

FINANCE AND ACCOUNTING MANUAL
2021 (Revised)



LHAK-SAM

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CHAPTER – I

GENERAL FINANCIAL PRINCIPLES AND RULES

1.1. Purpose

The Purpose of Financial and Accounts Manual are as follows:

- a. to maintain standard accounting and financial system in the organization.
- b. To provide general description of the overall accounting system, key accounting policies and procedures, preparation and presentation of financial statement, reporting and auditing that shall require by statutory mandates and management for various decision making.
- c. To establish strong internal control mechanism and censor fraud, corruption and embezzlement of assets of the Lhak-Sam.
- d. To provide guidance and reference to accounts personnel about various accounting processes and procedures.
- e. to fulfill the statutory requirement that are in compliance to Civil Society Organizations Act of Bhutan 2007 and Financial Rules and Regulations 2016.

1.2. Application

- 1.2.1. The Financial and Accounting Manual shall apply to Lhak-Sam only.

1.3. Effective Date

- 1.3.1. The first Finance and Accounting Manual for Lhak-Sam was approved and effective from **June 22, 2016**.
- 1.3.2. The First Revised Finance and Accounts Manual shall be effective from (insert date upon endorsement from Board) and any clauses prescribed thereof in the first Finance Na Accounting Manual shall be superseded by this Revised Finance and Accounts Manual.

1.4. Amendment and revision

- 1.4.1. The Finance and Accounts shall be amended or revised after five years of its commencement if deemed necessary.

1.5. Interpretation, Clarification, Review and Update

- 1.5.1. The Executive Director and Accounts Personnel shall be in the position to interpret and clarify all the provisions prescribed in this Manual.
- 1.5.2. The Management shall also be responsible for reviewing and updating with the prior approval from the Board.

1.6. Financial Year

- 1.6.1. The financial year of Lhak-Sam shall follow that begins from **1st January and ends at 31st December (12 months)**.

1.7. Currency

- 1.7.1. Lhak-Sam shall record and report the financial transactions of both receipt and payment in National currency that is “Ngultrum”. In the event, where the transaction involves foreign currency shall be converted into Ngultrum.

CHAPTER – II

ACCOUNTING SYSTEM

2.1. General

2.1.1. Accounting system are the specific financial principles, rules and procedures that shall be followed by Lhak-Sam. These include any methods, measurement systems and procedures for presenting disclosures. Accounting system are a set of standards that govern how the Lhak-Sam shall prepare its financial statements.

2.1.2. Basis of Preparation

2.1.2.1 The Financial Statements shall be prepared under “**modified cash-basis**” system of accounting as per the CSOA’s Standard Financial Reporting of Accounting, 2018.

‘OR’

The Financial Statements shall be prepared under **Cash-basis of accounting** as per the CSO Act of Bhutan 2007 requires all the Public Benefit Organizations (PBOs) to establish an accounting system in accordance with the Financial Rules and Regulations (FRR), 2016 of the Royal Government of Bhutan (RGoB), which in principle is a cash basis accounting system.

***Cash-basis accounting system:-** The cash basis of accounting recognizes income and expenses only when cash is actually collected or disbursed. Net income under a cash basis system would always equal the company’s cash receipts minus the cash disbursements. Since the cash basis of accounting do not account the assets and liabilities, additional reporting is required in the form of additional disclosure in the Notes and Schedules on the details of the assets and liabilities of the CSO entity’s at the year end.*

2.2. Accounting Software system

2.2.1. The Accounts Personnel shall recommend appropriate accounting software for use at Lhak-Sam.

2.2.2. The access to accounting computer and software shall be controlled through use of passwords. The head of the Finance shall control the master password.

2.2.3. The accounting data in the software shall be backed up regularly.

2.3. Accounting process and Procedures

Lhak-Sam shall follow the following accounting processes to ensure the proper maintenance of Books of Accounts.

2.3.1 Books of Accounts

The Accounts Personnel shall maintain following list of books of accounts and backup documents:

1. Vouchers;
2. Cash book;
3. Bank book;
4. Ledger book;
5. Subsidiary ledger books; and
6. Assets register;
7. All backup documents.

2.3.2 Chart of Accounts

2.3.2.1 In order to prepare the financial data for a particular period, it is essential that every financial transaction is accounted and properly classified under a proper head, such as; income, expenditure, asset or liability. These Accounts Heads are called “Chart of Accounts” (COA). Books of accounts/records shall be maintained strictly as per the COA (ANNEXURE 1).

CHAPTER-III

RECEIPTS

3.1. RECEIPT

3.1.1 Any amount in the form of Cash/Cheque/ wire transfer received in the name of the Lhak-Sam shall be issued the printed official money receipt immediately by the Accounts Personnel and the amount is treated as receipt.

3.2 RECEIPT VOUCHER

3.2.1 The Accounts Personnel shall make necessary entry of the received amount in respective account head by preparing the **Receipt Voucher (Receipt Voucher – Form 1)** with attached duplicate money receipt or other authenticate documents.

3.2.2 The receipt voucher shall be serially numbered based on the month of the voucher preparation and the fresh serial number will be started from next coming month.

3.3 Money Receipt

3.3.1 The printing of new official money receipt shall be approved by the ED of Lhak-Sam upon recommendation of Accounts Personnel.

3.3.2 The **money receipt (MR -F2)** shall be printed in three copies in the form of original, duplicate and triplicate.

3.3.3 A **Receipt Book Register (RBR– F3)** shall be maintained to record the issuance of Receipt Books.

3.3.4 The Accounts Personnel shall be the authorized person to issue Money Receipt and unused money receipt shall be kept under the custody of lock and key with the Accounts Personnel.

3.4 Deposit into Bank

3.4.1 All the receipts in the form of cash, cheque, and demand draft shall be deposited into the bank and the deposit slip shall be maintained by the Accounts Personnel.

3.4.2 The acknowledgement of the deposit details that shall be obtained from the bank be maintained with Accounts Personnel until the following year's audit is completed or follow as per the record retention clause.

3.5 Dishonor of cheque

3.5.1 If the cheque bounces, the Accounts Personnel shall retain the bank advice and take up the matter with party concerned at the earliest, and take necessary action with the party concerned.

3.5.2 The Accounts Personnel shall make note of the cheque dishonor in the deposit acknowledgement receipt of the bank, and on the voucher prepared for the deposit.

3.6 Receipt through wire transfer

3.6.1 The Accounts Personnel shall acknowledge the money received from the parties through bank transfer and record the amount immediately in the books of accounts.

CHAPTER – IV

EXPENDITURE AND DISBURSEMENT

4.1. EXPENDITURE

4.1.1 It shall be the policy of organization that any expenses incurring is systematically recorded in the books of accounts maintained by the organization.

4.2 Approval of expenditure

4.2.1 All the expenditures shall be approved by the ED upon final verification from head of divisions.

4.2.2 The means for approval shall be supported by complete set of original and authenticate documents and also there should be available allocated budget. Such required documents shall be submitted by the claimant.

4.3 Verification of expenditure

4.3.1 Before submission of claims to Accounts Personnel for disbursement, the bills or any claims shall have to verify by the concerned personnel.

4.4 PAYMENT VOUCHER

4.4.1 Upon the verification, the invoices shall be submitted to Accounts Personnel along with proper supporting documents for necessary payment.

4.4.2 The Accounts Personnel shall prepare the **Payment Voucher (F – F6)** for any disbursement.

4.4.3 The payment voucher shall be signed by the person who prepares, verified and approved.

4.4.4 The payment should be made only in the name of the payee or to a person authorized in writing to collect payment on behalf of the payee.

4.4.5 All the payments shall be made by cheque. The exception to rule may be made in the case of direct debits (wire transfer) by bank.

4.4.6 Acknowledgement of payment shall be obtained while making the payment with proper details.

4.4.7 The payment voucher shall be serially numbered based on the month of the voucher preparation and the fresh serial number will be started from next coming month.

4.5 Claims for payment

4.5.1 A bill shall be presented by parties for payment and for employee an **expenses claim form (F – F4)** and **travel Claim form (F – F5)** shall be used.

4.6 Claims in arrears

4.6.1 Claims in arrears refer to the claims not presented within 12 months which is due for payment. Such claims are considered a stale or time barred.

4.6.2 Time barred claims can be revitalized within a period of one year of their becoming time barred if the fund is available.

4.6.3 The claimant shall submit the original bill, work order, with reasons for non-submission of claims on time.

4.6.4 No claims shall be accepted for payment after a period of two years of becoming due except on the strength of court order or the Government order.

4.7 JOURNAL VOUCHER

4.7.1 **Journal voucher (F-F7)** shall be prepared for entering the transactions of nominal account (*that do not involve cash payment e.g. for error or omission rectification & adjustment of advances without refund or reimbursement*).

4.7.2 The Journal voucher shall be serially numbered based on the month of the voucher preparation and the fresh serial number shall be started from next coming month.

4.8 Signing of Cheques

4.8.1 The cheques shall be signed by two or more signatories. The signatories shall be appointed by the head of the organization or chairperson.

4.8.2 The official seal of the designated signatories shall be stamped below their signatures on every cheque issued.

4.9 Issue of cheques

- 4.9.1 The signed cheque shall be issued only to a person who is authorized to collect the cheque.
- 4.9.2 The official money receipt for the acknowledgement of the receipt of the cheque shall be obtained from the payee.
- 4.9.3 All the cheques issued should be entered in a **Cheque Issued Register (F –F8)**.

4.10 Cancellation of Cheques and Stop Payments

- 4.10.1 Cheque may be cancelled if there are errors in the cheque by making as “**CANCELLED**”. All cancelled cheques shall be retained with the cheque book to aid in the preparation of Bank Reconciliation Statement.
- 4.10.2 If the payment voucher has already been prepared for the cancelled cheque, a reverse entry for the transaction shall be passed.
- 4.10.3 If the prepared cheque is not collected on valid period of cheque shall refer to clause 4.6.3 and 4.6.4.

4.11 Replacement of lost cheques

- 4.11.1 The cheque alleged to have been lost or not received by the payee shall replace with the issue of fresh cheque upon written request by the payee.
- 4.11.2 Before issue of new cheque, the proper cross-check is done.
- 4.11.3 If the cheque is ascertained to have not been en-cashed, the alleged lost of cheque shall be intimated to the bank for stopping the payment.

4.12 PAYOLL AND SALARY PAYMENT

4.12.1 Payroll Inputs

- 4.12.1.1 The Accounts Personnel shall prepare monthly payroll at the end of the month. The payroll shall include the following inputs:
 - i. **Permanent inputs:** name of the employee, grade, pay structure, rate of deductions for provident fund, health contribution, and other grade specific deductions;

- ii. **Periodic Inputs:** promotion, increment, loan recovery, or any other deductions;
- iii. **Variable inputs:** incentives, attendance, leave, and adjustment to pays and deductions on account of leave and absenteeism.

4.12.2 Changes to Payroll Data

4.12.2.1 Any changes in periodic and variable inputs to payroll data shall be communicated by HR Section to Finance Section latest by the beginning of the fourth week to incorporate the same in the payroll for the effective month.

4.12.2.2 The changes in the payroll data shall be provided in written by the HR Section with a copy to the concerned sections:

4.12.3 Deductions from the payroll

4.12.3.1 Deductions of Taxes (PIT), Health Contributions, Provident Fund, GIS and allowances shall be made from the pay roll at rates prescribed under the rules and orders issued from time to time.

4.12.3.2 The loan availed by employee from various financial institutions to which Lhak-Sam has given an undertaking shall be remitted to institutions concerned upon deductions from their monthly salary.

4.12.3.3 The remittance deductions shall be remitted to the respective institutions not later than the time limit prescribed by the institutions.

4.12.4 Salary Payment

4.12.4.1 The monthly salary shall be prepared based on the **pay bill (F-F9)** which shall be attached with the Payment Voucher.

4.12.4.2 A **pay slip (F –F10)** showing details of gross pay and deductions shall be provided to respective employees in the following month.

4.13 Separation Benefits

4.13.1 Accounts Personnel shall prepare **resignation benefits working sheet (F-F11)**.

4.13.2 The following documents are needed to furnish for release of benefits:

- a. The service relieving order approved by Executive Director.
- b. The relieving employee has to obtained tax clearance certificate.
- c. The employee has no outstanding loans for which Lhak-Sam has given the undertaking.
- d. The employee has no outstanding advances.
- e. The employee has handed over the charges, including the office assets in his/her possession.

4.13.3 If there are outstanding loans and advances it shall be deducted from the benefits claim (Provident Fund and gratuity).

CHAPTER- V

ASSETS AND CASH MANAGEMENT

5.1. Fixed Assets

5.1.1 Fixed assets shall be recorded and shown in the books of accounts at historical cost, less accumulated depreciation.

5.2 Depreciation

5.2.1 Depreciation shall be charged to Fixed Assets on the diminishing balance method at the rates prescribed in **ANNEXURE -II**.

5.2.2 No depreciation shall be charged to asset sold or retired during the financial year.

5.3 Capitalization of Fixed Assets

5.3.1 Fixed asset upon acquisition shall be immediately capitalized.

5.3.2 Expenditure on works in progress shall be capitalized once it is commissioned.

5.3.3 Expenditure on minor repair and maintenance of fixed assets shall be expensed to revenue expenditure

5.3.4 Expenditure on major repair and maintenance of fixed asset shall be expensed to capital expenditure.

5.3.5 Any expenditure on replacement of parts of fixed assets which cost more than 30% of the acquisition cost shall be capitalized.

5.4 Cash in Hand

5.4.1 It shall be the policy of Lhak-Sam not to retain cash in hand **more than Nu. 5,000** unless the cash is withdrawn for urgent office use.

5.4.2 Cash in hand at the end of the financial year shall be physically verified and certified.

5.4.3 Cash in hand shall always be kept in a secured chest, under lock and key.

5.5 Bank Accounts with Financial Institutions

Lhak-Sam shall maintain following bank accounts with the financial institutions in the country Bhutan:

5.2.1 Current Account

All the Receipts and Payments shall be operated from the Lhak-Sam's official opened account.

5.2.2 Opening of Current Deposit (CD) account

The official account shall be opened with any National Financial Institutions of the country in the form of Current Deposit Account.

5.2.3 Fixed Deposits Account

- i. Any surplus fund may be deposited into fixed deposit account.
- ii. Fixed Deposits Certificate shall be obtained while making deposit, and be kept in safe custody.
- iii. Any interest earned from the fixed deposit should be accounted for in the financial year.
- iv. As soon as fixed deposits mature, it should be ensured that it is either en-cashed or renewed immediately so that there is no loss of interest due to idle deposit.

5.6 Maintenance of Cash Book

5.6.1 The **Cash Book (F-F12)** shall be maintained in a computerized system.

5.6.2 All the transactions shall be entered into the cash book as soon as the transactions take place.

5.7 Bank Reconciliation

5.7.1 The **bank reconciliation** shall prepare on monthly basis (**Annexure-III**).

5.7.2 The reconciliation shall be prepared from bank statement to cash book balance.

5.8 INVESTMENT

5.8.1 General Policy

5.8.1.1 It shall be the policy of the Lhak-Sam to make prudent investment of its surplus fund to ensure the financial sustainability of the organization.

5.8.1.2 Any investment maintained shall be guided by Lhak-Sam's Statement of Investment Policy.

5.8.1.3 The investment is defined as assets held by the Lhak-Sam for earning income by way of dividends, interests, capital gains, or other benefits to the Lhak-Sam.

5.8.1.4 The investment shall be classified into current and long-term investment, and also local and offshore investment.

5.8.2 Allowable Investments

5.8.2.1 The allowable investments shall be decided by the board based on the recommendation by the Management.

5.8.3 Diversification

5.8.3.1 The management shall explore diversification of its investment on situational bases to ensure that the risk from investment is spread and minimized.

5.8.4 Income from investment

5.8.4.1 The income earned from the investments shall be recognized in the income statement for the year when it is actually received.

5.8.4.2 The income shall be recorded at gross amount, before deduction of applicable tax.

CHAPTER- VI

ADVANCE

6.1. Types of advances:

A. Advance to Employees: The advance paid to employees are of following types:

- i. Salary Advance
- ii. Project Advance
- iii. Imprest Advance

B. Advance to Parties: The advance paid to parties are of following types:

- i. Advance to Contractors/suppliers
- ii. Advance to Others

6.2. Salary Advance

Advance paid to employees which shall be deducted from their monthly salary until its liquidation.

- i.** The salary advance shall be approved by the ED and respective head of the section upon duly filled **advance application form (F-F13)**.
- ii.** The amount of salary advance shall not be disbursed more than two month's basic pay at one occasion.
- iii.** The next salary advance shall not be paid if the employee has not liquidated the previous advance.
- iv.** The employee shall not sanction salary advance for more than three times in a year; however, this restriction may be relaxed during emergencies, such as sickness, birth of a child, and death of family or relatives.
- v.** All the salary advances shall be liquidated by the end of the financial year.
- vi.** The Accounts Personnel may impose restrictions on sanction of salary advance for the reasons of the liquidity and working capital management.

6.3. Project Advance

- i. These advances are paid to employees to meet project activity expenses in the field involving cash payment.
- ii. The advances shall be approved by the ED and the head of the Department and Division upon verification from the respective divisions. The employee shall submit a **project advance request form (F –F14)**.
- iii. For DSA advance, the employee shall request through **travel authorization form (Form -C)**.
- iv. It shall be the policy of Lhak-Sam to pay only 80% of the estimated travel cost as an advance; rest 20% shall be paid upon submission of travel claim and tour report on return.
- v. A memorandum of the advance payment shall be maintained in the system.
- vi. The advances shall be liquidated within one week from the date of completion of the activities.
- vii. Cash balance from the advance, if any, shall be deposited directly to the Bank by the employee and ensure to obtain money receipt from Accounts Personnel upon producing the deposit slip.

6.4. Petty advance

- i. In order to meet petty expenses (e.g for tea items), the employees may be provided with petty advance upon duly filled **Petty advance form (F-F15)**.
- ii. Petty advance shall be paid maximum to Nu.10,000 at one occasion.
- iii. The employee making payments from the petty advance shall submit the expenditure details attached with cash memo and receipts along with the cash balance (if any) to Accounts Personnel for necessary adjustment.

6.5. ADAVANCE TO PARTIES

6.2.4.1. Advance to Suppliers/Contractors

- i. The suppliers, contractors, service providers shall be paid advance on the basis of specific clauses in the contracts and regulations.
- ii. The party shall request the advance duly filled form **(F- F16)**.
- iii. The separate memorandum record shall be maintained.

6.5.1.1. Advances to others

- i. The advances disbursed to entities other than employees and suppliers shall be booked under this account head.

CHAPTER – VII

BUDGETING AND REPORTING

7.1.BUDGETING

7.1.1 Budget is a plan showing the organization's objectives and how management intends to acquire and use resources to attain those objectives.

7.2.Preparation and Adoption

7.2.1.1.The Accounts Personnel in consultation with respective sections shall prepare the budget for the financial year.

7.2.1.2.The account heads for budget shall be followed as per the chart of accounts (**Annexure –I**).

7.2.1.3.The draft operational and the project budget shall be review and discussed in the Management.

7.2.1.4.The operational budget shall get final approval from board. However, the project budget shall be approved by the Management.

7.2.2. Monitoring Performance

7.2.2.1.The Accounts Personnel shall prepare a progress report when and where needed, showing approved budget, expenditure till date, and budget balance.

7.2.2.2.The Program concerned shall review the budget progress report, and take corrective measures if there are any variances.

7.2.3. Budget Revision

7.2.3.1.A budget revision may be required during the year depending on requirements of each program or the donors. The budget revision may be of the following two types:

1. Re-appropriation of budget (**F– F17**)
2. Supplementary budget (**F – F18**)

1. **Re-appropriation** - Re-appropriation of budget includes the following:
 - a. Transfer of budget from one expenditure head to another;
 - b. Transfer of budget from one activity to another activity; or
 - c. Transfer of budget from one funding source to another, if acceptable.

2. **Supplementary budget**- Supplementary budget shall mean the budget in addition to the one already approved in the annual budget for the year.

7.2.3.2.The ED shall approve the re-appropriation of the Operational Budget; the supplementary budget for the Operational shall be approved by the board.

7.2.3.3.The approval for project budget revision shall be sought from the donors.

7.2.4. Management fees

7.2.4.1.The term “management fees” refer as the fees paid as compensation for providing professional skills and abilities, as well as the extra time spent for managing the project by operational personnel.

7.2.4.2.In every project budget proposal, 10-15% of the total proposed budget shall be proposed as management fees.

7.3.FINANCIAL REPORTING

7.3.1. Standard Financial Reporting Statement of LHAK-SAM

7.3.1.1.The standard of financial reporting statements of LHAK-SAM shall be prepared based on the CSOA’s *Financial Reporting format, October 2018* which includes the following:

1. **Statement of Receipt and Payment Statement (F-F19)** – a statement is a summarized cash and bank transactions prepared at the end of the accounting period.
2. **Statement of Financial Affairs or Balance Sheet (F-F20)** – a statement of assets, liabilities and capital of the organization prepared at a particular point in time.

7.3.1.2.**The project financial report statement (F-F21)** shall be prepared for the donors as per the requirement. The financial reporting format shall depend on donor’s requirement.

7.3.1.3. The financial statements of LHAK-SAM shall show data for two consecutive years: current year data and the previous year data.

7.3.1.4. As required by the CSOA Rules and Regulations 2010, the amounts in the financial statements shall be segregated into ngultrum and foreign currency.

7.3.2. Frequency of preparation

7.3.2.1. The financial statements described in the preceding section shall be prepared annually, or as and when required by the management, the Board or the donors. The financial statements shall be accompanied by relevant schedules.

7.3.2.2. The financial statements shall be ready at least one day before the schedule of upcoming Board Meeting if the statements are required during the meeting.

7.3.3. Review and Distribution

7.3.3.1. The any financial reports shall be reviewed first by ED before distribution to parties.

7.3.3.2. The ED shall submit the reviewed financial statements to the Board for their information and comments.

7.3.3.3. The Accounts Personnel shall present the financial statements during the scheduled Board Meeting if required by the management and board.

CHAPTER – VIII

AUDIT AND RECORD RETENTION

8.1. ANNUAL AUDIT

- 8.1.1. The book of accounts shall be audited by Royal Audit Authority or certified auditors at least once in a year.
- 8.1.2. The Accounts Personnel shall communicate directly with the audit team for conducting an audit.

8.2. Preparation for the Audit

- 8.2.1. The Accounts Personnel shall ensure that the overall financial statements, working sheets, supporting documents and technical reports are kept readily available before conducting the audit.

8.3. Concluding the Audit

- 8.3.1. The Accounts Personnel is ensured that the financial documents submitted to the auditors are returned when the audit is completed.
- 8.3.2. The relevant division shall respond the audit observations upon discussion with management.

8.4. Post Audit

- 8.4.1. The management shall ensure that the auditor's compliances are fulfilled.
- 8.4.2. Any unresolved observations shall be resolved at the earliest to the full satisfaction of Auditors.
- 8.4.3. The Accounts Personnel shall circulate the audit report to board, relevant stakeholders, and donors whenever it is being requested.

8.5. RECORD RETENTION

8.5.1. Maintenance of records

- 8.5.1.1. The Lhak-Sam shall ensure that adequate measures are undertaken for the safe custody of all the financial records, and contract documents against loss, misplacement, mishandling, defacing, mutilation etc.

8.5.2. Preservation period of financial and contract documents

8.5.2.1. The minimum preservation period shall be calculated from the date of the completion of audit by the external auditor and settlement of audit observations pertaining to the contents of the records, if any.

8.5.2.2. The minimum period for preservation of the specific financial and contract records shall be as given hereunder Table no. 1:

Table no. 1. The minimum period of retention of the financial documents/ records.

Sl. No.	Type of Records	Minimum period of retention
1	Documents related to preparation and approval of the annual budget	24 months
2	Record on receipt of funds from donors	60 months
3	Bank Statement and Bank Reconciliation Statements	24 months
4	Revenue Receipt Books and other revenue records	24 months
5	Payment/Receipt/Journal/Reverse Vouchers	36 months
6	Dishonored cheques	up to settlement of audit
7	Record on fixed assets, office equipment, and vehicles	till the disposal and settlement of subsequent audit
8	Records pertaining to supplies and materials	- Do -
9	Records related to investment	till the sale of investments and settlement of subsequent audit
10	Payroll records and summaries	60 months
11	Cheque books, and cash books(if Rules and Regulations cash book is maintained)	60 months
12	Contract documents	60 months or till the settlement of audit whichever is later
13	Financial Statements	Permanently
14	Audit Reports	Permanently

8.5.3. **Destruction of Records**

8.5.3.1. The following procedures shall be followed with regard to the destruction of financial and contract records:

8.5.3.2. Upon completion of the minimum preservation period specified in 6.4.2.2, the Accounts Personnel shall prepare and submit the list of records requiring destruction to the Management.

8.5.3.3. The records shall be destroyed in the presence of the management team.

8.5.3.4. The Lhak-Sam shall maintain a Register of destructed records.

CHAPTER – IX

INTERNAL CONTROL AND CONFLICT OF INTEREST

9.1. Internal control system

9.1.1 The delegation of financial power shall be followed as a measure of internal control system:

- a) The Board of Directors shall be vested full power of decisions of overall financial matters of the Lhak-Sam.
- b) The Executive Director shall have full power of disbursing and receiving the funds but not vested an authority to approve the annual budget which includes the procurement on capital expenditure.
- c) The maintained official bank account shall be signed jointly by the Executive Director and the official who do not prepare the cheque.
- d) The Cheque and other financial documents shall be under the custody of Accounts Personnel in lock and key.
- e) All the bills and claims shall be verified by the official concerned before the final disbursement is made and accordingly disburse the payment on the provisions of the fund available.

9.2. Conflict of Interest

9.2.1. To maintain highest integrity, all the employees and including the board of directors to shall have to follow the due diligence of both the statutory rule of law and its organizations rules and regulations.

9.2.2. The board of directors and officials shall have to declare the conflict of interest before any decisions are made and discussed related to financial transactions that to have conflict of interest.

Annexure I – Chart of Accounts

Code No.	Account Head
1000	Current Asset
1001	Cash in Hand (Nu.)
1002	Cash in Hand (USD)
1003	Cash at Bank (Nu.)
1004	Cash at Bank (USD)
1005	Prepaid Rent
1010	Prepaid Expenses
1020	Accrued Income
1021	Advance to Employee (Salary)
1022	Advance to Employee (Project)
1023	Advance to Parties
1024	Fuel Deposit Advance
1025	Loan Receivable
1031	Accounts Receivable
1032	Provision for Doubtful Debts
1033	Inventory on Hand
1034	Endowment Fund
1035	Short-term Investment
1500	Fixed Asset
1501	Land
1502	Buildings
1503	Plant & Machinery
1504	Accumulated depreciation – buildings
1505	Vehicles
1506	Accumulated depreciation – vehicles
1507	Office equipment
1508	Accumulated depreciation – office equipment
1509	Accumulated depreciation – furniture and fixtures
1600	Investment
1601	Long-term Investment
1602	Long-term deposit
1603	Shares and securities
2000	Current Liabilities

2001	Accounts payable
2002	Accrued expenses
2003	Remittance and recovery
	Remittance - Provident Fund (employee contribution)
	Remittance - Group Insurance Scheme (GIS)
	Remittance - Personal Income Tax (PIT)
	Remittance - Health Contribution
	Remittance - Loan Payable (Bank Loan)
	Remittance - Tax Deducted at Source (TDS)
2004	Welfare fund
2005	Gratuity fund
2006	Security Deposit/Earnest Money Deposit
2007	Other current liabilities
2500	Non –current Liabilities
2501	Loans Payable
2502	Other non – current liabilities
3000	Retained Earnings
3001	Retained Surplus / accumulated deficit
3002	Current year surplus / deficit
4000	Income
4001	Donations/contributions
4002	Grant Funds
4003	Interest /dividends
4004	Interest – Endowment
4005	Interest – Operating
4006	Sale of Goods
4007	Management fees
4008	Gain on sale of non-current assets
4009	Rental income
4010	Consultancy/contract income
4011	Fees
4012	Gain in exchange rate
4013	Other income

5000	Expenses
5001	Pay & Allowances
5002	Wages/Remuneration
5003	Honorarium
5004	Consultancy
5005	Entertainment
5006	Fees
5007	Fundraising expenses
5008	Rental Expenses
5009	Travel – DSA /incidental expenses
5010	Travel – Airfare
5011	Transportation – Vehicle
5012	Transportation – Porter/ pony
5013	Utilities – Telefax, Internet, website
5014	Utilities – postage and courier
5015	Utilities - Electricity, water and sewerage
5016	Utilities – Others
5017	Supplies and maintenance: Office supplies
5018	S&M – Printing, Photocopying & Publications
5019	S&M – Medicines, laboratory, consumables
5020	S&M – Fertilizers, Chemicals, Manures, Inoculants
5021	S&M – Seeds and seedlings
5022	S&M – Equipment
5023	S&M – Others
5024	Operating Exp. – Advertising & promotion
5025	Operating Exp. – Taxes, duties, royalties, handling and bank charges
5026	Operating exp.- Insurance (Building/vehicle and etc.)
5027	Exp. On Structure – Buildings
5028	Exp. On Structure – Roads
5029	Exp. On Structure – Bridges
5033	Exp. On Structure – Irrigation canals
5034	Exp. On Structure – Landfill
5035	Exp. On Structure – Drains
5036	Exp. On Structure – Water & Sanitation
5037	Exp. On Structure – plantations
5038	Exp. On Structure – Fencing
5039	Exp. On Structure – Others
5040	Production and Development
5041	Audio visuals productions

5042	Publication productions
5043	Souvenir productions
5044	Production and Dev. – Others
5045	Program – Data inputs, analysis, documentations
	Program – Design & Layout
	Program – Training
	Program – Survey
	Program – Workshop/Meetings
	Program – Information, Education & Communications (IEC)
5046	Program – Reporting / Presentations
5047	Program – Monitoring & Evaluations
5048	Programs – Awareness, advocacy,
5049	Programs – Campaigns
5050	Programs – Social events
5051	Programs – Exhibitions/ Demonstrations
5052	Programs – Others
5054	Grants – Government agencies
5055	Grants - Private agencies
5056	Grants - individuals
5057	Grants – Others
5554	Grants – Award

Annexure II – Depreciation Table

Sl.no.	Item	Depreciation rate (%)	Useful life	Scrap value after useful life
1	Land	Nil	Infinite	Likely to Appreciate
2	Building (permanent)	3.5	70 yrs.	-do-
3	Building(semi-permanent)	10	25 yrs	To be based on actual condition
4	Furniture and Fixtures, Fittings- Steel	7	12 yrs.	36.72%
5	Furniture, Fixture, Fittings- Wooden	10	10 yrs.	34.86%
6	Office & Electronic equipment	10	7 yrs.	37.71%
7	Vehicle-light, Medium & Heavy	20	7 yrs.	26.21%
8	Earth moving and other machinery – light, medium & heavy (e.g. Bulldozer, Tractor & Power tiller)	20	7 yrs.	26.21%

Annexure III- Bank Reconciliation Statement

Details	Amount
A. Balance as per the Cash book	Xxxx
Add: Cheque issued but not presented for payment	Xxxx
Add: Direct transfer to bank not recorded in cash book	Xxxx
Add: Interest income paid by bank but not recorded in the cash book	Xxxx
B. Total (Add)	Xxxx
Less: Bank charges directly debited by bank but not recorded in cash book	Xxxx
Less: Cash collection recorded in cash book, but not deposited into bank	Xxxx
C. Total (Less)	Xxxx
Bank Balance as per Bank Statement	Xxxx
Reconciliation (A+B-C)	Xxxx

List of Forms

Sl.No.	Title of Form	Form no.
1.	Receipt Voucher	Finance - Form (F-F1)
2.	Money Receipt	F-F2
3.	Receipt book register	F-F3
4.	Expenses Report form	F-F4
5.	DSA Claim Form	F-F5
6.	Payment Voucher	F-F6
7.	Journal Voucher	F-F7
8.	Cheque Issued Register	F-F8
9.	Pay bill	F-F9
10.	Pay Slip	F-F10
11.	Benefit working sheet	F-F11
12.	Cash Book	F-F12
13.	Salary advance application form	F-F13
14.	Project advance application form	F-F14
15.	Petty advance application form	F-F15
16.	Advance to party form	F-F16
17.	Re-appropriation of Budget	F-F17
18.	Supplementary budget	F-F18
18.	Receipt and Expenses Statement	F-F19
19.	Balance sheet	F-F20
20.	Project Financial report statement	F-F21

Lhak-Sam
Receipt Voucher

Cr. Vr. No. ...

Date

Through: Cash/Cash at Bank

Particulars	Amount
Account:	Xxx
Account head	
Total	Xxx

Account of: (Narration)

Amount (in words):

Bank transaction details:

Cheque/DD no.....date

Checked by:

Verified by:

Authorized by:

Lhak-Sam
(Address)
Money Receipt

Receipt No.....

Date

Received from.....a sum of
Nu.(figure).....Ngultrum(Words).....

On account of

By cash/draft/cheque no.....date.....

Accountable Officer

Lhak-Sam

Lhak-Sam
Receipt book register

Date	Receipt No.		Issued		Issued to	Signature
	From	To	from	To		

Lhak-Sam

EXPENSES REPORT

Purpose :

Project :

Particulars	Receipt No. & date	Amount (Nu.)	Chargeable / account head
Total		Xxxx	
<i>Advance</i>	: xxxx		
<i>Total Expenses</i>	: xxxx		
<i>Amount receivable/refundable</i>	: xxxx		

Submitted by:

Name/Signature

Date:

Checked/ Verified by:

Date

Approved by:

(ED/ Head)

Date:

Lhak-Sam

TRAVELLING ALLOWANCE CLAIM

Name : Designation :
 Grade : Project :
 Purpose :

Date	Place		DSA Nu.	Travel fare Nu.	Total Nu.
	From	To			
<i>Total Nu.</i>					
<i>Advance taken</i>			: Nu. Xxx		
<i>Total Expenses</i>			: Nu. xxx		
<i>Amount Claimed/refunded</i>			: Nu. Xxx		

Submitted by:

 Signature

Date:

Checked/Verified by:

(Signature/Designation) _____ Date:

Approving Authority:

Signature/Designation _____ Date:

Lhak-Sam
Payment Voucher

Dr.Vr. No. ...

Date

Through: Cash/Cash at Bank

Particulars	Amount
Account:	Xxx
Account head	
Total	Xxx

Account of: (Narration)

Amount (in words):

Bank transaction details:

Cheque/DD no.....date

Receiver's signature and details:

Checked by:

Verified by:

Authorized by:

Lhak-Sam
Journal Voucher

Jr. Vr. No. ...

Date

Particulars	Debit	Credit
Account: By account head	Xxx	
Account: To Account head		Xxx
Total	Xxx	Xxx

On account of: (Narration)

Checked by:

Verified by:

Authorized by:

F-F8

Lhak-Sam

Cheque Issued Register

Sl.no.	Date of issue	Cheque no.	Name & Signature of Payee	Amount

F - F9

Lhak-Sam

Thimphu Bhutan

Pay Bill

Pay bill for the month of

Sl.no.	Emplo yee's name	Designa tion	Grad e	Bas ic Pay	Allowance/EL/ LTC	Gro ss pay	Deducti ons	Total Deducti ons	Ne t Pa y
Total									

Prepared by:

Approved by:

Lhak-Sam

**LAST PAY CERTIFICATE
OR
PAY SLIP FOR THE MONTH OF**

Name :

Grade:

Designation:

Citizen ID No.:

Employee No.

Tax Payer No.:

EARNINGS	AMOUNT	DEDUCTIONS	AMOUNT
BASIC PAY	xxxx	1. GPF	Xxxx
Allowance	xxx	2. GIS	Xxxx
GROSS PAY(A)	xxxxx	3. PIT	xxxx
		4. Health Cont.	xxx
		5. Bank loan	Xxx
		6. Advance	xxx
		7. Welfare fund	xxx
		8. Welfare loan	Xxx
		9. OTHERS	xxx
		Total deductions (B):	Xxxx
NET PAY (A-B)	Xxxx	(Nu. In words)	

I hereby certify that the information given in this certificate is true and correct to the best of my knowledge.

(Name and
Designation of issuing
authority)

Lhak-Sam

Resignation benefits working sheet

Date....

Personal Profile

Name;.....

Designation:.....

Grade:.....

Citizenship ID no.....

Tax Payer No.(TPN):.....

Date of Birth:.....

Date of joining the service:.....

Date of Resignation:.....

Current Basic Pay:.....

Year of services completed.....

Service relieving order no.:.....

A. Benefits	
1.Gratitude (No. of years served x current basic pay)	Xxxx
2.Earned Leave (no. of balance days x (current basic pay/per day)	Xxxx
3.Leave Travel Concession (basic pay up to ceiling Nu.30,000)	Xxxx
Total Benefits	Xxxx
B. Deductions	

1.Advance	Xxxx
2.PIT against EL	Xxxx
3.Any refunds	Xxxx
Total deductions	Xxxx
Net Amount (A-B)	Xxxx

Amount (in words).....

Prepared by,

verified by,

Approved by,

F-F12

Lhak-Sam

Cash Book

For the month of

Dr.(receipt)

Cr(Payment)

Date	Ref .no.	Particulars	Amount	Cash	Bank	Date	Ref.no.	Particulars	Cheque no.	Amount	Cash	Bank
Total receipt			Xxx	xxx	xxx	Total expenditure				xxx	Xxx	xxx
						Total closing Balance				xxx	Xxx	xxx

F-F13

Lhak-Sam
Salary Advance application form

Date
.....

Name:

Designation:.....

Advance request (amount)	Purpose of advance	Monthly deductions (amount)	Deduction effective from (date)	Outstanding advance (if yes Nu.)

(Signature of applicant)

Verified by,

(Finance Section)

Approved by,

(Executive Director/Chief)

Note:

- The verification should seek before approval.
- The Chief will approve if the amount is below Nu.10,000 upon verification from Finance Division.
- The advance shall not exceed more than two months basic pay.

F-F14

Lhak-Sam

PROJECT ADVANCE APPLICATION FORM

Date

Name of Employee :

Designation :

Section/Program :

Project Name :

Project Activity (*Summary of the planned activity against which the advance is requested*)

--

Estimate breakdown of amount requested and the related budget heads are indicated below.

Particulars/activity	Project budget head	Amount (Nu.)	Verification (for accounts use only)
Total amount			

Signature of Applicant:

Endorsed/Verified by:

Section Head: Sig:.....

Finance Section : Sig:.....

Approved by:

Executive Director: Sig:.....

Received an amount Nu.....(Ngultrum.....)

.....) only in CASH/CHECK No.

Recipient name (if different from the applicant):.....

Shaded (grey) area is to be used by the accounts personnel to verify fund availability against the amount requested and **no fresh advance will be released if previous advance is not settled.**

F-F15

Lhak-Sam

Petty advance application form

Date

Name:

Designation:.....

Advance request (amount)	Purpose of the advance	Chargeable account

(Signature of applicant)

Verified by,

(Finance Section)

Approved by,

(Executive Director)

Lhak-Sam
Advance to party

Date

Name of the party :

Address :

Advance request (amount)	Name of the work assigned	Work order no. and date	Outstanding balance advance

(Signature of applicant)

Verified by,

1.Project officials:

2.Finance Section:

Approved by,

(Executive Director)

Lhak-Sam

Budget re-appropriation

Grant No (if any):

Project name:.....

Project duration:.....

Proposed extension period (if relevant).....

Division.....

Activity requiring re-appropriation (changes in budget) (1)	Current amount in Column (1) activity (2)	Proposed re-appropriation		Amount in source/column (3b) after amendment (4)
		Amount required (additional amount) (3a)	Source (the activity head from where the additional amount will be allocated) (3b)	

1. Justification (required field): Briefly state the reason for proposing budget re-appropriation.

Submitted by:

Verified by:

Endorsed by:

Lhak-Sam

Supplementary budget request form

Grant No (if any):

Project/operational name:.....

Project/operational duration:.....

Proposed extension period (if relevant).....

Division:.....

Total approved budget (Nu/USD)	Current activity and budget		Proposed new activities and budget	
	Activity heads	Budget available (Nu/US)	Activities	Budget (Nu/US)

Justification for budget/activity supplementary

Submitted by:

Verified by:

Endorsed by:

Lhak-Sam

RECEIPT AND PAYMENT STATEMENT

(For the period ending 31st December XXXX)

Sl.#	Group/Broad Head of Account	Schedule	Receipt (Nu/US\$)	Payments (Nu./US\$)
1	Opening Balance:			
	a.Cash		Xxx	
	b.Bank		Xxx	
2	Revenue:			
	a.Operating Revenue		Xxx	
	b.Non-operating Revenue		Xxx	
3	Grants:			
	a.Cash		Xxx	
	b.In-kind		Xxx	
4	Donation:			
	a.Cash		Xxx	
	b.In-kind		Xxx	
5	Program & Project Supports			
	a.Cash		Xxx	
	b.in-kind		Xxx	
6	Expenditure			
	a.Operating			Xxx
	b.Non-operating			Xxx
	c.Program & Project			Xxx
	Excess of income collected over expenses			

7	Other cash transactions			
	Principal repayment of loan			Xxx
	Restricted fund		Xxx	
	Bank loan received		Xxx	
	Assets acquisition		Xxx	
	Statutory recoveries/ remittances			Xxx
	Advance & Adjustment		Xxx	Xxx
	Net other cash transaction			
	Excess of cash receipts over (under) disbursements for the year			
8	Closing Balance			
	a.Cash			Xxx
	b.Bank			Xxx
	Total		Xxxx	Xxxx

(Head of the Finance Section) (Head of the organization) (Chairperson) (Auditor)

Lhak-Sam

Statement of Assets and Liabilities (Balance sheet) as on 31st December xxxx

	Schedule	For the year ended (current year)				For the year ended (previous year)			
		(A)	(B)		(A+B)	(A)	(B)		(A+B)
		Nu.	US \$	Eqv.(Nu.)	Total (Nu.)	Nu.	US \$	Eqv.(Nu.)	Total (Nu.)
Assets									
Cash									
Bank									
Account Receivable									
Inventory									
Prepaid Items									
Plant & Equipment									
Accumulate Depreciation									
Advances									
Liabilities									
Accounts Payable									
Loan & Brrowings									
Accrued Liabilities									
Statutory remittances									

Total Net Assets									
Represented by									
Endowment fund									
Excess of income collected over expenses disbursed:									
Beginning of the year									
For the year									
End of the year									

(Head of the Finance & Investment Division) (Head of the organization) (Chairperson)
(Auditor)

Lhak-Sam
Project Financial Report

Project Title:

Project Donor:.....

Project Agreement No.:.....

Project Period:.....

Reporting period:.....

Project Account head	Approved budget (Nu./US\$)	Fund received (Nu/US\$)	Expenditure (Nu/US\$)			Balance (Nu/US\$)
			Previous	Current	Cumulative	
Opening balance						
Fund received						

Prepared by:

Verified by:

Endorsed by: