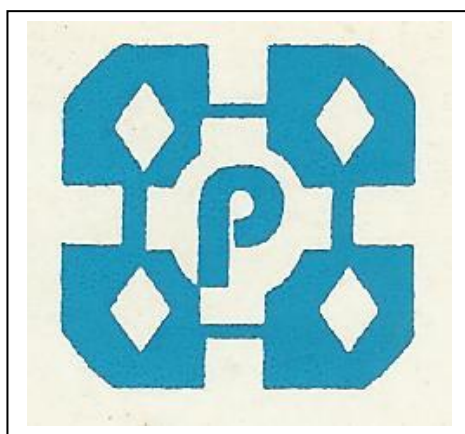


Financial Policy & Procedure Manual of Pallishree



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14.1 Reporting requirement

1. Introduction

This Manual is prepared and produced to streamline processes, ensure better internal control and demonstrate policies, procedures and systems that are professional, efficient and accountable. This Manual is primarily addressed to understand financial constraints and objectives as well as guide organizational personnel to follow and adhere to procedures.

2. Accounting Principle

The guiding accounting principles are:

-  Dual aspect – All transactions should be recorded on double entry system on a day to day 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 is 10% or more of the total transaction or Rs. 20,000 whichever is less.
-  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 basis – The financial statements shall be prepared on the basis of cash system of accounting.
-  Financial Year for Pallishree will be 1st April to 31st March.

3. Ledgers Coding

There should be a standard coding structure which should be followed for ledgers accounting for instance:-

Area	Codes
Fixed Assets	10000 – 10999
Current Assets	11000 – 19999
Liabilities	20000 – 29999
Capital Fund	30000 – 39999
Income	40000 – 49999
Expenditure	50000 – 59999

4. Project Wise Accounting

Project accounting differs from standard accounting in that it is designed to monitor the financial progress of a project rather than the overall progress of organizational elements. With Project Accounting, financial reports are specifically created to track the project progress. Utilizing Project Accounting provides Project Managers with the ability to accurately assess and monitor project budgets and ensure that the project is proceeding on budget.

Codes should be allocated to every project and all the Expenditure & Income should be booked under the same code for particular project or cost centers can be created for a particular project.

For example;

There are 3 projects say ABC, PQR and XYZ. For the purpose of accounting of any expense, Expense Head and Expense code will remain same.

When expense of Project ABC is to be booked, books of account of Project ABC will be updated with relevant expense amount.

Expense Code	Expense Head	Project ABC (22001)	Project PQR (22002)	Project XYZ (22003)
5001	Transportation	Xxx	Xxx	xxx
5002	Printing and Stationary	Xxx	Xxx	xxx
5003	Telephone	Xxx	Xxx	xxx

5. Budgets

5.1. Budget Allotment

Annual Budget of Pallishree will be prepared in participatory approach. It will be submitted to donors for sanction of grant. Pallishree will also prepare general budget of the organization keeping in view day to day expenses. In special case (like disasters, infrastructure development, felt need any) It will approach individuals, Government departments, National and International Donor agencies for support.

Annual budget of Pallishree (unrestricted/general) will be approved by Executive Body in the month of March/ before one month of financial year.

5.2. Monitoring

5.2.1 By Donor

Pallishree will extend all possible cooperation to donors for monitoring of projects on regular basis.

It includes review of the financial performance of the partners in terms of the budget sanctioned to them and the activities for which the grant has been released.

- Pallishree will honour the norms and procedures of donor agencies in project monitoring.

5.2.2 By Pallishree

The organization will monitor the financial aspects, on an ongoing basis that the actual expenses incurred are within the budget and are actually incurred for the purpose for which they were intended. The quarterly utilization certificate shall be submitted by partner to Donor Agencies by 1st week of quarter ending subsequent month.

5.3 Approvals in case of variance from budget

Pallishree cannot to change the budget line or exceed any budget line without prior written approval from the donor (subject to any donor specific contract conditions).

Upto 10% variance within the overall expense head is permitted viz., one line item to the other within program expense head. However, it cannot be used against other expense heads viz., savings in programs cannot be used for admin. expenses.

5.4 Re-allocation of funds from one head to another:

Any changes, revision, amendment, reallocation to the project budget cannot be made until it is agreed by both parties in writing (in the form of a letter).

6 Cash Transaction

6.1 Limits/Authorization for cash expenses

- Cash payments will be made only after preparing the cash payment voucher. The cash payment voucher has to be serially numbered and should be supported with expenditure bills. In case of kuchha (manual) bill, vendor contact details with telephone numbers should be mentioned.
- Pallishree will define the authorization matrix for approval of expenditures. All vouchers have to be approved as per authorization matrix before payment.
- The payee has to sign the voucher for receiving the payment.
- Pallishree will minimize the cash payments and are encouraged to make payment through cheque.
- Following maximum limit should be adhered for each cash transactions.

Transactions	Amount (Rs.)
Travel advance	2000
Stationary	2000
Communication/Phone	1000
Food expenses	2000

Transactions should not be split to deviate from policy.

- Any payment / advance beyond the above amount and reimbursement to employees should be made through bank transfer to their respective bank account.

- All cash payments of Rs.5,000/- or more, other than to staff, should be receipted with a revenue stamp.

6.2 Cash Receipt & withdrawal of cash

The cash withdrawal form is to be filled up and signed by the staff handling cash.

- The cash balance available and the estimated expenses need to be computed. Such computation should be approved by the authorized person.
- A cash receipt voucher should be prepared and accounted by the accountant on the same day.

6.3 Cash Reconciliation

This is a manual count register and needs to be maintained by the staff responsible for cash handling. Register (ideally in register of size 12" x 4") will contain the following entries on a daily basis:

Particulars	Amount
Date:	
Opening Balance	Rs. _____ (A)
Cash Receipt	Rs. _____ (B)
Total	Rs. _____ (A+B=C)
Payments	Rs. _____ (D)
Closing Balance	Rs. _____ (C-D)

The denomination of the closing balance of cash will be entered below this and signed by the Cashier. This register is to be maintained from the beginning of the financial year and a fresh register should be opened, bringing forward the previous year's closing balance at the beginning of the next financial year.

- The cash balance along with the denomination needs to be physically verified on a daily basis by the authorized person.
- Any discrepancy observed during the physical verification should be recorded and reported in writing to the authorized person.
- Surprise cash count should be performed by any independent person atleast once a month.

6.4 Documentation in case of Cash support

- Identity proofs such as Below Poverty Line (BPL) card/ photograph/ signature/ thumb impression of the beneficiary should be documented at the time of disbursement of cash under any program activity to confirm validity of the expense made.
- All the expenditure should be supported with the bills. In case of kuchha (manual) bill, vendor contact details with telephone numbers should be mentioned.

6.5 Maximum/Minimum cash balance

Maximum cash balance should be in hand an amount of Rs.10000/-(Ten thousand)only in any project Cash book of Pallishree Organisation and in case of Third party payment maximum amount should not exceed Rs.10000/-(Ten thousand) only .

6.6 Cash Insurance

Insurance cover can be obtained for the maximum amount that can be held and if required insurance limit should be reviewed for further increasing limit based on the cash holding. Cash balance should be maintained within the insurance cover. Fidelity Insurance and insurance for cash in transit should also be done.

6.7 Security & Safe custody of cash

- Third parties will not be allowed access to the cashier or the safe. Cash should be paid in the front office.
- A time during a working day has to be fixed for cash receipts and payments.
- Maximum and minimum cash limits are strictly to be adhered.
- The accounting of cash receipts/payments should be completed on a daily basis.
- Cash must be stored in lock and key in a cash box or safe.
- A safe/ locker must have 2 sets of keys out of which 1 should be with the person handling cash and other with the authorized person.

Duplicate key(s) should be used only in case of emergency and in presence of some other senior staff with due approval by the authorized person.

7 Bank transaction

7.1 Receipts-Cheques/Draft

- The date of receipt, its accounting and the date of deposit of the Cheques/draft to the bank account should be the same. Any relaxation/deviations can be only in view of banking hours or bank holidays. Cheques/draft deposit should not be made beyond the next working day.
- The bank deposit slip should be attached with the Receipt Voucher. .
- The Receipt Vouchers have to be filed separately as per serial numbers.

7.2 Bank Payments

- No Cheques is to be signed without the payment voucher.
- Cheques should not be prepared, for whatever reason, if sufficient balance is not available with bank.
- Partners shall define the authorization matrix for approval of expenditures. All vouchers have to be approved as per authorization matrix before payment is released.
- Payment has to be made only against original bills and claims. Any type of copy of bill or claim should not be entertained. Only in exceptional cases (non high value), self certified bill approved by chief functionary are permissible.
- All supporting documents should be attached with the payment voucher and filed according to serial number.
- Any advance beyond the limit of cash transactions and reimbursement to employees should be made through bank account transfer to their salary account.
- The Cheques number should be mentioned on the payment vouchers.
- Cheques should be account payee only.

7.3 Bank Reconciliation Statement (BRS)

- **Bank statements:** Downloading bank statements daily/monthly from online bank portals of each bank. In case of un-availability of such facility, monthly bank statements should be obtained from the respective banks.
 - **Match with Tally/book Statements:** Matching the transactions of bank statements from the transactions of bank books in Tally.
-

- **Opening entries, if any:** In case of any difference (between bank statement and Tally), identify reason for such differences.
- **BRS:** Preparing BRS by 1st week of the succeeding month.
- **Action Plan:** Prepare action steps & timelines to close the open entries.
- **Approved:** BRS should be verified and authorized by the assigned authority.

Sample format for BRS

Particulars	Amount(Rs.)	Amount(Rs.)
Balance as per books	XXXXXX	
Add: Cheques issued but not presented for payment	XXXXXX	
Interest credited by bank not entered in books	XXXXXX	
Deposit made by outsiders directly into the bank book without knowledge	XXXXXX	XXXXXX
Less: Cheques deposited but not yet credited	XXXXXX	
Bank charges debited in the pass book but not entered in the cash book	XXXXXX	
Cheques entered into cash book but not deposited with the bank	XXXXXX	XXXXXX
Balance as per Bank statements		XXXXXX

7.4 Controls to be exercised

All letters/ instructions to the bank should be signed by the authorized signatory only.

- All bank accounts should be in the name of the legal entity that the organization is approved to work under.
- Cheques leaves/ books are to be kept in safe custody by the Accountant.
- Bearer Cheques should not be issued in any circumstances.
- All the blank cheques should be duly crossed or stamped for “A/c Payee only – Not Negotiable” immediately on receipt.
- Cheques for a single payment should not be split up so that they remain within signing approvals. .
- Postdated cheques should not be issued.
- The words “or Bearer” in the Cheques are to be deleted for all crossed Cheques.
-

- The Accountants have to ensure that sufficient notice is given to the bank for issuance of fresh Cheques books.
- All cancelled cheques should be maintained.
- All cheques (books) should be carefully counted before taking in to safe custody. In case of any mismatch, it should be brought up to the notice of the bank immediately in writing.
- List of Cheques signing authorities should be maintained and updated to the bank.
- Under no circumstances a blank Cheques will be signed.

8 Income-Bank Interest

All the income received must be updated in books of account. Income received is in form of interest on Foreign Currency Residence Account (FCRA) and other Bank account. The normal practice is to consider interest earned on FCRA funds as foreign contribution only. Any interest earned should be disclosed in FC6 and also the FCRA receipt and payment account.

Interest income should be booked separately project wise in the books and the same should be reported in utilization report sent to Regional office.

Direct Income	Amount (Rs.)
Bank Interest:-	XXX
Int. from FCRA Account	XXX
Project A	XXX
Project B	XXX
Int. from SBI Account	XXX
Project A	XXX
Project B	XXX

9 Expense

9.1 Approvals

Expenses should be approved by the Secretary of the organization. Any expenses made by Secretary directly will be approved by the President of the organization. Employee/staff/consultant will not approve their own expenses nor will a subordinate of the claimant approve them unless a specific delegation to this effect exists, duly authorized by the authority competent to give such delegation.

However, respective employee/staff/consultant should sign (with date) the claim in the capacity of claimant.

The Secretary should review the expenses claim along with the supporting to ensure its consistency with budget, utilize as per the objective of activity, then sign and date it. The approving manager has the authority to reject expense claims that fall outside the budget where the expenditure has not been approved in advance and for which the budget has not been revised. All staff and program advances must be settled within one month, unless sanction provides otherwise. Fresh advance cannot be given unless an earlier advance is settled.

9.2 Contracts/Agreement

- Identify the Vendors through different source via internet, quotation etc.
- Minimum 3 quotations are shortlisted for negotiation for purchases above Rs. 10,000/-.
- Vendor with lowest rate and providing required quality is to be selected.
- If market quotations are not available for any specialized services, then reason for the same should be noted on the payment voucher.
- Agreement may be entered into with selected vendor and the same shall be authorized by the designated authority.

9.3 Use of Partners own services/assets

In case the partner has facility which is required for projects, then the same can be used. However, the quotations as mentioned above in 9.2, should be invited and partner should claim expenses for use of own services/assets as per the lowest market quotation. Prior self-declaration should be made by the partner for use of own services/assets. E.g. services of rental car, LCD display for any event etc.

9.4 Invoice Verification

- Receive the Invoices from the vendor. Bills or Invoices should support all expenditure. In case of hand written bills/Kuchha bills vendor address along with contact number should be documented. Following are the illustrative list of supporting required based on the nature of expenditure:
 - ✓ Travel expense- tour reports along with purpose of travel.
 - ✓ Training expense- attendance of participants and photographs.
 - ✓ Construction work/assets purchased- photographs.
- Verifying the rates as per the contracts with the vendor. If there is no contract with the vendor then the invoice is to be approved by designated authority.
- Verifying whether the invoices are properly approved and supported with relevant documents then hand over the invoices to the person responsible for data entry.
- Activity for which the expenditure has been incurred should be noted on the invoice, and the expenses will be booked under appropriate budget head.

- Program activity expenses beyond Rs. 20,000 should be evidenced by a photograph of completed activity enclosed with voucher.

9.5 Operational & capital expenditure

Operating expense is the ongoing cost or day to day expense for running a project such as for sales and administration, office expense, accounting, advertising, insurance etc. and the same will form a part of Income & Expenditure account.

Capital expenditure (CAPEX) is done by the Company to acquire or upgrade physical e.g. purchasing laptop, plant & machinery. CAPEX is a cost which cannot be deducted in the year in which it is paid or incurred and must be capitalized.

9.6 Allocation of all expenses

Common expenses should be allocated among the projects on the basis of their proportionate usage/based on funding such as telephone expenses, office stationary, and office rental etc. Remarks for the basis of allocation should be noted on the expense voucher.

10 Fixed Assets Management

10.1 Procurement

Direct Procurement

- Goods/services can be procured directly from the market without obtaining quotations up to the limits prescribed below, with appropriate prior approvals. However cost effectiveness and benefit of donor should always be ensured while making such purchase. The limits for direct procurement shall be Rs. 5,000/-. This amount can be revised after making resolution in Executive Body Meeting.

Competitive Procurement

- Procurement of goods/services exceeding the above limits shall be done through the following procedure:
 - A demand/need (Purchase requisition) for a purchase must be raised by the user which will be duly authorized. In case the budget available with the unit is not adequate for the purchase, a specific note must be made from where the excess money required for the purchase would be sourced along with approval from the sourcing unit. Prior approval from donor will be obtained in case of utilizing the budget under other head of expenditure.
 - The purchase personnel will invite quotes/bids from vendors/dealers for the item proposed to be purchased.
-

- In order to place an order, a minimum of 3 or more quotations will be obtained and Compare by the purchase department when the procurement is above Rs. 10,000/-.
- 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, justification must be provided by the purchase department.
- The purchase department will then finalize the modalities of the purchase including the vendor, price, number of units and specification of the equipment being purchased or being printing and definite time lines for delivery before the order is placed. The order for items would be placed by the concerned unit i.e. IT/Admin/Communication unit as per the terms and conditions specified by the purchase department. All the purchase orders should be sequentially numbered.
- Delivery of the equipment/material will be taken by the unit that places the order. In addition, the unit that places the order and takes delivery of the equipment will also certify/inform to the purchase department within 7 days of the receipt of goods that the goods received are as per the modalities that were laid down by the purchase department for each approved purchase.
- Procurement will be done from the vendor selected and any exception to the same should be approved.
- The concerned unit shall submit the vendor invoice along with the Purchase Order (PO) to finance department for payment processing.
- As a practice advance for procurements will not be paid. In case an advance payment is unavoidable, then it can be up to a maximum of and will not exceed 25% of the total Value. Payment of advance should be approved by designated authority and should be accounted in books.

10.2 Fixed Assets Register

A register will be maintained to record all capitalized assets. 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 will include details of each asset as follows:

- Date of purchase
- Description
- Donor name if purchased from Donor Funds.

- If Donor Funded Asset. Conditions need to be included in Remarks
- Cost
- Location
- Unique identification number
- Depreciation
- Net book value

It is appropriate to group classes of assets together in the fixed assets register for ease of reference. When an asset is purchased it will be given a unique asset identification number which will be Physically marked on the asset and recorded in the fixed asset register.

10.3 Physical verification

On a regular basis and at least once a year, all the assets will be inspected to confirm its existence, location, usefulness and condition. The verification exercise will be initiated by authorized person.

Any loss of fixed asset will be investigated and reasons should be documented along with corrective action. The designated person will authorize the asset to be written off from the books of account. Obsolete and idle assets would be identified regularly and corrective actions would be decided and actioned within defined time lines.

The staff will be responsible for safe custody of assets in their possession.

10.4 Disposal of Assets

All assets disposal needs prior approval from donor. Quotations will be invited for sale of assets and sale value should be approved by donor representative..

The concerned person need to take care that the realized amount of the asset is credited to the same project code from where the original purchase price was paid. However, in case of the project closure credit of the realized amount needs to be informed to regional office.

- In all scenarios of selling asset, i.e. whether on-the-spot or through quotations or tender, staff will be given a preference to purchase such assets through local auction.

10.5 Depreciation Policy

Depreciation is to be provided in the books of account in accordance with the prevailing statutory requirements from time to time. The method of charging of depreciation will be decided by the management and followed consistently.

10.6 Insurance of Assets

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

Where assets are transferred between departments/Offices the records updated accordingly, and Donor will be intimated about the same..

Transfer is at Net Book Value (NBV), which is the original purchase price less the total depreciation charges on the date of transfer of Assets.

10.7 Disclosure

- A certificate of intended use of assets must be submitted to donor every year by the chief functionary of Pallishree.
- Proper identification marks along with logo of donor will be affixed on all assets acquired from donor funds.

11 Unspent Grants

All unspent funds (at the end of the project or year) shall be refunded to donor through an at par cheque / demand draft within one month of the final closure of the project or year. If there are multiple projects with the same partner the un-utilized grants cannot be transferred between them, however it is to be refunded to Donor. Pallishree may request extension of dates for completion of the project, if there is a scope.

12 HR & Payroll

12.1 Employee Personal file documentation

Below mentioned documents must be collected from employee at the time of joining
Joining Form.

- Medical Examination Report.
- Self-attested copy of :
 - Educational Qualification Certificates.
 - Professional Qualification Certificates.
 - Experience Certificates from previous employers.
 - Relieving Certificate and Salary Slip from the immediate previous employer.

Residence Proof.


- Identity Proof.
- PAN card.



12.2 Appointment Letter

After collection of documents from selected candidate and documentation thereof in personnel file, 'Appointment letter' is issued to the selected employee and the same should be signed by authorised signatory and the employee.

12.3 Attendance & Leave Record




Attendance register is to be maintained wherein employees will mark attendance on daily basis.




Leave required by an employee should be approved and documented in a separate file by HR.


12.4 Salary Processing




Employee master will be maintained updating salary as per appointment letter.




Calculating the number of leaves availed by the employees i.e. the leaves exceeding the limits and forward the details for further processing.




Checking the records for the advance and loans given to employees during the month. Preparing a report for the amount of deduction and the period for which monthly deductions are to be effected.




Generating the payroll for the month and takeing a soft copy and printout of the salary to be processed.



Comparing the payroll of the current month with the previous month and preparing a variance report for the difference in payroll documenting reasons for the employee wise.




Reviewing the payroll processed for the month by the designated authority.




Signed hard copy along with soft copy of the payroll report is sent to the bank for the release of salary. Payment for salary will be done through bank or Cheques.

12.5 Full & Final Payment



No due certificate is obtained from all the departments (IT, Admin & HR).



On the basis of No dues form, statement for full & final settlement is to be prepared and accordingly same amount is paid or recovered from employee.

13 Statutory Requirement

13.1 Due Dates


All the statutory record should be submitted within the time specified.

Compliance	Periodicity	Due Date*
TDS Return	Quarterly	15 th following the Quarter
Annual Return	Annually	30 th June of the year ending
TDS Challan	Monthly	7 th of the following months
FC- 4	Annually	31 st Dec of the year end
Professional Tax		As applicable in the state

13.2 Rates for Tax Deducted at Source

Nature of Payments		Threshold	Company Firm Co-op Soc. Local Authority	Individual HUF	If No PAN OR Invalid PAN
Sec.	Description	Amount	RATE	RATE	RATE
194A	Interest - Payable by Banks	10,000	10	10	20
	Interest - Payable by Others	5,000	10	10	20
194B	Winning from Lotteries / Crossword Puzzle	10,000	30	30	30
194C	Payment to Contractors - Single Transaction	30,000	2	1	20
	Payment to Contractors - Aggregate during FY	75,000	2	1	20
194D	Insurance Commission	20,000	10	10	20
194H	Commission / Brokerage	5,000	10	10	20
194 I	Rent	1,80,000	10	10	20
	Rent - Plant / Machinery	1,80,000	2	2	20
194J	Professional Fees	30,000	10	10	20

13.3 Filing of returns

 ITR-7 (NPO) Compulsory to claim exemption

- ITR-5 Cooperative Society
- On or before 30th September, if audit is required
- On or before 31st July in any other cases

14 Reporting

Pallishree will submit reports and returns to donor agencies as per the terms and conditions

- mentioned in grant approval letter. It will strictly follow the laws of the land (IT, FCRA etc.)

