

Finance Manual of Agrajattra

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AGRAJATTRA অগ্রযাত্রা

(An Organization for Integrated Social Development)

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Section 1 : Financial Procedures Of Agrajatra

Introduction

The manual has been designed to help our organization i.e. Agrajatra and who will work as partner with Agrajatra to maintain a generally accepted accounting standard with in their respective organization. All the sections of this manual are based on general accounting practice and therefore one cannot expect that this manual will match with all situations. However, this guidance is not a complicated one and that is why Agrajatra expects that all related organization working with Agrajatra will comply with this document with both sprit and contents.

Financial Procedures

The basic financial guidelines that must be adhered to by Agrajattra. While keeping Books of Accounts, preparing financial statement etc. are enumerated as under:

1. Books and Documents

Agrajattra is required to maintain a number of Books of Accounts and documents. The details are as under.

- | | | |
|---------------------------------|--------------------|---------------------|
| a) Cash and Bank Book | b) Ledger Book | c) Advance Register |
| d) Stock & Fixed Asset Register | e) Salary Register | f) Fund Request |
| g) Vouchers | h) Log Book | |

A) Cash and Bank Book

i) Cash and Bank book may be kept in the form of a double column cashbook.

- Petty cash transaction in one column
- Bank transaction in the other column

Or

Two separate cashbooks

- One for petty cash transactions
- Other for bank transactions

ii) Every receipt and payment voucher shall be recorded in the cash book according to the voucher's serial no, and date.

iii) The heads of accounts/line items shall be stated clearly with necessary description to make a clear sense of transactions.

iv) The cash and bank column shall be balanced at each day's end. It needs to be counter signed by Head of Finance or any designated person or president/Project Coordinator or Executive Director (rather than cash-dealing person) at each day's end.

v) The cash and bank balance shall be certified by the president/Executive Director weekly in case of cash balance; monthly in case of bank balance. The bank statement or bank balance certificate needs to obtain from bank and affix here to confirm the closing balance and ready reference.

vi) The cashbook balance should not be in pencil figures.

vii) Any changes made in the cash book in the form of correction, rectification or otherwise must be initialed by the person who made the changes.

Viii) The bank signatories must be at least two persons from the panel members approved by the Executive Committee or Constitution.

b) Ledger Book

i) Few pages shall be provided for each account heads/titles (more particularly; considering the volume of transactions).

ii) Accounts heads shall be identical to the heads accounts

iii) Every Page of the ledger book must bear distinct page number.

iv) Date and voucher no. in the ledger book shall correspond with those of the cash book

v) Folio number shall match with the cashbook page number.

vi) Closing balance shall be drawn at the end of each month.

vii) The closing balance of each account shall agree with the figures mentioned in the summary of accounts at end month/quarter/year.

viii) All entries made in the ledger book shall be authorized /approved beforehand as part of transaction process.

C) Advance Register and Format

Person seeking a temporary advance shall fill in an advance request form duly authorized by competent authority with the recommendations from his/her line manager. The key information relating to advance management is as under :

- i) An advance register shall be maintained for recording temporary advances.
- ii) The Head of finance, President, Executive Director and Coordinator shall approve advances.
- iii) The advances register shall be in the prescribed format.
- iv) Adjustment of advance shall be done within a specified time as mentioned in the advance requisition form.
- v) New advance shall not be issued/extend without adjusting the old one.
- vi) There shall not be advances extended against salary in normal cases.
- vii) Adjustment shall be done through submission of bills authorized by the President.

d) Stock and fixed asset register

- i) A stock Register shall be maintained for all consumable items (e.g. stationery office upkeep materials etc.) and a fixed assets register for all fixed assets.
- ii) There shall be column for date , description, purchase invoice ref. Requisition Ref. Quantity, Value Receipt, Issue, Balance etc.
- iii) Separate pages shall be used in the register for different materials and assets.
- iv) The receipt and issue of materials shall be recorded in the register at each time of transactions as part of updating the balance.
- v) Fixed Assets shall be used only for the project purposes and in no circumstances shall be transferred to other projects or sold.
- vi) A responsible person or a small team shall be authorized to verify the existences and examine the condition of the fixed assets as well as the outstanding balance of materials twice in a year. At least Organization should conduct physical inventory at the end of financial year.

e) Salary Register/Payroll

- i) The Salary Register Shall include column for name, Designation, ID No, Contract type, Gross Salary Payable, Deduction/Arrear, Net salary Payable etc.
- ii) Salary and allowances of member of staff shall be paid according to the approved budget
- iii) Payment shall be made through banking transfer to individuals bank account.

f) Fund Request

Agrajattra will submit the properly filled in fund request form in line with signed Memorandum of Understanding (MOU). The fund request form does contain title of the project, period to cover, detailed activity and budget spend to date, balance and amount requested.

Agrajattra needs to consider the following key factors at the time of preparing the fund request:

- i) Phases budget against planned activities for the period is fund requested for
- ii) Buffer amount for the estimated period fund request process and actual receiving
- iii) NGOAB fund clearance for the related project with due covering the period.

g) Voucher:

- i) The very first documentation of transaction shall be through a voucher.
- ii) Three types of voucher shall be maintained :

Receipts Voucher	- for recording and type of receipt or income
Payment Voucher	- for recording any type of payment or expenses

Journal voucher - for adjustment purposes.

- iii) Voucher shall be pre-numbered with column for date, Particulars, Amount and space for initials of the persons who prepared checked and authorized the vouchers.
- iv) The particulars column shall indicate the respective budgeted heads of accounts.
- v) Voucher shall be consecutively filed in and preserved along with their supporting papers.
- vi) Revenue stamp of TK 10.00 shall be affixed at the time of making any payment equal to or beyond Tk. 500 in Cash.

h) Minutes Books/Register:

Agrajattra has to maintain minutes book. One book should record minutes (discussion and decisions taken) of the Executive Committee meetings. The minutes book should be a bound register where minutes are written by hand or paste printed copy with serial number. The minutes book is not a secret document, Normally auditors or reviewers would expect to see the minutes. This will help them to know whether various actions were authorized or not.

i) Log Book:

Agrajattra use vehicles for implementing projects activities, maintain vehicle log book, Standard log book have various columns such as vehicle registration number, date, starting point, closing point, number of kilometers, purpose etc. Entries of movement of vehicle must be authenticated by the user of each trip by putting his/her signature against such trip, User of vehicles can also add information on the amount of fuel, each time fuel is filled, number of liters and cash memo reference is given. This will help to accounts person check the mileage per liter. This helps in controlling fuel consumption.

2. Financial Statement :

Agrajattra shall submit the underlying financial statement on quarterly basis-

- a) A Detailed Activity wise Budget Variance Report.
- b) A Receipt and Payment Account
- c) An income & Expenditure Account
- d) A Bank Reconciliation statement supported by the bank statement

On top of the above reports/statements Agrajattra shall submit the balance sheet to the respective authority

A brief outline of the above specific areas:

Detailed Activity wise budget Variance Report:

The summary of heads of accounts or common nature of activities is a compilation of quarterly ledger extracts of expenses. The presentation is done both monthly and quarterly basis. The total of the monthly or quarterly ledger balances of the expenditure, which are shown according to the budget heads or common nature of activities, shall constitute the total monthly or quarterly expenditure of organization.

The detailed activity wise budget variance report will give us the actual utilization status in compare with budgeted head of accounts. At the same time, it will also give us budgetary allocation of the activities and achievement thereon. Thus, the management can easily know whether they are in line with implementation plan of the programme or not. If not, they can ensure necessary follow-up.

Receipt and payments Accounts

A Receipt and Payment accounts consists of all sorts of cash or bank receipts and payments irrespective of nature of transactions (viz. capital or revenue) within a certain period. The referred addendum will give us a glimpse of it.

Income & Expenditure Accounts

An income and expenditure account consists of all cash and non-cash transactions by excluding capital expenditure in nature in a particular period. The referred addendum will give us an overview in this regard.

Bank Reconciliation statement

Bank reconciliation is mandatory case of a difference between the closing balances shown by the bank statement and the cashbook. It gives us a clear picture about differences between bankbook and bank statements in each month.

Balance sheet :

Balance sheet is the summary of all assets & liabilities of an organization at a particular point of time. It tells us about the financial health of the organization of that day. It is mandatory for Agrajatra to prepare & submit balance sheet at the end of each financial year or end of the project. Besides, they need to submit a fixed assets schedule (cumulative) relating to the programme/project.

A brief outline of generic areas:

Financial Overview along with a bank statement:

As soon as Agrajatra, which is funded by donor, it becomes mandatory for Agrajatra to submit a financial overview at the end of each quarter. Basically this overview shows the movement of the fund received from donor and discloses the financial position of Agrajatra at the end of the quarter concerned. A Bank Statement that confirms the closing bank balances shall be attached.

Financial overview for credit along with Bank Statement, if any:

If Agrajatra has received any fund for micro credit shall submit an overview for credit at the end of each quarter. The overview shows the disbursement, realization, total outstanding and rate of realization of credit. A bank statement substantiates the closing bank balance stated in the overview.

3. Budgetary provision :

The approved budget is the sole foundation of condition of contract/Memorandum of understanding (MOU) between Agrajatra and donor. Therefore Agrajatra must exercise extreme vigilance so that no violation of the budget takes place. Special attention shall be paid to the followings.

Fund transfer (Line item)

Transfer of fund from one line item to another is discouraged. In order to avoid this sound forecast of expenditure should be made at the preparation of the budget. However, if interchange of fund becomes inevitable, recourse shall be taken of a donor approved revised budget.

Revised Budget :

Where situation necessitates any changes in the budget in the form

- inclusion or,
- exclusion,
- alternation or
- Reallocation etc.

The concerned of donor must submit a proposed revised budget, which shall contain

- the areas to be revised for approved by the donor organization
- the reallocation of the fund
- a justified benefit which shall result from the revision etc. for approval by the donor.

Utilization :

Any overspent (+10%) or under (-10%) utilization of a particular line item must accompany of clear explanation

Fund transfer (Project)

Under no circumstance, Agrajattra is entitled to transfer any portion of the donor fund to any other project.

Budget under spent :

If the budget is under spent, donor must be informed of the under spent fund at the end of the project period.

Budget forecast:

Agrajattra shall submit a budget forecast at the end of 3rd quarter of the project so that Agrajattra and donor can rearrange the project to achieve optimum utilization of the fund.

4. Procurement :

Agrajattra shall be responsible and accountable for the procurement of the materials, equipment and related services.

Procurement Plan and Methodology :

Procurement plan methodology includes the following elements:

- a) List of required items;
- b) Intended use;
- c) Quantity required;
- d) Estimated cost of each item;
- e) Total estimated cost of each item;
- f) Method of procurement ; and
- g) Procurement schedule.

Agrajattra shall be using also EOQ (Economic order quantity) Method at the procurement of the sensitive items.

Bid solicitation framework:

The solicitation of bids will follow framework, ensuring the goods are acquired in a manner that results in "best value for money". The framework is as follows

The following should be considered regarding procurement process:

Cover letter (if applicable);

Instructions to bidders (if applicable);

Bid documents to be submitted (if applicable);

General and specific terms of condition (if applicable);

Special terms and condition (if applicable);

Bid evaluation criteria (if applicable);

Delivery and inspection (if applicable);

Quality control and assurance;

Handover and acceptance;

Inventory management; includes;

- Asset description and serial numbers;
- Cost of the inventory at the beginning of the year;
- Project assigned serial numbers;
- Date of purchase and purchase cost;
- Date of addition or disposals during the year and relevant costs;
- Proceeds of disposals during the year; and
- Total net value of inventory at the end of the year

Long-term maintenance or service contacts;

Procurement documentation; and

Reporting

The organization shall maintain a separate procurement file containing all relevant procurement documentation, including without being limited to purchase requisitions, tender evaluation, contracts or purchase orders, invoices, and receiving documentation.

For the purposes of this section, “best value” means the optimal combination of quality , service and time consideration, at the lowest cost over the useful life of the goods, service or asset acquired for the purposes of the project.

Procedure of Procurement:

- a) A purchase order approved by the President or designated authority of the organization shall be prepared and offered to selected supplier/service provider before purchasing any product/service.
- b) Quotation shall be collected in cases of purchases, which involve expenditure of a substantial amount and process should be routed through a standard procurement committee (the term substantial may vary depending on the size and capacity of the Organization). However, 3 quotations must be obtained of substantial amount of purchase to purchase to ensure proper comparison of the market scenario.
- c) All the purchase shall match the approved project needs.
- d) Payment to suppliers shall be made through “Account payee” cheque only (except exceptional cases) after deducting VAT and Tax as procedure and deposit the same to the Govt. treasury within specified time . It is advised by NGOSB to issue account payee cheque for any payment beyond taka thousands only irrespective of the size of the organization.
- e) Payment shall be made only after receipt of goods.

5. Audit:

- a) Donor representative's reserves the right to have access to the books of a accounts of the project funded by it at any time during the contract period.
- b) Agrajattra shall ensure that accounts are audited every year at the end of the project, which is earlier by an external auditor enlisted With NGO Affairs Bureau.
- c) At the end of project/contract /financial year, Donor will appoint a NGOAB englisted funded by Donor. Agrajattra is requested to extend all sorts of cooperation in this regard.
- d) An audited consolidated account of the organization shall be produced to Donor at the end of the accounting year . Donor can also conduct audit of account any profit of time.

6. Internal control :

The following basic principles of internal control are expected to be in operation within agrajattra

- a) The responsibility for the performance of the job must be clearly stated for each employee
- b) A certain person must not be too much relied upon by entrusting with him too much authority
- c) Another independent employee must so that the work of one employee can be promptly/spontaneously check the system.
- d) There should be existence of clear and well – defined rules for dealing cash, b ank, ordering, issuing and receiving goods etc.

Preparation of Budget:

Agrajattra is expected to prepare its budget and submit it to donor in line with their schedule. Budget cost should be classified broadly in two categories.

- Project cost
- Support cost

Project and support cost

To measure Donor performance we need to be able to assess.

- How much it costs to provide our communities with the various inputs that donors delivers and
- How much it costs the agency as a whole to provide the infrastructure that that enables us to deliver those inputs.

This split up between project and support cost respectively.

An illustration of cost classification

Function/cost center	Project	Support
Executive Director	√	
Programme Manager	√	
Programme Department	√	
M & E	√	
Policy research & evaluation	√	
Administration		√
Finance	(Only s&c)	√
IT		√
Internal		√
Office overhead		√