

FINANCE

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PLANNING AND BUDGETING

1.0 Introduction

The Finance Department of Malaysian Red Crescent Society is committed to timely, accurate and responsible financial management. We work with the director, staff, and board to ensure that all financial matters are managed with care, integrity, and consistency within the best interests of the National Society.

2.0 Purpose

The policy and procedural guidelines contained in this handbook are designed to:

- protect the assets of Malaysian Red Crescent Society;
- ensure the maintenance of accurate records of MRCS's financial activities;
- provide a framework of operating standards and behavioral expectations; and,
- ensure compliance with federal, state, and local legal and reporting requirements

Exceptions to written policies may only be made with the prior approval of the Finance Committee or the National Executive Board members. Changes or amendments to these policies may be approved by the National Executive Board Members at any time. A complete review of the policies shall be conducted every two years by the Finance Committee before it will be presented to the Executive Boards members and approved it in National Council meeting.

All personnel with financial responsibilities are expected to be familiar with and operate within the parameters of these policies and guidelines.

3.0 Roles

National Honorary Treasurer

The Honorary Treasurer shall be responsible for the overall financial affairs of the Society in doing so shall:

- a) assist the National Executive Board and all the National Committees concerning the financial management of the Society
- b) be responsible for ensuring that full and true statements of accounts of the Society are kept and that all such accounts are audited and certified by an Auditor
- c) ensure that all checks, promissory notes, bills of exchange and all other negotiable instruments for payment by Society are signed by person as may authorized by the National Executive Board from time to time and;
- d) with the assistance of the Secretary General prepare a supplementary budget of the Society

Secretary General

The Secretary General has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Board of Executives Members. The SG has whatever authority as may be designated by the Board of Executives Members, including:

- a) ensure the co-ordination the various activities of the Society
- b) supervise the work of all salaried staff of the Society and advise the National Chairman on the performance by such salaried staff of their duties.
- c) delegate such duty as is necessary to salaried staff
- d) be secretary of, and ensure the provision of secretarial support services to the National Council and the National Executive Board any committees or sub-committees of the Society;
- e) ensure that meetings of the Society are duly convened;
- f) together with National Treasurer ensure that a true and proper annual budget of the Society be drawn up and properly administered and executed;
- g) together with National Treasurer ensure that the Audited Annual Accounts and Annual report of the Society be prepared for submission to the national Council; and
- h) maintain close ties the Movement, Government and non-government organizations and institutions for and behalf of the Society.

4.0 General accounting policies

The accounting system follows general accepted accounting policies (GAAP).

Financial statements are prepared using the accrual basis of accounting.

The fiscal year is January 1 through December 31.

5.0 Administration

Financial duties and responsibilities are separated so that no one employee has sole control over cash receipts, disbursements, payroll, reconciliation of bank accounts, or any critical accounting function.

The Finance Manager has primary responsibility for designing and maintaining the accounting system. Bookkeeping support may be provided by other staff as designated.

The accounting records are updated regularly and subject to the oversight of the executive director or board of directors or its designate on at least a quarterly basis.

A filing system is accessible and maintained for all financial records. This filing system may be electronic or paper, or both.

Professional financial service providers such Auditors and Accounting System Software are reviewed annually.

6.0 Budgets

The annual budget for the fiscal year is prepared by the Finance Manager by working closely with the appropriate staff. The annual budget also included the consolidated budget from the branches which also include in the annual budget for the chapters.

The budget will be presented in the National Council meeting for approval, prior to the beginning of the fiscal year if possible.

The budget is compared to the monthly financial statements in order to monitor the actual results.

The budget is reviewed mid-year and adjusted as necessary to reflect changing conditions. The Executive members approve proposed changes in the budget which exceed RM 1,000.00 or 50% of the line item, whichever is greater.

Overall budget is divided into eight (8) programs and the various areas are as follows:

- Program 1 : Disaster Management comprises of:
 - a) Disaster and Logistics
- Program 2 : National Ambulance Service
- Program 3 : Health & Community Services comprises of:
 - a) Blood Program
 - b) HIV/AIDS program
- Program 4 : Training & Institute
- Program 5 : Organizational Development
 - a) Youth & Branch Development
 - b) Membership
- Program 6 : Public Relations & Communications
- Program 7 : International Relations & IHL
- Program 8 : Administration and Finance

Notes:

Budget should show the following:

- a) Previous year's estimates
- b) Actual Expenditure (or income) as at 30 June of the current year
- c) Forthcoming year's provisions

The programs are divided into:

- i) Income
- ii) Recurring Expenditure
- iii) Expenditure Related to Activities

Budget Preparation Schedule

1. Before 30 June : Preparation of budget at the Division Level for the submission to the National Committees
2. July : Discussion and scrutinizing of budget with the Chairman of the respective National Committees
3. By end of August : Branches are to submit the budget to MRCS – Headquarters
4. September : Reviewing the draft budget by the National Finance Committee
5. October to November : Budget submission to the National Council

7.0 Management Account Statements

Monthly financial statements are completed and presented to the Finance Committee within 30 days of the close of the period.

A financial overview and Profit & Loss Statement through the end of the previous month are provided to the Executive Board members at each National Executive Board meeting.

8.0 Audit

An annual audit is conducted by an independent Certified Public Accountant (CPA) after the close of each fiscal year. The audit covers the fiscal year of January 1st through December 31st.

- I) To comply with the requirement of MRCS Constitution, all Branches are requested to take early action to furnish the National Secretariat with the under mentioned particulars.
- II) In this context, Branches returns should include the consolidated figures of Chapters.
- III) The following are the returns required from the Branches and Chapters:
 - a) The Chapter Committee to the Branch Committee its Annual report and annual audited copy of its Account for the preceding year before the end of March. (Refer Part IX Rule 50 (c) of the MRCS Constitution, Revised 2000/2001)

- b) The Branch Committee shall furnish to the National Executive not late than 15 may in each year, its Annual report and Audited Accounts of the Branch, for the preceding calendar year (Refer Part VIII Rule 41 (c) of the MRCS Constitution, Revised 2000/2001)
- c) Accounts for the MRCS National Headquarters and MRCS National Ambulance Services are audited in the month of April each year

Presentation of the Audited report which consolidates the accounts of MRCS National Headquarters and MRCS Branches is done by the National Treasurer with assistance of the Finance Manager to the National Council.

Copies of the annual audit are provided to donors in accordance with agreements in effect.

9.0 Banking

General

Separate bank accounts are maintained for operating expenses, payroll expenses, and savings.

The operating account maintains sufficient funds to meet all anticipated expenditures.

The savings account is used to replenish the operating account when necessary and to receive excess funds from the operating account when available.

Deposits

Whenever possible, persons receiving funds are other than the person tabulating and preparing the deposits. Also, the person tabulating and preparing the deposits should be other than the person recording the deposits.

All funds are deposited in an assigned financial institution, with the exception of petty cash. The deposit receipt is attached to the Deposit Record.

Check Signing

The Board appoints the check signers. The mode of signatories for MRCS Headquarters will be following the approval from the NEB 292th meeting decisions

AMOUNT		SIGNATORY
Up to RM 10,000	:	Any 2 Signatories
RM 10,000 – RM100,000	:	One from Group A One from Group B
More than RM 100,000.00	:	Nat. Honorary Treasurer Nat. Vice Chairman Secretary General

The authorized signatories for MRCS Headquarters as agreed at the NEB 292th Meeting on 12th February 2015, The Board members agreed to the following:

Group A	National Chairman Deputy National Chairman National Vice Chairman National Honorary Treasurer
Group B	Secretary General Executive Secretary

Blank checks are never signed in advance.

As for MRCS Branches, the signing condition will be decided by the Branch Committee

10.0 Disbursements

Whenever possible, separate persons are responsible for coding, preparing, and authorizing disbursements.

Invoices are paid in a timely manner, generally weekly, and before late penalty charges apply.

Attempts are made to issue checks for client assistance and employee advances as soon as practical, although advance notice of at least two business days is recommended.

11.0 Reimbursements

A requisition form is prepared and approved when requesting personal reimbursement for MRCS's expenses. Relevant invoices and receipts are attached.

Mileage expenses are reimbursed at the federal rate in affect at the time of the expense.

12.0 Accounts Receivable

Invoices for grants receivable are sent out, either my email or mail, as soon as practical in accordance with the terms of the grant agreement or contract. A copy of each invoice is kept in the appropriate grant A/R file with a notation of the date it was sent. When payment is deposited, a copy of the check stub is attached to the invoice, which is then notated with the date paid and marked "POSTED."

Invoices for other accounts receivable are kept in a general A/R file. When payment is deposited, these invoices are marked "POSTED" and transferred to an A/R received file.

13.0 Reconciliations

Bank reconciliations are done monthly. Bank statements are reconciled by someone other than the check signer or writer.

14.0 Large Purchases

Generally, MRCS seeks three quotations for purchases greater than RM 1,000 where at least three suppliers are available for that service or product

For large purchases exceeding RM 100,000 the procurement procedure will follow the Procurement guidelines and procedure.

15.0 Conflict of Interest

Purchases of goods or services are not made from any employee or director of the organization. Members of the Board declare any conflict of interest with regard to financial terms.

Purchase of personal items for employees or National Executive Board members will not be entertained.

16.0 Capital Expenditures

Tangible assets exceeding RM 1,000.00 and expected to last longer than a year are classified as capital assets and included in an inventory record. The capital assets inventory record contains descriptions, serial numbers, dates of purchase or receipt, valuations, dates of valuation and item locations.

A depreciation schedule is prepared annually by the auditing firm.

17.0 Donations

Donations for relief purposes will be allocated into specific fund for the designated purposes and will go towards relief and relevant rehabilitation operations expenses. MRCS cost will apply at 6.5% of the donations received for administrative purposes. In the event that after completion of the designated relief and rehabilitation projects, there is a balance of donated funds remaining; MRCS will apply this residual balance to other disaster related projects in the same region.

Donated capital assets are recorded at fair market value if it can be reasonably estimated. The nature and amount of the donated capital assets is disclosed.

The value of donated materials and services is recorded at a reasonable estimate. The value does not exceed the value at which the organization could have purchased those materials and services.

18.0 Payroll

All personnel salary and wage rates are authorized by the Admin & Personnel Committee or the Executive Board members. All changes in employment are likewise authorized by the Admin & Personnel Committee or the Executive Board members.

Employees are paid on a monthly basis. Payments to staff for salary advances, bonuses, and translations outside of normal hours are processed as part of wages.

All employees (hourly and salaried) are responsible for submitting complete time sheets on a weekly basis, with final time sheets due on each employee's last working day of the month. All time sheets must be signed and dated by employees and their supervisors. [Computerized time sheets are used for efficiency and accuracy.] Incomplete time sheets are returned to employees for correction.

Personnel records are kept at MRCS for all current staff.

19.0 Investments

The investment objectives of MRCS, in order of importance, are the safety of principal, liquidity, and a competitive rate of return. Investment restrictions may, at the discretion of the Executive Board members, include such issues as quality, diversification requirements, or social issues.

The Finance Committee has primary responsibility for advising the Board on investment policy and for establishing any specific guidelines as to the mix and quality of the investment account(s).

20.0 Internal Control

The reliability which MRCS can place upon its financial records is dependent upon the effectiveness of the procedures and controls which are adopted to ensure that the results of transaction processing are reflected accurately, consistently and completely in those records.

Controls must ensure also that assets are not exposed to unauthorized access and use. MRCS has the responsibility to establish and maintain an adequate system of internal control and to furnish to the members, governmental agencies, donors and other beneficiaries reliable financial information on a timely basis.

An adequate system of internal control is necessary for the Society to discharge these responsibilities.

General Policy

The National Hon. Treasurer has the responsibility for the accounting records of the Society and the ultimate responsibility for the adequacy and effectiveness of the overall system of internal control.

In order to meet these responsibilities within the MRCS's operating environment, the responsibility for a variety of controls must be delegated to the various operating Branches and Chapters. Therefore, the Headquarters, Branches, and Chapters are required to:

- a. Construct and maintain books, records and accounts which, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets for their respective operating units.
- b. Establish and maintain a system of administrative control which promotes operational efficiency and effectiveness, and ensures adherence to MRCS policies and procedures. These controls include, but are not limited to, budgets, schedules, job assignment and monitoring sheets, policy and procedure manuals, organization charts, job descriptions, employee training programs and various quality controls.
- c. Establish and maintain an adequate system of internal accounting control sufficient to provide reasonable assurance that:
 - i) Transactions are executed in accordance with MRCS's general or specific authorization;

- ii). Transactions are recorded as necessary
 - (a) to permit the preparation of financial statements in conformity with generally accepted accounting principles and the MRCS's financial and accounting policies, and
 - (b) to maintain accountability for MRCS's assets;
- iii) Access to assets is permitted only in accordance with management's general or specific authorization; and
- iv) The recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.