

# **Financial Policy and Procedures**

**For**

**Center for Environmental and Geographic Information  
Services (CEGIS)**

**October, 2005**



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## Table of Contents

Chapter 1: Introduction.....	1
101 Introductory Statement .....	1
102 Application of the Document.....	1
103 Amendment.....	1
104 Definitions .....	1
Chapter 2: Financial Management.....	3
201 Background.....	3
202 Financial Management: An introduction .....	3
203 Standard best practices – Features .....	3
204 Financial Management – Coverage .....	4
Chapter 3: Financial Planning .....	5
301 Policy .....	5
302 Budget.....	5
303 Management of Budget.....	5
304 Capital Budgets.....	6
305 Revenue Budgets .....	7
306 Budgetary Control and Approval.....	7
307 Management of Funds .....	8
308 CEGIS Code of Conduct.....	9
Chapter 4: Accounting.....	11
401 Policy .....	11
402 Accounting Principles.....	11
403 Source Document/Voucher.....	11
404 Chart of account.....	12
405 Banking Arrangements and Cheque .....	14
406 Accounting of Assets .....	16
407 Responsibilities.....	18
Chapter 5: Operating Systems and Reporting .....	21
501 Policy .....	21
502 General and Imprest Accounts.....	21
503 Income .....	21
504 Expenditure.....	22
505 Orders for Work, Goods and Services.....	23



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506	Payment of Accounts .....	24
507	Salaries, Wages and CPF .....	25
508	Travelling and Subsistence Allowances .....	26
509	Taxation .....	26
510	Financial Statements .....	28
Chapter 6: Internal Control .....		29
601	Policy .....	29
602	General .....	29
603	Administrative Control and Accounting Control .....	29
604	Internal Control Structure .....	30
605	Control Procedures .....	32
606	Filing .....	34
607	Delegation of Financial Power .....	34
608	Risk Management and Insurance .....	36
Chapter 7: Auditing .....		39
701	Policy .....	39
702	General .....	39
703	Objectives .....	39
704	Scope .....	40
705	Audit Guidelines .....	40
706	Duties of the Auditors .....	40
707	Required Documents and Information for Audit .....	41
708	Audit Report .....	42
709	Internal Audit .....	43
710	Investments, Borrowing and Trust Funds .....	44

## Annexes

Annex-A	Voucher
Annex-B	Monthly/Quarterly Financial Report Format
Annex-C	Budget Format
Annex-D	A standard checklist for internal control
Annex-E	CD/VAT/AIT Register Format
Annex-F	Advance Control Ledger Format
Annex-G	Direct Payment Control Register
Annex-H	Payroll/Salary Register Format



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## Chapter 1: Introduction

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### 101 Introductory Statement

The purpose of this document is to develop a concrete policy and guidelines for the financial management and accounts for CEGIS. Those who are involved in the process should abide by this policy. Any actual or expected deviation from this policy should be reported to the *Board of Trustees*, for its decision and approval.

### 102 Application of the Document

The policies and procedures described in this document shall govern all employees of CEGIS who may be concerned with any financial involvement made by or on behalf of CEGIS. The Policy defines

- Principles;
- Procedures; and
- Administration/ Accounts associated with financial involvement.

The policy shall be implemented during the CEGIS period and executed on behalf of the *Board of Trustees* by the Executive Director.

### 103 Amendment

No policy can anticipate every circumstance or question, which may arise in the future. As CEGIS continues to grow and operate in a dynamic environment, the need may arise, and CEGIS reserves the right, to revise, supplement, or rescind any policy or portion of the financial policy and procedure from time to time as it deems appropriate, at its sole and absolute discretion. Any addition, deletion, and/or amendment to or from these policies are subject to the discussions in the *MCT* meeting and confirmation by the *Board of Trustees*.

### 104 Definitions

In these policies, unless there is anything objectionable in the subject or context,

#### 104a "Board" "Board of Trustees" or "BoT"

means the collective body of the trustees who are members of the CEGIS Board of Trustees as members as specified in Article 7 of the *Deed of Trust* of CEGIS.

#### 104b Corporate Governance Policy

means the approved corporate governance policy of CEGIS as adopted by the BoT on \_\_\_\_/\_\_\_\_/2005 or as stands amended from time to time.



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104c Procurement Policy

means the approved procurement policy of CEGIS as adopted by the BoT on \_\_\_\_/\_\_\_\_/2005 or as stands amended from time to time.

104d Management

means employees of CEGIS who are designated to belong to the management category in the approved organogram of the organization.

104e Management Coordination Team/MCT

means **Management Coordination Team** (MCT) as described in Article 9(3) of the *Deed of Trust* and also elaborated in Section 307 of the '**Corporate Governance Policy**' of CEGIS.

104f Division Head

means employees of CEGIS who are designated as Division Head in the approved organogram of CEGIS.

104g Financial Policy and Procedures

means this policy document.

104h Trust

means the CEGIS Trust as formed under the Deed of Trust dated 16<sup>th</sup> May 2002 (Vide no. IV-7-7082).

104i Deed of Trust means the Trust deed authorized by the Secretary, Ministry of Water Resources (MoWR) on behalf of the Government of the People's Republic of Bangladesh and registered on the 16<sup>th</sup> day of May, 2002 (Vide No.IV-7-7082) to form and run the Trust called CEGIS.



## Chapter 2: Financial Management

### 201 Background

CEGIS is an independent organization for integrated environmental analysis using GIS, RS, IT and databases. It provides solutions to issues and problems in the sectors of water and land resources, agriculture, fisheries, engineering, transportation and environment, etc., and recommends technical options based on local realities that are feasible from the socio-economic and institutional points of view. In order to fulfil these aims, the GoB established CEGIS in 2002 as a national institution and as a Public Trust under the Trusts Act of 1882.

The Deed of Trust is the legal basis and the source of all activities of CEGIS. It has been functioning under the aegis of the Ministry of Water Resources through a 14 member Board of Trustees (BoT) as per the Deed. The BoT is the driving force of the organization. The Secretary of the Ministry of Water Resources is its Chairperson.

The financial management guideline has been developed in the light of the Deed of Trust of CEGIS. The pertinent rules and procedures are embodied in this guideline in securing a proper administration of CEGIS' financial affairs. Once adopted by the BoT, they apply to every employee of CEGIS and authority and anyone acting on its behalf. The Executive Director shall bring these financial rules and procedures to the attention of CEGIS' staff and ensure they comply with them.

### 202 Financial Management: An introduction

Financial management implies efficient, prudent and judicious use of financial resources toward the attainment of organizational objectives including outputs and outcomes. The system of financial management is established with the aim of ensuring transparency and accountability at every step of programme implementation, such as, planning, fund requests, fund outlays, recording of financial transactions, and reporting and auditing. More specifically, the financial management system provides for:

- adherence to governing principles as contained, and the rules and procedures as indicated, in the Deed of Trust;
- prevention of error and fraud;
- completeness and accuracy of financial transaction records;
- timely preparation of reliable financial reports;
- ensuring integrity and reliability of financial information, accounts and data;
- safeguarding of organizational property and interests from losses of all kinds;
- economical and efficient uses of resources; and thus help
- efficient and effective implementation of organizational activities.

### 203 Standard best practices – Features

The standard best financial management practices require that:

- (a) records of financial transactions are maintained in a manner which is transparent and can produce auditable documents;



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- (b) books of accounts are maintained on the basis of budget line classifications [BL Code] as specified in the chart of accounts, and the financial statements reflect a clear link with the books of accounts;
- (c) accounts are maintained in accordance with sound accounting practices which are generally recognized by the international accounting community. Such standards, once adopted, shall be followed consistently; and
- (d) financial reports are presented in such formats as exhibit expenditures for each budget sub-line in accordance with the approved budget and expenditure plan.

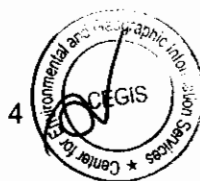
The ability to provide accurate, complete and timely financial information as per generally accepted accounting principles enables CEGIS not only to comply with appropriate rules and procedures of regulatory agencies and donors but also assist in decision-making. The dictum of transparency and accountability requires that decisions, together with their basis and results and the costs, be accessible, clear and communicable to the wider community. The standard best practice requires that decision makers have all relevant issues and information before them when they make decisions.

## 204 Financial Management – Coverage

Financial management generally covers such areas as:

- (a) financial planning;
- budgeting;  
management of funds;
- (b) accounting;
  - (c) Operating systems and reporting;
  - (d) internal control; and
  - (e) auditing.

It is important to note here that the responsibility for the actions listed above is delegated to the Executive Director on behalf of the BoT, except for auditing where the auditing activity itself is undertaken by an independent audit authority/firm. However, the Executive Director is responsible for ensuring organizational cooperation with audit and implementation of follow-up actions in response to audit observations.





## Chapter 3: Financial Planning

### 301 Policy

Financial planning implies an organizational policy that guides rules and regulation making and executive functions. The Board of Trustees (BoT) exercises rules and regulation making functions and provides authority to the Management for the acquisition and use of financial resources. It is responsible for overseeing their administration. Administration of financial affairs and resources is the responsibility of the Management as part of the execution of the directions of the Deed of Trust.

Financial planning is, in effect, the embodiment of legal authorization by the BoT of the Management's income and expenditure proposals for the upcoming fiscal year. It comes into effect in the form of a budget and as a means of allocating resources to achieving the objectives of CEGIS. CEGIS' budget contains provisions for both capital and recurrent expenditures and revenues in integrated statements. The budget is the most important element of financial planning and control and at the same time, the most crucial tool for demonstrating accountability. In the accountability cycle, the development of budget represents the beginning while the annual financial statements represent the closing.

### 302 Budget

The budget is the single most important financial management tool toward ensuring discipline in decision-making and programme implementation. A sound budgeting system requires a holistic approach from diagnosing problems, understanding all the links to evaluating institutional impediments to performance and then finding the most appropriate allocation of resources that ultimately become comprehensive.

CEGIS' budget follows a standard format and generated incomes in accordance with individual budget lines (see Annex C).

### 303 Management of Budget

CEGIS' budget is managed on the basis of annual work plans and corresponding budget and periodic expenditure estimates. The budget is kept up to date and consistent with the latest work plan. Whenever activities are reviewed and work plans are revised, budgets are also reviewed to ensure that the best possible expenditure estimates and income projections are reflected in the latest budget.

- (1) The Board of Trustees of CEGIS is the highest authority and responsible for the approval of the annual budget as well as for framing budget guidelines set out in the yearly work plan within which the Executive Director operates. This includes among others the allocation of financial resources to different services and projects, proposed contingency funds, setting the CEGIS Tax and decisions relating to the control of the borrowing requirements and the control of its capital expenditure.
- (2) There will be an evaluation and monitoring procedures of the project and other expenditure which will be reported to the BoT or Executive Committee.



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- (3) The form of revenue and capital estimates is determined by the Executive Director in consultation with the MCT and a budget format is prepared for the operational guidance of CEGIS.
- (4) Revenue and capital estimates are prepared in specified formats by different divisions and sections and the Head of Finance produces a compiled version of the estimates for the Executive Director for discussion with the MCT.
- (5) The Executive Director is responsible for the continuous exercise of budgetary control throughout the financial year. He nominates appropriate budget holders within their divisions and sections to be responsible for designated areas of the budget.
- (6) Any proposal to the Executive Director, which involves expenditure or income, shall be supported by a statement of financial implications and budgetary provisions along with a report of the project leader or Division Head concerned.
- (7) Any proposal in respect of any new purpose or project or in pursuance of a new policy or an extension of an existing policy involving continuing financial commitment, unless specifically approved in the annual revenue estimates, must be the subject of a report to the Executive Director. If the proposal is already approved by the MCT the Executive Director shall take it to the BoT at a convenient time. He shall also authorize the expenditure between two BoT meetings.
- (8) Each Division Head or Project Leader shall submit regular budget monitoring statements to the Executive Director on both the revenue and capital accounts in a form approved by him.
- (9) Where CEGIS operates in partnership or other arrangements, the roles and responsibilities of all parties must be clearly defined within a sound framework of effective controls. All proposed financial arrangements must be subject to the prior approval of the Executive Director and subject to such subsequent compliance checks as shall be deemed necessary.

#### 304 Capital Budgets

- (a) Estimates for capital expenditure in respective programme areas shall be proposed by the divisions and sections in consultation with the Executive Director for inclusion in CEGIS' capital programme.
- (b) Where any internal projects are included in the approved capital programme, the following procedures must be followed before such a project can be carried out: -

The Division Head and/or Project Leader shall prepare any proposal in consultation with the Executive Director and place it to the MCT through the division or section concerned for decision. The Executive Director shall incorporate such estimates in the overall organizational development plan and shall put it up in the annual development budget.



305 Revenue Budgets

- (a) The proposed revenue budgets for the following financial year shall be submitted to the Executive Director each year at least one month before the expiry of the current financial year.
- (b) Revenue budgets are prepared on an out turn basis and are treated as being cash limited for the purposes of budgetary control. CEGIS may provide centrally for such contingencies as it may deem fit. Requests for the release of such contingency sums will normally be granted in consultation with division heads and/or project leaders.
- (c) Where it appears that the amount of any head of estimate of approved expenditure may be exceeded or the amount of any head of approved income may not be reached, the Head of Finance/Accounts shall bring it to the notice of the Executive Director.
- (d) The Executive Director shall have to satisfy himself as to whether such systems and information used by the Head of Finance/Accounts for the exercise of budgetary control are adequate.
- (e) The Executive Director shall decide whether he agrees or not with procedures for carrying forward under and over-spending on budget headings. He shall issue necessary instructions regarding such adjustments arising out of under or over expenditures.

306 Budgetary Control and Approval

CEGIS' budgets are managed at several hierarchical levels: global level, office level, project level, expenditure or budget line level and transaction level. The person to whom the responsibility of making decisions in respect of any budget unit is assigned is the budget holder for that unit. The budget holder is thus the person entrusted with the responsibility of providing approval within the agreed budget over all transactions affecting the budget unit. Even where the budget holder delegates this authority to anyone else, the final responsibility still rests with him or her.

- (a) A financial plan (budget) is approved by the BoT for each fiscal year. It guides CEGIS' annual approval of budgets.
- (b) Donor framework agreements generally specify the broad themes that CEGIS will focus on in terms of programme themes and geographical focus. They also indicate the terms under which funds shall be provided.
- (c) Proposals to donors and subsequent project agreements specify the terms under which donors provide funds for specific project work including the specific agreed project budgets over the planned life of the project.
- (d) Annual approved budgets specify the activities and the planned expenditure for the cost of each of the projects normally funded from unrestricted funds. This budget for projects is usually approved by the Executive Director. The restricted funds from any sources approved by the Executive Director will be notified to the BoT or the Executive Committee for approval.



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- (e) Budgeting must be successfully integrated with the accounting and reporting system so that the Management may receive feedback to adjust planned activities to expected resources. An effective financial control shall be put in place through the control of cash flow, procurement procedures and accountability of budget holders for current expenditures on resource inputs.

### 307 Management of Funds

CEGIS' resources are held in Trust and are managed on the basis of approved financial management rules and procedures. The Deed of Trust empowers the Executive Director to utilize available resources in accordance with progress towards achieving results. The process requires detailed planning, income projection and cost estimation, and effective consultation between the Executive Director and the MCT.

The Deed of Trust has further mandated that the funds of the Trust shall be kept in one or more scheduled banks in Dhaka, as approved by a resolution of the Board.

The approved organogram of CEGIS provides for an Accounts Section under the direct supervision of the Executive Director. The mandated objectives and functions of the Accounts Section are as follows:

- (a) To gather appropriate financial transaction data;
- (b) To compile the financial data for processing and reporting;
- (c) To devise reports in a cost-effective way and adopt control instruments, which do not surpass benefits derived from them;
- (d) To provide neutral and unbiased information;
- (e) To provide financial information which are reliable, relevant and useful;
- (f) To maintain regularity and discipline at all levels of financial management;
- (g) To ensure compliance with rules and procedures at all levels; and
- (h) To assist the Executive Director with timely information for the exercise of better monitoring and control over organizational operations.

Finance/Accounts shall bring to the notice of the Executive Director any matter which may materially affect the finances of CEGIS before any commitment is made or established. Making a decision by any responsible officer of CEGIS which involves unlawful expenditure, taking an unlawful action which has resulted or is likely to result in a loss or deficiency to CEGIS authority or is about to make any unlawful entry into CEGIS' accounts, etc., may be cited as examples of matters which have to be brought to the notice of the Executive Director by the Finance/Accounts Section. The Executive Director may take any action he considers necessary in the best interest of CEGIS or may bring it to the notice of the BoT.



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308 CEGIS Code of Conduct

The avowed policy of CEGIS is that all staff members and consultants shall conduct their activities morally, ethically, and in the spirit of public accountability and transparency, and in conformity with applicable laws and regulations and practices common with responsible development organizations, Trusts and non-government organizations. More specifically, the financial management policy and guideline provide that:

- (a) CEGIS' properties and funds cannot be used for any unlawful or improper purpose;
- (b) CEGIS' funds cannot be used as a contribution to any political party or for financing its activities in any manner;
- (c) All financial transactions must be accounted for accurately and properly;
- (d) No undisclosed or unrecorded funds or assets shall be established or maintained in the name of CEGIS or for CEGIS;
- (e) No payments shall be solicited or received by any unauthorized CEGIS staff or relative of any staff from any vendor or prospective vendor;
- (f) All payments to vendors must be made through crossed cheques except for petty cash procurements;
- (g) All transaction vouchers shall be signed by authorized persons immediately after the occurrence of transaction;
- (h) All funds must be deposited into CEGIS' approved bank accounts and all financial transactions shall be made only from those designated accounts;
- (i) No borrowing can be made for and on behalf of CEGIS without prior written approval of the BoT;

CEGIS requires its employees to abide by the foregoing standards of moral and ethical behaviour in their dealings with its suppliers, consultants, sub-contractors, and government agencies. They are also required to report any violations of these standards.

Each staff of CEGIS having the responsibility of placing orders for procurement, paying or supervising any supplier, consultant, or sub-contractor shall be required to understand the following Code of Conduct and sign it:

"No employee, officer, or agent shall participate in the selection, award, or administration of a contract or grant if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of her or his immediate family, her or his partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the organization selected for an award. The employees, officers, and agents of CEGIS shall neither solicit nor accepts gratitude, favours, or anything of monetary value from contractors or vendors".

This signed Code of Conduct, which shall be completed annually, shall be filed in each employee's personal record. Any question of "conflict of interest" or "potential conflict of



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interest" should be resolved in accordance to Section 212 of the "CEGIS Corporate Governance Policy."



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## Chapter 4: Accounting

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### 401 Policy

The CEGIS accounting policy mandates assurance of **accuracy and completeness** in organizational accounts and reports through the application of an accounting system. The accounting system consists of the methods and records established to identify, capture, analyze, classify, record and report an entity's financial transactions and to maintain accountability for the related assets and liabilities. The following are the key aspects of accounting to ensure accuracy and completeness:

- (a) All receipts are correctly recorded and all receivables are properly recognized;
- (b) All expenditures and disbursements are authorized, vouched and correctly classified;
- (c) All accounts and reports represent a complete and true statement of the financial transactions.

### 402 Accounting Principles

The modified accrual basis of accounting shall be the fundamental accounting principle for CEGIS. The special features of this modified accrual basis are that:

- (a) Income and expenditure are recognized irrespective of actual cash receipt or cash payment; and
- (b) Outstanding liability and unrealized income are recognized at the time of closing the books.

The books of accounts are the bases where all the financial data are stored and wherefrom all required reports are generated. The modified accrual basis of accounting encourages the concept of asset and liability. Therefore, funds receivable must be recognized as *receivable or asset* in the books of accounts. Consequently, bills payable must be recognized as a *commitment or liability* in the books of accounts.

### 403 Source Document/Voucher

The voucher is the only source document to record the occurrence of a certain financial transaction. It identifies the person responsible for preparing the voucher and the person authorizing the transaction. It shall be chronologically numbered with reference to the transaction date and filed in a predetermined sequence. The voucher shall be accompanied by relevant bills/memos, etc., supporting the transaction. (Format: Annex A)

All information entered into the ledger shall be done through the use of voucher entries. It shall be the responsibility of the Executive Director to ensure that the information being fed into the ledger is validated and correctly done. The Executive Director himself shall be responsible for authorizing every single voucher. But he or she may delegate this power to a designated person within the organization.



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#### 404 Chart of account

A common chart of accounts designed on a common structure with approval from the MCT shall apply to the whole of CEGIS. CEGIS must keep within the parameters defined for the use of the chart of accounts including the range of accounts that are agreed upon.

##### 404a Analysis Codes

Analysis codes shall determine how the transactions booked in the ledger are analyzed and read. The adopted analysis codes are mandatory although CEGIS shall be given flexibility to be able to accommodate some of their special requirements. Changes to the agreed analysis code structure will not generally be allowed but where there is need they have to be agreed upon with the Accounts and approved by the Executive Director or his/her designated person in CEGIS.

##### 404b Books and Registers

The standard best accounting practice requires several books or ledgers for recording financial transactions. The essential books of accounts that must be maintained in each department of CEGIS are:

- i. Cashbook
- ii. Fixed assets register
- iii. Consumables register
- iv. CD/VAT /AIT control register
- v. Advance control ledger
- vi. Direct payment control register
- vii. Payroll

##### 404c Cashbook:

The cashbook is the primary data source of all cash transactions. A cashbook also contains bank transactions. All receipts either through cash or through bank transfers are entered on the debit column of the cashbook and disbursements/expenditures on the credit column of the book. The cashbook also records the budget line wise disbursements. The data sources of the cashbook are vouchers.

The total amount of expenditures in each budget line can be ascertained from the cashbook. The monthly total expenditures as well as total quarterly expenditures can be ascertained from this book, which will subsequently help in preparing the Monthly/Quarterly Financial Report. (Format: Annex B)

##### 404d Fixed Asset Register

A fixed asset register shall be maintained to record all fixed assets under the custody of a particular office, showing separately fixed assets and capitalized and depreciable fixed assets of projects. The register shall contain the appropriate details of the applicable information on each asset presented in the list below:

- i. Description of the asset
- ii. Cost in original currency





- iii. Cost converted to currency of ledger (BDT)
- iv. Date of purchase
- v. Name and address of supplier
- vi. Location of asset
- vii. Asset number
- viii. Service interval if applicable
- ix. Estimated useful life in years
- x. Depreciation period
- xi. Rate of depreciation per month and per year
- xii. Date of disposal
- xiii. Comment indicating state or condition of asset

#### 404e Consumables Register

A consumable register should be maintained in every project for recording the procurement of consumable (or expendable) items (i.e., stationeries, printing items etc.) and their issue to project personnel. The store-keeper or logistics assistant shall maintain the register properly, i.e., record each and every consumable item procured regardless of quantity, record issuance of each item, and calculate the balance regularly. A separate sheet should be used for each category of items, i.e., a separate sheet for papers, pencils, diskette, etc., respectively. The Goods Received Note (GRN) is generally used for the receipt of procured supplies and the Requisition Slip (RS) is used to record supplies issued to the consumers. Excessive stocks shall not be held.

The Administrative Officer shall arrange for periodical test examinations of stocks by persons other than store-keepers and shall ensure that all stocks are checked at least once every year.

The Executive Director shall receive from the Administrative Officer such information, as he may require in relation to stores for the accounting, costing and financial records. Surplus materials, stores or equipment shall be disposed of by competitive tenders or public auction unless the Executive Director decides otherwise.

CEGIS shall maintain inventories, which must record an adequate description of all moveable, and valuable property. The form, in which the inventories shall be kept, shall be determined by the Administrative Officer with approval from the Executive Director.

The Administrative Officer shall be responsible for providing means of identification on all items in the inventory, for undertaking an annual check of all items on the inventory, for taking action in relation to surpluses or deficiencies and for updating the inventory.

CEGIS' property shall only be used for CEGIS' business, unless the Executive Director issues specific directions.

Disposal of property surplus to requirement shall be done in the light of Section 306d of this Financial Policy and Procedure of CEGIS (this document).



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**404f CD/VAT/AIT Register**

This register is maintained for the purpose of recording all customs duty, advance income tax and value added tax that have been deducted or collected and deposited with the GoB exchequer.

In the case of local procurement or international procurement of goods or services where payment is made by the project, the deduction or collection of AIT/VAT at source is mandatory and it shall be deposited to the GoB treasury by the office concerned. The register shows every transaction for the collection and deposit of AIT/VAT. The project accountant is responsible for maintaining records of AIT/VAT deducted at source and uses one row (Format: Annex E) for each deduction or collection of such items paying special attention to fill up all columns as far as possible.

**404g Advance Control Ledger**

Any advance made for travelling or procurement to any party or person by the project shall be entered into this register. An entry of the relevant BL code (for which the advance has been made) must be made into the cashbook. All advances are required to be adjusted immediately after the completion of the assignment through submission of necessary vouchers and by making posting into this ledger. (Format: Annex F)

**404h Direct Payment Control Register**

This register is maintained on a monthly basis for recording direct payment, if any, relating to the procurement of equipment, goods, supplies or services at the request of the Executive Director. It also indicates the cumulative balance of funds budgeted for direct payments. (Format: Annex G)

**404i Payroll and Salary Register**

This register is maintained for the payment of the monthly salaries of the CEGIS staff. Separate pages may be used for maintaining the payment of each individual's salary. (Format: Annex: H)

**405 Banking Arrangements and Cheque**

All arrangements with the CEGIS bankers shall be made by the Executive Director under a system of delegated authority by the BoT. All bank accounts shall be jointly operated. Cheques for over a specified amount, to be decided by the Board from time to time, shall be signed jointly by the Board Treasurer and the Executive Director of CEGIS.

All other cheques for lower denominations shall be signed by the Executive Director and any one of the signatories. In the absence of the Executive Director, the cheques shall be signed by one of the Directors authorised by the Executive Director and any one of the two other signatories authorized by the Board.

The Executive Director or his/her delegated person in CEGIS may open and operate a project bank account, which shall be operated jointly between or among the partners for that



particular project. After completion of the project the project account shall be closed immediately.

#### 405a Bank reconciliation

Bank reconciliation on a monthly basis for active accounts shall be prepared so that cash book accounts with movements of funds during the month are fully reconciled with the bank statement. Bank reconciliations must be prepared using the standard agreed format approved by the Board. The purpose of bank reconciliation is to ensure that all entries on the bank statement are recorded in the general cash book, that there is no error on bank statements and that all the items leading to a difference between the cash book and the bank statement are properly and systematically identified and either noted or followed up as necessary. Bank reconciliations will serve the purpose of ensuring that all bank charges are recorded in the ledger, that all direct debits are picked up and recorded, and that all income credits received at the bank are identified and recorded in the ledger.

#### 405b Cheque handling procedure

Cheques must be protected against loss or misuse by the following procedures described below:

- (1) Upon receipt of the cheque book, cheque leaves must be counted and then recorded in the Cheque Register, with the provision of recording movement of cheques;
- (2) Cheques must be kept under lock and key when not in use;
- (3) Cheques must be used in sequence and all the cheque leaves must be accounted for;
- (4) All cheques other than cheques drawn on authorized imprest accounts, shall be ordered only on the authority of the Executive Director, who shall make proper arrangements for their safe custody;
- (5) Blank cheques must never be pre-signed. Any signed cheque must be to a named payee;
- (6) Cheques on the CEGIS main banking accounts shall be jointly signed as mentioned earlier in Section 305 above;
- (7) Cheques must be accompanied by appropriate supporting documents including a payment voucher that indicates the details and nature of payment and approval of the signatories of the Executive Director and one of the directors of CEGIS;
- (8) Cheques must be completed in indelible ink and filled up in a way that makes it hard for any alteration to be inserted. The amount in words must also always be written on the cheque (as well as on the accompanying support payment voucher).

#### 405c Electronic payment

- i. Password security must be employed to restrict access only to authorized staff in the electronic banking payment system.
- ii. No staff member shall be able to release payments entirely without a second person authorizing the transaction.
- iii. Once transmitted to the bank, the system must not allow any of the signatories to recall any of the transactions other than through direct communication with the bank.
- iv. Once logged into the system, the system must itself be able to maintain a log of the users and the tasks undertaken.
- v. Users must log off the electronic banking system upon completion of the required tasks.



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**405d Procedure for recording**

(1) Bank and cash transactions must be recorded immediately or at the most within 2 working days from the date on which the cash comes into or leaves the possession of CEGIS.

There shall be no time delay.

Within the accounting system, there shall be a distinction between cash on hand and cash in bank, between current savings and fixed deposit accounts and between restricted and unrestricted bank accounts.

**406 Accounting of Assets**

Fixed assets purchased using restricted project funds are written off to income and expenditure in the year of purchase irrespective of value.

Fixed assets purchased using project-restricted funds shall not be capitalized but charged to the project income and expenditure in the year of purchase. A fixed asset register shall however be maintained as indicated (Section 304d) above.

Project assets, which revert back to CEGIS at the end of the project, shall be entered into the CEGIS balance sheet at a nominal value of BDT.

The fixed asset register may be kept in the form of a manual register or electronically in a spreadsheet. It shall be kept up to date with disposals, additions or major changes in the state of any asset.

**406a Policy for capitalization**

Fixed assets shall be capitalized if they are purchased using unrestricted funds. In deciding on the assets used together they should be considered as a set taken together. Where items used individually are purchased in bulk, they should be capitalized only if the value of each item is greater than the threshold specified. The residual resale value of the asset should not be taken into account in calculating the depreciation since it is anticipated that assets will continue to be used even after they are fully depreciated.

**406b Policy for depreciation**

CEGIS shall use a straight line depreciation policy to write off the cost of fixed assets over their estimated useful lives beginning from the month when the assets are purchased. The following rates shall be applied:

- |   |                           |
|---|---------------------------|
| (a) Furniture and fixtures                        | 10 years (10% per year)   |
| (b) Office equipment                              | 6 years (16.66% per year) |
| (c) Motor vehicles                                | 5 years (20% per year)    |
| (d) Computers Hardware and Software & Accessories | 3 years (33.33 per year)  |

Depreciation is generally charged to income and expenditure accounts for unrestricted funds and recorded in the corresponding depreciation account in the balance sheet for the respective category of assets. Where an asset is purchased during any particular year, depreciation should be apportioned on the basis of the number of months that it was in use during the period. Thus, if an asset were purchased on 10<sup>th</sup> of August, the depreciation charge for the first year should be 5/12<sup>th</sup> of the annual depreciation amount.



**406c Security and custody of assets**

- (1) All assets shall be tagged with an identified number to be used for tracking as well as for their verification;

The identification number shall be in a form that is not easily removable such as a permanent sticker or paint marking;

Any permanent etching should not be done unless it is cost effective to do so;

At least once a year verification of the fixed assets should be undertaken and the physical assets should be compared to the fixed asset register;

Physical comparison may be adjusted to take account of the existing assets, subject to the approval of the Executive Director of the circumstances concerning their loss and step for writing off from the ledger as indicated under the section on write offs;

Fixed assets should be safeguarded against loss or damage and should be properly stored at all times when not in use.

**406d Disposal of assets**

Fixed assets purchased using unrestricted funds and thus capitalized should be disposed of in the following manner:

- i. The Executive Director must give approval for the disposal of any asset upon recommendation by the MCT following a request by the Administrative Officer in charge of the fixed assets administration;
- ii. The Executive Director will take prior approval from the BoT or Executive Committee to dispose the fixed asset items.
- iii. The assets should be disposed of in a transparent and accountable manner through a formal bidding process as decided by the Executive Director;
- iv. A three member committee (Obsolete item committee) may be constituted by the Executive Director to establish a minimum value of the assets and to evaluate formal or informal bid proposals and to suggest a disposal decision;
- v. The Executive Director shall authorize the sale price and delivery of the assets, including its de-registering from the fixed asset register;
- vi. The office must aim to get the highest value for the assets and give to the highest bidder (with ability to pay);
- vii. Where the assets are of high value such as vehicles or computers, the Executive Director should decide whether to invite formal external bids or do so internally. Communication or advertisement should give everyone equal opportunity without any unfair advantage to anyone.

The excess of the sales proceeds on the disposal of fixed assets over the net book value at the date of disposal should be accounted for in the income and expenditure statement against the respective cost centre. Once disposed of, the asset(s) should be struck off from the fixed assets register.

**406e Annual physical verification of fixed assets**

Itemized verification of fixed assets is very important in terms of discharging custodial accountability. Verification is generally conducted once a year and a verification report is prepared to support the existence of assets in the custody of the organization including the status of the condition of their services. The Executive Director may constitute a three-member committee for the physical verification of



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fixed assets, which shall, upon completion of the assignment, prepare and submit a report to him along with its findings.

#### 406f Protection of assets

The Administrative Officer shall ensure that an itemized inventory is prepared of private properties belonging to any person admitted to residential care by CEGIS:-

- (1) where it is necessary to prevent loss or damage, or where financial assessment may be required.

Two officers must prepare such an inventory at the same time. The Administrative Officer shall hold all valuable articles of a similar nature and documents of title in safe custody. If circumstances warrant, he shall consult with the Executive Director.

#### 406g Security

The Administrative Officer is responsible for maintaining proper security at all times for building, stock, stores, furniture, equipment, cash, documentation and information under his or her control. He or she shall have consultations with the Executive Director in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

Maximum limits for cash holdings shall be agreed with the Executive Director and shall not be exceeded without his permission in writing.

Keys to safes and similar receptacles are to be carried on the person of those responsible at all times. The loss of any such keys must be reported to the Administrative Officer forthwith.

The Executive Director or her or his designated authority shall be responsible for maintaining the security of the CEGIS network system installations. Each employee shall be responsible for maintaining proper security and privacy in respect of information held within the CEGIS installations, or for its use, in respect of those systems for which he or she is registered as the responsible person under the personnel policy of CEGIS.

All employees shall comply with the standards and principles set down in the Code of Practice of CEGIS.

Waste materials such as paper, discs, tapes, etc., containing confidential data must be kept in a secure environment until disposed of. Disposal must be carried out under controlled conditions approved by the Executive Director in order to ensure the effective destruction of the material concerned.

#### 407 Responsibilities

The Executive Director is primarily responsible for the propriety of the cashbooks and ledgers in conjunction with the Head of Accounts of CEGIS. The main responsibilities are to ensure the integrity of the information in the ledgers, accounts and financial statements prepared from the records contained in the ledgers. The filing of supporting documentation in order to allow easy retrieval and to create an audit trail is also equally important. It is the



responsibility of the Head of Accounts to ensure that the cashbooks and ledgers are kept up to date and that the necessary reporting is done on time as laid down under the signature of the Executive Director and the Accountant.



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## Chapter 5: Operating Systems and Reporting

### 501 Policy

Financial reporting is a key element in the accountability of public bodies like CEGIS and it refers to the communication of financial information of an organization to all stakeholders and interested parties. It encompasses all reports that contain financial information based on data generally derived from the accounting and reporting system described in this document. It also includes financial statements as well as financial information presented in the form of budgets, fiscal plans and estimates of expenditure or reports on the performance of individual programmes or activities. The financial statements present both operating conditions for the reporting period and the position of the organization as on the closing date of the fiscal year.

### 502 General and Imprest Accounts

The Executive Director or his representative shall provide imprest accounts for CEGIS as may be needed. Imprest accounts shall be operated strictly within the procedures set by the Executive Director or his or her representative authorized on his behalf through administrative orders issued from time to time.

### 503 Income

Unrestricted income is recognized on an accrual basis but is generally recorded on cash and day-to-day basis when funds are received and accrued at the end of the year. On the day-to-day basis, project income is recognized on a cash basis when received and is only accrued at the end of the year for purposes of external reporting only.

#### 503a Restricted and unrestricted income

Restricted income is defined as income or funds received from a donor with imposed restrictions of use, such as, for specified projects or activities, specified geographical or thematic restrictions or other specified conditions linked to the funds. The restrictions thus remove from CEGIS the flexibility to use the funds at its own discretion. The manner in which restricted funds are recorded on the accounting system must reflect the nature of the restriction and must be matched to the expenditure taking into account such restrictions. It is not necessary that restricted funds are separately deposited in bank accounts since the accounting system has been designed to provide this segregation without the need to open separate bank accounts.

Unrestricted income is defined as funds received or earned by CEGIS without any restriction with regard to the nature of their use. Unrestricted income is allocated to activities at the discretion of the Executive Director in accordance with the annual budget and other budgets approved by the BoT.

#### 503b External Income

Income received from an external entity comprises what is referred to as CEGIS' external income. It must be strictly distinguished from internal income allocations (between projects and or cost centres or projects or cost centres) for reporting and



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control purposes. External income comprises funds received from sources outside of CEGIS and must be coded to the account codes allocated for that purpose within the chart of accounts. All external income must be analysed by income codes. It should be noted that for purposes of this definition, all income including interest on staff loans is treated as external income and must be analysed by income codes as specified within the agreed coding structure.

As a general rule, external income received directly by regional, local and other out posted offices, is normally restricted to either local use or to local activities.

#### 503c Internal Income

Internal income is defined as allocations of funds between projects and or cost centres or projects or cost centres including sub-projects and sub-cost centres or allocation from balance sheets. All other income other than internal allocations is treated as external income. Internal income is expected to net off to zero at the consolidation stage and therefore the designated account numbers for internal allocations for receiving project or cost centres must be matched to the pair account codes for the projects or cost centres being charged.

#### 504 Expenditure

Expenditure is recognized on an accrual basis. The general practice is however to recognize expenditure on a cash and a day-to-day basis and accrued at the end of the year for external reporting purposes. With a commitment accounting system expenditure will increasingly be accounted for on an accruals basis.

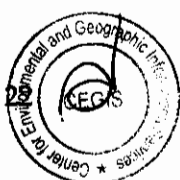
##### 504a Recording and accounting

Expenditure must be recorded using the agreed chart of accounts. It must be recorded in the account code that best describes the nature of expenditure and must not be done on the basis of whether there is a budget or not. Expenditure must be recorded on a timely basis and the general ledger kept up to date.

##### 504b Advances

Advancing to implementing partners are funds provided in order to enable them to undertake defined activities based on a specific proposal of agreement and for which accounting has to be done back to CEGIS. These funds are usually coded to the account code designated for such advances. Although these advances should be handled through the balance sheet, they are for practical reasons handled through the income and expenditure statement so that they are taken into account when project reports are extracted for clients.

It is important that all advances given to implementing partners are accounted for and cleared to correct expenditure accounts as soon as the financial reports are received. This has to be done by receiving out the advances and transferring them to the respective expenditure accounts on time. Where the financial returns are not received on time, a follow up should be undertaken to ensure that there is no unnecessary delay.



Where the advance is provided in a currency other than the ledger basis currency, the clearing entries must be made at the same rate of exchange at which the original advance was made.

**504c Coding of expenditure and integrity of account**

Within the approved chart of accounts, income and expenditure transactions must be coded to the correct descriptive account code irrespective of whether a budget has been allocated within the particular budget line or not.

Transactions must not be coded to an incorrect descriptive account. Lack of accounting integrity due to entry in the wrong code must immediately be surfaced since the entry and supporting document are not aligned. It may lead to wrong reporting of expenditure.

If situations arise where the Head of Accounts may need to code certain expenditure to account code categories (i.e., budget lines) which do not correspond to their nature, he or she shall make written requests to the Executive Director, explaining the reason for exception, for approval.

While Accountants are responsible for verifying the integrity of expenditure accounts according to their nature, it is solely the responsibility of the project leader to code the expenditure according to the cost centre, project or sub projects to which the expenditure belongs, and any analytical code that the budget and reporting requirements define.

In exceptional cases where project or cost centre expenditures are incurred prior to the allocation of a permanent project or cost centre code, the office needs to book these expenditures into a special suspense account set up for this purpose on balance sheet receivables. It should normally be cleared as soon as the project numbers are issued and analyzed on a quarterly basis.

**505 Orders for Work, Goods and Services**

All employees have a duty to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of CEGIS, in accordance with the appropriate Codes of Conduct.

Official orders shall be in a form approved by the Executive Director and shall be authorized only by officers so designated by the appropriate Accountant. The project leader shall be responsible for official orders issued from his or her projects and for ensuring that the cost is within approved estimates.

Official orders shall be issued for all work, goods or services to be supplied to CEGIS except for automatic supplies from statutory undertakers (e.g., gas, water and electricity), for periodical payments such as rent or rates, for petty cash purchases or such other exceptions that the Administrative Officer may approve. Each order shall conform to the "CEGIS Procurement Policy".



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Each order which is issued in respect of work, goods or services which are not the subject of a contract in writing shall include such provisions and conditions as the Administrative Officer may direct.

Accountants should aggregate the total value of supplies over a twelve-month period. The total estimated value of purchases in the twelve-month period shall be used to determine whether quotations or tenders are required. Quotations or tenders may be invited on the basis of an estimated annual requirement and then may be drawn off from the contract at the tendered price whenever deliveries are required.

Official orders must not be used for any personal, private or unofficial purchases nor must personal or private use be made of CEGIS' contracts or similar arrangements.

#### 506 Payment of Accounts

Except for petty cash payments from departmental imprest accounts, the normal method of payment of money due from CEGIS shall be by cheque or other instruments (including approved electronic transfers) drawn on the CEGIS' banking account by the Executive Director or in his/her absence one of the directors authorised by him on his/her behalf and any one of the two other signatories authorized by the Board.

Payments by other instruments shall be fully supported by proper, certified documentation in all cases. Loans, leases or rental agreements as methods of payment must not be entered into without the prior approval of the Executive Director.

Project leaders and accountants shall be responsible for examining, verifying and certifying all invoice(s) for which they have issued an order, and similarly for any other payment vouchers or accounts arising from the projects. Such certification shall be in writing by project leaders of the respective projects of CEGIS.

Before certifying an account, the certifying officer shall be satisfied that:-

- (a) The work, goods or services to which the account relates have been received, carried out, examined and approved; in exceptional circumstances, where there is demonstrable financial benefit to CEGIS, the Executive Director or his or her nominated person may authorise payment in advance.
- (b) The prices, extensions, calculations, trade discounts, other allowances, credits and tax rates are correct;
- (c) The relevant expenditure has been properly incurred and is within the relevant estimate provision;
- (d) Appropriate entries have been made in inventories, stores records or stock books as required;
- (e) The account has not been previously passed for payment and is a proper liability of CEGIS;
- (f) Where it is not self-evident, the account has been endorsed with a description of the goods or services supplied.



Duly certified accounts shall be passed without delay to the Accountant who shall examine them to the extent that he considers necessary. The Accountant shall have the authority to ask for such information and explanations as he may require. (Payments should be made in compliance with CEGIS' payment policy and the statutory requirements regarding prompt payment.)

Payments shall not be made on any photocopied or faxed invoice, statement or document other than a formal invoice. Any amendment to an account shall be made in ink and initiated by the officer making it, stating briefly the reasons where they are not self-evident.

Each accountant shall, as soon as possible after 30<sup>th</sup> June each year, notify the Head of Accounts of all outstanding expenditure relating to the previous financial year.

#### 507 Salaries, Wages and CPF

The payment of all salaries, wages, compensation and other emoluments to all employees or former employees of CEGIS shall be made by the Executive Director or under arrangements approved and controlled by him.

Each Division Head and Project Leader shall notify, taking prior permission from the Executive Director, the Accountant as soon as possible and in the form prescribed by him, all matters affecting the payment of such emoluments, and in particular:-

- (a) appointments, resignations, dismissals, suspensions, secondments and transfers;
- (b) changes in remuneration, other than normal increments, and pay awards and agreements of general application;
- (c) by using the prescribed format or otherwise as laid down by the Executive Director.

Each Division Head and Project Leader shall notify, taking prior permission from the Executive Director, the Accountant as soon as possible, and in a form prescribed by him, of the following:-

- (a) absence from duty due to sickness or for any other reason, apart from annual leave entitlement;
- (b) information necessary to maintain records of service for income tax, National Insurance and the like.

Appointment of all employees shall be made in accordance with the regulations of CEGIS and approved establishments, grades and rates of pay.

All time records or other instruments for payment shall be in a form prescribed or approved by the Executive Director. Hard copy documents shall be signed by the project leaders.

Where Electronic (E) forms are available for payment purposes, they should be used in accordance with the CEGIS' protocols regarding completion, authorisation and input to the relevant payment system.



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## 508 Travelling and Subsistence Allowances

All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be submitted to the Head of Accounts, duly certified by the Project Leader.

Where specified forms are available for submission of expense claims, they should be used in accordance with CEGIS' protocols regarding completion, authorisation and input to the relevant payment system.

Officers' claims submitted more than six months after incurring the expenses shall be paid only with the express approval of the Executive Director.

## 509 Taxation

The Head of Finance/Accounts shall be responsible for the proper administration of the procedures to identify CEGIS' liability to taxation and entitlement to tax relief.

The Head of Finance/Accounts shall, under the supervision of the Executive Director, ensure that financial control systems bring all tax liabilities to account and that tax is recovered to the fullest possible extent in due time.

The Executive Director shall issue appropriate guidance and provide necessary instruction and training, as he deems necessary.

The Head of Finance/Accounts shall report periodically on CEGIS' tax affairs to the Executive Director.

Project leaders shall consult with the head of Finance/Accounts at an appropriate time about expenditure and income proposals, which may have tax implications. Reports to the Executive Director (and its Executive Committees or Panels) should identify tax implications where appropriate.

### 509a Deduction at source:

The Income Tax Ordinance, 1984 (Section 48 of Chapter VII) provides that each payer has to deduct income tax from the income of the payee, on behalf of the Government, in accordance with the provisions of the relevant Finance Act. All tax deducted at source must be deposited to the credit of the Government within the prescribed time. In case of failure to deduct tax or to deposit the deducted tax to the credit of the Government, the Executive Director and the organization shall be deemed to be an assessee in default and shall pay, in addition to such tax, an amount of fine at the rate of 2% per month (the rate of fine being subject to change year to year) on such tax for the defaulted period. The head of payments from which tax is deducted at source is given in Section 49 of the said Ordinance. Of these the following payments are relevant in respect of CEGIS for the purpose of deduction of tax at source:

#### 5.09.a.1. Salaries:

If the annual income of an employee, after considering exempted income (such as medical allowance), exceeds the minimum taxable limit, tax on the basis of the current



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assessment year shall be deducted from the salary of the employee if not otherwise specified.

5.09.a.2. Payment to suppliers, contractors, etc.

At the time of making any payment, whether due or in advance is made on account of any supply of goods or services under a contract agreement, tax at the prescribed rate (Rule 16) shall be deducted at the time of making such payment, irrespective of the consideration of part or final payment.

5.09.a.3. Payment of rent:

Tax at the prescribed rate (Rule 17) shall be deducted from the house rent paid or payable.

5.09.a.4. Payment of fees for professional or technical services:

The person or authority responsible for making any payment on account of fees for professional services shall deduct, at the time of disbursement of such fees, as advance payment of income tax (AIT) at the rate of 5% or at such rate as may be applicable from year to year (Section 52A of the ITO, 1984), on such fees.

5.09.a.5. Payment to non-resident:

At the time of making any payment to a non-resident, which is chargeable under the Income Tax Ordinance, 1984, tax shall be deducted as under:

- where the payee is a company, at the rate applicable for a company;
- where the payee is a person other than a company, at the maximum rate.

5.09.a.6. Stamp Act

As per the Stamp Act, for any payment over Tk.200 a revenue stamp in the amount of Tk.4 must be affixed on the money receipt. Accordingly, all recipients will be instructed to affix a revenue stamp on all money receipts or vouchers if payment is made for an amount in excess of Tk.200.

509b Value Added Tax (VAT)

The burden of tax attributable on the value that is added to the product or services is borne, in the case of any product produced in Bangladesh, by the producer and in the case of providing services, by the provider of the services. Every producer of goods and services are required to have been registered under the Value Added Tax Act, 1991, but Trusts and/or Non-government organizations are exempted from such registration. Certain payments are subject to the deduction of VAT when making them to the supplier or contractor under an agreement. A list of payment for goods and services, which are subject to VAT, is given hereunder:

5.09.b.1. Payment to construction contractors:

An amount equal to 4.5% of the bill is deductible at source as VAT on organizations, associations or persons engaged in the construction, repair and maintenance of buildings.



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## 510 Financial Statements

CEGIS' financial statements include the Balance Sheet, Income Statement and Receipts and Payment Accounts. In addition to these audited statements of accounts, Fund Statement, Budget Variance Statement and other statutory statements should be prepared. Annual financial statement report will be sent to the BoT showing the financial status and management.

CEGIS' Chart of Accounts has been prepared in accordance with its budget line items.

### 510a Monthly reporting procedure

All bank reconciliations must be undertaken and the necessary entries processed in the ledger before finalizing the accounts of any particular month.

All accounting transactions must be processed in the ledger within 2 working days of such transactions. All income and expenditure transactions must be analyzed by the project or cost centre number. In addition, all income transactions must be analyzed by an income code. At the end of the month, a report should be run to check and ensure that all transactions are analyzed in this manner. Subsequently, all journals in the transactions reports and income and expenditure statements should then be produced and distributed to the cost centre and project leaders. Where an electronic system that interfaces with the accounting system is in use, the necessary intervention should be made after following the above procedures and communication to the cost centre project leaders to inform that the accounts have been updated.

For any project office, ledger back ups in respect of any particular month should be sent to the Dhaka office by e-mail or surface mail on or before the 15<sup>th</sup> of the following month. It should be noted that no adjusting entries should be made to alter any project or cost centre numbers once a month has been closed and the back-up sent to the Dhaka office. This is necessary so as to preserve the integrity of the accounts.

### 510b Annual reporting

Consolidation of accounts like the Balance Sheet, Income Statement and Receipts and Payment Accounts are prepared and audited at the end of each financial year. In order to maintain the integrity of the annual accounts, no office is authorized to reopen accounts of any closed year except on the advice of the Executive Director through the Head of Accounts. Once final accounts are submitted and consolidated, the need for any corrections or adjustments must be handled through the following financial year. It is strongly forbidden to reopen a closed year unless expressly advised in writing by the Head of Accounts. This, therefore, forbids passing any new entries, adjustments, account allocations, amendments, insertions or deletions once the year has been closed.



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## Chapter 6: Internal Control

### 601 Policy

The internal control system refers to policies and procedures adopted by the Management of an entity to assist in achieving the Management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its activities. It comprises the control environment and control procedures. The control environment embodies the overall attitude, awareness and actions of the Management regarding the internal control system and its importance in the organization. The control environment has an effect on the effectiveness of the control procedures. The function of the highest organizational authority (BoT, CEGIS) and its committees, Management's philosophy and operating style, organizational structure and the methods of assigning authority and responsibility and control system including internal audit function, personal policies and segregation of duties are key factors in the control environment. The control procedures are those policies and actions, in addition to the control environment, which the Management has established to achieve the organizational objectives. Major operational issues like reporting, reviewing and approving reconciliations; maintaining and reviewing control accounts and trial balances; approving and controlling documents; comparing internal data with external sources of information; comparing and analyzing the financial results with budgeted amounts; etc., are some of the key factors of control procedures.

### 602 General

Internal control is a management system in order to ensure:

- (a) adherence to management policies, governing laws and regulations;
- (b) effectiveness and efficiency of operations; and
- (c) reliability of financial accounting and reporting toward achievement of specific objectives.

Internal control consists of a set of coordinated procedures and measures to detect errors and irregularities, to correct them and to prevent misuse of resources. A sound internal control structure is a pre-condition for efficient, effective and accurate financial management. A well designed control structure with all the basic elements of internal control can ensure proper use of the organization's resources, safeguard its properties, provide adequate audit trail and make possible independent representation of financial information. It not only raises an organization's accountability and degree of transparency among the stakeholders but also increases efficiency of the organization and its staff members as a whole.

### 603 Administrative Control and Accounting Control

Internal control comprises two aspects: administrative and accounting. *Administrative control* refers to an overall management system with a set of rules and procedures to ensure effectiveness and efficiency of various aspects of programme implementation, including planning, budgeting, inputs mobilisation, and reporting. *Accounting control*, on the other hand, focuses on ensuring financial transactions and reporting based on established rules and



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procedures and in compliance with work plans and expenditure plans. A system of accounting control is designed to provide reasonable assurance that:

- (a) Transactions are executed in accordance with CEGIS management's general or specific authorization within the framework of work plans and with a view to achieving organizational objectives;
- (b) Transactions are recorded as necessary to allow preparation of financial reports in conformity with generally accepted accounting principles;
- (c) Transactions are recorded as necessary to maintain accountability and transparency in the use of organizational resources and protection of its assets;
- (d) Access to assets is permitted only with Management's authorization;
- (e) The recorded assets are compared with physical assets at reasonable intervals and appropriate action is taken with respect to differences, if any.

A standard checklist for internal control for both administrative and accounting aspects is given in Annex D. This checklist provides a useful tool for the Executive Director to ensure installation and use of the necessary control instruments, all of which are requirements under an effective monitoring modality. This checklist also offers a first hand knowledge of management performance particularly with respect to the financial aspect.

#### 604 Internal Control Structure

A standard internal control structure consists of policies, rules and procedures to ensure judicious, effective and efficient use of organizational resources in order to achieve project objectives. CEGIS' internal control structure basically has two aspects as mentioned above: administrative and accounting. It is the responsibility of the Executive Director to install and implement the necessary management system to make the internal control structure operative. Such management system must be based on clearly spelled out roles and responsibilities of CEGIS personnel in accordance with the organogram. For accounting control, the head of the accounts section and his or her assistant(s) are responsible for preparing and maintaining necessary accounts, records and reports. However, the ultimate responsibility for the accounting control lies with the Executive Director and it is his or her duty to ensure the quality of the work performed by the Accounts personnel. A double-checking system, where a job performed by one person is always reviewed by another, is indispensable for any accounting related work in order to ensure proper accounting control.

The table below describes the basic structure of CEGIS' internal control system covering essential elements for both administrative and accounting aspects highlighting key roles of the Executive Director and the accounting personnel. The "control environment" on the left column refers to the overall framework in which CEGIS operates. The control environment represents the organization's overall attitude, awareness and enforcement of control. The fundamentals of the administrative modality that involve responsibilities beyond the scope of the Management are described in this column.



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Control environment	Administrative control (Role of the ED)	Accounting control	
		Role of the ED	Role of Head of Accounts
<ul style="list-style-type: none"> <li>• Vision and policies of the CEGIS modality.</li> <li>• General rules and procedures applicable under CEGIS' Deed of Trust including:</li> <li>*Organisational structure (roles of the BoT, MCT and other parties concerned).</li> <li>*Professional management structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Clear assignment/ delegation of responsibility/ authority in the management team.</li> <li>• Preparation, implementation and reporting on work plans and budget.</li> <li>• Monitoring, review and follow up actions.</li> <li>• Ensuring compliance with all provisions of the guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining separate accounting system for project .</li> <li>• Establishment of systems for proper financial transactions and reporting.</li> <li>• Establishment of a double-checking system for accounts, books and reports.</li> <li>• Ensuring adequate disclosure of financial information on a timely basis.</li> <li>• Ensuring compliance with the provisions of financial management guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>• Identification of all valid transactions and rejection of any improper transaction.</li> <li>• Classification of transactions according to the GL code and within the framework of work plans and the budget</li> <li>• Use of standard organizational vouchers and recording of valid transactions in proper books of accounts.</li> <li>• Preparation of standardized and time-bound financial reports using information from the relevant books of accounts.</li> <li>• Ensuring preparation and maintenance of auditable documents</li> </ul>

Factors that generally contribute to the overall control of an organization are highlighted below:

604a Management philosophy:

It is the Management's willingness to accept risks and aggressiveness in reporting financial information.

604b Assigning authority and responsibility

It is the understanding of reporting relationships, delegation of authority and degrees of responsibility within the organization. Organizations which are a one-man show or believe in centralized decision-making lack internal control, for example.

604c Management control methods

This generally refers to monitoring performance by utilizing budgets, forecasts, variance reports, and clear policies and procedures.



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604d Internal audit

The internal audit modality is a basic element of a strong internal control structure. The internal auditor generally reports to the highest level of management.

The following principles shall be observed in the allocation of accounting duties: -

- (a) The duties of providing information regarding sums due to or from CEGIS and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them.
- (b) The Accountant charged with the duty of examining and checking the accounts of cash transactions shall not be engaged in any of these transactions.

605 Control Procedures605a Adjustment and control procedure

Control procedures are those policies and procedures in addition to the control environment and accounting system that management establishes to provide reasonable assurance that specific entity objectives have been achieved. These procedures are:

6.05.a.1. Authorization of transactions and activities:

A system must be put in place that allows only authorized personnel to approve or initiate certain transactions. The intention is to provide a tighter control structure and to institute internal discipline. A strong control environment requires that a written and well-circulated document be put in place with specific mention of authorization and or approval authority of authorized representatives.

Once a particular financial year is over and the accounts produced are consolidated, no officer is authorised to reopen the same without express written authority from the Executive Director. Subject to any unforeseen situation the only entries that will be authorised to be reopened will be those relating to the transfer of income and expenditure in the statement, and balances being transferred to the balance sheet. This is the only procedure undertaken only after the completion of the annual audit of the consolidated accounts.

6.05.a.2. Segregation of functions:

Various functions must, to the extent possible, be segregated among sections and staff. This aims to prevent errors and irregularities in the system. At least the following functions should be segregated:

- Record: recording of transactions should be done by persons independent of the persons conducting the transactions;
- Authorization: person(s) authorizing transactions should be persons other than the persons conducting the transactions or recording the transactions;



- Custodian: custody of assets may be separated from the persons responsible for record keeping and conducting transactions;
- Execution: persons responsible for procurement persons other than the persons responsible for utilization of assets and properties.

#### 6.05.a.3. Safeguarding assets and records

The assets and properties may be misappropriated and/or accidentally destroyed if they are not properly protected through a good system of control. Internal control procedures must protect organizational assets against any unauthorized access, whether by direct or indirect means:

**Direct Access to assets and records:** Direct access refers to the opportunity an individual might have over actual physical possession of assets. Restricting the actual physical availability is the most important protective measure for safeguarding assets. It can be done by physically segregating the assets and use of protective devices, bonded custodians and independent custodians (i.e. banks, safety deposit boxes, etc.).

**Indirect Access to Assets and Records:** Indirect access refers to the ability to use and or dispose of assets in an unusual manner. An example of individual access includes signing a form to allow another to remove goods from a store and writing a cheque on a bank account. The most ideal way to control indirect access is to install adequately segregated functions.

#### 6.05.a.4. Independent evaluation of performance and proper valuation

These measures include clerical re-computations, reconciliations, and comparisons of actual assets with recorded assets, and user review of computer generated reports. Annual stocktaking of assets and reconciliation between physical verification report and records of assets register are examples of such measures.

#### 6.05.a.5. Adequate documents and records:

Proper use of pre-numbered forms and timely generation of reports are examples of adequate documents and records.

<u>Segregation of Responsibilities – a model</u>	
<u><b>Person Who</b></u>	<u><b>Should Not</b></u>
Prepares Vouchers	Approve Transaction and Vouchers
Prepares Cheques	Sign Cheques
Has Access to Bank Cheques	Post Payments
Receives Cash/Cheques	Record Cash/Cheque Receipts
Prepares Bank Deposits	Reconcile Bank Statements
Records Cash Receipts	Reconcile Bank Statements
Is Custodian of Assets	Conduct Physical Verification
Prepares Payroll	Makes Disbursements
Maintains Driver Logs	Monitor Fuel Usage
Procures Goods	Post in the Stores Ledger
Makes Payments	Posts in the Ledger
Posts in the Stores Ledger	Authorize Requisition Slip



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**605b System maintenance**

The computer based accounting ledger system is a critical part of the operations of CEGIS' financial management system. Members of the staff must ensure that integrity is maintained at all times and the security of the information is protected. Frequent and regular back ups of the system should be undertaken. Only authorised persons within the control of the Head of Accounts should be responsible for system Ledger Accounting maintenance including allocating rights of usage to other users. Where it is organized centrally, maintenance support will be coordinated and Accountants will be instructed what to do in order to keep maintenance costs under control.

The Head of Finance/Accounts shall prepare and maintain a manual of financial and accounting procedures to be operated in the organization. Accounts officers shall promptly submit all relevant information to the Head of Finance/Accounts who shall be responsible for the timely submission of all grant claims.

**605c Procedure for recording**

The Head of Finance/Accounts, under delegated authority from the Executive Director, shall ensure that financial management procedures are observed and that the accounts of CEGIS and supporting records are kept up to date.

**606 Filing**

It is the responsibility of the persons in charge of accounting to ensure that all vouchers and supporting documents relating to entries in the ledger are properly filed in a manner that aids quick tracing and retrieval of the documents. System generated voucher numbers should be used as the main document filing reference.

The following principles shall be observed in the allocation of accounting duties:

- (a) The duties of providing information regarding sums due to or from CEGIS and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them.
- (b) Officers charged with the duty of examining and checking the accounts of cash transactions shall not be engaged in any of these transactions.

**607 Delegation of Financial Power**

Delegation of financial power refers to the administrative measures relating to the drawing and disbursement of funds. The CEGIS Deed of Trust empowers the Executive Director with all responsibilities and powers of drawing and disbursement from CEGIS' funds. He or she may, however, delegate these functions to any of the directors so that he or she may attend to more important policy matters. This delegation will empower the person concerned to act on behalf of the Executive Director. Such delegation will become effective by an executive order of the Executive Director and shall cease to remain effective whenever he or she chooses to withdraw this power. Delegation of financial power does not relieve the Executive Director of his responsibility of proper financial administration within CEGIS. Delegation of financial



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power generally follows a structure commensurate with the organogram. CEGIS' delegated structure is built around the following positions:

Sl. No.	Authority	Responsibility	Sanctioned through	Financial Power
1	BoT	<ul style="list-style-type: none"> <li>Approval of work plan and financial proposal (budget);</li> <li>Overseeing budget execution</li> </ul>	<ul style="list-style-type: none"> <li>Budget</li> <li>Special Sanction</li> </ul>	Delegated to the Executive Director
2	The Executive Director or his or her delegated Director	Management of overall programme implementation	Operational budget in consultation with the MCT	Budgetary allocation
3	Project Leader	Day-to-day management of project and programme activities	Work plan and Operational Budget	Project Budget

The financial power of the Executive Director and the Project Leader shall be exercised in conjunction with the relevant provisions of the "Procurement Policy" and the CEGIS Deed of Trust.

#### 607a Essential conditions governing the delegation

No person or authority within CEGIS may incur any expenditure or enter into any liability involving expenditure from CEGIS' funds without fulfilling the following conditions:

- (1) that there are financial rules and procedures on this behalf approved by the BoT;
- (2) that there is budgetary provision of funds authorized by the BoT, fixing the limit within which such expenditure can be incurred except in case of upcoming projects;
- (3) that there exists an approved work plan for which expenditure is needed and there is sanction from the Executive Director for the implementation of the work plan;
- (4) that there is an appropriate control mechanism to ensure compliance with broad and general principles of financial propriety; and
- (5) that there are general principles of financial propriety.

#### 607b General principles of financial propriety

Every CEGIS officer to whom any financial power is delegated shall be guided by high standards of financial propriety while incurring or authorizing expenditure from CEGIS' funds. In order to maintain such standard of financial propriety the following principles shall be followed:

- i. that every officer to whom delegation is made is expected to exercise the same vigilance in respect of expenditure incurred from CEGIS' funds as a person of



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ordinary prudence would exercise in respect of expenditure of his or her own money;

- ii. that the expenditure is not more prima facie than the occasion demands;
- iii. that no officer or authority exercises his or her power for sanctioning expenditure to pass an order which directly or indirectly goes to his or her own advantage;
- iv. that the amount of allowances, such as, travelling allowance, granted to meet expenditure of a particular type is regulated in such a way that the allowances do not in fact, become a source of profit or regular income to the recipients;
- v. that every head of office keeps his or her expenditure within the sanctioned budget. No officer is entitled to spend any money exceeding the budgeted allocation in anticipation of additional funds; and
- vi. that every legitimate expenditure is incurred within the stipulated time.

#### 608 Risk Management and Insurance

The Executive Director shall prepare and promote CEGIS' risk management policy and develop risk management controls in conjunction with other employees.

Each Division Head shall be responsible for the identification, classification and control of all risks falling within his areas of responsibility. The risks identified shall be notified to the Executive Director for incorporation into the Risk Register, which shall be subject to periodic review by the MCT at no more than annual intervals.

Each Division Head shall take the responsibility for risk management within his areas of responsibility, having regard to advice from the Executive Director and Administrative Officer (e.g. fire prevention, health and safety), and shall undertake regular reviews of risk within CEGIS.

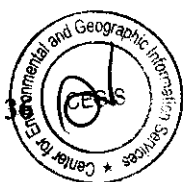
The Administrative Officer, having authority from the Executive Director, shall be responsible for all the arrangement of commercial insurance and will deal with all insurance claims in consultation with other officers, where necessary. The Administrative Officer shall deal with all claims concerned with Public Liability, Employer's Liability and Personal Accident Insurance.

The Administrative Officer shall promptly notify the Executive Director all new risks, properties or vehicles, which are required to be insured and any alterations affecting existing insurances.

The Administrative Officer shall immediately notify the Executive Director, in writing, any loss, liability or damage or any event likely to lead to a claim, and inform the appropriate law enforcing authority of the matter unless otherwise decided. The Administrative Officer shall provide the Executive Director with all claim and settlement information necessary for the evaluation of the risk.

All appropriate employees of CEGIS shall be included in a suitable group insurance.

The Executive Director shall annually, or at any other time he may consider necessary, review all insurances in consultation with the MCT and initiate appropriate actions.





The terms of any indemnity, which CEGIS is requested to give, shall be settled by the Executive Director in consultation with the MCT and other appropriate officers.



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## Chapter 7: Auditing

### 701 Policy

An audit may be defined as being an independent examination of the financial statements of an organization for the purpose of expressing an opinion. While the primary objective of a financial audit is to certify accounts prepared by the management, it ensures, as a matter of policy, that (i) expenditure is regular, i.e., it has been applied for authorized purposes and conforms to the authority which governs it and (ii) due regard is paid to securing economy, efficiency and effectiveness. In case of certification audit, the independent auditor is required to obtain sufficient, relevant and reliable audit evidences in support of their opinion.

### 702 General

Audit is an integral part of sound organizational management addressing both financial and administrative aspects, and of the overall implementation framework to ensure accountability. CEGIS' financial statements and reports are subject to an annual audit by commercial auditors, generally approved by the BoT. In approving commercial auditors the requirement of Article 12 of the Deed of Trust must be fulfilled, that is, the auditors must be Chartered Accountants as defined in Article 2 (1) (b) of the Bangladesh Chartered Accountants Order, 1973 (PO.No.2 of 1973).

### 703 Objectives

Audit addresses all substantive, financial, custodial and personal accountabilities assumed by the projects. The overall objectives of audit is to obtain reasonable assurance that the GoB or donor provided funds and resources are being managed in accordance with the provisions of the donor agreement and the project accounting manual for development projects. It must be understood that audit is not limited only to financial transactions. Audit generally goes beyond and it extends to cover the effectiveness of operations, economic and efficient uses of resources, timely preparation of reliable financial reports, integrity and reliability of information, accounts and data, etc.

In particular, audit is expected to inform the BoT with reasonable assurance that:

- (a) All governing rules and procedures for programme implementation are uniformly followed;
- (b) Provisions of the Agreement with respect to the executing and implementing arrangements and the programme management are adequately observed;
- (c) An appropriate management structure including system for internal controls and record-keeping has been installed and is relied upon;
- (d) Programme expenditures are made in accordance with the Agreement and the latest project budget;
- (e) Programme expenditures are valid and supported by adequate documentation;
- (f) Financial reports are presented fairly and reflect accurate financial status;



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- (g) Selection, procurement and use and control of non-expendable equipment are done in accordance with the financial management manual; and
- (h) Other substantive responsibilities including compliance with periodic reporting requirements are adequately fulfilled.

#### 704 Scope

The audit of CEGIS programmes shall cover all funds received from the GoB, donors and all incomes from service contracts or any other receipts from approved sources. Thus, the audit mandate for CEGIS' projects and programmes is open to funds received from all sources and expenditures incurred by CEGIS.

The audit of CEGIS' programmes shall cover, but may not necessarily be limited in scope to, the following areas:

##### 704a Financial management:

- Financial accounting, including systems for recording, documenting and reporting on resource utilization; and
- Other aspects of financial operations and accounting controls.

##### 704b Input management:

- Adequacy and efficiency in input management with respect to
  - Equipment procurement, use and control;
  - Project management;
  - Subcontracts;
  - Recruitment; and
  - Study tours and training;

#### 705 Audit Guidelines

The core basis of CEGIS' audit is Financial Management policies and guidelines covering all relevant rules and procedures as articulated in this document. In addition, the programme documents and other key programme related documents including work plans, budgets, and BoT meeting minutes provide the basis of the audit. The guiding principles in conducting the audit are relevant international standards of auditing and the professional judgment of the auditors.

#### 706 Duties of the Auditors

The auditor's duty shall include, but may not necessarily be limited to, the following:

- (a) Conducting the audit in compliance with provisions of this document and generally accepted international standards of auditing;
- (b) Demonstrating due respect for the confidential nature of the privileged information gained in the course of conducting audit in CEGIS projects;



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- (c) Making adequate consultations with relevant project parties including project leaders, Head of Finance/Accounts, directors and the Executive Director;
- (d) Verifying the combined delivery report and certifying it;
- (e) Bringing to the immediate attention of the BoT any transactions identified during the audit about which the auditor entertains doubts as to the validity or propriety;
- (f) Providing adequate opportunity to the person responsible for the matter audited for explanations, as appropriate, in order to ensure expression of the best possible opinion;
- (g) Presenting the findings in the form of a report.

The auditors must review the organization's **internal control** to determine whether satisfactory control measures are being installed and used to prevent, detect, reduce or eliminate the risk of potential errors. The auditor's internal control review looks at such factors as (i) delegation and communication of authority and responsibility; (ii) procedures and mechanisms of discharging responsibilities; and (iii) mechanisms of checks and balances. In order to ascertain whether control is operational and adequate, auditors may conduct corroborative tests designed to determine whether transactions are valid and accurate, whether invalid or improper transactions have been rejected, as appropriate, etc.

#### 707 Required Documents and Information for Audit

CEGIS, project management authority and other parties concerned, as appropriate, must provide the auditors with all relevant documents and information required by them for conducting the audit.

The common requirements of the auditors from the projects are listed below. During the audit, the Executive Director and other project staff concerned must be present in the project office in order to facilitate the auditors' access to documents and to respond to any queries.

- (a) Statements showing expenditures against fund receipts for the fiscal year
- (b) Cashbook
- (c) Project Financial Statements
- (d) Fund Flow Statement
- (e) All bills and vouchers in support of the expenditure
- (f)
- (g) Copies of treasury *chalans*
- (h) Register of miscellaneous receipts (where applicable)
- (i) Income Tax and VAT register (where applicable)
- (j) Consumable and Stock register(s)



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- (k) Annual physical verification report of consumables and stores
- (l) Fixed Assets register
- (m) Annual physical verification report of non-expendable property
- (n) Estimate, Revised estimate, Tender, C.S. and Work order (where applicable)
- (o) Site account, survey report, site selection report and completion certificate (where applicable)
- (p) File regarding purchase of stationary and other materials
- (q) Sale register of tender schedule (where applicable)
- (r) Dead stock register (where applicable)
- (s) Minutes of the meetings of the Procurement Committee
- (t) Register of salvaged materials (where applicable)
- (u) Log book of vehicle fuel issue slips
- (v)
- (w) Direct Payment Control register and copies of relevant vouchers

#### 708 Audit Report

The auditors shall produce a final audit report reflecting discussions and decisions of exit meetings. The audit report must be presented, to the extent possible, in the specified format agreed between the person responsible for the matter audited and the auditor. The audit report shall contain comments, observations, management responses and recommendations on each of the audited areas or issues, as well as a general opinion on the project performance. All audit opinions must include a statement as to whether the financial and management reports are fairly and accurately presented.

Auditors shall be as specific as possible in their findings, observations and recommendations. They should also describe fully the reasons for any irregularities or deviations from governing rules and procedures. In addition, *auditors should not delay in discussing such matters with the Executive Director – specifically about areas of immediate concern (e.g., fraud or presumptive fraud, etc.) and those which require a formal response.*

In particular, auditors are required to certify the following, which should be reflected in the final audit report:

- (a) The expenditures are made in accordance with the activities in the work plans and the budget;
- (b) The expenditures are supported by adequate documentation;



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- (c) The financial reports are fairly and accurately presented and correctly represent the financial position;
- (d) Appropriate management structure, internal control and record keeping systems are maintained;
- (e) Monitoring and evaluation of activities are adequate and the progress towards expected results are undertaken as planned and according to key considerations for management;
- (f) Procurement, use and disposal of equipment are made in accordance with the governing rules and procedures; and
- (g) Satisfactory measures have been taken by the organization to comply with the recommendations of prior audits.

#### 709 Internal Audit

CEGIS shall maintain an adequate and effective system of internal audit of the accounting records and control systems. Internal audit is a system of independent appraisal of the performance of all sections within the organization.

##### 709a Purpose

An independent internal audit, where necessary, of all the CEGIS activities may be arranged by the Executive Director. The main purposes of such audit are to assure, alert and advise senior professionals, managers, and the management committee on all systems and controls employed by them, in order to assist the service in achieving optimum economy, efficiency and effectiveness. It assists CEGIS' management in the effective discharge of its responsibilities by furnishing them with analysis, appraisals, recommendations and comments concerning the activities reviewed. The internal auditor provides reviews to assure that CEGIS' plans are carried out, policies and procedures are observed, assets are accounted for, and records of transactions and reports are reliable.

##### 709b Authority

The Internal audit staff shall have full access, at reasonable times, to all premises, assets, records and official and unofficial fund transactions related to the subject under review. They shall have access to all systems, records, documents and correspondence relating to any financial and other transactions of CEGIS. The internal audit staffs do not exercise direct authority over other persons or operations or programme activities within the organization. Internal audit findings and recommendations are provided to the Executive Director, who takes corrective measures in the best interest of the organization. All staff will provide the internal audit with all financial information, explanations and records that they may require. Every employee of CEGIS shall comply with the requirement of the internal audit to produce evidence of cash, stores or any other CEGIS property under his or her control.



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**709c Reporting structure and supervision**

The Internal Auditor shall report to the Executive Director. Any matters which involve, or are thought to involve, any financial irregularity involving CEGIS' assets or those of an unofficial fund, must be notified immediately to the Executive Director who shall decide what steps are necessary as a follow-up. Internal audit reports are submitted to the Executive Director. The Executive Director may demand a response in writing from the sections concerned within 2 weeks, if he or she so decides, in order for the issues to be discussed in the MCT meeting. The Internal Auditor may be present in the meeting as the Officer in Attendance.

**709d Scope and objectives**

The internal audit may be concerned with any area of CEGIS and shall be responsible for the following activities and shall-

- (1) review and appraise the soundness, adequacy and application of accounting, financial and other operating controls to promote accountability and transparency in the organization at a reasonable cost;
- review and test compliance with statutory, regulatory, and inter-policy requirements;  
determine the extent to which resources are used efficiently, effectively and economically;  
evaluate the timeliness, reliability and usefulness of organizational records and reports;  
determine the extent to which CEGIS' assets are accounted for and safeguarded from loss.

**709e Internal audit follow-up**

The Executive Director shall, in consultation with the MCT, decide whether any matter under investigation should be recommended for referral to legal actions. The Executive Director shall present an annual report to the Management Co-ordination Committee summarizing the audit plans for the coming year and a commentary on audit activity, which is completed or in progress. The Executive Director shall bring to the notice of the MCT specific issues affecting the functions of the organization as a whole or of any group or team thereof.

The Executive Director, in consultation with the MCT, may investigate and report on any matter which he believes involves or may involve irregularities concerning cash, stores or other property of CEGIS or any suspected irregularity in the exercise of the functions of the organization.

**710 Investments, Borrowing and Trust Funds**

CEGIS will create and borrow funds from available sources for investment in raising and updating standards of services provided to its clients. Trust Funds will also be created for pursuing welfare support for its employees. These funds will be duly operated through the bank as usual and controlled by normal regulations followed for CEGIS' financial operations. The nature and extent of utilization of such funds will include the following:

**Under Investment Funds**

- a. Research and Development of themes, tools, aids, modules, models etc. for updating existing ones and for catering to the clients' needs in any field under CEGIS' scope of services;





- b. Taking up model projects, under active partnership with the GoB or other interested organization(s), for demonstrating efficacy of its innovated themes, tools, aids or modules or models;
- c. Purchasing land and construction of CEGIS' own office building;
- d. Purchasing shares, securities, bonds or any other credit instruments of public bodies (where private sharing is allowed) with comparative advantage of earning interest or profits;
- e. Bidding for and procuring foreign contracts for providing service from CEGIS, either exclusively or in association with other partners.

#### Under Trust Funds

- a. Purchasing shares, securities, bonds or any other credit instruments of public bodies (where private sharing is allowed) with comparative advantage of earning interest or profits;
- b. Procuring insurance or other appropriate policies against employees for insuring the financial sustainability of their families in case of death or disability or prolonged illness etc. of the incumbent, as the case may be.

The creation and borrowing of funds as mentioned above shall have to be sanctioned duly by the BoT on submission of the appropriate proposal from the Executive Director; and the rules and procedures for accounting and auditing of such funds will be the same as followed for the other funds of CEGIS.

The Head of Finance/Accounts shall, under authority from the Executive Director, be the CEGIS registrar of stocks, bonds and mortgages and shall maintain records of all borrowing and/or investment of money carried out by CEGIS.

The Administrative Officer shall hold all shares, securities, and bonds, which are the property of, or are in the name of CEGIS or its nominees, and the title deeds of all property in or in respect of its ownership.

All borrowings shall be arranged in the name of CEGIS.

The Executive Director shall operate such bank accounts as are considered necessary for the Trust Fund. The opening or closing of any bank account shall require approval of the BoT.



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# PAYMENT VOUCHER

Voucher No.		Voucher Date	
-------------	--	--------------	--

To: \_\_\_\_\_

PAYABLES						
INVOICE/BILLS/MEMO		LEDGER/JOURNAL				
Description	Amount	A/c. Code	Project/Dr/Cr	Jr. No.	Entry No.	Seq. No.
Total						

PARTICULARS	AMOUNT	A/C. CODE	Dr. / Cr.
Total			

Approved for payment of Tk. \_\_\_\_\_

Executive Director: \_\_\_\_\_

PAYMENT										
Mode of Payment					Number	Date	Amount	Jml. Bank No.	Seq. No.	Payable to
CQ	IT	DD	TC							
						Total				

Amount in Word:

Received by
Signature:
Name:
Date:

Prepared By

Reviewed By
Director



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## CREDIT VOUCHER

Name: \_\_\_\_\_

Description	Amount	Creditor/ Debtor	GL A/c.	Project Code	Jr. No.	Seq. No.	Entry No.
Total							

RECEIPT						
Description	Amount	Creditor Debtor	GL A/c. Code	Jr. No.	Seq. No.	Entry No.
Total						

Received Tk. \_\_\_\_\_ (In Word: \_\_\_\_\_)  
in cash/by cheque/DD/PO No. \_\_\_\_\_ Dated \_\_\_\_\_ (subject to realization).

<b>Paid by</b>
Signature:
Name:
Date:

Prepared By
Accounts

Approved by
Director





(Center for Environmental and Geographic Information Services)  
House No. 6, Road No.23/C, Gulshan-1, Dhaka-1212

**CASH PAYMENT VOUCHER**

Voucher No.

Voucher Date

To:

Description	Amount	Creditor	A/c Code	Project Code	Jr. No.	Seq. No.	Entry No.
Total							

**PAYMENT**

Description	Amount	Creditor	A/c. Code	Jr. No.	Seq. No.	Entry No.
Total:						

Amount in Word:

Recipient's Signature

Signature:

Name:

Date:

Prepared By

Accounts

Approved By

Director



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## Journal Voucher

<b>Voucher No.</b>	
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<b>Voucher Date</b>	
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Accounts

Reviewed By _____



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(Center for Environmental and Geographic Information Services)

Annex -B Page 1 of 2

### Monthly Bank Reconciliation Statement (Summary)

Reporting period : xxth Xxxx, 20xx

Particulars	FC A/c - DHA	LC A/c - DHA	Petty cash A/C	LC A/c - KHU	MOE001 A/c	Total
Account No	05-2419181-01	01-2133210-01	01-2133210-02	01-2126672-01	01-1680692-03	

As per bank & petty cash statement :

Balance As per Bank

Add: Pending to receive

Less: Pending to pay

Balance As per Book (Exact)

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0  
0

0  
0  
0  
0





Center For Environmental and Geographic Information Services

### Project's Budget Sheet

### Project Details:

Name	
PL	
Cluster	

Start Date	
Closing Date	
Contract Amount	

## Human Resources Budget

[illegible]

### Direct Cost Budget

Direct Cost Budget						
GL Code	GL Item	Unit	Description	Qty	Rate	Amount
50301	DSA / Perdiem					
Subtotal Direct Cost Budget						0

Grand Total:

4

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Prepared By, Project Leader

Approved By, Director Program



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### Total Budget Format - CEGIS

Description	Note	5 (Five) years Financial Budget				
		2005	2006	2007	2008	2009
<b>Revenue</b>						
Revenue From Project Activities						
Income From Investment						
<b>Total Revenue</b>						
<b>Variable cost for project activities</b>						
Time cost - CEGIS' contract staff (Project Based)						
Consultants - National & international						
Hw. Sw. equipments and satellite images for Project Use						
Other direct cost - Project Based						
<b>Total Variable Cost</b>						
<b>Contribution margin :</b>						
<b>Fixed Cost</b>						
Fixed Time cost						
CEGIS Core Staff						
CEGIS Contract Staff						
<b>Fixed general operational cost</b>						
Consultants - National & international						
Software licenses and other upgrades						
Training/seminar/workshop						
Other direct cost						
<b>Fixed Asset Cost</b>						
Hw. Sw. equipments and satellite images for CEGIS						
<b>Total fixed cost</b>						
<b>Net margin as retained earnings</b>						



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### **A Standard Checklist for Internal Control Administrative**

1. All projects proposal should be approved by BoT of CEGIS.
2. Project Leader should be assigned by Executive director or Director in consultation with MCT of CEGIS.
3. Signed contract document is required between CEGIS and clients.
4. Project summary sheet is must which is prepared by the project leader
5. Internal project budget with line items and others cost prepared by project leader and approved by the Director and Executive director.
6. Human Resources Plan of a project must be available prepared by project leader and approved by the director.

### **A Standard Checklist for Internal Control Accounting**

1. Separate financial system for each project by CEGIS accounting section for transaction, reporting, preparation auditable document.
2. Any expenditure under internal budget of a project should approve by Executive Director or Director of CEGIS
3. All bill and voucher must be authorized by respective project leader
4. All payments order of a project must be approved by Director or Executive Director
5. All checks are signed by jointly by Executive, Director or any signatory of CEGIS bank account.
6. Before processing the payment, following steps should be checked:
  - Preparation of estimate supported by the budget from PL
  - Approval of the estimate by management
  - Comply with procurement policy
  - Work order
  - Supply by the vendor
  - Bill with certificate by the PL
  - Payment order by management
  - Payment made by accounts



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## Register of IT deduction by CEGIS

CEGIS

Code	Supplier	Bill_Taka	IT_Taka	Challan_no	Date	Dep_Per	Dep_V	Debit-Dt	Debit_Voucher reference
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P001-0407	7/4/2004	P001/IDC:Rent-C1 07/04-KUO
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P002-0410	8/8/2004	P006/IDC:Tax exam 1/3-AAS
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P000-0408	8/8/2004	P030/IDC:Fm.Mgt. 50%TIL
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P003-0410	8/12/2004	P038/IDC:Rent-C1 08/04-KUO
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P002-0410	8/16/2004	P035/IDC:Rep. binding/GPE
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P002-0410	8/19/2004	P041/IDC:Off. supply/FAN
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P002-0410	8/19/2004	P042/IDC:Consultancy/BRT
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P002-0410	8/19/2004	P043/IDC:S/guard 07/04-BFL
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P002-0410	8/23/2004	P048/IDC:Motobization/DEA
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P002-0410	8/23/2004	P051/IDC:Repainting/PRE
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P002-0410	8/23/2004	P052/IDC:Reg. Clean/PEM
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P002-0410	8/23/2004	P053/IDC:Vehicle rent/MBG
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P002-0410	9/5/2004	P003/IDC:News letter/GPE
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P004-0410	9/5/2004	P004/IDC:Off. supply/FAN
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P006-0410	9/5/2004	P006/IDC:PABX lines/BSL
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P008-0410	9/5/2004	P008/IDC:Advertisement/RCD
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P010-0410	9/5/2004	P010/IDC:Veh. maintain/RWL
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P015-0410	9/7/2004	P015/IDC:Garmin GPS/CNS
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P052-0412	11/8/2004	P013/IDC:Rent-C1 11/04-KUO
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P052-0412	11/17/2004	P025/IDC:Fee 09/04/JKT
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P052-0412	11/22/2004	P058/IDC:Consultancy/AAS
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P052-0412	11/23/2004	P025/IDC:HP Toner CL/MKC
122	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	22	00/00/0000	222-00	P052-0412	11/30/2004	P047/IDC:Rent-C11/04/ILF



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Handwritten signature/initials.

Handwritten signature/initials.

**CEGIS (Center for Environmental and Geographic Information Services)**

**Company: XXX CGS BRCON**

**Default Currency: BDT**

### IDC (IT Deduction by CEGIS) Cards

[illegible]

**Closing Balance**



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*Handwritten signature*

Register of VAT deduction by CEGIS

Annex -E Page 3 of 4

CEGIS

Code	Supplier	Bill_Taks	VAT_Taks	Challan_no	Date	Dep_Par	Dep_V	Deed_Dt	Deed_Voucher reference
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P001-0407	7/4/2004	P001/IDC:Rent-C1 07/04-KUO
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P002-0410	8/8/2004	P046/IDC:Tax exam 1/3-AAS
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P020-0408	8/8/2004	P020/IDC:Fm.Mgt. 50%/TIL
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P002-0410	8/12/2004	P028/IDC:Rent-C1 08/04-KUO
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P002-0410	8/16/2004	P035/IDC:Rep. binding/GPE
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P002-0410	8/19/2004	P041/IDC:Off. supply/FAN
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P002-0410	8/19/2004	P042/IDC:Consultancy/BRT
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P002-0410	8/19/2004	P043/IDC:S/gard 07/04-EFL
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P002-0410	8/22/2004	P048/IDC:Mobilizations/DEA
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P002-0410	8/23/2004	P051/IDC:Repairing/PRE
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P002-0410	8/23/2004	P052/IDC:Reg. Chem/PEM
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P002-0410	8/23/2004	P053/IDC:Vehicle rent/MBG
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00		9/5/2004	P003/IDC:News letter/GPE
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00		9/5/2004	P004/IDC:Off. supply/FAN
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00		9/5/2004	P006/IDC:PABX lines/SBL
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00		9/5/2004	P008/IDC:Advertisements/RCD
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00		9/5/2004	P010/IDC:Veh. maintain/RWL
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00		9/7/2004	P015/IDC:Garmin GPS/CNS
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P052-0412	11/8/2004	P013/IDC:Rent-C1 11/04-KUO
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P052-0412	11/17/2004	P025/IDC:Fee 09/04/JKT
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P052-0412	11/22/2004	P059/IDC:Consultancy/AAS
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P052-0412	11/23/2004	P025/IDC:HP Toner CLJ/MIC
XXX	XXXXXXXXXXXXXXXXXXXX	00.000	00.000	XX	00/00/0000	ZZZ-00	P052-0412	11/30/2004	P047/IDC:Rent-C411/04/LIF



25

26

27

**CEGIS (Center for Environmental and Geographic Information Services)**

Company: XXX CGS BRCON

**Default Currency: BDT**

### VAT current account Cards

Acc Number	: 20111
Acc Name	: VAT Current Account
Period	: XXXXXXXXXXXXXXXX

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22/2/22

**CEGIS (Center for Environmental and Geographic Information Services)**

Company: XXX CGS BRCON  
Default Currency: BDT

## Advance Control Register


[illegible]





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Cr/name      : XXXXXXXXXXXXXXXX
Period      : XXXXXXXXXXXXXXXX
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13/2/22

<div style="text-align: center;">  <p><b>Center for Environmental and Geographic Information Services</b>  <b>Employees Salary</b>  <b>For the month of XXXX 2005</b></p> </div>															In. No.	CEGIS/XXX-XXXX	
Sl. No.	Employee Name	Code	Month Worked	Basic	House Rent	Transport	Medical	Bonus	Wash Allow.	Arrear / Adj.	OTA Tk.	Total Admissible	Deduction			Net Payable	C/Letter No
													CPF	Bonus	Other		
1																	
2																	
3																	
4																	
5																	
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15																	
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20																	
21																	
22																	
23																	
Sub-Total (NTes)																GL-4006	
Total																	
Grand Total (Gross-Net)																	

<div style="text-align: center;">  <p>20-6</p> </div>	<div style="text-align: center;">  </div>
Accounts	Reviewed by, Director
Approved by, Executive Director	





20