FINANCE POLICY

NEW ALIPORE PRAAJAK DEVELOPMENT SOCIETY

A: ROLE OF FINANCE DEPARTMENT & THE FINANCE TEAM

1. The role of the Finance department is, among others:
   i. To ensure proper and judicious utilization, maintenance and control of funds.
   ii. To ensure availability of fund resources without sacrificing its value addition.
   iii. To ensure the supply of reliable, accurate and timely information to the various stakeholders and to the Governing Board.
   iv. To provide information as regards cost effectiveness and use of funds and to ensure support for the preparation and monitoring of budgets.
   v. Ensuring legal compliance as required under various acts including Foreign Contribution (Regulations) Act (FCRA) 2010, Income Tax Act 1961 and other necessary acts which are applicable for NPOs.
   vi. Ensuring break up of yearly plans into Quarterly/Monthly/Weekly projected flows and reviewing such projections against actual. Further, targeted events/programs to be matched with actual on a weekly / monthly basis.

2. The persons having completed graduation with commerce / Science background and skill education on related software should be preferred for finance department.
3. Every person of the Finance team needs to undergo periodical training to upgrade his / her skills, refresh technical knowledge and keep abreast with improved systems.

B: GENERAL ACCOUNTING POLICIES & FRAMING OF ACCOUNTING:

1. ACCOUNTING PERIOD:
   Accounting Year of the organization is a period of twelve months starting from 1st April of one year to 31st March of the succeeding year. The reporting period of different projects as agreed with the donors may be different from the accounting

year of the organization. It is recommended that a report for each funding arrangement to be made in accordance with the accounting period of the donor. The accounts would be sent depending on the requirement of different donors. However, to ensure preparation of the overall financial reports as per the accounting period, apportionment of financials to be done in a manner that this is rendered possible.

2. COMPUTERIZED DOUBLE ENTRY ACCOUNTING:

   The computerized accounts to be maintained according to the double entry system of accounting in Tally Software. This will be updated on regular basis.

3. METHOD OF ACCOUNTING:

   The accrual system of accounting is followed. Generally, income is accounted on a conservative basis but all known expenditures are adequately booked in accounts.

4. EXISTING REQUIREMENT:

4.1. Legal Requirements:

a. Under Societies Registration Act: The organization is needed to follow the rules of Societies Registration Act and submit the return with necessary renewal every year accordingly.

b. Under FCRA, 2010: As per the provisions of FCRA and rules framed therein, organization is required to submit a statement of Receipt & Payment Account in respect of receipt and utilization of foreign contribution along with a balance sheet.

c. Under Income Tax Act, 1961: As per the provisions of Income Tax Act and rules framed therein, organization is required to submit the audited statement along with a statement of Income from different sources in timely manner.

4.2. Donors requirement:

Donors usually prefer and require the financial statement on cash basis. Irrespective of the system of accounts followed by the organization, the requirements of donors are fulfilled with adequate adjustments. Utilization certificates may be submitted to donors which required to be certified by the statutory auditors.

4.3. Relevance for NGO: The financial statements are prepared on the basis of matching principles. Under matching principles, while preparing the Income & Expenditure A/C, the costs are matched with revenues that have accrued during the period in order to determine the correct position of either the surplus or the deficit.

5. LOCATION OF ACCOUNTS:

Accounts are maintained at the Administrative Office where all supporting documents and books of accounts are kept and updated regularly.

6. ACCOUNTING HEADS:

This will be maintained on the basis of accounting heads as approved by the funding agencies as well as approved by the organization. It is therefore recommended that the expenditure should be linked to the activity. It needs to be sub-grouped on the basis of expenses.

7. JOINT COST:

7.1 The costs which cannot be directly allocated to the individual projects are classified as joint costs.

7.2 The joint costs are determined and allocated from time to time to the funded programs under implementation on the basis of the volume of each program and the utilization of such facilities by each project as per the policy of allocation approved by the board i.e. either the expenditure method or the Income method.

8. RELATED RECEIPT:

Basically, it is generated for proper implementation of the programmes and it includes interest from bank, grants, donation, beneficiary’s contribution etc. A pre numbered receipt must be issued whenever there is an instance of receiving any grant / donation / subscription etc.

9. FOREIGN EXCHANGE FLUCTUATION:

9.1 The accounting records of the society are maintained in local currency. The entries for receipt of foreign grants are made based on the Exchange rate as has been actually realized. Generally, as receipts are recorded on the basis of actual amounts credited, any other related problem is not envisaged. However, the difference of the remittance actually realized and the amount of remittance that would have been received based upon the

Exchange rate considered at the time of finalization of budget should be determined and adequately decided upon by the management with concurrence of the concerned donor, if the need so arises.

9.2 Donations in kinds to be taken into account on the basis of fair value of such kinds that can be obtained at arm's length transaction.

9.3 The balance of this account, if there is a gain, shall be utilized only on proper authorization by the concerned donors. Similarly, in case of loss, necessary steps should be taken to have the corresponding funding arrangement for the deficit amount.

10. INTER PROJECT FUND BORROWINGS:

Inter project fund borrowings are generally not allowed under any circumstances. However, instances of emergencies may arise on account of late remittance of grant from the funding agencies. Under such circumstances, such borrowing may be allowed only on temporary basis out of the temporary surplus fund and that too only after the approval of the Head of the Organization however, no temporary sourcing of non-FC project by FC project or vice versa is allowed under any circumstances.

C. INTERNAL CONTROL SYSTEM:

1. AS REGARDS CASH & BANK:

1.1 As regards Cash:

1.1.1 The cash book is updated weekly and the box balance is physically verified regularly by the cashier and once in every week by the accounts coordinator to certify the physical cash. The cashier will maintain print outs of cash book on a monthly basis and record denomination of physical notes and coins held by him/her at the end of the day. This serves the purpose of the cashier's scroll book without duplicating efforts. **The sample of the Representation of Physical count of cash is enclosed as Annexure –** I Payment is made against a duly authorized original document (bill/voucher) supported by relevant documents. In case of remote area and unauthorized slums where bill / cash memo is not readily available, the green colored supporting voucher of the organization will be the acceptable accounting document and it has to be adequately authenticated by a person in charge of the project. Transactions are generally recorded the day they take place. **The sample of the Supporting Voucher (green Color) is enclosed as Annexure – II**

1.1.2 Withdrawal of cash from bank:

a. Based upon the weekly clams and the approved requisition from programme head, the accountant shall prepare a requisition for withdrawal of cash from bank.

b. The approving authority, on the basis of such requisition and duly certified by the Accounts department, shall sign the cheque for withdrawal of cash from bank. Adequate insurance coverage shall be taken for cash in safe and for cash in transit.

1.2 As regards Bank:

1.2.1 Bank account is maintained in the name of the operations of the bank accounts are under the joint signatories.

1.2.2 A bank reconciliation statement is prepared every month.

1.2.3 The operation and management of all the bank accounts of the organization are under direct supervision of signatories along with the treasurer.

1.2.4 Bank book to be maintained for proper recording of persons/parties to whom cheques are issued and the purpose thereof. **The sample of the Bank Book Register is enclosed as Annexure - III**

1.2.5 In case of with drawl of cash from bank the limit for the cashier individually is an amount up to Rs. 20000. In case withdrawals exceed Rs 20000 an escort will be provided additionally.

2. RECEIPTS

2.1 Receipt of Grant:

2.1.1 Receipt through cheque: Grant should be received in the name of organization. The grant should be received by the head of the organization or by any person authorized by the Governing board and pre numbered receipt to be issued for every grant received.

2.1.2 Receipt through cash: In case donations are received in cash it should be received by the head of the organization or by any authorized person. A pre numbered receipt to be issued for every donation and the same amount should be handed over to the cashier.

2.1.3 Receipt through direct bank transfer: In case donation / grant is received by an automatic transfer, a pre numbered receipt to be issued too along with a copy of the bank’s credit advice.

3. PAYMENT:

3.1 Payments through Cheque:

All payments in excess of Rs 10,000/= shall be made by cheques. However, in case of exigency this may be waived by the Secretary. Account payee cheques are preferred; however, in case of the payee not having a bank account, bearer cheques may be issued. This should be allowed only occasionally.

a. It is mandatory to have the approval of the Project Director in case of making any payments. Before approval of the Project Director, the concerned project coordinator as well as the Accountant to put in their initials. After such payments have been made, vouchers to be approved by the Head of the Organization.

b. The system of making payments after entries may be followed for its obvious benefits.

c. Cash disbursements for project advance or tour advance shall be made on days pre-ending holidays or in case the cash is to be used the same day.

3.2 Payments through Cash:

Though it is always preferable to make payments in cheques, payments in cash cannot be avoided altogether. All payments made in cash have to be supported by original supporting documents or documents authenticated by the authority. Cash payments can be made only for amounts below Rs 10,000/= or more in case of emergencies only if endorsed by the Head of the Organization.

3.3 Identification of Expenses: It is required that all the requisitions, vouchers and the supporting must specify the name of the funding arrangement / name of the programme, so that the expenses under a particular funding arrangement can be easily identified. It is also required that vouchers and the supporting after being paid must be stamped as PAID in order to avoid its re – use.

4. ADVANCES:

4.1 Advance to supplier:

Generally, it is prudent to avoid making unfettered advances to suppliers without any adequate collateral. In case so required, all advance payments to suppliers have to be done by account payee cheque only after approval for the same by the Project Director and if so specifically provided in terms of the order. Under no circumstances can cash be advanced to suppliers.

4.2 Advance to staff for expenses: All request for advances should be made on the advance application form of the organization. Requests are to be made 2 days prior to the date of weekly payment. Such requisitions to be sanctioned by the supervisor/project Director in case of giving advance to the project coordinator and by the project coordinator in case of other staff. These are to be ratified by the Treasurer/ Secretary subsequently. All advances taken must be settled within the week or immediately after the completion of the event/program for which advance was taken. In case advances are yet to be settled, fresh advances cannot be taken unless specifically allowed by the Head of the Organization or an authorized person. Each advance to be settled uniquely and cannot be adjusted with any other subsequent advance.

4.3 Advances against project work: Its given only if there is no outstanding advance against the application. On completion of the activity for which advance is taken, the advance is to be settled and any balance returned. In case standing advance is allowed to any employee the ceiling will be fixed based on the requirement and status of the concerned employee. The same procedure has to be followed in case of material requisition.

a. The Account department must maintain an individual ledger for advance taken and its adjustment. A separate ledger and sub ledger should be maintained for advance **against salary** and advance **against project work.**

b. It is to be ensured that, to the extent practicable, at the end of the financial year / project period, no advances are carried forward.

5. BILL PAYMENT PROCEDURE:

5.1Bills are submitted to the Finance Department. Bills have to be submitted along with the original supporting documents duly attested by the receiver of the goods, that they have been received in good condition. A copy of the order is also attached with the bill mentioning the project under which it is booked. Such bills are to be endorsed by the project co-ordinator /in charge of the project for which the expense has been incurred.

5.2The accounts department checks the bill on the basis of the relevant documents, order copy and accorded approval and prepares the cheques for payment.

5.3Cheques are made out only in name of the supplier whose name is mentioned in the order. However, if the supplier is unable to produce the Bank Account number, the cheque may be issued in the name of the concerned supplier subject to recommendation of the project coordinator. Final approval will be given by the Secretary.

6. FIXED ASSETS:

6.1 Property and equipment purchased, either from own sources or out of grants and donations provided by funding agencies are stated at cost (historical cost). All costs incurred relating to acquisition of such assets are also capitalized when construction is complete and ready for use. Sufficient insurance coverage for the assets, wherever possible, should be taken. A separate Fixed Assets register should be maintained for Administrative head office. Fixed Assets register should be maintained incorporating therein details**. The sample of the Fixed Assets Register is enclosed as Annexure – V**

6.2 Sale & Disposal of property and equipment can be so made only after these have been identified and so authorized to be disposed/sold by the Governing Board. After having been so identified, a fair valuation of the property /equipment of significant value to be made by an independent valuer. The process of valuation may be done away with in case of property/equipment with insignificant values. After such valuation, sealed quotations to be sought from interested parties. This may even be advertised through tendering in case of property/equipment of significant values. In such cases parties may be given the opportunity to examine the property/equipment being proposed to be disposed/ sold. The purchase committee will vet the offers and the award to be made to the highest bidder.

6.3 Transfer of Fixed Assets from one location to another location may be made on the basis of a Transfer of Asset memo. A copy of such a memo to be retained by the transferor and a copy to be sent to the transferee unit and also to Head Office in case it is neither the transferor /transferee. The memo will include details as appearing in the Asset Register along with a recording of the approver of such a transfer. Adequate nothings to be made in the Asset Register too. **The sample of the Assets Transfer Memo is enclosed as Annexure – VI.**

6.4 Fixed Assets Accounting

a. All Fixed assets exceeding Rs.10,000/= are to be purchased by the Purchase Committee for which at least 3 quotations are required. If technical advice is required for selecting assets, it is to be taken from appropriate person. Land and property and assets of significant value are to be procured after consideration and approval by the Governing Board.

b. All costs incurred to bring assets and to startup the assets e.g. freight, cartage, duties, installation cost etc. should be added with the cost of purchase and capitalized with the corresponding asset account. All new assets purchased to be given a unique identification number and entered into assets register with due valuation.

c. The rate of depreciation charged to the assets acquired is the rate/s prescribed by the Income Tax Act, 1961 for similar assets.

d. Assets to be physically verified periodically in a manner that all assets are so verified at least once a year the scrap assets should be destroyed after fixing a valuation. The list of such assets scrapped to be approved by the managing committee.

8. BOOKS OF ACCOUNT:

8.1Cash Book:

The books of Accounts are maintained on the principles of fund accounting and the organization specifically maintains separate books of account for each project. Computerized Double Column Cash book is maintained separately for the following two sections. A consolidated cash book is, however, maintained to reflect transactions under these two separate sections.

a. Foreign Contributions: - For recording the transactions out of the foreign contribution with complete identification for each fund arrangement so that income, expenses, corresponding assets & liabilities, opening & closing balance of each funding arrangement is easily identifiable.

b. Non-Foreign Contributions: - For recording the transactions out of the domestic grant including Government & private, with complete identification for each funding arrangement so that income, expenses, corresponding assets & liabilities, opening & closing balance of each funding arrangement is easily identifiable.

8.2 Ledger:

Computerized General Ledger is maintained for all the projects being implemented. Project Wise Ledgers are maintained to facilitate project reporting.

9. STOCK REGISTER:

9.1 Purchases are made on a centralized basis as required by the projects and these are charged to the projects as expenses. The Stock Register is maintained for items like stationary medicines, books and education materials. **The sample of the Stock Register is enclosed as Annexure – VII.**

9.2 All purchases are entered into the register on the date of delivery of the items. A record of the same is kept.

9.3All issues from stock are supported by issue notes. Entries in the register are made on the date of issue of stock. Records of the issue notes are maintained.

9.4Verification of stock is conducted periodically and for certain items stocks are maintained at pre-determined levels.

10. DEPRECIATION:

Depreciation is provided on written down value method at rates as per Income tax Act. Depreciation on assets procured either for specific projects or from own sources are all provided from own account and not charged to the projects for which such assets have been procured.

11. VOUCHERS:

Separate Vouchers are maintained for each project.

11.1 Debit Vouchers:

All payments have to be supported by vouchers along with proper support documents. The vouchers should be endorsed by the project in charge or in his absence by any authorized person supervising the project. The voucher has to be approved by the Treasurer after the endorsement by the project in charge. For any payment above **Rs 10,000/=** the approval of the Hony General Secretary is required.

a. The vouchers include the details of amount, project name, approved head of expenditure, date for easy Reference, purpose, and nature of expenditure.
b. The vouchers are filed serially
c. All debit vouchers are yellow in colour. Pink colour document will be used as supporting to the main voucher**. The sample of the Debit Voucher is enclosed as Annexure – VIII.**

11.2 Credit Vouchers:

All receipts in the form of donations, collections, income and grants are to be supported with a credit voucher, which is white in colour.

a. A register is maintained which incorporates details of donor name, Cheque /draft number, the project for which the fund is received and the date of receipt.

b. Numbering of Vouchers is generated by the computer itself in Tally Package. **The sample of the Credit Voucher is enclosed as Annexure – IX.**

11.3 Journal Vouchers:

All the rectification entries are passed through Journal vouchers. **The sample of the Journal Voucher in light blue colour is enclosed as Annexure – X.**

12. PROJECT BALANCE RECONCILIATION:

12.1 At the end of specific periods, projects balances are drawn and reconciled.

12.2 Such project balances are reviewed and reconciled with available physical balances.

12.3 In case of differences, these are taken up and settled immediately. In such cases a short note explaining the issue should be kept with finance department after obtaining approval of Treasurer / Secretary.

13. INSURANCE:

13.1 Assets of the organization are adequately insured.

13.2 Cash in Insurance coverage - in transit Rs.1,00,000/= and in safe Rs. 50,000/=

14. PURCHASES:

14.1 Generally all purchases above Rs. 10,000/= are required to be made through the Purchase Committee.

14.2 Such a Purchase Committee to be adequately represented by the user departments and finance and administrative personnel.

14.3 After receiving the requisition slip from the accounts department the purchase committee issues a notice inviting quotations from at least 3 parties through different cost-effective method. If so desired, for greater transparency and to obtain more competitive rates, advertisement may be made in the newspaper to invite quotations or it may be so invited by putting up a notice in the Notice Board. Even to solicit quotations, this may be so done by seeking individually from a number of parties with reputation in the line of articles so solicited. An approved suppliers list to be maintained for the items that are generally likely to be procured.

14.4 Based on the quotations received, a screening process is conducted by purchase committee.

14.5 In the first pass all suppliers who are considered to have met the required quality standards are short listed.

14.6 In the second pass the supplier with the most competitive rate is selected from the list formed in the earlier pass .The approval of the supplier should be submitted to Accounts.

14.7 All selections so made, to be considered by the purchase committee as well as additionally by the management in case of purchase of significant value.

14.8 In case the supplier with the most competitive rate is not so selected, adequate rationale for not doing so should be recorded and agreed to by the members of the Purchase Committee.

15 SUPPORT FROM ADMINISTRATIVE OFFICER

15.1 Maintaining Bill Submission Registers of all the Fields.

15.2 Maintaining Vendor's Bill submission Register and keeping tract for payments.

15.3 Entries Bills and Checking Bills/ Vouchers

15.4 Logistical Support to all programmes (with coordination with PCs)

15.5 Looking after and Support Daily Office Works and Premises (Kolkata/Fields)

15.6 Making Contracts and other Relevant Documents for all Consultants and Staffs

15.7 Collecting Quotations from Vendors

15.8 Signature on Cheques for Payments on time.

15.9 GB meeting related things, Monthly Salaries/ Consultancy Fees tracking etc.

16 STRUCTURE TO ENSURE SPEEDY COMPLIANCE WITH FINANCIAL SYSTEM

16.1 Field administrative officer will anchor person for bill submissions and related matters for projects. Project Coordinator, will appoint as point persons for each of the field teams who will be in direct contact with Field administrative officer.

16.2 Field administrative officer will be required to maintain a liaison with HO Field administrative officer to ensure all bills and claims are submitted in time to the Finance Department. Also, it will be required to keep track of bills submitted and payments made. For this reason, Field administrative officer may need to travel to Kolkata.

16.3 This will include taking up responsibility for submitting grant applications and communicating with CIF on financial and administrative issues. Field administrative officer will also be required to be present during the annual CIC visit to present the finances and represent the organisation if necessary.

16.4 Field administrative officer also will organise logistics for field offices with the support of HO Field administrative officer.

D. BUDGET AND BUDGETARY CONTROL

Budget for the financial year is drawn up for the organization as a whole and approved by the Governing Body. This budget consists of projections for projects that are expected to be executed/ implemented during the financial year and also for non-project activities/ expenditure that are to be met from own sources and not funded by any specific project.

Project coordinators are required to present budgets for the financial year within the month of February preceding the relevant financial year. Budgets are presented for projects that are certain to be executed. This includes those that are most likely to be approved and implemented within the financial year. While preparing the budgets, only the part that falls within the financial year is considered. In case of continuing projects, over-expenses/ under-expenses of the projects included in the budgets are reckoned and taken into consideration while preparing the overall budgets of the units. All expenses that are not covered by any specific project and are basically institutional in nature are included under the Account Head “Establishment”.

A master budget is also prepared consolidating all the project budgets, budget for income generation and for unrestricted funds.

The monthly cash flow statement is prepared and the variance statement of budgets over actual for each and every project is prepared, analyzed and corrective actions taken. The monthly variance statement is also discussed with the project staff and the finance staff along with the Treasurer and Hony. General Secretary.

1. It is recommended the adequate linkages should be made in order to monitor the expenses and to assess the cost effectiveness of the expenses.

2. A report should also be prepared linking the financial expenditure with the quantity of activity undertaken and its comparison with the budget.

3. The expenses incurred should also be linked with the control register like Log Book and the operational register like Training Register and also with the utilization records like Muster Rolls.

4. MEANING OF VARIOUS TERMS:

4.1 Control Register:

A register which is maintained in order to control the utilization of consumables or services like log book for consumption of fuels (which is available printed in market), telephone call register to record the telephone call.

4.2 Operational Register:

A register which documents the attendance of persons in one particular programme duly authenticated by the participants and also by resource persons or other independent authority, as decided upon.

4.3 Utilization Record:

The registers which are maintained to document the distribution of materials to the children.

E. INDIRECT COST RECOVERY

1. Definitions

The spirit of this Indirect Cost Recovery is to pay for expenses that are directly attributable to project outcomes and outputs as direct costs and expenses associated with general running of the business as indirect costs. Greater specificity on each category is described below.

1.2 Direct Costs

Direct costs are the expenses required to execute a grant that are directly attributable and can be reasonably allocated to the project. Program staff salaries, travel expenses, materials, and consultants required to execute the grant are examples. Costs that would not be incurred if the grant did not exist are often indicative of direct costs.

1.3 Indirect Costs

Indirect costs are general overhead and administration expenses that support the entire operations of a grantee and that may be shared across projects. Examples include facilities expenses, e.g. rent, utilities, equipment for the grantee’s headquarters, and associated information systems and support and administrative staff such as HR, general finance, accounting, IT, and legal. Additional examples and detail are included in Annexure. Expenses that would be incurred regardless of whether the grant is funded are often indicative of indirect costs. While these costs may not be directly attributable to a project, they are real and necessary to operate as an organization.

2. Indirect Cost Rate

Indirect Cost Rate = Budgeted Indirect costs/ Budgeted Total Direct Costs (e.g. personnel, sub-awards, supplies, equipment, etc.)

While the definitions above are general guidance for all grants, the requirements and activities of each project should be considered when determining direct and indirect costs. We review budget assumptions and cost categorizations on a grant by grant basis, and treatment of specific costs in one grant should not be considered precedent-setting for other grants.

Maximum Indirect Cost Rates

Indirect cost rate for grants will be 15% of the entire budget.

They are subject to the following limitations:

The rate provided above is the maximum rate allowed. A grantee or contractor with an actual indirect cost rate lower than the maximum rate provided above should not increase the funding request to the maximum allowed. The intent is to sufficiently fund actual costs, not to generate financial surpluses for grantees.

The indirect cost rate awarded in a grant budget may vary up to the maximum percentages depending on factors including, but not limited to, the type of project, level of administrative effort required, cost structure of the grantee, overall grant size, and extent of sub-awards or commodity purchases.

F. REPORTING

1. INTERNAL REPORTS – MIS:

These reports are prepared for the purpose of internal use of the management to facilitate the monitoring and controlling of the operations of the organization. The internal reports may consist of the following:

a) Monthly Project wise Receipt and Payment A/C;

b) Project wise periodical budget variance analysis;

c) Statement of Project balances reflecting the financial status of each and every project.

2. SPECIAL PURPOSE REPORT:

It includes Donors Report and as per the donor’s needs, these are to be prepared and submitted to the donors in time.

3. STATUTORY REPORT:

These reports are prepared as a statutory requirement. These reports include:

a) Report to the Home Ministry as required under Foreign Contribution (Regulation) Act 1976.

b) Report to the Income Tax authorities as required under Income Tax Act 1961.

c) Report under the Societies Act to the Registrar of Societies. This includes:

i. The Annual Income and Expenditure Account

ii. The Annual Receipts and Payments Account

iii. The Balance Sheet iv. The Auditors Report.

The above annual accounts are prepared in 3 stages,

i. Foreign Contributions (FC)
ii. Non-Foreign Contributions (NFC)
iii. Consolidation of FC & and NFC

4. GENERAL PURPOSE FINANCIAL STATEMENT:

4.1 General purpose financial report is the consolidated financial report of the organization as a whole.

4.2 The preparation of consolidated report is much essential as this gives the consolidated overview of the finance of the organization and can be shared with the Board and also with interested parties.

4.3 This report is a global report of the organization as a whole including therein the Receipt & Payment Account, Income & Expenditure Account and Balance Sheet.

G. FINANCIAL RISK MANAGEMENT

1. Goals

- Preventing the loss of financial assets
- Reducing the financial cost of those losses
- Reducing the impact of those losses on clients/beneficiaries

2. Risks

2.1 Fraud

Financial fraud is the most common crime perpetrated against non-profits. Legally, fraud is a category of theft in which perpetrators misrepresent themselves or otherwise lie in order to steal money or property. Staff, consultant or volunteers may attempt to defraud the organisation or someone outside the organization might try to take funds or property as part of a scam.

2.2 Poor investments

Poor or fraudulent investments such as junk bonds or investments in companies involved in illegal or unsavoury activities may result in major financial liabilities. The organisation needs to ensure investments are in line with organisational ethos.

2.3 Mismanagement of funds

Even if not explicitly fraudulent, the misuse of funds may have serious consequences. Misuse might include overspending on events, food and drink, or travel. Even in the service of fundraising, overspending on luxuries such as restaurants and hotels can appear as serious financial mismanagement by a service-oriented organization.

All expenditure needs to be able to be shown to be in the best light for the organisation and its clients/beneficiaries.

2.4 Loss of physical assets

All physical assets represent risks for an organization as theft or destruction of major possessions, such as office equipment and computers, may be costly. Lack of controls on assets or inventory may result in a loss of physical assets through negligence.

2.5 Tax liabilities

Although Praajak is tax-exempt, the organisation is still responsible for statutory deduction of taxes of staff and consultants.

3. Guidelines to Mitigate Risks

3.1 Establish internal controls

Internal financial controls must be checked for periodically by representatives of the Governing Body or an Internal Auditor appointed by the former. These controls must ensure reliable accounting and bookkeeping practices and financial checks and balances.

All procedures regulating internal controls should be clearly documented, including a list of people or roles responsible for implementation and maintenance of the controls. They should also be reviewed on a regular basis to ensure they are fit for purpose and accurately reflect how processes are actually carried out.

Finance staff and consultants should be qualified and trustworthy.

Key indicators should be prepared and monitored to facilitate financial reporting.

Once internal controls are implemented, the following must be ensured:

· Follow through on established procedures

· Include responsibility for internal controls in job descriptions and performance evaluations (as appropriate)

· Actively monitor compliance

· Provide regular staff training

· Update controls as needed

· Encourage leadership and staff to be alert to — and speak up about — potential cases of fraud, risky investments or unethical practices

3.2 Plan for financial risks

Good financial risk management includes planning for the unexpected and then rating the likelihood of those events. There should be an annual risk management grid designed under which events that pose a high risk (such as theft or poor inventory control) and those that pose a low risk (such as large-scale investment fraud) should be identified. This should be done similarly with regard to costs incurred.

The organisation may also use a rating system that takes into account various factors specific to your organization. The rating scale that extends from "rare" to "certain" (with categories such as "possible" and "likely" in between) may be used.

The following are instances of common risks and how to assess their likelihood in your organization:

Risks	**Factors affecting likelihood**

Internal or external fraud	Organizational culture and ethics
Misuse of assets	Ongoing compliance
Inadequate monitoring or understanding of investments	Policies
Incomplete, unreliable or improperly reported information	Internal controls
Damage to reputation	Workforce awareness and knowledge
Violation of legal requirements	Employee intent

The organisation must carefully assess the relevance and need of liability insurance with regard costs such as claims made against the organization in cases of injury or property damage, claims of harassment, abuse or wrongful termination by the Governing Body, staff or consultants. In case this is considered relevant the Governing body may approve purchase of targeted and specific insurance policies.

A plan must be put in place to have enough assets on hand to meet any costs not covered by insurance policies (and to take the steps described above to avoid such crises in the first place) like salaries for missed employee working hours, costs resulting from damage to the organization's reputation or status.

3.3 Educate Staff and Consultants

Staff, consultants and volunteers must be regularly educated about risk management procedures, maintain a culture of ethics and accountability, and be responsible about financial resource utilisation.

H. OTHERS

1. SAFE CUSTODY OF RECORDS:

1.1 As regard as safe custody of records:

There is no time limit prescribed under FC (R) Act and Income Tax Act for preservation of records. Hence it is recommended that the accounts both in hard / soft copies would be kept for a period of at least 7 years.

1.2 As regards statutory payments & important agreement: All the agreements like rent agreement, funding agency agreement, agreement with professional / technical etc. should be kept separately at Administrative Office. All the supporting in relation to the payments by way of Taxes, Insurance, Electricity payment etc. should be kept in a separate file and a photo copy should be used for accounts purpose.

2. STATUTORY ISSUES:

The organization should have renewed its registration under the Societies Registration Act, Income Tax Act and FCRA Act etc. It must file all the statutory returns within the due date as provided under the various regulations as applicable.

3. TENDER PROCEDURE:

In case of activities requiring tendering, the following steps to be taken:

- 3.1 The tender committee to be formed by the Secretary and not to exceed 5 members of whom at least one to be a female member.
- **3.2** The notice to be put up in the board or issued in the newspaper to be drawn with sufficient details and adequate unambiguous specifications and terms.
- **3.3** Tenders to be submitted under sealed cover within a stipulated date and opened by the members at a predetermined date.
- **3.4** Technically qualified parties to be short listed after verifying all credentials.
- **3.5** Rates obtained to be reviewed and the party to be chosen on the basis of lowest evaluated quote.

4. REIMBURSEMENT:

In case of any expenditure to be reimbursed, the original supporting document to be required. For e.g.

4.1 In case of Railways, the ticket in original or photo copy has to be presented.

4.2 In case of Air travel the boarding pass has to be preserved and presented.

4.3 All staff, consultant, associates will submit travel expenses in separate travel sheets for each separate day. In case travel cost is incurred for activities that have to be booked under separate projects and/or separate budget lines, reimbursements will be submitted accordingly in separate sheets.

5. SALARY:

5.1 Salary will be paid on the 28th of every month. All salaries will be paid by cheque or bank transfer. To ensure timely payment of salary, preparation of payroll / salary sheets /vouchers are to be prepared in time and approval accorded thereof.

5.2 Statutory and other deductions made are to be deposited with the authorities in time.

6. TAX DEDUCTED AT SOURCE AND DEPOSIT:

Where applicable, tax is to be deducted at source for payments to suppliers / salary payments to employees at the applicable income tax rates and such amount to be deposited into bank. Deduction, deposit of T.D.S., issuance of certificates and returns submitted with the statutory authorities thereof is made with Income Tax Act. In this respect following practices are followed:

6.1In respect of deduction of Income tax from salary: Where an assesses (employee) is appointed during the financial year, She/he is required to furnish either form 16 or salary certificate for salary received from other employers/s during that financial year or a declaration of any other income received during that financial year from all other sources that is to be considered in computation of his estimated tax liability and monthly deduction of tax.

6.2In respect of no deduction of Income tax from salary or in any other payments or in case tax to be deducted at a rate lower than specified under the Act, following applies:

Where no tax is to be deducted from any payment or tax is to be deducted at lower rate the assesses has to submit such appropriate certificate issued by the assessing officer authorizing the payer to make the payment without deduction of tax at source or to deduct tax at a lower rate.

6.3In respect of deduction of Professional Tax:

The amount of professional tax will be deducted as per slab mentioned in the Government rules.

6.4 Deposit of T.D.S. including mode there of:

The amount of T.D.S. deducted as per government rules applicable during the financial year is to be deposited vide a cheque within the prescribed due date accompanied by income tax challan.

6.6 The T.D.S Certificate:

The certificate is issued to the Payee / employee in prescribed forms within prescribed due dates. Certificate can be issued within 1 month from the end of financial year.

I. AUDITING

The accounts of the organization are subject to audit as required under the Societies Act, Foreign Contribution (Regulation) Act and Income Tax Act.

It is to be ensured that only one firm of chartered accountants should be appointed for the statutory audit and a management letter should be obtained from the statutory auditor and the same should be placed before the board for their necessary consideration after such stature is over. Additionally, based on necessity, management audit or internal audit may be undertaken.

Fund Development Policy - Key Steps to be undertaken:

<u>Assessment of Fund-Raising Potential</u>

- Identify vision, mission and brand value
- Conduct a SWOT Analysis
- Review internal and external capacity
- Create a fund-raising plan

<u>Fundraising Plan</u>

- Establish fundraising objectives
- Select target donors

- Select fundraising means
- Estimate fund raising costs, in terms of funds, and periodicity, human resources

Fundraising Action

- Prepare fundraising calendar
- Allocate time and human resources
- Implement activities

Monitoring and Evaluating Fundraising Activities

- Establish our minimum measurement requirements and measure our fundraising performance

Grant policies /sub granting of local funds

Praajak often works in partnership with smaller organisations and community-based organisations. In order to ensure productive partnerships, it follows key principles in sub-granting.

The steps for such a process are noted below:

Partner Selection Process

- Identify and establish area of partnership with potential organisations
- Undertake an organisational analysis of potential partners to select partners
- Finalise areas of engagement, budgets and other project related activities with selected partners
- Develop partnership agreement, based on institutional framework

Implementation Process

- Finalise detailed implementation plan with partner
- Transfer funds as per agreement
- Undertake monitoring and review activities as per plan
- Receive reports as per timeline

Project Closure Process

- Final reporting by partner (narrative and financial)
- Project review and lessons learned workshop
- Audit and inventory of project assets
- Formal closure of project

ANTI BRIBERY AND CORRUPTION POLICY Praajak

Introduction: New Alipore Praajak Development Society-(Praajak) is committed to setting up, widely acceptable standards for transparency and accountability across organisational processes. Praajak strives in attaining its mission through compliance of high legal and ethical standards. Praajak does not tolerate any form of bribery, embezzlements or corruption, and will uphold all laws countering bribery, fraud and corruption in all forms.

Purpose: The purpose of this policy is to set out the responsibilities of Praajak and those individuals acting on its behalf in observing and upholding Praajak's position on bribery and corruption. Every individual or group of individuals, associated to Praajak in any form, whether staff members, ad-hoc staff, engaged in program activities of the organization, consultants, associates, contractors, vendors, interns, volunteers, partner organisations and any other party with a financial or trustee-beneficiary relationship with Praajak are expected to share this commitment. The basic objective of this statement is setting out the policy of Praajak towards the prevention and identification of bribery and corruption and the certain procedures to be followed, if at all, any fraud is found or having an idea / impression of its existence.

Scope: This policy applies to Staffs, ad-hoc staffs, Advisers, Consultants, Associates, Suppliers, Partners and Individuals acting on behalf of the Society, irrespective of their location. Governing Body (GB) has been excluded from the scope, considering the fact that GB is not directly involved in any of Praajak's day-to-day business and/or routine functions. The Governing Body has vested powers and responsibilities to various functionaries and constituted committees to execute routine functions of the organization.

Statement:

Praajak will not engage in bribery or any form of unethical inducement or payment including facilitation payments and "kickbacks." the Staff, Ad-hoc staff, Advisers, Consultants, Associates, Suppliers, Partners and Individuals acting on behalf of the Praajak are required to avoid any activities that might lead to, or suggest, a conflict of interest with the activities of Praajak.

Praajak expects its suppliers and partners to act with integrity and without thought or actions involving bribery and/or corruption and will, where appropriate, include clauses to this effect in relevant contracts.

Prohibited Activities:

It is prohibited, directly or indirectly, for any staff or individual acting on behalf of Praajak to offer, give, request or accept any bribe (i.e. gifts with mala-fide intentions, loan, payment, reward or advantage, either in cash or any other form of inducement), to or from any person or company in order to gain commercial, contractual or regulatory advantage for Praajak, or in order to gain any personal advantage for an individual or anyone connected with the individual in a way that is unethical.

This policy requires employees and individuals acting on behalf of Praajak:

Not to offer, promise or make any bribe or unauthorised payment or inducement of any kind to anyone;

Not to solicit transaction by offering, promising or making any bribe or unofficial payment to suppliers;

Not to request or accept any kind of bribe or unusual payment or inducement that would not be authorised by Praajak in the ordinary course of business;

To refuse any bribe or unusual payment and to do so in a manner that is not open to misunderstanding or giving rise to false expectation; and to report any such offers;

Not to make facilitation payments. These are payments used by work or individuals to secure or expedite the performance of a routine or necessary action to which the payer of the facilitation payment has a legal or other entitlement. Praajak will not tolerate or condone such payments being made;

Criminal Offence (as defined in IPC)

It is a criminal offence to:

- Offer a bribe;
- Accept a bribe;
- Fail to prevent a bribe (only applies to commercial organisations)

Staffs, ad-hoc staff, advisers, consultants, associates, suppliers, partners and any individuals acting on behalf of Praajak should be made aware that if they are found guilty by a court of committing bribery, embezzlement or fraudulence an individual could face prosecution as per the norms of IPC (Indian Penal Code).

Gifts and Hospitality:

Praajak realises that giving and receiving of gifts and hospitality without any mala-fide intentions, or in other words, where nothing is expected in return helps form positive relationships with third parties where it is proportionate and properly recorded. This does not constitute bribery and consequently such actions are not considered a breach of this policy.

If staff receives gifts from stakeholders, vendors it is recorded in a gift registry at the central office. The staff can retain or leave the gift at the central office, at the discretion of the director.

Raising a Concern

If an employee or an individual acting on behalf of Praajak is offered a bribe, or a bribe is solicited from them, they should not agree to it unless their immediate safety is in jeopardy. Should this be the case, the employee or individual should at first instance contact the Field Coordinator/Project Coordinator as soon as they are able to do so. The employee or individual may be required to give a written account of the events to assist with any investigation. If the concerned Field Coordinator/Project Coordinator is involved in such an act, the individual may directly contact the Director of Praajak, or Governing Body member for reporting such case.

Employees or individuals acting on behalf of Praajak are encouraged to raise concerns about any instance of bribery or corruption at the earliest possible stage. The employee or individual raising a concern can do so in confidence and without fear of reprisals. All reports raised are taken seriously and, where appropriate, investigated. No employee or individual will be discriminated against in any way as a result of reporting a concern in good faith.

If any instance of bribery or corruption is identified; Praajak management will take the remedial steps immediately. Praajak has its own system of investigating it’s staff member for violation of service conduct including financial irregularities, corruption, fraud or embezzlement. If the charges are proved the delinquent may be awarded penalties depending on the gravity of misconduct.

These rules are based on the following principles: -

The right of Praajak to take appropriate disciplinary steps against any delinquent staff member, consultants, associates who acts in a manner conflicting with the code of conduct and prescribed rules / regulations.

At the same time the rules also recognize the right of delinquent staff member, consultants, associates to a fair hearing and applicable and just disciplinary action.

he emphasis of disciplinary action is on prevention, justice and rehabilitation.

Review of this Policy: In the interests of maintaining best practice, the contents of this Anti-Bribery and Corruption Policy will be reviewed by the Governing Body or Praajak Management Team every three years.

Reporting and Investigation:

An individual can report at three levels, as indicated below:

Field Coordinator / Project Coordinator/manager at primary level.

Director at secondary level, in case if the concerned Field Coordinator / Project Coordinator/manager is/are involved in such an act.

Investigation:

Praajak Management Team will form a committee to investigate.

Governing Body will have the discretion to form a committee to investigate, in such a case where any member(s) of the Management Team is involved in the act.

A record of all investigations and outcomes will be maintained by the Director for sharing with donors, based on request. This will be only for the Director eyes only.

NEW ALIPORE PRAAJAK DEVELOPMENT SOCIETY

OPERATING RESERVE POLICY

PURPOSE

The purpose of this Operating Reserve Policy for NEW ALIPORE PRAAJAK DEVELOPMENT SOCIETY is to build and maintain an adequate level of net assets without donor restrictions to support the organization's day-to-day operations in the event of unforeseen shortfalls, as also contribute to the financial sustainability of the organization.

The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, investment in infrastructure, or for any unforeseen situation, that may not be donor supported.

Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap in financial projections, and ongoing project resources.

The organization intends for the operating reserves to be used and replenished within a reasonable period of time. This will be yearly maintained, and used as per need.

This Operating Reserve Policy will be implemented in conjunction with the other financial policies of the organization and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as the designated fund set aside by action of the governing body. The minimum amount to be designated as operating reserves will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The operating reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

Normally Praajak receives conditional grants as a project grant. These are for specific heads, as well as time periods. If at any given time the project grant is withdrawn by the funding agency, then Praajak will use the reserve fund for three months to be spent on the staff salary and administration.

The target minimum Operating Reserve Fund is equal to Six months of average recurring operating costs. The actual average recurring operating costs is Rs. 2lakh every month. Therefor Praajak wishes to generate the reserve fund of Rs. 12 lakh.

In addition to calculating the actual operating reserve at the fiscal year-end, the operating reserve fund target minimum will be calculated each year after approval of the annual budget. It is expected that the target will align with the average of six months costs. The highest six months of the project, in terms of costs will be used as the base. However, if this amount is not met, efforts will be made to reduce any reserve fund expenditure during the year, and enhance the fund in the year after.

These reserves will be reported to Governing Body and included in the regular financial reports and/or dashboards.

ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the accounting system and financial statements as Board Designated Operating Reserve. The Operating Reserve Fund will be funded and available in cash or cash equivalents. Operating reserves will be maintained in a segregated bank account and/ or investment fund. The ratios of investment will be decided on based on exiting investment opportunities, as well as safety of investments.

FUNDING OF RESERVES

The Operating Reserve Fund will be funded with surplus operating funds without donor restrictions from Indian Funds only, and not from foreign funds. Interest accrued on Indian Funds provided by donors may be included in the Operating Reserve Fund subject to donor approval only. Donors may include individuals, organizations and corporate entities.

The governing board may, from time to time, direct that a specific source of revenue be set aside for operating reserves. Examples may include one-time gifts or bequests, property sales, special grants, or special appeals.

The Director will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Operating Reserve Policy. Determination of need requires analysis of the sufficiency of the current level of reserve funds, the availability of any other sources of funds before using reserves, and evaluation of the time period for which the funds will be required and replenished.

AUTHORITY TO USE OPERATING RESERVES

Approach A: The Director will submit a request to use operating reserves to the Governing Body. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization’s goal is to replenish the funds used within 6 months to restore the Operating Reserve Fund to the target minimum amount. If the use of operating reserves will take longer than 6 months to replenish, the request will be scrutinized more carefully. The Governing Body will [either (1) approve or modify the request and authorize transfer from the Operating Reserve Fund or (2) the Finance Committee will recommend the request to the governing body].

Approach B: Authority for the use of operating reserves is delegated to the Director in consultation with the Secretary of the Governing Body. The use of operating reserves will be reported to the governing board at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds, and plans for replenishment to restore the Operating Reserve Fund to the target minimum amount. The Director must receive prior approval from the governing board if the operating reserves will take longer than 6 months to replenish.

REPORTING AND MONITORING

The Director is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval of the use of operating reserve funds, the Director will maintain records of the use of funds and plan for replenishment.

She/he will provide regular 3 monthly reports to the Finance Committee and/or governing board of progress to restore the fund to the target minimum amount.

The Director will annually discuss what additional risk factors might be considered for the organization, the impact of budgeting on operating reserve levels, and any requirements with funders or partner organizations.

RELATIONSHIP TO OTHER POLICIES

The Director shall maintain the following board-approved procedures within the Finance Policy, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund. These include:

- Risk Management related policies and tools to diminish risk, including Contingency or Disaster Preparedness Plan
- Policies related to Operating and Capital Budgeting
- Fund Development Policies

REVIEW OF POLICY

This Policy will be reviewed by the governing body if warranted by internal or external events or changes. Changes to the Policy will be recommended by the governing body for approval on a three-year basis.

This policy, upon every revision hereof, must be distributed by the Director to all staff.

This reserve policy is intended to serve the organization, and inform its stakeholders of its financial practices in a transparent and systematic manner.