the constitution of the organization. However, for operating bank accounts under the project or regional office of the organization, with the approval of the Executive Council, the authority will elect the President, Treasurer and Executive Director of the organization as joint signatories with the relevant regional level employees. Out of the three, the signature of the Executive Director is mandatory, and the necessary money can be withdrawn from the bank with the signature of any two of them.

e) Income or money received should be initially deposited in the main account (Bank Account) of the organization and later transferred to the bank account operated by the project or donor agency as per the rules.

f) If for any reason, the name of the signatories in the bank account needs to be changed, the authority can do so with the approval of the Executive Council. In this case, for changing the

signatories of the bank account operated at the central level, it will have to be done through a decision in the Executive Council meeting and for changing the signatories of the bank account operated under the regional or project office, the head of the organization himself can take necessary measures as per the rules.

g) All documents related to the bank account must be preserved by the accounts branch of the concerned office of the organization. In this case, the documents at the central level will be preserved by the accounts branch of the central office and the accounts branch of the project or regional office.

#### **4.02 Account Maintenance Procedure:**

The Prova Society will maintain and maintain all its accounting procedures on an ad hoc basis. However, if any donor organization providing funds is not able to maintain and maintain financial accounts,

If any special policy is suggested to be followed in the field, then the Prova Society will adopt and implement the said policy and suggestion with the approval of its Executive Council.

#### **4.03 INTERNAL FINANCIAL TRANSACTION:**

c) Cash or cheques may be paid to the concerned employee or cell against the approved bill of office expenses only or the required amount may be paid to the concerned employee or cell as advance against the approved financial requirement in the form of cash or cheque as per the rules.

d) Advance money received for any activity should be adjusted within a maximum of 07 (seven) days through a reasonable and acceptable bill or by refunding the money.

e) The submitted bill vouchers and related documents should be duly and completely examined by the Accounts Department of the organization and presented with necessary recommendations for approval by the authorities. The authorities will finally approve or cancel all bill vouchers after necessary verification based on the recommendations of the Accounts Department.

f) Except in special emergencies, any advance money received by any employee or cell can be taken again until it is adjusted in time.

g) If any employee fails to reconcile the advance received on time, the accounts department of the organization can reconcile it from the employee's current month's salary or approved allowance as per the rules.

h) Full cooperation should be provided to all the employees concerned for the smooth financial transactions of the organization and for making the account management more effective, systematic, acceptable and regular.

#### 4.04 Financial transactions to the outside of the organization

a) The said bill shall be paid within a maximum of 01 (one) week of submission of the said bill through bank draft, DD or Accounts Pay-e-Cheque. The Authority may extend or reduce this period if necessary.

a) If the amount of the bill presented and approved by the concerned person or institution is up to 5,000 (five thousand) taka, the Authority may, if it so desires, pay the said person or institution in cash through the account branch as per the rules.

#### 4.05 Accounting Headings (Audit and Expenditure) :

The income and expenditure headings of an organization may be as follows.

Receipt	Payment
a) Approval of the relevant donor agency	a) Staff salary
b) Revolving fund received for special programs	b) Staff travel and daily allowance
c) Revolving loan fund	c) Staff training costs
d) Government donation	d) Resource person honorarium
e) Local donation	e) Service charges
f) Service charges	f) Office rent
g) Bank interest	g) Utilities (electricity, gas, telephone, WASA)
h) Member subscriptions	h) Capital expenditure (telephone purchase, vehicle purchase, land purchase, furniture purchase expenses)
i) Income from income-generating projects of the organization	i) Stationery and postage
j) Specialty sales	j) Office maintenance
k) Miscellaneous	k) Fuel and repairs (vehicles)
	l) Medicine purchase
	m) Audit fees
	n) Bank charges
	o) Miscellaneous

#### 4.06 Capital and Loan of the Organization:

a) General Fund	a) Money received for loan activities
b) Accumulated General Fund	b) Deficit in Income and Expenditure Account
c) Employee Welfare Fund	c) Outstanding Expenditure
d) Capital of Income-generating Projects	d) Any Unpaid Money
e) Surplus in Income and Expenditure Account	f) Savings Certificates and Invested Money
g) Money received from various sources	

#### **4.07 Assets of the Organization**

- a) All vehicles purchased in the name of the organization (motor cars, motorcycles, bicycles, etc.).
- b) All furniture and telephones of the organization.
- c) Assets invested in the income-generating activities of the organization.

#### **Accounting structure and accounting cycle**

#### **4.09 Operation of revolving loan fund**

The following matters should be followed to ensure the proper use and management of the revolving loan fund of Prova Society:

- a) A loan management committee (LMC) should be formed with the relevant employees of the organization. The head of the organization will form a loan management committee with the relevant employees as per the rules.
- b) In case of granting loans from the revolving fund, the head of the organization will approve all vouchers. In order to further decentralize the loan activities, the head of the organization may, in consultation with the loan management committee, authorize the responsible employee concerned to approve loans up to a maximum of 10,000 (ten thousand) taka as per the rules.
- c) The loan process should be conducted on the basis of the loan management guidelines of the organization

#### **4.10 Documentation of the transaction**

- a) Photocopies of financial checks received in the name of the organization from the relevant donor organization or any other source should be attached to the credit voucher and stored properly. After approval of the authority, the voucher number along with the cash folio should be mentioned while writing it in the cash book.
- b) In case of receiving money, the necessary details of the sources of money (name of the donor/funding organization, name of the bank, number of installments, etc.) should be mentioned.
- c) Documents of the organization's income-generating activities (including investment and operating expenses) and revolving fund (cash memos, receipts, etc.) should be stored properly.
- d) While paying the bill for purchasing any office-related goods, the procurement policy must be followed.
- e) Information on bank transactions (e.g. bank statements,

#### **4.11 Payment of financial cheques and recording in the cash book:**

- a) In case of payment to a creditor through financial cheques, the name and brief description of the creditor, cheque number, date of payment of cheque, name of bank and branch, should be



mentioned in the credit column of the bank account of the cash book, mentioning the specific section. The same details should also be mentioned in the cheque register.

b) In case of payment to the creditor through payment order (Payment Order), the detailed information should be mentioned briefly in the letter sent (Payment Order).

#### **4.12 Main Cash Book Entry (DJOWOGHA TOCH NG YAZHOI EIAZHOI INGANGK)**

Only the necessary information regarding receipt and disbursement of money through cash and bank should be recorded in the main cash book as per the rules. There will be two columns each on the receipt and disbursement pages in the said book. In one of these columns, the information regarding cash transactions and in the other, the information regarding bank transactions should be recorded as per the rules. In addition to the main cash book, the following points can be followed for individual bank accounts and project-based bank accounts.

a) Separate cash books should be used for each bank account.

b) Similar columns should be attached to each cash book.

c) All types of cash receipts and payments should be recorded in the cash book in a regular manner and the surplus money should be shown in the cash and bank columns on the same day.

d) The required line (same section) of the cash book receipts and payments column should be used to post the account/information of each type of item.

e) In case of money received through cheque, the full details including date and cheque number should be recorded in the bank column of the cash book in a regular manner and a brief description should be recorded in the cash receipts column mentioning the source and date of receipt of cash.

f) On the last working day of each month, the total amount received and paid for that month should be reconciled based on the information mentioned in the cash book. After completing the above work, the head of the account branch should sign.

g) In case of withdrawal and deposit of required money from the bank, it should be recorded through double entry. In this case, the voucher number should be mentioned in the cash book.

#### **4.13 Ledger Book**

##### **4.14 General Ledger Book**

a) General Ledger

b) The initial fund of the previous year should be recorded at the beginning of the year.

c) The folio number of the subsidiary ledger should be mentioned along with recording the information of each financial transaction in this book. The authority may increase or decrease the rate of determination of bad debts, if necessary, with the approval of the Executive Council of the organization. The concerned officers assigned in charge in the concerned



branches/projects/regional offices will prepare a list of overdue loans and send it to the central office as per the rules. The list of overdue loans shall be submitted to the head of the organization by the accounts department of the organization or by any officer or external expert authorized by the authority after due examination. The head of the organization shall present the said list to the meeting of the executive council of the organization for necessary approval after due examination. After the approval of the executive council, the said overdue loans shall be duly recorded by the accounts department of the organization. It is to be noted that if it is ever possible to recover the outstanding overdue loans, then it shall be deposited in the general fund of the organization.

#### **4.14 Depreciation:**

The depreciation value of fixed assets shall be determined in accordance with the prevailing rules of the country and by the executive council of the organization.

The value of the fixed assets of the organization shall be deducted from the cost price every year through internal audit on the basis of the determined depreciation value. A separate column shall be added for this in the column of fixed assets.

#### **4.16 Accruals and Advances:**

Before preparing the income and expenditure statement of the organization at the end of the month or year, the arrears and advances should be reconciled and added to the financial statements.

#### **4.17 Closing Accounts:**

Before preparing the closing sheet, the monthly or annual income and expenditure should be reconciled with the original statement of income or expenditure. The arrears should be shown as a liability and the advances should be shown as an asset in the accrual sheet.

#### **4.18 Subsidiary Ledger**

a. The sub-ledgers recipients' ledger, suppliers' contractors' ledger, etc.) should be maintained in the subsidiary ledger as per the main account recorded in the general ledger. The purpose of maintaining the accounts is to maintain separate accounts according to the line item balance.

b. While posting as per the line item of the subsidiary ledger, the voucher number, cash folio and the amount of money must be mentioned correctly and clearly.

c. The monthly sum of the expenditure under each sub-ledger should be maintained in the general ledger as per the rules.

#### 4.19 Preparation of Trial Balance

Ledger should be prepared from the debit and credit balances of the accounts maintained in the ledger. Points to be noted for preparation of Trial balance:

- a. To check the mathematical accuracy of the monthly accounts, the concerned accountant should prepare trial balance based on the debit and credit balances of the financial accounts.
- b. The balance on each account should be confirmed on the total working days of each week. But for the preparation of the cash flow statement, the debit and credit balances for each week of the month and the total amount must be recorded and shown in the accounts.
- c. The total amount of cash flow statement must be shown.

#### 4.20 Adjustment and Closing Entries

##### 1. Doubtful and Bad Debts:

If there is no possibility of recovery of the loan given by the organization, then it can generally be considered as a bad debt. 20% of the loan given can be considered as a bad debt reserve.

#### 4.21 Ledger Book

Ledger book is an important book for maintaining the account of income and expenditure for each project and account in a regular manner. Through the ledger book, it is possible to know the position of income and expenditure and surplus money based on projects and accounts in a relatively easy way. The following points can be followed for maintaining and maintaining the ledger book.

- A. Separate ledger books should be used for each bank account and cash book.
- B. Each ledger page should be calculated in terms of account. If any main account is divided into sub-accounts, sub-account-based ledger should be maintained and maintained.
- C. The daily financial transaction information recorded in the cash book should be recorded in the ledger book within a maximum of 01 (one) week.
- d. At the end of each month, the head of the organization should sign the financial transaction information recorded in the ledger book with the prior approval index. Ledgers can generally be of two types.
  1. General Ledger.
  2. Assistant Ledger.

#### 4.22 Petty Cash Book

Petty cash book can be used to properly record the information of small financial transactions of each day. The following rules can be followed in maintaining the petty cash book.

- a. On the first working day of every month, the responsible accountant will collect a maximum of 10,000 (ten thousand) taka of petty cash through financial demand.

b. Will record and preserve the account-wise petty cash expenses in accordance with the specified table.

c. Accepted as per the prevailing rules

Petty cash should be paid regularly. In this case, the account of the money spent, including the monthly account (invoices, etc.), should be recorded in the ledger within one week.

#### **4.23 Project-based cash book (project-based cash book)**

A project-based cash book can be used as needed in the location, capacity and scope of the organization. As a result, it will be possible to get the correct account of the income and expenditure of each ongoing project of the organization. Another advantage of maintaining a project-based cash book is that it is possible to know the correct information about the income and expenditure of each project and the surplus or deficit under that project in an easy way.

#### **4.24 Maintenance and preservation of accounting registers**

Maintaining proper accounts Prova Society maintains the following registers: Stock Register, Inventory, Donation receipt register, Salary register, Job Register, Travel Register, Cheque Register, Material Assistance Register, staff attendance Register, Production and Sales Register, movement register, Leave Register, Advance Register, Fixed Asset Register etc. The following registers are briefly mentioned, along with their maintenance and preservation procedures.

##### **a) Stock Register**

Stock Registers should be used for regular receipt and supply of office related items in the warehouses of all project/regional/unit offices including the head office of the organization. Based on the nature of the office-related stock items in the warehouse, the stock registers are generally:

1. Stock register of operational material goods.
2. Stock register of decorative items.
3. Stock register of office-related postage stamps.

Material goods related to activities such as medicines, tube wells and latrine materials, handicraft materials, tree seedlings, poultry and other income-generating activities of the organization will be included in the register of material goods related to activities. The office supplies of the organization such as notebooks, pens, pencils, registers, staplers, five machines, etc. should be included in the office supplies register and the postage stamps purchased for sending office correspondence by post should be included in the postage stamp register, as well as the toiletries.

**b) Store management and stock register:**

1. If possible, the organization should appoint an employee in charge of the warehouse or the accounting department of the organization should be entrusted with the responsibility of warehouse management.
2. It is better to use separate warehouses based on the nature of the warehouse. In this case, one warehouse can be used for the goods related to the activities and another warehouse can be used for storing office supplies. In fact, no warehouse is required for storing postage stamps.
3. Before receiving the goods from the warehouse, the concerned responsible employee must be sure about the quality of the goods and acknowledge the receipt of the received goods.
4. A copy of the receipt of the goods received in the warehouse must be sent to the accounting department of the organization. The accounting department will pay the price to the concerned supplier on the basis of the receipt.
5. The received goods should be arranged in the warehouse in such a way that the stored goods can be easily identified and supplied. The environment of the warehouse should always be kept clean and tidy in order to maintain a healthy environment.
6. Information about the goods received and supplied in the warehouse should be recorded immediately in the stock register as required.
7. The concerned employees should receive the required goods from the warehouse by making a demand using the format prescribed by the organization and by obtaining approval from the appropriate authorities.
8. Arrangements should be made to supply the medicines stored in the warehouse regularly within the specified period. If necessary, a property register can be used to ensure the validity of the medicines. Information such as the name of the medicine, nature, name of the manufacturing company, date of receipt, specified period and possible date of supply (from the warehouse) can be stored in the said register.
9. The concerned responsible employee will submit a written report to the accounts department at the end of every month stating the stock status of the store.
10. The concerned responsible employee will take necessary measures to ensure all the security of the warehouses.

**(c) Fixed Assets Register**

This register should be maintained mainly to maintain proper records of the fixed assets of the organization. The following rules can be followed for the storage and maintenance of this register.

1. The fixed asset register should include the name of the asset, asset identification number, size/model, price, date of purchase, etc.
2. As soon as any type of fixed asset is purchased, the details of the asset should be recorded in the fixed asset register as per the rules.

3. At the end of each year, the fixed asset

An audit report should be prepared by directly inspecting the location (four-hourly) of the assets mentioned in the said audit report. The assets mentioned in the said audit report should be sent to the head office along with the signature of the responsible authority of the office in which they are stored.

4. The fixed annual depreciation cost of the fixed assets should be deducted from the actual value every year as per the rules.

#### **d) Staff Attendance Register**

The employee attendance book should be used as proof of the presence of the concerned employees at the workplace on the office working day. All levels of employees working in each regional/project/unit offices including the head office of the organization should sign the attendance book as per the rules as per the rules as proof of their presence at the workplace. If any employee is working in the field or is staying at any other place related to the office or is on leave, the specific date box next to the name of the concerned employee should be filled in as per the instructions of the service rules of the organization. It is to be noted that in paying the salary of the employee, the accounts department or the authority can take the assistance of the employee attendance book.

#### **e) Salary payment book and salary register**

1. The salary of the regular and project employees of the organization should be paid monthly and part-time employees on the basis of the agreement made with them.

2. The concerned employees should open a personal account in their respective names in the bank where the company's money is deposited and the account number should be deposited in the concerned account branch of the workplace.

3. The account branch should consult the authorities while preparing the salary statement of the concerned employees. Based on the advice of the authorities, the salary of the employees should be remitted to their respective bank accounts as per the rules.

4. The Accounts Department will mention the salary amount in the personal bank account of all the employees concerned on a project basis and request the bank authorities to transfer the required amount (as per the instructions) through a letter of demand.

5. The employees of each regional/project/unit office including the head office will receive their monthly salary by signing the salary register as per the rules. The concerned accounts department must affix a revenue ticket of the prescribed value at the time of payment of salary. It is to be noted that the signature on the said revenue ticket must be taken. The cost of the revenue ticket must be borne by the concerned employees.

6. If any employee of the organization receives advance salary, it must be recorded and stored in the advance salary register. Later, the advance salary at a specified rate from the employee's monthly salary must be recorded in the register.

f) Movement Register

The information on specific travel of employees for office-related work must be recorded and stored in this register. The following points can be followed for the travel register:

g) If an employee travels for office purposes and if there is allocation in the budget, he will be paid travel fare and daily allowance as per the service rules of the organization.

h) While paying the employee's travel fare and daily allowance, the accounts department will take the help of the travel authorization letter of the concerned employee and the travel register. It is to be noted that at the end of the trip, the concerned employee will prepare and attach a travel report (JD) with the bill while presenting the travel and daily allowance bill to the accounts department.

i) Donations Receipt Register

This register should be used to receive donations from donor organizations or any other source. At the time of receiving the donation, the accounting department of the organization shall duly record and preserve the register of financial donations and receipts, mentioning the name of the donor/donor organization, amount and nature of the money, date of receipt of money, main sector of expenditure of the money, etc.

### **Fund Management and Utilization Procedure**

For the overall needs of the organization, funds have to be collected from various sources. Money is accepted from the concerned donor/donor organization subject to various conditions. Prova Society considers the proper utilization of the money received as its sacred responsibility. In this regard, the organization will follow the specified policies.

#### **Bank Account Management (NGO)**

The dated cheques issued by the concerned payer/donor organization should be accepted by opening a main account in the name of any local bank organization listed in the Bangladesh Bank. The organization will take the following steps to open the main account (general account):

1. Photocopy of the resolution of the Executive Council regarding the decision to open the bank account.
2. Photocopy of the registration certificate issued by the Department of Social Services.
3. Clearance certificate from the NGO Affairs Bureau (if foreign aid).
4. Written letter to the bank manager, etc., signed by the head of the organization.

To facilitate financial transactions in the regional/project unit offices of the organization, an account should be opened in the name of the organization in a bank selected at the local level.

The matters related to the management of the bank accounts of the organization will be handled as per the provisions mentioned in the constitution.

In case of change of joint signatory of the mother account, a photocopy of the decision taken by the Executive Council shall be attached and the name of the selected person/persons shall be mentioned as per the rules and their sample signatures shall be sent to the Chief Bank Manager of the organization.

In case of need of change of signatory of the bank account of the regional/project/unit office of the organization, only

A letter sent to the bank manager along with the name, designation and specimen signature of the person selected by the head of the organization will be sufficient. In this case, the decision letter of the Executive Council will not be required.

If it is necessary to close the bank account, the head of the organization will send a request letter to the concerned bank manager along with the decision letter of the Executive Council.

### **Bank Transactions**

In the case of bank transactions, the Prova Society will follow the prescribed policies.

- a. For the need of office-related money, the accounting department of the organization will have to take the approval of the head of the organization by mentioning the amount of money in the financial demand letter of the organization as per the rules.
- b. The approved amount of money should be mentioned in the bank check and the signature of the head of the organization and the concerned signatory should be obtained.
- c. The same rules should be followed for withdrawing the required money from the bank account numbers of the regional/project/unit offices. In this case, the responsible officer of the regional/project/unit office will perform the appropriate duties on behalf of the head of the organization.
- d. The accounts branch of the organization will maintain and preserve two separate check registers for issuing and receiving bank checks.
- e. The accounts branch of the organization will always keep the check book of the bank account in safe custody.
- f. Signatures of signatories cannot be accepted on blank bank checks in any order.
- g. Necessary precautions and security must be taken to avoid any kind of accident while withdrawing money from the bank and carrying money to the office.
- h. If for any reason, the bank check is canceled, two cross marks should be drawn diagonally on the canceled check and the word canceled should be written in the middle. The canceled check should be recorded in the check issue register and the word canceled should be written in the remarks column.



- i. The amount of money withdrawn, the purpose of withdrawal, the date of issuance of the check and the signature of the head of the organization along with the signature of the concerned accounts officer should be collected on the face of the issued check.
- j. The bank account of the organization will generally be operated in current and savings account no. If there is any excess money (principal fund and bank interest) in the said accounts, then it can be transferred to the general fund of the organization as a permanent deposit with the approval of the executive council of the organization.

**Bank reconciliation statement:**

- a. The bank certificate should be collected and preserved from the bank within a maximum of 7 (seven) days of the completion of the accounts by the accounting department of the organization.
- b. After receiving the bank balance certificate, it should be reconciled with the bank balance of the cash book. If any discrepancy is observed, a bank reconciliation statement should be prepared.
- c. The discrepancies between the bank balance certificate and the reconciliation statement should be settled and reconciled by the accounting department of the organization in a timely and appropriate manner. In this case, the entire matter should be brought to the notice of the head of the organization.
- d. The items included in the bank charges and reconciliation account should be reconciled with the accounts of the accounting department of the organization in a timely and proper manner.

**Daily accounts operation**

- a) At the end of each working day, the actual amount of cash and bank funds for that day should be determined by adding the cash and bank columns of the cash book. The responsible employee of the concerned accounting department of the organization should check the matter on his own and after confirming the amount in money, he should sign it in the appropriate place in the format of the cash book every day.
- b. At the end of the week or month, the head of the organization should verify the amount of funds and sign the cash book as required.
- c. The amount of project-based cash will not exceed 10,000 (ten thousand) taka in any case. If the amount of funds received at the end of the working day exceeds 10,000 (ten thousand) taka, the head of the organization or his designated person should be informed of the matter and it should be deposited in the bank as required at the beginning of the next working day.
- d. The bank pass book should be made regularly in the first week of every month. The bank balance should be confirmed by collecting bank statements of all the bank accounts that have not been cleared or do not exist.



- e. Every month, the accounts branch of the organization will prepare a financial statement stating the amount of money spent cash and deposited in the bank under various projects of the organization and will present it to the head of the organization.
- f. Cash up to a maximum of 10,000 (ten thousand) taka for each expense account can be paid to the bill recipient. If the bill amount is more than ten thousand taka, it will have to be paid to the bill recipient through a blank cheque.
- g. If the bill recipient is unable to be present in person for any reason, the bill can be paid to the person carrying the power of attorney (authorized person) by the actual bill recipient. In this case, the name and signature of the bill payee should be taken on the payment voucher. If the bill is paid through a financial cheque, the name and signature of the bill payee should be taken on the counter part of the cheque. After paying the bill, the word "in the form of a cheque" should be mentioned on the counter part.
- J. All financial cheques and various counter foils issued by the bank should be preserved in the accounts branch on the basis of an office order signed by the head of the organization.
- J. The necessary information about the cheques cancelled by the organization should be informed in writing to the concerned bank authorities.

### **Advance and Adjustment**

In order to make the activities of the organization more dynamic, the necessary amount can be given as an advance to the concerned cell or officer against the activities. Subject to the necessary approval of the head of the organization, the accounts department shall make the advance payment as per the rules.

The following points must be followed in the case of payment and receipt of advance payment:

- A. The areas of money requested as advance must be included in the annual operational plan of the organization.
- B. The amount requested as advance must be included in the annual operational plan of the organization.
- C. The date of possible adjustment of the advance money requested within a specific period must be mentioned in the approved expenditure plan.
- D. The advance money received must be adjusted within the date and time specified in the approved expenditure plan. If for any reason it is not possible to adjust the advance money received within the specified dates, approval must be obtained from the concerned authority and the matter must be reported to the Accounts Department.
- E. If the advance money received is not adjusted without any reason, the Accounts Department will present the matter in writing to the authority. The authority will take effective action regarding the matter within the next 07 (seven) days.
- F. If there is no previous advance adjustment, the next advance will not be given to the concerned (organization) or employee.

G. All types of advances received should be reconciled before the end of the financial year. After properly reconciling the advances received, a reconciliation receipt should be given to the concerned cell or employee of the accounts branch.

J. All advances will be reconciled through journal voucher.

J. The issue of advance payment and reconciliation for personal needs will be implemented as per the instructions mentioned in the service rules of the organization.

### **Budget Control**

The steps taken to ensure effective use of the funds allocated in the mentioned sectors can be considered as budget control in general. The following steps can generally be taken in the budget control process:

A. Monthly expenditure plan should be taken on the basis of the allocated funds and all sector-wise expenditure should be carried out on the basis of the expenditure plan. In no case can the expenditure be made in excess of the fixed expenditure plan.

b. Monthly expenditure reports should be prepared regularly, mentioning the expenditure of all types of line items based on the allocated budget. If any discrepancy is found through comparative analysis of monthly allocation and expenditure, it should be immediately reported to the authorities as per the rules.

c. If 80% of the allocated amount is spent on any line item, the matter should be reported to the authorities in writing and the amount of possible expenditure in that sector should be determined until the next time.

d. If the expenditure exceeds the allocated amount on any line item due to reasonable reasons, the minimum necessary expenditure can be incurred on those items by preparing a supplementary budget. In this case, the rules and regulations related to accounting should be followed in an effective manner, including approval from the appropriate authority.

### **Preparation of Accounts**

In order to verify the accuracy and effectiveness of the financial statements of the organization, monthly, quarterly and annual financial statements should be prepared. The following points should be followed for preparing financial statements.

#### **1. Receipt and Payment Statement**

Financial statements should be prepared regularly on the basis of the receipt and payment of cash by the organization at a specific time (monthly, quarterly, half-yearly, annually). In this case, the following rules should be followed.

a. This account should be prepared for a specific period based on the line items mentioned in the budget.

b. This statement should include all types of receipts and payments by account. At the same time, the information on the amount deposited by account and the amount received and paid by account so far should be mentioned in the statement.

C. The previous month's cash and bank surplus should also be included in the financial statement.

D. In the case of annual receipts and disbursements, the closing fund of the previous year should be included as the opening fund in the current year's account.

## **2. Income and Expenditure Statement**

This account is prepared to know the excess expenditure and excess or deficiency of expenditure on the project-based income of the organization. Generally, this account statement is prepared on a semi-annual basis. The following rules should be followed in preparing this account statement:

a. All types of money received by the project sector as income should be recorded in the income and expenditure side of the income and expenditure account of the statement.

b. All expenses related to revenue (revenue) should be mentioned in the expense column of the statement.

c. The depreciation value of fixed assets should be included in this statement of accounts.

d. The amount of surplus and uncollected expenditure and income should be mentioned in the statement by comparing and analyzing the amount of income and expenditure by department and the amount of allocated money. At the end of the year, the amount of excess or deficit expenditure and income should be determined and mentioned by comparing the allocated money with the income and expenditure account.

## **3. Preparation of balance sheet**

The position of the assets and liabilities and the capital fund of the organization up to a certain period is mainly presented through the balance sheet. For this reason, the balance sheet is known as a very important method and tool in the financial accounting process. The following points can be followed for preparing the balance sheet:

a. The surplus money from the annual budget of the organization

b. The balance sheet must be prepared on the basis of.

c. The surplus or deficit of the income and expenditure account of the organization will be made against the reserve fund

d. The balance sheet must properly and regularly mention all the assets and liabilities of the organization on the closing date.

e. Any potential loss of any unpaid loan and recoverable debt must be deducted or written off and included in the balance sheet of the relevant year. In this case, a decision must be taken by the executive council of the organization.

f. A list of all the assets and liabilities of the mentioned organization must be attached to the balance sheet.

### **Procurement Policy of the Organisation**

As per the needs of the ongoing activities of the organization, various types of office-related necessary goods of the Prova Society have to be purchased. The organization will follow the specified policies to make the procurement process of all these necessary goods more acceptable, methodical and participatory.

a. The work related to the procurement of all the goods and materials (excluding retail goods) of the organization will be carried out through the Procurement Committee of the organization. A committee of 5 (five) members will be formed consisting of the concerned officers of the organization and any three of them will be able to purchase the goods. The General Secretary/Executive Director of the organization will act as the chairman of this committee by virtue of his office.

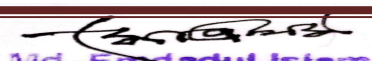
B. The concerned responsible officer will prepare the requisition for the necessary goods and materials according to the procurement plan of the organization and based on the requisition, it will be discussed and agreed upon in the meeting of the Procurement Committee and the approval of the authorities will be obtained based on the requisition. After the approval of the authority, the Accounts Department will pay the required amount to the responsible officer in advance as per the rules for the purchase of approved materials.

c. Cash can be paid to the supplier of the goods for the purchase of goods up to a maximum of 10,000 (ten thousand) taka. No tender will be required for this. However, for the purchase of all goods of the organization above 10,000 (ten thousand) taka, tenders will have to be collected from at least 3 (three) suppliers on their organization's pad. A comparative statement of the tenders collected through the purchase committee will have to be prepared. The specified goods will have to be purchased from the lowest bidder of the same quality goods through a comparative analysis of the statement. In this case, the price will have to be paid as per the rules through a financial check.

d. If the products marketed by a famous company, one-price shop/fixed price, brand goods such as Autobi's parts are purchased directly, in this case, there will be no need to collect tenders. However, the price will have to be paid to the vendor/company concerned through bank/cheque.

E. In case of purchase of office related goods and materials worth 200,000.00-500,000.00 (two lakhs to five lakhs) taka, tenders will have to be collected by giving a notice in the local daily newspaper. For purchase of goods worth more than 500,000.00 taka, the process of publication of notice through newspapers. If there is a threat to the security of the organization, then the necessary goods can be purchased based on the

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Md. Emdadul Islam  
Chairman  
Prova Society

  
Enamul Kabir  
Executive Director  
Prova Society

decision taken through joint discussion of the purchase committee and the executive committee.

## Chapter Five

### Internal Control

In the larger interest of maintaining accounting control, continuity and accuracy of accounts in the financial management process of the organization, internal control system is very important and essential. In order to make the financial accounts and accounting related transactions more transparent and clear effective and dynamic, it is necessary to divide the transaction stream. The following procedures should be followed in this process.

#### 1. Internal control methods:

##### a. Involvement of multiple persons in accounting management:

In order to make the daily financial transactions and accounting process of the organization more acceptable, credible, participatory and regular, multiple persons should be involved in the accounting management process. If accounting activities are completed by any person alone, there is a risk of errors and irregularities in accounting management. As a result, it is essential to involve multiple persons in accounting management to ignore such errors and irregularities.

##### b. Regularization of accounting documents:

The accounts of daily financial transactions should be maintained and preserved regularly and regularly. The concerned officer in charge of the accounting department will sign his sample in the cash and ledger books along with the related documents of daily financial transactions. If any mistake or irregularity is found, he will immediately take steps to correct it. The concerned officer in charge of the unit/regional office will perform the corresponding duties in the daily account maintenance and preservation systems of the regional/unit office.

##### c. Control of all expenses as per the budget:

All the daily necessary expenses of the organization must be carried out on the basis of financial allocation. Under no circumstances can the allocated money be spent in excess of the allocated money. Similarly, under no circumstances can the amount of money allocated in the budget be spent in excess of that sector. However, if the expenditure is not determined by the allocated money for the sector due to the rise in the price of

goods or inflation, in the relevant case, the approval of the Executive Council of the organization and the approval of the concerned donor agency

In this case, while preparing the budget, the incidental expenses must be included in the budget.

## 2. Ignoring unwanted expenses:

Ignoring any type of financial expenses outside the budget is another important strategy of the internal control system. Many times, many types of financial expenses can be unconsciously incurred in the ongoing process of the organization which are not included in the financial allocation or budget. Such unwanted expenses must be ignored with great awareness.

## 3. Internal Audit

Internal audit is a very important method in the internal financial control system of the organization. Internal audit is essential to make the accounting management more regular, acceptable and effective by closely monitoring and responding to the issues related to the expenditure and investment of the ongoing activities of the organization, the accuracy of the accounting recording and preservation system, financial decisions and the exercise of power. In addition, the need for internal audit is essential to determine the scope, current assets and the correct position of the current funds of the organization. It can be completed regularly by any employee skilled in the financial affairs of the organization. In addition, if possible based on the capabilities of the organization, an internal audit cell can be started. Regardless of whether it is possible to complete the internal audit, the concerned employee responsible for the internal audit will be responsible to the head of the organization. After completing each internal audit, the concerned employee shall submit the audit report to the head of the organization and keep the reports in a proper manner.

## 4. Approval of Expenditure

All types of expenditure bills of the organization shall be submitted to the concerned responsible officer after being examined by the Accounts Department. Before submitting the bills, the Accounts Department shall note the following points.

- a) Whether the expenditure of the bill submitted in the approved process and the procurement policy of the organization has been duly completed.
- b) Whether the approval of the said expenditure is reasonable according to the service rules of the organization.
- c) Whether the expenditure related to training has been made in accordance with the training register.

- d) Whether the bill of the money spent is consistent with the organization's procurement and annual expenditure plan.
- e) Whether the expenditure has been made in accordance with the prescribed financial allocation and line item.

## **5. Physical Verification of Assets**

The status of the organization can be determined based on the amount of current assets of the organization. Therefore, ensuring proper preservation and security of assets is one of the most important responsibilities of the organization. Prova Society is implementing multi-faceted activities in program management. As a result of the decentralization process, the assets of the organization are sent and preserved to each unit/regional office including the head office. Verification through on-site inspection is essential to determine the current status of these assets. In this regard, Prova Society will follow the following strategies:

- a. A committee of 5 (five) members should be formed with the officer in charge of the accounts department as the convener. This committee will verify the assets of the head office, regional/unit offices at least 01 (once) a year to determine the exact status of the permanent, temporary and floating assets of the organization.
- b. The committee shall complete the on-site verification process of the assets based on the list provided by the Accounts Department.
- c. The committee shall submit the inspection report to the Head of the Organization within a maximum of 15 (fifteen) days of the inspection.
- d. If any discrepancy is observed between the list provided by the Accounts Department and the assets found on-site, the inspection committee shall clearly mention the matter in the report. The concerned authority shall take necessary steps with the concerned regional/project office. If the matter is considered reasonable, it shall be adjusted subject to the approval of the Head of the Organization.

## **6. Preservation of accounting documents**

- a. All documents related to the financial transactions of the organization shall be preserved for a maximum of 5 (five) years.
- b. In the case of a project, all documents of the financial transactions of the previous stage including the current stage shall be preserved as per the rules. It should be kept in mind that the original fund statement of each financial account cannot be destroyed or incinerated.
- c. If it is necessary to incinerate accounting documents after the specified period, the approval of the Executive Council of the organization must be obtained and the specified documents must be incinerated in the presence of the elected representatives of the



Executive Council of the organization and responsible officials. However, a list of documents designated for incineration must be prepared and the date of incineration must be mentioned and preserved in due course.

## **7. External Audit**

Nomination of accounting management, improvement of ongoing accounting policies, verification of the accuracy and effectiveness of ongoing procedures, ensuring proper use of funds, etc. are among the main tasks of financial management.

Along with internal audit, it is possible to ensure the mentioned issues in a more qualitative manner through external audit. As a result, the importance of external auditing is very important in improving and improving the financial management of the organization.

The following shall be followed.

- a. An external audit of each project of Prova Society shall be conducted within 2 (two) months of each financial year.
- b. Any audit firm may be appointed by the Government of Bangladesh to conduct the audit work. In this case, the Head of the Organization shall appoint the selected audit firm after necessary discussions with the Management Committee.
- c. During the appointment, coordination must be made with the concerned audit firm. The selected audit firm will coordinate the audit work within the stipulated time as per the signed TOR. The matters of the TOR accounting and accounting management may be mentioned as necessary.
- d. If it is necessary to mention any recommendation or objection in the external audit report, the matter can be mentioned on the basis of discussion with the accounting department of the organization or the head of the organization.
- e. The audit report must be prepared as per the rules of the NGO Affairs Bureau of the Government of the People's Republic of Bangladesh and the concerned donor organization.
- f. With the decision of the managing authority of the organization and the approval of the executive council, the external audit work can be coordinated by appointing a professionally skilled and experienced accounting officer or audit officer of another reputable organization.
- g. If the external audit is conducted on the basis of an agreement with the concerned donor organization or through a professional person or firm appointed by the donor organization, the concerned donor organization shall inform the organization as per the rules.
- h. The concerned auditors shall ensure necessary cooperation from the organization during the external audit.



## Chapter Six

### Financial Information Management System

Financial Management Process Financial information provision and management system are very important and essential issues. Through this system, it is possible to correct the necessary transparency in the financial management of the organization and reflect the actual situation of financial management. Generally, it is possible to provide information about the organization's finances through financial reports and presentations. In preparing financial reports, Prova Society will follow the specified matters.

#### 1. Monthly Report (General Financial Management System)

The Accounting Department of the organization will prepare the specified financial reports within the 10th (tenth) of every month to conduct the activities of the following month.

- A. Receipts and Payments Account
- B. Cash Flow
- C. Budget variation and observation
- D. Next Month's Budget

A copy of each report should be sent to the Head of the Organization. The Accounts Department of the Organization will prepare an annual report based on the monthly budget and expenditure.

#### 2. Annual Financial Report

An annual financial report should be prepared based on the monthly financial report. The annual financial report for the current year shall be prepared by the 10th (tenth) of the first month of the following year. The following items must be included in this report.

- A. Receipts and Payments statement
- B. Income and Expenditure statement
- C. Trial Balance
- D. Cash Flow

E. Project-wise Balance Sheet shall be prepared and distributed to the concerned parties and departments at the end of each financial year and within the first month of the following year.

F. One such annual report should be prepared by the accounting department every year.

#### 3. Costing Procedure

The information obtained through the service cost assessment of the organization can be reflected in the annual report of the organization and saved for financial accounting management. Generally, it is possible to assess the service cost of the organization

through 5 steps. The service cost of the organization can be assessed through the following steps.

Serial No.	Step-1	Step-2	Step-3	Step-4	Step-5
	Sector-wise Expenditure Structure	Sector-wise Expenditure (accumulated)	General/Associative Service Cost Distribution:	Service Cost Analysis:	Service Cost Determination:

#### 4. Financial Evaluation Report

Financial evaluation is very essential for providing and preserving the necessary information related to the financial management and accounting management of the organization and for achieving the necessary excellence in financial management. The following steps are noteworthy for financial evaluation:

##### A. Project Evaluation

Financial evaluation should be done to determine the success and failure in the use and management of the funds received from the relevant donor agencies and other sources on a project basis. Generally, financial evaluation is done by the relevant donor agency or the funding agency. As a result of financial evaluation, all the information related to the financial management and use of the organization is reflected. Therefore, a financial evaluation report should be prepared based on these issues.

##### B. Budget Evaluation

Budget evaluation is another step in financial management to determine the success or failure of the activities based on the budget prepared by the organization. In addition, through budget evaluation, it is possible to obtain objective financial information including the accuracy of the budget prepared and the status of the allocated funds. In budget evaluation

The report also reflects many necessary information related to financial management. Therefore, if budget evaluation is possible, the necessary information should be reflected by preparing and providing an evaluation report.

### C. Management Evaluation

The overall success and failure of the organization is reflected through the evaluation of the organization's management. Financial matters are closely related to the overall management of the organization. As a result, information related to financial management should be highlighted in the evaluation report through management evaluation and it should be stored and provided in the right place.

It is particularly noteworthy that the organization should conduct a time-based evaluation (TBA) through its own process and should be evaluated by an external evaluator or consultant (External Evaluator).

### Sample Table Balance Sheet

Balance sheet up to ended -----Year-----

Debt and Principal amount:			Assets
	Taka		Taka
a. Debt			
1.Previous expense:			
Office Rent			
Salary			
Telephone Bill/TA/DA etc.			
2.Liabilities to donor agencies or lending agencies			
3. Welfare Fund			
4. General savings			
5. Capital Fund			
Opening Balance			
+ Received grant, donation and materials +			
Income-Expenditure			

This policy has amended on 28/01/2023.