

Financial Management Policy

Of

Development Wheel (DEW)

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www.dewbd.org

DEVELOPMENT WHEEL (DEW)



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Introduction:

NGOs are well recognized for their contribution to the society at large and specifically to the deprived segment of the society. It takes programs and activities for the sustainable development for them. To do this noble job, NGOs utilize resources. Often this resource comes from various sources outside the organization. Therefore, NGOs have double-edged responsibility to use the resources. One is to ensure good impact at the community and the other is to use the resources economically and prudently. NGOs, in general, are successful in making good impact at the community. However, the second consideration remains a challenge for many NGOs. Accounting and Financial manual provides the basic framework and guidance to reach the financial goal of making development impact economically. Development Wheel is well recognized for its developmental impact. This policy is a positive step to ensure its commitment towards achieving financial excellence.

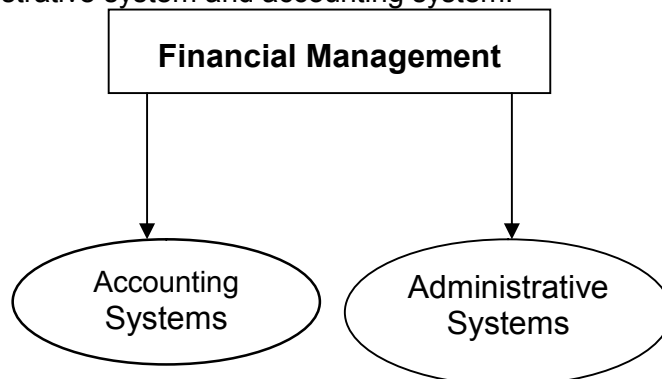
Purpose of the Manual

This manual presents the standard procedure and policies of financial management of Development Wheel (DEW). This is a guiding rule for all projects/programs, staff members of the organization and producer groups members as well, 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 the organization.

Basic Concepts and Components of Financial Management

Globally, there is a legitimate concern among the government, donors and the stakeholders about accountability and transparency of the NGO's financial operation. Financial Management is the key area of NGO's management system, which controls and guides an organization in a very effective and transparent way. Having a good financial system is considered as a key strength of an NGO. Therefore, every organization requires a financial management system - many NGOs may only have an accounting or bookkeeping system. Accounting or bookkeeping is the subset of financial management system. Financial management systems can be broken down into administrative system and accounting system.



Administrative systems assist the NGO Managers in making administrative planning, communicating, controlling and deciding over financial management.

Accounting is concerned with identifying financial information, expressing the information in numeric terms and communicating this information to interested parties. An accounting system provides the framework for this to happen. However, administrative and accounting systems may be required to change over time in relation to changes within the NGO and changing information needs.

Salient features of the Accounting System

Accountability

In principle, the Executive Director can only authorize DEW expenditure, but, in practice, to a certain extent, this authority is delegated to the operational management Finance and Admin Manager / Project/Programme Coordinators so that DEW's projects can be managed on a day-to-day basis with the guidance of the Executive Director.

Authority

It is understood that the Executive Director will exercise the delegated authority with due respect to the DEW's standard procedure and budget resources. But, responsibility for ensuring compliance with the procedure rests solely with the ED and/Finance and Admin Manager/Accountants Officer.

Process of updating

The financial procedure and policy of DEW is not a static document, it is expected to review and update time to time to be a living and evolving document. It is to be assumed that the accounting system of an organization reflects its organizational requirements. Therefore, with the change of requirements, it is imperative that this policy is also updated/modified with approval of the Executive Committee. The Accounts Manager shall notify changes to the manual. All pages are dated to ensure accuracy.

Commencement

This manual is effective from the 1st of November 2014 and shall apply to all financial transactions undertaken by the organization.

The objectives of the finance management policy are –

1. To ensure utilization of financial resources properly and equitably.
2. To maintain accounts based on one system only.
3. To receive assistance for taking necessary decision on accounts related affairs.
4. To ensure accuracy of the accounts.
5. To ensure transparency of the accounts.
6. To ensure proper utilization of the overall properties or materials of the organization/project/program.
7. To create accountability of the finance management.
8. To ensure the process of accounts keeping and presentation.

The following issues will be under this policy:

- a) The basis of accounts keeping.
- b) Accountability and liability in finance management.
- c) Heads of income and expenditure and line items.

- d) Necessary books and documents for accounts keeping.
- e) Fund collection.
- f) Fund payment.
- g) Voucher preparation.
- h) Accounts keeping.
- i) Budget preparation and budgetary control.
- j) Purchase and procurement.
- k) Store keeping.
- l) Accounts statement preparation.
- m) Banking.
- n) Revenue income and expenditure management.
- o) Staff salary and benefit payment.
- p) Advance payment and adjustment.
- q) Management, maintenance and use of equipment and other materials.
- r) Auditing.
- s) Policy amendment, modification and incorporation.

Chapter: 1 Basis of Accounts Keeping

The accounts will be maintained on conventional procedures that are all funds received will be treated as income of the organization/project and has to be documented in the cash book. All kinds of payments will be documented in the cash book as expenditure of the organization/project. Accounts of different projects will be managed and kept both on cash and accrual basis as per requirement of the organization and the donor agencies.

Chapter: 2 Accountability and Liability of Fund Management

- 2.1 The Accountability and liability of all kinds of fund transactions will be on the part of the Executive Director/Chairperson/Treasurer/Manager Finance and Admin based on the constitution of the organization.
- 2.2 The Executive Director/Chairperson/Treasurer and in some cases Manager Finance and Admin and Project Coordinators will execute all kinds of contractual documents for financial transactions on behalf of the organization.
- 2.3 The responsibility of accounts keeping of the organization/project/program will lie on the assigned officer.
- 2.4 The responsibility of final checking of the accounts keeping will lie on the assigned officer.
- 2.5 The Executive Director/Project Coordinator/ Finance Manager will ensure the accuracy of the accounts keeping of the concerned project.

Chapter: 3 Heads of Income and Expenditure and Line Items.

There will be separate approved budget for the concerned projects of the organization and the donor agency. As per accounting rule there will be more than one main heads of expenditures and there will be more than one sub-heads under each original/main heads which are as follows;

Heads of income of the organization:

The heads of income of the organization may be are the following but these may be changed time to time.

- a) Grants from donor agencies.
- b) Personal contribution/donation/grant.
- c) Income through different consultancy and training provided.
- d) Income from overheads of the project/program
- e) Income from sale of Handicraft items through Fair trade option
- f) Incentive on handicraft export from the GoB
- g) Income from DEW guest houses and training centers
- h) Interest received from organizations different bank accounts.
- i) Savings and fixed deposit, land other investment.
- j) Income from sale of used materials, equipments, instruments, newspapers, furniture, rejected spare parts of the vehicle, sale of vehicle etc.
- k) Others/Miscellaneous

These heads can be operated by using as sub-heads if necessary. The heads belonging to revenue income and income from grants are mentioned in the policy in separate clauses. There is also a separate clause in the policy based on how the different incomes can be spent.

The heads of expenditures of the organization:

Salary and allowances:

The heads of expenditures are generally determined considering the activity nature of the organization and requirement of the donor agencies. The following heads of expenditures has been determined on general consideration.

- (a) **Basic Pay:** The payable basic pay as per salary structure of the organization.
- (b) **House Rent:** This provision is made in the budget by the donor agency or this may be approved budget of the organization as per the HR management policy (40% of basic salary).
- (c) **Medical Allowance:** All staff of the organization will avail 10% medical allowance on basic salary.
- (d) **Conveyance Allowance:** All staff of the organization will avail 10% Conveyance allowance on basic salary.
- (e) **Dearness Allowance:** The organization arranges payment of a certain fixed amount or 10-20% on the basic pay as dearness allowance if there is high price inflation of essential commodities and if it is not possible to revise the salary structure in that moment. Generally the government takes decision for payment of such allowance. The organization can take necessary arrangement of the payment such allowance following the government policy but in that case the organization should have budget capacity.
- (f) **Entertainment Allowance:** The payment of such allowance with the salary and benefits will be possible if there is financial capacity of the organization and approval of the Executive Director. For ED should have such kind of allowance for the interest of the organization.
- (g) **Accidental Allowance:** This allowance can be paid to staff in case of facing any accident on official duty but it will depend on the availability of fund in the organization
- (h) **Miscellaneous Allowance:** The organization can introduce for the payment of any special allowance under this item.

Travel and Daily Allowances:

A staff has to travel to different areas on official business and as such the organization will provide the staff with necessary vehicle or pay travel allowance. The staff can be provided with necessary vehicle (Motor Cycle) considering the grade and scope of work of the staff.

1. A staff can receive travel costs for undertaking necessary travel for organizational activity. Especially when traveling outside Dhaka and using public transport in that case actual travel cost can be claimed subject to the approval of the concerned authority. If the staff uses auto rickshaw or rickshaw during visit within Dhaka City, other cities and in the field areas in that case the staff can claim the said cost by submitting necessary actual bill.
2. On many occasions the travel costs are borne by the inviting organizations in that case the staff cannot receive such allowance from the organization.
3. The staff shall avail the traveling allowance as per his/her own service structure. The staff should have to use the vehicles which are most simple, easier and less costly. The vehicles and classes to be used as per staff structure mentioned below –

By Train/Bus/Steamer/Launch: Drivers when going outside the office with vehicle they will receive @Tk.125/- (Taka one hundred twenty five) for lunch within the working area. For visiting Dhaka or distant areas it will be adjusted with the daily allowances. Besides for night halt outside working area they will be entitled to receive travel and overnight staying allowances as per general rules.

By Air: The Executive Director/Board members/Project Coordinator/Senior staff of the organization can use air ways in the domestic routes on emergent needs. But the organization discourages air travel by all staffs but in emergent needs it can be done subject to the approval by the authority. Besides, this type of facility can surely be availed if this is included by the inviting organization.

4. In all the above cases the staff shall have to adjust the conveyance allowance by submitting all travel related tickets and approval letter otherwise the said costs cannot be adjusted.
5. The staff shall not claim conveyance allowance if s/he uses the vehicle of DEW or of other organizations. But s/he will claim the prescribed daily allowances for adjusting his/her daily food and residential costs.
6. The staffs shall have to receive approval from the Executive Director or Program Coordinator/Officer for undertaking the proposed travel. Travel related all tickets, documents and reports are to be submitted with the bill.

Daily Allowance:

The staffs can claim per diem allowance for travel and staying outside Dhaka City or can adjust the expenses by submitting actual bills. The rules for payment of per diem as per travel time of the staff -

- a. Staff will get Tk. 500/- (Taka five hundred) as per diem if s/he stay overnight outside of his/her working area.
- b. Besides this, the staff when stay overnight outside Dhaka City for official business shall be provided costs for food – Breakfast Tk.100/- (Taka one hundred), Lunch Tk. 200/- (Taka two hundred) and Dinner Tk.200/- (Taka two hundred) including drinking water. If the said staff spends 6 to 10 hours in that working area but does not stay overnight in that case the staff shall receive only Tk.200/- (Taka two hundred) only for lunch/dinner.

c. When traveling and staying overnight outside Dhaka City for official business with the approval of the Manager the staff can claim actual costs for using residential hotel (considering the security and financial matters) or for using a dormitory of any NGO.

d. The rates of per diem allowances policy after its approval can be reviewed and raised from time to time by the Executive Director considering the market price, inflation rate and financial ability of the organization.

d. Field to Dhaka

Training, Orientation, Day Observation, Workshop, and other related costs:

All training related costs including the staffs viz., honorarium, travel cost, materials, resource person fee etc. will be included under this head. Costs for organizing workshop, seminar, meeting, gathering, different day observations will also be included under this head.

Overhead/Administrative Costs:

The costs those are to be included under this head are: office rent, postage and telephone, fax, internet, printing, Photostat, audit, report preparation, maintenance, bank charge, medicine, office stationary, visitor entertainment, utilities etc.

Capital Expenditure:

The expenditures made for using in different activities of the organization such as land, building, motor vehicle, motor cycle, furniture; electronics goods like computer, printer, photocopier, scanner, camera, fan, AC, refrigerator etc. will be included under this head.

Chapter: 4 Necessary Books and Documents for Accounts Keeping:

The organization will use the following registers and formats in the Accounts Department –

1. Cash Book
2. Daily Cash Register
3. Ledger Book
4. Receipt/Credit Voucher
5. Payment/Debit Voucher
6. Journal Voucher
7. Salary Register/statement
8. Fixed Asset Register
9. Money Receipt Book
10. Cheque/Cash Requisition Slip
11. Advance Requisition/Application
12. Stock Register
13. Purchase Requisition Slip
14. Money requisition form
15. Material Indent/Requisition
16. Salary Acknowledgement Sheet

17. Conveyance Allowance Form
18. Fund Transfer Form
19. Advance Register
20. Cash Flow Chart
21. Cheque Issue Register
22. Monthly Reporting Format
23. Quarterly Reporting Format
24. Six Monthly Reporting Format
25. Annual Financial Statement
26. Bank statement
27. Bank Reconciliation
28. Cash Certificate
29. Receipts and Payments, Income and Expenditure and Balance Sheet
30. Leave Register
31. Attendance Register
32. Movement Register

Chapter: 5 Fund Collections

Necessary funds of the organization will be collected through different processes. Generally the funds are collected through grants of the donor agencies, government grants, income from the organization's own programmes and activities, personal donations etc. This process will have to be accomplished on the following ways:

5.1 The organization will receive funds against a specific project by signing necessary agreement with the concerned donor agency and the conditions of the agreement should not go against the interest of the organization.

5.2 The fund/income earned from the sale of services by the organization will have to be received through money receipt of the organization.

5.3 All kinds of grants will have to be received through account payee cheque, bank draft, TT, MT, on-line but in some cases personal donations can be received in cash on special consideration.

5.4 The cheque/cash received against grant fund will have to be deposited first in the mother account of the organization and afterwards it will be transferred to the bank account of the concerned project.

5.5 In case a donor agency wants to transfer fund to the project account directly instead of transferring to the mother account of the organization in such situation necessary steps will be taken as per the decision of the Executive Committee.

5.6 After receiving necessary commitment letter from the donor agency against a project necessary approval will have to be taken from the Executive Committee by presenting the project proposal and the budget in the meeting.

5.7 The cash received during banking hours must be deposited in the concerned bank account the same day. If any cash received after the banking hours then it will have to be deposited in the bank immediately in the first hour of the next banking day.

Chapter: 6 Fund Payments:

Payments can be made against bills and cash memo. Before receiving signatures of the concerned signatories in the cheque the Accountant will have to observe the following procedures for approval of the concerned bill.

6.1 Maximum up to Tk.10,000/- (Taka ten thousand) only can be paid in cash to purchase for a single item in all kinds of purchases. But payment for above this amount must be made through account payee cheque or demand draft or pay order.

6.2 In case of any purchase from outside Dhaka and in that case if any individual, organization, commercial firm refuse to accept any cheque except cash then the payment can be made through DD or TT. Necessary prior approval of the ED must be necessary for payment in cash. Approval of the donor agency will be necessary for payment to be made from the fund of the donor agency.

6.3 Prior approval of the ED/nominated person will have to be taken through cheque requisition and cheque register in case of cash withdrawal from bank or for payment against any bill.

6.4 Necessary approval of the assigned officer/Executive Director will have to be taken in the advance register including the advance slip in case of any advance payment.

6.5 For any additional expense maximum 10% amount can be spent by transferring the necessary amount from one head to another head but if it is more, then approval will be necessary from the Executive Director or from the donor agency for donor fund.

6.6 The following documents should have to be checked in case of payment against any bill without spot quotation/quotation:

Purchase requisition, decision of the purchase committee, delivery challan, store stock register posted against the purchased item, certificate against quality of the item/work standard, bill, voucher, cash memo/invoice.

6.7 The concerned Accountant will check the cash memo/bill/vouchers after getting due opinion from the store keeper/concerned staff.

6.8 The concerned Accountant will give especial attention on the availability of the following documents relating spot quotation and quotation during checking the bills and vouchers:

6.9 The producer group will receive 50% advance with production order to buy raw materials and for ongoing production cost. They receive full payment after handing over all the finished products at DEW head office.

01. Purchase requisition.
02. Decision of the Purchase/Tender Committee.
03. Quotation Notice.
04. Necessary number of quotations.
05. Comparative statement.
06. Work/supply order.
07. Challan/ store stock register posted against the purchased item.
08. Certificate against quality of the item/work standard/Goods received note.
09. Bill/Voucher/Cash memo/Invoice.
10. Photo copy of the cheque
11. Acknowledgement receipt against bill.

12. VAT and Tax (if necessary).

Besides these the following things should also be cross checked:

- (a) If there is similarity between the bill and the quotation?
- (b) If the conditions of the purchase/order have been fulfilled?
- (c) If the quality of the goods ensured and supplied timely?

6.8 The assigned officer/ED must ensure the above mentioned things before signing any cheque otherwise the Accountant should be asked to check the entire process minutely. If necessary ED can discuss with the relevant persons involved with the entire process.

6.9 In case of payment of cheque to any person/firm/organization necessary signature of the recipient should have to be taken on the bill/cheque counterfoil and an acknowledgement receipt on letter head pad. The amount received, name of the recipient person and date should be mentioned in the counterfoil of the cheque.

6.10 In case of cancellation of a cheque the said cheque should be attached with the counterfoil of the cheque and to be written as CANCELLED.

Chapter: 7 Voucher Preparations and Limit of Approval:

Generally vouchers are of three types. The first one is credit/receipt voucher against any receipts, the second one is debit/payment voucher against any payments and the third one is journal voucher against any correction/adjustment. The credit/receipt voucher will have to be prepared with information about from who received and the purpose of the receipt. This voucher should be prepared according to the prescribed format. The debit/payment voucher will have to be prepared with information about to whom paid and the purpose of the payment. This voucher should be prepared according to the prescribed format. The journal voucher can be used for necessary correction/adjustment of transactions in line with accounts keeping procedure. This voucher can be prepared according to the prescribed format.

The bill/cash memo will be deposited to the accounts section through the concerned chief of the purchase committee/his/her nominated person/person received advance. Subsequently the said bill/voucher will be submitted by the Accountant to the Executive Director of the organization.

The assigned person will sign the bill/voucher after checking whether the purchased items have been deposited in the store. In some cases the quality of the purchased items has to be examined if necessary.

The remarks/signature of the person who purchased the items will have to be taken on the reverse of the payment voucher.

- After receiving all the supporting relevant documents then the voucher sheet should be attached with the said documents. The necessary details should then be documented in the voucher based on the information available from the attached documents. Make payments by cheque or cash by examining bills/invoices for various expenses after final authorization by the officer/ Manager or the Executive Director depending on the delegation of financial power.

The authority limit for passing of expenditures for payment will be as follows:

Sl No.	Designation	Financial limit	Remarks
1	Accounts Officer	Up to Tk. 5,000	
2	Manager Accounts and Admin	Up to Tk. 10,000	
3	Executive Director	Above Tk.10,000	

- Mentioned that all financial transaction finally should be approved by Executive Director.

7.1 Voucher Approval Procedure:

1. Bill/voucher submission: All kinds of bills/vouchers will be submitted to the accounts section by the concerned staff after implementation of the activities duly checked by the concerned Supervisor.
2. To be checked by: The concerned Accountant assigned for the project accounts management and keeping will take necessary action after checking the bills/vouchers primarily. The incorrect bills/vouchers will be returned back to the staff who has submitted the same.
3. To be approved by: The Executive Director/authorized person will give approval to the bills submitted by the concerned Accountant after checking the same.
4. Accounts Management to be audited by: As per rule of the organization the assigned person subject to the approval of the Executive Director will audit the bills/vouchers at specific periodic intervals.
5. Marking of necessary seal should be given on the bills/vouchers before payment and after the payment the marking of the PAID seal should be used.
6. Necessary posting should be given in the cash book after completing the bill preparation procedures and to put necessary voucher number. The last/finishing number of the voucher will be on 30 June of the current year or on the project completion date. But in case of a project of which the financial year will not be from July to June then its voucher number should start from the beginning date of the said project and the last voucher number will be the date of the closing of the financial year of the project.

Chapter 8: Accounts Keeping:

Before starting this procedure the Accountant should ensure that the expenditures are consistent with organization annual budget.

The entire procedures will be as follows:

8.1 The vouchers should be given necessary posting in the cash book everyday (if there is any expenditure) after its preparation. The calculation of bank and cash balance including total expenditure should be done regularly (same day).

8.2 A petty cash (Imprest System) should be maintained based on the volume of transactions in the organization. The ceiling of the petty cash should be maximum of Tk.50,000/- (Taka fifty thousand) only. This cash should be kept with the organization Accounts Officer/Cashier to

meet up the daily expenses. The expenditures from the petty cash will be maintained according to the finance management policy of the organization. The ceiling amount of the petty cash should be maintained at the ceiling level and should be replenished at periodic intervals and/or by submitting the voucher(s) against the spent amount to the Accountant.

8.3 The cash balance amount documented in the cash book should be checked with the actual cash amount and should be signed by the assigned officer.

8.4 The ledger book should be updated according to the cash book at maximum of 7 (seven) days interval.

8.5 No cross mark or over writing, eraser or fluid should be used during writing the cash and ledger books. All kinds of expenditures are to be given posting in the cash and ledger books according to the approved heads of expenditures.

8.6 All kinds' grants of the donor agencies are to be documented under the grants head of the cash book according to the organization policy or the requirement of the donor agency subject to the discussion with the donor agency. It should also be documented in the ledger book using separate heads as per the donor agencies.

8.7 The daily cash balance should not exceed Tk.20,000/- (Taka twenty thousand) only as per cash book. But this ceiling will not be applicable in case of advance payment. Sometimes there may be cash deposits in the accounts section after the banking hours and the cash balance may exceed the ceiling amount, in that case the said amount should be deposited in the bank immediately in the first hour of the next banking day.

8.8 All documents including the cash books, ledgers, vouchers etc. are to be kept and maintained in such manner so that these can be submitted easily during auditing.

8.9 All documents for a specified year of the accounts section should be kept carefully and properly for the next five years. After the expiry of five years the expenditure vouchers only can be destroyed through burning as per decision of the Executive Committee/Donor's consent but all other documents should be kept and maintained.

Chapter 9: Budget Preparation and Budgetary Control:

Budget is the financial driving force and centre for the operation of the organization programmes. It is part of the management through which we get a financial picture of all the activities of the organization. Budget means forecasting, planning and the most important is to make analysis of the expenses of the activities.

9.1 The budget should be prepared before beginning of a financial year or before implementation of project activities or at the time of preparing a project proposal based on the requirement of the organization program, price index of the present market and according to the specified work plan.

9.2 The budget should be prepared at least three months before in case of an annual budget based on the listed required activities of the next year. The budget should be finalized after listing the required activities in presence of the staffs related with budget preparation.

9.3 There should be financial reflection of each activity minutely in the budget. There should have necessary discussion and coordination with the persons preparing budget by the accounts section.

9.4 There should be a reflection in the new budget considering the nature and different sides of expenditure of the last year.

9.5 A list of possible sources of income and the activities to be undertaken for the proposed budget so that the budget is prepared as balanced and the allocations are made consistent.

The issues to be considered during preparation of a budget are:

- a. Goals and objectives of the project/activity.
- b. Project/activity period.
- c. List of necessary activities.
- d. Sources of resources.
- e. Exchange value in case of foreign donation.
- f. Possible market price.
- g. Natural disasters.
- h. Political unrest.

9.7 The formal financial year of the organization shall be from **01 July to 30 June**. Therefore the finance section will submit the budget to the Executive Committee of the organization before that period after its preparation. But this period will be changed according to the project period/donor's financial year.

9.10 Budgetary Control Procedures:

1. The budget should have to be reviewed in every three months. The following steps should have to be taken if it is found during review that there is every possibility of exceeding the amount of expenditure in certain head. In this situation the accounts section should be asked to be cautious so that the amount does not vary 10%.
2. If there is possibility of exceeding the 10% limit then necessary approval should have to be taken from the Executive Director. Besides, approval should be taken from the concerned donor agency for the donor fund and also from NGOAB.
3. If it is found at the end of the year that there is some specific amount of money remains unspent then a supplementary budget can be prepared to utilize the said unspent amount for the necessary project activities. Necessary approval for this budget should be taken from the Executive Director and the concerned donor agency and can be spent through adjustment with the budget of the next year.

9.11 Expenditure Control Process:

Whether the daily expenditures of the organization are incurred according to the budget and within the budgetary allocation can be possible to review through expenditure monitoring or expenditure control process. With this objective the following steps can be taken –

1. A monthly expenditure plan should be prepared at the beginning of the year according to the activity plan. This plan is called "Advance Expenditure Plan" or "Cash Projection Plan". The expenditures are to be incurred and monitored according to this plan.
2. A monthly expenditure report should be prepared at the end of each month according to the prescribed format. Variations of expenditures can be found in this report and the reasons for the variations should be mentioned in the report clearly.

Chapter 10: Purchase and Procurement:

The following procedures are to be observed during the purchase of necessary goods or items for the programme/project/departments of the organization.

10.1 There will be one 3 (three) - member Purchase Committee approved by the Executive Director. Besides, the ED will remain as observer during the purchase of necessary items of the project.

10.2 The purchase requisition will have to be submitted to the Purchase Committee after receiving the same from the concerned department/staff.

10.3 The meeting of the Purchase Committee will be held as and when necessary.

10.4 At least 2 (two) members of the Purchase Committee should have to be present during the purchase of the items for which the decision was taken by the Purchase Committee.

10.5 The Executive Director can give approval directly for the purchase of items up to the maximum amount of Tk.20, 000/- (Taka twenty thousand) only but it should be submitted to the next Purchase Committee meeting.

10.6 Should not buy any products and services from the relatives of the purchase committee and Executive Committee members.

10.6 Financial Limit for Purchase:

*Necessary items up to the maximum amount of Tk.10,000/- (Taka ten thousand) only can be purchased directly without any quotation.

* Necessary items amounting from Tk.10,000/- (Taka ten thousand) only to Tk.3,00,000/- (Taka three lac) only can be purchased through circulation of notice and collection of spot/local quotations.

* Necessary items amounting from Tk.300,001/- (Taka three lac one) only to Tk.600,000/- (Taka six lac) only can be purchased through circulation of notice and collection of quotations.

* In case of purchasing items exceeding the amount above Tk.600,000/- (Taka six lac) only for which the quotation notice has to be published in the local dailies. But in some cases the market price can be checked instead of publishing the notice in the newspapers considering the present political situation and the security. In this situation the approval of the Executive Director will be necessary. In case of purchase of different donor project donor requirement can be followed.

* General notice can be circulated with the decision of the Executive Committee in case of purchasing single item and the said decision will be considered as final.

10.7 There shall be a Quotation/Purchase Committee in the organization in all cases. Necessary decision of the ED will be necessary for the formation of the Purchase Committee. All the decisions of the Purchase Committee shall be considered as final.

10.8 All kinds of items which are used by the organization for its day to day activities are to be purchased for at least 2 – 3 months at a time.

10.9 No quotation will be necessary for the purchase of Branded Items. The materials will be purchased at company price. Some companies also have provision for giving commission in that case the commission rate and quality of the materials should be judged. The following documents are to be attached with the voucher in case of purchasing branded items.

1. Purchase requisition.
2. Decision of the Purchase/Tender Committee.
3. Copy of letter for collection of price list.
4. Price list.

5. Copy of work/supply order.
6. Copy of challan/posting of purchased items in the store stock register.
7. Bill/voucher/cash memo
8. Photo copy of cheque.
9. Acknowledgement receipt for bill payment (Should be received during bill payment)

10.10 If any staff requires any material/goods in the interest of the programme/project s/he can receive the necessary goods/items from the Store Keeper through requisition slip after the approval of the ED or any assigned staff.

Chapter 11 Store Keeping:

Storage of purchased goods/materials and its proper maintenance are very important on the part of the management. The details of the store keeping procedures are the following –

11.1 The vouchers or challans including the materials are to be submitted to the Store Keeper after purchasing any materials. The Store Keeper will take all necessary actions for the storage of the materials in the store and submit the vouchers/challans to the accounts section for taking next steps.

11.2 A quality certificate from the assigned officer should be received and kept before receiving the materials in the store.

11.3 The fixed items like chair, table, almirah, file cabinet, computer, photo copier, scanner, etc. are to be maintained and used carefully. The stock register should be documented as soon as the fixed items are purchased and a code name and number of the fixed asset to be used in the stock register. The code number should be written on the fixed item with indelible color or ink. Besides it should be mentioned in the book about who is using the material and in which location.

11.4 All kinds of fixed assets purchased for any project or department shall be considered as the own property of the organization. The price of the asset should be mentioned in the year ending balance sheet of the organization.

11.5 Temporary assets/stationary/materials to be used regularly like paper, pen, file, thread, button, etc. are to be stored under lock and key. The stock register should be documented as soon as the materials are purchased and to be adjusted with the previous stock.

11.6 The concerned information and stock position of the materials should be kept updated as soon as the stationary/materials are supplied from the store for necessary use. Necessary arrangement should be taken for preparing purchase requisition and purchasing materials one month before the finishing of the stock position.

11.7 The store should be checked by the senior staff/ authority/project coordinator/assigned officer once in every three months. The Store Keeper will prepare a statement every three months about the use of materials and its stock position in the store and submit it to the higher authority.

11.8 The maintenance of the fixed assets should be done regularly. A person nominated by the Executive Director shall conduct physical inventory of fixed assets **two times in a year** and submit report about its conditions and positions.

11.9 Depreciation in case of fixed assets can be estimated at 20% according to straight line method or the depreciation will be estimated according to the Income Tax law of the Government of the People's Republic of Bangladesh.

11.10 The Store Keeper will prepare list of the fixed assets according to the prescribed format of the organization at the end of each year and submit the same to the higher authority through the accounts department.

11.11 DEW handicraft products received by Programme Officer (Art & Crafts) at DEW head office from the producer group members maintaining storage facilitation, inventory and formalities for export and local sale.

Chapter 12 Accounts Statement Preparation:

A report should be prepared through compilation of accounts according to the prescribed format side by side keeping accounts regularly in the interest of the transparency of accounts of the organization. There will be necessary arrangement for auditing the reports by the higher authority.

Accounts Report Preparation Process:

12.1 Accounts reports for different periods to be prepared for the organization/projects such as:

1. Monthly Report.
2. Quarterly Report.
3. Half yearly Report.
4. Annual Report.
5. Report as per requirement of the organization/donor agency.
6. Bank Reconciliation Statement.
7. Bank Statement/Certificate.
8. Cash Certificate.
9. Receipts and Payments, Income-Expenditure and Balance Sheet.

12.2 Monthly Report: The report should be prepared according to the prescribed format within 7th day of each month. The accounts department will be responsible for checking and taking approval of the report by the concerned authority. Necessary bank reconciliation report should be attached with each report.

12.5 Quarterly Report: The quarterly report should be prepared for any especial project or requirement by the organization according to the prescribed format. The accounts department will be responsible for checking, taking approval of the report by the concerned authority and to submit to the concerned agencies.

12.6 Half yearly Report: The half yearly report of any project/programme should be prepared in every six months according to the prescribed format which will be necessary for reviewing the programme activities of the organization including the donor agencies. If there is any necessity of changing of budgetary provision in the next six months based on this report then it can be done for taking necessary approval from the concerned authority. Besides it will help to prepare supplementary or complementary budget for any project.

12.7 Annual Report: The Annual Report should be prepared at the end of every project year or general financial year according to the prescribed format. This report should be submitted to the concerned donor agency, Executive Director and to the Executive Committee of the organization. Subsequently these accounts of this report will be used for necessary auditing.

Besides these the following accounts should be prepared as annual report –

1. Trail Balance:

This is necessary to authenticate the summation and subtraction results of the accounts documented in the cash books and ledger books. (Should be prepared as per requirement of the donor agency and organization).

2. Receipts and Payments Accounts:

This account should be prepared identifying all kinds deposits as receipts and all kinds of expenditures as payments of the organization/projects at specified interval of time.

3. Income and Expenditure:

The actual operational income and expenditure of the organization/project in every month/year can be determined for the said period. The excess of income over expenditure or excess of expenditure over income can be determined through this account.

4. Balance Sheet:

The balance sheet is the picture of assets and liabilities of a project/organization. The actual condition of the project/organization can be determined through this balance sheet and it helps the project/organization to prepare future programme planning.

Chapter 13 Banking:

The different accounts of the organization are operated through bank as such all bank related activities will be accomplished through the following rules and procedures:

13.1 All programme related financial activities of the organization shall be accomplished through banking procedures as a compulsion according to the clause No.5.2 of the constitution of the organization.

13.2 The processes to be observed before any financial transaction through bank are as follows:

1. Necessary approval will have to be taken from the Executive Director/nominated person through submission of cash/cheque requisition indicating the purpose of withdrawal of money. The requisition should be prepared using the prescribed format. The approved requisitions are to be kept in separate files project/department wise.
2. Separate bank accounts will have to be maintained for each project operated by donor grants separately for head office and field offices. The grant money of the projects will not be deposited in the project accounts directly. There shall be a **mother account of the organization separately** and the donor grant money will be deposited to the said account directly and then it will be transferred to the respective project account. Otherwise necessary steps will be taken as per decision of the Executive Director and the Executive Committee.
3. The bank account operation procedure of the organization. The main (mother) account of the organization shall be operated jointly by the signatures of the Chairperson, Secretary General/Executive Director and the Treasurer of the organization and signatures of any two of them shall be necessary for withdrawal of cash from the bank but Secretary General/Executive Director's sign is mandatory to operate the account.

4. The maladjustments should be identified through collection of bank statement in every month. The bank reconciliation should be done in every month with the accounts.
5. The bank interests received against any fund shall be considered as revenue income of the organization subject to the approval of the Executive Committee. Necessary decision can be taken subject to the discussion with the concerned donor agencies and in the light of the contracts signed.
6. No fund can be transferred or utilized from one head to another head or to any fund without the approval of the Executive Director and concerned donor agency in case of donor fund.
7. The project coordinators will have to take approval from the ED or from the nominated person on the list of a possible expenditure with dates within 3rd day of every month.

Chapter 14 Revenue Income and Expenditure Management:

The incomes of the organization shall be considered as revenue income those are earned through the projects undertaken by the organization at its own initiative. Besides any income coming from selling any service by the organization, bank interest, sale of newspaper and old materials/asset's can be identified as revenue income of the organization.

The incomes from the above mentioned heads will have to be accumulated and deposited directly in the General Fund of the organization and can be spent with the approval of the Executive Director.

Chapter 15 Staff Salary and Salary Payment:

The monthly salary and benefits of the staffs working in the organization shall be paid according to the benefits mentioned in the staff management policy and based on the conditions given in the appointment letter. The procedures to be followed in case of payment of salary and benefits will be as follows –

1. The monthly salary and other benefits if there is any shall be paid to the staffs directly through bank after the 25th day of every month. Monthly salary/benefits of the said month can be paid before on special ground (due to festival and other reasons).
2. The Accountant has to consider the following during preparation of the salary statement
 - Staff attendance register and to check the remarks of the Executive Director if there is any and to take necessary action as per the remarks.
 - To check the leave register.
 - If there is any especial complaint received from the higher authority.
3. The policy of payment of salary through bank to a newly appointed staff can be relaxed for one month only and can be paid through cash or bearer cheque. The salary and benefits of the said staff must be paid through bank after two months of his/her joining.
4. The staffs appointed under the project/department have to open their respective savings bank account in the bank branch where the project/department bank account is under operation.
5. No bank account will be required for those staffs who do not receive their salary and benefits directly i.e., the staffs who receive only allowances or honorarium. They will be paid their allowances/honorarium in cash.

6. The staff salary can be paid through sending advice letter or salary transfer letter to the concerned bank branch. The bank authority will transfer the amount mentioned against the names of the staffs in the letter to their respective bank accounts. An account payee/crossed cheque mentioning the total amount of salary and benefits will have to be attached with the advice letter.
7. No bank advice letter will be necessary in case of payment of salary and benefits to one staff only. The payment of salary and benefit can be made through issuing directly a crossed cheque in the name of the staff.
8. The organization has to a salary statement and an acknowledgement sheet for payment of staff salary and benefits. The said statement will be used following a prescribed format. Necessary signature of the respective staff will have to be taken on the revenue stamp before payment of the salary.
9. Necessary deduction will have to be made from the monthly salary of the concerned staff if his/her annual income is taxable under the Income Tax Law and necessary action will have to be taken as per the Income Tax Law of the People's Republic of Bangladesh.
10. Final payment will be settled by not more than 90 days from the date of last working day after receiving all necessary documents like clearance letter from the local authority, charge and asset hand over documents etc.

Chapter 16 Advance Payment and Adjustment:

If any advance is required by a staff or payment through a staff for implementation of a programme then the following procedures are to be followed:

16.1 Necessary prayer for receiving any advance for any activity should be submitted to the Executive Director at least 48 hours before using prescribed format mentioning the expenditure head/particulars. The prayer should be submitted directly to the assigned Accountant of the project. If any holiday falls within the said 48 hours then the time limit can be extended accordingly.

16.2 The Executive Director and the other staffs can receive advance payment according to the above procedure to accomplish project activities.

16.3 The advance payment can be received from the Cashier/Accountants Officer after approval of the Executive Director through filling up the prescribed advance slip.

16.4 All kinds of advances should be given posting in the cash book.

16.5 A separate advance register should be maintained for adjustment of advance payments.

16.6 A staff can receive advance payment maximum Tk.100, 000/- (Taka one lac) only for project/programme activity but in this case approval should be taken from the Executive Director for head office and for field office immediate higher authority.

16.7 The advance cannot be spent in any other head except the head mentioned in the approved advance slip.

16.8 The advance payment can be made maximum for 30 days for implementation of the programme.

16.9 The advance can be made for taking part in the activities of the donor agencies/govt. agencies and other offices and accomplishing activities like training/workshop/seminar/day observation/rally according to the above procedures.

16.10 Advance cannot be made further or for the second time during the remaining current advance (first advance) but it can be made if there is a special need subject to the approval of the Executive Director.

16.11 Advance on special requirements can be received from the assigned Accountant Manager/Cashier obtaining direct approval on the advance slip from the authority concerned if there is cash in hand.

16.12 The accounts department/Accountant/Cashier will not be held responsible for failing to accomplish activities properly without receiving the advance as per the above procedure.

16.13 The advance can be made in cash or by bearer cheque by the Accounts Officer/Cashier.

Advance Adjustment Procedures:

16.14 The advance received can be adjusted by bills/vouchers as per the mentioned head.

16.15 The advance can be adjusted within 07 days of accomplishing the activities for taking part in the activities of the donor agencies/govt. agencies and other offices and accomplishing activities like training/workshop/ seminar/day observation/rally/ partners per diem according to the above procedures.

16.16 The advance received can be adjusted with bill/voucher or cash according to the head of expenditure.

16.17 If the amount exceeds the amount of bill/voucher against the advance received then at least 48 hours should be allowed for the adjustment of the excess amount. Otherwise it can be adjusted at once if cash in hand is available.

16.18 If the amount is less with the amount of bill/voucher against the advance received then it should be adjusted with the balance amount then and there.

16.19 The Accountant will submit the bills/vouchers to be adjusted against the advance received to the Executive Director for approval. If any bill/voucher is not approved then the entire amount against the said bill/voucher should have to be refunded by the staff who received advance.

16.20 Necessary approval should be taken from the Executive Director if any advance cannot be adjusted in time.

16.21 The adjustment of advance to be posted in the cash book on cash basis/accrual basis/directives of the donor agencies.

16.22 The advance should be adjusted within the project period as the grant of the donor agencies generally is for 1 (one) year. If it is assumed that the advance cannot be adjusted within that period then no advance should be made or necessary action can be taken subject to the discussion with the concerned donor agency. In some cases this clause may not be applicable in respect of requirement by the concerned donor agency for the project purpose. In this situation if the advance cannot be adjusted timely then it should be reflected in the annual accounts of the organization.

Chapter 17 Management, Maintenance and Use of Machines and other Materials:

Different machines have to be purchased by the organization in the interest of the programme/projects. Some machines are of high value which is considered as big assets of the organization. These machines urgently need regular maintenance at its management level. The durability of these machines can increase or decrease depending on its proper maintenance which also reflects on the financial condition of the organization.

A specific staff will be assigned to look after/taking care each of these machines or materials. This staff will undertake necessary maintenance work of these machines at a fixed time of intervals and submit necessary reports to the higher authority.

Chapter 18: Auditing:

Audit is an authentication of the annual accounts based on legal aspects. The audit firm enlisted by the Government (by NGO Affairs Bureau) which will submit the audit report after auditing all the accounts of the organization will prove the authentication of the accounts of the previous year. As such the organization will apply two types of audits in the organization giving special importance on the audit of its accounts.

18.1 Types of Audits:

(a) Internal Audit: The audit which is conducted by any person internally or by other firm to audit whether all the income and expenditures of each project/general department of the organization have been incurred as per policy or not and there is scope for corrections for the inconsistencies of the accounts.

(b) External Audit: The audit which is conducted (by external Chartered Accountant Firms) for all the annual accounts of the projects at the end of its project year or at the end of the financial year to examine the balance sheet whether all the transactions including the financial position of the organization of the previous year have been incurred as per policy. There is legal basis of this audit which is accepted by the Government and the donor agencies.

18.2 Arrangement will be taken for the appointment of Auditor for the organization/projects through the decision of the Executive Committee following NGOAB rules. A Terms of Reference (TOR) for the audit should be prepared before the appointment of the Auditor. The TOR of the audit will have to be provided with the appointment letter of the Auditor.

18.3 Arrangement will be taken to present the audit report submitted by the Audit Firm at the Annual General Meeting of the organization by taking approval of the AGM/Executive Committee.

18.4 The accounts department has to prepare all the accounts within 15 (fifteen) days of completion of each financial/project year for audit and to complete the audit of accounts within 2 (two) months. The audit report should have to be collected from the audit firm within 1 (one) month of completion of the audit and necessary initiative should be taken to send the audit report to the concerned authority.

Chapter 19: VAT and Income Tax Payment:

Different kinds of materials/goods have to be purchased for the day to day implementation of various project activities/programmes of the organization. Payment of bills will have to be made after necessary deduction of VAT and Income Tax as per the law of the People's Republic of Bangladesh and the deducted VAT and Tax will have to be deposited using the concerned code number. Necessary registration should be taken as per the law of the People's Republic of Bangladesh for the payment of VAT and Tax for the incomes earned from the own sources of the organization. Besides if the salary of the staffs is taxable as per the law of the country then the assessed taxable amount will be deducted from the monthly salary of the staff concerned which will be maintained by the accounts section and the necessary actions regarding tax related matters as per law of the NBR will be taken by the accounts section.

Chapter 20: Policy Amendment, Modification and Incorporation:

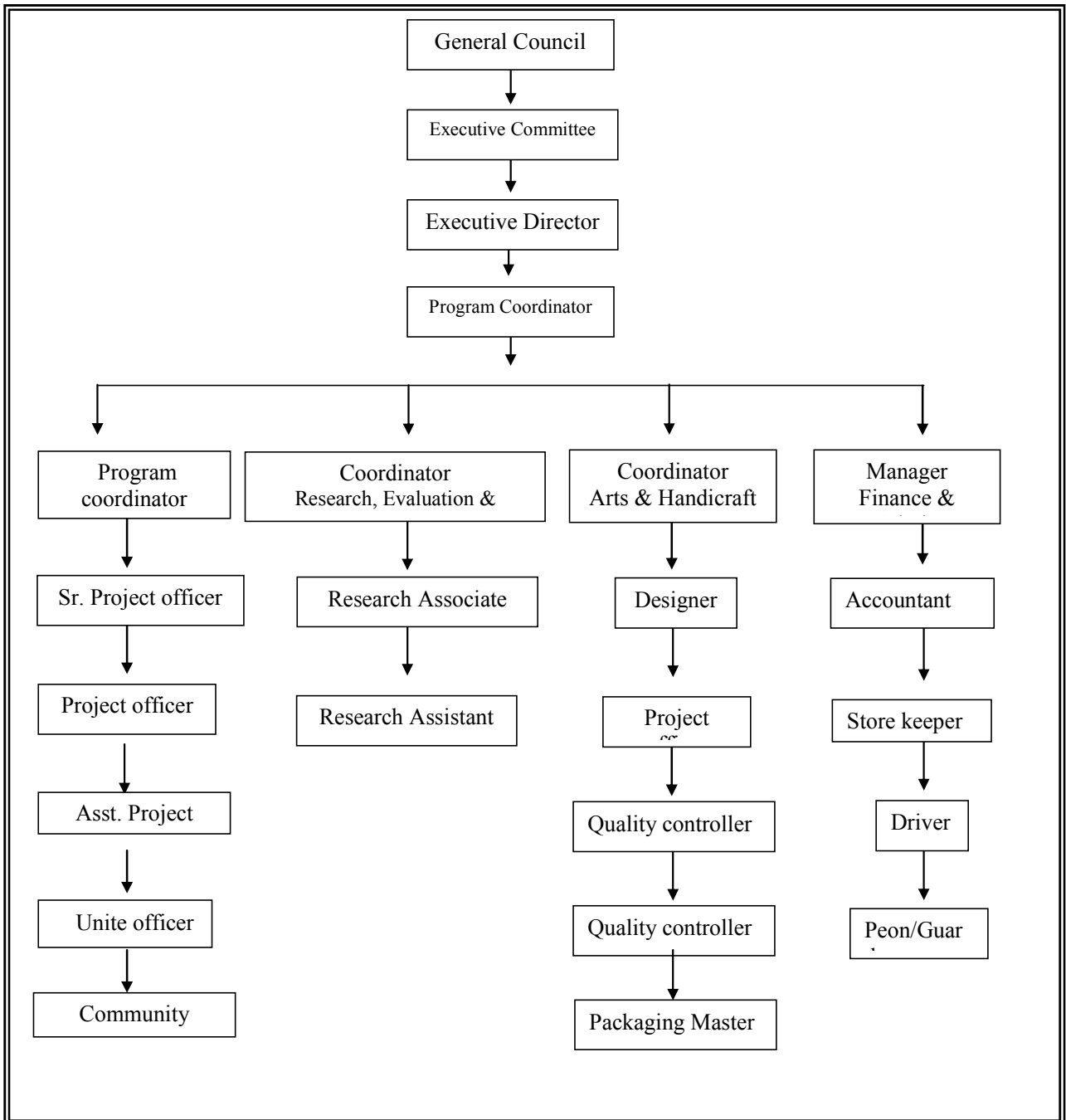
Any clause of this policy can necessarily be amended or modified based on practical requirements but it should be approved by the Executive Committee of the organization. The amended part of the policy after its approval will be incorporated in the policy

Schedule for Accounts Keeping:

The following schedule has been made for implementing each accounts related activity as per the policy timely:

Particulars of Activity	Implementation Timeframe
1. Transaction	* When takes place
2. Fund receipt	* As soon as received
3. Preparation credit/debit voucher	* As soon as each receipt/payment
4. Transfer voucher	* With each transfer
5. Posting in cash book/software	* Everyday
6. Closing balance	* Everyday
7. Posting in general ledger	* Weekly
8. Closing balance in general ledger	* Weekly
9. Bank reconciliation statement	* Each month
10. Posting in fixed asset register	* As soon as purchase done
11. Income Expenditure statement	* Each month and as per requirement
12. Preparation of Balance Sheet	* Within 15 days of the year ending and as per requirement
13. Monthly Income Statement	* Within 7 days of the month ending.
14. Preparation and submission of accounts statement for donor agency	* Quarterly/Half yearly/Yearly and as per requirement
15. Internal Audit	* Every after six months
16. External Audit	* Within 2 months of year/project ending
17. House Rent agreement	* Before renting a new house * Every one year after for renewal
18. Advance register	* With every advance payment
19. Cash/Cheque requisition	* In case of every payment/withdrawal
20. Stock register	* As soon as purchase done

The organization structure of the Accounts Department will as follows:



Form and Formats of the Accounts department:



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DEVELOPMENT WHEEL (DEW)

Voucher NO.

Date

C.B. Folio.

L.F. No.

House # 13-A/4-A, (3rd Floor), Babar Road, Block-B, Mohammadpur, Dhaka-1207, Bangladesh

CASH/BANK DEBIT VOUCHER

Of Fund Accounts

Sl.No.	Head of Accounts - Debit	Accounts Code No.	Amount	
			Tk.	Ps.
Total : Taka (In Ward)				

Received payment Tk.

Signature

Name in Full Prepared By Checked By Approved By Paid By



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DEVELOPMENT WHEEL (DEW)

Voucher NO.
Date
C.B. Folio.
L.F. No.

House # 13-A/4-A, (3rd Floor), Babar Road, Block-B, Mohammadpur, Dhaka-1207, Bangladesh

CASH/BANK CREDIT VOUCHER

Of Fund Accounts

Sl.No.	Head of Accounts - Credit	Accounts Code No.	Amount	
			Tk.	Ps.
Total : Taka (In Ward)				

Received payment Tk.

Signature

Name in Full Prepared By

Checked By

Approved By

Voucher NO.
Date



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DEVELOPMENT WHEEL (DEW)

House # 13-A/4-A, (3rd Floor), Babar Road, Block-B, Mohammadpur, Dhaka-1207, Bangladesh

JOURNAL VOUCHER

Of Fund Accounts

Sl.No.	Head of Accounts	Accounts Code No.	L.F. No.		Debit	Credit
			Sub. P.N.	Control L.F.No.		
Total : Taka (In Ward)						
Description :						

_____ Submitted By _____ Prepared By _____ Checked By _____ Approved By

DEVELOPMENT WHEEL (DEW)
Acknowledgement Receipt of Bills and Documents for Adjustment of Advance

Received Bills, Cash Memoes, Documents, Receipt Total Taka.

 (In Wards)

 From Mr./Mrs on Account of

_____ Submitted By _____ Received By



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DEVELOPMENT WHEEL (DEW)

House # 13-A/4-A, (3rd Floor), Block-B, Babar Road, Mohammadpur, Dhaka-1207, Bangladesh
Tel: +880 2 8115579 Fax: +880 2 9135499
E-mail: dewhc@bdonline.com, info@dewbd.org, Web: www.dewbd.org

Loan Application Form

Name of employee	
Designation	
Project/Fund name	
Date	

SL	Purpose of Loan Taken	Amount (BDT)	Remarks/Note
01.			
Total Amount:			
Total Amount in word:			

Refund Schedule:

	At a Time	Installment 1	Installment 2	Installment 3
Date				
Amount				

Special Note:

Submitted by:

Checked by:

Approved by:



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DEVELOPMENT WHEEL (DEW)

House # 13-A/4-A, (3rd Floor), Block-B, Babar Road, Mohammadpur, Dhaka-1207, Bangladesh
Tel: +880 2 8115579 Fax: +880 2 9135499
E-mail: dewhc@bdonline.com, info@dewbd.org, Web: www.dewbd.org

Acknowledgement Receipts

Date : _____

Received By : _____

Name of the Project : _____

Amount Cash/ Cheque : _____

Cheque #

Amount Inword : _____

Purpose of received: _____

Activities : _____

Received by: _____

Prepared by: _____

Checked by: _____

Approved by: _____



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DEVELOPMENT WHEEL (DEW)

House # 13-A/4-A, (3rd Floor), Block-B, Babar Road, Mohammadpur, Dhaka-1207, Bangladesh

Financial Management Policy Of Development Wheel (DEW)

2015
Updated in March 2019



www.dewbd.org

DEVELOPMENT WHEEL (DEW)



**13-A/4-A (3rd floor), Babar Road, Block-B, Mohammadpur, Dhaka-
1207, Bangladesh**