Financial Policy

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CHAPTER -01
Financial Management

1.1 About IDO

IDO is a multidisciplinary not for profit NGO engaged to a wide range of social development activities and seeks to render services through implementing donor funded project. IDO is registered with NGO Affairs Bureau bearing registration number 1658 dated 28.08.2001 to deal with fund, IDO has transparent financial management system and team members are accountable for the various financial transactions that take place. The system requires the team to explain how it has used its resources and what it has achieved.

1.2 Purpose of the Policy:

The Financial Policy seeks to explain in detail the financial rules and regulations for the organization to ensure transparency, governance and hold responsibility & accountability. The Financial Policy is the reference to execute day to day financial transactions and its appropriate recording in the books of accounts and preparation of monthly, quarterly and annual financial report. This policy is prepared considering the best practices, donor requirement as well as country regularity requirements.

Contents of this policy are arranged in various chapters. Various formats are attached with this policy as annexure with sequential number. All employees and management are expected to be aware and update of this policy and fully comply with this policy.

1.3 Commencement date:

This financial policy will be effective from the date of approval by Executive Committee.

1.4 Policy finalization for approval:

The policy will be placed for Executive Committee Meeting discussion for finalization and thus it will finalize and approve.

1.5 Signing of Financial Policy:

Financial policy will be signed by the Chairman of Executive Committee in every page as approval authority and Executive Director will counter sign the policy in the same way.

1.6 Application:

This financial policy of IDO shall be applicable for all financial transactions of organization as well as all projects implemented my IDO. The initial policy will be updated after 02 (two) years of implementation.

1.7 Policy update:

- Executive Committee will modify and revise this policy to such extent, as may deem fit with organizational ongoing volume and prevailing context. With the approval of Executive Committee, Financial Management System of IDO will also be updated periodically and consistently with revise policy. Executive Committee will form a committee or assign anyone or appoint consultant to review and update this policy after every 02 (two) years.
- The initial and modified version of this policy as approved by Executive Committee shall be circulated to all concerned through office memo under the signature of Chairman of Executive Committee.
- Once the policy is revised, all the previous versions will be superseded and updated version will be applicable.

CHAPTER-2
Definition

2.1 Terms and meaning:

Term	Meaning
Organization	**:** Integrated Development Organization
Management	: The senior management team constituted by IDO.
ED	**: The Executive Director of IDO.**
Month	: Gregorian calendar months.
Year	: The financial year of the organization.
Donor	: Any agency, organization or Government that contributes in kind or cash to IDO.
Approving Authority	: The Executive Director or the Officer so designated by EC to be responsible for approval of all types of financial transactions of organization
Primary document	: Primary documents include money receipt, credit voucher, debit voucher and journal voucher.
Financial Document	: Financial document includes the letter of agreement between any Government, funding agency, grantor and organization, lease agreement, bank statement, cheque book, bank deposit slip, audit report and GoB letter of approval. It also includes all the books of accounts required for the organization together with its supporting documents viz. the money receipt, bills, invoices, cash journals, ledger, subsidiary ledger, registers and other accounting records.
Financial Statements	: Financial Statement includes Balance Sheet, Income & Expenditure Account, Receipt & Payment Accounts or Cash Flow Statement and explanatory notes.

CHAPTER-3
Accounting Principles and System

3.1 Basis of Accounting:

The financial statement will be prepared in accordance with Generally Accepted Accounting Principle (GAAP) under historical cost convention and comply with International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). IDO will follow double entry system of book keeping for recording and accounting of financial transactions. IDO will follow cash basis of accounting and consider period end accruals as per requirement of IDO and donors.

3.2 Accounting Period:

The accounting period of IDO will be the Fiscal year i.e. from 1st July to 30 June for the organization. But accounting period of donor based project will be as per donor requirement.

3.3 Allocation of Common Cost:

If it deems necessary, some costs may be allocated among the benefitted projects in a justified way and considering the budget provision. Any short term event will not be considered for sharing the common costs. Accounts section is responsible to identify the

common cost element, setting the basis of its allocation and review time to time for changing ratios. This basis of allocation shall be reviewed and approved by management.

CHAPTER-04
Maintenance of Accounts

4.1 Responsibility of Finance Officer:

The responsibility of Finance Officer is maintain the books of accounts and preparation of periodical financial report. Ed is responsible to ensure overall accuracy and authenticate financial statement and books of accounts. Finance Officer is personally responsible for its completeness and accuracy. IDO management level Staff members who check, review and approve the financial documents will hold the responsibility and aware of its accuracy.

CHAPTER -05
Record Keeping

5.1 Petty Cash Book

Small transactions that are inconvenient to make by cheque are made from petty cash. Petty cash balance should be within the limit Tk. 10,000 – Tk. 15,000. The petty cash Book should be a chronological record of transactions of both receipt and expenditure done via cash payment.

- Petty cash voucher and book are similar to bank voucher and bank book.
- The minimum information maintained in a petty cash book should include date of transaction, payees or recipients name; voucher no., amount of payment, and budget category.
- When replenishing petty cash, Finance manager/Accountant/manager should indicate the serial numbers of the corresponding bank and petty cash vouchers.
- All transactions must be posted in a petty cash book immediately after cash receipts or disbursement and must be balanced on a daily basis.
- The petty cash book must be balanced every day, and at the end of each month and during the time of petty cash adjustment. The IDO management/manager must approve these.
- IDO maintaining petty cash funds should replenish their petty cash when 80% of its balance has been spent.
- Admin will prepare petty cash voucher and maintain the petty cash book, designated signing authority will approve the voucher based on approved budget to maintain check and balance.

5.2 Salary Register

Monthly staff salary must be paid through bank account transfers. Each staff member is required to have their own bank account. A separate "Salary and Benefit" register/sheet must be maintained. Original copy of salary register / sheet (with signature of recipient) must be preserved. Photocopy of salary register /sheet shall be attached with vouchers. In case of bank transfer of salary to individual staff bank account, shall not require fixing of revenue stamp. Information to be maintained must include but are not limited to:

- Month and year
- Name of employee and designation
- Number of days worked as per attendance register
- Monthly basic salary
- Applicable salary (after deduction)
- Monthly benefit /bonus
- Gross salary
- Deduction like income tax, provident fund etc.
- Net amount paid
- Signature of the recipients with fixation of revenue stamp if salary was paid through A/C payee checks.
- Grand total for the month
- Prepared by and approved by

5.3 Cash / Cheque payment

All debit vouchers must be supported by documentation such as requisition, quotation, comparative statement, purchase committee decision, purchase order, challan, bill/ cash memo, job completion certificate etc. which should be duly approved by the authorized official.

When approving a payment, all supporting vouchers or documents must be cancelled by a fixing a rubber stamp with the word “PAID” to minimize the risk of double payment.

Generally, all cheques for payments should be crossed before handing over to the payee. Neither a blank nor a bearer cheque should ever be signed by any authorized signatory.
When disbursing any amount, the signature (with date) of the payee or his/ her authorized representative acknowledging receipt of cheque or cash must be obtained on the bill/ voucher or on a separate piece of paper and kept with the other supporting documentation for the transaction.

5.4 Money receipts

If IDO receives funds from various actors (customers, donors, third party payers, etc.) money receipts shall be prepared and issued to the concerned parties / payees on receipt of any fund/money. Money receipt forms must be printed and pre- numbered.

CHAPTER-6
Financial Transaction & Reports

Financial reports and statements are the ultimate products of the finance and accounts department. All financial transactions occurred or generated throughout the year are recorded in a set of books and records. A systematic recording system facilitates to prepare financial reports accurately at any point of time.

Financial statements and reports contain a consolidated typical presentation of financial data. Statutory financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) / International Accounting Standards (IAS) / International Financial Reporting Standards (IFRSs) and other applicable rules and regulations. When Accounting Software and Chart of Accounts will be introduced, it will be easier for NGOs and their Finance to prepare Cash Flow Statement, Statement of Comprehensive Income (Income Statement) and Statement of Financial Position (Balance Sheet).

Financial Statements

- **Cash flow Statement**

(a) At the end of each month Cash Flow Statement shall be prepared on the basis of all receipts and all payments recorded in the General Ledger relating to IDO.

(b) A consolidated Cash Flow Statement for the IDO as a whole shall also be prepared at the end of each month.

(c) At the time of preparing the above statements the closing balance of the previous month/year should be indicated as opening balance.

The Cash Flow Statement is a summary of all receipt and payment transactions during the reporting period irrespective of its nature whether revenue or capital and it may be current year or preceding year.

- **Statement of Comprehensive Income**

This statement is prepared monthly /quarterly/half yearly/yearly to ascertain whether there has been excess of income over expenditure or the excess of expenditure over income.

(a) All income actually earned should be considered as income and all expenditure (payments made), actually incurred should be treated as an expenditure.

(b) Payments against advances or prepayments and the capital expenses should not be included in this statement. This type of expenses should be treated as items to be shown in the Statement of Financial Position (Balance Sheet).

(c) The amount of surplus or deficit as shown by this statement shall be transferred to the Statement of Financial Position (Balance Sheet) as Capital Fund.

(d) The depreciation charges relating to fixed assets and the provision for bad debts will be shown in the Income & Expenditure Statement.

- Statement of Financial Position (Balance Sheet)

The position of fund, liabilities and assets on a specific date is presented through the Statement of Financial Position (Balance Sheet) and a Consolidated Statement of Financial Position (Balance Sheet) of the IDOs are to be prepared on quarterly basis.

(a) The Statement of Financial Position (Balance Sheet) shall have been drawn up on the basis of the Trial Balance and the related adjustment entries.

(b) The excess of income over expenditure (surplus) or the excess if expenditure over income (deficit) is to be adjusted with Capital Fund in the Statement of Financial Position (Balance Sheet).

(c) The ultimate effects of the adjustments relating to advances, prepayments, outstanding expenses and depreciation shall be shown in the Statement of Financial Position (Balance Sheet).

(d) The details of fixed assets should be shown in a schedule to be annexed to the Statement of Financial Position (Balance Sheet).

List of Assets

Current Assets	Fixed Assets
Cash-in-hand	Land
Bank Balance	Building
Bills Receivable	Vehicle - Ambulance - Car - Micro Bus - Bi-Cycle, - Motor-Cycle
Stock-in-hand	Furniture & Fixture
Fixed Deposits	IT Equipment
Loans & Advances	Office Equipment
	Generator
	Air-Conditioner

Budget variance analysis

The IDO Financial manager shall make budget variance analysis monthly / quarterly. It provides scope to analyze the budget with actual data and to take necessary steps to minimize the budget variance.

Reports for Government (NGO Affairs Bureau).

NGO Affairs Bureau requires the submission of a set of financial reports along with auditors certificate (FD-4) for each donor funded project. These reports are required to be submitted within two months from the completion of each project year.

CHAPTER-7

Budget and Budgetary Control

Budget Period:

Organizational budget shall be prepared annually and revised at the end of each financial year. The budget for financial resources, proposed utilization of resources and expenditure there on shall cover one financial year. Project budget shall be prepared year wise and then will be consolidated for the duration of the project period as per terms of the project agreement.

Classification of Budget:

Budget will be of the following categories:

1. Master Budget
2. Project Budget
3. Organizational Budget

Master Budget:

Master Budget consolidates all financial activities of a particular period taking figures from project budgets and core budget.

Organizational Budget:

Organizational budget representing income and expenditure of core activities of IDO. Organizational budget will include all income expected to be received during budget period. This budget expresses core administrative activities in financial term.

Project Budget:

Project budget expresses all project expenditures in financial term. It will be a line item budget with detail breakdown of cost.

Budget Approval:

Master budget will be prepared by IDO budget committee and ED shall review it and will be placed to EC meeting for approval.

Budgetary Control:

Budgetary control is a system of planning and controlling cost, which starts with the approval of budget relating to activities to be carried out in order achieve the result. Regular comparison between budget and actual expenditures will be done to identify variances and corrective measures will be taken.

Chapter-08
Banking Procedure

Managing Bank Accounts

- A Main bank account at IDO HQ level into which Grants fund is transferred from organization regional/unit/project office account.
- A Project bank account transferred from mother account to project account.

In addition, bank account for employees' provident fund will be maintained. All bank accounts should be interest bearing i.e. "SB" or "STD" accounts and each bank account shall be jointly operated, not by a single signatory.

- There must be 3 (Three) authorized signatories for transaction of bank accounts at HQ level. Two signatories for each banking transaction (Executive Director is mandatory and one other).
- There must be 2 (Two) authorized signatories for transaction of bank accounts at Regional/Unit/Project office level. Two signatories for each banking transaction.

Bank Payment Procedure

All payment over Taka 20,000 to be paid through "Account payee cheque" for a single transaction. Payment of monthly staff salary, benefits and fees must be paid through crossed cheque or bank advice. Exception may be acceptable in the following cases:

1. In case of paying maximum 6 month salary of a new hire or transferred staff if he or she has not opened a new account with designated bank due to time constrains or other acceptable problem, subject to written request from the respective staff.
2. IDO will receive monthly fees, shares for referral and travel cost payment.
3. Travel advance to staff for field monitoring, attending training, workshop, and seminar.
4. Payment of monthly telephone utility bills of any amount.

Cheque Signatories

Decisions regarding cheque signatories for operating the bank account with full particulars such as name, designation, specimen signature, initial and validity date of authorization shall be kept on record confidentially by ED.

Counterfoil of Cheques

While issuing cheque, counterfoil shall also be filled in to provide information regarding the date of issue, name of payee, designation, initial of signatory and the amount.

Cancellation of Cheque

Any cheque issued but not presented for collection by the payee within 90 days from the date of issue, the bank shall be notified in writing to treat it as cancelled. On the basis of the notification, shall give reversal entry in the Bank Book and keep a note in the Bank

Reconciliation Statement.

Any loss or theft of the cheque or check book must be notified to the concerned bank management as early as possible.

The word "**CANCELLED**" shall be written both on the counterfoil as well as on the face of the cheque in case it is required to be cancelled.

Bank Statement and Bank Certificate

Collection of account wise monthly Bank Statement at month end basis and other relevant information from bank shall be ensured. Account wise bank certificate will also be collected by IDO manager at the end of each year.

Bank Reconciliation Statement

The bank balance shown in the monthly bank statement as of last or next month 1st day of the month must be reconciled with the balance shown in the bank book on the same day by preparing a Bank Reconciliation Statement For various reasons balance per Bank Book/Register may not agree with the bank statement /pass book balance.

The main reasons are:

- Cheque issued but that may not be presented by the payee in the bank for collection (outstanding cheques) within specific date
- A cheque or DD is deposited, but the bank could not collect the money from issuing bank (outstanding deposits),
- Bank added interest or deducted Bank Charge from bank account, but the does not know about it and for which it will be reconciled.
- Any un-liquidated advances.

Bank reconciliation must be done on monthly basis reviewed by and dated and should be sent with financial report periodical along with the monthly expenditure report.

Safety of Cheque Book

Finance Officer shall be the custodian of cheque books and shall ensure that cheque books are preserved under lock and key in a safe not accessible to an outsider. A permanent register of cheque books may also be maintained by this section.

CHAPTER-09

Staff Travel and Per-diem

Staff Travel:

An employee is on tour when he/she is absent on duty from his/her working place with proper approval for a specific purpose.

- All travel must be directly related to official activities.
- Appropriate authority shall approve the travel plan showing the start and end dates, duration of travel and mode of transport which should be recorded in travel register or travel approval sheet.
- Per-diem payments shall include lodging, meals and certain incidental expenses.
- Per-diem may be allowed if the travel period is more than six hours but depending on the IDO policy and/or donor guidelines.
- Local transportation and other expenses must be supported by receipts.
- Transportation cost must be supported by bus, train, steamer tickets, etc. Travel by air is per organization travel policy.

Travel advance

An employee may be given a travel advance once approval has been received. This amount shall not exceed 80% of the total estimated cost. Travel advance must be cleared / adjusted within 7 working days after completion of the travel or training.

- There must a written application with the voucher for paying advance.
- All advances must be recorded in the advance register.
- If IDO employees require advance for any other purpose (i.e. logistics, materials, etc.), prior approval from appropriate authority must be sought and obtained.
- All un-liquidated advances must be reflected in the monthly bank reconciliation statement/reports.

Per-diem

- A per
- It should be calculated from the time of commencement of journey until return to the station of permanent duty.

Supporting documents for payment of travel bill

- Completed travel expense report with traveler's signature.
- Trip report
- Travel approval
- Air, bus, train or launch tickets
- Original receipts – airport tax
- Travel advance clearance copy
- Photo copy of cheque subject to availability of photo copy facilities
- Payment voucher
- All vouchers should be marked "PAID"

Travel and per diem Guideline

IDO staff and associated executive committee members regardless of designation are entitled to the following:

Per-diem is to be charged for official visit and training purpose if the staff has to spend:

- More than 6 hours outside duty station and
- Travel more than 50 kilometers from duty station, or
- Training is residential and food and accommodation cost not provided by respective training organization /authority
- In the case that training/meeting/workshop is arranged but food and accommodation costs are not provided by respective organization/authority, per diem will be applicable based on duration of the training/meeting/workshop.
- In case of participation in a training/meeting/workshop and only lunch or dinner is provided by the host organization/authority then Tk. 150 will be deducted from applicable per die rate.
- No per diem is allowed for travel outside the duty station that is less than 6 hours.
- No per diem is applicable when working within the duty station.
- Irrespective of grade and level, all are eligible to receive per-diem (food, accommodation & incidental), upon the submission of a travel expense report. All other expenses incurred must be supported by receipts.
- If per diem is claimed, the expenses report must contain an attachment of a brief trip report. Movement register must be filled up. Without this per diem is not allowed.

CHAPTER-10

Procurement

10.1 Procurement procedure:

IDO procurement policy for purchasing goods, supplies and services are designed to ensure that IDO adopted best practices to ensure purchase of quality product with competitive price and value for money. The following rules will be followed:

- Procurement will be made following the procurement procedure and through bidding process as per threshold.
- Requester will place a Purchase Request for procurement of an item and submit it to Finance Section for verification with budget provision.
- Purchase Request will be approved by Executive Director.
- Approved Purchase Request will take initiative to procure the requested item.

10.2 Procurement Committee:

A procurement committee consisting of 3 (three) members shall be formed by Executive Committee. Recommendation from a technical person will obtain when necessary. As Finance Officer is involved in payment process and Executive Director is the approval authority, both of them will not be the procurement committee members. For any procurement, at least two members must be involved. One behalf of procurement committee, one member will be the secretarial work.

10.3 Procurement Threshold:

Estimated Value	Procurement Procedure
Under Tk. 20,000	cash purchase through market verification by Procurement Officer Purchase Requested is needed
Purchase between Tk.20, 001 and Tk.100, 000	obtain at least 3 spot quotations from suppliers and follow other standard purchase procedure. Purchase Order is needed
Purchase between Tk.100, 001 and Tk. 500,000	obtain at least 3 sealed quotations from suppliers Follow standard purchase procedure Purchase Order is needed
Purchase above Tk. 500,001	Purchase through inviting sealed quotations from suppliers Follow standard purchase procedures Purchase Order is needed

Note: Other standard purchase procedure involves:

- ❖ Opening of tender in presence of bidder(s)
- ❖ Prepare Comparative statement for price comparison
- ❖ Document committee decision on selection of suppliers
- ❖ Issue work order
- ❖ Receive goods through preparation of GRN.

10.4 Accounting Procedures

1. An invoice must be received for all goods and services procured. Only original invoices prepared by the supplier are acceptable. Supporting documents such as quotations or the documentation report should be attached.
2. Payment certification to be done through Payment Initiation Form
3. **Finance Officer** will confirm that new asset number is mentioned on the Payment Initiation Form in case of fixed assets procurement
4. All invoices shall be stamped **"PAID"** and dated. Finance Officer will check the correctness and appropriateness of the invoices before payment.
5. Cash book entry and ledger posting to be done by **Finance Officer** as per account code
6. In case of failure by the supplier to meet its obligations of supplying contractual goods and services the prompt action will be taken by **Finance Officer** to safeguard organizational interest.

10.5 Definition of Asset:

There are three types of goods that can be procured.

Consumables – Items, which have a short life and will be consumed within 12 months and a unit price of Taka 2,000 or less, may be listed under consumables and supplies. Examples are office supplies, soap, bandages, etc. IDO must maintain a stock register for consumable items.

Assets – These items have a useful life of more than one year and a unit cost of more than TK 2,000 will be considered as asset. Assets may be categorized as Furniture, Fixture & Equipment, Land, Building, and Vehicles etc. Assets shall be recorded in the Asset Register and always be updated.

10.6 Petty purchase procedure:

All procurements up to Tk.10, 000 must be done through an authorized employee and must have prior approval of Executive Director. Petty purchase includes purchase of office supplies, training materials etc. Transactions up to Tk.10, 000 does not require competitive bids but market verification needs to be done. The amount agreed must be reasonable in the light of market price.

10.7 Procurement from sole source:

When required goods or services are only available from one reasonable source then procurement is made from that sole source. In that case arrange for open competition is not needed. But justification should be written detailing the reasons for sole sourcing & attached to the procurement documents. Sole source procurement should be a last resort and not used on a frequent basis. In this case, quality product with competitive price must be ensured.

10.8 Split purchase:

A single transaction must not be broken into smaller components in order to avoid the above procurement rules.

10.9 Approval from Donor:

IDO will ensure compliance with relevant donor procurement regulations including obtaining required approvals if necessary.

CHAPTER- 11
Internal Control

Introduction:

All staff members and management of IDO will always give due importance on ongoing improvement of organizational internal control system for effective financial management, development and sustainability of IDO. Management will time to time plan to adopt new methods and procedures. Management will provide reasonable assurance that fund is using with its maximum impact. Property and assets are safe guarded against waste, loss, unauthorized use, or misappropriation. Revenues are generated and expenditures are incurred in compliance with IDO operational policies.

11.1 Principles to be followed:

Over and above, the following broad principles of internal control system of IDO are to be maintained:

Establishing Responsibilities

Responsibilities should be clearly established. Good internal control necessitates that responsibilities are clearly established and for a given task, one person is to be made responsible. When responsibility is shared and anything goes wrong, it is impossible to identify the person responsible for.

Maintenance of Adequate records

Adequate records should be maintained. Good records provide a means of control by placing responsibility for the care and protection of assets. Poor records invite laxity and often misused.

Separated Record Keeping and Custody

Record keeping and custody should be separated. A fundamental principle of internal control requires that the person who has access to or is responsible for an asset should not maintain the accounting record for that asset, viz. in store, when issue and receipt of goods are recorded in the register by the Assistant Store keeper while the Store Keeper will sign Material receipt Requisitions.

Segregated Responsibility for Related Transactions

Responsibility for a divisible transaction or a series of related transactions should be divided between individuals or departments in such a manner that the work of one acts as a check on that of another.

11.2 Role of IDO management:

IDO management should ensure that organizational internal control and management are reasonably established in the following way:

- ❖ All financial transactions and incurred costs are in compliance with applicable laws.
- ❖ Funds, property and other assets are safe guarded against waste, loss, un-authorized use, misappropriation, terrorist financing and money laundering and other misuse.
- ❖ Revenues and expenditure are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports, and to maintain accountability over the assets.
- ❖ The authorities are documented and a clear management and audit trail is maintained.

11.3 Authorization and approval:

IDO management will introduce appropriate authorization and approval procedures to ensure that:

- ❖ Project agreement, policies, objectives and plans are adhered to;
- ❖ Only legitimate activities are performed;
- ❖ Integrity of systems are maintained;
- ❖ The use of assets is controlled;
- ❖ Authorizations are documented and a clear management and trail is maintained;

11.4 Physical safeguards:

Appropriate physical safe guards should be established to:

1.4.1 Limit access to assets, systems, and/or records;
1.4.2 Protect assets and properties including files, records, and equipment;
1.4.3 Establish clear control over the use of assets, and custodial responsibility for them;

11.5 Management review and monitoring:

Financial and other performance of staff shall be monitored by higher management to ensure that:

1.4.4 Staff understand the systems, processes, procedures, and activities established by management;
1.4.5 Records and systems are maintained and reconciled accurately and efficiently;
1.4.6 Policies, timetables, targets, and objectives are met;
1.4.7 Areas of weakness are identified, addressed and strengthened;
1.4.8 Errors, omission, and fraud are detected, corrected and preventive measures put in place;

11.6 Financial related performance:

Financial performance should be operated to ensure that;

Books of records are maintained properly and professionally;
Books of accounts, ledger balance and reconciliation procedures are carried out to establish that transactions are properly and correctly recorded and processed;
Carried forward total are correct.

11.7 Effectiveness of staff members:

IDO will establish appropriate human resource management through compliance of recruitment policies, disciplinary measures and appraisal procedures and ensure that:

1.4.9 Competency of staffs are of the requisite standard to meet the needs of the work as defined by Job Description;
1.4.10 Staff must have the integrity, honesty and competence to meet the requirements of the assigned job;
1.4.11 Need based training is provided to maintain and develop the competence and efficiency of the personnel;
1.4.12 Information on human resources is accurate, complete and up to date;
1.4.13 All staffs receive fair and equal treatment.

11.8 Supervision:

Appropriate supervision procedure should exist to ensure:

- ❖ Internal checks are practiced correctly;
- ❖ Procedural errors are detected through checks and corrective actions taken;
- ❖ Any weakness in control structure are identified and brought to the notice of senior management for appropriate actions.

IDO management will take initiative to bring revision in internal control system as weaknesses are identified and take corrective measures to strengthen the system.

CHAPTER-12
Audit

12.1 Introduction

An audit is an independent examination of records, procedures and activities of an organization which leads to a report outlining the auditor's opinion on the state of affairs. There are two kinds of audits:

- ❖ The internal audit
- ❖ The external audit

There will be a combination of internal audit / financial review and periodic external audits to make sure that IDO is performing as planned, complying with guidelines, rules and regulations, and ensuring transparency and accountability**.**

12.2 Internal Audit/Financial Review

The internal audit / financial review will be an important input to financial/ management supervision, and an effective periodic monitoring to ensure financial/ management quality compliance of organization. Internal audits/financial reviews should occur every year.

Internal financial reviews ensure compliance with financial policy guidelines and other policies. It shall cover the following areas:

- ❖ Examine maintenance of books of records;
- ❖ Payment /voucher maintenance;
- ❖ Procurement;
- ❖ Inventory management;
- ❖ Compliance with guidelines and local laws.

12.3 External Audit:

Independent audit firms can be engaged to conduct external financial audit of IDO. It is an independent examination of financial statements prepared by the organization. It is usually conducted for statutory purposes because law requires it. It can also before investigative purposes.

The audit firm conducts the audit in accordance with generally accepted auditing standards and conducts tests of the accounting records as deemed necessary. The auditors give their comments on whether the funds received by the organization, and costs incurred by them conform to generally accepted accounting principles and guidelines set out in this policy.

12.4 Management Report:

For organizational audit, external auditor will obligatorily provide management report as per ToR with auditor.

12.5 Formal appointment of auditor:

The external auditor will be appointed formally following the procedure and terms and conditions together with audit fee and scope of work will be mentioned in ToR.

12.6 Preparation for Audit

- Prior to the audit, Finance Officer shall review the books of accounts to ensure that all records are complete and all documentations are organized and readily available.
- If the project was audited in the prior year, management shall review findings and provide a written update on the implementation status of each prior year findings.
- Management shall facilitate the audit by directing the auditors to the appropriate personnel to answer questions.
- The auditor may require interviewing staff and EC members. Staff shall cooperate during such visit and be open and honest to deal with auditor.
- IDO should arrange an entrance and exit meeting with the auditors to review and discuss the audit findings.

12.7 Special review:

If any irregularity is noticed to management and management wants to improve certain areas of operation, in that case, management form a committee to conduct special review. The committee will submit their report to management with recommendation on the issue or improve the existing system.

12.8 Conclusion:

The financial policy has been approved in 12rd meeting of Executive Committee dated 29 September 2019 and effective from 22 October 2019. It can be changed or amended with prior approval of EC.