

# the ant

the action northeast trust

## [Financial Policies & Procedures Manual]

This Manual contains the policies affecting handling of Finance and the related procedures that are to be followed in the ant in order to maintain high levels of transparency, financial integrity and levels of systems that are of the highest standards.

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# 1. Introduction

## 1.1 Financial Policies and Procedures Manual

A Financial Policy and Procedure manual documents the policies and procedures the unit should use to record and monitor financial transactions. Documentation of financial policies and procedures is important because it provides clarity regarding internal processes. Its purpose is to help the unit in:

- Recording ALL financial transactions
- Monitoring and control of expenditures
- Satisfying statutory reporting requirements
- Ensuring timely and accurate financial and management reporting to donors, grant
- the management being responsible for the financial dealings
- being confident of its financial integrity that will help in its fearless pursuit of the agenda of the poor and marginalized and to uphold the Constitution

## 1.2 Accounting principles

The guiding accounting principles are:

- Dual aspect – All transactions should be recorded on double-entry basis.
- Money Measurement – only transactions that can be measured in monetary terms are to be recorded in the accounts.
- Consistency – All transactions are to be treated on same basis from year to year. In case of any change in the basis of treatment, the same must be adequately disclosed in the notes to accounts.
- Materiality – a transaction shall be considered as material when its value equals to or is over INR 5,000 or equivalent.
- Disclosure – Significant accounting policies and information shall be disclosed in all financial statements.
- Historical Cost – all transactions shall be recorded at the cost price.
- Cash – The financial statements shall be prepared on the basis of cash system of accounting unless demanded specifically by a funding agency, and in such a case, this shall be notified in the audit report.

## 2. AUTHORISATION POLICIES & PROCEDURES

### **Principles**

Authorization policies are designed so that ~~the unit~~ employees holding appropriate delegated authority are made responsible for approving transactions carried out under the name of ~~the unit~~.

Authorization refers to the signing of a document to verify approval. The signature verifies that the signatory has read and reviewed the document and agreed to its content.

Verbal approval is not sufficient for authorization.

Authorization of financial transactions ensures that employees holding appropriate delegated authority are aware of their responsibilities in safeguarding ~~the unit's~~ assets and helps to guard against errors and irregularities.

Employees cannot authorize their own work or claims. So, all expense claims must be authorized by the employee holding appropriate delegated authority to authorize.

The authorization procedures are tied into the budget-holder approval process. An employee who is authorized and made responsible for approving transactions can only approve expenditure under budgets for which they have authority. A budget-holder can delegate their authority only in exceptional circumstances and must then subsequently review all transactions.

## 2.1 Authorization structure & limits

### Authorization Limits for the ant Employees

#### Expense Claims:

Limits	Claimant	Authorized by
Upto Rs. 5,000	Support Staff/Executive Support Staff/Executive	Coordinator/Executive Director (verified by Fin. Officer)
Above Rs 5000 upto Rs 1,00,000	Coordinators & For all the claims	Executive Director (Verified by Fin. Officer)
Above Rs 1,00,000 Upto Rs. 5,00,000	For all the claims	Chairperson, Treasurer AND one Governing Board member

#### Authorization Limits for the ant Employees:

Coordinators	Rs. 5,000
Managing Trustee/ Executive Director	Rs. 1,00,000

#### Bank and Cash Payment

All Bank Payments	Managing Trustee/ Executive Director with the clearance & verification of finance Unit
Cheques	Two signatories
Bank Reconciliations	Should be verified by other than the person responsible to prepare
MoU signed with partner organization	Managing Trustee/ Executive Director
Other Legal Documents	Managing Trustee/ Executive Director
Purchasing	As per Purchase policy
Payroll Monthly sheet	Admin Incharge with Accounts Unit
Leave & Other Calculations	Admin Incharge
Authorization	Executive Director

#### Advances

Salary Advances	Not permissible
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Travel Advances

Coordinator / Managing Trustee/ Executive Director

Advances for project events

Project/ Cluster Coordinator/Executive Director

Purchases, etc

Managing Trustee/ Executive Director

## 2.2 Entertainment Expenses

It is essential to ensure that on occasions when extension of hospitality is in the best interest of **the ant**, funds are expended prudently and in a manner compatible with the use of donated funds. Hospitality expenses shall be defined as the provision of food, beverages, activities or events for the purpose of promoting and furthering the mission of the **the ant**. The following guidelines should apply:

Hospitality is only allowable in administrative meetings directly concerned with the objects of the **the ant**, in which meals are an integral part and not supplied solely for personal convenience.

As a general rule, hospitality costs relating to staff visiting partners and affiliates shall be allowable where per diem is not paid to the employee.

Hospitality expenses incurred while on official travel should be reported and claimed as travel expenses for that trip. The staff members who claim per diem are not entitled to claim additional entertainment expenses.

Alcoholic drinks, tobacco, pan-taamul and any other habit-forming items shall not be paid for from **the ant**'s funds or during **the ant**'s events or any other occasions / travels either keeping in mind our position on health and a high level of ethics. Expenses on taking guests to films, theatre, dances, etc that may be seen by **the ant**'s constituency as a wastage or luxury may not be paid from **the ant**'s funds.

All such expenses shall be approved by the Executive Director with the purpose and names of the participants at the meeting.

### 3. BANK, CASH AND INVESTMENTS OPERATIONS

#### Principles

Funds should be made available for the unit's work while minimizing the risks of loss, fraud or misappropriation.

#### 3.1 Bank Arrangement

Based on the above principle bank arrangement shall be established as under:

- the unit shall have Separate bank accounts for Local and Foreign Contribution Accounts. the unit may maintain as many bank accounts as it may require for operating its various local funds. But it shall have only one bank account for receiving of its FC funds.
- All foreign contributions shall be deposited into designated FC account. the unit shall take special care to ensure that all foreign contributions, though received for different projects and from different funding partners/agencies are all first deposited into the designated **FC Bank Account declared to the Ministry of Home Affairs (MHA)** and granted approval for. If necessary, the unit may maintain more than one bank account (s) for the purpose of utilization of FC funds at different places where the activities are being carried out. Details of such Bank accounts must be reported in FC-6 as per rules. In such cases the unit shall transfer the funds received through the designated FC Bank Account to the other FC Bank Accounts and utilize. However this may be changed in line with any amendments made subsequently to the FC Regulations Act 2011 under which this has been made permissible.
- Under no circumstances any FC funds should be directly deposited into any other FC Bank Accounts. More over all the subsequent bank accounts opened for handling FC funds should only be used for FC purposes and no local funds should be mixed up.
- the unit shall maintain proper records to show the details of Foreign Contributions received. E.g. Date Received Name and Address, Purposes, FC Amount, Rate, INR, Period of Utilization etc.  
Bank balance must always remain in debit. No overdraft shall be allowed without prior written approval from the Governing Board.



## **3.2 Bank Selection & Account Opening**

### **3.2.1 Bank Selection**

The selection of new bank or changing the current bank for main account (i.e. designated FC or any other bank account) shall be carried out by Head of Finance through review regarding the proposed bank's reliability, integrity, financial stability and facilities offered. A report shall be prepared and shared with ED and Finance committee members. Formal approval shall be taken from Governing Board.

### **3.2.2 Opening of Bank A/c**

Bank account shall always be opened in the name of **the ant**. While opening a bank account for its projects, it should be opened in the name of **the ant** followed by the designated purpose, e.g., **the ant** – Main, **the ant** – FC, **the ant** – SDTT & Allied Funds, etc..

**the ant** should take a prior approval from the Governing Board for opening or closing any bank account. To open a bank account a resolution has to be passed in the Governing Board indicating in what name, in which bank and branch and who shall be the authorized signatories for operation of the bank account.

### **3.2.3 Signatories**

**the ant** shall have any Trustee /Executive Director and the Treasurer or a Governing Body member authorized to operate the bank account jointly. However to facilitate smooth functioning of day to day matters particularly when the authorized joint signatories are outstation, **the ant's** board can decide to allow two of any four signatories that may include one or two member (s) of the staff (but not including the members of the Accounts /Finance unit).

The operation of bank accounts is to be done jointly by the Managing Trustee/ Executive Director and Programme Coordinator for cheques up to Rs. 50,000/- each.

### **3.2.4 Deposits & Payments**

**the ant** shall make all the deposits through properly filled up pay-in slips where the Account Number and all other details are clearly & correctly filled up. The corresponding Official Receipt Number shall be noted in the counter-foil of the pay-in-slips and the duly acknowledged counterfoils shall be preserved safely in a bound form for bank reconciliation and audit verification.

**the ant** shall make all payments, with-drawals, transfers, pay-orders, demand drafts etc. only through Cheque and not by issue of letters or any other mode. All the relevant details should be clearly mentioned in the Cheque counter-foils/record-slips and the same shall be preserved safely for bank reconciliation and audit verification.

**the ant** shall avoid any Bearer Cheque (without crossing), simple crossed Cheque (with out marking account payee only) and post dated Cheque. Except under special circumstances, all payments exceeding Rs.5,000/- each shall be made only through crossed account payee Cheque.

### 3.2.5 Computerised Accounts

While Receipts, Payments and Journal Vouchers shall be maintained in hard/paper form, all the other account – keeping shall be done in a computerized accounting package like Tally, of which the latest authorized version may be procured.

### 3.2.6 Reconciliation

Local Cash, FC Cash and for any other account if its Bank Account is being maintained separately must be reconciled with the Bank Accounts on every working day at 1600 hrs and the same must be recorded in writing on a notebook that maintains this reconciliation on a sheet per day. While the Cash as per Computerised accounts must be entered in figures, the actual Cash must be accounted for by the form of currency it is held, e.g., No of notes of Rs1, 2, 5, 10, 50, 100, 500 or 1000 denomination and totaled. It will be the duty of the Accountant to get the cash tallied and reconciled between the Computerised accounts and the physical cash by any person outside the Accounts/ Finance Unit once in a week. The Head of the Finance / Admin Unit on her/his part will also be dutibound to reconcile the same once a week. The individual reconciling the cash must also sign the notebook to authenticate the amount at the end of physically verifying the cash.

the ant shall prepare monthly bank reconciliation statement. Bank statement shall be obtained from the bank manually. The bankbook from the Computerised Accounts shall be balanced and reconciled with the bank statement by 10<sup>th</sup> day of the following month. The Accountant shall be responsible to prepare the bank reconciliation and the Admin Incharge will be responsible to check its veracity and its regularity.

The reconciliation should take account of cheques drawn, but not yet presented at the bank and of deposits made which have not yet been recorded on the bank statement. All discrepancies should be notified in writing immediately to the bank concerned. The bank reconciliation statement shall consist of the following:

- Date of preparation
- Bank Statement of the previous month
- Bank Book of the previous month
- Bank reconciliation Statement duly signed by the person preparing the same and reviewed/approved by the Admin Incharge.
- The documents shall be properly filed for future reference. In case of outstanding cheque for more than 3 months, the concerned party shall be contacted for necessary actions.

the ant shall keep the unused chequebooks in the safe custody of the Accountant and this must be brought out from a locker only temporarily for purposes of making a cheque payment. the ant shall preserve all cancelled cheques for identification and control purposes.

At the end of the financial year, the ant shall take confirmation of balances from the bank for all bank balances such as SB, CA and FDs. along with TDS Certificates wherever applicable.

### 3.3 Cash

All cash payments should be made only on the basis of authorized documentation. All payments should be documented on a payment voucher, which should be attached to the corresponding receipt. The person authorizing the expenditure, usually the Exec Director or the Admin Incharge on her/his behalf must sign payment vouchers.

For each party, separate voucher shall be prepared. However, the payment voucher may include more than one item of expenditure, but expenses of more than one funding agency may not be entered on the same payment voucher.

### **3.4 Limits**

For the ~~the~~ maximum limit of Cash in hand shall be Rs 50,000/- each for Local and for FC Cash. If any other Project Account has also been opened, Rs 20,000 Cash in Hand may also be maintained. However the Executive Director is authorized to permit a temporary higher limit under special circumstances for Project and Workshop related Expenses, especially when networks are down and bandh days can be foreseen.

### **3.5 Checks**

Regular checks should be made to sequential numbering of entries to ensure that all documents have been entered into the cashbook. Checks should also be made of vouchers to ensure that all payments have been correctly authorized.

### **3.6 Physical cash**

The Cashier at the ~~the~~ has access to the physical cash and shall update the computerized cashbook daily and reconcile with the physical cash. For this purpose a Scroll should be prepared wherein details of opening balance, total receipts for the day, total payments for the day, closing balance and denomination are entered and signed each day by the Accountant. Cash count should be conducted by the head of the department or by the person to whom the person handling cash is reporting on a regular basis. The Managing Trustee/ Executive Director is authorized to decide and frame appropriate policies as to by whom and when the cash count should be conducted and at what interval. Please also see Section 3.2.6 above for details.

### **3.7 Safe Custody**

Cash must be stored under lock and key in a cash box or safe inside a metal almirah/cupboard that is cemented into the floor.

## **3.8 INVESTMENTS**

### **3.8.1 Principles**

Many times funds are received by the ~~the~~ in advance to be applied for carrying out the objectives over the next one to three years. Sometimes the available surplus is not sufficient to take up the planned work and the ~~the~~ has to wait for some more time to get the minimum funds accumulated for said purposes.

To make optimum use of funds lying surplus, ~~the~~ shall prepare proper cash flow projections and shall make prudent investments with scheduled commercial banks as per recommendations from the Finance Committee from time to time. Accounts where large sums are invariably present, a Flexi-Fixed Deposit may be opened within the same account to earn a higher rate of interest.

### **3.8.2 Investment yardsticks**

Based on the above principle the following should be kept in mind:

While deciding the various investment options, ~~the~~ should keep in mind the usual yardsticks such as yield, safety, liquidity, and capital appreciation & Government restrictions. Corpus funds, Maintenance funds, Endowment funds and other similar long term funds should

be invested in long term approved securities, invariably Fixed Deposits which are safe and which give higher yield and capital appreciation. Mutual Funds and ULIPS though occasionally coming up in IT Sec 12A permissions, may be the last choice of investment, being linked to the fickle share market.

Funds required for annual operating or administrative expenses, ongoing programs/projects, construction works shall be invested in short term-approved securities like Flexi-Bank Fixed Deposits or Savings Bank, which are safe and have better liquidity.

**the ant's** Managing Trustee/ Executive Director after consulting the Finance Committee of the Board of Trustees and shall prepare an Investment Policy and get the approval of the Governing Board. The Governing Board may decide to delegate to the Trustee/ Executive Director the powers for making investments in Bank Fixed Deposits and other short-term investments based on the clauses above, subject to over all limits sanctioned in the Budget.

Finance Department shall keep track of investments by proper MIS, which shall have details of Investments maturing during the current month and next three months, which shall be highlighted in the Monthly Report to the Executive Director. Similarly in the Half Yearly Report to the Finance Committee/ Governing Board details of Investments to be renewed / enchased and fresh additions to be made as per Investment Policy shall be high lighted for appropriate decision and approval.

The Executive Director shall keep all the original Investment documents in safe custody. All Investments shall be physically verified periodically and also as at the end of each financial year.

**the ant** shall get a prior approval of Governing Board before disposal of any investments prior to the due dates.

**the ant** shall maintain an Investment Register to exercise adequate control on receipt of Interest/Dividend and TDS on Bank Fixed Deposits from Public Financial Institutions, and Government Securities etc. Following details shall be entered in the investment register:

- Date of Deposit
- Name of Bank/Institution and Sl. No. Of Deposit Receipt
- Amount of Deposit
- Period of Deposit
- Rate of Interest
- Periodicity of interest (whether monthly, quarterly, annually or cumulative)
- Date and Amount of Maturity
- Date Enchased/Renewed
- Date and Amount of Interest Due
- Date and Amount of Interest Received

Both in the case of FC and Local Accounts, **the ant** shall allocate interest earned from various saving bank accounts and investments to the respective Donor Fund accounts – if asked for - in the proportion of their unspent balances lying during the relevant period. Where such a calculation is not easily possible, it may be allocated depending on the amount of grant received in the financial year from the Donor.

## 4. ACCOUNTING, RECORD KEEPING AND FINANCIAL CONTROL

### 4.1 BASIC ACCOUNTING CONCEPTS

Through proper Accounting an organization can determine the correct financial status and know the weak points and areas that need improvement. For proper Accounting, proper Books of accounts and financial records have to be maintained on daily/regular basis. These days Books of accounts are maintained on double entry system in which for every entry there shall be a debit and corresponding credit.

### 4.2 BOOKS OF ACCOUNTS

#### 4.2.1 RECEIPTS

All amounts received by ~~the ant~~ in cash/ cheque /DD / bank transfer or any other mode should be acknowledged by raising an Official Receipt, even if it is for a single paisa. Official Receipt shall be prepared in duplicate from **a pre-numbered printed bound Receipt Book** with perforation on the original copies. Carbon (Book) copies of Official Receipts act as Receipt Vouchers.

All the relevant information on the Receipt such as Date, Received from (Name, Address), Amount, Cash or Cheque No., Name of Bank, Purpose, Name of Project/Fund, Group, Account Head, Code etc. shall be correctly and neatly completed and signed by an authorized person.

Receipts are of two types. Capital receipts (such as Corpus donations, Loans received, Refund of Loans & Advances, Sale of fixed assets etc.) and Revenue Receipts (such as Voluntary contributions-other than Corpus donations, Interest Received etc.) Capital receipts shall be dealt with in the Balance sheet and Revenue Receipts shall be treated as Income in the Income & Expenditure A/c.

In case of Corpus donations a letter of confirmation should be taken from the donor and kept in a separate file for Corpus donations. This letter should not be taken in a standardized format. In case of local donors who wish to have 80G benefit, either copy of 80G exemption letter shall be attached to the original Receipt or information about the 80G exemption (i.e. CIT Reference number, Date of issue and Period for which it is valid) must be given by way of a seal affixed on the front/reverse side of the receipt and given to the donor of ~~the ant~~. ~~the ant~~ shall keep two Separate receipt books for FC Account and Local Accounts.

## 4.2.2 VOUCHERS

### 4.2.2.1 Principles

A Voucher is the basic document used to support the authenticity of a transaction entered in the Books of Accounts and can be broadly divided into Cash Voucher, Bank Voucher and Journal Voucher.

Based on the above principle vouchers shall be established as under:

All payments made by ~~the amt~~ in cash/cheque/DD/bank transfer or any other mode shall be supported by Payment Vouchers. Journal Vouchers should support all journal adjustments made between two General Ledger Accounts, especially when staff is proffering claim bills against advances drawn earlier.

Local vouchers may be made in Green/ Blue and FC Vouchers in Red/ Pink to easily distinguish the two sources of funds. Cash, Bank and Journal Vouchers must be marked differently and of different sizes for easy identification and filing.

Payment Vouchers are of two types namely self-vouchers and third party vouchers. Self voucher means voucher prepared from the organizations own stationery. Third party voucher means Bill/ Invoice/Cash Memo obtained from suppliers and service providers. Normally as far as possible ~~the amt~~ shall obtain third party vouchers as proof of payment. Self-vouchers are prepared for in-house payments such as Salary, Travel, and Conveyance etc. and as such other out side payments where bills are not issued such as Rent, Postage, Minor Repairs, and Milk etc. Wherever it is not possible or practical to obtain third party vouchers, self-vouchers supported by detailed expenses statement may be used.

All vouchers should be numbered either automatically (using accounting software) or manually, and entered in the Cash Book/bank Book for easy identification. All the relevant information such as Date, Name of Project/Fund, Group, Account Head, Code, Amount Debit/Credit, Cash or Cheque No., Name of Bank, Creditor/Payee's Name, Address Bill No. & Date, Purpose and total Amount should be correctly and neatly completed on the voucher.

The Voucher shall be signed by the relevant persons who claims expenses or who made the payment / who approved the payment and who received the payment. In no case the person who prepared the voucher ***and/or who made the payment should be the same person who also approved the payment. This would be very important esp in the case of bills claimed by the cashier/ accountant and the Admin Incharge/ Managing Trustee/ Exec Director.***

All cash payments should be made only to the particular creditor who supplied the materials/ rendered the services and issued the bill. Cheques should always be prepared in the name of the creditor who supplied the materials/rendered the services and can be collected either by the payee or by an authorized person appointed by the payee through proper authority letter in a printed form.

All the supporting documents such as Cash-memo/ Bill /Invoice /Expenses statements shall be duly attached to the respective Vouchers and all the Cash, Bank and Journal Vouchers should be filed in the order of Voucher Number in (three) separate series of files.

In case of Travel Expenses, prescribed Statement of Reimbursement of Travel Expenses, should be prepared and submitted along with all necessary supporting bills such as original Air/Train/Bus tickets, original Air Boarding Pass, original Expenses Bills etc. If no bills or tickets available (in the case of train tickets) for Travel expenses then a copy of self-declaration shall be taken from the claimant shall be attached. In case of disbursements to local Project/ Programme Partners (being registered charitable societies/trusts) proper acknowledgment for receipt of the contribution should be obtained in their printed pre-numbered Official Receipt and

attached to the Voucher (to which a photocopy of the draft sent should have already been attached) even if Bank Transfer or Crossed cheque .

In case of disbursements to local Project/Programme Partners (being reimbursement of expenses as part of an Extension Programme) proper acknowledgment for receipt of the reimbursement should be obtained in the form of a Statement of Expenses along with all original bills and vouchers and attached to the Voucher (to which a photocopy of the draft sent should have already been attached).

In case of payments in the nature of Staff loans, Staff advance/ imprest for travel and other office expenses or Advances to creditors against an estimate or Part payments to creditors against a bill, Self-Voucher should be prepared, all relevant details completed and got signed by all the relevant persons (who prepared and/or who made the payment, who approved the payment and who received the payment).

The signature of the payee/person duly authorized by the payee should be obtained on the Payment Voucher directly or on a revenue stamp (at present Rs.1/-) if the amount exceeds Rs.5, 000/- in all the cases (whether payment was made in cash or by Cheque/DD and whether as advance, part payment or full and final payment or as staff advance/imprest).

#### **4.3 CASH BOOK & BANK BOOK**

The unit shall maintain the books of accounts in financial accounting software of a reputed company. The cash and bank transactions shall be entered on daily basis in a chronological order from the copy of official Receipts and Payment/Journal Vouchers.

No advance shall be given without first obtaining a written Quotation/ Estimate/ Proforma-Invoice and getting the same approved (refer procurement policy for purchases).

## **5. PROCUREMENT OF GOODS AND SERVICES**

### **5.1 Principle**

the unit should strive to ensure purchases deliver value-for-money, are cost effective and support the values underpinning Rights to End Poverty.

### **5.2 Purpose of Procurement Procedures**

The purpose of procurement procedures is to ensure that:

Procurements are made to the maximum extent possible on a practical, open and freely competitive basis.

Maximum value-for-money is obtained on all procurement of goods and services

Procured goods and services are delivered in the correct quantity and quality and in a timely manner.

### **5.3 Scope of Application**

The scope of these procedures shall be applicable for the procurement of:

- IT Hardware and Software
- Office equipment other than IT equipment e.g. chairs, tables, desks, cabinets, cupboards etc
- Printing of communication materials like books, reports, leaflet, pamphlets, banners etc.
- Annual Maintenance Contracts
- Provision of consultancy services

### **5.4 Procurement of Goods (IT, office Equipment and Printing)**

#### **5.4.1 Direct Procurement**

Goods can be procured directly from the market without obtaining quotations up to the limits of Rs. 5,000 per item or in such a case where the quantity ordered of an item of value less than Rs 5000 pushes the total value in one purchase to beyond Rs 5000.. However cost effectiveness and benefit of the unit shall always be borne in mind while making such purchase.



### **5.4.2 Competitive Procurement**

Procurement of goods exceeding the above limits shall be done through the following procedure:

1. A demand/ need for a purchase must come from the user /department in writing, and should be submitted to the purchase committee. In case the budget available with ~~the amt~~ is not adequate for the purchase, a specific mention must be made of where the excess money required for the purchase would be sourced along with approval from Managing Trustee/ Executive Director.
2. Similarly in case of printing, a written request must come from the user mentioning the budget from where the costs are to be debited.
3. The purchase committee shall then invite quotes/bids from vendors/dealers for the Item proposed to purchase.
4. In order to place an order, a minimum of 3 or more quotations must be available before the committee.
5. Ordinarily, the order would be placed with the vendor/dealer that meets the technical and other specifications AND quotes the lowest price. In case this is not done, the purchase committee must record its detailed justification. If an item of purchase is not dealt by three vendors in the local area/ Bongaigaon, or if dealers are not willing to provide quotations, the purchase committee or its representative collecting the quotes/rates shall record the name of the shop/vendor, location, date and time of inquiry and the rate inc/ excl tax and levies and present the comparative data for purchase.
6. The purchase committee shall then finalize the modalities of the purchase including the vendor, price, number of units and specification of the equipment being purchased or printing order being placed. The order for items would be placed by the concerned unit i.e. administration unit as per the terms and conditions specified by the purchase committee. All the purchase orders should be sequentially numbered.
7. The unit that places the order shall take delivery of the equipment/material. In addition, the unit that places the order and takes delivery of the equipment shall also certify/inform to the purchase committee within 7 days of the receipt of goods that the goods received are as per the modalities that were laid down by the purchase committee for each approved purchase.
8. The recommendations of the purchase committee would be binding and no deviation from the recommendations of the purchase committee would be entertained.
9. The concerned unit shall also submit the invoice for payment to the finance indicating that goods have been received and are in order and that the payments can be released to the vendor. The Finance unit must ensure before releasing any payments that the recommendations of the purchase committee have been followed and that no deviation has taken place.

Note: Purchase committee shall be constituted of at least three members. Every attempt should be made to ensure that at least 2 members of the purchase committee attend the meeting. However, in case 2 members of the purchase committee can't be present, and a delay is being caused for an urgent purchase, one of the members of the purchase committee shall prepare a chart with relevant details and get approval of other members on email / phone for the purchase and reduce the consultation to writing. In order to deal with a purchase request, the purchase committee would need processing time of at least 7 days. In times of purchase of specialized equipment where the Purchase Committee may not know enough to make a wise decision, it may ask such a staff member or even an outsider and record his / her advice regarding the purchase before making the purchase.

## 5.5 Procurement of Services

When procuring the services of consultants the following minimum guidelines should apply:

There should be justification for procuring the services of a consultant

Approval should be sought from the Executive Director

The selection criteria must be transparent and documented

A clear Terms of Reference must be agreed with the consultant

The initial advance to the consultant should not exceed 50% of the contract value

Fee rates should be agreed with the Finance Department

A signed contract between the unit and the consultant must be in place which clearly details the following:

1. Duration of the contract
2. Maximum contract value
3. Payment arrangements
4. Expected output
5. Monitoring and evaluation arrangements, and
6. Payment of TDS at specified rates depending on the nature of contract/ consultancy must be deducted and a certificate provided

## 5.6 Use of Single Tender/Quotation

Goods or services may be procured through Single tender with prior written approval from Executive Director in the following cases:

- (a) Where, for reasons of extreme urgency brought about by events that could not have been foreseen, the time limit for the procedures referred to in above sections cannot be kept.
- (b) Where the services are entrusted to public-sector bodies or to non-profit institutions or associations and relate to activities of an institutional nature or designed to provide assistance to peoples in the social field;
- (c) Where contracts extend activities already under way which are not included in the main contract but which, because of unforeseen circumstances, have become necessary to perform the contract, or which consist of the repetition of similar services entrusted to the contractor providing services under the initial contract;
- (d) For additional deliveries by the original supplier, where a change of supplier would result in technical difficulties in operation and maintenance;
- (e) Where the procurement procedure has been unsuccessful, that is where no qualitatively and/or financially worthwhile tender/quotation has been received. In such cases, after canceling the tender procedure, terms may be negotiated with one or more tenderers from among those that took part in the tender procedure, provided that the initial terms of the tender procedure are not substantially altered.
- (f) Where, for technical reasons, or for reasons connected with the protection of exclusive rights, the contract can be awarded only to a particular service provider;

While making payments to the Supplier following should be kept in mind:

Quotation, Estimate or Proforma-Invoice are only supporting documents for making advance or "on account" payments and not supporting documents for Expenses.

Cash Memo acts as supporting document both for incurring the Expense as well as for making the Payment. Bill and Invoice are supporting documents only for incurring the Expense. Official Receipt (Official stamped Receipt if the amount exceeds Rs.5, 000/-) should be obtained from the creditor/payee as proof of making the payment. If the supplier does not have an Official Receipt, Payment Voucher should be prepared in the ~~the~~ att's stationery and the signature of the creditor/payee should be obtained as proof of payment (on a revenue stamp if the amount exceeds Rs.5, 000/-).

Every Quotation, Estimate, Proforma-Invoice, Invoice, Bill, Cash Memo should be on the printed/computer generated stationery of the supplier/creditor and should contain all relevant particulars i.e., Name, complete Address with PIN, TIN number and Telephone No., Serial Number, Date, Description of goods/ services and should be signed. In case the would – be supplier does not offer a written Estimate, a self –certified note must accompany the purchase committee decision notifying the absence of the requisite number of Estimates

## **6. FRAUD AND OTHER IRREGULARITIES**

### **6.1 Principle**

the ant's financial integrity and reputation is to be preserved and financial losses are to be minimized.

### **6.2 General**

Fraud is an intentional manipulation of funds through unauthorized ways for personal gain. Fraud may take place by misappropriation of cash, forging of signatures on cheques, misappropriating investments by transfer to other persons or by pledging and taking loans, misappropriation of stock, misappropriating recoveries from employees etc. The causes of fraud are inadequate control on cash and cash transactions, cheques not kept in the safe custody of authorized signatories, original fixed deposits and other investment documents not kept in safe custody, delay in accounting, inadequate control of stock, lack of control on recoveries, lack of good monitoring and reporting system etc. Hence fraud and other irregularities include illegal acts such as theft, deception, and manipulation of accounting entries, bribery and corruption. Where cases of suspected fraud, or irregularities, are discovered in the ant's operation, these must be promptly reported to the Executive Director and to the Head of Finance.

Upon suspicion of a fraud, the ant shall take following action immediately:

- Staff briefing

- Proper reporting lines re-established

- Changing of computer passwords

- Restricting access to assets and information

Appropriate action shall be taken against the personnel found guilty as per the procedures defined in the ant's HR Document.

### **6.3 Whistle-blowing procedures**

There may be occasions where staff members feel that financial or procedural malpractice is taking place. If the member of staff has a genuine concern over the actions of a colleague or a partner organization, then the matter should be raised with:

- Executive Director and Head of Finance

- Chair of the Board / Treasurer where there are concern over Senior Management.

Any personal interest should be made known when first raising concerns. No disciplinary action shall be taken against a member of staff raising the concern unless there is evidence that the allegations were both false and malicious.

### **6.4 Reporting to the police**

the ant requires that major frauds of Rs.5,000 or more be reported to the police. If an exemption is required, full written details of the fraud and reasons why the police should not be informed should be sent to the Chairman of the Board.

### **6.5 Fraud investigation**

A fraud investigation should be initiated by the Managing Trustee/ Executive Director / Chairman of the Board of Trustees to determine the extent of the fraud, establish how it was carried out so that safeguards can be put in place to prevent reoccurrence, and to identify the perpetrator.

The knowledge that fraud has been uncovered should be limited to a very few key personnel. This shall increase the likelihood of full and unbiased information emerging, and prevent the untimely departure of the suspected perpetrator(s), destruction of evidence and accusations of slander.

Following issues should be specifically addressed in the investigation:

Whether any criminal prosecution is likely or desired and how the investigation should proceed such that this end is not compromised. Local circumstances may dictate when the police are to be involved.

The recovery of losses incurred by the unit by taking action through the Courts.

If and how to dismiss employees in order to minimize the knock on effect of that action is minimized

What action is to be taken to prevent reoccurrence of the fraud.

### **6.6 Fraud at Partner Organizations**

Incidents of fraud by partner organizations need to be dealt with on a case-by-case basis.

However, the following basic good practice guidelines can be followed in almost all cases;

- Report the matter to the Chairperson of the Board and Executive Director.
- Suspend further funding to the Partner as soon as fraud is established until the matter has been resolved to the unit's satisfaction.
- Carry out an investigation as appropriate either independently or with partner staff.
- Demand that the organization takes appropriate action against the perpetrators
- Make efforts to recover the money that has been misappropriated.
- Re-assess the relationship with the partner organization and terminate if it cannot be salvaged
- If the relationship is to continue, ensure that sufficient action has been taken to address control weaknesses that allowed the fraud to occur. This may involve building the capacity of the partner organization

### 6.7 Reporting to the Audit Committee / Governing Board

Every investigation should result in a written report. In this report, management should disclose full details of their findings. Significant cases of fraud (i.e. Rs. 1,00,000) must be reported to the Board immediately. Otherwise all incidents, whatever their level of materiality must be reported at the end of the financial year in an annual statement to the Executive Director at the Secretariat. Executive Director is in the best position to gather and assimilate information on the occurrence of frauds in the unit and then inform the Board as required.

### 6.8 Timetable

Dealing effectively with suspected fraud involves prompt action. Whilst it is not possible to define a rigid timetable to be followed for all fraud investigations, there are clearly certain standards for swift action that should be achieved. The following minimum time frame has therefore been established. In many cases straightforward fraud should be resolved in a much shorter time frame.

Fraud or suspected fraud identified	0 Days
Notification to senior management	Within 3 days
Initiation of fraud investigation	Within 10 days
Verbal findings of fraud investigation to senior management	Within 20 days
Written report on investigation	Within 30 days
Management action	Within 60 days
Implementation of recommendation to prevent repeats of fraud	Within 180 days

## **6.9 Money Laundering**

The word 'Laundering' is used to describe how illegal (or dirty) money is made to look legal (or clean). The perpetrator finds a way to put the dirty money through a reputable party and then gets the money back. This process of making illegally generated money appear legal is Money Laundering. The term Money Laundering is also used for a number of offences involving the proceeds of crime or terrorist funds. It includes possessing, or in any way dealing with, or concealing, the proceeds of any crime. Charities can be especially susceptible to the attentions of potential money launderers.

### **6.9.1 Obligations of all staff of the ant**

- Report any suspicious money laundering activity to the appropriate member of senior management.
- Not to assist in the money laundering process through acquiring, concealing, disguising, retaining or using the proceeds of crime. This would include not accepting any cash donations more than Rs 20,000 or accepting Indian donations above Rs 50,000 without a PAN No
- Not to prejudice an ongoing investigation
- Not to contact any person who has been suspected of, and reported for, possible money laundering in such a way as to make them aware of the suspicion or report ("tipping off")

## 7. RELATED PARTY TRANSACTIONS/ CONFLICT OF INTEREST

### 7.1 Principle

The staff of the **the ant** aspires to the highest levels of ethical conduct in all of their work for the organization.

**the ant** employees, officers and directors have an obligation to conduct themselves in an honest and ethical manner and act in the best interest of the organization. All employees, officers and directors should endeavor to avoid situations that present a potential or actual conflict between their interest and the interest of the organization.

A “conflict of interest” occurs when a person’s private interest interferes in any way, or even appears to interfere, with the interest of **the ant**. A conflict of interest can arise when an employee, officer or director takes an action or has an interest that may make it difficult for him or her to perform his or her work objectively and effectively. Conflicts of interest may also arise when an employee, officer or director (or his or her family members) receives improper personal benefits as a result of the employee’s, officer’s or director’s position in **the ant**.

**the ant** strongly believes that its work for poor and marginalized benefits from having members of its staff with current and past experience in the not-for-profit sector and in the substantive fields in which **the ant** works. Given the broad experience and interests of **the ant**’s staff, from time to time, staff may serve as officers, employees, directors, trustees, or consultants to an organization under consideration for **the ant**’s support or for provision of goods or services. Consequently, transactions may arise during the ordinary course of **the ant**’s work where conflicts of interest are present.

**the ant** has adopted a conflict of interest policy to ensure the legal and ethical integrity of its decision-making and to make clear that no organization or individual benefits inappropriately because of a relationship with a staff of **the ant**.

### 7.2 Prohibited transactions

While the Code does not attempt, and indeed it would not be possible, to describe all conceivable conflicts of interest that could develop, the following are some examples of situations that may constitute conflicts of interest:

- Working, in any capacity, for a Partner organization or other third party while employed in **the ant**.
- Directing funds to an organization owned or managed by, or which employs, a relative or friend.
- Accepting gifts/ bribes, kickbacks or any other improper payments for services relating to the conduct of the day-to-day affairs of **the ant**.
- Accepting, or having a Member of an employee’s family accept, a gift from persons or entities that deal with the **the ant**, where the gift is being made in order to influence the employees actions, or where acceptance of a gift could otherwise reasonably create the appearance of a conflict of interest.
- Appointment of a consultant and other services provider who is a close relative of the concerned **the ant** official.



Conflicts of interest may not always be clear-cut. Any question therefore about an employee's actual or potential conflict of interest with the ~~the ant~~ should be brought promptly to the attention of the Chairman of the Board, who shall review the question and determine a proper course of action, including whether consideration or action by the full Board is necessary.

However this principle shall mainly apply for long term and large consultancy and services where long term and large described as more than 10 days of work and/or more than Rs. 10,000 fees in a year. Short term services like capacity development, facilitations etc. less than 10 days of work and/or less than Rs. 10,000 fees shall not fall under this.

### **7.3 Procedure for related party transactions**

If we have to involve financially with any related party under any exceptional circumstance then the Executive Director shall take formal approval from the Board.

- Formal approval shall involve submission of a note to the Board, describing the nature of involvement and relationship, explanation on exceptional circumstances, task, financial involvement and period of transactions.
- If such a related party transaction is unavoidable, they must fully disclose the nature of the related party transaction to the appropriate authority. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to that party.
- In the case of any other transaction or situation giving rise to conflicts of interests, the appropriate authority should after due deliberations decide on its impact.

### **7.4 Disclosure of related party transactions**

Our year-end statutory accounts shall disclose related party transactions as per the generally accepted accounting and auditing standards.

### **7.5 Disclosure of existing related party transactions**

All ~~the ant~~ staff shall have to disclose their all existing related party transactions by 31<sup>st</sup> March every year. This disclosure should include-nature of involvement and relationship, circumstances, task, financial involvement and period of transaction. This disclosure note must be submitted to the Head of Finance.

## 7.6 Definition of Relative

For the above purpose of this policy relative means:

- Spouse
- Father
- Mother (including step-mother)
- Son including step-son)
- Son's wife
- Daughter (including step-daughter)
- Father's father
- Father's mother
- Mother's mother
- Mother's father
- Son's son
- Son's son's wife
- Son's daughter
- Son's Daughter's husband
- Daughter's husband
- Daughter's son
- Daughter's son's wife
- Daughter's daughter
- Daughter's daughter's husband
- Brother (including step- brother)
- Brother's wife
- Sister (including step-sister)
- Sister's husband

## **8. FIXED ASSETS**

### **8.1 Acquisition of Fixed Assets**

Capitalization of assets takes place when the benefits of the expenditure are expected to extend over periods beyond the one in which the expenditure arises. Assets costing less than Rs 5,000 should not be capitalized but expensed on purchase and recorded on an inventory for control purposes.

Approval of Governing Board is needed prior to purchase or disposal of any fixed asset worth more than Rs 50,000. The Governing Board may decide to delegate the powers for purchase of office furniture and equipments to the Executive Director subject to over all limits sanctioned in the Budget.

Procurement procedures to be followed for acquisition of fixed assets

### **8.2 Fixed Assets Register**

A register shall be maintained to record all capitalized assets (over Rs. 5,000). The purposes of the fixed assets register are:

- To provide a means of controlling the assets including acquisition, disposal and transfer
- To enable accounting calculations to be performed on asset cost, depreciation and net book value
- To allow assets to be checked regularly in order to avoid misuse or misappropriation

The fixed asset register should give details of each asset as follows:

- Date Received
- Name of Supplier, Bill No. & Date
- Description of Item, Model, Make & Serial. No.
- Quantity
- Total Invoice Amount
- Other Expenses
- Location
- Identification No.
- Depreciation Year, Rate, Amount & Cumulative
- Disposal Date, Given to and Amount

In the Fixed Assets Register, separate folio shall be maintained for each type of item & project/donor agency. E.g. Tables (donor name A), Chairs (donor name B), Computers (donor name A) etc.

Copies of bills for purchase of all fixed assets shall be put in separate Fixed Assets files for FC accounts and Local Accounts All the original property documents shall be kept in safe custody preferably in a bank locker.

It is appropriate to group classes of assets together in the fixed assets register for ease of reference.

### **8.3 Asset Listing**

A separate asset listing should be kept for all assets under Rs 5,000. The purposes of this asset listing are:

- To provide a means of controlling the assets including acquisition, disposal and transfer
- To allow assets to be checked regularly in order to avoid misuse or misappropriation

The asset listing should show similar details to the fixed assets register except depreciation and net book value.

#### **8.4 Verification of Fixed Assets**

On a regular basis and at least once a year, each asset on the register should be inspected to confirm its existence, location, usefulness and condition. Admin Incharge should carry out the verification exercise.

All assets that cannot be located must be thoroughly investigated and a full report submitted to the Executive Director. Based on this report and on the recommendation of the Head of Finance, the Executive Director shall authorize the asset to be written off from the books and appropriate action taken to avoid future loss of assets. Assets in poor condition or which remain idle should be considered for disposal

#### **8.5 Disposal of fixed asset**

When disposing fixed asset, either by selling or scrapping, the difference between proceedings and the carrying value should be written off to income statement. The fixed asset account should be credited with the original costs and the depreciation account should be debited with the accumulated depreciation to date. A survey should be conducted to estimate the selling price of assets to be disposed. If expected price is less than Rs 10,000 then the administration officer can authorize disposal of fixed assets with communication to Head of Finance. In cases where expected price is more than Rs 10,000, Head of Finance in consultation with Executive Director shall approve the disposal of fixed assets.

## 8.6 Depreciation Policy

Depreciation is a charge to the income and expenditure account in order to write off the cost of an asset over its expected useful life. Depreciation should be computed using straight-line method over the expected useful life of an asset. This means that the cost of the asset shall be divided by the number of years of expected useful life of asset to get the annual depreciation charge. Full year depreciation should be charged in the year of purchase of an asset and nil in the year of disposal. The expected useful life and depreciation rate of the various categories of assets shall be:

Type of Asset	Useful Life	Depreciation rate
Buildings	10 years	10%
Furniture & Equipment	3 years	15%%
Computers	3 years	60%
Vehicles	3 years	33%

### 8.6.1 Special circumstances

If there is a situation where assets may be required to be written off over a shorter period, the use of alternative depreciation rates is subject to approval by Governing Board.

## 8.7 Insurance of Assets

Assets purchased must be insured adequately, immediately after they are received.

## **9. Remittances to Partners**

Refer the section working with Partners/Organizations

### **9.1 PAYMENTS**

#### **9.1.1 General**

The claimant should fill in the Claim Form and submit to the Executive Director for approval along with supporting documents. The claimant shall fill in appropriate account and specify budget head. The payment shall be made every Thursday for the approved claimant received on or before Thursday noon.

#### **9.1.2 Travel Advances**

The travel plan shall be filled and authorized by the Programme/ Project Head/ Cluster Coordinator/ Executive Director. The advance shall be given to the employee only in case if the previous advance has been settled. Further, the advance shall be given on basis of stay, per-diem or any other expected expenditure. If an existing advance has not been settled and an exigency deserves another advance, an authorization from the Management Trustee/ Executive Director will be recorded on the advance

#### **9.1.3 Travel Expense Claim**

The travel expense claim form shall be filled and the invoices/receipts (if any) for the claims shall be enclosed with the claim and approved by Executive Director. A travel claim completed in all respect shall be paid on every Thursday for the claim forms received on or before Thursday noon.

#### **9.1.4 Consultancy payment**

Copy of consultancy contract with Term of Reference along with claim form duly approved by Executive Director needs to be submitted. Before authorizing the payments Executive Director should ensure satisfaction completion of tasks assigned and/or receipt of deliverables and note shall be attached stating the satisfactory completion of tasks assigned and / or receipts of deliverables for release of payments.

#### **9.1.5 Salary payment**

Refer HR Manual

#### **9.2 Mode of payment:**

Payment in cash or through bank account follows the procedures set out in Cash and Bank Section.

#### **9.3 Withholding Tax**

The Finance Staff making the payment shall ensure that **withholding tax** is deducted as per the Income Tax Act, 1962, and the same has been deposited to the account of Government of India within the prescribed time after reconciling the amount payable as per books of accounts. The Finance unit shall prepare statutory/ tax returns and get it approved from the authorized signatory to be submitted to authorities well within the prescribed time limits.

## **10. WORKING WITH PARTNERS/ORGANISATIONS**

### **10.1 General:**

the ant shall seek to ensure that partners have financial and administrative systems that facilitate working effectively to achieve the objectives set by the ant board. Partners can be defined for these purposes as organizations with which the ant has a funding relationship for the purpose of achieving its strategic objectives. Trial project grants of less than Rs 50,000 a year given to trainee organizations will not qualify for this section.

### **10.2 Selection of local partners/organizations:**

#### **10.2.1 Procedure:**

As per process manual or written guidelines made at a project meeting.

#### **10.2.2 Criteria for financial appraisal of partners**

During the selection process of a the ant partner, a review should be carried out of the Partner's financial and administrative systems with a view to the ant satisfying itself as to the proposed Partner's financial integrity or, at least, becoming aware of the financial risks of entering into a relationship with the proposed partner. The assessment should include following elements like:

- Legal status and governance

- Compliance and registration under Foreign Contributions Regulation Act (FCRA) if necessary.

- Latest management accounts and statutory accounts

- Audit arrangements including previous audit opinions

- Procedures for authorization, payments, procurement, budgeting and reporting, and banking facilities

- Accounting system and books of accounts, e.g. cash book

- Other funding agencies and their reporting requirements

- Competence of finance staff & senior management

- HR policies & procedures including remuneration policies particularly for senior management

### **10.3 MoU/ Agreement with partner/organization:**

MoU should be drawn up with a partner before large scale funding starts or long-term commitments are made. The Head of Finance should review the contract before it is finalized. The MoU should be signed and dated by the Executive Director and the Chairperson of the Board, or equivalent, of the partner.

The MoU should include the following:

**10.3.1 Background and Objective: (Describe the project objectives, expected outcomes, nature of relationship between two parties i.e. the ant and partner).**

**10.3.2 Project Duration: (Mention the period of project that is supported by the ant)**

**10.3.3 Project Implementation Plan: (describe: a) location, b) groups, c) methods of implementation, d) role of partner in implementing the project; max. 2 paragraphs)**

**10.3.4 Expected outcomes: (list minimum programme outcomes by the partner with specific time frame)**



**10.3.5 Funding:** This should include monthly installment table in case of long-term partnerships and in case of short-term partnerships, a schedule for funds disbursements. Further, budget as per the ~~the ant~~ standard format shall be prepared with the monthly, break-up.

**10.3.6 Bank Details:** Bank details incl IFSC code of the partner's Bank (or FCRA designated account if foreign funds) needs to be provided

#### **10.3.7 Reporting:**

**Programme:** Partner shall have to submit a Quarterly progress report and Annual Progress report highlighting the outcomes for the period.

**Financial:** Partner shall have to submit a monthly utilization report by 5th of next month. The further transfer of installment shall be subject to submission of utilization report and status of fund utilization. Quarterly financial report should be submitted within 15 days of the end of quarter along with reasons for variances.

Annual Audited accounts on a calendar year basis must be submitted by partner organizations within one month after the end of calendar year. In case of short-term projects audited report should be submitted on completion of the project.

**Record keeping: Audit and financial monitoring:** Partner shall keep and maintain all financial records related to the project by following generally accepted accounting principles and practices. ~~the ant~~ designated staff shall have the access to these records for financial monitoring and audit. However such event shall take place with a mutual understanding with partner in relation to time and terms of reference.

**Revision/Amendment:** Any changes, revision, amendment to MoU including programme implementation and budget shall have to be agreed by both parties in writing (in the form of a letter) before making such changes/revision/amendments.

**Unspent fund:** Any unspent funds (at the end of the project) shall be refunded to ~~the ant~~ by the partner organization through a DD in favor of ~~the ant~~ payable at Bongaigaon within 1 month of the final closure of the project.

#### **10.4 Discontinuation of the MoU**

In the following cases ~~the ant~~ shall have the right to discontinue the MoU:

- Failure to implement the programme (and in the absence of reasonable justification of such failure) as agreed under the MoU.
- In the event of financial irregularities. If such discontinuation happens, ~~the ant~~ shall have the right to stop funding and consider legal actions in case of financial irregularities.

#### **10.5 Minimum Standards during the partnership period**

##### **10.5.1 Human Resource.**

Hiring of an accountant with understanding of general accounting principles to ensure that accounting systems and controls are in place.

##### **10.5.2 Bank & Cash**

As far as possible payments should be made only by way of "account payee cheque" or Direct Bank Transfer/ NEFT/ RTGS

Physical cash and cashbook should be verified on a daily basis. The management of the partner organization should also conduct surprise cash counts.

Bankbooks and balances should be verified and reconciled on a monthly basis within 5 days of next month. The reconciliation should be verified and signed by a person other than who

maintains and prepares reconciliation. Vouchers should be numbered and cancelled vouchers (if any) should also be kept for records.

All vouchers and supporting documents should mention the name of project and the name of funding agency.

Cheque counterfoils and cancelled cheques should be kept for records

If computerized, reliable accounting software shall be used by partner organization to record all the financial transactions.

### **10.5.3 Cost Classification**

The expenses related to ~~the ant~~ funded project shall be classified against the agreed budget head.

The partner organization should ensure that common costs are apportioned to ~~the ant~~ on a reasonable basis. For e.g. payment of office rent – If some other projects are also been carried out under the same office, then only a portion of cost shall be apportioned to ~~the ant~~ depending upon the use and time allocation.

### **10.5.4 Reporting**

All the reports shall be timely submitted to ~~the ant~~ and the management of partner organization shall ensure the reliability, accuracy, completeness and timeliness of such information.

All the reports shall be reviewed by the partner organization through a management meeting before sending it ~~the ant~~.

In case of any error or gap in the reporting the partner organization shall inform ~~the ant~~ so that it shall be rectified for the future. A note to clarify the situation shall accompany all such kind of errors.

### **10.5.5 Procurement Policy**

The partner organization should have a documented procurement policy.

Person responsible for payment/proceeding payment should not be involved in procurement.

A person who is not involved in procurement should verify materials procured against the specification and invoice.

### **Authorization Policy**

For all bank accounts there must be joint signatory arrangement at least with 2 persons. For each cheque two persons should sign together.

The signatories should not be related to each other.

After payment is being made invoices should be stamped with “paid” seal with date and initial of the responsible official.

Transaction vouchers should be authorized/approved by the person other than the person preparing the same.

The respective budget holder for authentication should authorize Bills/invoices for reimbursement.

### **Inventory Records**

Offices should keep stock records and update as when necessary. A stock taking exercise should be carried out periodically.

A register should be kept for all the capital and non-capital assets bought from the project budget. All the assets should be given a unique identification number.

The register should at least have information on: identification number, item description, purchase date, location, user name, and purchase value of the asset.

\_ In case of deliverables to the communities, a register with details of the deliverables and beneficiaries must be maintained.

#### **10.5.8 Payroll**

A payroll worksheet should be prepared and signed by the employees for the receipt of salaries. In case where bank transfers are made into employees account, the document should be filed properly.

#### **10.5.9 Disclosure of Information**

Wherever possible it should be ensured that all financial information regarding budget, spending and balance should be displayed through a board, which shall be placed in the community. It shall be updated on a monthly basis.

#### **10.5.10 Documentation**

Documents and records should be subject to the same high level of security as other programme records. This means that they should be pre-numbered and sequentially numbered wherever possible and the details of their issue to officials should be recorded in a register. Documents and records should also be kept in a secure location.

Documents and records are within the scope of both internal and statutory audits.

#### **10.5.11 Transparency**

The community being the primary stakeholder has the onus of responsibility in identifying the beneficiaries among themselves i.e. Community identifies the beneficiaries An information board (transparency board) displayed at a visible location in the community containing the following information:

#### **10.5.12 List of beneficiaries**

It should include:

The amount spent/to be spent in the development area/initiative on a particular activity/programme.

The support to be provided to the beneficiaries

Joint procurement process, which shall involve beneficiary representatives and partner organization staff jointly undertaking the procurement process. This shall also involve the sourcing of three quotations before the decision to purchase is made. The joint procurement team (beneficiary representatives and partner staff) displaying all purchases to the beneficiaries for verification purposes.

In case where the partner organization has a separate field office, it should have an accountant at field office to ensure the compliance of the aforesaid standards at field office.

#### **10.5.13 Grant Reporting**

The partner organization shall be required to submit a utilization statement on a monthly basis and a financial report on a quarterly basis. It shall be important to prepare budgets and work plan in a way that the actual expenditures can be compared and reviewed. The budgets shall be prepared against the each budget line for each Quarter. The reporting shall constitute of the following documents.

1. Monthly Utilization Statement and Status of Funds Utilization - 5th of every month (only in case of long term partnerships and short term partnerships for more than Rs. 20,00,000)

The statement should detail the amount received and amount spent during the previous month, unspent funds at the beginning and end of the previous month, interest earned (if any) and funds required to meet the current month's expenditure.

Quarterly Financial Reports – Quarterly financial report -	within 15 days from the end of quarter as per the budget format should be submitted within 15 days from the end of quarter along with details of amount received, amount spent, unspent funds at the beginning and end of the quarter and interest earned (if any).
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Annual Audited Accounts	audited accounts on a calendar year basis must be submitted by partner organizations within three months after the end of calendar year. In case of short-term projects audited report should be submitted on completion of the project.
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#### **10.6 Release of Fund:**

The funds for short-term projects shall be disbursed as per the schedule agreed in the funding agreement. In case of long-term partnerships the funds shall be disbursed to the partner organizations on monthly basis. The long term partners shall be encouraged to keep 6 weeks reserve provided such reserve shall not exceed the total amount of the contract (MoU).

#### **10.7 Visits to partner organizations**

The Programme and finance staff should ensure that they visit all the partner organizations at least once in a year for a review of internal control systems and expenditures incurred by the partner organization. The review should also cover the verification of expenditures reported by the partner organization to the unit with the books of accounts. The report of such visit should be submitted to the Executive Director with a copy to Head of Finance within 10 days of such visit.

## **12. STORES AND STOCK**

### **12.1 General**

Stock represents those items that are purchased but not immediately used until they are required.

All stock should be well controlled physically by the use of secure and appropriate storage facilities and proper system of documentation. Stores should be kept tidy in an orderly manner to ease stock counts and identification.

### **12.2. Documentation**

A register should be maintained for all stores and stock.

The stock register should have the following details:

- Description of the item
- Reference number
- Balance of stock held
- Purchase price
- Details of issues

### **12.3. Issue Procedures**

Stock should only be issued from stores against an authorized request for issue. Recipients should acknowledge receipt of items by signing on the request.

### **12.4 Receiving Procedures**

The stock register should be immediately updated on receipt of stores and stocks. When goods are received from suppliers, the delivery note should be checked against the purchase order and the physical details of the delivery. Maintenance of the Stock Register being an Account Function, the Accountant will ensure that all items of purchase as per these guidelines systematically and without fail are entered into the Stock Register incl its Brand, Specs, and Cost.

### **12.5 Stock Counting**

Physical stock counts should be carried out at least twice a year for all items in stores. This should be carried out at the month ends of December and March.

### **12.6 Stock Valuation**

At the year-end, stocks expensed off on purchase but remaining in stock must be valued and recorded in the books of accounts.

Valuation of stocks shall be done using the lower of the net realizable value or cost price.

### **12.7 Obsolete and Damaged Stock**

During the periodic stock counts, stocks should be inspected to determine whether they are in good condition. Any stock identified as non-moving, obsolete or damaged should be considered for writing off. Obsolete or damaged stock should be disposed off, after write-off authorization by the Admin Incharge.

## **13. FINANCIAL AND MANAGEMENT REPORTING**

### **13.1 GENERAL**

Management and financial reporting are a key part of maintaining and demonstrating financial integrity and, in the case of management reporting, for financial information to be brought into the decision making process. The Finance department should provide timely, accurate and relevant financial information for management (through management information Systems).

Financial management system has generally following components:

- Planning and budgeting
- Reporting and monitoring
- Accounting, Record Keeping & Financial Control
- Audits and External Reviews.

While each of the above said sub-system is important by itself, it is more important that they function as a well integrated financial management system to realize the goals of the organization in the most effective manner.

### **13.2 PLANNING AND BUDGETING**

Planning and budgeting are two important functions in the financial management system, yet they are nothing but two sides of the same coin. It is often misunderstood that these aspects are necessary only in the profit making organization. It is the responsibility of the executive team of **the ant** to evolve and follow a good planning and budgeting system. As these are important aspects, a separate chapter is devoted to discuss these topics. For additional information please refer to Chapter 14 on Planning and Budgeting.

### **13.3 REPORTING AND MONITORING**

The financial management function in **the ant** has to be proactive rather than reactive. In order to be proactive the financial position has to be reported periodically to the appropriate authorities within the organization so that the same can be analyzed to check up whether the goals are being achieved through the planned activities and programs and that the organization is functioning effectively and in case deviations, necessary corrective actions are taken. The following reports should be generated:

#### **13.3.1 YEAR-END STATUTORY ACCOUNTS**

Annual Statutory Returns should be prepared for both **the ant**'s Statutory Audit and submission to the funding agencies.

#### **13.3.2 MANAGEMENT ACCOUNTS – MONTHLY AND QUARTERLY**

In order to make timely and meaningful management decisions, accurate financial information is necessary. In addition, being able to compare accounts with original budgets enables management to identify favorable or adverse trends, and to highlight variations in income or spending which may require special attention. Finance unit should therefore prepare and disseminate monthly and quarterly management accounts for **the ant**.

#### **13.3.3 REPORTING ON DONOR-FUNDED CONTRACTS**

**the ant** has a responsibility to honor our accountability commitments and honestly report to donors on projects funded. The finance functions should work closely with Programme coordinators and programme officers at both local and international levels to ensure that all contractual requirements on donor-funded contracts are met.

#### **13.4 ACCOUNTING, RECORD KEEPING & FINANCIAL CONTROL**

Control systems in the unit are meant to provide reasonable security to the finances and assets of the organization. Control systems also provide checks and balances, which help to keep the system in its place, to avoid frauds and misappropriation or deviations from accepted policies and procedures.

As the organization operates in a dynamic environment, all the control systems should be reviewed periodically and improved to take care of all new developments. The most important controls are required in the following areas:

- Cash Transactions
- Bank Accounts
- Fixed Assets
- Investment Control
- Loans & Advances
- Inventory Control
- Handing Over System

As this is a very elaborate topic, it is discussed separately in Chapter 4 on Accounting, Record Keeping & Financial Control.

## 14. PLANNING AND BUDGETING

### 14.1 General

The plans should include specific objectives planned over the next three years and the resources required to fulfill them. Through the matching of income and spend, the plan provides the unit with the confidence that the funds of the right type are available to achieve objectives in the medium term and to provide a basis for assessing progress in achieving strategic objectives.

Financial planning is an integral part of the total planning. There should be a direct correlation between the activity plan and the financial plan. Any mission, however noble shall suffer if financial resources are lacking.

### 14.2 BUDGETING

Financial Planning is achieved through proper Budgeting. It involves establishing specific goals for future operations. Budget should be prepared keeping in mind the following budget heads:

- Staff cost: Should be based on the gross salary payable, LTA, and reimbursables etc.
- Programme and administration Expenses: should be fund allocated for carrying out the various activities planned within a programme,
- Capital expenses: Capital expenses (non recurring expenses) represent acquisition /additions of land, buildings, equipments, and vehicles. These as such require substantial resources. Resources should be invested in capital assets only if they are required to serve the objects of the organization.
- Administrative Expenses: should include expenses like AMC, Repair &
- Maintenance, Printing and stationery, Telephone, and all office related Expenses
- Overheads: Should also make provision for overheads

Following major points should be followed while preparing the budgets:

- Estimate the Income\Receipts
- Estimate the Expenditure\Payments
- Review the previous 2 or 3 years income & expenditure to understand the pattern
- Arrive at the surplus/deficit and plan how to use the surplus or manage the deficit
- Classify the Expenses under Programme, Administration and Capital Expenses.
- Classify the Receipts and Payments under Recurring and Non-Recurring.
- Ensure that the activities are focused to achieve the mission of the organization.
- Ensure that time frame for each activity is clear and practical.
- Ensure that contribution from beneficiaries; implementing organizations and funding partners are taken into account on realistic basis.
- Link each of the planned activities to the financial plan through a budget code and budgeted heads of account. This linkage would facilitate the preparation of a précis budget and also provides a clear picture of the variance in the previous year's budgeted and actual figures.
- Maintain documents/worksheets in support of the basis for the budgeted amounts.



### **14.3 RESPONSIBILITY**

- Budget holder is responsible to formulate the plan and budget for the area of her/his responsibility.
- The Executive Director in consultation with Programme and Finance Department supplement plan/budget and/or makes any adjustment where necessary.
- Before commencement of the next financial year the Finance Manager is responsible to import the budget into accounting software.

### **14.4 AUTHORITY LIMITS POST PLAN APPROVAL**

During the planning process all units shall present expenditure plans in line with ~~the ant's~~ strategy.

The plans shall either be funded by confirmed funding (e.g. regular giving or confirmed partnership funding) or by unconfirmed funding (e.g. unconfirmed partnership income). If programme or any unit receives more confirmed income than is in its plan or budget, the programme has full authority to expend these resources, subject to funded activities being in line with their approved strategies. Managers/Unit Heads have full control over the allocation of budgeted expenditure within their department, provided that they do not commit their department to ongoing expenditure beyond the current plan and provided they do not exceed approved headcount. While preparing the budget, care should take to ensure that the total administrative expenses do not exceed 15% of the total non-capital budgets.

### **14.5 TIMELINES**

Annual Budget meeting of the organization should be held by the Executive Director with the appropriate departmental heads to formulate the budget for the coming financial year on or before 31st January of every year. Finance Committee Meeting should be held on or before 28th February of every year to critically review the budget and advise the organization. The Governing Board Meeting should be held on or before 31st March of every year to approve the budget. In case such a meeting is not possible before the beginning of the next financial year, provisions must be made in the previous meeting of the Governing Board to incur expenses till the budget is duly approved.

### **14.6 BUDGET HEADS - CHARTS OF ACCOUNTS**

Chart of accounts is the authorized list of accounts prepared on the basis of approved budgeted heads of accounts. Expenditure shall be classified under the authorized head of accounts and approved by the Head of Finance. Both the heads of accounts and the description of the nature of expenditure shall be agreed to ensure that no amount has been wrongly classified.

## **15. AUDIT ARRANGEMENTS**

### **15.1 GENERAL:**

Audit is a systematic examination of the validity of supporting documents, review of the financial transactions and certification of the financial statements. Audit safeguards the resources, points out the deficiencies, improves the controls and ensures proper utilization of funds and helps legal compliance. It also provides confidence in the minds of the people connected with the organization whether they are Governing Board, regulatory authorities, beneficiaries or the general public.

Audit can be broadly classified as Statutory Audit and Internal Audit. While the statutory audit is conducted mainly to verify and certify the financial statements, where as the internal audit is conducted to verify and ensure proper accounting practices and sound internal control.

### **15.2 STATUTORY AUDIT**

Statutory audit of the ant shall be carried out twice a year. These are carried out in order to meet the statutory requirements as well as donor agency requirement.

### **15.3 TIMING /FORMATS FOR ACCOUNTS**

The timing of the statutory audit should be agreed in advance so that it must be consistent with donor agencies audit timetable. Financial year accounts shall be prepared in accordance with the relevant laws of India

### **15.4 INTERNAL AUDIT**

the ant shall have an internal audit conducted by an accountant/ auditor on a regular basis, at least once in 6 months, but preferably every 3 months, that advises to the Management the status of accounts *vis and vis* compliance with the Finance Policy and the MOUs signed with various funding organizations.

### **15.5 STAFF AUDIT**

A staff audit comprising of three staff volunteers for the month of which at least one must have carried out the internal audit for at least three times. This audit shall be done on all the receipts and payments of the previous month. Internal Audit shall directly report to the Executive Director of the ant.