

**FINANCIAL MANAGEMENT SYSTEM  
OF  
KASBA CO-OPERATIVE DEPOSIT AND  
LENDING SOCIETY**

An Internship Report  
on  
**Financial Management System of Kasba co-operative deposit and lending society**

**By-**

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**Id No: E130501089**

**Major: Finance**

**Hajee Mohammad Danesh Science and Technology University, Dinajpur**



**Approved by-**

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**FACULTY OF BUSINESS STUDIES**



**Hajee Mohammad Danesh Science and Technology  
University, Dinajpur-5200**

## Letter of Transmittal

April 01, 2016

MD. MAMUNAR RASHID

Associate Professor

Dept. of Accounting

Hajee Mohammad Danesh Science and Technology University, Dinajpur

Subject: Submission of Internship Report

Dear Sir,

With due respect please note that I submit the internship report on '**Financial Management System of Kasha co-operative deposit and lending society**' as partial requirement of internship program under your direct supervision.

I have tried my best to follow your guidelines in every aspect of planning and preparing my report. I have collected data that I believe to be most important to make my report as specific as possible. This study has provided me an opportunity to increase my understanding about financial management system of a non-government organization.

So, it will be my honor if you kindly accept my internship report. I shall be pleased to answer any queries relating to this submission.

Thank You.

Sincerely Yours

A.K.M. Ashaduzzaman

Id No: E130501089

Major: Finance

Hajee Mohammad Danesh Science and Technology University, Dinajpur

## **Supervisor's Declaration**

I hereby declare that the concerned report “**Kasba co-operative deposit and lending society**” is a work by **A.K.M. Ashaduzzaman** Id No: **E130501089** Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed his internship under my supervision and submitted for the fulfillment of the requirement of the degree of Master of Business Administration(MBA)Evening at HSTU, Dinajpur.

I wish him every success for the day to come.

.....

**MD. MAMUNAR RASHID**

Associate Professor and Supervisor

Dept. of Accounting

Hajee Mohammad Danesh Science and Technology University, Dinajpur

## Co-Supervisor's Declaration

I hereby declare that the concerned report “**Kasba co-operative deposit and lending society**” is a work by **A.K.M. Ashaduzzaman** Id No: **E130501089** Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed his internship under my supervision and submitted for the fulfillment of the requirement of the degree of Master of Business Administration(MBA)Evening at HSTU, Dinajpur.

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DR. MD. ZAHANGIR KABIR

Associate Professor and Co- Supervisor

Dept. of Management

Hajee Mohammad Danesh Science and Technology University, Dinajpur

## Student's Declaration

I hereby declare that the concerned report “**Kasba co-operative deposit and lending society**” is a work by **A.K.M. Ashaduzzaman** Id No: **E130501089** Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed his internship under my supervision and submitted for the fulfillment of the requirement of the degree of Master of Business Administration(MBA)Evening at HSTU, Dinajpur.

I wish him every success for the day to come.

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A.K.M. Ashaduzzaman

Id No: E130501089

Major: Finance

Hajee Mohammad Danesh Science and Technology University, Dinajpur

## Acknowledgement

For the very first of all I would like to express my gratefulness and harmony to the ALLMIGHTY ALLAH the supreme authority of the Universe, whom we would be nothing. Next I would like to express my kindness to my beloved parents whose continuous inspiration enrages me to make a right move in my life.

I would like to express my gratitude to my academic supervisor **Md. Mamunur Rashid, Associate Professor and Supervisor, Dept. of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur.** His valuable suggestion and guideline helped me a lot to prepare the report in a well organized manner.

I want to thank all the officials of “**Kasba co-operative deposit and lending society**” who were involved to prepare my internship report. I would especially show my gratitude to Mr. (Executive Director of KDLS) for giving me huge time and sharing his thoughts and insights regarding their financial planning and system, project activities and strategies. I would like to thank him for giving me the required information to commence this report and for providing the permission to conduct the study. I would also like to express my gratitude to all my colleagues especially the Finance and Administration team of KDLS for helping me to create this report. I am thankful to Mr. Nahid Hossain, Finance manager of KDLS and Mr. Rakib-ul- Hasan, Assistant finance officer of KDLS for their immense support.

I would like to thank from the deep of my heart to those people who are related with making of this report and make it a success.

At last but not least, the Hajee Mohammad Danesh Science and Technology University, Dinajpur, Bangladesh for giving me an opportunity to complete my EMBA degree and give me a scope to gather practical experience and enrich my knowledge.  
May ALLMIGHTY ALLAH bless all of them?

AUTHOR

## Executive Summary

**Kasba co-operative deposit and lending society**, a non political, not for profit and non government organization was set up in 2008 with the aim of encouraging poor disable person, ultra poor people and women to become self-reliant and not to be dependent on others. KDLS enables them to become contributing productive members of society and helps them to lead their lives with dignity and self respect.

The main objective of this study is to explore the financial management system of **Kasba co-operative deposit and lending society**. For accomplishing the study, data were collected both from primary and secondary sources. A number of discussions were made in order to understand different financial issues and activities.

**Kasba co-operative deposit and lending society** gives priority in maintaining excellent financial management system after incorporation. KDLS believes good practice in financial management can help financial manager and project coordinator to be effective and efficient stewards of the resources to achieve objectives and fulfill commitments to stakeholders. Officers at every level in Finance department have a role to play in handling the financial activities and risks, answer to donors and beneficiaries and deliver results to the stakeholders. Financial planning in KDLS involves building both longer term funding strategies and shorter term budgets and forecasts. Once plans are set, KDLS draws up its budgets and cash flow forecast to help the implementation of plans.

KDLS is receiving fund for one project. KDLS receives funds from the donors according to agreement and other sources of fund like social contributors, member's subscription, donation, service charge, etc. KDLS maintains separate bank account for its projects and open the bank account in any scheduled bank in the project area by taking resolution of the Executive committee. Bank reconciliation statement is prepared by a Finance officer in every month to reconcile the bank balances.

All fixed assets are recorded in fixed assets register. The fixed assets are physically verified at the end of each year and results are reconciled with fixed assets register. Different types of internal risks are managed by using a series of controls, checks and balances. Internal controls are also very important in protecting all those who handle the financial affairs of the KDLS as they remove any suspicion of and temptation to dishonesty.

This study finds that there are no internal auditors in KDLS and the internal audit is not conducted on a regular basis. Study also finds a communication gap between the project employees and personnel of finance department of KDLS which induces the conflict in obtaining and using the funds.

So KDLS should introduce efficient internal audit mechanism in order to examine the financial operations and should generate more funds for expanding and smooth continuation of their project.



# 1. Organization Part

## 1.1 Background of KDLS

Traditionally, society has viewed people with disabilities as recipients of charity and welfare. As a result, many disabled people tend to expect help from society, instead of making attempts towards self-reliance. A change of attitude has to take place in disabled people as well, to encourage them to become self-reliant and not to be dependent on others. In order to prevent the further marginalization of disabled people in the future, it is important to take a pro-active stand to enable them to become contributing productive members of society. By doing this, disabled people will be enabled to lead their lives with dignity and self-respect. Besides, the financial burden on the families, society and the scarce resources of the nation would be reduced and the disabled people will become asset to the economy. In order to facilitate this **Kasba co-operative deposit and lending society**, a non-political, not for profit and nongovernment organization was set up on 4<sup>th</sup> January, 2008 through the generous support of some dedicated persons who have been serving for the disabled people over the years.

## 1.2 Vision of KDLS

The vision of the **Kasba co-operative deposit and lending society** is to ensure the empowerment of disabled, underprivileged and extremely poor people so that they can lead a better life and make contributions toward poverty alleviation in Bangladesh

## 1.3 Mission of KDLS

The mission of the **Kasba co-operative deposit and lending society** is to advocate and promote equality for disabled, underprivileged and extremely poor people in all spheres of life, through education, health care, appropriate training, employment, communication, and barrier free environment.

## 1.4 Major Goals and Objectives of KDLS

Major goals and objectives of KDLS are:

- Undertake projects and programs aimed at poverty alleviation;
- Provide skills development training to persons with disabilities and underprivileged to facilitate employment;
- Undertake projects and programs for health care, nutrition, sanitation and education;
- Provide support including technical support to persons with disabilities and disadvantaged people;
- Provide mobility aids for persons with disabilities;
- Ensure sound networking with Government, non-government organizations, persons with disabilities, industry, the media in the areas of education, communication, training, barrier free environment and employment;

- Advocate appropriate policies and legislation for employment of persons with disabilities with policy and decision makers;
- Make the people aware on the causes of disability and its prevention;
- Establish the rights of the persons with disabilities and disadvantaged people in the society through enabling them to be self-earners by providing technical knowledge and expertise to take up different activities for economic and social improvement;
- Promote avenues for marketing of products produced by disabled people;
- Conduct research on disability issues;
- Take active part in the social uplifting of the marginalized people and the disaster victims in distributing relief goods and medical assistance through mobile clinic

### **1.5 Service Offered by KDLS**

After the incorporation, KDLS has provided different services to disable person, poor and ultra-poor people and women. At present KDLS is offering following services:

#### **Sewing Training Project for Women with Disabilities**

The project aims to make the disabled girls and women productive resources and ensure their employment which will support themselves and their families financially and will facilitate their successful reintegration in the community.

#### **Disabled Small Entrepreneur Development Project**

**Kasba co-operative deposit and lending society** started a project for the sustainable development of disabled people titled “Disabled Small Entrepreneur Development Project”. Through this programmer it provides necessary training to the disabled small entrepreneur for building their capacity and to provide financial support in the form of interest free credit.

#### **Disabled Hawkers Development Project**

The purpose of this project is to encourage the disabled hawkers to raise their existing earning capacity and living standard and to give inspiration to other disabled persons. The project is located in different Rail stations, Bus terminals and footpaths where disabled hawkers run their small businesses. **Kasba co-operative deposit and lending society** is playing a facilitator role in the establishment of Disabled hawkers club, providing skill development training, logistical and financial support.

#### **Support to the Poor Disabled Students**

The aim of this project is to encourage poor disabled students to achieve their education and also it will help to change gradually the attitude of the society towards disabled students. **Kasba co-operative deposit and lending society** provides tuition fees and other material support to extremely poor and meritorious disabled students. There will be a continuous monitoring and evaluation of the progress of each Sponsored Student. **Kasba co-operative deposit and lending society** maintains a very close contact with schools to check examination results and discuss the progress of the students with their teachers.

## **Self Help Initiative of Persons with Disabilities**

To ensure establishment of rights of persons with disabilities, community based approach is a must. Through this community program **Kasba co-operative deposit and lending society** helps to form Self Help Groups by the disabled people themselves. Access Bangladesh facilitates this group through group meetings, discussion and training so that the group members can build their capacity to solve their own problems and improve the wellbeing of themselves and their families. Access Bangladesh also provides medical support and financial support to the stakeholders. To ensure community participation, it involves local government officials, media people and community people so that the mass people will be aware about their responsibility.

### **Faith and Light**

This group consists of the children with disabilities and their parents. There is much linking these families together. They get together once a month to share their joys and sorrows and to do different activities. **Kasba co-operative deposit and lending society** motivates this group to build a strong family base towards their children.

### **1.6 Legal Status of KDLS:**

**Kasba co-operative deposit and lending society** is a NGO under the Societies act on 2008

### **1.7 Governance & Management**

**Kasba co-operative deposit and lending society** has a general assembly which elects an Executive committee for a term of three years. The EC provides policy guidance to the organization. The general assembly is the supreme policy and decision making organ of the organization. Program execution and day to day management and administration are run through a team led by the executive director. **Kasba co-operative deposit and lending society** also has an advisory council to advice in the formulation of plans, programs and projects of the KDLS.

## **2. Job Part**

### **2.1 Nature of the Job**

The finance officer of KDLS is responsible for maintaining and supporting different aspects of financial, accounting, administrative services of the organization. He/she reports to the finance manager or executive director of the organization. He/she will be responsible for preparing the financial statements, maintain cash controls, handling the payroll etc. Finance officer must work within the organization policy, Government's legislative act, standard procedure and rules of handling the financial and accounting aspects.

### **2.2 Specific Responsibilities of Finance Officer**

Major responsibilities of finance officer of KDLS are:

- Assist with preparation of budget and financial reports;
- Administering and maintaining of all financial records;
- Ensure transactions are properly recorded and entered into the computerized accounting system;
- Preparation of bank reconciliations for all the bank accounts and present them to the finance manager/ executive director for approval;
- Establish and maintain cash controls;
- Check advance and payments requests;
- Processes supplier invoices;
- Liaising with auditors and timely audit preparations;
- Asset management and control;
- Any other financial and administrative functions ancillary or incidental to any of the above duties that may, from time to time, be allocated by the finance manager.

### **2.3 Different Aspects of job Performance:**

After joining as finance officer, I was assigned for different types of activities and achieved performance appraisal from executive director and finance manager. I was assigned to maintain the financial records. At present I am working under direct supervision of the executive director of KDLS. I am working for implementing the financial planning of different projects taken by KDLS. I have reconciled the bank statement and present to finance manager of KDLS.

## **2.4 Critical Observation and Recommendations:**

When I was started here KDLS and collected some information, during this tenure I have observed different financial issues and managed some financial activities. Although the tenure is not sufficient, some observations and recommendations about the job are depicting below:

- As CEO of the firm, executive director of KDLS is highly cooperative and committed to the organization. He is a man of ingenuity and incredible aptitude. He is leading from the front and follows the participative and transactional leadership approaches.
- The work activities are always set and divided for each of the employees. Each and every employee has a certain set of responsibilities. He/she carries out those responsibilities throughout the day.
- The number of employees is not sufficient. As a result work pressure is high. So my recommendation is to recruit more people in Finance and Accounts department.
- Finance and accounts personnel are very supportive.
- Many financial records are kept in the register book. They should use the software for managing the different financial issues.
- Job performance of all the finance and accounting personnel are evaluated by using an evaluation form which are examined by the executive committee.
- KDLS should offer competitive salary package to their employees and offer more incentives.

## **3. Project Part**

### **3.1 Origin of the Study**

Internship program helps to gain the practical knowledge by implementing the theoretical aspects and make a student competitive in the corporate world. Even this program is also helpful for the post graduate students who are employed in different organization. This program helps to learn different functions of the department or project.

### **3.2 Objectives of the Study**

The broad objective of this study is to explore the financial management system of **Kasba co-operative deposit and lending society**.

The specific objectives of this study are:

- To explore the financial planning and budgeting of KDLS;
- To explore the financial and non-financial asset management procedure of KDLS;
- To identify the auditing practice of KDLS;
- To explore the procedure of preparing and using various financial documents and reports.

### **3.3 Methodology of the Study**

As a finance officer of KDLS, researcher is involved with various financial activities. In order to complete this study all the information has been collected from both primary and secondary sources. In this research, qualitative techniques are used to find and analyze the information.

The primary sources of information are:

- Direct observation tool will be used to explore the procedure of preparing and using various financial documents and reports;
- Unstructured interview will be conducted with Mr. Raju, executive director of KDLS to explore the financial planning of KDLS;
- Focused Group Discussion will be organized with seniors and colleagues of finance department to explore the financial and non-financial asset management procedure and auditing practices of KDLS.

The Secondary sources of Information are:

- Official files and records will be used to explore the use of various financial documents and reports;
- Annual audit report will be used to identify the auditing practices;
- Different publications of KDLS will be used to explore the asset management procedure of KDLS.

### **3.4 Limitations**

- Many financial aspects are not included in Finance manual or any other manual. So it was very difficult to find out that how KDLS deals with those financial issues. Available published data was very limited.
- Executive director handles most of the issues. It was difficult to sit for an extensive interview with him due to his time constraint.
- Company has their own limitations to disclose some of their confidential information.
- As a finance officer, it was difficult to cover all the financial issues within four months.

#### **4. Financial Management System of Kasba co-operative deposit & lending society**

## **4.1 Financial Aspects of KDLS**

Financial management system of an NGO involves the planning, organizing, controlling and monitoring the financial resources efficiently in order to achieve the key goals and objectives of the NGO. Maintaining a good financial management system is important because the main source of most of the NGO is donor funds. So the management must ensure that donated funds, which are increasingly the scarce resources, are properly used. Management must be careful at how the whole organization is financed in the medium and long term, not just focusing on projects and programs.

**Kasba co-operative deposit and lending society**, a non-political, not for profit and non-government organization, gives priority in maintaining excellent financial management system from the very beginning of its foundation. KDLS believes good practice in financial management can

- help managers to be effective and efficient stewards of the resources to achieve objectives and fulfill commitments to stakeholders;
- help KDLS to be more accountable to donors and other stakeholders;
- help to earn the respect and confidence of funding agencies and partners;
- offer the advantage to generate more donor funds in this competitive world; and
- Help to prepare themselves for long-term sustainability and the gradual increase of self-generated funds.

### **4.1.1 Custodians of the Accounts**

Officers at every level in Finance department have a role to play in handling the financial activities and risks, answer to donors and beneficiaries and deliver results to the stakeholders. The Board is responsible for the financial oversight of KDLS and is ultimately accountable by law. However, the Board delegates different responsibilities to the executive director who delegate some functions to senior finance manager. Finance manager delegates the responsibilities to the downward.

General activities of the Board regarding financial management are:

- Oversee financial controls and ensure accountability;
- Review and approve annual budget;
- Approve financial policies, including delegating authority;
- Review and approve financial reports and audited financial statements;
- Monitor and support resource mobilization;
- Assess financial risks facing the KDLS.

General activities of the Executive Director regarding financial management are:

- Report to the Board and manage budgeting process;
- Appoint/hire financial staff and delegate tasks;
- Review donor and other agreements/contracts;
- Ensure financial records are accurate and up to date;
- Ensure correct, timely preparation and submission of financial reports;



- Ensure that program activities are in line with budget and deliverables;
- Monitor resource use and manage income generation;
- Monitor financial needs of the organization and business planning;

General activities of the Finance Manager are:

- Manage and monitor the budgets of the finance department and projects;
- Review organization financial reports and provide inputs to executive director;
- Delegate's financial responsibilities to his/her team;
- Project future financial needs;
- Control budgets to ensure money is spent as agreed and work with finance officers to ensure policies and procedures are followed and expenditures are coded and reported accurately. (Ref: **Kasba co-operative deposit and lending society**)

#### **4.1.2 Accounting Methods**

KDLS is receiving support by national and international donors, currently as on date, KDLS is receiving fund for two projects. KDLS maintains their books of accounts on cash basis of accounting. KDLS maintains main bank account for operating its foreign funds and this account is kept in the name of the KDLS. All the funds and grant received from overseas are deposited into this account.

The finance and accounting personnel make record of all the vouchers of all kind of receipts and payment into the cash book

KDLS maintains separate bank account for its projects and open the bank account in any scheduled bank in the project area by taking resolution of the executive committee. Bank account may be opened for each fund or project based on terms and conditions of the donor's agreement. All the bank accounts are operated in accordance with the provision of the resolution of the executive committee of the KDLS.

The Bank accounts are operated by Mr. Albert Mollah and Mr. Nahid Hossain (Acting).

The vouchers, journal, receipt, payment are maintained by KDLS. The payment of bills, preparation of vouchers, preparation of cheques etc. are maintained by the finance officer.

With regard to program me advances, the program me and the amount required for its implementation has been prepared by the program coordinator and submitted to finance manager for its payment. The programs advances are used to paid to the program coordinator by account payee cheques and settle accordingly by the finance officer and the program coordinator.

Usually, all the advance settlement vouchers are verified by the finance officer and approved by the executive director of the KDLS.

Payment vouchers are maintained by KDLS which includes voucher no, date of transaction, account head, debit/credit/cash/bank, amount in words and figures, name and signature of the person, who has checked, authorized, prepared the voucher. (Ref: **Kasba co-operative deposit and lending society**)

### **4.1.3 Nature of Accounting Records to keep**

KDLS maintains all the basic and relevant records that describe its income and expenditures. These include the contracts and letters for money it receive and receipts and the invoices for any kind of expenses. These records prove that each and every transaction has taken place. They are used as the cornerstones of being accountable. Finance manager and officers of KDLS make sure that all these records are carefully filed and kept safe. They also write down the details of each transaction. (Ref: **Kasba co-operative deposit and lending society**)

### **4.1.4 Maintenance of Books of Account**

Books of accounts are maintained on cash basis. KDLS maintains a cashbook for its day to day transactions and also summarized all transactions for each individual head. The books of accounts of KDLS are maintained by Mr. Nahid Hossain and Rakib-ul-Hasan. Both of them are expert and experienced in maintain the books of accounts. The supporting documents and evidences along with the vouchers are kept in the office file. All entries in the payment side of the cash book are posted to the debit column of the respective accounts in the ledger book. The entries in receipt side of the cash book are posted to the credit side of the respective accounts in the ledger book on regular basis. The second source of the ledger postings will be journal vouchers. The ledger shall be balanced monthly basis.

#### **The General Ledger Book:**

This is a central book to list the transactions which contains basic bookkeeping information from the main working books of account (Bank Book, Petty Cash Book, Sales and Purchase Ledgers). ABF used it to sort basic financial information and use the information of ledger when ABF plans for several projects and different donors requiring different reports. The Ledger has different pages for each category of income, expenditure, assets and liabilities and information is „posted“ from the other accounting books into particular category. At the end of the month, a head-wise abstract is prepared showing monthly totals of payment under each head. It plays a central role in the double-entry bookkeeping system and is the basis of trial balance. The adjustment entries for stores, overhead, advances, prepayments, outstanding expenses, accrued income and depreciation are made as and when required through journal vouchers. For such adjustment the subsidiary and general ledger accounts will affect. All rectification, transfers and adjustments and non-cash transactions are processed through journal voucher. The adjusting journals are prepared by the finance officer and duly approved by the executive director or delegated authority. The journal vouchers are filled in a chronological order. (Ref: **Kasba co-operative deposit and lending society**)

### **4.1.5 Supporting Documents**

It is very important to maintain supporting documents in the form of receipts and vouchers for all financial transactions – preferably cross-referenced to the books of account and filed in

date or number order. Apart from being required by the external auditor to support the audit, certified receipts also provide protection to KDLS in handling the money. In order to support the main working books of accounts and the ledger, KDLS keeps files of the following original documents:

- Receipt or voucher for money received;
- Receipt or voucher for money paid out;
- Invoices – certified and stamped as paid;
- Paying-in vouchers for money paid into the bank;
- Bank statements;
- Journal vouchers – for adjustments and non-cash transactions;
- Payment Vouchers (PVs);
- Local Purchase Orders (LPOs). (Ref: Discussion with finance and accounts personnel)

#### **4.1.6 Bank Account and Its Reconciliation**

The Bank book is the main book of account of KDLS for recording bank transactions. KDLS maintains separate book for each bank account which makes it easier to reconcile each account at the end of the month. Each page of the book is ruled into columns. Each transaction is entered on one line of either the Receipts page or the Payments page in date order. The column headings help to enter key information – e.g. date, cheque number, payee, description, amount, category of transaction, etc. The columns are totaled at the end of each month. Some financial policies regarding the bank account of KDLS are:

- Every check/instrument is signed by at least two signatories. An employee that has access to bank account and cash account is not entitled to be an authorized signatory. The bank is authorized to undertake any written instructions, signed by two of the signatories, for transacting any financial business from time to time.
- All receipts are to be acknowledged by issuing an official receipt. The date of receipt, its accounting and the date of deposit of the check/draft to the bank account should be the same. The bank deposit slip must be attached with the receipt voucher.
- No receipt should be issued on the last day of the month if the instrument cannot be deposited with the bank on the same day.
- Payment voucher has to be prepared before preparing any check. Check cannot be prepared if sufficient balance is not available with bank. All vouchers have to be verified and approved before payment is released.
- Payment has to be made only against original bills and claims. Any type of copy of bill or claim should not be considered. All supporting documents should be attached with the payment voucher and filed according to serial number.
- With regard to program me advances, the program me and the amount required for its implementation has been prepared by the program staff and submitted to finance officer for its payment. In KDLS, all the advance settlement vouchers are verified by the finance officer and approved by the executive director.
- Checks should be written in proper way and must ensure that the amount in words and figures are the same. All checks have to be crossed by a rubber stamp stating “A/c Payee Only”. All checks are stamped for the name of KDLS.
- Check books should always be kept under lock and key. Only authorized persons are allowed to handle them.

- Any bank account not required to be operated must be closed immediately. Before closing the bank account authorized officer must ensure transfer balance in the account to the other bank account and surrender all the check leaves to the bank under a receipt.

Bank reconciliation statement is prepared by a finance officer in every month to reconcile the differences between the cash balance shown in the bank statement and cash balance shown in the ABF's bank book. This is achieved by taking the bank statement for a particular date and comparing it to the closing bank book balance for the same date. If there is a difference between these two closing balance figures, the difference must be explained.

Each month the bank reconciliation statement is reviewed carefully to investigate long outstanding cheques deposited or issued or any other item for settlement.

All debits charged by bank for bank charges or commissions and all credits for the interest and other that appears in the monthly bank statement is scrutinized carefully before accepting them as correct and before recording those debit/credits in the cash book. Cheques older than six months from date of issue are generally written back into the cash book noting the reference number and date of payment. (Ref: **Kasba co-operative deposit and lending society** and personal experience)

#### **4.1.6 Petty Cash Book**

A petty cash book is maintained in KDLS by the accountant to have small amounts of cash available for immediate payments of small amount of expenditures. Accountant is responsible for controlling the petty cash fund and documenting the disbursement made from the fund. Actual cash is spot-checked and verified by the finance manager at least once per month. Accountant will reimburse the fund for any discrepancies.

Petty cash shall be maintained on an imp rest basis. At any given time, the cash and receipts in the cash box shall total the imp rest level. The level shall be maintained at BDT 5000.

All requests for petty cash must be signed by finance manager on a pre-numbered voucher. A check to replenish the fund will be issued when the fund is low and at the end of every month. (Ref: **Kasba co-operative deposit and lending society** and Discussion with accounts officer)

#### **4.1.7 Maintenance of Accounting Registers**

The account related register is most important for recording financial transactions which are treated as documentary evidence of financial transaction. The Finance and Accounting Personnel shall maintain the following registers for recording the financial transaction and its related information.

- **Staff Movement Register**

Movement of office staff is recorded in the staff movement register. The information about name, date of departure, designation, out time, in time, purpose etc. are recorded in this register.

➤ **Salary register**

**Kasba co-operative deposit and lending society** maintains a register for recording staff salary payment. It contains salary recipients name, designation, basic salary, allowances, salary deduction etc.

➤ **Salary sheet**

**Kasba co-operative deposit and lending society** also maintains salary sheet monthly basis for all staff.

➤ **Attendance register**

**Kasba co-operative deposit and lending society** maintains an attendance register for the staff members which contain information of office staff attendance.

➤ **Leave register**

**Kasba co-operative deposit and lending society** maintains leave register for office staff.

➤ **Stock register**

All stores are recorded in the stock register which would contain information about quantity, total receive, total issue, and total balances of materials and signature of recipient.

➤ **Advance register/ Advance slip**

A register/slip is maintained to record advances give to employees. It contains information about purpose of advances, date of advances with probable date of complete adjustments.

➤ **Cheque issue register**

Cheque issue register is maintained for each issued cheque a book in the prescribed manner.

➤ **Vehicle log book**

**Kasba co-operative deposit and lending society** maintains a vehicle log book for recording of the driven hours, departure, arrival etc. It should be prepared for checking the mileage, fuel consumption, which must be needed for controlling fuel bills.

➤ **Cheque sign register**

A register is maintained for recording information about signing all cheques.

## **4.2 Planning and Budgeting**

Planning and budgeting is the fundamental tool for ensuring a strong financial management system of the organization. Planning and budgeting helps the KDLS to control the project costs & monitor the performance in the implementation of various activities of the Project. At KDLS, financial planning is both a strategic and operational process linked to the achievement of KDLS's objectives. It involves building both longer term funding strategies and shorter term budgets and forecasts. Once plans are set, KDLS draws up its budgets and cash flow forecast to help the implementation of plans. During the year financial reports are produced to compare the budget with actual performance.

#### **4.2.1 Budget Structure in KDLS**

The main objective of an efficient budgeting system is to facilitate budgetary control, i.e. monitoring of performance at regular intervals and the accountability for variance. KDLS has recently carrying out two projects and each project has their own budget to conduct their various operations. The project budgets are consolidated into departmental budgets which are then, in turn, consolidated into one master budget. This structure allows budgets to be devolved and monitored at the project manager level, whilst maintaining an overview at department and executive director level.

In the master level, there are mainly three types of budgets are prepared in KDLS. They are:

- **The Income and Expenditure Budget**

The income and expenditure budget is used to anticipate the recurrent costs of KDLS and shows where the funds will come from to cover the costs

- **The Capital Budget**

A capital budget lists the expenditure that KDLS intend to make for the coming years on capital projects and equipment as fixed assets.

- **The Cash flow Forecast**

The cash flow forecast is derived from the income and expenditure and capital budgets and monitors the receipts and payments of cash through the operations of KDLS. Whereas the income and expenditure budget shows whether the KDLS is covering its costs; the cash flow forecast shows whether it has sufficient cash in the bank to meet all of its payments as they arise. Cash flow budget helps KDLS to identify the cash shortages and to know when cash levels are critical.

#### **4.2.2 Budgeting Process**

Budget for each activity is prepared in KDLS by breaking up of sub-activities and related costs. Baseline data is collected in KDLS through primary data so that it is relevant to the specific objectives and indicators set for the projects. Data are collected by a staff member, partner or evaluation consultant by conducting a piece of research or evaluation. Common sources of secondary data such as surveys, organizational records which are collected by someone other than the user also use to determine the budget details. Different research methods also use to prepare the budget of the project.

Some necessary arrangements for budgeting in KDLS are:

- The whole team needs to be involved in budgeting process;
- Objectives of the program along with activity plans must be completed before starting the budgeting process;
- Changes in strategies for the forthcoming year based on the past experience have to be unanimously decided by the team and the budget should be accordingly formulated;
- List out the resources required to achieve these activities and cost them;
- All line items in the budget must flow from planned activities;
- Budget must be as detailed as possible with justifications and break up of costs matched against each activity;
- When budgeting for subsequent years or phase, cost increases due to inflation or exchange rates etc. would need to be kept in mind;
- All expenses have to be reviewed against the budget on a monthly basis;
- The project management shall verify the quarterly reports against the budget analyze causes for variance and take appropriate action. Annual budget of the KDLS must be approved by the general body of the KDLS. After preparing the budget, it also has to be verified and certified by the executive director and finance manager as well to ensure that the costs are realistic as compared to the activities, and the budget captures all the required costs for such activities only. Once the budget has been agreed and the activity implemented, the process is completed by comparing the plan (budget) with the eventual outcome. (Ref: **Kasba co-operative deposit and lending society**)

### **4.2.3 Budgetary Control**

It is apparent that a system of budgetary control provides the mechanism for controlling costs and revenues. The importance of budget and budgetary control system at all level highly emphasized. KDLS will follow the following guidelines for budgetary control system.

In all cases expenditure will remain within approved budget unless the concern authorities revise it. It is important that all expenditures, irrespective of capital or revenue in nature, are to be kept within the budgeted allocation. However, circumstances occasionally may necessitate revision of original estimates to bring them in line with current condition.

Finance and accounts personnel is to take corrective measures whenever variance in individual code wise budget targets is expected to occur and give satisfactory explanation to major deviation of financial budget targets.

Finance and accounts personnel are to analyze the entire budget situation on quarterly basis.

The project coordinator will control the expenditure volume within the limit of the budgeted allocation. Written justification will be required for over expenditure up to 5%. Prior written permission will be required from the donor for over expenditure exceeding 15%. Prior written permission will be required from the donor or executive committee for any emergency expenditure outside the head of expenses of the approved budget.

A budget comparison report showing the budgeted allocation and actual expenditure must be prepared by the Finance and accounts personnel within the first week of the month. A budget line can be changed if necessary unless it is restricted by the donor. However, the executive committee has the exclusive right to add or subtract budgeted allocation depending upon the quantum of fund available.

The project coordinator will prepare an expenditure plan on the basis of annual approved budget and annual work plan along with showing a month-wise break-up of the projected expenditure. (Ref: **Kasba co-operative deposit and lending society**)

#### **4.2.4 Fund Management**

KDLS receives funds from the donors according to agreement and other sources of fund like social contributors, member's subscription, donation, service charge, etc. by issuing money receipts.

All receipts are recorded in the related documents like cash book, ledger book through preparing credit voucher under appropriate head of account. All credit vouchers are supported by money receipts and other related document. All received funds against NGO AB approval shall be deposited in the main bank account. Upon receipt all documents against receipts, the finance and accounts personnel verify the relevant documents to justify it. The credit voucher is duly signed and approved by the executive director.

Officer designated to collect cheque from the Bank must have a letter signed by the authorized official, authorizing him/her to collect the cheque. Before releasing the funds, approval from NGO AB is required provided donation is received from foreign agencies. Each receipt is acknowledged either through acknowledgement letter or a money receipt. All payment vouchers must be supported by the documentary evidence such as requisition/indent, quotation, comparative statement, where applicable purchase committee resolution, purchase order/work order, bill/invoice, cash memo, job completion certificate etc. and duly approved by the authorized personnel. Upon receipt a bill, the finance and accounts personnel will verify the relevant document to justify the payment and prepare a voucher to process the payment.

Executive director can approve up to expenditure amount of BDT 2, 00,000. Exceeding of this ceiling, need to be approved jointly by the executive director and the chairperson of KDLS.

All bills received must be duly checked by finance and accounts personnel with relevant documents. No payment shall be made without the prior approval of the delegated authority/the executive director. The bills and the invoice for payment shall be cancelled by affixing the stamp "PAID" and shall be dated. All payments must have the supporting documents as its attachments. All payments must have the supporting documents as its attaching. All payments shall be recorded in cash books and other relevant documents.



Payments voucher shall be prepared correctly and it must be signed by the person who prepare, checked, and approved. (Ref: **Kasba co-operative deposit and lending society**)

#### **4.2.5 Management of Unused Funds**

In KDLS, funds transferred to the recipient that have not been spent at the end date of the project implementation are to be repaid in donor's issuing currency within six weeks after the approval of the final financial report, along with any earned interest or gains from exchange rate fluctuations on those unspent funds. (Ref: **Kasba co-operative deposit and lending society**)

#### **4.2.6 Cash Management and Disbursement**

In order to avoid the misappropriation of cash, KDLS has efficient cash management procedures. Accounts personnel must ensure and keep in mind that the maximum closing cash balance in hand cannot exceed BDT 20000 after the day transaction. Excess of said amount for any valid reasons, the amount is kept in the main safe under lock and key.

Each day, all cash receipts and payments are entered into the cash book daily basis. At the end of each day after making all transaction finance and accounts personnel shall count the cash physically and shall confirm the balance with the Cash Book.

The executive director shall verify the cash balance and cash book at the end of each month and put his signature. S/he may verify the cash balance and cash book at any time to ensure the books are maintaining appropriately.

**Kasba co-operative deposit and lending society** should use vehicle while carrying cash from the bank and one office staff shall have to be provided.

Any payment exceeding BDT 10000 (Ten thousand) must be made through an Account Pay Cheque. If need to pay in cash more than BDT 10000 (Ten thousand) it can be done only after getting approval from the chief executive. In this situation a special note will be required.

For withdrawal of money from the bank account for working cash or for any operational expenses, money requisition must be approved by the executive director. All cash receipts must be deposited in the bank account as soon as possible immediately after receipt cash. If not possible for any valid reason, that must be deposited into bank account by following working day. Cash should be kept in safety place under lock and key. Key must be kept with cash responsible person. (Ref: **Kasba co-operative deposit and lending society**)

#### **4.2.7 Salary Management**

Appointment letter is issued to all permanent employees signed by the executive director and employee by accepting of the terms and conditions set forth thereto. The appointment letter contains the initial salary, responsibilities, duties and the general terms and conditions. Subsequent changes in salary, responsibilities, duties, terms or conditions of employment are communicated to the employee in writing. A personal file is opened for every employee. Copies of job application letter, appointment letter and any other correspondence between employer and the employee are kept in this file.

Salary schedule of KDLS contains the gross pay, advances, deductions and net pay is prepared by the finance officer, checked and verified by the finance manager and approved by the executive director prior to the preparation of payment vouchers and the check.

Payment of salaries amount more or equal to BDT 10,000 is made through Account Payee Cheque. All the staff members working at different offices of **Kasba co-operative deposit and lending society** will be paid their salaries within first 3 days of next month.

Staff advances are given upon request in accordance with regulations stipulated in the personnel policies and procedures manual. An advances ledger account is maintained and reconciled at every end month. However, all advances are approved subject to the availability of funds.

Travel expenses incurred by staff or any other authorized person are reimbursed according to the regulations set out in the Human Resource Policies and Procedures Manual. (Ref: **Kasba co-operative deposit and lending society**)

#### **4.2.8 Advance Management**

Concerned staff through money requisition can initiate advance against any operational cost which is verified by finance manager and approved by the executive director.

Adjustments against advance for conveyance is made within 7(seven) days after completion of tour & submission of trip report. In case of advance to carry out day to day activities, advance should be adjusted within 3 days from the date of advance. Expenses incurred against the advance are adjusted subsequently and approved. No further advance will be made unless the previous advance is adjusted. (Ref: **Kasba co-operative deposit and lending society**)

#### **4.3.1 Acquisition of Assets**

In case of any asset acquisition KDLS follows some procedures. KDLS has a purchase committee. Committee asks for the quotation from different parties. After getting the quotation KDLS prepares the comparative statement which includes name of the different parties who wants to provide the required assets and quoted price. After comparing all the quoted price purchase committee makes a comment on the basis of analysis. Thereafter, committee sends a notice to the specific parties with some condition. Some conditions are given below:

- If the cost of the assets exceeds BDT 10000 then it will be paid by the A/C payee cheque;
- Some portion of the total amount will offer to the parties as advance but rest of the amount will provide in the delivery of the assets;
- Order must be performed by the parties within the specific date;
- Assets provider will be fully responsible to take back the asset if any discrepancy found.

The total cost of the asset to be capitalized includes the original purchase price plus any additional costs incurred which are necessary in order to bring the asset into use. This would include the following:

- Taxes or duties;
- Shipping costs;
- Installation costs;
- Set-up costs;
- Any other reasonable cost incurred for using the asset is also included.

For vehicle operating costs, such as registration fees, licenses and spare parts are not included in the asset cost and rather this are recorded as a vehicle operation expense. (Ref: **Kasba co-operative deposit and lending society**)

#### **4.3.2 Depreciation of the Assets**

Depreciation is the process of spreading the cost of an asset over its estimated useful life. KDLS depreciates assets on a straight line basis over the estimated useful life associated with each class of asset. Useful life of assets may vary according to the project life and the use of the assets. (Ref: **Kasba co-operative deposit and lending society**)

#### **4.3.3 Assets Disposal System**

Assets of the KDLS are disposed by selling the assets or hand over the project's assets to the main office of the KDLS. Equipment and assets can transfer or are handed over to an external party, beneficiaries or the recipient at the implementation end date as determined by the executive committee or donor's agreement. Other equipment and assets purchased with the grant funds remain the property of the KDLS who determines its disposal.

If executive committee wants to sale the asset and if any staff of KDLS wants to buy any assets that has to be notified to the executive director and finance manager. These offers are opened for a specific time in presence of the executive director and interested staff members. A letter goes to the successful buyer to make necessary payment to the finance section. The staff member can take delivery of the quoted item from the storekeeper showing the money receipt. Sale of any property or vehicle is done through national newspapers. All of these selling procedures are followed according to the decision of the executive committee. (Ref: **Kasba co-operative deposit and lending society**)

#### **4.3.4 Fixed Assets Register**

All fixed assets acquired are recorded in fixed assets register. The fixed assets are physically verified at the end of each year and results are reconciled with fixed assets register and short/excess, if any, shall be adjusted in the book of accounts. Sold, disposed of any damaged asset must be recorded in the appropriate column of the register. Depreciation on fixed assets will be recorded in the fixed assets register in appropriate column.

It is the responsibility of the finance/accounts manager to maintain a complete and accurate fixed asset register. The fixed assets register will be maintained on an excel spreadsheet or a book and should have the following details:

- Identification or serial number
- Description of asset
- Source of acquisition
- Cost of acquisition

The finance/accounts manager should ensure that all the assets are tagged with identification codes. All the classes should commence with the prefixes itemized below followed by a unique 3 or 4 numerical numbers for each specific item. (Ref: **Kasba co-operative deposit and lending society** and discussion with finance manager)

#### **4.4 Risk Management**

For risk assessment, KDLS reviews at least once in every year the risks and mitigation actions implemented for the projects. Major risks of KDLS are:

i) **Financial Risk:** Financial risk incurs the loss of money and fund. Main influencing factors are:

- Total grant value
- Funding mechanism
- Funds are used for same objectives in different projects.
- Foreign exchange / inflation
- Level of operational risks / ability to deliver project
- Donor sustainability

ii) **Operational risk:** Operational risk involves project delivery, personnel, and assets related risks. It incurs failure to meet project objectives, low safety and security of personnel and beneficiaries and loss of assets. Major influencing factors are:

- Political stability and relationship with government / parties
- Experience of location, theme, type of work, technology and process
- Experience of partner / donor

iii) **Long term risks:** Long term risk involves the external and reputational risks. It incurs closure of operations in country, legal obligation and loss of reputation. Main influencing factors are:

- Political stability and relationship with government / parties
- Environmental factors and emergency situations
- Strategic importance of donor / theme / region for future SC projects
- Level of operational risks / ability to deliver project

#### **Mitigation Strategies**

Mitigation strategies are used in KDLS to reduce the medium and high risk. A risk register is used to keep the information about the risk if the project is undertaken. Mitigation strategies that are cost-effective are considered at the review and approval stage. If the proposal/project proceeds:

- They keep the risk register of all identified and assessed risks;
- They also aware of the facts that there are a number of risks they have not considered or anticipated;
- If risks do occur, they use the cost effective mitigation strategies to reduce the risk. (Ref: Discussion with executive director and finance manager)

#### 4.4.1 Managing Internal Risk

Different types of internal risks are faced by KDLS on a day-to-day basis. These types of risks are managed by using a series of controls, checks and balances, which help to avoid losses and detect errors and omissions in the accounting records. Internal controls are also very important in protecting all those who handle the financial affairs of the KDLS as they remove any suspicion of, temptation to dishonesty.

#### 4.4.2 Delegation of the authority

Executive director of KDLS delegates authority to respective managers of the department and project managers for the day-to-day operations of the KDLS because it is not possible for one person to make all the decisions and authorize all transactions. Respective department and project managers therefore, further delegate authority to members of the team to relieve the load and to ensure smooth operation during absences of key staff.

#### Delegated Authority Document

Every organization should decide in advance who should do what in finance procedures. It is a good practice to record what has been decided in a delegated authority document. Its purpose is to clarify who has the authority to make decisions, commit expenditure and sign legal undertakings on behalf of the organization so that there is no confusion about responsibility.

The delegated authority document of KDLS includes:

- Placing and authorizing orders for goods and services;
- Signing cheques;
- Authorizing staff expenses;
- Handling incoming cash and cheques;
- Access to the safe and petty cash;
- Checking and authorizing accounting records; signing legal undertakings.

The delegated authority document is approved by the Board and reviewed every year to ensure it is still appropriate to current needs. Before approving the delegated authority document some basis principals are followed by KDLS. They are:

- **The lowest level of authority is defined** – it is taken for granted that those higher up the management ladder will also have the same authority.
- **No one should authorize any transaction from which they will personally benefit.**
- **Sub-ordinates must not authorize payments to managers** – they must be passed to someone who is more senior in the management structure. (Ref: **Kasba co-operative deposit & lending society**)

#### 4.4.3 Dealing with Fraud & Irregularities

Sometimes internal control systems fail to prevent losses through theft, fraud or other irregularities. Fraud is defined as a deliberate, improper action which leads to financial loss to the organization. This includes theft of goods or property; falsifying expenses claims and falsification (or destruction) of records to conceal an improper action. Other irregularities include unauthorized activities for private gain.

Inevitably, the impact of fraud has a damaging effect on the KDLS. Incidents of fraud and irregularities require sensitive handling to minimize the long-term impact. It is important to be prepared to deal with any occurrences of fraud or financial irregularity by having a written procedure which covers steps that need to be taken.

The procedure to deal with irregularities of KDLS states clearly that routine controls, checks and balances are in place to safeguard the assets of the organization and to protect staff from any suspicion of, or temptation to, fraud or other impropriety. Paid staff and volunteers are therefore obliged to co-operate fully with internal control procedures and failure to do so will be dealt with as appropriate within the organizations disciplinary code.

When an irregularity is reported or detected, record the details in writing; report it immediately to a superior in KDLS. When an irregularity comes to light, it must be dealt with quickly and sensitively. If all the evidence points to an irregularity, the individual(s) who is involved will be formally interviewed with a third person present. Protect documents and records by either removing access to them by those involved in the irregularity or by suspending the people involved during the investigation. Investigation could be conducted by the executive director, department or project manager. (Ref: Discussion with executive director and finance manager)

#### 4.5 Preparation of Reports

Financial reports are developed for internal use such as monitoring expenses within the organization and also for external use such as for submitting reports to donor agencies.

Monthly financial reports are prepared in KDLS by the finance and accounting personnel in the prescribed form and submitted to the executive director within 7 days of the next month. For every project following reports are prepared time to time and submitted to the executive committee.

- **Commencement Report** - It is submitted within 15-20 days along with  
**Executive Summary:** A short paragraph including the name of the program funded, the period over which funding is used and objectives, and goal.  
**Commencement Status:** Activities with detailed report has to be provided.  
**Photos, Maps or Other Graphics**
- **Midterm report** – It is submitted within 4-5 months along with  
**Executive Summary:** A summary of key Program mid-results.  
**Use of the Funds and Progress against Program Goals:** This includes program activities supported by the funding, number of beneficiaries served, and targets achieved, overall accomplishments through the date of the report.

## **Photos, Maps or Other Graphics**

### ➤ **Final report:**

**Executive Summary:** A short paragraph including the name of the program funded, the period over which funding is used and a summary of key program results.

**Use of the Funds and Progress against Program Goals:** It includes details of key milestones, targets achieved, and overall accomplishments through the date of the report, summary of evaluation, any recommendation, and learning.

### **Photos, Maps or Other Graphics**

#### **4.5.1 Needs of the Annual Financial Report**

Financial reports of KDLS are needed primarily by the executive committee and executive director for managing the KDLS and by current and potential donor agencies. Financial report is also need to inform the other stakeholders of KDLS, such as

- The Governing Body,
- Ministry of the Government,
- Existing and potential donor agencies,
- Regulatory bodies including Department of Taxes,
- Employees and volunteers,
- Beneficiaries of the KDLS.

During the financial year, accounting information is summarized and turned into Management Accounts to monitor progress against the budget; and at the end of the year, the records are used to produce the Annual Accounts to report on the outcome.

#### **4.5.2 Annual Financial Report**

At the end of the fiscal year, the finance and accounting personnel prepare the financial report and submit to the executive director. The annual financial report includes the following:

### ➤ **Receipts and payments account:**

At the end of each month project wise receipts and payments account is prepared on the basis of all receipts and all payments relating to each of the projects. A consolidated receipts & payments accounts for KDLS is prepared at the end of each month.

### ➤ **Income & expenditure account**

Project –wise income & expenditure is prepared to ascertain the excess of income over expenditure or the excess of expenditure over income on quarterly/half yearly/yearly basis.

### ➤ **The Balance sheet**

The position of fund, liabilities and assets on a specific date is presented through the balance sheet. It is to be prepared on project-wise and a consolidated balance sheet of the KDLS is also prepared. (Ref: **Kasba co-operative deposit and lending society**)

### **4.5.3 Management Reports**

Management reports are prepared monthly or at least every quarter in KDLS by finance and accounting personnel. These reports are produced so that managers can take decisions about the future management of the KDLS. There are two kinds of reports that are used by executive directors and finance manager.

#### **I. The Budget Compared to Actual Performance Report**

A Budget versus Actual Report takes budgeted income and expenditure for the selected period and compares it with the actual income and expenditure. The difference between the two figures is known as the „variance“ and this is assessed as to how significant it is. The figures for the report come from the main books of account. Each month the records are reconciled and summarized to give a summary of all transactions.

#### **II. the Cash flow Report**

The cash flow report is simply the compare of the cash flow forecast with actual receipts and payments each month, plus any new information about future spending or fund-raising plans.

It allows finance manager to predict periods when cash balances are likely to be insufficient to meet all commitments and any surplus funds during the year. (Ref: **Kasba co-operative deposit and lending society**)

### **4.6 Auditing**

Audit of accounts, statements and reports helps to ensure accuracy and check in financial system of KDLS. To ensure proper functioning of the financial system on prescribed norms in the financial policy of KDLS, the project requires an in-depth auditing arrangement. Unless audit instruction or requirement and format for audit report required by donor, the KDLS applies its own auditing policies. But the KDLS reserves the right, at its own expense, to carry out additional internal or external audits in connection with the Project.

#### **4.6.1 External Audit**

An external audit is an independent examination of the financial statements prepared by the organization. It is usually conducted for statutory purposes. The executive committee appoints audit firm enlisted by the NGO affairs Bureau to audit the accounts of the KDLS.

They are independent of the organization employing them. Independent means that the auditor must not have been involved in keeping the accounting records and is not personally connected in any way with the organization.

Auditors only have a limited time in which to complete their work, so they concentrate on testing the validity of a sample of transactions and results rather than vigorously checking everything. Duration is set by the executive committee and informed to the selected CA firm.



An audit results in a report which gives an „audit opinion“ as to the „true and fair“ view of the state of affairs of the organization and operations for the period. This audit report must be approved by the executive committee of the KDLS. (Ref: **Kasba co-operative deposit and lending society**)

#### **4.7 Internal Control System**

The executive director may assign a staff to check the accounts internally for minimizing the possibility of fraud or irregularities or misappropriation of fund. The person will conduct internal audit who is not involve with handling cash, transaction recording, voucher preparation, fund receive and disbursement.

The executive director may form a committee comprising 2 (two) members for physical inventory counting and checking. The finance manager serves as a convener. The committee shall do this job once in each year. The committee submits the report within stipulated date & time. Required adjustment of any inconsistency shall be made having approval from the Executive director or delegated authority. (Ref: **Kasba co-operative deposit and lending society**)

#### **4.8 Monitoring and Evaluation System of the Project in KDLS**

**Kasba co-operative deposit and lending society** follows a systematic approach for monitoring and evaluation of its activities focused on program and financial management aspect. This will enable all those involved to assess the impact and effectiveness of the program and financial aspects of the organization and make adjustments in strategy.

Project monitoring is the responsibility of the project coordinator according to the project plan and the executive director check each report to monitor and evaluate. After ending of the project all the related documents are sent to the head office signed by the program coordinator with a paragraph in which the program coordinator mentioned the finding whether the project has been done properly or not. After getting all the documents, the executive director again rechecks all the documents and evaluates the findings of the project done by program coordinator. If the executive director is satisfied with the document as well as the evaluation which is done by project coordinator, they will be appointed for next projects. (Ref: Discussion with executive director)

## **5. Findings and Recommendations**

**5.1 Kasba co-operative deposit and lending society** is one of the promising non-government organizations which are working for disable and poor persons. Over the last eight years, it is continuously improving its activities in different area and adopting new projects. Simultaneously, it is also pursuing standard rules in handling the donor's funds. KDLS is following recognized practices in keeping the financial accounts although some weaknesses in financial policy of KDLS are observed.

An internal audit of a firm helps to check financial accounting systems and procedures and internal control mechanisms. Some firms appoint the internal auditor to examine the internal financial mechanism and financial practices of different projects. There are no internal auditors in KDLS. Moreover the internal audit is not conducted in a regular basis. Occasionally, the executive director of KDLS appoints someone to conduct the internal audit.

The accounting software and technological support of KDLS are not so efficient and updated.

There is communication gap between the project employees and personnel of finance department of KDLS which induces the conflict in obtaining and using the funds. Project coordinators of some projects do not maintain all supporting vouchers which are essential for external audit.

**5.2** In order to continue the operational activities and to implement the different projects, KDLS needs to ensure a sound financial management system and effective accounting administration. Some recommendations are proposed below which will help to develop an effective financial management system.

- The executive committee should introduce efficient internal audit mechanism in order to examine the financial operations of KDLS. They can recruit an employee as internal auditor or can appoint a third party to conduct the internal audit.
- The allocation of common cost needs to be reflected in respective financial planning of the respective project.
- KDLS needs to generate more funds for expanding and smooth continuation of their projects. For generating more funds they can negotiate with donors to increase the budget and to improve the relationship with local partners.
- In order to eliminate the communication gap between finance personnel and project coordinator, they can assign a person to share the information between two groups.

There should be closer coordination between the program staff and finance officer.

- KDLS has the opportunity to increase the transparency of their project activities. KDLS needs to ensure that project would not be delayed for the obligation of rules and regulations.
- KDLS can use different software to keep their different financial information.
- KDLS needs to develop a detail financial manual and to examine the manual time to time.

## **6. Conclusion**

In Bangladesh, it has been a common scenario that the poor people are depriving in every sector even if they work so hard for livelihood. Some non-profit organizations try to improve their lives through preparing several projects but yet the numbers are still low comparing to the population. Financial management system of KDLS fulfils the basic financial and accounting requirements to ensure better degree of financial control, transparency and accountability in the day to day operations of KDLS.

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