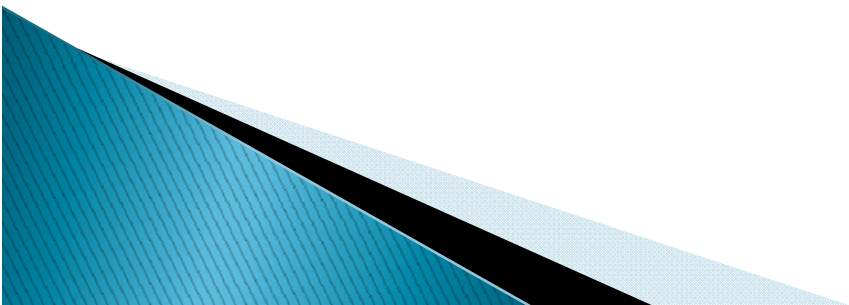


# **Internal Control Systems & Procedures**



# **INTERNAL CONTROL SYSTEMS & PROCEDURES**

*Defined by the Management effective October 5, 1999,  
reviewed on January 18, 2002, and January 15, 2004*



## INTERNAL CONTROL SYSTEMS & PROCEDURES

### Purpose:

The purpose of this procedure is to set forth guidelines, controls and standards in recording and reporting the results of operation and financial position of the Association of Asian Confederation of Credit Unions (ACCU) in accordance with the generally accepted accounting standards in support to the Bylaws and Board Policies.

### 1. General Principles

#### 1.1. Separate Enterprise

ACCU is a separate business enterprise requiring the maintenance of comprehensive accounting records and financial reporting practices to provide meaningful information to members, officers, directors, the audit committee, regulatory agencies and interested third parties.

#### 1.2. Going Concern

ACCU maintains its accounts as a “going concern” on the basis that its operation continues indefinitely. Therefore, assets and liabilities should represent the value to the credit union as a “going concern” and should not be based on liquidation values.

#### 1.3. Monetary Basis of Accounting

ACCU’s Financial Statements are expressed in terms of *Thai Baht*. The recording of each transaction in terms of *Thai Baht* units provided the best feasible indicator of its relative impact on the overall operations.

Changes in the purchasing power of *Thai Baht* are not reflected in the basic financial statements except for the adjustments to incorporate revalued property or equipment in the financial statements.

#### 1.4. Consistency in accounting from Period to Period

ACCU should follow consistent accounting practices from one accounting period to the next. Should a material change in accounting treatment occur, the facts must be disclosed on the financial statements, including the Thai Baht effect upon the Statement of Financial Condition and the changes in the net income for the period.

For example, if ACCU converts from accrual or cash basis to modified cash basis system of accounting, a complete reversion at one time shall be made and report the conversion on the current period financial statements.



### 1.5. Timely Recognition in Accounting Records

ACCU should record accounting transactions on a timely basis so that all material information applicable to each accounting period is shown in the records.

To properly recognize in accounting records and financial reports the reasonable values of assets, liabilities and reserves, income and expenses, ACCU shall make provision for losses that may be sustained in the collection or conversion of assets by charges against current operations.

### 1.6. Materiality

ACCU should recognize in the accounts the material facts relating to its activity.

A statement, fact, or items is materials if, considering the surrounding circumstances as they exist at the time, it is of such a nature that its disclosure, or the method of treating it, would likely influence or “make a difference” in the judgment and conduct of a reasonable person. The accumulation of many small items, each of which in itself would not be “material”, would be “material” if the overall effect would tend to influence the judgment and conduct of a reasonable person.

### 1.7. Principle of Conservatism

ACCU should maintain the accounting records on a conservative basis. It should make reasonable provisions in the accounts for probable losses on assets and for the settlement of liabilities. It should not materially overstate nor understate assets, liabilities, income or expenses.

### 1.8. Accounting Basis

ACCU should use Modified Cash Basis as the prescribed accounting basis. This is a combination of the cash basis of accounting and the accrual basis of accounting. Under the modified cash basis, the accounting is based on actual receipts and disbursement except that provisions should be made to reflect:

- a. Liabilities which are not paid when due;
- b. Deferred credits and charges that are applicable to future periods;
- c. Estimated losses on risk assets, and
- d. Depreciation of property and equipment.

### 1.9. Accounting Safeguards and Control

ACCU should adopt appropriate accounting safeguards and controls to provide reasonable assurance that accounting records are complete and accurate.



### 1.10. Fiscal Year

ACCU accounting period shall be a 12-month period starting July 1 and end June 30.

## 2. Petty Cash

### 2.1. Safeguards and Controls

#### 2.1.1. Custodianship

1. In support to Board Policy on Bookkeeping and Finance, a Petty Cash Fund (PCF) is set up to take care of minor disbursements, usually consisting of day-to-day expenses involving small amounts. The amount of Petty Cash Fund is Baht 20,000.
2. The fund is maintained on imprest system. At any given time, the total cash on hand and the un-replenished disbursements should be equal to the amount of the fund.
3. The fund is in the custody of the Assistant Administrative Office (AAO). Access to and responsibility for the fund is limited to the respective custodian.
4. The fund is kept in a cash box provided and the fund custodian should ensure it is being safeguarded from any undue risk.

#### 2.1.2. Petty Cash Voucher/Revolving Fund Voucher

1. A Petty Cash Voucher (PCV) is required for disbursement from the Petty Cash Fund.
2. The fund custodian has the authority to pay disbursement from the PCF. Supporting documents are attached to the corresponding vouchers.
3. After payment, the PCV and its supporting documents are numbered and stamped "PAID", initialed, with the date of payment noted thereon in ink.

#### 2.1.3. Restriction on Disbursement

1. Each payment from the fund is limited to a certain amount in accordance with the Board policies. Any disbursement more than this amount is made by check.



2. Encashment of checks and unauthorized cash advances from the fund is prohibited.

#### 2.1.4. Replenishment

1. The Petty Cash Fund custodian requests for replenishment when the fund runs low and insufficient to cover petty expenses by preparing Replenishment Summary.
2. The replenishment check should be payable to the fund custodian.

#### 2.1.5. Surprise Count

From time to time, the CEO or Treasurer conducts surprise cash count of the Petty Cash Fund.

### 3. Cash Disbursement

#### 3.1. Safeguards and Control

##### 3.1.1. Payments

1. All disbursements are paid by checks except those, which are paid from the Petty Cash Fund.
2. Each check prepared is covered by a pre-numbered Payment Voucher (PV) and supported by evidences of payment.
3. The Assistant Administrative Officer (accounting personnel) reviews and checks the validity of the PV and its supporting documents.
4. The Manager, Member Services verifies the PV and recommends approval to the CEO.
5. In support to the Board Policy on Bookkeeping and Finance (no. 14), the CEO approves PVs covering disbursements.
6. Upon release of the checks, the AAO stamps "PAID" on all copies of the PV's and its supporting documents indicating therein the date of payments.
7. PVs are signed by the payee/authorized representative to acknowledge the receipt of payment upon release of check, otherwise, the AAO should require the payee to issue Official Receipt or other evidences in exchange of the check.



8. The Treasurer verifies the financial transactions on a quarterly basis. Should the Treasurer's country is outside Thailand, the Board of Director in Thailand, if any, verifies the disbursement and other financial transactions of ACCU on a monthly or quarterly basis. However, the Treasurer is still responsible to verify the financial transactions and report to the Board.

### 3.1.2. Control of Checks

1. All checks are issued and recorded in numerical sequences in the checkbook.
2. All checks are prepared based on the properly approved PVs and signed and countersigned by at least two authorized signatories. In support to Board Policy 9.4.c, the CEO and Manager Member Services is authorized as signatory to the checks.
3. The check is always made payable to a specific person or entity. Whenever possible, checks must be made crossed (two parallel lines at the left side of the check).
4. Unused check booklets will be under the custody of the AAO. Under no circumstances such check booklets be made available to any unauthorized person.
5. Voided, spoiled and cancelled checks shall be marked "CANCELLED" and attached to the corresponding checkbook for subsequent inspection and reconciliation.
6. The check when presented for approval shall be supported with approved PV and supporting documents.
7. Signing or countersigning of blank checks in advance is strictly prohibited.
8. All checks issued should be recorded in the check register book.

### 3.1.3. Bank Reconciliation

1. The AAO shall update the passbook daily to ensure that fund transfer and clearing of issued checks are appropriately monitored and recorded in the accounting records.
2. To determine the accuracy of the cash in bank account balance, a reconciliation of the book and bank balances shall be done monthly by the accounting personnel and to be reviewed by the CEO.



3. The CEO reviews the bank reconciliation statement, especially the reconciling items.
4. Unrecorded bank charges and credits, if valid, should be recorded in the accounting records.
5. Posting errors committed by the bank should be immediately communicated.

#### 3.1.4. Control of Payment Vouchers

Payment Vouchers are issued with electronically generated number sequence in the accounting records.

All copies of cancelled PV are filed, retained in the file and marked "CANCELLED."

### 4. Cash Receipts

- 4.1. All cash/checks received on hand should be acknowledged by the issuance of Official Receipt (OR).

Cash received via bank to bank transfer should be acknowledged by Official Receipt. The Official Receipt recorded to DAC Easy Accounting is supported with the evidence of fund transfer such as the bank notice and the copy of the passbook.

Cash/checks received on hand should be deposited intact on the next banking day or more frequently as the need arises.

The AAO is responsible to receive cash, issue corresponding Official Receipt and deposit the same.

The Official Receipts are issued with electronically generated number sequence in two copies. The first copy is issued to the payor and the second copy is filed for reference in encoding to the accounting software.

All copies of cancelled Official Receipts are filed, retained in the file and marked "CANCELLED."

### 5. Non-Cash Transactions





- 5.1. The Journal Voucher with electronically generated number sequence is the accounting document used to process non-cash transactions.
- 5.2. The AAO prepares the Journal Voucher after careful examination of the validity of the supporting documents in accordance with the project and general budget.
- 5.3. The Manager Member Services verifies the transactions and the CEO approved the Journal Voucher.
- 5.4. All copies of cancelled Journal Vouchers are filed, retained in the file and marked "CANCELLED."
- 5.5. The Journal Vouchers are checked by the Treasurer in his regular monitoring and supervision visit. Should the Treasurer's country is out of Thailand, the Board of Director of ACCU in Thailand, if any, shall be requested by the Treasurer to assist in the supervision of the financial transactions of ACCU.

## **6. Property and Equipment**

### **6.1. Safeguards and Control**

#### **6.1.1. Approval of Acquisition**

1. Acquisition of office equipment should be within the general or project budget.
2. Prior approval from the CEO is required for the acquisition of office equipment.

#### **6.1.2. Record Keeping and Control**

1. All property and equipment should be in the name of the Association of Asian Confederation of Credit Unions.
2. The property custodian is responsible for the proper safeguarding and maintenance of property and equipment. In this case, the AAO is responsible for this duty.
3. Where advisable, property and equipment should be adequately insured against fire, theft and other risk.
4. A Property and Equipment Record is maintained and updated by the AAO for each property or equipment where the cost, depreciation charges and other relevant data, like sale, disposition, trade-in, improvements, and exchange are recorded.



5. A Property and Equipment Memorandum Receipt properly accomplished and acknowledged by the employees and/or officers to whom the equipment is assigned shall invariably cover property and office Equipment issued to the employees and/or officers.
6. All property and equipment are numbered and properly identified.
7. All purchase of furniture, fixtures and equipment as well as stationery and supplies is centralized. Direct purchases may be made subject to the following conditions:
  - Emergency purchases to restore normal operations after damages wrought by fire, flood, etc.
  - Purchases necessary for immediate implementation of the programs under the project.
  - Where direct purchased are advantageous for reasons of:
    - a. Lower local prices in the face of comparable quality compared to current prices in the local stores plus handling and shipping charges.
    - b. Warranties and other sales features that would prolong the life and usefulness of the assets.
8. All purchases of major equipment shall be subject to canvass from three suppliers except those items that can only be obtained from a sole manufacturer or exclusive distributor.

## 6.2. Depreciation

### 6.2.1. System

1. Depreciation must be computed in accordance with the approved rates of depreciation and must be taken up periodically in the books.
2. When a property and equipment is fully depreciated but still functional, a nominal value of Baht 1 is carried in both the controlling account and in the subsidiary ledger to represent the fully depreciated unit.
3. Periodic provision for depreciation is necessary to cover the decline in value of the assets. For simplicity of application, the straight-line method of depreciation is adopted for all movable assets as a rule. The computation is based on the following formula:

$$\text{Annual Depreciation} = \frac{\text{Cost of the property less Salvage Value}}{\text{Estimated years life of the property}}$$



### 6.2.2. Accounting Procedures

1. The provision for depreciation is computed and recorded periodically as the case may be.
2. The depreciation expense for each item should be in round figure.
3. In the event, the original cost less the salvage value is not exactly divisible in 100 Baht for the number of depreciable periods the last depreciation periods shall cover the balance of the asset leaving the nominal value of Baht 100.
4. As a general practice, the first depreciation charge on an asset item begins with the next reporting period after the acquisition.

### 6.2.3. Suggested Estimated Useful Life in accordance with the

#### 1. Furniture and Furnishings – 5 years

This classification covers building accessories, which are generally for the working and/or convenience of office personnel and clients. Examples are chairs, tables, sofas, top glass, mirrors, carpets, shades, draperies, movable dividers, vases, decorative boxes and frames, paintings, wastes baskets, wall clocks and table clocks.

#### 2. Fixtures – 5 years

This group refers to permanent or semi-permanent attachments closely related to the building but not classed as building. Examples: counters, teller's cages, fixed dividers or partitions, built-in cabinets/shelves, storage bins and guardhouses.

#### 3. Business Machines - 5 years

This includes all standard office machines or mechanically operated office equipment such as typewriters, adding/calculating machines, copying machines, check writers, postage machines, Bundy clocks and numbering machines.

#### 4. Office Equipment – 5 years

This category embraces all office apparatus, which are not mechanically operated. It includes: cabinet, safes, vaults, trays, racks, and paper cutters.

#### 5. Computer Machines – 5 years



This group includes all component units and peripherals of a computer system.

6. Appliances – 5 years

This group includes devices used for improving working conditions in an office. It also covers musical, communication and ventilation facilities. Examples: air condition, electric fans, radios, stereo sets, pianos, refrigerators, intercom systems, burglar alarm system, floor polishers, vacuum cleaners and lawn mowers.

7. Other Equipment and Instruments – 5 years

This classification embraces power units, security devices and trade equipment instruments. Examples: generators, motors, transformers, water pumps and accessories, fire extinguishers, medical/dental equipment, engineering equipment, athletic, printing/bookbinding equipment, and photo equipment.

8. Land Transportation Equipment – 5 years

Included in this group are: automobiles, jeeps, buses, and pick-ups

9. Books – 2 years

This covers all technical, professional and general reference books.

10. Building – 20 years

11. Leasehold Improvements – 5 years

12. Land Improvements – 5 years

- 6.2.4. The depreciation method should be reviewed at least annually and, if the pattern of consumption of benefits has changed, the depreciation method should be changed prospectively as a change in estimate under International Accounting Standards no. 8.

## 7. Liabilities

### 7.1. Safeguards and Control

#### 7.1.1. Accrued Expenses

1. Accrued expenses must be valid and duly approved with supporting legal documents and authorized by the CEO.



2. Only expenses that were actually incurred in connection with the operation of ACCU should be taken up as accrued expenses.
3. A ledger should be maintained for each class of accrued expenses.
4. Accrued expenses should be settled immediately whenever fund is available.

#### 7.1.2. Accounts Payable

1. Totals per individual ledger account balances must tally with the balances per major control account in the general ledger.
2. Only accounts payable that are valid and duly supported by legal documents (i.e. sales invoices, delivery receipts, purchase orders, job orders, etc. duly approved by the CEO) should be paid.
3. Ascertain that all contributions deducted from management staff were made in accordance with the existing policies set by the Board of Directors.

### 8. Income Recognition

- 7.1. Interest on investments shall be recorded on cash basis.
- 7.2. Dues income is also recorded on cash basis.
- 7.3. Other income from technical fees and donation will be recorded only at the time the cash is received.

### 9. Accounting Records Management

- 9.1. The DAC Easy Accounting is the official software used in keeping updated and accurate financial information.
- 9.2. AAO ensures updated records of all transactions are encoded in the accounting software. Access to the computer software is prohibited to other staff to ensure that financial information is not altered.
- 9.3. Accounting entries are based on the updated Chart of Accounts. The Chart of Accounts particularly on the projects are reviewed and updated regularly in conformity to the requirements of the development partners of ACCU. AAO issues an updated Chart of Accounts as necessary.
- 9.4. The project fund from development partners are presented in the Balance Sheet as Liability account. The liability is reduced by the expenditures in the project.



- 9.5. AAO produces a trial balance at the end of each month. The Trial Balance produced would be subject to scrutiny of the CEO as compared to the ledgers and approved project budget line items.
- 9.6. The verified Trial Balance is the basis for the preparation of the Monthly Financial Statements.
- 9.7. AAO ensures that all accounting documents are verified and checked by the Treasurer. If the Treasurer is residing outside Thailand, the Treasurer seeks the help of the Board of Director in Thailand, if any to fulfill this responsibility.
- 9.8. AAO ensures that all accounting documents are neatly filed, protected and kept in a safe environment to avoid damaging.
- 9.9. Preservation of accounting documents follows the Board Policies 1- Operations no. 14, Preservation of the Documentation.

## **10. Reporting of Financial Information**

- 10.1. ACCU issues general purpose financial statements to provide information about the financial position and financial performance useful for the board of directors in making sound decisions.
- 10.2. To meet that objective, financial statements provide information about ACCU's Assets, Liabilities, Equity, Income and expenses.
- 10.3. The monthly financial statements (interim) are prepared by AAO and approved by the Chief Executive Officer. The monthly financial reports are submitted to the Board of Directors for their review every third week of the month.
- 10.4. The following financial statements are prepared on monthly basis (pro-forma is attached as annex):
  - Balance Sheet
  - Statement of Income and Expenses
  - Notes comprising a summary of accounting policies and other explanatory notes.
- 10.5. An independent external auditor is appointed by the board of directors to assess the fair presentation of the financial position and financial performance of ACCU.
- 10.6. The management ensures the fair presentation and faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses.



No: \_\_\_\_\_

Date Received: \_\_\_\_\_

ASSOCIATION OF ASIAN OF CONFEDERATION OF CREDIT UNIONS

# Official Receipt



Phone – 66-2374-3701  
Phone – 66-2374-5101  
Phone – 66-2374-5321  
Fax – 66-2374-5321  
[www:http://www.aaccu.net](http://www.aaccu.net)

ASSOCIATION OF ASIAN CONFEDERATION OF CREDIT UNIONS  
24 Ramkhamhaeng Soi 60, Bangkok, Bangkok 10240  
Thailand  
E-mail: [aaccu@aaccu.coop](mailto:aaccu@aaccu.coop)

ID Date

From

Address

Payment

Account Name

FOLIO

Account ID

Debit

Credit

Amount :  
Check ID

Amount

Accountant : \_\_\_\_\_





# Payment Voucher



Phone – 66-2374-3701  
Phone – 66-2374-5101  
Phone – 66-2374-5321  
Fax – 66-2374-5321  
www.aaccu.coop

ASSOCIATION OF ASIAN CONFEDERATION OF CREDIT UNIONS  
24 Ramkhamhaeng Soi 60, Bangkapi, Bangkok 10240  
Thailand  
E-mail: accu@aaccu.coop


Voucher Number		Date	
Cash or Check No.		Payee	
Bank Name		Amount	
A/C No.		Total	
Code	Account	Description	Amount
<hr/>			
<hr/>			

Prepared by : \_\_\_\_\_

Approved by : \_\_\_\_\_

Receiver: \_\_\_\_\_



<b>Journal Voucher</b>				
Phone – 66-2374-3701 Phone – 66-2374-5101 Phone – 66-2374-5321 Fax – 66-2374-5321 www.aaccu.coop		ASSOCIATION OF ASIAN CONFEDERATION OF CREDIT UNIONS 24 Ramkhamhaeng Soi 60, Bangkok, Bangkok 10240 Thailand E-mail: accu@aaccu.coop		
ID		Date		
Remark				
Accounts	Folio	Code	Debit	Credit

Prepared by : \_\_\_\_\_

Approved by : \_\_\_\_\_

Receiver: \_\_\_\_\_

