



# **FOREVER SABAH BERHAD**

(Co No. 1172311-D / 201601001385)

## **POLICIES AND GUIDELINES ON INTERNAL CONTROL AND PROCUREMENT**

FS strives to have the best possible system of internal controls and financial accounting. To that end, these policies and procedures guide the work of the Board, management and employee.

### **Accurate, timely financial reports and information returns**

The Board of Directors provide oversight to ensure that FS provides accurate, timely financial reports. The Chief Financial Officer (CFO) and office employee shall maintain an annual calendar of reporting deadlines and confer regularly to ensure that all reports have been filed in a timely manner.

### **Approval of plans and commitments before they are implemented**

The annual budget in general directs how funds are spent. This budget is based on the fiscal year (January to December) which is presented to the Board of Directors before the end of the fiscal year. The Board's approval is needed to spend funds or make financial commitments to projects that have not already been incorporated into the annual budget. The Chief Financial Officer reports the financial position to the Chief Executive Facilitator, management employee, and the Board of Directors, who in turn review comparisons of financial statements with budgeted amounts on a quarterly basis.

### **Compliance with other government regulations**

FS complies with all government regulations pertaining to the submission of financial reports to the respective tax and company regulatory authorities. The Board of Directors ensure that the accounts are submitted for an audit by an approved auditor, annually. When new grants are awarded from a public entity, the Chief Executive Facilitator together with the CFO shall review all documentation to ensure that FS is in compliance with the conditions of the funding organisation as well.

## **Contracts**

FS may use a private consultant only if there is a substantial need for the consulting services and if FS cannot adequately perform the services with its own personnel. FS shall select a consultant on the basis of demonstrated competence, knowledge, and qualifications and on the reasonableness of the proposed fee for services. The following procedures regarding contracts and procurement are to be used for purchases or contracts over RM10,000.

### **i) Awarding Contracts**

The guiding principle is that the **appearance** of transparency, accountability and lack of corruption is as important as their actual fulfilment. When in doubt, any doubtful dealing which might give a negative appearance must be avoided. The rest of this policy is subject to this guiding principle.

No employee, officer or agent shall participate in the selection, award or administration of a contract if a real or apparent conflict of interest would be involved, unless such interests have been fully disclosed in writing to the Chief Executive Facilitator prior to such participation. Such a conflict would arise when the employee, officer or agent, or any member of his or her immediate family, his or her partner, or an organisation which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. FS may reject / decline to award to the firm, regardless of the attractiveness / merits of the firm's application, purely or partly based on the fact that the firm has connection with any of the employees, officers or management of FS.

The officers, employees, and agents of the recipient shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to sub agreements. However, recipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. Any violation

of such standards by any such officer, employee or agent of FS shall be subject to disciplinary action, including termination.

Employees are prohibited from accepting gifts, money, or gratuities from persons receiving benefits or services from FS without the prior written approval of FS. Any gift of value (excluding one-time meals and drinks) received will be considered the absolute gifts to FS, unless waived in writing by the Chief Executive Facilitator or Human Resources officer of FS. Money and gratuities received from public appearances as representatives of FS shall be deposited in the account of FS.

## **ii) Contract / supplier administration**

The CHeF shall ensure that a system of contract/supplier administration is maintained to comply with the terms, conditions and specifications of the contract and to ensure adequate and timely follow up of all purchases. The CHeF together with the CFO shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, inclusive and free competition. FS shall be alert to organisational conflicts of interest as well as noncompetitive practices among contracts that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft grant applications, or contract specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be **excluded** from competing for such procurement. Awards shall be made to the bidder whose bid or offer is responsive to the solicitation and is most advantageous to the recipient after considering all relevant factors. FS shall clearly set forth all requirements that the bidder shall fulfill in order for the bid or offer to be evaluated by the recipient. Any and all bids or offers may be rejected at the discretion of FS when it is in FS interests to do so.

### **iii) Cost and price analysis**

Cost and price analysis shall be made and documented in connection with every procurement action before a contract is awarded. Price analysis may be accomplished in various ways including comparison of price quotations submitted, market prices and similar indicia, together with available discounts.

### **iv) Procurement records**

Procurement records and files for purchases in excess of RM10,000 shall include the following: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

### **v) Errors in process**

In the event that procurement procedures have not been adequately followed, the Chief Executive Facilitator / any Director may request to reopen the procurement activity.

## **Disbursements**

The Board of Directors, acting through the Chief Executive Facilitator, authorizes payments for services and financial commitments of FS. The Directors and any other persons deemed appropriate by the Board shall be authorized to sign checks on behalf of FS. Cash is disbursed only upon proper authorization of the CHEF for valid business purposes. All disbursements are properly and promptly recorded. The CFO prepares a reconciliation from the bank account to the bank statement on a monthly basis.

## **Deposits**

All cash and cheques intended for FS is received, promptly deposited, properly recorded, reconciled, and kept under adequate security. Official receipts must be issued for all

deposits. Cash received above RM1,000 shall be promptly deposited into the bank account of FS.

### **Fixed assets**

Expenditures for land, building, furniture and equipment are recorded at cost. Donated assets and capitalized donated leases are recorded at their estimated fair market values at the date of donation. Depreciation expenses are calculated using the straight-line method and the following estimated useful lives:

Building and improvements	10-35 years
Furniture and equipment	3 -10 years
Vehicles	3 – 5 years

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expenses as incurred. FS capitalizes all fixed assets with a cost greater than or equal to RM500 and useful life greater than one year, unless otherwise stipulated by a grant. When an asset is purchased through a grant, the grant's capitalization rules apply.

Fixed assets may be acquired and disposed of only upon proper authorization by the Board of Directors, such transactions must be adequately safeguarded and properly recorded. FS will conduct an annual inventory of fixed assets and maintain a central list of fixed assets, which includes registration numbers, warranty information, original cost, and service contract information, if appropriate.

## **Grants, gifts, bequests**

All grants, gifts, and bequests are received and properly recorded. Compliance with terms of any related restrictions is monitored by the CHEF and CFO.

## **Regranting**

FS has created a regranting programme that will facilitate the funding of our local partners, which will enable them to continue their work and in turn fulfil our mission of collaborating and bridging between local and international partners. Funds from foundations/organisations are regranted to local partners whose programmes accomplish the missions of the foundations providing the grant to fund a variety of environmental and social projects and programmes in Sabah / Malaysia.

### **i) Re-granting guidelines**

- a. FS will sign re-granting agreements with all funding recipients that specify activities, outcomes, reporting, financial arrangements and procedures in relation to non-compliance
- b. FS will provide collaborative support to local partners for the regranting process in whichever mechanism is deemed appropriate (eg. grant writing & submission, reporting, joint networking, programme capacity building).
- c. An administration fee for each grant received shall be considered and approved by the Board of Directors.
- d. Grant monies will be advanced to the grantee in tranches equivalent to projected work activities on a mutually agreed time frame. Further transfers require successful reporting.

**Investments and accounts**

In order to minimize the risk and maximize benefit, FS is allowed to utilize as many local banking and savings institutions as is practical with the Board of Directors' approval. With the exception of current and money market accounts, the maximum amount of deposit with any institution may not in usual course of business exceed RM300,000. The CFO reviews our position monthly and makes any appropriate transfers as approved by the Board of Directors.

**Petty cash**

Petty cash and other working funds are disbursed only for proper purposes, are adequately safeguarded, and properly recorded.

**Payroll**

Payroll disbursements are made only upon proper authorization to bona fide employees. FS shall ensure that payroll disbursements are properly recorded and that related legal requirements such as Employees' Provident Fund, SOCSO and PAYE are complied with and properly recorded and filed.

**Segregation of duties**

The policy in separating the custody of assets, authorization of use of the assets, and record-keeping is adhered to as far as it is practical in FS to prevent fraud, and to provide oversight and review so as to detect errors and irregularities.