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கூட்டுறவு அபிவிருத்தி திணைக்களம்

DEPARTMENT OF CO-OPERATIVE DEVELOPMENT

For all Cooperative Societies and Federations/ Unions in Sri Lanka

FINANCIAL REGULATIONS

Coordination

National Unit for Co-operative Banking Regulation

Department of Cooperative Development (Line)

Colombo - 02

Preface

We are pleased about being able to publish Financial Regulations for Cooperative Societies, based on the Financial Regulations of the Government and this is the first Cooperative Financial Regulations issued for Cooperative Societies in the history of Sri Lanka. As per the views of the former Commissioner of Cooperative Development and Registrars of Cooperative Societies Mr. P.H Ananda and W.H. Karunaratne, the initial steps were taken to prepare Financial Regulations. However, it was not possible to publish it as a circular or a book. This time, publishing of it has become a reality under the instructions and guidance of Mr. K.D.S. Ruwanchandra Secretary, State Ministry of Cooperative Services, Marketing Development and Consumer Protection.

These Financial Regulations have been issued by the Circular No. B/N/A/2021/05 and the circular is valid with effect from 15.09.2021. Provincial Commissioner of Co-operative Development and Registrars shall forward these financial regulations to their respective Provincial Co-operative Societies. All co-operative societies and all co-operative employees in Sri Lanka are bound to abide by these Co-operative Financial Regulations.

Cooperative Financial Regulations are expected to be amended continuously as and when required and the Department of Cooperative Development will take measures to carry out complete revisions based on the suggestions and comments submitted by all the relevant parties. Proposals for such revisions should be submitted to the Assistant Commissioner (Banking) of the Department of Cooperative Development of No. 330, Union Place, Colombo 02.

Suvinda S. Singappuli

Commissioner for Cooperative Development and
Registrar of Cooperative Societies

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All Provincial Commissioners of Cooperative Development
Registrars of Cooperative Development

Co-operative Financial Regulations

Introduction

These Financial Regulations are issued to the Co-operative Societies in order to maintain transactions of all the Registered Co-operative Societies in proper and transparent manner, to protect assets owned by the Societies, to account liabilities accurately, to continue business efficiently and effectively, to regularize accounting and to ensure that accounts are polished in a responsible and accountable manner .

Financial Regulations that have been registered to the Registered Co-operative Societies will be called Co-operative Financial Regulations (C.F.R).

These Cooperative Financial Regulations consists of 05 chapters as Estimates on Revenue and Expenditure, Financial Control, Accounts, Payments and Supply and Services.

Objects

1. To maintain financial control of all the registered Co-operative Societies / Federations in a regular and flexible manner.
2. To enter assets / liabilities of Co-operative Societies / Associations into accounts properly and thereby to ensure security and ownership of assets.
3. To maintain the various business activities of the Co-operative Societies / Federations in a transparent, efficient and effective manner.
4. To maintain control the expenditure and cost of cooperative Societies / federations.
5. To motivate members towards investments that offer more benefits.
6. To ensure that financial statements are prepared in accordance with current accounting principles and accounting standards.
7. To prepare a corporate plan for the next 5 years and to achieve the organizational objectives through an annual action plan.

CHAPTER I
ESTIMATES OF REVENUE AND EXPENDITURE

C.F.R 01 - Determining the Financial Year

- The financial year of the Co-operative Societies / Federations shall commence on 1st of January of each year and end on 31st of December of the same year or as approved by the Registrar of Co-operative Societies after determining by the by-laws of the Co-operative Societies.
- An estimate on recurrent and capital expenses has to be prepared and presented to the Commissioner of Cooperative Development after obtaining approval at the General Meeting. Approval of the Commissioner of Cooperative Development should be obtained when capital expenses are incurred in compliance with Cooperative Regulation 48(1).
- In the event of total expenditure exceeds the overall expenditure in the estimate, the approval of the Commissioner of Cooperative Development should be obtained after the obtaining the approval of the Board of Directors and the General Meeting.
- Expenditure estimates for several years could be able to prepare any time of the year based on project suitability and necessary allocations should be made annually. If such projects are available, they should be implemented by the Steering Committees having obtained the approval of the Commissioner of Cooperative Development.
- In the event of not achieving the revenue targets to a significant extent, the Board of Directors should examine it in a comprehensive manner and bring it to the notice of the Commissioner of Cooperative Development. Thus, alternative proposals should be submitted to achieve the estimated targets.
- Responsible officers should be appointed to fulfill revenue targets and it should be inquired about negligence of such responsibilities.

C.F.R. 02 - Planning of Revenue and Expenditure

Revenue and expenditure of the provinces which Provincial Cooperative Society Ordinances shall be planned in accordance with the sections of Cooperative Societies Act No. 05 of 1972 amended by the Acts No. 32 of 1983 and No. 11 of 1992.

Section 43 (b) (1):-

Every registered co-operative Society/ federation should prepare a budget for each financial year disclosing its revenue targets, recurrent and capital expenditure finance and cash resources, cash investment, budgeted Profit and Loss Account, Income and Expenditure Account and Balance Sheet.

Section 43 (b) (2):-

Such budget shall be submitted for the approval of the General Body two months earlier to the commencement of the particular financial year.

Section 43 (b) (3):-

A copy of the budget shall be sent to the Commissioner of Cooperative Development and the Registrar one month earlier the commencement of the financial year.

Section 43 (b) (4):-

The format and manner in which the budget shall be prepared and minimum information of its content shall be as determined by the Commissioner and the Registrar.

Section 43 (b) (5):-

The Minister may exempt a Society/ association from the requirements specified in this section when the Minister deems that it is appropriate to do so taking into account the number of members of a registered Society/ federation and the revenue / expenditure.

Object of preparing estimates

Budget estimates shall be prepared to determine the path of the organization in the coming year in order to achieve the objects and goals of the Co-operative Societies By-Law.

The way of preparing estimates

Estimates have to be submitted for the ensuing year of every business division as per the form of every cooperative society.

- (a) Forecasted revenue and expenditure estimates
- (b) Forecasted revenue statement
- (c) Forecasted cash flow statement
- (d) Forecasted statement of financial position

When preparing the revenue and expenditure estimates, the estimates should be prepared having identified the variations by comparing actual status of the previous year with the actual status of the estimates of the current year and taking into consideration the market status of the coming year.

The strategies expected to be used to meet the revenue targets and the expenditure control in respect of the variations that may arise when comparing the target revenue of the current year and the estimated expenditure with the figures of the coming year shall be submitted with the estimates.

C.F.R. 03 - Estimation of Income and Expenditure

All the business activities of the Society which intends to be carried out for the ensuing year should be decided in advance and a development plan and action plan should be prepared for that year. Those plans should also be prepared separately under the business sectors. When preparing estimates, separate estimates for income and expenses should be prepared.

(2) Budget Estimate

2 (a) (1) Revenue Estimate

Each Society shall identify its sources of income and determine the expected revenue targets from such sources in the following year. When determining such revenue targets, the subjects such as revenue sources of the respective sectors, trends in changing revenue and the market, consumer behavior should be taken into consideration and decisions should be made. The following sectors could be considered as some sectors of revenue.

- (a) (2) Business turnover (Total revenue received from consumer, agriculture, industry and other business affairs)
- (b) Interest income and dividend received from investments.
- (c) Representative commission
- (d) Other revenue

Preparation, submission and adoption of expenditure estimates

C.F.R. 04 – Responsibilities of preparing annual estimates

The responsibility of the Board of Directors including the Chairman to make sure that the draft estimates relevant to the Society are prepared in accordance with Section 43b of the Cooperative Societies Act No. 05 of 1972 and in accordance with the cooperative regulations (Cooperative Societies Act No. 05 of 1972 / Cooperative Societies Ordinance are applicable for the provinces). Accordingly, it should be ensured that;

1. All predictable business sectors are included in the estimates;
2. The Society is capable of achieving them during the financial year itself;
3. The estimates have been prepared almost precisely,
4. Estimates have been prepared with proper consideration on efficiency and effectiveness,
5. The estimates have been prepared and submitted promptly using specific formats.

After adopting the budget for a particular budget year, the committee has full authority to bear expenses with a proper control when achieving revenue targets of the year and to achieve performance and accomplish the duties related to relevant transactions and the affairs incidental thereto. It should be taken into action through the Chairman. The Chairman has the power to delegate financial and administrative powers among other officers on the advice of the General Manager to exercise financial and administrative powers of the committee.

C.F.R 05 - Cost Estimate

As per the nature of business of the society, separate Expenditure Heads should be identified for each section as follows.

1. Purchase of commodities or raw materials for manufacturing.
2. Expenses on staff
3. Administrative expenses
4. Financial expenses
5. Other expenses

In the event of carrying out affairs of a Society under several sections, their expenditure estimates have to be prepared separately for each section.

When preparing the expenditure estimate, the expenses for production cost should be forecasted having studied the market situation and the quantity that could be sold in the coming year. The expected expenditure estimates should be prepared considering the actual expenditure of the previous year and the new works in the current year and taking into account the expected variances in the coming year. The budget units could be identified as follows according to the nature of the business and the organizational structure.

- | | |
|---------------------------|--------------------------|
| 1. Consumer Section | 6. Banking Section |
| 2. Production Section | 7. Fuel Section |
| 3. Marketing Section | 8. Transport Section |
| 4. Administrative Section | 9. Miscellaneous Section |
| 5. Accounts Section | |

C.F.R. 06 – Estimate of Capital Expenditure

In estimating capital expenses, it could be classified as follows.

- i. Procurement of capital assets
- ii. New proposals on works / new projects

Repurchase of capital assets implies removal of assets in capital nature (machinery, vehicles, furniture, equipment etc.) and either acquisition of assets or purchase them in place of it. When repurchasing assets, duration of using assets, present value, reasons for disposal, recommended manner of disposal are taken into consideration and expenditure on repurchasing should be determined.

C.F.R. 07 – Acquisition of lands and buildings

Financial provisions for acquisition of land and buildings should be made only for approved business activities. In case available buildings are insufficient for business activities only, lands could be acquired. The provisions which Sections 33 and 34 of the Cooperative Societies Act No. 05 of 1972 are relevant to and Provincial Cooperative Societies Ordinance should act in accordance with that ordinance.

If lands and buildings are acquired, a valuation report of a registered valuer should be obtained.

Identification of the nature of business

Business nature of the Society and business sections could be identified separately as follows.

Consumer Services

- i. Retail and wholesale business
- ii. Fuel business
- iii. Distribution of commissions / Marketing services of agencies

Financial Services

- i. Banking Services
- ii. Pawning Services
- iii. Insurance Services
- iv. Other financial services

Production Division

- i. Agricultural products
- ii. Industrial products
- iii. Livestock products
- iv. Fisheries products
- v. Other products

Other Services

- i. Transport
- ii. Other

The cost estimate should be prepared subsequent to recognition of recurrent and capital expenditure for the business sections as specified above.

Expenditure estimates should be prepared in the format of schedules with columns a written statement should be prepared including the objectives and functions of the programme for each section.

1. The paragraph assigning the responsibility of preparing budget should be included.
2. It should be stated that drafts on budgets are prepared by each section.

C.F.R 08 – Estimate of Capital Expenditure

In estimating capital expenditure for the coming year, since capital expenditure values high the capital expenditure that could be spent during a year has to be decided based on the ability of obtaining resources. External credit limit has to be recognized for this purpose. Accordingly, the amount of expenditure has to be decided having considered the maximum amount expected to be spent during the year after preparing annual forecasts separately for the expected capital cost. In case an unallocated capital expenditure has to be borne by the estimates during the year, approval of the General Body and the Commissioner of Cooperative Development / Registrar has to be obtained. Capital expenditure should be prepared having considered the works which were not completed or implemented in the previous year, capital expenditure which spread for several years and the works expected to be implemented during the year.

C.F.R. 09 – Recurrent Expenditure Estimate

Recurrent expenditure should be predicted before preparing the budget. Recurrent expenditure estimates should be clearly defined to avoid misuse of expenses.

C.F.R 10 - Expenditure on Staff

01. Financial provisions on payment of salaries and wages, overtime and holiday wages, Cost of living allowance, uniform allowances and other allowances should be made based on the approved cadre. However, as far as possible overtime and holiday pay should be provided based on needs. Provisions should be made separately for each type of allowance according to the staff in each division
02. The cadre should be classified as per 2016/02. (The provinces should apply relevant cadre commission classification).
 - i. Top level management positions.
 - ii. Staff Officers
 - iii. Managers and clerical grade officials
 - iv. Drivers and Driver Assistants
 - v. Minor staffThe overall staff should be analyzed and shown as per the specific format.
03. In case provisions should be made on loan schemes or bonuses for employees Other than remuneration of employees, separate estimate provisions should be made.
04. Provisions for vacancies or new positions
If it is intended to create new posts or to fill existing vacancies in the coming year, the provisions should be made for the period from the date on which the vacancy is expected to be filled up to the end of the estimated financial year based on the initial salary of the relevant salary scale.
05. Deploying of the staff
If there is an increase in the number of staff currently employed in any section / project and the number of staff for the budget year, clarifications should be made. Similarly, the expected increase in performance should be frequently confirmed by mentioning of it. Thereby manpower resources should be identified. It is appropriate to be documented the scope and duties of each officer / employee.
06. Surplus and vacancies in the staff
The staff required for each section in accordance with their programmes and projects should be identified. If there is a surplus of staff at present, it should be reported to the Board of Directors.

07. Proposals on new cadre

Provisions for addition of staff to the present (approved) staff should not be included in draft estimates. In case such recruitment of new staff is required, approval of should have been obtained as per the Section 1.1.2 of the Co-operative Employees' Commission Act No. 12 of 1972 (section which is relevant to the province in the Cooperative Service Commission) should obtained.

C.F.R. 11 – The manner of preparing Annual Estimates

Subsequent to the identification of capital and recurrent expenses required for the year

(a) Income Estimate

(b) Expenditure Estimate

should be prepared as per the Cooperative Regulation 01. (section 43 b of Cooperatie Societies Amendment Act No. 32 of 1983/ amendments made in accordance with the Provincial Cooperative Societies Ordinance)

Chapter 02 Financial Control

Devolution of Financial and Administrative Powers

The financial and administrative powers vested in the Chairman could be delegated based on the official status and competencies of the respective Officer, only if the Chairman is satisfied with the sufficiency in internal supervision within the power devolution method and the responsibility of the Chairman is to carry out adequate monitoring.

The method of delegation of power could be determined as per the organizational structure of the Society/ federation. Powers shall be devolved in a way that a transaction is examined by two or more officers.

C.F.R. 12 – Changing of Expenditure Estimates

After giving approval for the Annual Estimates, in case provisions need to be changed, due to savings in any Expenditure Head or any other subject matter as per the Expenditure Control Ledger, it could be done as per the decision of the Committee / Board of Directors. It should be changed by the next General Meeting.

C.F.R.13 – Creation of New Projects

Only the Registrar / Commissioner of Co-operative Development could authorize regarding creation of new projects or programmes (recurrent or capital).

C.F.R.14 – Bearing expenses exceeding provisions

If there is an expenditure which exceeds the estimated provisions, a supplementary estimate should be prepared for such expenditure and the approval of the General Body should be obtained.

C.F.R.15 – Revision of overall budget estimates

In case it seems that expenses have to be borne exceeding total cost estimates of any work or function, the authority should be obtained to increase the total cost.

- (a) The amount to be increased should be prepared in accordance with the objects and got approved by the Commissioner of Cooperative Development / Registrar with the approval of the Board of Directors stating the reasons for the increase.

C.F.R.16 – Authority to refund of expenses

The Board of Directors / Committee have the authority to make payments of every society. Hence, once the estimates are approved, the authority should be granted by delegating the affairs related to financial control in accordance with the bylaw and /or working orders as per a decision of the Board of Directors / Committee. Only the adoption of annual estimates should not be considered as obtaining authority to bear the estimated costs.

C.F.R.17 – Delegation of works related to financial control

1. The method of delegating powers of financial control should be determined as per the organizational structure of the society. Duties related to finance should be divided among several persons wherever possible as each transaction is monitored by two or more officers.
2. It is allowed to perform the duties assigned to him in respect of financial control at his discretion and he is responsible for such activities. In case of a special transaction that needs to be brought to the attention of the Board / Committee, if any, it is also the duty of the authorized person to inform about that special transaction. If any officer / employee exceeds the powers vested in him, or abuses such powers, or fails to perform his duties, or misuses in his duties he shall be responsible for that. However, under such grounds unless it could be confirmed that exceeding powers or misuse of powers or reporting false information of the employee was in consequence of his negligence and misconduct, the Board of Directors or the Committee shall not be released from the responsibility in respect of any damage or loss incurred by the Society.

3. An officer who has been vested with powers may delegate his acts and duties to his subordinates within their day to day limits. However, the officer who has vested powers shall not be released from any offense or loss resulting from such delegation of power.
4. When powers are delegated, a schedule should be prepared specifying the name of every officer and the duties assigned to each of them. Provisions on covering the duties shall be included in the schedule.
5. Copies of vesting of powers in respect of making payments should be provided to each authorizing, approving, certifying and paying officer.
6. It is important to specify in writing the cash limits and day today works to be done without creating any doubt or uncertainty in the future about the nature of the responsibilities of the officers who have been delegated powers. These cash limits and works should be reviewed time to time and revisions, if any, should be submitted to the officers concerned.
7. The following instances or works could be classified under devolution of powers.
 - (a) Expenses
 - i. Delegation of power
 - ii. Granting approval
 - iii. Certification
 - iv. Payment
 - (b) Revenue
 - i. Assessment / determining the cost
 - ii. Addition
 - iii. Entering into accounts (acceptance)

In accordance with the business nature and the limit of the staff of the society, each officer could be assigned more than one of the above works.

C.F.R. 18 - Delegation of Power

As per these provisions an officer who has been authorized to be committed on the expenses incurred by the Society for purchasing of commodities and other necessities, activities related to supply, or services is referred to as an authorizing officer . Since it is decided to permit for such activities at his disposal, he should take full responsibility for that. He shall be responsible to the Board of Directors / Committee for the following matters;

1. That the purchases / supplies or services have been approved under the Budget Estimate and fall within the financial provisions authorized by the Board of Directors and can be duly credited to those accounts.
2. That he acts properly and prudentially and does not exceed the specified limits of his authority and each step of the procurement process has been duly followed.
3. That documents or records on expenditure are kept up-to-date to ensure adequate funding and easy access to the remaining provisions for the year.
4. That the transactions are frugal and authorized for this transaction at the lowest cost and that the Accountant or Head of Accounts is consulted in case of doubt about the amount of the provisions.
5. The officers who grant authority for the services should first be aware of the annual estimates, board decisions, tender board decisions, bids, etc.

C.F.R. 19 – Granting approval

The officer who authorizes to make payments and to get the ownership at the completion of the services, works and supplies is referred to as the approving officer. The approving officer shall be responsible and authorized to pay and assume ownership of the services when the work or supply is completed. The Approving Officer of payments is responsible to the Board of Directors / Committee in respect of the following matters;

1. That the approved service or supply has been approved legally on a contract based on prescribed authority
2. That supply of works and services has been duly accomplished.
3. That bids have been submitted as agreed.
4. That the quality goods have been inspected and accepted in accordance with the terms and conditions and that the number of materials is shown correctly.
5. The Approving Officer of payments should ensure that bills for centricity, water, telephone facilities and such services provided under administrative affairs, monthly meter readings and other relevant details are accurately recorded in the utility books and corrective actions have been taken having inspected the differences in usual monthly expenditure pattern, if any.

C.F.R. 20 – Certification of payment vouchers

An officer authorized to certify payment vouchers is referred to as a certifying officer and such officer is responsible to the Board of Directors/ Committee on the following matters.

1. That vouchers comply with the estimates at the time of certifying.
(Expenditure heads, sub heads have been recorded accurately)
2. That any expenditure does not exceed the provisions of the respective financial year and is accurately recorded under the relevant accounts
3. Certificates, bills, invoices etc. attached to the voucher are accurate and certified by signature on the voucher.
4. To note that “Paid” on each document attached to the voucher to avoid submission of other voucher for the particular payment.
5. Voucher is accurate and complete in every way.
6. that the voucher has been prepared accurately as a valid payment in every aspect using his service experience, knowledge and initial capacity and at his discretion and if there is any error or a visible fault it should be brought to the notice of the Board of Directors / Committee

C.F.R. 21- Payments for the certified vouchers

An officer who is authorized to make payments by a certified voucher is referred to as a paying officer. This Officer is responsible to the Board / Committee for the following matters.

1. Every voucher received for payment is certified by the certifying officer
2. Every voucher received for payment has been approved
3. That there is no change in the voucher after certifying by the certifying officer
4. For every amount which is paid a proper receipt should be issued and the payee's signature should be put.
5. Payee's identity should be ensured.
6. When payments are made by cheques payee's name and other details do not match with the details in the paying voucher.
7. The stamp “Paid” shall be placed on the voucher with the date and the short signature to certify that the amount stated in the voucher has been properly paid.
8. Every payment is included in the documents and entered in the accounts properly at the same time.
9. When cash is in his custody proper protective measures have been taken to avoid stealing or loss of them and it reconciles with the balance of the cash book at the end of transactions each day.

10. When payments are made by the cheques it should be ensured that,
 - i. balance of the bank is sufficient to make all the payments
 - ii. when the cheque number matches with the number of the voucher
 - iii. Balance of the cash book matches with the balances of the bank.
11. When payments are made by the cheque, the cheque must be signed by two duly authorized officers confirming the payment under the approved annual estimate. Short signatures should be placed by both in the counterfoils of the cheques. The full responsibility for the accuracy of the cheques has been vested with the paying officer.
12. The officer who puts the second signature of the cheque is vested with the following responsibilities.
 - (a) The officer who puts the first signature has the power of signing the cheque,
 - (b) No improper change has been occurred in the cheque after putting the first signature.
 - (c) The name, amount and other details match with the details in the cheque.

C.F.R. 22 – Specimen Signatures

1. Specimen signatures of the persons who authorize vouchers, approve them and certify them should be given to the payers and the signatures placed on the vouchers shall be compared at the time of making payments.
2. Subsequent changes - All subsequent changes should be informed to the officers authorized to certify the vouchers and new specimen signatures should be issued when necessary.

C.F.R. 23- Bank Accounts

When a registered co-operative Society opens a bank account Prior approval of the Registrar is required. At the time of opening a bank account, the officers who are managing the account should be nominated as per the by-laws / committee orders.

1. In the events of seeking approval to open a bank account, requirement to open such a bank account, name of the bank intending to open the account, name and designation of the officer authorizing the transaction on the account should be submitted.
2. Specimen Signatures - When it has been authorized to open a new bank account, the names, designation and specimen signatures of the officers who are authorized to sign the cheques related to that account should be sent to that bank. The card with specimen signatures should be certified by the Commissioner of Cooperative Development.

3. If there is any change in the authorizing persons for the banking transactions, it should be informed changed by a statement signed by the Commissioner of Cooperative Development.
4. The officers who are being paid salaries and authorized to sign cheques should deposit a security which is ordered by the Board of Directors or the Committee.

C.F.R. 24 – Depositing Money in the Bank

When depositing cheques or cash in the bank, the bank deposit receipt should be properly written and sent to the bank along with the completed cash transfer slip. The officers should apparently identify the official stamp and the accuracy of deposits stated in the bank receipt confirming that money has been duly received for the deposited amount of money. Even the computer records should be clearly recognized.

C.F.R. 25 – Depositing money directly into the bank

If outside parties are allowed to deposit money directly into the bank accounts of the society, arrangements should be made to obtain a copy of the deposit receipt from the customer who deposits money directly to the society.

C.F.R. 26 – Taking over of cheques and keeping in the custody

1. When cheque books are received from the bank, it should be kept in custody of a designated officer. Receipt of cheque books shall be recorded in a cheque receipt register having confirmed the receipt of the cheque books.
2. The seal “No transactions” should be placed in all the cheques.
3. Should be responsible to issue cheque books only to the officers who authorized to write cheques.

C.F.R. 27 – Payment by Cheques

1. Cheques should be crossed all the time. When payments are made by cash under special circumstances, payments should be made either to the payee mentioned in the voucher or his authorized representatives. Security measures in every aspect should be put to prevent erroneous payments. Further, the National Identity Card number of the payee should be noted on the payment voucher. In case of any doubt, the payment officer should obtain a signature as evidence to verify the identity of the payee by a responsible person could be admitted. In case payee does not know the signature, the witness must certify that his fingerprints are actual.
2. A cheque could be written and encashed for the payment of the salaries of the staff.
3. When payments are made for several payees from the same bank, a cheque could be written in favour of the bank and sent to the bank.

C.F.R. 28 – Issue of Cheques

Cheques should be written precisely

The person who writes cheques should be careful not to leave any space before or after the words or numbers he writes preventing any other person either to put numbers or to write words fraudulently. The numbers that are written should start as close as possible to the printed words and numbers. If any space is left after writing, a line should be drawn to complete that space. The amount of money should be written in words and numbers. In case the payee is introduced by designation, the designation should be written in full. It is forbidden to write the abbreviation of the designation. Indelible paint should be used. Computerized printing also could be done.

Payment to payees' accounts

1. When cheques are written in the name of the bank to be credited to the account of the payee, the account details should be written overleaf or in the schedule and the payer should certify such statements.
2. The number of the voucher should be mentioned;
3. The validity period of each written cheque should be limited to 60 days from the date of written it.
4. Validity date of a cheque
The validity period of every cheque which is issued should be limited to 60 days from the date of written it.
5. Signing of Cheques
Cheques should be signed by two officers who have sent the specimen signatures to a bank. Cheques should also be signed with indelible ink.
6. Crossing of Cheques
All the cheques which are written must be crossed. Special approval of the staff officers is required for open cheques and crossing should be cancelled.
7. The cancelled cheques should be annexed with the counterfoils.
8. Keeping counterfoils of cheques
Counterfoils of the cheques should be kept safe for five years after auditing and subsequently it could be destroyed.
9. Finance is sufficient for payments
It should be ensured that the bank possesses sufficient cheques for all the payments made by cheques.

C.F.R. 29 - Submission of Cheques

01. All cheques sent by mail must be documented. The following details should be therein included.
 - (a) Date of writing the cheque
 - (b) Cheque number
 - (c) Recipients
 - (d) Bank of making payments
 - (e) Voucher number
 - (f) Date of sending
 - (g) Signature of the person who has taken over to be sent
 - (h) Number and date of the letter sent under registered post .

02. When the cheque is handed over by hand, the voucher should get signed to acknowledge the receipt of the cheque. The identity should be ensured.

03. The written cheques should be regularly placed in a protective safe.

30 – Extension of the validity period of a cheque

- (a) In case of cheques have been expired when submitting to the bank for payment, such cheque could be extended for another 30 days. It also should be signed by two officers authorized for signing cheques.

- (b) Before extending the validity period of the cheque it should be examined and identified whether the cheque has been misplaced or bank has been informed not to pay for such cheque.

- (c) When the validity period of the cheque is extended, the officers who sign it should note that the validity period of the cheque has been extended ; in red in the
 - i. counterfoil of the cheque and
 - ii. In front of the particular cheque among the list of cheques which has not been submitted to the bank in the bank reconciliation statement of the previous month.

C.F.R. 31 – Lost or damaged cheques

The following facts should be taken into consideration before issuing new cheques for the damaged cheques which have not been damaged as cannot be exchanged or the lost cheques.

- (a) If a payee reported that the cheque was lost or damaged,
 - i. The cash book should check the bank comparison statement and be satisfied that the check has not been paid until that point.
 - ii. You need to get a certificate from the bank that you have not paid for the check.
 - iii. A Damage Insurance Certificate should be use pay for a lost or damaged cheque.

- (b)
- i. When re-issuing a cheque for a lost cheque, cross references should be made to the relevant counterfoils.
 - ii. An appropriate note in red ink should be made in front of the original notes related to the canceled check in the cash book.
 - iii. The value column of the cash book should be left empty with a reference note in red ink to the original cheque under the date of issue of the new cheque.

C.F.R. 32 – Stoppage of payment to the cheque

If payment for the issued cheque is stopped for any reason, it should be immediately informed to the bank and a confirmation should be obtained from the bank stating that the cheque will not be paid.

C.F.R. 33 – Preparation of the Bank Reconciliation Statement

(a) Bank Statements and Balance Certificates

A statement of daily receipts and payments of a bank account is provided by the bank on a daily, weekly or monthly as requested by the Society. Such statements and certificates should be applied in the preparation of the Bank Reconciliation Statement.

(b) Requirement of a Bank Reconciliation Statement

Some cheques issued by the Society may not have been submitted to the Bank on the date stated in the Bank Certificate or Statement. Therefore, a bank reconciliation statement should be prepared in order to compare with the bank balance in the cash book. That statement must be certified by the accountant.

(c) Monthly Bank Reconciliation Statement

Every Society that has a bank account should prepare a bank reconciliation statement before 15th of the following month on the status of bank transactions at the end of each month.

(d) When preparing the Bank Reconciliation Statement, the list of cheques not submitted for payment should be prepared in the following format.

Cheques which were not encashed as at

Bank :-

Account No :-

Date of issuance	Cheque No.	Amount Rs.	Date of revalidation	If cancelled, date of cancellation	Signature of the staff officer	Date of encashment

- (e) In the event of preparing preparing the Bank Reconciliation Statement, separate lists of unrealized cheques and money orders etc. along with their details, if any, should be prepared nevertheless they had been deposited in the bank. Money should be deposited in the bank on the same day. If not, it should be checked immediately.
- (f) Preparation of monthly Bank Reconciliation Statements should not be delayed. If there is any delay, the Accountant is responsible for that.
- (g) Depositing money in the bank, writing cheques etc. should be done by an independent officer who is not involved in transactions of money .
- (h) If an issued cheque has not been cashed for more than 03 months, the payee should be informed in writing to pay for re-validation of the validity period of the cheque. should be notified in writing to the receiver for re-validation. In case the payee has not made any notice in this regard, a letter should be sent by registered post asking for a reply within two weeks of time. If there is no response, the bank should be informed not to pay for the cheque and it should be noted in the relevant ledger as a debt to be paid.

C.F.R. 34- Revenue Collection

Accountant / Treasurer / Accounting Officers are responsible for collecting due amounts of money from individuals and business establishments. All money collected should be immediately banked and accounted.

(a) Control Accounts for Collected Money

Regularly collected money should be recorded in a cash book or document enabling to check easily at any time. This record keeping should be arranged according to the existing organizational structure of the society. This should be done under the supervision of the Accountant or the Finance Manager. The total amount collected as per the cash book, the amount deposited in the bank, the amount paid from the amount received from the bank for making certain payments (eg salaries, festival advances) in addition to the

Amount collected for making any other payment is made and the balance to be paid by him should be checked added and balanced at the end of the day so as to check clearly and accurately.

Provisions should be made for frequent reconciliation of this control account and reconciliation should be done at least once a month and money should be subjected to a physical examination.

This too must be assigned in writing to a specific officer or a board.

- (b) The collected money and the bank deposits and payments from that amount should be regularly and accurately entered into the accounts.

- (c) In respect of the customers who have been given fixed dates to collect money on regular subjects or some business establishments, the collectors must ensure that the liability of the payers is kept under constant review money is collected properly.
- (d) When mobile custodians or agents have been appointed to assist cash officers, arrangements should be made for non-issuance of cash receipts twice.
- (e) Ensure that cheques, money orders etc. are sent to the bank and realized promptly and properly.
- (F) In case of a dishonored check, the cheque or the debit sheet sent by the bank should be kept safely and noted in the register of dishonored cheques.

In respect of dishonoured cheques,

- i. Immediately after the cheque is dishonored, the respective officer should be informed ;
- ii. Cheques should not be received for re-serving or sale from such parties until the cheque is realized again ;
- iii. To charge money having informed the drawer of the cheque and recover the value of the cheque along with a fee , if any, in cash ;
- iv. To record the total due amount including the value of the returned cheque and the bank fees charged for it in the register of cheques ;
- v. The Receipt of the payment made for a dishonored cheque should be written within the brackets in the name of the Society and should be entered in the cash book and adjusted to the account in which the particular cheque was entered and the dishonored cheque account should be settled. This receipt should be attached to the file and the payer should be acknowledged the receipt of cash for the cheque through a letter.

In respect of debit notes;

- i. A journal voucher should be prepared and approval should be obtained for expenditure.
- ii. The said expenditure should be debited to the relevant account.

C.F.R. 35 - Supervision of Financial Affairs

In the absence of an Accountant or the Office of Accountant a suitable officer shall be appointed by the Board of Directors / Committee to supervise the financial and operational activities of the Society and such officer shall be assigned the duties of supervising organization of all matters relating to the receipts, issues and payments of the society, to carry out accounting affairs of the Society while protecting its assets and to maintain bank accounts on behalf of the society. The Board of Directors / Committee should direct such officer to inform the Board of Directors / Committee in case of shortage, loss or destruction of stock in the form of cash, stamps or goods in

order to take in charge of finance and operations of the society. When he or she is on leave or does not report for duty, the same officer may be assigned the task of making arrangements to ensure that the financial affairs are maintained in a proper manner.

C.F.R. 36 - Financial Transactions among the Societies

When a Society receives goods or services from other Society, the first Society is referred to as the agent and the second as the primary Society and it should be specified in writing the terms and conditions under which these transactions made; vitz; delegation of power, granting approval and delegation of power on payment are conditional or unconditional. If it is based on a procedure of recovering money or a method of transactions by means of exchanging it should be clearly stated. There should be an agreement between the two Societies under these circumstances.

C.F.R.37 - Working as agents of other business establishments

If goods are distributed as agents of other companies or business establishments or acts as agents are carried out agents' commissions on monetary control and collection of money should be agreed.

C.F.R. 38 - Responsibilities of the Board of Directors / Committee on the Finance and Assets of the Society

1. Delegation of power under by C.F.R. 35 and 36 of these financial regulations for collection of money, banking and accounting of the Society are limited and as a whole responsibility on management is vested with the Board of Directors / Committee of the Society.

Hence, Board of Directors / Committee,

- (a) should concern about the progress and expenditure of the development plan of the society.
- (b) Should ensure that the individuals who are delegated financial powers are acting within those limits and do not exceed the limits.
- (c) should inquire about the progress and performance of the business at the end of the financial year.

C.F.R. 39 – Collection of Money by the Managers and Regional Agents

Managers and regional agents collect money under the following official conditions:

1. As managers,
2. As an agent of collecting money,
3. When the power of collecting money at some sub offices, shops or other business establishments is delegated in writing or ordered by the Board of Directors such activities should be completed as per the C.F.R. 36.

C.F.R. 40- Preparation of Annual Accounts

1. Every registered Co-operative Societies should prepare the following accounts before exceeding 03 months after the completion of each financial year and submit them to the Commissioner / Registrar of Co-operative Development for auditing.
2. Clarifications should be made that the accounts have been properly prepared and the estimated amount has actually been spent, and in case there are differences with the estimated amount, these accounts should be prepared in accordance with the accounting principles and the Sri Lanka Public Sector Accounting Standards.
 - i. Comprehensive income statement
 - ii. Statement on financial position
 - iii. Financial Flow Statement (Indicating change in financial position)
 - iv. Statement of change in equity
 - v. Accounting policies and notes
3. If there is a lost voucher or any other damage or loss with those accounts, a report on it should be submitted.
4. Balance certificates, schedules etc. which are required to confirm assets and liabilities, balance sheets for bank accounts in particular and bank reconciliation statement and certificates of money at hand, if any, should be submitted.

C.F.R 41- Accuracy of Financial Reports

Accounts and financial reports are examined by the Registrar of Societies or authorized officers. However responsibility for the accuracy and errorlessness of those accounts and financial reports is fully with the Board of Directors.

C.F.R. 42 - Responsibility on losses

1. The officers shall be individually responsible for any loss incurred by the Society due to delay, negligence, error or fraud of any officer / manager or employee and the loss shall be reimbursed.

An officer allows or orders to act;

Further, in the case of purchase of goods by any officer, receiving of any service or any other payment made at the request of the Society,

- i. without proper authority,
- ii. contrary to the existing rules and regulations,
- iii. with inadequate care or
- iv. Fraudulently shall be liable for responsibility in the same manner.
- i. without proper authority,
- ii. contrary to the existing rules and regulations,
- iii. with inadequate care or
- iv. Fraudulently shall be liable for responsibility in the same manner.

(a) Every officer / employee is responsible at all times for protecting and proper use of the assets issued to him by the Society, either temporarily or permanently in his custody, entrusted for proper use. In case of the officer's transfer, retirement or resignation, the assets in his custody should be duly returned to the society.

In case a loss or damage occurs to the property in his custody and, if he fails to respond when requested to do so, the value of the loss or damage shall be recovered from the relevant officer. In addition, if carelessness or negligence occurs due to non-compliance of any of the rules or regulations of the Society, disciplinary action should be taken against that officer. Hence, the cashiers, storekeepers, managers, store clerks and clerks should keep updated records and ensure that the properties of the Society which they are entrusted are kept safe in their custody and cleared properly.

1. All financial and operational transactions must be confirmed with sufficient authority. Herein oral orders are not sufficient. If there is an oral order, written permission must be obtained for that.
2. **Signing**
The officers who are required to sign vouchers or declarations for financial transactions or other related documents should make their usual signatures in their own handwriting.
3. **Deletion is not accepted**
Detection or deleting by using of a correction pen in accounts or any similar document must not be done. In case an error needs to be corrected, the error must be corrected by crossing the words and numbers to be changed or removed, by a single in red ink and approved only by a brief signature of the officer who is responsible for changes where necessary.

4. Vouchers and other documents with changes shall not be accepted by any officer, unless an officer who has originally signed in the relevant documents and has been authorized for that has signed in the vouchers and other documents containing changes related to money transactions placing his full signature.

5. Keeping in custody

. All the documents, books, reports, notes, documents etc. on the accounts should be kept in proper order and safe until disposed in a proper manner and arrangements should be made in this regard by the Board of Directors.

6. Thriftiness

When all the Executive Officers / Accountants of the Society are making all the monetary transactions should exercise the delegated powers with due thriftiness. Unless it is absolutely essential, expenses must not be borne because of having financial provisions or the ability of obtaining money.

2. It is prohibited to get illicit gains;

(a) In providing any supply or service to the Society, or

(b) In assigning any act on behalf of the Society or

(c) In dealing with monetary transactions of the Society, no person employed by the Society shall take any benefit or advantage directly or indirectly.

C.F.R. 43 – Delegation of Authority

(1) When the authority vested with an executive officer, the cashier or the managers of the Society is delegated to another officer, the terms of that delegation shall be immediately recorded in an authorizing document. At the time of delegating the relevant numbers and dates should be clearly mentioned. A copy of the authorized letter should also be filed separately.

(2) Changes in the delegation of power (taking over of power) should be mentioned in the document along with the date.

Receipts – Monetary Control and Accounting

C.F.R. 44 - Money received by the cashier

1. Cash book

All payments (branches, warehouses, other) paid at the cash counter should be recorded in the cash book by the cashier at the same time or in a prescribed document. Receipt should be issued for each receipt of money and the copy of the Society should be filed in order

2. Other receipts

Money received by the Society in a way other than regular business should be examined by an Accountant or other authorized officer, and cheques and money orders should be included in the list of received cheques and handed over in writing to the cashier. Further, the cashier should be informed precisely whether the bills should be written on revenue heads, debt recoveries or advance.

3. Control

The money received by the cashier or other way to the Society should be kept in a safe by the Accountant / Finance Manager to ensure their security until depositing in a bank or take action as appropriate. Before making such a deposit, the cashier should clearly state the cash receipts received at the counter during the day in the cash book of the cashier or cash receipts and cheque receipts in daily cash records of the cashier. At the end of each day, the cashier should check the cash book or the report on cash receipts with the receipt to ensure that all receipts are entered correctly and that the cash accounts are correct.

(b) Cash received during the day, bank deposits and cash received by the cashier to settle some payments should also be clearly stated in the documents that whether money was sent to the bank deposits by means of cash or cheques.

(c) Documents received with cash

In case of any document with cash, a letter, application forms or any other document used in handing over cash is received such document should be accepted the amount received, date of receipt, the form of receiving it (cheques / cash) should be noted and signed.

C.F.R. 45 - Issue of Receipts

1. At the receipt of cash, a receipt should be issued in the name of the person or institution who paid money and all the money received by the cashier should be included in the cashier's cash book or in the prescribed forms. Money received through vouchers for payments should also be noted in the receipts side of the cash book. Payments made through those vouchers should also be in the credit side of the book.

2. The order in which the money is received and the payments are received and paid should also be recorded. in the order in which it is received and in the order in which it is paid. Serial numbers should be used for this. These notes should match the receipt numbers and the dates they were written.
3. Formal receipts should be obtained when depositing money in the bank or making other payments. (bank receipt when depositing in the bank, signature of the payee when making payments, voucher or documents to confirm using should be obtained)

Chapter 03

Accounts

C.F.R. 46 – Duties in respect of finance shall be delegated to the Financial Manager or Accountant or any other appropriate officer as determined by the rules or by-laws or by the Board of Directors. A complete list of Accounts Books used in the Society shall be maintained by the authorized financial manager, accountant or other official as mentioned above.

C.F.R. 47 - Accounting books that should be maintained

1. Major Cash Book
 - (a) Cash Receipts Book
 - (b) Cash Payments Book
2. Cashier's Cash Book
3. Cash Receipt Book
4. Petty Cash Book
5. Cashier's Subsidiary Book
(For other payments from salaries and lists)
6. Bank Balance Register to enter when cash is deposited at the bank.
7. Summary book for daily balances
8. Deposit ledger
9. Cheque Receipt Register
10. Purchasing Journal
11. Sales Journal
12. Returns and Refunds Journal
13. General Ledger
14. General Ledger Book
15. Classification Books – (shares, deposits, loans, receipt and payment subsidiary books)

C.F.R. 48 - Receipt Books

The receipts introduced by the Society should be used for all receipts and there should be a serial number for such receipt books and a serial number for each receipt.

- (a) Immediately after printing of the receipt books, it should be checked that all the receipt books are in the order of serial numbers with duplicates and everything should be recorded in a sub register and handed over to store where documents are kept. Receipt books should be issued in order only to the cash book or cashiers or persons who are authorized to charge money by receipts. It should be recorded in a document and signed when receipt books are issued in order. Once all the receipt books are completed, they should be taken over and recorded in the books and the unused receipt books and used receipt books should be kept safe and authorized officers should be appointed for this task.
- (b) The cheques or money orders received by post should be recorded in a register and checked the figures by a staff officer and handed over to the cashier along with the register. The Cashier should sign in the register; the receipt should obtain and sent to the relevant party. The cashier should not accept any cheques or money orders without entering the register.
- (c) Money Orders should not be directly deposited in the bank and should be encashed from the respective post office and deposited in the bank. This should be monitored by a staff officer.
- (d) Receipts should be issued for to confirm receipt of money and it should be entered in the cash book with the receipt numbers. This should be duly entered in the cashier's cash book and the main cash book.

C.F.R. 49 – Classification Book

Classification Books should be maintained for all the receipts and payments. All the notes on receipts and payments should be entered in this classification book. At the end of each day. The balances in the classification books shall be compared with the balance in the main cash book and certified by an authorized, responsible officer.

C.F.R. 50 – Checking of cash books and cash in hand daily after at the close of business

1. As soon as cash transactions close for each day, the cashier should prepare a cash summary in the cashier's book as per the cashier's book and subsidiary books having balanced the cashier's cash book and subsidiary books. The officer who has been appointed to compare it with the main cash book may check;

- (a) Notes of the main cash book with the -
 - i. cashier's cash book,
 - ii. counterfoils of all the receipts issued during the day,
 - iii. the money deposited in the bank during the day along with the bank deposit receipts,
 - iv. vouchers paid in cash by the cashier during the day,
 - v. Ration cards and registers of receipts.

 - (b) In case the cashier has issued cheques to increase cash balances or to change money for payments, it should be checked whether the money is properly entered in the cashier's cash book.
2. Finance Manager/ Accountant or an authorized officer/ officer may check the cashier's subsidiary books as follows;
- (a) Notes in the cashier's cash book with;
 - i. Notes in the cash book,
 - ii. Counterfoils of all the receipts issued during the day,
 - iii. Paying - in vouchers along with bank receipts,
 - iv. Cash vouchers paid during the day.
 - (b) The cashier should also check whether cheques for encashment have been issued to augment his cash balance and have been entered in the cash book.
3. Checking of the cashier's subsidiary books daily.
- The officers who check subsidiary books of the cashier shall,
- (a) Place initials on the notes to confirm checking as specified in the above 2(a)
 - (b) After paying salaries and making other collective payments , before the note on receipt of payment , it should be certified that payment has been completed by putting the date.
 - (c) Confirm that no unpaid money is kept with the cashier after exceeding the prescribed number of days.
4. Checking of the cash salary
- The cashier shall prepare a cash salary indicating daily receipts and payments, it should be ensured that details of all the subsidiary registers have been included thereof. The balance brought forward from the previous day and money deposited in the bank during the day shall be checked using deposit cheques.

5. The Checking Officer should verify the arithmetical accuracy of the cash book and the cash summaries of the cashier.
6. Verification of cash balances and depositing them in vault
As per the cash summary of the cashier, the cash in hand should be classified as notes and coins and cheques separately and should verify that cash balances are accurate.
 - (a) Finally, the Checking Officer shall place initials in the cashier's cash book to indicate that the required checks have been completed.

C.F.R. 51 – Surprise verifications in addition to regular checkings

The Checking Officer should check money/ cheques/ money orders etc. in the custody of the cashier at irregular intervals not less than once a month .Therein, the total in subsidiary books should be added up to the date of checking and should verify the accuracy of cash in hand.

C.F.R. 52 – Verification when custodian of money is changed

1. When a cashier transfers, gets a new appointment or is on temporary leave cash, stamps and all the other things kept in the safe and boxes should be verified and taken over by the successor in the presence of the Finance Manager/ Accountant or other Executive Officer. All cash and stamps should be counted and ensured that they are accurate in all respects and equal to the balances in the subsidiary books.
2. In case of a transfer or resignation of an officer, the bank statements up to that date should be obtained and verify that the money deposited in the bank is correct and if there are any discrepancies with the bank balances, it should be confirmed through a bank reconciliation statement.
3. After the verification is completed, both parties should sign that the balance has been duly handed over and taken over and the letter of exchange should be kept by the two parties. Such letters should be certified by the Cheking Officer and copies should be included in the personal file as well.

C.F.R. 53 – Determining maximum limits

1. It is the duty of the Finance Manager / Accountant to maintain adequate cash balance to meet all the daily requirements.
2. When the cash balance of the Society exceeds the expected requirements, arrangements should be made to invest it in a manner that maximizes profit and security and should be approved by the Board of Directors.

C.F.R. 54 - Security of carrying money to the bank

In case security should be provided when carrying money to the bank, assistance of other officer / employee should be provided to the cashier. Further, a travelling license should be obtained. Also get online insurance on cash.

C.F.R. 55 - Obtaining Bank Financial Facilities / Loans

The Board of Directors / Committee should to obtain financial facilities from external financial institutions to carry on business affairs and the approval of the Commissioner / Registrar of Cooperative Development should be obtained for that. The Accountant / Financial Manager should ensure that the Society will earn proceeds more than the interest rate paid on the financial facilities obtained.

C.F.R.56 - Cash Control of the Safe and the Custody of the key

A safe with security should be used to deposit cash in the custody of the cashier of the society. One of the keys should be with the cashier and the other keys and the other keys should be in the custody of the Finance Manager / Accountant or an authorized officer. These two keys should never be with one person and the key to the cashier should be in his possession. Since these keys are numbered, they should be controlled accordingly. The extra key in the safe should be placed in another safe. The custody of the key should be handed over by book in writing when the officer is on leave and transfers. The same should be done when taking over the key and the date and time of changing the custody of the key should be mentioned in the book.

Chapter 04 Payments

C.F.R. 57 - Responsibility of Making Payments

1. The Financial Manager / Accountant or Executive Officers should be given authority to spend the money of the Society and the final responsibility lies with the board / committee.
2. Responsibility of Officers - The officers of the Society who prepare or arrange or check the payment documents are personally responsible for their activities, losses incurred due to their own negligence or other offense or fraudulent act and to settle them.

C.F.R. 58 - Offices and payment of employee salaries, wages and allowances

Officers, who authorize, approve and certify all payments should consider the following matters when paying employees' salaries, wages and allowances.

1. Authorizing Officer

The Authorizing Officer for employee salaries is the officer who issues the letter of appointment or grants approval for the appointment.

Herein, the appointments or promotion could be made under the number of posts in the Personnel Assessment. The Commissioner of Co-operative Development has the power to determine the number of employees, and the Co-operative Employees' Commission has the power to determine the salaries, wages and allowances of the posts and to impose conditions for promotion or recruitment.

2. Under these circumstances the Authorizing Officer should be satisfied about the under mentioned matters.
 - (a) In respect of daily paid workers or employees, the officers in charge of such employees (store keepers, workshops) should record the attendance of the workers on daily check rolls or in the workers' attendance register.
 - (b) Supervisors should visit time to time as per those documents and supervise workers or employees to see if they are properly performing the tasks assigned to them.
 - (c) In case workers or employees have been deployed out from the offices, special in-situ inspections should be carried out.
 - (d) At the payment of daily wages, the officers in charge of the relevant division should certify the attendance and submit reports for payment

C.F.R 59 – Checking of outstanding bills

Authorizing and certifying officers should be responsible to ensure that payments are made promptly by the certifying officers and the Society for the payment of debts to creditors and other bills to be paid external parties. A collection of bills for the payment of large sums at once should not be kept remained.

C.F.R. 60 – Completion of payments during the financial year

Every possible effort should be made to make all due payments within the particular financial year before the end of that year. In case the Society has to bear any cost to pay any penalty or interest on a payment in delay, the officers concerned are individually liable for that.

Due payments during the financial year and but unpaid should be shown in the relevant accounts on an accrual basis.

C.F.R. 61- Preparation of payment vouchers

(a) Vouchers required for all payments should be prepared in the correct and complete form and submitted for payment. The prescribed forms should be used for that.

(b) The officers who prepare and check vouchers should place their signatures in relevant places of the voucher.

C.F.R. 62 – Confirmation of Authorized power in payment vouchers

The authority to make a payment made by the Society should be mentioned in the voucher and should be verified by the relevant documents or references.

C.F.R. 63 – Classification of Expenditure

Details such as heads, sub-heads, programmes, projects or details of objects as provisions have been made by the annual estimates and introduced for each sector should be mentioned in the vouchers correctly.

C.F.R. 64 - The reason for Payment should be clearly mentioned

When preparing vouchers, vouchers should contain all the details of dates, numbers, quantities and fees to confirm the relevant payments without referring any other document as much as possible. Further, the details of the documents attached to the payment vouchers, such as certified sub-vouchers, payment documents, bills, receipts or other documents should be noted on the surface of the voucher.

C.F.R. 65 - Note on charging by payment vouchers

- I. The value mentioned on the voucher should be written in letters and numbers.
- ii. Any amount in a voucher should be paid to the payee by deducting that amount and the remaining amount.
- iii. The amount charged from the Payment vouchers should be clearly stated in the cash voucher.
- iv. The money so deducted should be accounted through a journal entry.

C.F.R. 66 – Instances where special certificates should be obtained

When a voucher is certified for payments made for any of the following services, a certificate should be obtained for such payment as mentioned against payments.

- (a)
 - i. Under a contract agreement - a certificate confirming that, Works have been done or supplies have been named or services have been provided satisfactorily
 - ii. Payment of retention – a certificate that the work has been duly completed and the work is in good condition and if there is any time limit after completion of the work that time period is over and the work has been completed satisfactorily.
- (b) Payment for supply of warehouses- A certificate of receipt of the goods should be attached confirming that all the goods have been received and stocks have been included in the relevant inventory books.
- (c) Reimbursement of expenditure - Billing and receipts of expenditure incurred should be attached to the relevant voucher. Where such receipts cannot be submitted, a certificate from the authorized officer should be attached.
- (d) Salary sheets
 - i. Salary increments - A copy of the approved increment letter should be attached to the salary sheet. The date on which the increment will be effective should be clearly stated.
 - ii. Salary Sheets - Salary Records - When certifying salary sheets, it is necessary to ensure that the statutory deductions from the salary, provident fees deducted from the salary, loan advances are correct and the total of salary sheets is correct.
 - iii. Payments of salaries and wages - Daily wages should be paid only for working days up to the pay day. Daily wages should not be paid for working days beyond the due date

- iv. Deduction from Monthly Salary or wages - The amount deducted from the monthly salary or wages should not exceed the limit of 40%. Payments such as employee loan advance should be made having considered these limitations.
- v. Sending salary of an employee to the bank on his request - The salary or part of it could be paid to his bank account. But salary sheet should be signed or a receipt should be presented confirming that the salary has been received. If it is missed or delayed, that favour must be removed.

C.F.R 67 – Payments on Certified Vouchers

- i. All payment vouchers must be certified by an authorized officer. The printing certificate to be completed on a voucher form should be duly filled.
- ii. If the voucher is filled with a second copy, the word "second copy" should be clearly written on the surface of the second copy. It is very important to make sure that there is no repayment for that.
- iii. The certifying officer should certify that the details of all the vouchers have been entered correctly in the prescribed ledger and subsidiary books as per the prescribed accounts.
- iv. When paying by cheques, the validity period of the cheque should be mentioned. In all the cheques it should be mentioned that the validity period of the cheque is 30 or 60 days from the date of issue and the cheque should be crossed and noted that "Account Payee Only". Further, when the validity period of a cheque has expired, the validity period of the cheque could be extended and payment can be made.
- v. When a cheque is written confirming payment on a schedule, such schedules also should be certified comparing the total of the schedule/ salary sheets with the value of the cheque. Those schedules should be attached to the voucher.

C.F.R 68 - Payments from Petty Cash

Payments could be made from petty cash based on a maximum limit determined by the Society. For this a petty cash imprest approved by the Society could be given to a petty cash holder / cashier. This imprest could be reimbursed according to the amount which is spent and at the time of renewal a summary of the expenditure prepared with the certified payment voucher should be submitted to the Finance Manager / Accountant.

C.F.R. 69 – Specimen Signatures of certifying / approving officers

Paying officers should have an understanding of the specimen signatures of the officers approving / certifying the vouchers. Payments must be made by comparing the signatures on the vouchers submitted for payment with the specimen signatures in his possession.

C.F.R. 70 – Payments should be made only to the certified vouchers

It is the responsibility of the payment approving and paying officer as well to check that every voucher received for payment has been duly certified by an officer authorized to certify vouchers. Payment made on an uncertified voucher will be considered as an invalid payment and such invalid payment will be charged from the officer who made the payment, if any.

C.F.R. 71 - Payments made through banks by cheques

It is essential to make sure that the relevant payment vouchers are duly certified and approved before paying cheques. The following requirements must be fulfilled for that.

- I. In case the cheque is sent to an individual or an institution, the name of the institution or person should be clearly stated mentioned
- ii. Only cheques crossed as "Accounts Only" should be issued.
- iii. The cheque should be handed over with the signature on the voucher or cheque delivery document stating that the cheque has been received. Not only the signature of the recipient of the cheque, but also the name and identity card number should be clearly written.
- iv. Payment should only be made to the person or institution stated on the voucher. All security measures should be put to prevent paying money not to the right person.

C.F.R. 72 – Checking of payment vouchers

- I. Payment vouchers should be numbered and all payments made should be duly stated in the cash book and in the prescribed accounting books.
- ii. There should be sufficient cash for payments and the balance in the cash book should be checked daily. No payment should be recorded, unless sufficient cash balance is available.
- iii. The date of payment should be clearly stated in the cash book and should be marked in the subsidiary books under those dates.
- iv. All vouchers and copies confirming payment must be stamped "Paid" with the date, and initials should be put on the "Paid" stamp on the payment voucher at the time of signing the cheque.

- v. Receipt of relevant amount to the payee for every voucher should be confirmed by issuing receipts. If the payment is to be certified by stamping, the stamp should be affixed to the prescribed value and signed on it.

C.F.R. 73 – Exchanging Cheques of the Society from banks

- i. The cashier or an authorized officer could encash cheques from a bank as approved by the Board of Directors for paying salaries, advances or other payments to employees.
- ii. The signatures of the authorized officers should be submitted to the bank to sign the cheques and to exchange money.
- iii. . When exchanging money from a bank and making payments, the paying officer should verify the identity of the payee and be responsible for the payment. In this case, the paying officer should obtain the National Identity Card or the introduction of a reputed officer to verify the identity.
- iv. A separate written confirmation should be obtained in respect of following cases where the salary or wages cannot be paid to the person concerned and his signature cannot be obtained.
 - (a) On the request of an employee to pay the salary to a bank account;
 - (b) When the money is sent by a cheque or money order due to the distance to the paying office;
 - (c) When paying salaries, wages and allowances to an officer / employee who is sick or on leave;
 - (d) When paying one's salary to other person it should be ensured;
 - i. about the identity of the recipient of money,
 - ii. authenticity of the letter of transferring authority,
 - iii. reasons for not presenting the payee to receive money,
 - iv. that the letter submitted should be certified by the Head of Division or a responsible Staff Officer.

C.F.R. 74 - Unpaid money

1. The amount received for the payment of salaries should be compared with the amount remaining after the payment of the relevant money and keeps it in a safe or at a selected place with proper security.
 - (a) That payment must be completed without exceeding 14 days. Obtained salaries should be deposited back in the bank.

2. Entering unpaid salaries / wages

(a) The paying officer shall indicate “Not Paid” against the names which have not been paid after making payments in the salaries and wages list.

i. A schedule of unpaid salaries including the name of the person and the amount due should be prepared.

ii. The page and number of the payroll (easily identifiable) should be included in that list.

iii. Date of depositing cash in the bank and the Credited Account

iv. This salary list and the total should be verified and noted in an unpaid salary list. It should be arranged by the clerk who is paying salaries.

C.F.R. -75 Removals of errors in payments or accounts if any

If there is an error or deficit in an account or payment, it could be corrected. When an Error is seen, it should be corrected immediately.

C.F.R. 76 – Advance Accounts for the Employees of the society

1. Credit Account - Accounts must be maintained when paying loans and advances to their employees. Individual personal accounts should be maintained for these loans and advances.

2. Loans and advances should be given in accordance with the by-laws or working orders of the society.

3. Reconciliation of Accounts - Total balance of all loan and advance accounts should be reconciled monthly with the control account of the ledger.

C.F.R. 77 – Special Advance Account

Advances may be given for the special needs of the Society. The advances should be controlled by a control account in the main ledger as per the advance category or their total amount. In any of these cases individual accounts should be maintained in subsidiary books.

Chapter 05 Supplies and Services

C.F.R. 78 – Supplies and Services

- (1) This category of supplies and services consist goods and services other than the capital assets required to meet the business needs of a co-operative society.
- (2) The authority to procure supplies and services is with the Board of Directors / Committee including the Chairman. This power may be practiced in accordance with the by-laws and working orders of the Society.

C.F.R. 79 – Purchasing of Goods and Services

1. Financial Provisions and Authorized Power

Goods and services should not be ordered unless provisions are available for them. Even though provisions are available, goods cannot be purchased if there is no properly obtained authority.

2. Thriftiness and Quality

Goods must be purchased in a way that is most advantageous to the society. The quality of the goods, the reliability of the supply and the ability for fast delivery should be taken into consideration.

3. Appropriateness

The officers who dealing with the purchase and sale of goods on behalf of the Society should perform their duties honestly and efficiently considering appropriateness of them

C.F.R. 80 – Method should be used in the procurement of goods and services

The following general procedures are to be followed in procuring goods and services on the business needs of the Society.

- (a) To request using an order form prepared based on the requests of a warehouse, an outlet or other division of the Society and introduced by the Society should be used when making orders for goods.
- (b) If suppliers have been registered to supply goods and services to the Society, by obtaining bids from those suppliers,
- (c) By ordering goods and services that can be obtained from a state or a corporation through calling bids in a manner that is advantageous,
- (d) In cases where goods and services cannot be obtained as mentioned above, the goods should be procured through competitive bidding or following tender procedures or procedures approved by the Board of Directors.

A store keeper or such designated officer shall be appointed for the custody and issuance of all goods purchased under supplies and services. The duty of the such appointed store keeper shall be discharge the following duties as per the certain instructions he has been issued and the list of duties assigned,

- i. To keep all items in his custody, notifying the receipt of them and being responsible for them.
- ii. To keep items in proper custody, keep them in good condition, and keep them in order so that they can be easily found and checked at any time.
- iii. To issue or distribute goods under the competent authority.
- iv. To request for re-purchasing of goods in accordance with the procedures approved and authorized.
- v. To accept approved goods for receipt and issuance of goods, to keep documents so as to confirm through the formats prescribed for issuance (keeping records) and keep stock books and accounts.
- vi. To confirm identity when issuing goods.
- vii. To present the balances of the physical stocks at hand to check any time.
- viii. To report the Executive Officers or to the Board of Directors of the Society through the Heads of Divisions regarding the following matters.

- ❖ If damaged, substandard goods have been received to the warehouse, to inform in writing
- ❖ To inform the management if there are any items that need to be repaired or are not suitable for use.

Supervision of warehouses

An officer authorized to perform one or more of the following functions by appointment and authorization by the Board of Directors or other wise should perform this function.

- (a) To supervise the activities of the store keeper.
- (b) To check the books, records, accounts of the storekeeper or stocks in his custody.
- (c) To supervise whether minimum and maximum stock levels are maintained in warehouses.
- (d) To maintain warehouse control accounts in the Society and periodically reconcile them with the main ledger control accounts.
- (e) To Advise the store keeper on matters such as receiving, issuing goods to the store and repairing of them.
- (g) To inspect the safety of stocks, advising and taking action promptly on the stocks that may cause damage or loss.

(h) Based on the nature of the climatic or natural disasters or the nature of the goods, it is appropriate advise on protecting the goods from drying, moisture, rats or other insects and to ensure that there is ample and satisfactory space for storage of goods and they are to be transferred from the warehouse to a warehouse with optimum advantage or profit to the Society with much satisfaction. Further, it should be satisfied that the total sale price of goods have been received when they are issued for sale and regional branches.

C.F.R. 81 – Constructions and Special Projects

If there are any Societies involved in constructions and other projects, they should be carried out by calling bids. A procurement committee should be appointed by the Board of Directors should appoint a Procurement Committee for this purpose. It should be as follows.

- (a) A Chairperson : Most probably the chairman of the board of directors will be the chairman of the committee. If not, the Board of Directors shall nominate a Chairman.
- (b) A second Member : Should be the manager or other officer of the tender division.
- (c) A third member : Depending on the nature of the work, service an agent with expertise knowledge in the field could be obtained from the Society or outside in consultation with the Commissioner/ Registrar of Co-operatives.
- (d) Unless all the Members of the Procurement Committee are present, The meeting will not be valid, unless all members of the Procurement Committee are present.

C.F.R 82 – Granting Approval for Procurement Documents

1. All the documents related to the bidding should be submitted to the Board of Directors and after obtaining the approval of the Board of Directors, the following documents should be submitted to the Procurement Committee.
 - (a) Procurement notice
 - (b) Procurement conditions
 - (c) Procurement Format
 - (d) Cost estimate

Along with the said documents, a report certifying the authority to call bids should be submitted to the procurement committee.

2. The Accountant/ General Manager should check whether the following requirements have been fulfilled before submitting these procurement documents to the Procurement Committee.

- (a) Financial provisions required to carry out the relevant work or to obtain goods are available
 - (b) That the cost estimate has been prepared as accurately and completely as far as possible
 - (c) That there are occasions when samples of goods should be submitted ,if any, to include them to the procurement conditions.
 - (d) The required plans, specifications and bills of quantities (BOQs) have been prepared
 - (e) Sufficient time has been given to submit bids
 - (f) The provisions such as securities should be deposited by the contractors are specified in the procurement conditions.
1. Sections which are argumentative, contradictory with the financial policies of the Society and that cannot be clearly understood or contradictory to the financial policies of the Society or which are not explicitly and understood should not be included in the procurement conditions.

C.F.R. 83 – Procurement Notice

Advertisements for invitation of Bids could be published in public newspapers or exhibited at suitable public places.

C.F.R. 84 – Giving tender applications

- (1) Issuance of tenders - Those who wish to submit tenders should be given the place where the tender documents are kept for inspection without delay and tender applications should be issued only within the stipulated time.
- (2) If there are conditions to be fulfilled before issuing tender documents, only the renderers who have fulfilled them should be issued tenders having obtained their receipts of making payments.

C.F.R. 85 – Receipt and opening of tenders

- (1) Two Copies of bid documents should be issued having prepared using the approved format.
- (2) Tenders could be obtained as follows..
 - (a) through registered post
 - (b) putting into the tender box.

All the bid documents received through the registered post should be put into the tender box.

- (3) The tender box should be sealed.
- (4) Tender documents received after the time given for tender submission could be cancelled.

- (5) The opening of tenders should be done before the Tender Board .The tenderers should be allowed to appear at the opening of the tender and the names of those who were present should be recorded in an attendance sheet.

The officer who opens bids should read out the bids submitted by each bidder to the bidders present. Tenderers should not be allowed to know how those figures are made. If some tenders have several subjects that are considered separately or if such divisions do not affect the overall tender, the bids submitted for each category should be read separately. If anyone requests to recalculate the price of the tender, even though the second copy may be provided, no technical data, specifications or other details should be disclosed to him.

C.F.R. 86 – Observation of Tenders

- (1) A tender schedule should be prepared and submitted to the Tender Board as soon as possible. The original copy of the bid document should be used in this regard.
- (2) If the tender is flawed, it should be stated what are the flawed parts and whether the tenderers have the ability and strength to carry out the work in financial and other matters in the column of other matters.

- (3) Consideration of Tenders

Tenders submitted should be considered very carefully and the Procurement Committee should have the following powers.

- (a) If the tender could be divided into parts, accept the whole tender or a part of it.
- (b) To accept as parts among several tenders.
- (c) To reject all tenders or part of tenders.
- (d) In the event that all tenders are rejected;
- i. Call for new tenders or
 - ii. If the Society is able to work in accordance with the conditions mentioned in the bid document, direct to follow and implement it.

At such occasions clarifications should be made to the decision of the Tender Board.

- (4) Acceptance of tenders

After the final decision of the tender board is informed to the Society by the Chairman of the Board of Tenders,

- i. It should be sent by registered post to the bidder. Further, if the bonds should be signed obtained prescribed security, it should be checked whether they have been duly executed and then the contractor and his guarantors should sign the bonds and then the contract should be duly signed and handed over to the contractor.
- ii. For tenderers whose tenders have not been accepted, it should be informed in writing that tenders have been rejected and not accepted their securities should be refunded.

- iii. The original copy of the accepted tender should be kept in a safe and the second copy should be used for future activities.

When the Commissioner / Registrar should be informed, they should be informed in this regard.

(5) Supervision of the contract

It is the responsibility of the management as the Chairman / Accountant / Finance Manager / General Manager, to properly monitor and evaluate the work or supplies or services while it is implemented.

- i. In the event of part payments and final payments, the completed work at each stage should be calculated and accurate measures should be obtained and certificates of the designated technical officer or technological officer should be obtained.
 - (a) The Society may extend the contract period to a reasonable time on reasonable grounds or natural causes or reasons on obtaining materials.
 - (b) Contracts should not be obtained without getting completed.

C.F.R. 87 – Methods should be followed when obtaining goods and services

The general methods that could be used in obtaining goods and services for the Society are under mentioned.

- (a) By identifying necessary goods and registering suppliers.
- (b) Obtaining goods manufactured by government institutions directly from those institutions.
- (c) If there are representatives of a recognized institution, through such agents
- (d) If any goods have monopoly in production, such goods could be obtained from respective manufacturing companies or by competing bidding. Accordingly, the market should be examined in particular and the price should be surveyed and the goods procured minimizing damages obtaining profits to the Society to the optimum level. Purchases should be made taking into account the quantity of the goods will be sold as well as the storage facilities (such as refrigerators) that need to be sold quickly or the period consumption is specified. The full responsibility for this is on the Marketing Manager and the Regional Manager.

C.F.R. 88 - Accounting of items, custody and stock books

Inventory and Stock Books

All goods received by the Society should be entered into the stock books as per the relevant invoice immediately after the receipt. . All these articles should be confirmed by invoices, bills or other specific documents or the appropriate documents prescribed by the society. The items received fall into two main categories.

- (a) Furniture, computers or other equipment to be used for office use
- (b) Purchase of stocks for resale.

Items purchased for office use should be entered into the fixed asset registers while items with minor value such as punches and pins taken for office use should be included in a separate consumer inventory. When these items are issued to the respective branches or sub-offices, they should be included in the main inventory book by a notice of issue and confirmed by the branch which received the items and should be included in the inventory book or inventory of consumables.

His stock of goods obtained for resale should also be included in the inventory books as mentioned above and the issue of goods duly introduced by the Society should be included in the proper inventory books.

(c) Proper Arrangement

Records of goods should be entered in the inventory books in alphabetical order as much as possible. Inventory records should be entered in such a way that any stock account could be easily identified. The goods in the custody should be properly arranged so as to easily and quickly indicate stock notes in a timely manner having compared with the stock cards (bin cards) and inventories etc. This accounting should be carried out as per the unit value.

A summary should be prepared based on the bills issued for each item daily and the value of the total issuance of the day should be compared with the bill value. (Eg: - Number of units issued * Price sold, comparison of bill value of such items)

Thereby, stocks in the store are accounted unit wise and based on the value as well. At any time, it is possible to compare the inventory book balance with the stock control balance (value) of the main ledger.

- (e) Safety - Adequate protective measures should be taken having taken steps from preventing damages from fire, theft, decay and waste, insects and natural causes. By preventing damage to natural causes by insects.
- (f) . Vouchers used to verify every entry (receipts and issuance) in inventory books should be numbered in order and should be filed in order.
- (g) Approval of the Board of Directors should be obtained to take an excess into the books or to remove a deficiency from the book by clarifying on them.

C.F.R. 89 – Issue Order Books and Bills

These documents should be prepared with a duplicate and the original should be sent to the receiving officer along with the goods sent and the duplicate should be kept in the store. If there is an order that requests these items, the number of the bill on which the goods were issued should be stated on the copy of the order and the reference number should also be stated on the bill.

Receipt Order Book:-

An order should be prepared for the goods to be delivered to the store and, it also should be prepared in duplicate. The original should be sent to the purchasing institute and the order number should be noted on the invoice accompanying the goods.

If an item is temporarily released from the store, it should be temporarily recorded in a book, and it is the duty of the store keeper to ensure that it will be returned.

C.F.R. 90 - Balancing and Comparison of Inventory Books

Inventory books should be balanced and compared once a month and at the end of the year. Receipts and Issues should be added and the stock in hand (balance) should be verified and the balance should be brought forward for the next month and year.

C.F.R. 91 – Handing Over and Taking Over goods when store keepers are retired or transferred**(1) Handing Over of Items :-**

Before any store keeper resigns, transfers, or will be on along leave, he should properly hand over all the goods, stock, and any property belonging to the Society to his successor or to any person entrusted with such duties, and a receipt with a duplicate should be obtained from the officer who received them. The original should be submitted by the officer who goes out to the General Manager / Accountant of the Society after counter signing as directed by the Board of Directors. He also should keep a copy with himself. The recipient also should keep a copy and submit it to the office to confirm that he has received the goods. Such copies should be filed in the officers' personal files or other permanent file safely. In case of many items, it is better for both parties to sign and exchange copies of the report of the stock verification stating that the goods have been delivered and received.

- (2) When an officer in charge of the store will be on leave, the officer who is appointed to act in his post discharges duties under the responsibility of the officer holding the post. However, the Acting Officer shall be liable for any damages incurred during the period him his acting in that post.
- (3) Store keeper should get leave only after making prior provisions in respect of his post .

C.F.R. 92 – Annual Stock Verification of the Societies

Annual stock verification should be conducted at the end of a new financial year or on or near the end of the new financial year or on day determined by the Board of Directors by appointing a survey board to verify the items available at stores or branches and to record the items that could not be used where necessary..

Each of the board should consist of the following officers and their responsibilities shall be as follows.

- (a) Responsibility - Finance Manager / Accountant / General Manager
Appoints the entire survey boards and ensure that officers of those boards are discharging their duties properly.
- (b) Board of officers - Should consists of the officer or officers directly in Charge of the stores and two other responsible officers of the society. If the assistance of an Inspector of Co-operative Societies could be obtained he should be one of the officers.

- (a) Further, one officer who is assigned to specific type of items should be a person with knowledge of such equipment.

Powers of the Board of Survey

The Board may be required to verify the items available on the day of the survey and to report items that cannot be used.

- i. When selecting and determining the quantity of potatoes, onions, vegetables, fruits, etc. that are expired and unusable or damaged and cannot be sold items for sale, the board should take into account how far the disposable quantity of goods is to be disposed considering the stock last obtained on the previous day and the goods sold during that period. and when the quantity is determined, the inventory obtained before the survey date as well as those sold during that period The Board of Surveys should also consider the fairness of the quantity of goods to be disposed of, taking into account the quantity of goods. (To avoid obtaining stocks from outside to conceal shortages in inventories)
- ii. If there are no officers with technical knowledge in the Society for the survey of any mechanical or technical equipment, knowledgeable officers should be appointed in consultation with the Commissioner of Co-operative Development.

(1) Powers of the Board - The Survey Board may be required to verify inventory and report on unusable items.

(2) Boards of Survey may be appointed at any time as determined by the Annual Stock Verification and Board of Directors or Management.

(3) The survey boards shall use the forms introduced .

C.F.R. 93 – Books should be balanced before verification

(1) Books should be balanced before the stock verification commences its works. Those records should not be changed after stock is counted. If a number needs to be changed, it should be cut in a single line and rewritten separately.

(2) After the stock verification is finished the officer in charge of the store should certify that the quantity of stocks submitted for the survey is correct and all the items are under his custody.

The stock verification should certify that this certificate has been obtained explicitly and submit stock verification reports to the Accountant along with that certificate.

(3) Take action as per the reports of the Boards of Survey

Once the reports of the Board of Survey are received, they should be checked to see if they are properly signed and prepared to the satisfactory level. The relevant subject clerks should re-examine whether their pricing and inventory balances with the head office control reports and the discrepancies, if any, should be clarified in writing with the responsible officers. Any discrepancies, deficiencies or losses should be brought to the notice of the Board of Directors immediately.

Explanations, disciplinary action, and any action prescribed by the Society could be taken in respect of damages and losses or loss of goods within the powers vested with the Accountant thereof (Initial investigation or action to recover damages, losses, etc.). In the absence of an accounting power to do so, a report consists of his recommendations should be submitted to the Board of Directors within one month of receipt of the report of stock verification stating the specific changes and the reasons for that. Upon receipt of the said report to the Board of Directors, it should be inquired into the existing provisions and legal status and satisfactory situation and advise the officers to complete the disciplinary action or to take judiciary action to be taken on satisfactory decrease of goods or discrepancies within three months.

(4) If there is any quantitative loss or decrease of goods, the time period for such shortfall should be identified and all the inventory reports, survey reports and all the reports relevant to the shortfall should be taken into the custody of the Accountant and kept safely.

(5) In case the damage or loss revealed in the survey is insufficient or has occurred due to drying, deterioration, etc., arrangements should be made to remove those quantities from the books and remove them from the destroyed stores.

C.F.R. 94 – Necessity of Stock Verification

- (1) After the Society conducted stock verification and submitted the reports for audit, the auditors of the Co-operative Department should verify their mathematical accuracy and the goods were truly at the store as at the date of stock verification. Auditors are not exempt from the responsibility by submitting the report with the certification of other party. Hence, only a few items mentioned in the future inventory should be re-examined to ensure that the stock as at the date of stock verification, the stock added later and the stock at the date of examination by the auditors is correct having checked the sales.
- (2) How those inspections are conducted
Any item or some items of the items in the savings inventory report should be selected , physically checked and should calculate the balance on the day of the test and check the receipts and releases after the previous date of verification to verify the accuracy of the balance. This could be done by other officer when the auditors are unable to do this. However, a copy of the inspection test report should be annexed to the audit report and other files to refer for anyone when required.

C.F.R.95 - Loss or shortfall of goods

As soon as the loss or shortfall of goods is detected, a preliminary inquiry should be conducted and if there are persons responsible for the loss of goods, charge sheet should be submitted to them and disciplinary action should be taken as per the provisions of the Co-operative Commission. In the midst, if it is a theft, it should be reported to the police and an investigation should be conducted. If a retired person is responsible for it, action should be taken as introduced by the process of making decisions.

C.F.R. 96 – Annual Audit

Should be implemented Regulations of 1973 of the Cooperative Act No. 5 of 1972 and Section 44 of the Cooperative Societies Ordinance of Provincial Councils.

Annual Audit should be conducted as per the Regulations of 1973 enacted in terms of the Cooperative Act No. 5 of 1972 and the Section 44 of the Cooperative Societies Charter enacted for the Provincial Councils.

C.F.R. 97 – Stock Control and Stock level to be maintained

- (1) It is the responsibility of the management, to maintain a sufficient stock to the satisfaction of the Board of Directors and to meet the needs of the Society with the assistance of the Accountant / Sales Managers and Store Keepers. Special attention should be given to keep only the required items in the stocks and not to overstock. If it is detected that that an overstock is available or an essential expense has been incurred for or if the Society has been

incurred any loss due to the said overstock and the reasons in connection with this are unsatisfactory the responsible officials responsible are liable to pay the value of the excessive stock, or the loss incurred by it to the Society.

- (2) Considering that ordering goods is a regular activity, the relevant store manager should make arrangements to take it into account in advance. Frequent quantity at hand at the end of the day, quantity of consumption (weekly or daily), time taken to receive the goods to the store, time taken to sell the received goods (Specially vegetables, fruits, meat, fish etc.) so as to estimate the quantity of goods that could be ordered.

C.F.R. 98 – Stores Manual

The Societies engaged in the sale or manufacture or repair of goods in large scale should compile an adequate storage manual (a set of instructions) to guide their officers / employees. These instructions should be prepared with the advice of the Commissioner / Registrar of Co-operative Development and submitted to the Registrar of Co-operative Development for approval. It should be compiled as provided by the Co-operative Societies Act of 1972/ Provincial Cooperative Societies Ordinance, directions given by the Cooperative regulations as far as possible and should include the following.

- (a) Matters should be taken into account when preparing the stores manual
- I. To take over of goods, keep in custody and issue or dispose as appropriate.
 - II. To store in safe and satisfactory manner
 - III. To collect and receive money earned from the sale of goods.
 - IV. To check accuracy in accounting items.

Both unit and value should be recorded.

- (b) Security measures to prevent from damages and losses
- I. To take over of goods, keep in custody and issue or dispose as appropriate.
 - II. To store in safe and satisfactory manner
 - III. To collect and receive money earned from the sale of goods.
 - IV. To check accuracy in accounting items.

Both unit and value should be recorded.

© Security of stores

- (d) To keep items in order, to take quickly, easily and as suitable for checking
- (e) To provide satisfactory facilities including equipment for loading and unloading equipment immediately, easily and economically and to secure such facilities properly.

- (f) To maintain inventory records and inventory books
- (g) To maintain documents to record goods issued for temporary or other purposes of the Society.
- (h) To prepare inventory and accounts properly.
- (i) To check by calculation or measurement at the physical test.
- (j) To inform remittance and proper receipt of goods.
- (k) The responsibility of the officers who are involved in the following functions:
 - I. To receive goods.
 - II. To approve goods.
 - III. To take over goods
 - IV. To keep goods in custody and provide security for them
 - V. To distribute, sell or dispose of goods in other way.

C.F.R. 99 – Unusable Goods

- (1) Unusable Items - Goods determined as disposable by the Board of Survey are re-examined by a subcommittee nominated by the Board of Directors to see whether they are in a condition to be used at another branch or store or to be sold or fully destroyed. After examining, it should be submitted to the Board of Directors for approval of the action to be taken.
- (2) No item could be used without a report of the Board of Survey and they could be properly removed from the inventory book.
- (3) The Accountant / General Manager may declare the following goods as unusable under the following conditions without waiting for a Board of Survey to be appointed
 - (a) Goods that could be spoiled (potatoes, onions etc.) or
 - (b) Goods less than the value of Rs. 50
 A proper plan should be made to destroy such items and an officer should be appointed for that purpose. A copy of the report on the destroyed items should be submitted after such destruction.
- (4) In case of items which are removed from the book, with metals or debris value they should be sold at the value of the debris and handed over money to the cashier.

C.F.R. 100 - Sale or disposal of property owned by the Society or any other assets been handed over to the Society

Always they should be sold at public auction under the supervision of an officer of the Department of Co-operative Development with the approval of the Board of Directors and the approval of the Commissioner / Registrar of Co-operatives in a way to obtain the highest profit for the Society following the tender system.

C.F.R. 101 – Thriftiness and Efficiency regarding the activities of the Societies

Every Society should be aware of the necessity of carrying out all the activities of the Society in an economical and efficient manner. Further, should make sure that the work is completed within the given time and allocated amount of money.

1. If there is any contract or service assigned to the Societies by the government or other external parties, it should also ensure timely delivery / completion with quality or supply of such works or services.
2. The Societies should maintain schedules for such works and should record all necessary details in the schedules. If there is any amendment in them, it should be amended accordingly.

Eg: - The schedule should include details of the services provided to hospitals, educational institutes etc. and dates and times of service delivery and details of receipt of money for those services.

C.F.R. 102 - Repair of motor vehicles, machinery and other equipment

If the Societies have established their own workshops for this, the repairs could be done by those workshops.

1. If the Society does not have workshop facilities, a Society with facilities of repairs should be selected.
2. If not, service of the relevant agents should be obtained.
3. If these facilities are not available, bids should be called from a number of service providers and tenders should be obtained at the most advantageous price (tender procedure).
4. In case of emergency or inability to call bids, if the cost for repairs does not exceed Rs. 10,000, the General Manager could permit to get it done from the relevant agencies.
5. All repairs exceeding Rs.10, 000 / - should be done with the approval of the Board of Directors.
6. All the information related to the cost of repairing the machinery of the Society (date of repair, nature of repairs, expenses incurred etc.) should be recorded in the prescribed documents. Documents with details of each machinery should be kept with the Society.

C.F.R. 103 – Construction, and Maintenance, Other Constructions

- (1) Constructions could be carried out with the approval of the Board of Directors and the Commissioner / Registrar for constructions which have proper authority within the Local Authority or Municipal Council area. Otherwise, if the constructions have to be demolished, it will be a futile expenditure.

Proper plans, work schedules, programmes and dates of commencement and completion should be properly arranged for such constructions and should never commence works unless adequate funding is available.

C.F.R. 104 – Installation Electricity and obtaining connections

- (1) In case of special designs such as machinery for the installation of electrical equipment, service of an agency approved by the Ceylon Electricity Board (CEB) or the Corporation should be obtained. They must also enter into agreements for maintenance, repair and addition.

C.F.R. 105 – Immediate Purchasing and services

- I. When it is disadvantageous to use the normal procedure to purchase items with less value not exceeding Rs. 5000/, the Society may go for direct purchasing.
- II. When it is economical to purchase instantly, rather than following the normal procedure the Head Office of the Societies may allow sub offices or outlets or regional warehouses to purchase items with the approval of the Board of Directors. In this procedure, the items to be purchased and the quantities should be documented and approval of the Board of Directors should be obtained.
- III. At the time of such purchases, the goods may be permitted to be purchased from the State Corporations or Institutions which have a manufacturing monopoly or approved by the government.
- IV. Restrictions should be imposed for regional purchases and it should be investigated periodically. The full responsibility for such regionally purchased items should be vested with respective store keepers.
- V. Even though the main warehouse could purchase goods in stocks, for local warehouses or stores, goods should not be purchased in bulks for regional stores or outlets. In the event of any loss or damage caused due to purchase as bulks, the store keeper or the officer approved or authorized for purchasing shall be responsible for that.

C.F.R. 106 – Instances where authority is available to deviate from normal tender procedure in respect of work and services

- 1) To Board of Directors may authorize the repairs to be carried out immediately with the approval of the Board of Directors to prevent obstructing the property of the Society due to postponement of repairs in special cases such as leakage of water from the roof of a store, window leakage or leakage of water from the roof of a hospital or breakdown of a refrigerator. Further, if the repair is very urgent, the Board of Directors should give the General Manager the authority to grant approval for that.
 - 2) .The relevant store keepers or managers should be authorized to take immediate action to minimize the damage and loss in the event of a power outage due to disasters such as floods, cyclones , damaging to plumbing or items in the store informing the Grama Niladhari, Divisional Secretary of the area. In case of flood or natural disaster prone areas, those geographical factors should also be taken into consideration and specific advice should be given on how to deal with such situations. The reasons for such authorization must be explained.
1. In such cases, frugality should be highly practiced and it should be noted a specific document whenever such authority is granted (Log Book). A copy should be sent to the Commissioner / Registrar of Co-operative Development.

Miscellaneous

C.F.R. 107 – Supervision of regional warehouses, stores and workshops

- (1) Vehicles, mechanical equipment, machinery, regional warehouses and branch outlets should be supervised by the executive officers in charge of the respective divisions of the Society and it should be identified whether their assets are inactive or disposable and it should be reported.
- (2) The Society should make arrangements in advance and ensure that they are carried out properly. This should be done by the Internal Audit Officers or the supervising officers designated and authorized for that.

C.F.R. 108 – Transfer of items and goods among stores

- (1) Temporary Transfers

When an item is transferred from store to store or office to sub office temporarily it should be included in relevant books. The branch which the goods were received should also be noted in the branch books as temporary goods received. The prescribed forms should be used for that.

(2) Transfers

When transfers are done permanently, it is essential to note receipts and issuance in the documents of the relevant branches or stores.

(3) Approval of an authorized officer should be obtained for temporary and permanent transfers.

(4) The Accountant should make arrangements to check notes on transfers at office level.

C.F.R. 109 - Renting of Buildings

Approval of the Board of Directors should be obtained to

(a) get lands and buildings on rent,

(b) renew existing lease agreements of buildings

(c) Pay advance or to amend the conditions of rent.

(1) When the conditions of the lease agreements are of general nature they must be in the form of a written agreement and they shall be in use without amendment. If there is an opportunity to obtain legal assistance for this, legal assistance should also be obtained. The lease period should be clearly stated in the agreement.

C.F.R. 110 - Obtaining Securities from the officers of the Society

(1) Officers required to give securities

Securities should be obtained from the persons who are in charge of the Society's cash, stamps, warehouses, and other luggage and officers and the primary staff (assigned responsibility) such as drivers and security officers administratively authorized officers for the issuance of luggage.

(2) The posts to give securities should be nominated by the Board of Directors. The salary and liability of the officer should be taken into consideration by the Board of Directors in deciding the security to be given. When transferring or appointing an officer to a post to which a security to be deposited, the security should be given within two months from the date of such appointment or transfer.

(3) The General Manager / Accountant of the Society should ensure that his subordinates who are required to give securities do it within the stipulated time.

(4) If there are acting officers in a post to be given securities, they should also do it.

(5) Procedures to be followed when giving securities

(a) by cash deposits or prescribed securities.

(b) If the security is given by a personal bond or insurance certificate, it must be guaranteed that the insurance premiums will be duly paid and renewed. Receipts of such payments should be checked.

(06) Security Register

A security register of all the officers required to give security should be prepared and maintained at the head office of the society. The relevant document should contain the following details.

- (a) Name of the officer and the designation
 - (b) Amount of the security
 - (c) Nature of the security cash / insurance
 - (d) Registration no. of the bond
 - (e) If the security is deposited in a bank Pass Book No. (The pass book should be kept in the custody of the society)
 - (f) If the security is paid in installments date of premium is paid
- (7) When repaying the security and preparing the year end accounts, it should be compared with the security account of the and the security investment account.

Suvinda S. Singappuli
Commissioner for Cooperative Development and
Registrar of Cooperative Societies

