



**KBM Care Foundation-**  
***Standard Operating Policies and Procedures***

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**CHAPTER 6: CASH AND BANKS**

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1.The cash and banking structure explained in the ensuing paragraphs has been devised in the light of operating requirements of the Foundation. Ultimate authority vests with the Accounts Department to ensure that an effective structure is established to safeguard the liquid funds of the Foundation.

2.All cash and banking activities will be carried out by the approved schedule of powers and strictly following the instructions contained in the succeeding paragraphs and no divergence will be permitted.

**CASH TRANSACTIONS**

3.As far as possible, the handling of cash should be discouraged. Only petty cash disbursements will be made from one or more “imprest floats”. Adequate fidelity insurance cover should be obtained to guard against the loss of liquid resources.

4.At regular intervals, the length of which will be determined keeping in view the daily cash requirements of the Foundation, and through observation, the imprest float will be reimbursed by drawing out an amount of cash from the bank equal to the disbursements made. The float will then be reimbursed to its established level.

**Establishing a Petty Cash Imprest Float**

5.Imprest float will be established to facilitate day-to-day payments of a petty nature to a maximum allowed limit. The imprest, however, cannot be used for small repetitive purchases to avoid routine procurement procedures.

6.The request for the imprest establishment will be made by the Head of Unit/Department on the Petty Cash Imprest Form (**Annex “CB – 1”**) and forwarded to the Director Administration for approval.

7.The Director Operation will, in consultation with the Director General and President, the Finance Committee, fix the amount of imprest sought and appoint an imprest holder on the recommendation of the Head of the Unit/Department.

8.The safe custody of the cash will be the responsibility of the person entrusted with the petty cash imprest float. Manager Finance or any other official authorized by the Director Operation will make periodical surprise cash count on the float to check the correctness of the records and existence of balance of cash imprest.

**Petty Cash Expenses and Reimbursement**



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09. Imprest holder will use Petty Cash Reimbursement Statement (**Annex “CB – 2”**) to appropriately record petty cash payments/expenses. Each payment/expense will be made through Payment Voucher (**Exhibit – 3**, Appendix “CB – 6.1”) and supported by original receipts and other supporting documents.

10. After each payment, imprest holder will sign and stamp all the receipts/supporting documentation “PAID” to prevent re-use of the receipts.

11. The Petty Cash Reimbursement Statement will be submitted to Finance Manager along with relevant supporting documents.

12. Finance Manager will review and examine the reimbursement statement and obtain approval from Foundation for reimbursement. After due approval, the Finance Manager will prepare a cheque for the amount approved and post it through Payment Voucher.

13. The Petty Cash Reimbursement Statement and supporting documents will be marked as “PAID” and attached with the voucher.

**Varying the Amount of Petty Cash Float**

14. The amount of petty cash float may be revised to reduce or enhance the current level in view of changing circumstances. As a guideline, if half of the petty cash float is not used monthly then the float exceeds current requirements, taking into account seasonal requirements and may, therefore, be reduced. If, however, the existing level is incapable of satisfying current requirements, it may be increased.

15. It is the responsibility of the imprest holder to review the level of the float and formally request Head of Unit/Department to reduce or enhance the float. The request will be made on Petty Cash Imprest Form with an appropriate explanation to requested increase or decrease.

16. The Petty Cash Imprest Form, after having been signed by the Head of Unit/Department, will be got approved from the concerned authority and forwarded to Finance Manager to ensure that future float reimbursements are made in accordance with the new level.

**Internal Controls for Petty Cash Transactions**

- Petty cash will be maintained on imprest basis;
- Petty cash disbursements will be evidenced by approved supporting documents;



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- Petty cash disbursement statement will be supported by duly approved payment evidences and these supporting documents should adequately be reviewed at the time of reimbursement of imprest float;
- The voucher reference will be inserted on all supporting documents which will be stamped as 'PAID' to avoid its reuse;
- Petty cash funds will be restricted to the expenditure of a petty nature not exceeding a certain fixed limit;
- There will be a separation of functions so that the person who is responsible for the disbursement of cash or who has control of the petty cash fund has no access to other cash. Including cash receipts, other petty cash funds securities; and
- Imprest floats should be checked by frequent and surprise counts by an independent authorized person.

**BANKING OPERATIONS**

17.All payments except petty cash payments, as described above, will be made through banks. New bank accounts will be opened only after the requisite authority has been obtained from the Board of Officers. All funds will preferably be kept in the profit and loss sharing accounts and the bank accounts will be in the name of "KBM Care Foundation –Headquarters".

**Bank Signatories**

18.The president of the KBM Care Foundation will designate two panels of signatories after consultation with the President, and the Finance Committee. The list of signatories will be circulated to the banks and among signatories by the Accounts Department.

19.Changes in the panel of signatories will be approved by the President or any person designated by him for the purpose and circulated to banks and among signatories accordingly.

20. Bank accounts will be operated by at least one signatory from each panel.

**Cheque Books**

21. Only one cheque book will be used at a time for each bank account.



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22.All cheque books will be controlled through a Chequebook Register (**Annex “CB – 3”**). This register will have the record of the receipts and issuance of cheque books to and from authorized persons.

23.All used and unused cheque books will be kept in the possession of Accounts Officer under lock and key.

### **Bank Reconciliation**

24.Banks will be requested to supply bank statements each month and the balances held in bank will be reconciled with the balances appearing in the Foundation’s records at the close of each month.

25.Finance Manager will be responsible for preparing Bank Reconciliation Statement (**Annex “CB – 4”**) of each bank on monthly basis within ten days from the month end. A list of all outstanding and unrepresented cheques will be made by the Finance Manager and subsequently checked for presentation at the banks. The bank statements will be filed in chronological order and retained for subsequent reconciliation and audit purposes.

26.Bank Reconciliation Statement will checked and signed by Manager Finance and Items revealed through bank reconciliation will be dealt with as follows:

- Discrepancies will be pursued with the banks and steps taken to resolve them;
- Un-reconciled credits will be reconciled and adjusted in books of account accordingly;
- Un-presented cheques for more than six months will be cancelled and reversal recorded after obtaining approval from concerned authority. New cheque will be prepared instead of revalidating old cheque and concerned vendor and relevant department will be informed;

### **Documentation Relating to Banks**

27.A separate bank file will be maintained for each bank account and retained at least for a period of five years.

28. The bank file will contain the following documents:

- Account opening form;
- List of signatories and changes thereof;



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- Monthly bank statements along with a copy of bank reconciliation statement;
- Account closure certificate and the final bank statement; and
- Detail of correspondence with banks.

**RECEIPTS**

29. On receipt of cash, cheques or other monetary instruments, a pre-numbered official receipt will invariably be issued. The receipt will be signed by the Accounts Assistant and countersigned by the Finance Manager and treated as security document.

30. Accounts Assistant will distribute official receipt as follows:

First Copy	Depositor
Second Copy	Attached with the voucher
Third Copy	Retained in official receipt book

31. In case of spoiled/cancelled official receipt, all copies will be marked "CANCELLED" and retained in the receipt book.

32. All receipt books will be controlled through memorandum register with their distinctive numbers entered therein at the time of their receipt and issuance. The stock of unused receipt books will be kept in safe custody and physically verified, at least once a month, by Finance Manager. He will sign the memorandum register as a token of having agreed the physical balance with the balance appearing in the register.

33. Bank deposit slip will be prepared to deposit all funds received, on behalf of the Foundation, into the bank on the same day or on the following day. All banking will be done promptly.

34. Another nature of receipt into the bank accounts are credit advices received from banks in respect of return on bank deposits or amounts transferred from term/fixed deposit accounts or from other bank accounts.

35. Pay-in slips, official receipts and credit advices will be used to prepare Receipt Voucher (**Exhibit – 2**, Appendix "CB – 6.1") to record receipts in the books of account of the Foundation. Particulars of receipts including reference of official receipt number,



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depositor's name, title of account and account number will be stated in the Receipt Voucher.

36.Receipt Voucher will be prepared by Accounts Assistant and checked and approved by Finance Manager and Director General respectively. The approved voucher will then be posted in the general ledger and marked "POSTED".

37.The reference of Receipt Voucher will also be mentioned on the official receipt to ensure that all receipts have been recorded in the proper account in the Foundation's books.

**DISBURSEMENTS**

38.All disbursements of the Foundation will be made through cheques crossed as "Payee's account only". Vouchers and cheques will be prepared and processed by Accounts Department.

**Payment to Suppliers**

39.As soon as the order is placed, a copy of Purchase Order (**Annex "PC – 6"**) will be received by Accounts Assistant for temporary filing till payment.

40.When goods or services are received satisfactorily, Accounts Assistant will receive the following documents from Stores Officer/Account Assistant:

- Goods Inspection and Return Report (**Annex "PC – 9"**)
- Asset Receipt and Issuance Note (**Annex "FA – 1"**)
- Goods Receipt Note – Original (**Annex "IM – 1"**)
- Delivery Challan – Original
- Invoice – Original

41.Based on the copy of Purchase Order, Accounts Assistant will compare items ordered with items received as stated in Goods Receipt Note, checking the delivery date, quantities and prices. In case more than one item is purchased, he will allocate added costs based on the value of items purchased. Discount received will be treated as a reduction of cost and allocated accordingly.



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42. Accounts Assistant will prepare Payment Voucher (**Exhibit – 3**, Appendix “CB – 6.1”) (net of adjustment, if any) and forward these, together with the following documents, to Finance Manager for checking:

- Purchase Order
- Supplier’s Invoice
- Delivery Challan
- Goods Receipt Note or Asset Receipt and Issuance Note
- Goods Inspection and Return Note

43. Finance Manager will review the voucher for accuracy and propriety of the account head and forwarded it to Director General for approval. After approval, the Payment Voucher will be sent to the Finance Manager for cheque preparation.

44. Upon receipt of approved Payment Voucher, the Finance Manager will prepare cheque considering the normal lag time between cheque preparation and its subsequent release to payee. The cheque, together with Payment Voucher and supporting documents, will then be forward to the signatories.

45. Finance Manager will receive signed cheque and record details of disbursements in Cheque Dispatch Register (**Annex “CB – 5”**). When payee claims payment, he will release cheque to the payee and obtain his acknowledgement.

46. Cheques released will be reflected in Cheque Dispatch Register by ticking off entries previously made. Entries not ticked off at the end of the day will represent cheques not yet released to payees.

**Loan Payment**

47. Upon receipt of approved loan application, Accounts Assistant will compare the particulars of requesting employee with his record, as regards following:

- Annual basic salary;
- Maximum loan limit; and
- Allowable type of loan





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48. After comparing, Accounts Assistant will fill in the relevant section of Loan Application Form, giving monthly deductions and number of installments, and forward it to Finance Manager for checking.

49. Finance Manager will check, sign and forward the Loan Application Form to the Director General approval.

50. After the loan has been approved, the Loan Application Form will be received by Finance Manager to make arrangements for disbursement of the sanctioned loan.

51. Accounts Assistant will prepare Payment Voucher in two copies and forward these, together with the Loan Application Form, to Finance Manager for checking.

52. Finance Manager will review the voucher for accuracy and propriety of the account head and forwarded it to the Director General for approval. After approval, the Payment Voucher will be sent to Finance Manager for cheque preparation.

53. Upon receipt of approved Payment Voucher, Finance Manager will prepare cheque considering the normal lag time between cheque preparation and its subsequent release to payee. The cheque, together with Payment Voucher and supporting documents, will then be forward to signatories.

54. Finance Manager will receive signed cheque and record details of disbursements in Cheque Dispatch Register. When payee claims payment, he will release cheque to payee and obtain his acknowledgement.

55. Cheques released will be reflected in Cheque Dispatch Register by ticking off entries previously made. Entries not ticked off at the end of the day will represent cheques not yet released to payees.

**Reimbursement of Travel Expenses**

56. The travel expense claim, endorsed by Director Operation and accompanied by all supporting documents, will be received by Accounts Assistant for reimbursement within 3 (three) working days of receipt of the claim in Accounts Department.

57. Accounts Assistant will scrutinize the supporting bills/cash memos/receipts to ascertain the accuracy of the amount claimed and to identify personal and official expenses. Based on the scrutiny of expenses claimed, he will work out the amount payable (net of personal expenses and/or advances, if any) to the employee.





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58.The Accounts Assistant will then prepare Payment Voucher and forward these, together with the Travel Expenses Claim and supporting bills, etc., to the Finance Manager for checking.

59.The Finance Manager will review the voucher for accuracy and propriety of the account head and forward it to the Director General for approval. After approval, the Payment Voucher will be sent to the Finance Manager for cheque preparation.

60.Upon receipt of the approved Payment Voucher, the Finance Manager will prepare the cheque considering the normal lag time between cheque preparation and its subsequent release to the payee. The cheque, together with the Payment Voucher and supporting documents, will then be forwarded to signatories.

61.The Finance Manager will receive a signed cheque and record details of disbursements in the Cheque Dispatch Register. When the payee claims payment, he will release the cheque to the payee and obtain his acknowledgment.

Cheques released will be reflected in the Cheque Dispatch Register by ticking off entries previously made. Entries not ticked off at the end of the day will represent cheques not yet released to payees.

**Refund of Retention Money**

62.At the request of the supplier for a refund of his retention money, Account Assistant will obtain the official receipt issued to him when the money was retained and compare it with Retention Money Register (**Annex “PC – 8”**).

63.After verification of the claim with his record, Account Assistant will prepare Refund Authorization Slip (**Annex “CB – 6”**) in two copies, by computing and noting net amount due to supplier, if any, and forward both copies to Director Operation for approval, together with official receipt obtained from the supplier.

64.The Account Assistant will then distribute the endorsed Refund Authorization Slip as follows:

Original	Accounts Department
Duplicate	retained for records



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65. Upon receipt of Refund Authorization Slip, Accounts Assistant will prepare Payment Voucher in two copies and forward these, together with the Refund Authorization Slip, to Finance Manager for checking.

66. Finance Manager will review the voucher for accuracy and propriety of the account head and forwarded it to Director General for approval. After approval, the Payment Voucher will be sent to Finance Manager for cheque preparation.

67. Upon receipt of approved Payment Voucher, Finance Manager will prepare cheque considering the normal lag time between cheque preparation and its subsequent release to payee. The cheque, together with Payment Voucher and supporting documents, will then be forward to signatories.

68. Finance Manager will receive signed cheque and record details of disbursements in Cheque Dispatch Register. When payee claims payment, he will release cheque to payee and obtain his acknowledgement.

69. Cheques released will be reflected in Cheque Dispatch Register by ticking off entries previously made. Entries not ticked off at the end of the day will represent cheques not yet released to payees.