



UNITED INTERNATIONAL UNIVERSITY

INTERNSHIP REPORT ON
“Accounting Practices of NGO: A study on MAX
Foundation.”

SUBMITTED TO
ISHRAT JAHAN
Assistant Professor – Accounting

SUBMITTED BY
KAZI TANZIM NASIM
ID- 114 193 001
Bachelor of Business Administration (BBA) in Accounting &
Information Systems (AIS)

Date of Submission: 28 - 01 - 2024

Letter of Acknowledgement

To start with, I want to say thank you to my outstanding supervisor, Ishrat Jahan. Her insightful recommendations, motivational support, and encouragement played a crucial role in shaping my report. There were instances when I found certain aspects challenging during the report preparation, but she consistently simplified the subject matter for me and never failed to inspire me to produce an exceptional report. In addition, I'd like to convey my appreciation to my esteemed supervisor at MAX Foundation, Md. Emad Moon, who serves as the Operations and Admin Officer of the NGO. He has provided valuable assistance in facilitating my practical understanding of NGO activities, significantly contributing to the completion of my report.

Abstract

The report is based on 'Accounting Practices of NGO: A study on MAX Foundation.' This research aims to comprehend how the documentation, reporting, and auditing are performed in NGOs and get an insight into the receiving and utilizing the process of foreign donation. The Max Foundation is a leading non-profit organization dedicated to improving child health in low-income countries. Established in 1995, it has evolved from supporting research on childhood cancer to becoming a powerful force in the fight against undernutrition. This summary highlights the foundation's history, key interventions, and remarkable impact on child health. Initially focused on pediatric cancer research, the Max Foundation experienced a pivotal shift in 2001. Recognizing the devastating impact of undernutrition on child mortality and morbidity, the organization began to redirect its efforts towards tackling this critical issue. This shift marked a significant step forward in addressing the root causes of child health disparities in low-income settings. The Max Foundation developed the innovative Healthy Village approach, a comprehensive strategy that addresses undernutrition through integrated interventions. This approach combines Safe water, sanitation, and hygiene (WASH): Providing availability of clean water, sanitation facilities, and hygiene education helps prevent waterborne diseases and create a healthy environment for children. Nutrition: Offering nutrition education and promoting healthy dietary practices ensures children receive the essential nutrients needed for optimal growth and development. Care: Providing access to primary healthcare services, including immunizations and treatment for common childhood illnesses, further safeguards children's health and well-being. The Max Foundation has successfully implemented the Healthy Village approach in Bangladesh, Ethiopia, and Nepal. Their commitment to scaling up their interventions and reaching more children has resulted in significant growth and progress. Additionally, the foundation has developed innovative models like "Max Payment-by-Results" to incentivize effective program implementation and ensure maximum impact. The Max Foundation's work has garnered international recognition for its effectiveness. Notable achievements include: 2010: Awarded the prestigious Bill and Melinda Gates Foundation Grand Challenges Exploration grant. 2015: Received the Conrad N. Hilton Humanitarian Prize for their transformative work in Bangladesh. 2020: Successfully halved stunting rates in program areas of Southern Bangladesh, demonstrating the remarkable potential of the Healthy Village approach. Looking Ahead: The Max Foundation remains committed to its mission of improving child health in low-income countries. They continue to expand their operations, advocate for global attention to undernutrition, and build local capacity to ensure long-term sustainability. Their groundbreaking work serves as an inspiration and a model for other organizations working to improve the lives of children around the world. Accounting is the study of how information is provided to and used by managers in businesses so they may make well-informed decisions that will better prepare them to perform management and control tasks. These are the main duties carried out by financial accountants of this organization produced by the following variety of cost accounting instruments: Budget variance Analysis, Rate and Volume Analysis, Cost Analysis, Cost Benefit Analysis, Financial forecasting, yearly budgeting, internal financial presentation and communication, strategic planning, strategic management advice, and capital budgeting. Basically, in an organization accounting information – has four basic roles. They are Documenting, Financial Reporting, Program cost control and improvement, and Forecasting, Budgeting, and Planning. Documentation is a very important aspect of any NGO, because it's a nonprofit organization and handles foreign donations, there may be a lot of chance for irregularity. Besides the government agencies issued several regulations to handle the NGO operations. To comply with these statutory issues, today's NGOs are very much concerned about the proper documentation of their activities. Besides the documentation, another major task of the MAX Foundation grants and finance department is to prepare financial reports. This report has the maximum significance to its stakeholders and donors. Proper allocation of funds, effective cost control, and continuous development are very important. Thus, the accounting and finance department of MAX played a key role in bringing it up here.

Table of Contents

1.	Chapter One: Introduction.....	7
1.1	INTRODUCTION.....	7
1.1.1	BACKGROUND OF THE STUDY:.....	7
1.1.2	Scope of the report.....	8
1.1.3	Methodology.....	8
1.1.4	Data Collection.....	8
1.1.5	Data Analysis.....	9
1.1.6	Limitations:.....	9
2	Chapter Two: NGOs and the Government of Bangladesh.....	10
2.1	NGO and its Emergence.....	10
2.1.1	Definition.....	10
2.2	NGOs in Bangladesh.....	11
2.3	NGO Regulation in Bangladesh.....	12
2.3.1	Regulatory Authority.....	12
2.3.2	Legal Framework.....	13
2.3.3	NGO Accountability Framework in Bangladesh.....	14
3	Chapter Three.....	16
3.1	Part One - Overview of the Organization.....	16
3.1.1	About MAX Foundation.....	16
3.1.2	The challenges faced by MAX Foundation in Bangladesh.....	17
3.1.3	Impact in Bangladesh.....	18
3.1.4	Success in Bangladesh.....	18
3.2	Part Two - Accounting Practices of MAX Foundation.....	19
3.2.1	Accounting practices.....	19
3.2.2	Overview of Accounting System.....	19
3.2.3	Summary of Significant Accounting Policies.....	20
3.2.4	Books, Forms, and Register.....	21
3.2.5	Grant Management.....	29
3.2.6	Fund Control.....	31
3.2.7	Cash Section: Control over cash.....	31
3.2.8	Receipts.....	32
3.2.9	Payment.....	32
3.2.10	Fixed Asset.....	33
3.2.11	Advances.....	35
3.2.12	Donor Fund Accounting.....	36
3.3	Financial Reports and Statements.....	37
3.3.1	The user of Financial Report.....	37
3.4	Internal Control System.....	41
3.4.1	MAX Internal Control System.....	41
3.4.2	Internal Audit Department.....	41
3.5	MAX'S - Finance & Grants Department.....	43
4	CHAPTER FOUR - Comparison of Project Audit Report.....	44
5	CHAPTER FIVE - Conclusion.....	49
5.1	Limitations.....	49

5.2	Recommendation.....	50
5.3	Conclusion.....	51

1. Chapter One: Introduction

1.1 INTRODUCTION

1.1.1 BACKGROUND OF THE STUDY:

Society and Businesses are currently undergoing rapid change due to immense competition and pressure on resources. These social organizations seek more efficiency, developed work procedures, and vast productivity from their human resources. To gather an understanding of this new organizational process, BBA in AIS, United International University, helps the students to gather practical knowledge about the working environment and activities through the internship program. The 3 months of practical experience gives precise alignment between theory and application, which is critical for contemporary business graduates. By providing students with hands-on experience in the real world before entering the workforce, internships help students accomplish this promise. Practical expertise is vital to broadening our understanding of theory to tackle the increasingly complicated and tough business world that comprises difficult business fields. We were sent to another organization after attending the BBA program to obtain this real-world experience.

Because I have an interest in working in an NGO, I was forwarded to MAX Foundation, a prominent Foreign NGO funded by Nederland. I started the internship there on 2nd October 2023 under the faculty supervision of Isirat Jahan, Asst. Professor – Accounting, United International University.

The subject matter of the report, "**Accounting Practices of NGO in Bangladesh Study on Max Foundation,**" was selected at the suggestion of my supervisor. The internal control system and accounting procedures used by the NGOs are the main topics of the report. The paper looks at NGOs' legal duties in Bangladesh and how well they adhere to those obligations, as well as how the government of Bangladesh controls NGOs that raise money for humanitarian causes abroad. The framework of operations and legal requirements are restricted to making NGOs answerable to the beneficiaries. The conditions of the current NGO systems for accountability in Bangladesh are biased in favor of the state and the two powerful parties, the funders. The MAX Foundation is the only NGO covered in this report.

The following are the report's objectives:

- To gain knowledge about how NGOs were founded and run in Bangladesh.
- To paint a broad picture of the makeup, scope, and operations of non-governmental organizations
- To ascertain who is in charge of overseeing and directing non-governmental organizations (NGOs), as well as their legal and regulatory environment and the financial incentives provided by the law.
- To determine the recording procedure for MAX Foundation.
- To display the project's financial flow.
- To see the internal control framework in action.
- To talk about various accounting-related topics.
- To talk about the reporting procedure.
- To determine the aspects of auditing.
- To attempt to paint a general image of NGO accounting procedures about MAX Foundation procedures.
- To provide a few pertinent and useful suggestions for enhancing NGO accountability and operations to maximize benefits.

1.1.2 Scope of the report

The study's criteria are defined by the content and issues covered by the study. An overview of NGOs' activities in Bangladesh is given in the report. The regulatory authorities, the laws governing NGOs in Bangladesh, and the accountability framework are described in the report. Then the accounting and internal control procedure of **MAX Foundation** is discussed. Issues with the NGO's financial report including financial transparency are covered in the article's last section. Compliance with International Accounting Standards by **MAX** is given in the report. At the conclusion, there are also some useful suggestions.

1.1.3 Methodology

- i. Type of Research: This study used descriptive research to acquire knowledge about the NGO sector and identify MAX's features. After that, to achieve the study's primary goal, further definitive investigation was conducted.
- ii. Information source: During the course of my research, I have expanded on several kinds of secondary data. The following is a definition of secondary information sources: Annual reports, past research reports, quarterly reports from partners, rental agreements, websites, etc.

1.1.4 Data Collection

The following methods were used to get the data:

- In-depth, open-ended interviews with front-end management staff at MAX Foundation were used to gather primary data.
- In-person discussions with the relevant MAX officers and personnel
- A pertinent field study that the officer expressed worry about.
- Practical Deskwork
- MAX website and other related websites.
- Annual report of MAX.
- Company printed materials such as different manuals and publications.
- Unpublished data received from the Head Office.
- Numerous laws, rules, and circulars were gathered from books and the internet.
- Unstructured interviews with important NGO officials were undertaken.
- The MAX Foundation's accounting records, internal audit reports, and other formal documents were examined to gather information.

1.1.5 Data Analysis

- Interview procedures combine structured, professional conversations with open-ended discussions. Standardized questionnaires are not employed
- The interviews are administered by formal and informal discussion. No structured questionnaire is used.
- When analyzing the data, I took into account MAX's requirements and other aspects in addition to my goal of creating the overview rather than comparing it to any predetermined benchmarks.
- The gathered information was sorted into categories based on the pertinent accounting field to facilitate better comprehension, conceptualization, and organization.
- Various diagrams were created to identify relationships and improve analysis.

1.1.6 Limitations:

Most of the report's data comes from publicly accessible sources. One of the biggest obstacles is time, along with business confidentiality.

2 Chapter Two: NGOs and the Government of Bangladesh

2.1 NGO and its Emergence

2.1.1 Definition

An organization that was not founded by the government is often referred to as a non-government organization (NGO). However, in the last thirty years, the phrase has come to apply to social organizations that work on development; these organizations are primarily volunteer and non-profit. These consist of registered societies, legal corporations with a limited scope, and informal groupings. Volunteer development organizations (VDO) or private volunteer development organizations (PVDO) are terms occasionally used to describe development NGOs that work to improve the socioeconomic status of the impoverished in both rural and urban areas. Development NGOs also engage in socioeconomic activities related to advocacy, legal aid, the environment, and relief efforts.

The UN had to distinguish between the participation rights of international private organizations and intergovernmental specialized agencies in its Charter, which led to the creation of the NGO in 1945. Almost any kind of private organization can be recognized as an NGO by the UN. They only need to be free from governmental authority, not aim to overthrow governments as a political party or by concentrating exclusively on human rights, nonprofit, and law-abiding.

NGOs' structures differ greatly from one another. Global hierarchies are possible, featuring either a more flexible federal structure or a comparatively powerful central authority. Alternatively, they could operate internationally from a single place of origin. More locally oriented organizations, often known as community-based or grass-roots organizations, have started to operate on a national or even international scale as a result of advancements in communication. This is happening more and more through the creation of coalitions. There are global NGOs that serve as umbrella organizations, giving disparate NGOs without a common identity an institutional framework. Additionally, there are more informal issue-based networks, ad hoc caucuses, and UN conference lobbying groups. This manifests itself in environmental politics in the special way of the nine "Major Groups" enumerated in Agenda 21.

At times NGOs are contrasted with social movements. Much as proponents of social movements may wish to see movements as being more progressive and more dynamic than NGOs, this is a false dichotomy. NGOs are components of social movements. Similarly, civil society is the broader concept to covers all social activity by individuals, groups, and movements. It remains a matter of contention whether civil society also covers all economic activity. Usually, society is seen as being composed of three sectors: government, the private sector, and civil society, excluding businesses.

NGOs are so diverse and so controversial that it is not possible to support or be opposed to, all NGOs. They may claim to be the voice of the people and to have greater legitimacy than governments, but this can only be a plausible claim under authoritarian governments. However, their role as participants in democratic debate does not depend upon any claim to representative legitimacy.

2.2 NGOs in Bangladesh

Bangladesh has likewise been affected by the global NGOs' growth wave. In Bangladesh, a third sector including multiple non-governmental organizations (NGOs) has emerged and grown spectacularly in the 1990s due to the weak and fragmented development of the official political institutions and the availability of foreign aid. Bangladeshi NGOs increased the scope of their work at all societal levels during this time to address the needs of the underprivileged. Compared to other comparable-sized countries, this one has a greater number and size of NGOs.

When these groups intervened to help with the enormous burden of reconstructing a war-torn nation in 1971, the expansion of nongovernmental organizations (NGOs) in Bangladesh started. Some of these groups transitioned to supporting direct programs to support the social and economic empowerment of the rural poor when the need for relief and rehabilitation subsided. These days, they are an essential component of the institutional structure that deals with matters like human rights, environment preservation, gender equality, rural development, public health, and poverty alleviation. The government's incapacity to address the severe obstacles of poverty is another factor contributing to the extraordinary rise of non-governmental organizations in Bangladesh. Since NGOs are not unified under a single body and many of them function even in the absence of official registration, it is challenging to pinpoint the precise number of NGOs in the nation. The Department of Social Welfare is a significant organization that grants NGOs registration; during the past 40 years, it has registered 58,000 NGOs (Source: Daily Prothom Alo-07.04.11).

As mandated by law, non-governmental organizations (NGOs) that wish to receive funds from outside the country or that are requesting foreign funding must register with the NGO Affairs Bureau (NGOAB), a division of the Prime Minister's Office that was established in 1990. There were 1,429 of these NGOs registered with NGOAB as of December 1999. The main apex body for NGOs in Bangladesh is the Association of Development Agencies in Bangladesh (ADAB), which unites local, national, and international NGOs involved in development initiatives in the nation. Other apex bodies represent NGOs.

Many International NGOs are carrying out social activities in developing countries like Bangladesh. They bring foreign funds and spend to solve social discrepancies.

The number and reach of NGOs in Bangladesh have increased, and with them have grown the number of discussions surrounding various aspects of NGO performance and accountability.

2.3 NGO Regulation in Bangladesh

2.3.1 Regulatory Authority

To monitor the Activities of the NGO govt. has set up several regulatory bodies.

2.3.1.1 The NGO Affairs Bureau (NGOAB)

To provide NGOs with a one-stop shop, the government established it in 1990. within the 1978 Foreign Donations (Voluntary Activities) Regulation Ordinance and the 1982 Foreign Contribution (Regulation) Ordinance, NGOAB, which is housed within the Prime Minister's Secretariat, is tasked with coordinating all NGOs. Through a single government agency, NGOAB helps NGOs receive registration clearance, approval, and license promptly. Ensuring the NGO sector performs well and is accountable to the state is the goal of NGOAB.

Functions:

- Approve the appointment and term of service of foreign officials and consultants;
- Register NGOs;
- Process and approve NGO project proposals;
- Allocate project money;
- Evaluate and comment on reports and statements submitted by NGOs.
- Organize, oversee, check, and assess non-governmental initiatives.
- Maintain communication with NGOs and donor agencies. Identify and authorize chartered accountants to audit NGO accounts.
- Acknowledge fees or services charged by NGOs.
- Conduct field-level inspections of NGO revenue and expenses.

All of the NGOAB's duties about the coordination, oversight, and control of foreign and foreign-assisted non-governmental volunteer organizations and persons operating in Bangladesh are vested in it by ordinances, rules, and circulars. The Home Ministry's clearance must be obtained by the NGOAB before evaluating the registration application.

Project durations range from one to several years. Non-governmental organizations can propose a five-year project that aligns with a prioritized area of the state's five-year plan. For these projects, the NGOAB prioritizes and sets up the funding release and approval. However, the goals outlined in the project proposal have to be met in the allotted time. If the Bureau deems the project's implementation plan and annual target attainment sufficient, money for the following year can often be provided for the project [Circular: Section 7(h): 2001 (correction of circular 1993)].

Within 21 days after receiving the project proposal, the NGOAB notifies the relevant Ministry of its decision and requests feedback. Within 14 days, the Ministry must notify the NGOAB of its decision [Circular: Section 7(h): 2001 (correction of circular 1993)].

NGOs can readily circumvent the norms and processes that the state and its apparatus have occasionally instituted because of their complexity and the state's weakness.

2.3.1.2 Ministry of Social Welfare

The main duties of this Department's Directorate include registration and management of non-governmental organizations (NGOs) that provide welfare services in the aforementioned fields; also, the DSW distributes public monies to these NGOs as part of a government assistance program.

The DSW's officers, and departmental clerks, who are the most knowledgeable about the registration procedure, provide both written and verbal instructions to applicants when they apply for registration. The DSW inspector and field officer will process the application and check the NGO's offices if the application form complies with the requirements. The decision to register is made based on their report and the site visit. The DSW states that it works with the NGO to correct and/or revise its application if there is a problem or disagreement with registration or the application form. Although there is no indication that any official recommendations are issued concerning internal governance norms, the DSW does assist NGOs in developing their constitutions. Every year at the conclusion, all NGOs with registrations must submit their audited finances and annual reports. The DSW had the authority to examine the agency's books of accounts, other records, stocks, money, and other assets, as well as any associated paperwork. NGOs point to recurrent registration delays and issues, including DSW officers' rent-seeking behavior. NGOs and other parties claim that the DSW has the necessary resources to carry out its duties effectively and that it has only sometimes audited NGOs that are registered.

2.3.1.3 Government NGO Consultative Council (GNCC)

The Government-NGO Consultative Council (GNCC) was established in 1996 to provide a venue for candid discussions between the NGOs and the government. Its goals are to pinpoint and address problems that stand in the way of GO-NGO collaboration, to create and enhance the institutional and policy framework that supports it, to offer strategies for increasing NGOs' participation in the creation of national policies and the execution of government development initiatives, and to suggest reforms to the regulatory framework that oversees NGOs' operations.

After reading the previous debate, we have a comprehensive understanding of the process by which the state of Bangladesh supervises non-governmental organizations that receive donations from outside the country to carry out charity activities.

2.3.2 Legal Framework

NGOs can obtain a legal identity with a recognized government structure under a variety of laws. Any act may be used to register the establishment of a new NGO, but it must fit into the right category. The following laws in Bangladesh permit the formation or establishment of non-governmental organizations:

1. The 1860 Societies Registration Act
2. 1882 Trusts Act
3. The 1925 Cooperative Societies Act
4. 1913 Companies Act (modified in 1994)
5. The 1982 Ordinance on Foreign Contributions (Regulation)
6. The 1978 regulations governing volunteer activities for overseas donations.

2.3.3 NGO Accountability Framework in Bangladesh

In Bangladesh, NGO accountability is anticipated to revolve around three stakeholder groups: the state, funders, and beneficiaries. The state and the two powerful parties, the funders, have a disproportionate influence over the requirements of the current NGO accountability frameworks in Bangladesh. The strict accountability standards imposed by the individual donors apply to NGOs that receive financing from outside. Every non-governmental organization (both domestic and foreign-sponsored) is governed by the state. Individuals who receive foreign funding are bound by the Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978, and its implementing Rules, which are overseen by the NGO Affairs Bureau (NGOAB).

The Societies Act of 1961 and the Rules enacted under it govern the voluntary groups. Making sure that NGO operations are legal and do not violate government policy is the primary goal of the regulatory framework established by the government (The World Bank Country Study 2002). Donor funds are deposited immediately into the bank accounts of NGOs; however, they cannot be legally accessed until the NGOAB has given the pertinent project approval. NGOs must submit project plans to the NGOAB, which reviews them, confers with the necessary government departments, and authorizes withdrawals from donor cash held by NGO banks. The Bangladesh Bank, the country's national bank, will sanction a bank that makes payments without the NGOAB's approval. Without a doubt, the NGOAB's control function is essential to securing reputable funding sources. Still, it is frequently noted that NGOAB overreaches in regulating to decide what NGO pursuits are permissible.

Keeping track of overseas donations:

- NGO methods vary, but double-entry accounting, cashbooks, and ledgers are required by the rules.
- While some employ accrual accounting, others utilize cash accounting.
- All nonprofit organizations would receive funds from overseas sources via a single bank account.
- It is recommended that the expenditure vouchers be securely stored for a period of five years at the head office and that the field offices follow suit.
- The foreign donation books of accounts shall be maintained in compliance with form FD-5.
- The books would be kept twice a year, from July 1 through December 31 and January 1 through June 30.

Submitting annual reports

Within three months after the end of the fiscal year, non-governmental organizations must write annual reports detailing their operations. Copies of these reports must be sent to the NGOAB, the relevant Ministry, Divisional Commissioner(s), Deputy Commissioners, and the Bangladesh Bank. The following data must be included in the reports.

1. Each project should be covered in detail in the annual report. According to District and Upazila, the actual results of the projects in comparison to the planned expenditures should be made public.
2. A complete inventory of all current and fixed assets, including cars.
3. The specifics of the organization's revenue and expense sources.
4. A description of the organization's employees' overseas travels.
5. The investment information mentions the revolving credit fund sectors.
6. Summaries of the projects carried out by funding obtained from other sources or through agreements with other government ministries and agencies.
7. A description of the employees (whose monthly pay and benefits total at least 5,000; or whose one-time award exceeds 10,000) that includes name, position, age, nationality, total compensation, benefits, and length of service should be included in the annual report.

Power of Inspection

The accounts and other documentation of NGOs are subject to inspection by the authorities at any moment. As stated in Ordinance No. XLVI-Section 4(1): 1978, the state may demand that the NGO file a declaration. State requirements are violated when an NGO fails to provide any statements or information or fails to produce any accounts or other documentation (Ordinance XLVI: Section 4(3): 1978). It is the duty and authority of the NGOAB to examine and audit the financial records of non-governmental organizations [Circular: Section 10(a): 2001 (modification of circular 1993).

The books of accounts that must be maintained are listed in the Rules under the Ordinance. Annual reports are needed, and the NGO chooses chartered accountants for the audit from a list that has been authorized by the Rules. The audit reports are required by the Rules to be submitted within two months of the conclusion of each fiscal year. The Government may examine NGO books and, if required, conduct independent audits thanks to the Ordinance. The NGOAB must also receive annual reports. Even though NGOs must submit yearly reports to the NGOAB, the NGOAB is rarely concerned with the project's actual results. Donors, on the other hand, do require project-based accounting; nevertheless, their focus lies solely on the process of allocating their cash, not on the results of that allocation.

The following three categories apply to NGOs in Bangladesh:

Category 1: One NGO that receives the majority of its financing from overseas contributors.

Category 2: Two Nonprofits that receive most of their funding from internal sources.

Category 3: One NGO that receives most of its financing from regional contributors

3 Chapter Three

3.1 Part One - Overview of the Organization

3.1.1 About MAX Foundation

Max Foundation is a rapidly expanding international non-governmental organization (NGO) that was founded in 2005 by Joke and Steven Le Poole. The inspiration behind the establishment of the Max Foundation stems from a personal tragedy: the loss of their eight-month-old son, Max, to a rare viral infection in the Netherlands. Devastated by this experience, the Le Pooles aimed to transform their grief into positive action by preventing other children from succumbing to easily preventable diseases.

Max Foundation's founders decided to focus their efforts on addressing issues related to Healthy Child Growth, employing an integrated approach that encompasses Water, Sanitation, and Hygiene (WASH), Nutrition, Sexual and Reproductive Health and Rights (SRHR), and Governance in Bangladesh. The organization aims to create a world where easily preventable diseases no longer lead to child mortality among those under the age of five.

Vision: The vision of Max Foundation is to realize a world where easily preventable diseases cease to be a cause of child mortality among children under the age of five.

Mission: Max Foundation's mission is to save as many children's lives as possible and provide them with a healthy start in life. The organization is committed to achieving this mission most effectively and sustainably.

Achievements: Max Foundation has already made a significant impact, reaching over 1 million people in rural and urban slum areas in Bangladesh through its Max Nutri WASH projects. The organization aspires to extend its reach further, to reach an additional 3 million people in Bangladesh by the end of 2030, following its Stunting Free Nation approach.

Financial Policies and Procedure Manual (FPPM): The FPPM serves as a comprehensive guide for the financial management of Max Foundation Bangladesh. It outlines key financial management requirements, transparency and accountability procedures, and processes related to the accounting system within the country program. The manual is designed to comply with International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), reflecting Max Foundation's commitment to financial integrity and accountability to stakeholders.

Scope and Objectives: The FPPM aims to establish financial accountability, streamline financial processes, enhance the reliability of financial information, and ensure adherence to the Max Foundation International Financial Management Framework (MIFMF) and policies. The primary objective is to support Max Foundation's mission by providing a high-quality, proactive, and responsive financial management system, maximizing the return of funds for program beneficiaries.

Accounting Principles: The manual outlines several accounting principles, including the Duality Principle, Monetary Unit Principle, Consistency Principle, Materiality Principle, and Full Disclosure Principle. These principles serve as the foundation for Max Foundation's financial transactions and reporting

Significant Accounting Policies: The manual details various accounting policies, such as the basis of preparation, functional and presentation currency, recognition of donor grants, interest on bank accounts, other income, recognition of property, plant and equipment, depreciation, reporting period, and foreign currency transactions.

Intended Users and Review: The manual is primarily intended for the finance and accounts department but is also intended to be useful for other functions within the organization. It undergoes a review and updates every three years, with interim reviews conducted as necessary. The Head of Finance and Accounts, in consultation with the management team, coordinates the review process, and any amendments are subject to approval by the MFNL Board.

Conflict Resolution: In cases of conflict between financial practices in Max Foundation Bangladesh and MFNL, Max Foundation Bangladesh policies prevail until internal memos or updates align policies with MFNL. Approval from MFNL is required for any changes in either direction.

Max Foundation operates with a clear vision, mission, and commitment to effective and transparent financial management, making a substantial impact in the field of child health and well-being in Bangladesh.

3.1.2 The challenges faced by MAX Foundation in Bangladesh:

- 1 Reaching the most vulnerable: MAX Foundation works in some of the most remote and poverty-stricken areas of Bangladesh, where access to basic services is limited. This makes it challenging to reach the communities that need MAX Foundation's services the most.
- 2 Sustainability: MAX Foundation's work is dependent on donor funding. This makes it difficult to ensure the long-term sustainability of its program.
- 3 Behavior change: MAX Foundation's work often involves changing people's behaviors, which can be difficult. For example, the MAX Foundation works to promote exclusive breastfeeding, but many mothers in Bangladesh do not practice exclusive breastfeeding.
- 4 Climate change: Bangladesh is one of the country's most vulnerable to climate change. Extreme weather events, such as floods and droughts, can disrupt the MAX Foundation's program and make it more difficult to reach communities.
- 5 COVID-19: The COVID-19 pandemic has posed additional challenges for MAX Foundation. The pandemic has disrupted supply chains, made it difficult to travel to communities, and increased the risk of infection among MAX Foundation staff and beneficiaries.

3.1.3 Impact in Bangladesh

✓ Impact on Stunting

The most significant impact of Max Foundation's work is the 50% reduction in stunting in its programmed areas in Bangladesh. Stunting is a chronic condition that results from malnutrition and can have long-term consequences for children's health and development. Max Foundation's Healthy Village approach is effective in reducing stunting by providing children with access to nutritious food, clean water, and sanitation, as well as by educating parents on the importance of early childhood development.

✓ Impact on Water and Sanitation

Max Foundation's innovations in water and sanitation have reached over 1.4 million people. These innovations include the development of Max Tap Water, a low-cost, easy-to-install water filtration system, and the construction of multiple-use water systems, which provide both drinking water and irrigation water. Max Foundation's work on water and sanitation has helped to improve hygiene and reduce the spread of waterborne diseases.

✓ Impact on Nutrition

Max Foundation's nutrition interventions have reached over 1.2 million children. These interventions include the distribution of micronutrient supplements, the promotion of exclusive breastfeeding, and the provision of nutrition education. Max Foundation's work on nutrition has helped to reduce malnutrition and improve child growth.

✓ Impact on Early Childhood Development

Max Foundation's early childhood development programs have reached over 800,000 children. These programs provide children with access to play and learning opportunities, as well as support for their social and emotional development. Max Foundation's work on early childhood development has helped to improve children's school readiness and reduce their risk of developmental delays.

3.1.4 Success in Bangladesh

- Max Foundation reached over 2.7 million people in Bangladesh, Ethiopia, and Nepal in 2022.
- The organization's Healthy Village approach has resulted in a 50% reduction in stunting its programmed areas in Bangladesh.
- Max Foundation's innovations in water and sanitation have reached over 1.4 million people.
- The organization's nutrition interventions have reached over 1.2 million children.
- Max Foundation's early childhood development program has reached over 800,000 children.

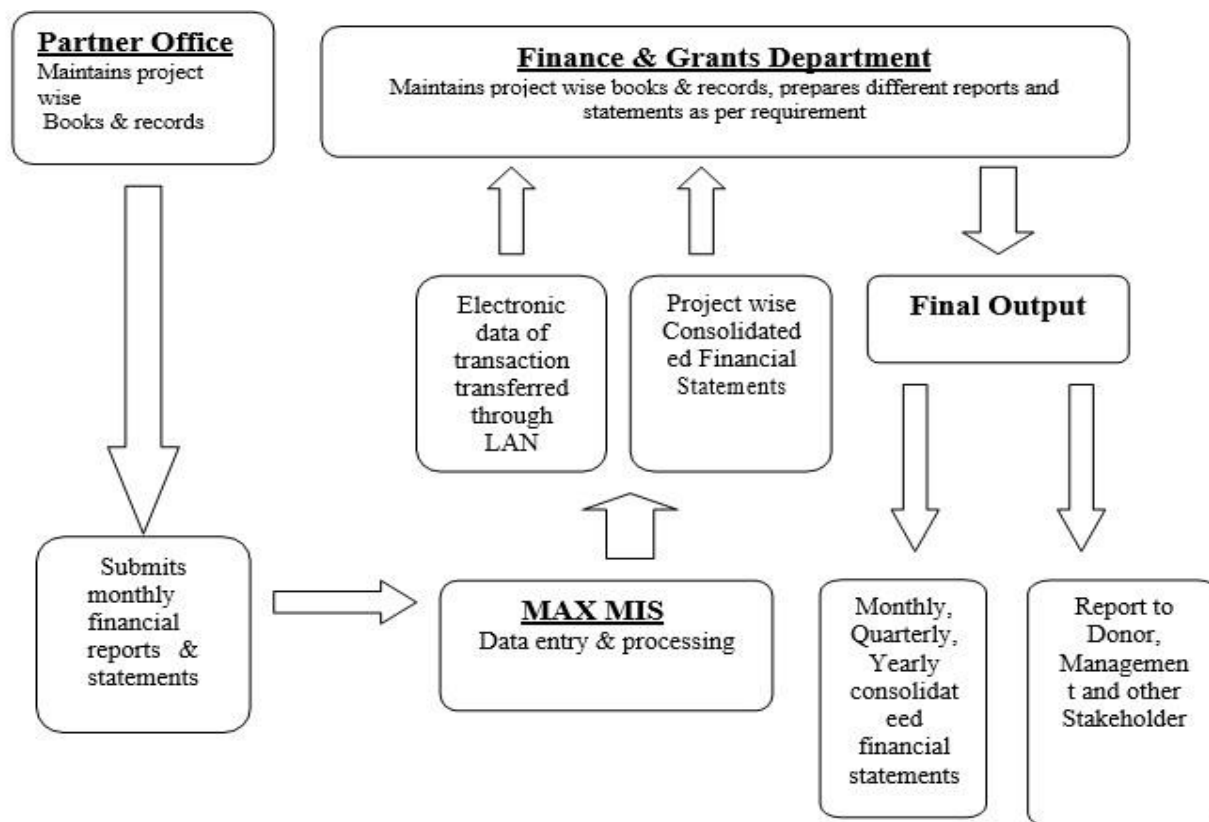
3.2 Part Two - Accounting Practices of MAX Foundation

3.2.1 Accounting practices

All departmental accountants have an innate obligation to manage the activities and resources entrusted to them efficiently and cost-effectively. To effectively carry out these duties, managers can benefit greatly from an efficient accounting system that consistently provides them with relevant financial data broken down by designated program components and areas of responsibility.

3.2.2 Overview of the accounting system

MAX Foundation has been implementing projects in Bangladesh with financial assistance from Nederland started in Bangladesh in 2005, and establishing an office in 2012. The present duration of the Bangladesh country program is eighteen years beginning in 2005. MAX Foundation is willing to support on a grant basis the implementation of the Bangladesh and Nepal country programs. The project has been implemented by the organization through NGOs and Government bodies with financial assistance from MAX Foundation, with the approval of the Bangladesh country office. The only source of funds for the project has been remittances from MAX Foundation, as grants.



**The flowchart of accounting activity of MAX Foundation
Bangladesh**

3.2.3 Summary of Significant Accounting Policies

The IAS-1 states that to adopt this standard, non-profit, governmental, and other public sector organizations may need to change the descriptions used for certain line items in the financial statements as well as the financial statements themselves. Below is a summary of the key accounting principles that were used in the creation and delivery of the financial statements.

a) **Basis of accounting:**

The financial statement of Bangladesh country program has been prepared on a going concern basis under Bangladesh accounting standards on historical cost convention. Nevertheless, all income of the project has been accounted for on a cash basis while expenditure has been charged on an accrual basis.

b) **Basis reporting:**

Financial statement presentation follows the recommendations and formats provided by MAX International. It is also based on the following:

- The project documents; and
- General Guidelines for accounting and auditing of MAX Foundation Grant channeled through non-government organizations.

c) **Fixed Assets:**

Fixed Assets have been valued at cost. A detailed list of assets procured for the project Head office as of to date is attached as schedule A/1 of the report. Assets processed for the Head office are shown in the balance sheet but no depreciation has been charged as per MAX Foundation guidelines. Assets procured for partners of the project location however have been charged as expenses.

d) **Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. No significant estimates have however been made in the financial statements under audit.

e) **Donor Grants**

By the Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978, MAX maintains and accumulates foreign grants. NGOs currently use three common approaches for acknowledging grants: grants that are recorded as liabilities, grants that are recorded as income, and grants that are recorded as income only in proportion to the actual amount spent. Grants are recognized by MAX as income when the requirements are satisfied. Income is recorded in proportion to the expenses spent on the project or program if the grants are designated for funding a particular project. Income is recorded as the amount equal to the depreciation charges imposed on the relevant fixed assets for donor donations that finance fixed assets. The "Grants Received in Advance Account" initially records all donor grants as liabilities at fair value. According to IAS 20, grants used to buy fixed assets are moved to deferred income accounts. Grants from donors that are obtained in-kind through gifts and/or services are likewise valued fairly. Such grants reorganize their income by cash-based donors, and any expense that has not yet been paid for but for which financing has been committed after a given period is recorded as grant receivable.

f) Foreign Currency Translation

Bangladesh Taka is where MAX keeps its accounting records. Exchange rates in effect on the dates of the transactions are used to convert foreign currency transactions into Taka. Any gain or loss is recorded in the statement of income and expenditure. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are converted to Bangladesh Taka at the exchange rates in effect on that date.

3.2.4 Books, Forms, and Register

MAX records and analyzes transactions and establishes an efficient internal control using the books, forms, and registers listed below:

1. Cashbook
2. General Ledger
3. Salary Register
4. Pay Slip
5. Advance Ledger
6. Voucher Forms
7. Debit/credit notes
8. Money Receipt
9. Income Tax Deduction At source register
10. VAT Deduction At source register
11. Fixed Asset register etc.

Register/forms 1 to 10 of the above list are computerized. Fixed asset registers are also computerized and maintained in independent software.

3.2.4.1 Cash Book

MAX Foundation maintains a cash, which records all cash and bank transactions. Each bank account's balance and daily activities are shown in the cash book. The cashbook contains three different sorts of transaction records:

1. Payments
2. Receipts
3. Transfers

The format of cash and the bank registers are as follows:

MAX Foundation Bangladesh Country office cash Register For the month of ----20-----								
Project code:								
Voucher No.	Transaction Date	GL Code	Debit Amount	Credit Amount	Cash/ Bank	Bank Code	Cheque No.	Description

The bank registers the format of which is given below is maintained according to each bank account:

MAX Foundation Bangladesh Country Office Bank Register					
Date From: _____ Name of the bank: _____ Account No: _____ Print Date: _____					
Date	Cheque No	Particulars	Debit	Credit	Balance

If there is a difference between the bank balance shown on the bank statement and the bank register, a bank reconciliation is prepared.

3.2.4.2 General Ledger

Both cash and non-monetary transactions are tracked in the general ledger. Each project has its general ledger book. The monetary transactions are automatically transmitted to the general ledger book of the computer system. Journal vouchers are used for the individual entry of non-cash transactions. Here is a format of the general ledger:

MAX Foundation Bangladesh Country office General Ledger (Detailed) For the month of						
Project Code:						
GL Code	Particulars/ Transaction Details	Date	Voucher No	Debit Amount	Credit Amount	Balance

Transactions related to a particular account are listed separately. Thus, balances of all accounts are separately available.

3.2.4.3 Voucher Forms

A voucher is the most basic kind of paperwork needed to document financial transactions. There are four types of vouchers offered by MAX:

1. A Debit Certificate
2. A Credit Card
3. A Transfer Card
4. Journal Coupon

3.2.4.3.1 Debit Voucher

For instance, a format debit voucher that is prepared to record all cash and bank payments is given below:

MAX Foundation				
Bangladesh Country Office				
Voucher No.:			Transaction Date:	
Debit Voucher				
Project/Country Code	GL Code	Heads Of Accounts	Cash/Bank(CR)	Particular
In Words:				
Received By		Finance Manager	Authorized by	
Name:				
T#	UID		Print Date--Time	

3.2.4.3.2 Journal Voucher

All non-cash transactions are recorded in the books of accounts using journal vouchers. Income tax, provident fund, and other deductions from earnings; project-to-project cost shifting or from MAX Office to partner office & and vice versa, the format is given below:

MAX Foundation					
Bangladesh Country Office					
Voucher No.:			Transaction Date		
Journal Voucher					
Project Code	GL Code	Heads Of Accounts	Debit	Credit	Particular
In Words:					
			Finance Manager	Authorized by	
Name:					
T#	UID		Print Date-- Time		

3.2.4.4 Forms of Interoffice Transactions

3.2.4.4.1 Debit/Credit Note

Debit/Credit notes communicate a transaction performed by an office that has a bearing on another office.

- Debit notes are issued by the office which spends money or other value on behalf of another.
- Credit note is issued by the one who receives money or other values on behalf.

3.2.4.4.2 Accounting for debit/credit note:

- **Debit note received:** when the Overseas office receives a debit note from the Bangladesh office the following entry is made:

Particulars	Dr.	Cr
Related account Head Current account with a partner office		.

- **A debit note issued:** When an expense is incurred on behalf of the Bangladesh office, an inter-office debit note is issued; usually from the Nederland office. The related transaction is recorded in the following manner:

Particulars	Dr.	Cr
Current account with Bangladesh office Related account Head		.

- **Credit note received from field office:**

Particulars	Dr.	Cr
Current account with respective country office Related account Head		.

□ ***Credit note issued:***

Particulars	Dr.	Cr
Related account Head Current account with field office		.

3.2.4.5 Money Receipt

Receipts of money are used to verify receipts of cash or checks. Three copies of the prepared receipts are utilized for the following purposes:

1. Receiver’s copy
2. A copy of the coupon (attached with voucher)
3. Administration copy

Following is the format of the money receipt:

MAX Foundation Bangladesh Country office	
20, 2 Babar Rd, Dhaka 1205, Dhaka	
MONEY RECEIPT	
Date	
Received with thanks from	
.....the sum of Taka.....	
Being	
Received from..... againstby cash/cheque.....	
.....amount.....cheque dateBank	
<div style="border: 1px solid black; padding: 5px; display: inline-block;">Tk.</div>	
-----	-----
Received by	Authorized signatory

3.2.4.6 Income Tax Deduction at Source (TDS) Register

The IT ordinance of 1984 mandates that tax be withheld from the invoices of suppliers, contractors, providers of professional services, etc. Since MAX hires multiple service providers such as IT, Legal, and consultancy services, the finance section records all these deductions in a subsidiary register, which is fully computerized.

A format is given below:

MAX Foundation				
Bangladesh Country office				
Tax Deduction at Source				
From date:----- To date:-----			Print date:-----	
SL No.	Name of Party	Address	Bill Amount	Tax(tk)
-----			-----	
Prepared & Checked by			Authorized by	

Similarly, the VAT Deduction at Source (VDS) Register is also prepared.

3.2.4.7 Payroll Register & pay slip

MAX Foundation Bangladesh Office maintains a computerized payroll register. The contains the following information:

- ❖ Basic amount (base salary)
- ❖ House rent
- ❖ Conveyance
- ❖ Medical allowance
- ❖ Other amount (per diem)
- ❖ Utilities
- ❖ Entertainment
- ❖ Technical allowance
- ❖ Non-practice allowance
- ❖ Provident fund
- ❖ Income tax
- ❖ Transport
- ❖ Without pay
- ❖ Employee welfare fund

The payroll register is updated whenever there is a change in information. After updating the information, the accountant generates the following reports:

- ❖ Pay analysis document or pay register
- ❖ Pay slip
- ❖ List of confident or provident funds deducted
- ❖ List of income tax deductions
- ❖ Project-wise salary charge list
- ❖ List of salaries that were deposited into the bank
- ❖ Other adjustment
- ❖ Loan listing (list of loans for which salary installments have been received)

The Finance Manager approves the payroll or salary register before the salary is given to staff.

3.2.4.7.1 Accounting entries for different deduction

❖ **When taxes are deducted from salary**

	DR	Cr
Salary and benefits		
Income tax payable		

□ **On payment of taxes to the Govt.**

	DR	Cr
Income tax payable		
Bank/cash		

❖ **Entry for deduction of transport charge**

	DR	Cr
Salary and benefits		
Transport running		

❖ **When employee contribution to Provident Fund is realized from salary**

	DR	Cr
Salary and benefits		
Provident Fund Trustees		

❖ **When the MAX contribution is offered,**

	DR	Cr
Salary and benefits Provident Fund Trustees		

❖ **When the liability of the Provident Fund is settled (i.e., the sum paid to PF),**

	DR	Cr
Provident Fund Trustees Bank		

3.2.5 Grant Management

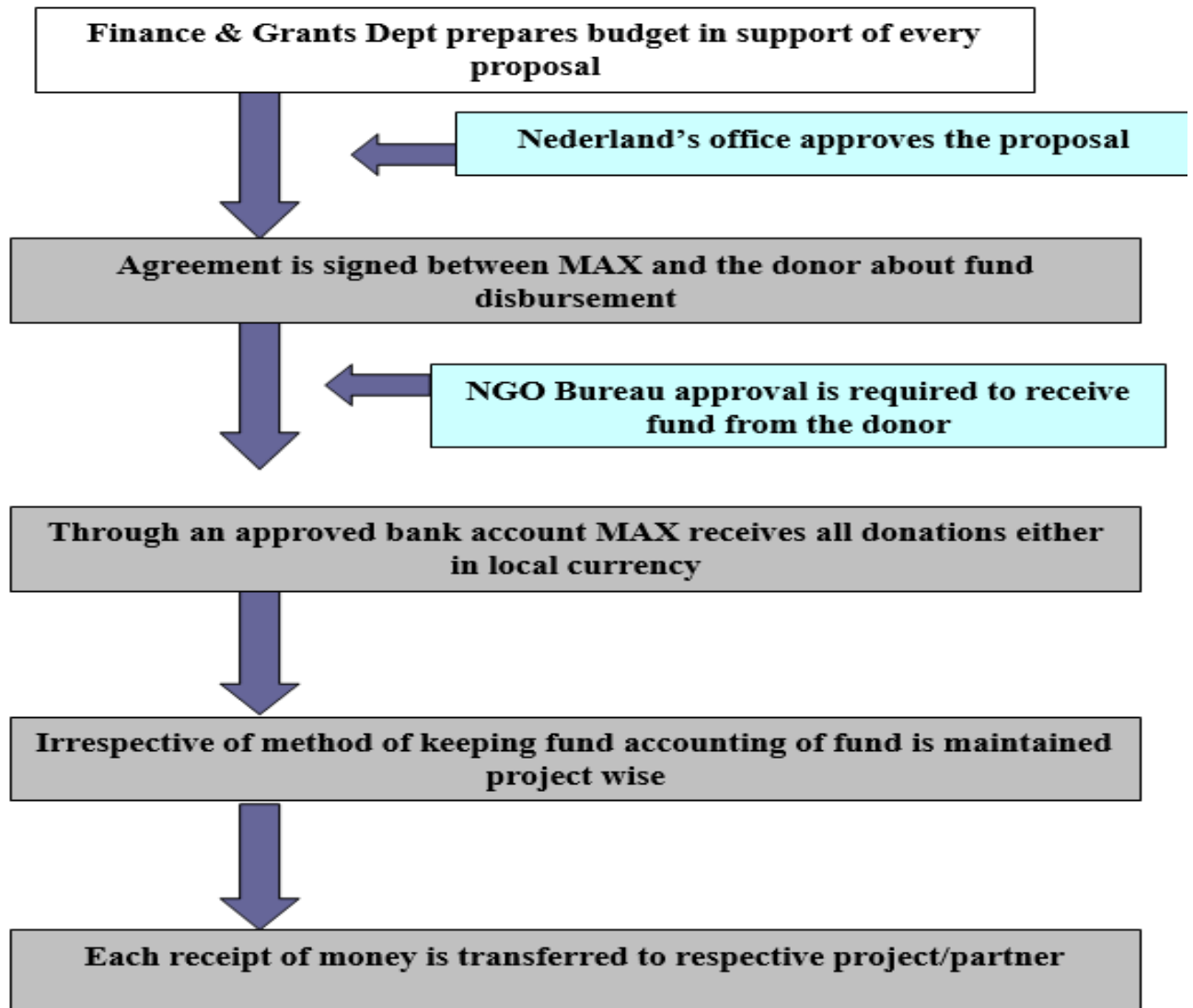
Internal control: All the bank accounts of MAX are operated under joint signatures and withdrawal of money above a certain limit requires signatures of the chief Finance manager. The country director authorizes all of the bank signatories. HSBC Bank and City Bank are currently serving MAX’s main bank account, in addition to these bank accounts there are numerous bank accounts it conducts with to manage the funds. Funds are transferred to those accounts from the bank as and when required. These accounts are also operated under the joint signatures of project and partner staff.

The partner offices supply data to the finance and grants dept, which then prepares all of the financials:

- Income and Expenditure Statement
- Balance Sheet
- Cash flow Statement
- And a periodical financial report from these data

Accounts are prepared project-wise. The account depicts grants received; funds expended and the balance of grants remaining unspent.

Grant management of MAX is shown by drawing a Flow Chart:



3.2.8 Receipts

There is only one kind of receipt, and this is

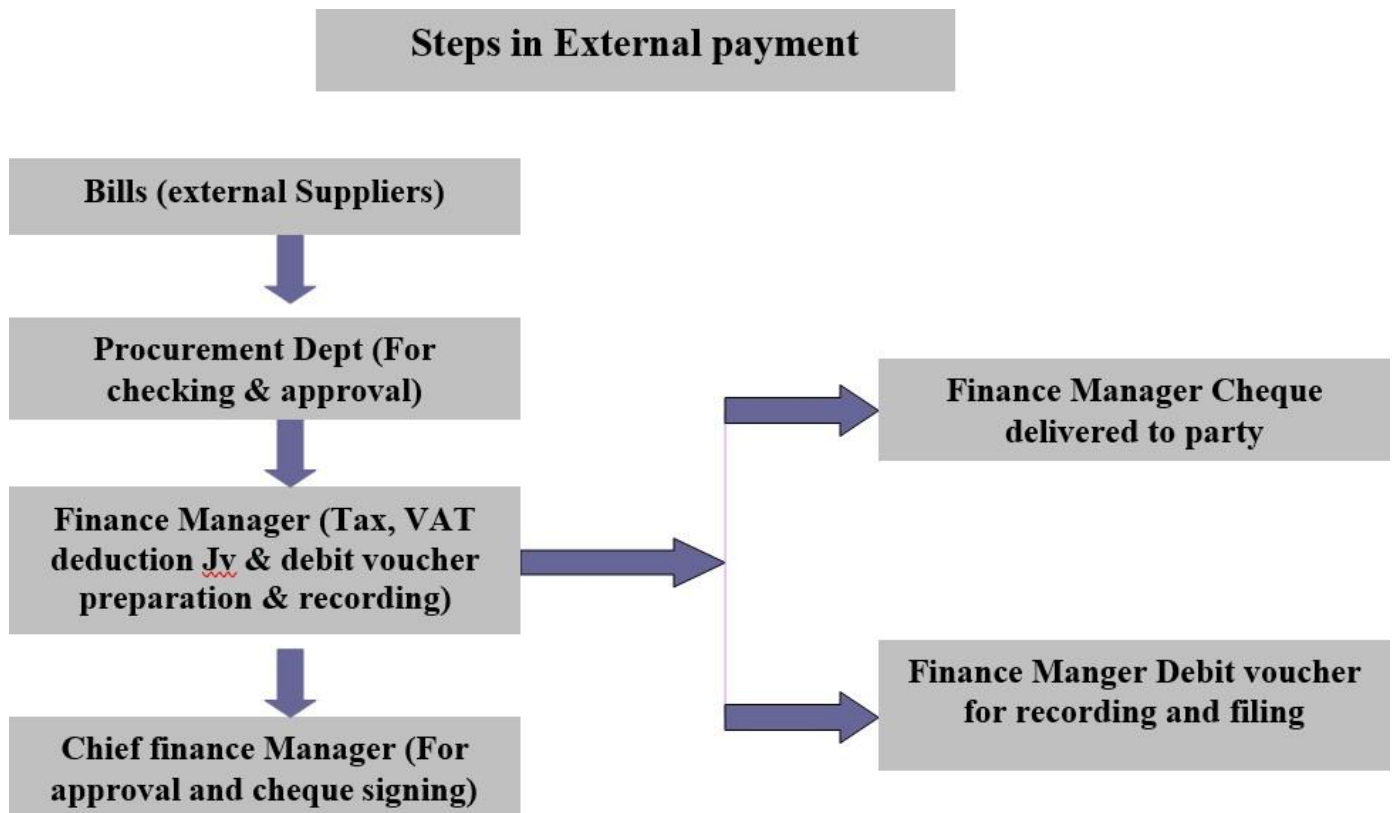
- Grants from Nederland MAX office

Receipts are accounted for through credit vouchers. Appropriate heads in the respective project are credited for the receipt.

3.2.9 Payment

MAX's payments can be categorized as follows:

1. Internal Payments
 - a. Salary Payment
 - b. Staff Final Payment
 - c. Traveling and other payment
2. External Payment



3.2.10 Fixed Asset

1. Procurement of fixed asset

At MAX fixed assets are procured by a session of competitive bid with suppliers. Fixed assets procured by then given entry to the original cost of the accounting system.

	Dr	Cr
1. When a fixed asset is purchased		
Fixed assets		
Bank/cash/creditors		
2. When fixed assets are under construction		
Work in progress		
Cash/creditors		
3. When construction is completed and certified for use		
Fixed assets		
Work in progress		
4. When an advance is given for the purchase of the fixed asset		
Advance to 3 rd party		
Cash/bank		
5. When an advance is adjusted against fixed assets		
Fixed assets		
Advance to 3 rd party		

2. Fixed asset register

Each project is recorded in its fixed assets register, which is computer-formed. The format of the register is given:

MAX Foundation										
Bangladesh Country Office										
Fixed Assets Register										
Group of assets:										
Group-code:										
Description:.....										
Date of Purchase/ Sale/ Transfer/ Depreciation	Voucher No.	Asset Identification No.	Location	Qty	Rate	Cost(tk)				
						Total cost	Depreciable cost	Dep.	WDV	
1	2	3	4	5	6	7	8	9	11	

A brief description of the fixed asset register is given below:

- Voucher no: Number of debit vouchers in case of purchase
- Location: Where the fixed asset is being used.
- WDV-Written Down Value: Book value, or cost minus accumulated depreciation
- Asset identification no: Identification no. is written on all movable fixed assets with indelible ink. The following procedures are followed in assigning identification numbers.
 1. Three-digit number for project number
 2. Two-digit number for a group of the assets
 3. Two-digit number for particular assets within the group of assets
 4. Three-digit number for identification of individual pieces of assets

Example of Asset Identification Code:

<i>Group of assets</i>		<i>Asset within group</i>		<i>Specific Identification(example)</i>	
Group name	No	Name	Code	Item	No
Land	01	Chair	01	1 st chair	001

3.2.11 Advances

The advance for MAX employees is deducted from their pay or their bill. Advances made to external vendors are deducted from the bills they provide.

3.2.11.1 Types of Advances

a. Advances to staff

- Advance against salary (via an IOU, interest-free)
- Advances against shipping and conveyance costs (by way of an IOU)
- Advancement against goods purchasing

b. Advances to Third Party

- Advance against purchase
- Advance against house rent
- Advance against contractors

❖ Accounting entries for suppliers' advances are:

When money is advanced		
	Dr	Cr
Advance to Third party		
Cash/bank		

When suppliers' bill is paid or settled		
	Dr	Cr
Related account head		
Advance to Third-party		
Cash/bank		

IOU advances are treated like cash advances, and they don't need an accounting entry to be made. Heads are debited and cash is credited for the amount spent (which may exceed or fall short of the advance) when IOUs are adjusted to the associated accounts.

3.2.12 Donor Fund Accounting

MAX projects are financed by donor grants from the Hong Kong or New York Office. MAX accounts for the donor funds through the following account head:

- Grant receives from Nederland

❖ **To record receipt of grant:**

Fund control	Dr		
Grant received from Hong Kong	Cr		

❖ **When a donation is utilized for fixed asset**

a. Fixed Asset	Dr		
Cash/bank	Cr		
b. Grant received from Nederland	Dr		
Donor fund investment in fixed asset	Cr		

❖ **Entry for other expenses**

Donor fund-Grant received	by		
	Dr		
Donor Grants	Cr		

Project Completion: When a phase of a project ends the unutilized donor fund is treated according to the terms of the agreement. If any refunding clause exists in the agreement, the fund is refunded to the donor. Otherwise, the remaining balance is used for a new phase of the project or, if there is no new phase, for a similar project.

3.3 Financial Reports and Statements

The final outputs of the management systems are financial statements and reports. A set of books in the computerized accounting system includes the records of every financial transaction made during the course of the year. The method makes it easier for accountants to draft financial reports and statements to stakeholder requirements.

3.3.1 User of Financial Report

Following is the list of users of Max's financial reports:

- Internal users
 - Management
- External users
 - Donors/ Nederland's office
 - Government of Bangladesh
 - Financial Experts/researchers
 - Regulatory Bodies
 - Others

To meet the requirements of the above users, the reports are prepared under the following groups:

- Internal Reports
- Donor reports
- Statutory reports

1. Internal Reports

Finance and Grants Dept generates various reports and statements for the internal user throughout the year. Some of these are generated monthly, some quarterly, and some yearly.

Following are the examples of internal reports:

a. Monthly receipts and expenditure statement

It shows mainly the cash and bank position of a particular month. This report helps to project next month's cash and bank requirements. The format is given below:

MAX Foundation				
Bangladesh Country Office				
Receipts and Expenditure Statement				
For the month of.....				
Head of Accounts	Month(tk)	Previous month(tk)	Cumulative(tk)	Increase/(decrease) For the month
Opening Balance:				
Cash in hand				
Cash at bank				
Receipts				
Total available				
Expenditure:				
Total expenditure				
Closing balance:				
Cash in hand				
Cash at bank				

b. Quarterly Cash Flow Statement

It shows the total cash inflow and outflow of the projects under different categories. The format is given below:

MAX Foundation			
Bangladesh Country Office			
Cash Flow Statement			
For the quarter.....			
Sl no	Head of accounts	GL No	Amount
A.	Cash flows from operating activities		
	Net cash provided from operating activities		
C	Cash flows from financing activities		
	Net cash from financing activities		
D	Net increase/decrease at the end of the month		
E	Cash in hand at the beginning of the month		
	Cash at the bank at the end of the month		

c. Half-yearly project-wise financial statements

Balance sheets, income & expenditure statements, and Receipts and payment statements are prepared half yearly for all the projects. Consolidated financial statements are also prepared six monthly.

d. Project-wise budget variance analysis

It is done monthly or sometimes quarterly to find out the variance between budgeted and actual data. The format of the statement is as follows:

MAX Foundation			
Bangladesh Country Office			
Receipts and payment statement			
(quarterly budget variance report)			
For the period from-----to-----			
	Budget(tk)	Actual(tk)	Variance
Receipts:			
Total Receipts			
Payments:			
Total expenditure			

2. Donor Reports

Finance & Grants Dept. generates various reports and statements for donors/Hong Kong office. They include:

Quarterly Financial Report

It is prepared project-wise and includes budget, actual expenditure, and analysis of budget variance for the quarter.

3. Statutory Reports

Statutory reports are prepared as per requirements. Some of these are required by the constitution of the organization while some are legal requirements. These reports are:

a. Annual Accounts

The annual accounts provide the following:

- Cash Flow Statement
- Income & expenditure statement
- Balance Sheet
- Segmental Statements

Audited annual accounts (January-December) are usually published by March of the following year. The annual report is also published on the website.

b. Project-wise report for NGO Bureau

MAX submits financial reports along with an auditor's certificate (FD-4) for each donor-funded project to the NGO Bureau annually.

c. Reports to Income Tax Authority/ Bangladesh Bank

The finance and Accounts dept requires submitting different sorts of reports to different bodies throughout the year. They include annual accounts and income tax returns for the Income Tax Authority and various reports to Bangladesh Bank.

3.4 Internal Control System

3.4.1 MAX Internal Control System

The purpose of the MAX Internal Control System is to obtain an acceptable level of assurance regarding the efficacy and efficiency of operations, the dependability of financial data, and the observance of relevant laws, rules, and procedures. Raising staff consciousness control is facilitated by the integrity, attitude, behaviors, and ethical ideals of the management. The management of MAX expresses to employees at all levels its belief that controls are necessary to meet the goals. The company is now visible due to its clear policies and processes, documentation process, authority table, staff task segregation, supervision, and accountability. Thinking of internal control as an ongoing endeavor. Periodically, MAX examines and adjusts the system to reflect evolving conditions.

3.4.2 Internal Audit Department

The Internal Audit Department's job is to support MAX management by evaluating the efficacy of internal control and providing unbiased counsel on performance and operations. The function seeks to enhance internal control systems, add value, and increase operational efficiency, economy, and effectiveness of the management process.

3.4.2.1 Scope of Internal Audit

The Internal Audit Department's purview encompasses the following tasks to accomplish its goals and roles:

- Performs regular internal audits, investigations, physical inventory verifications, and other tasks as directed by management to uphold accountability and transparency.
- Conducts several types of audits, including departmental, special, annual, continuous, and surprising audits. The financial transactions at the MAX Office are examined within a week of the start of the continuous audit.
- A complete audit is conducted if anomalies found during a typical audit, which is conducted on a sampling basis, are identified.
- At least one audit is carried out annually at each of the partner projects and the main office, but two or more audits are carried out annually at programs and sites that demand careful observation.
- The analysis and assessment of the internal control systems' sufficiency and efficacy at the various MAX programs and activities.
- An evaluation of how well risk management practices and risk assessment techniques are applied across a range of MAX projects and activities.
- An assessment of the electronic information system as well as the management and financial information systems. the examination of the dependability and correctness of financial reports, accounting records, and other kept documents.
- The assessment of compliance with authorized policies and procedures, as well as legal and regulatory requirements.
- Assessing the efficacy of current policies and practices and making suggestions for enhancements.
- Adherence to previous periods' recommendations from external and internal audits.
- Determining where cost reductions can be made and offering suggestions for increasing cost-effectiveness;
- Verifying those resources are reasonably acquired, effectively employed, and sufficiently protected.
- Set up an orientation session to familiarize participants with the program's overall structure and any updates made while the audit was being conducted.
- Setting up an exit meeting to discuss the audit's findings with management and ensure they are appropriately documented.

3.4.2.2 Liaison with External Auditors

- To guarantee sufficient audit coverage and reduce effort duplication, internal and external audit operations will be integrated.
- An internal and external auditor meeting is scheduled to discuss topics of shared interest.
- Reports, working papers, and internal audit programs must be made available for external auditors to evaluate.

3.4.2.3 Professional Standard

The Standard on International Audit Guidelines and Practices must be followed by the Internal Audit Department. The work conducted by the Internal Audit Department and the findings of every audit are proprietary to MAX and will not be shared with any other parties—aside from the external auditors—without the Country Director's permission.

The Internal Audit Department will make sure that:

- All internal audit assignments are carried out with the appropriate level of professional care; and
- All auditors, whether internal or external, are adequately trained, experienced, and competent.
- All personnel participate in training to maintain their professional growth; audit programs, working papers, and reports are conducted and written in compliance with the necessary professional standards.

3.5 MAX'S - Finance & Grants Department

Within the company, this department plays a critical role in boosting program effectiveness, strengthening managerial decision-making skills, and encouraging accountability and openness. Financial information from every transaction made at every cost center within the company is gathered and kept in this department. Information is created by processing data that can be used to make decisions. MAX's financial statements are prepared in compliance with international reporting standards by the Finance and Accounts Department. Excellence and openness in financial reporting are priorities for MAX.

4 CHAPTER FOUR - Comparison of Project Audit Report

Action against Hunger, Save the Children, The Hunger Project, World Vision, the Max Foundation, and the Centre for Economic Governance and Accountability in Africa (CEGAA) have partnered to form the global initiative Right 2 Grow. Civil Society Strengthening - Power of Voices, an initiative supported by the Dutch government, seeks to enable communities in Bangladesh, Burkina Faso, Ethiopia, Mali, South Sudan, and Uganda to tackle undernutrition comprehensively.

Right 2 Grow in Bangladesh:

- Focus: The project focuses on communities in southern Bangladesh, where stunting rates were 51% before the intervention.
- Goal: To reduce undernutrition and stunting, particularly among children under five.
- Approach: Right 2 Grow uses a community-led approach, working with local organizations and civil society groups, including women and marginalized communities.

Key strategies:

Integrated interventions: Addressing undernutrition through a combination of WASH (water, sanitation, and hygiene) programs, nutrition and food security initiatives, and maternal and child health care.

- Gender focus: Empowering women to play a leading role in improving household nutrition and hygiene practices.
- Advocacy and engagement: Working with communities to hold local authorities accountable for providing essential services and resources.
- Knowledge sharing: Helping local organizations collect and share data and evidence on nutrition and WASH to inform policy and decision-making.

Impact:

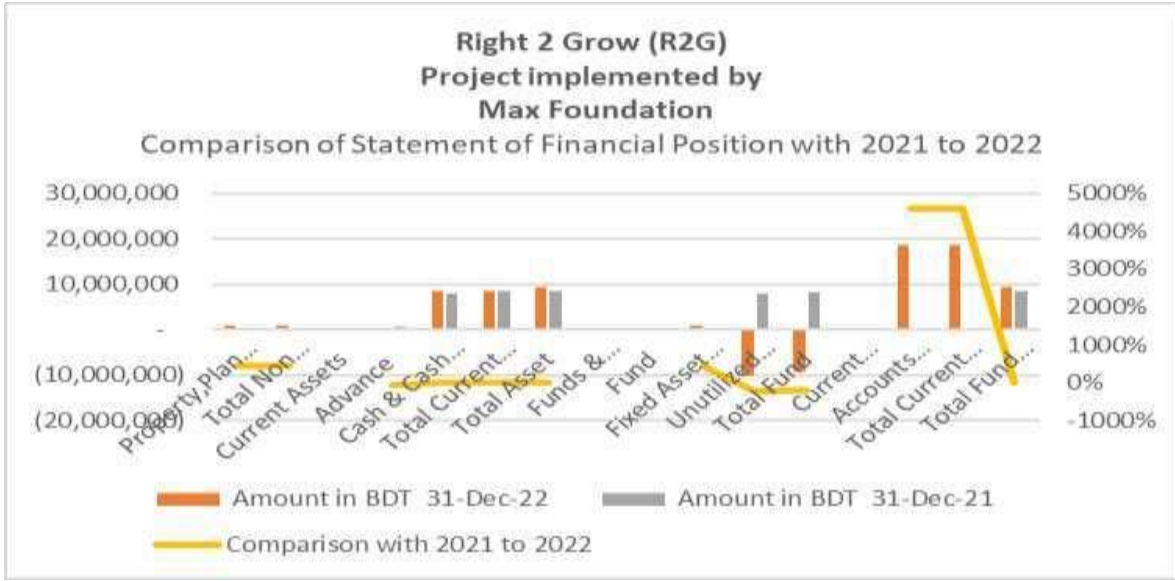
- Right 2 Grow has helped to halve stunting rates in program areas in Bangladesh, from 51% to 25%.
- Over 500,000 people have been reached by the project, including 250,000 children under five.
- More than 100,000 people now have access to safe water, and 30,000 have improved sanitation facilities.

Overall, Right 2 Grow is a successful example of a community-led approach to tackling undernutrition. By working with local communities and empowering them to advocate for their rights, the project has made a significant difference in the lives of many people in Bangladesh.

The following is a comparison with graphs of two years, 2021 with 2022, and 2021 is the starting tear of the project “Right 2 Grow”.

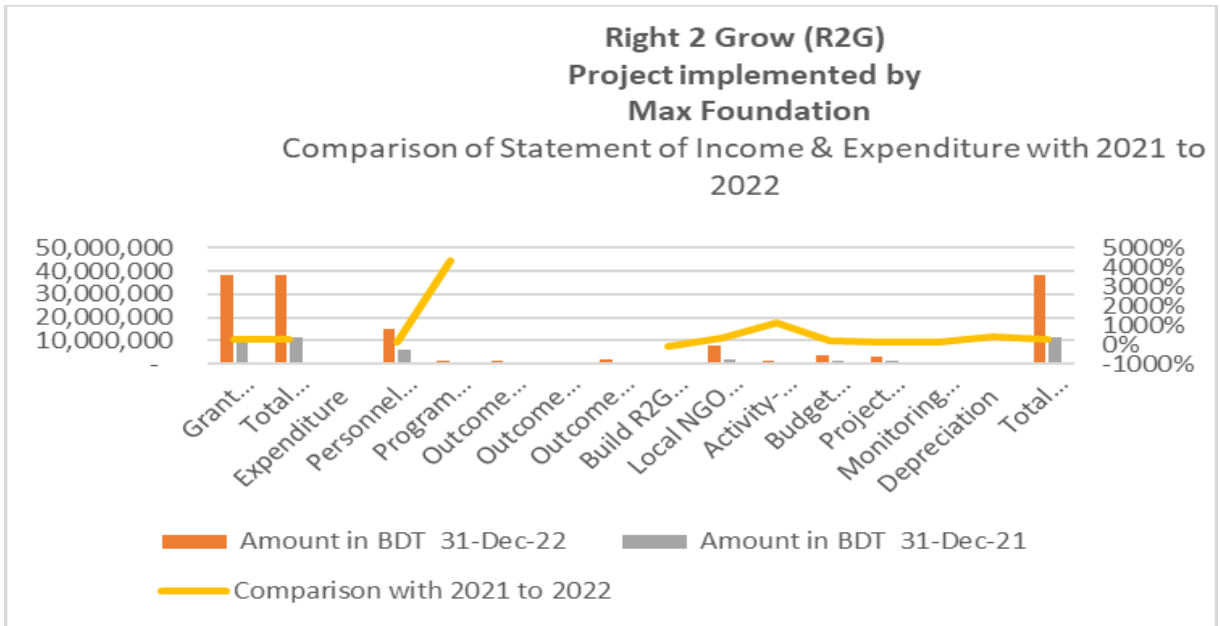
Right 2 Grow (R2G)
Project implemented by
Max Foundation
Comparison of Statement of Financial Position with 2021 to 2022

Particulars	Amount in BDT		Comparison
	31-Dec-22	31-Dec-21	
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	753,459	140,683	436%
Total Non-Current Assets	753,459	140,683	436%
Current Assets			
Advance	166,039	467,949	-65%
Cash & Cash Equivalent	8,428,016	7,878,380	7%
Total Current Assets	8,594,055	8,346,329	3%
Total Asset	9,347,514	8,487,012	10%
Funds & Liabilities			
Fund			
Fixed Asset Fund	753,459	140,683	436%
Unutilized Foreign Donation	(10,115,149)	7,949,158	-227%
Total Fund	(9,361,690)	8,089,841	-216%
Current Liability			
Accounts Payable	18,709,204	397,170	4611%
Total Current Liabilities	18,709,204	397,170	4611%
Total Fund and Liabilities	9,347,514	8,487,011	10%



Right 2 Grow (R2G)
 Project implemented by
 Max Foundation
Comparison of Statement of Income & Expenditure with 2021 to 2022

Particulars	Amount in BDT		Comparison
	31-Dec-22	31-Dec-21	
Income			
Grant Income from Max Foundation, Netherlands	38,162,041	11,274,045	238%
Total Income	38,162,041	11,274,045	238%
Expenditure			
Personnel Costs	15,154,634	6,340,595	139%
Program Inception Phase	1,411,620	32,023	4308%
Outcome 1: Community Capacity Building and awareness	1,405,586		
Outcome 2: Formation and mobilization of CSO and Local	608,137		
Outcome 3: National-level workshop on improving the nutrition	2,006,620		
Build R2G international network platform and organize events		8,500	-100%
Local NGO costs	7,688,667	1,845,352	317%
Activity-related travel costs	1,541,645	124,682	1136%
Budget Monitoring and Expenditure Tracking (BMET)	3,963,496	1,238,270	220%
Project Office Costs	3,119,234	1,211,884	157%
Monitoring, Evaluation, and Auditing	1,022,913	425,844	140%
Depreciation	239,489	46,895	411%
Total Expenditure	38,162,041	11,274,045	238%



5 CHAPTER FIVE - Conclusion

5.1 Limitations

- The absence of accounting guidelines for reporting and accounting for NGOs.
- As NGOs provide increasingly complicated services, maintaining incentives, middle management ability, cost-effectiveness, and leadership succession are critical problems.
- Outdated legal framework, including taxation, supervision, and registration; numerous
- Agencies putting into action are incapable.
- A lack of coordination between the government and NGOs.
- There are few legal requirements for internal governance, accounting, disclosure, and openness.
- Family members, term limitations, and unclear roles are among the corporate governance issues that NGO boards must deal with.
- The standards for donor financial reporting are dubious.
- The standard of external audits and public availability of reports is notably subpar and varies greatly throughout non-governmental organizations.
- If a complaint is filed against an NGO following an audit and inspection, hardly any relevant action is taken. Typically, a simple corrective action of passing a note to the NGO to fix the problem is done. The state has recently been forced to abandon its intention to revoke the registration of several NGOs and even replace the head of the NGOAB after that person appeared strict with NGOs that had engaged in irregularities due to the significant support that funders have shown for NGOs.
- NGOs are answerable to donor nations rather than to the government of Bangladesh, notwithstanding the unfavorable consequences, which are unfortunately real in the majority of situations.

5.2 Recommendation

By eliminating legal inconsistencies, streamlining procedures, cutting down on red tape, and increasing transparency, the following suggestions would enhance the accounting and legal standing of NGOs in Bangladesh:

Like MAX other NGOs should follow the appropriate accounting standards in accounting for the transactions. In financial reporting with donors, the beneficiaries should be given equal importance. Accountability to the Govt. should be considered with importance.

It is necessary to amend or alter state laws, ordinances, and rules to take into account the current unstable environment. To enable NGOs to finish all requirements in the shortest amount of time, the state should streamline the current working procedures and eliminate any administrative and procedural bottlenecks brought about by the adoption of multiple ordinances. The government should assess the benefits and drawbacks of the current NGO regulation framework and see to it that new, adaptable laws and guidelines are enacted.

If the report regarding a specific NGO is satisfactory, the NGO may be granted clearance for further projects in the same year without further investigation by the NGOAB, allowing NGOs to create budgets and carry out projects within the time limit of the financial year.

The current process, which calls for yearly governmental approval of projects and funding clearance, ought to be modified. NGOs with project approval ought to be permitted to use foreign funding indefinitely, without the need for yearly renewals. The state would be able to keep an eye on the flow of foreign donations to the NGO sector and to individual NGOs as the funds have to be received through designated NGO bank accounts. NGOAB representatives will be in charge of determining whether an NGO has several bank accounts.

The mechanism of state audits is not working. It is necessary to create a system that would allow the governmental representatives working on the development process to regularly visit NGO programs on the ground. After a project is over, these officials ought to carry out impact assessments to improve the state's comprehension of the dynamics of the program and how NGOs operate.

The proceeds from NGOs' commercial operations should go toward funding development projects, and these revenues should be properly taxed. NGOAB should ensure that the law is appropriately applied and that it is amended accordingly. Legal action should be taken immediately and by the law against officials of various non-governmental organizations who are involved in misappropriation, embezzlement, or who are suspected of misbehavior, irregularity, or disobeying the law.

Theoretically, the public and Parliament are the final arbiters of the state's accountability for its policies and actions, but non-governmental organizations are not. This can't happen. Parliament must impose regulations on NGOs. An efficient legislative committee might be established to examine and assess the NGOs' actions and initiatives if the government can continue to rise above narrow party interests and if the opposition party can continue to be powerful and accountable.

5.3 Conclusion

Due to many limitations, Govt. itself could not provide every facility to its commuters in basic needs. Now, with the assistance of multilateral aid organizations, NGOs have taken on an even broader role in attaining the objective of Hunger reduction. Still, there are some places in the country where govt. facilities reached yet or reached at a nominal rate. At those places NGOs a greater contribution to the development of the commuters in the fields of poverty reduction, education, health, women empowerment, establishing human rights, etc. Though the role of NGOs is appreciable there are drawbacks in their activities. Hence proper regulation is needed to monitor their activities. But in Bangladesh monitoring of NGO activities is poor. The govt. of Bangladesh should strengthen the regulatory body NGOs are unable to operate independently from the political, economic, and social fabric of this nation. They have to follow state regulations, meet specific requirements, and have their work coordinated at the state level. Accounting practices followed by NGOs play a vital role in transparent financial reporting. If the internal control systems of NGOs are strong and the delegation of authority within the organization is clear and appropriate then the accountability will be automatically increased. In recording the transactions and in reporting the NGOs develop their system suitable to them. Accounting Standards are only a matter of concern for some big NGOs. Though there is not any specific standard for NGO accounting, the existing standards can be applied in recording and accounting for the transaction. In my report, I tried to show how different aspects of transactions are recorded and accounted for by MAX. The differences with other for-profit businesses mainly are in fund maintenance and fund accounting. The internal control aspects and the type of reports produced for different users are described. As most of the activities of the NGOs are donor-financed the requirements and instructions imposed by the donors are given first preference by the NGOs. The NGOs are not listed companies. So, they are not bound to disclose the information, and the accounts to the public. And this matter is misused by the NGOs. The beneficiary's needs and well-being are ignored in most cases. The significance of accounting practices by the NGOs should be considered by all concerned bodies. In Bangladesh ensuring the accountability of NGOs needed to establish to protect the member's interest. If NGOs are to truly represent the interests of the poor, or at the very least, offer services to them, they must be open and honest with their clients, donors, and the government in both functional and financial aspects.

Abbreviation and Acronyms

ADAB	Association of Development Agencies in Bangladesh
ADP	Annual Development Program
ASA	Association for Social Advancement
DSW	Department of Social Welfare
GNCC	Government-NGO Consultative Council
NGOAB	NGO Affairs Bureau
NGO	Non-Governmental Organizations

Bibliography:

Books:

1. Managerial Accounting
Ray H. Garrison Eric W. Noreen
2. Intermediate Accounting
Kieso, Weygandt, Warfield
10th Edition

Articles and Reports:

3. Audited Report "Right 2 Grow " For the Period from January 1, 2022 to December 31, 2022

Websites:

4. www.ngoab.gov.bd
5. www.msw.gov.bd
6. Right 2 Grow website: <https://right2grow.org/>
7. Max Foundation website: <https://themaxfoundation.org/>
8. The Hunger Project website: <https://thp.org/>