

SOCIAL AWARENESS SOCIETY FOR YOUTHS

Finance Manual

The Finance Manual of Social Awareness Society for Youths - SASY brings together in one document all the financial policies and procedures in existence. The manual is used by the office and accounts staff for day-to-day operations and serves as a reference in case of query. It may also be described as the Financial Regulations or Finance and Office Procedures.

The Finance Management system prepared based on the accepted standards and is consistent over the years. The manual prepared to avoid misunderstanding confusion and to ensure proper implementation of procedures; financial management policies should be documented.

0.0 Accounting Basis

- ✚ Books of accounts are maintained on cash basis and only in few select areas mentioned in paragraph - - - accrual basis are adopted.
- ✚ Receipts are recorded in cash/bank book on receipt of funds.
- ✚ Payments are recorded in a Bank/Cash book as and when transaction takes place.
- ✚ The system does not account outstanding income and expenses.
- ✚ The system does not automatically maintain a record of any money owned by (liabilities) or to (asset) the SASY.
- ✚ The system cannot record non-cash transaction such as a donation in kind or depreciation

1.0 List of books to be maintained at Head office

- 1.1 Cash Book
- 1.2 Bank Book
- 1.3 Journal Register
- 1.4 General Ledger

1.1 Cash Book

- ✚ Cash book should be written every day.
- ✚ Physical balance on hand to tally with book balance at every point and at the end of every day.
- ✚ Denomination wise break up of each (notes and coins) available at the end of every day to be indicated in the cashbook.
- ✚ Credit balance at the end of any day or during any day not possible.
- ✚ Cash payments and receipt to be more an exception than the rule.
- ✚ Cash book to be signed by the Accountant.

1.2 Bank Book

- ✚ Bankbook should be written every day.
- ✚ Cheques issued for payments are accounted on the date of issue and not when presented to bank.
- ✚ Receipts to be accounted on the date of receipt/deposit in the bank and not on the date of credit by bank.
- ✚ Cheque numbers to be mentioned with each entry.
- ✚ Cheque (crossed) payments and receipt to be the rule and not an exception.
- ✚ Cancelled cheques to be retained.
- ✚ Unused cheques to be in safe custody.
- ✚ Signed blank cheques not to be left with anyone.

1.3 Journal Register:

- ✚ Journal Register is at present maintained for advances settlement.
- ✚ Other credit transactions are not accounted through Journal Register at present

1.4 General Ledger

- ✚ Opening balances to be brought forwards from previous audited balance sheet correctly and immediately after previous years' audit.
- ✚ Entries to be posted in a manner, which facilitates the preparation of monthly trial balance.
- ✚ Account heads correspond to the approval budget to be used.
- ✚ Entries should be made every day.

1.5 Receipts

- ✚ To be preprint numbered.
- ✚ Receipt should be issued immediately on receipt of money.
- ✚ All receipts/collections should be deposited in the bank on the next bank working day.
- ✚ Cash receipts or collections should not be used for office expenses.

1.6 Payment vouchers:

- ✚ To be serially numbered and filed.
- ✚ Payment voucher should be prepared all outward transactions.
- ✚ Should always have external evidence like purchase bills, invoices, receipts.
- ✚ In case of internal evidence, the voucher should sufficient & relevant information of the transaction.

- ✚ All payments should be authorized by the concerned department head.
- ✚ Actual payment to be made only after authorization.
- ✚ All bills and supports to contain the voucher number/date to which they pertain and to be cancelled on payment (with a paid seal).
- ✚ Before making a voucher, a requisition with the attribute to be filled and enclosed with voucher.

1.7 Journal Vouchers

- ✚ Journal vouchers should be serially numbered.
- ✚ Entries in register to be only after voucher are supported by bill/authorization by unit heads.
- ✚ It is also called as settlement voucher/convert into the expenses head.
- ✚ The vouchers should contain the detailed reports, bills, participants list and other related supporting.
- ✚ The Journal should be passed only against advances like programme advances, transfer entries.

1.8 Multi donor Accounts

For each donor/multi donor funded projects

- ✚ Use separate books of accounts (cash/bank/journal and general ledger) or project wise /donor wise account codes.
- ✚ Maintain separate operational bank accounts especially if the organization is big.
- ✚ Prepare separate trial balances, income and expenditure account, balance sheet and schedules for advances.
- ✚ Consolidate separate donor wise trial balances to prepare consolidated accounts.
- ✚ Ensure that each donor's closing balance is available separately with break up of cash/bank balance, advance, inter donor transfers etc.

1.9 Bank Reconciliation:

- ✚ Reconciliation between pass book and bank book to be done every month.
- ✚ Un reconciled entries should be checked and suitable correction entry should be passed in the books of account.

2.0 INTERNAL CONTROLS:

2.1 Payments:

- ✚ Only budgeted payments could be made.
- ✚ Non-budgeted payments can be made only with the approval of Executive Committee.
- ✚ All payments should be supported by evidences.
- ✚ **All payments above Rs.2, 500 should be made either by crossed cheque or by demand draft.**
- ✚ Fair price being obtained via bids / quotations.
- ✚ All payments should be authorized by the concerned head of the department and/or by the Director
- ✚ Evidence of receipt of goods or service.
- ✚ Expenses are properly verified by accounts department.
- ✚ Evidence of request for payment from third party.
- ✚ All necessary deduction has been withheld from payments.
- ✚ **Supporting documents have been cancelled.**
- ✚ Confirmation from payees of receipt of funds.

2.2 Requests from Partners

- ✚ Request for sponsor the programme with budget.
- ✚ Regular and periodic financial reporting
- ✚ Statement of expenses with proper accounts and documentation.
- ✚ Reimbursements are properly authorized.
- ✚ Disbursement is properly recorded in cashbook.
- ✚ Partner's payment should be in favour of organization.
- ✚ Further release of funds only after settlement of previous advance.

2.3 Travel and Boarding & lodging:

- ✚ The Tour expenses like travel, boarding & lodging, telephone, stationeries and other incidental expenses of the program (Monitoring, meeting, workshop) will be accounted through one set of claim form.
- ✚ The expenses, which are related to the programme, will be taken into account as per the request given for the programme visits.
- ✚ The concern staff should fill travel-booking form for their programme visits; it is the evidence towards verifying the bills of travel agency related to the payment should be tickets enclosed.
- ✚ If the ticket / travel visits is cancelled due to some emergency situations it should be intimated into the travel booking form.
- ✚ The Form should be filled as per the details given.
- ✚ Local Conveyance will be reimbursed as per the movement register records. Proper and sufficient details should be given for expenses. For local travel supports such as bus-tickets, train tickets, etc. need not be attached.
- ✚ All travel expenses should be approved and verified by the concerned head of the department.

- ✚ Along with the travel claim, tour report should be submitted to the concerned head of the department.
- ✚ If staff use their own vehicles the mileage will be calculated, the claim form should be filled giving the rate, which is normally fixed as per the staff charter and also depends on types of vehicle used.
- ✚ If the ticket is booked by SASY head office, the ticket should be submitted to the office while settling the bills / advances.

2.4. Purchases

SASY shall follow the following procedures for any purchases

- ✚ Accounts department will certify availability of funds.
- ✚ All purchases above Rs.500,000 will be routed through purchase committee consisting of Director and other members appointed by the Executive.
 - Inviting quotations for the purchases at least 3 suppliers and maximum no limit, the details of specifications with the numbers.
 - Technical quality, quantity and prices of goods.
- ✚ The purchase will be issued in the form of purchase order
- ✚ Delivery challans & invoices should be produced at the time of payment.
- ✚ The Goods delivered will be recorded in the stock registers / Fixed Assets Registers.

2.5 Lease/rent agreements

- ✚ The Director or any other person authorized by the Executive shall execute the lease / rental agreement.
- ✚ Original agreement copy should be safely kept in the office under lock and key,
- ✚ Taxes wherever applicable should be deducted while making payments.
- ✚ Advances, deposits and lease rentals should be paid by crossed cheque or draft only.

2.6 Sale / Transfer of assets

The following procedures should be followed for sale/ transfer of assets

- ✚ Approval from Executive for sale of asset.
- ✚ Asset should be calculated according to the market price.
- ✚ The Receipt of sale of asset should be deposited into the concerned designated bank account where the asset is purchased (FC/LC).
- ✚ Transfer of assets Form FC - 6 should be maintained in the organization.
- ✚ Transfer of assets will also be disclosed as a receipt/payments in the FC-3.
- ✚ The FC assets transferring to an NGO without taking any money, then the receiving NGO must either have FCRA registration or prior permission

2.7. Payment of grants to partners:

- ✚ Proposal, Action plan & Budget should be invited from the partners for the specific project.
- ✚ Grants would be given only to organization registered under FCRA and 12AA and 80G of the Income Tax Act, 1961.
- ✚ Grant Contract Agreement with clauses.
- ✚ The Executive will approve the budget & action plan as per the project.
- ✚ The Director is authorized to sign the Contract agreement for partners and donors.
- ✚ Approved Budget with the reporting format (finance)
- ✚ The transfers will be made based on
 - the receipts of funds from donor. (Like 2 / 3 installments)
 - receipt of utilization statement for funds transferred/previous transfer.
- ✚ The partner should submit utilization statement for the project period as per the contract agreement.
- ✚ Progress / Narrative report should be submitted as per the donors requirements.

2.8 Fellowships/Stipend

- ✚ Programme co-ordinators or consultant will do appraisals of the candidate and give recommendation to the Director.
- ✚ Director shall place before the Executive for approval.
- ✚ Monthly /Quarterly report by the fellowship/stipend holder.
- ✚ Review and training. TDS will be deducted if the fellowship/stipend is exceeding Rs.20,000/.
- ✚ Form FC- -5 should be maintain, if the fellowship/ stipend is exceed Rs.36,000

2.9 Contracts

- ✚ The requisition form should be in writing.
- ✚ Accounts department will certify availability of funds.
- ✚ All contracts above Rs. 500,000 will be routed through purchase committee consisting of Director and other members appointed by the Executive.
 - Architect to give details of the work to be done.
 - Inviting quotations for the contract from at least 3 standard contractors and maximum no limit, the details of specifications with the numbers.
 - Technical quality, quantity and prices of goods.
- ✚ Issue of work order detailing the work to be done.
- ✚ The Project contracts should be approved by the board before finalization of the contract.
- ✚ Detailed Running Account Bill (R.A Bill) should be obtained from the contractor.
- ✚ R.A Bill should be verified by the architect, site supervisor.
- ✚ R.A bill should be verified by the accounts department with the rates finalized and the work order.
- ✚ All statutory deductions should be withheld while making payment to the contractor.

2.10 Salary and revision

- ✚ Salary will be paid through State Bank every month, either as bank transfer or by way of demand drafts. Staff salary register is maintained at respective offices. All staff has to sign in the register.
- ✚ Salary increment shall be according to the staff charter.

2.11 Cash payments and cheque payments - limits

- ✚ All payments above Rs.2,500 should be made only by way of account payee crossed cheque or by way of crossed demand draft.
- ✚ The following expenses are paid toward cheque/DD payments. The regular service providers should be paid for in cheques. Salaries, capital costs, communication bills, rent, meeting expenses, hall hire charges, advance to staff etc should be paid in cheques.
- ✚ The organization will maintain petty cash of Rs.10,000.

2.12 Physical verification of cash

- ✚ Cashier is responsible for maintenance of cash.

- ✚ All cash collections and cheques received should be deposited on the following bank working day.
- ✚ Each day cashier should write the break up of the physical cash with him. He should maintain cash balance book where he should write the denomination.
- ✚ Alternately, cashier can write the denominations in the rough cash book that he is maintaining.
- ✚ Accountant should verify cash every day. He should verify the denomination and shall certify that he verified cash in the register.
- ✚ Director of any other staff deputed by the Director shall verify the cash balance once in every week
- ✚ Auditors shall verify cash at the time of audit..

2.13 Fixed Assets

- ✚ Purchase to be based on budget or specific approval to be sought from donor.
- ✚ Maintain fixed assets register giving the following details in respect of each asset:
 - Nature of asset with description.
 - Cost of acquisition.
 - Date of acquisition.
 - Name of the supplier.
 - Accounting entry reference i.e., cash/bank
 - Book folio, voucher number, date, account head debited and treatment in utilization certificate/income and expenditure account.
 - Identification Number.
 - Location and under whose control/use.
 - Year wise depreciation, if any, and the consequent written down value
 - Physical verification details.
- ✚ Total assets as per the fixed assets register should tally with financial books of account.
- ✚ Each asset/group of assets should be maintained separately.

2.14 Operation of bank accounts

- ✚ The Banking accounts should be operated in the name of the society. All bank accounts should be jointly operated. The Executive shall record and approve the names of the persons to operate the bank accounts from time to time.
- ✚ The Executive shall specify the modalities of operation of the bank accounts.

2.15 Program/Tour Advances

- ✚ SASY shall minimize advance payments by making payments directly to the concerned parties. Ex. boarding & lodging, resource person fee, stationeries.
- ✚ Further advance shall not be given when a previous advance is pending.
- ✚ All advances should be approved by the concerned head of the department
- ✚ Program advances should be settled within 3 working days.
- ✚ All advances to be accounted in the books of account.
- ✚ Suspense accounts will not to be operated.
- ✚ Advances should be used only for the purpose for which it was drawn. Inter change of program should be avoided.
- ✚ Advances not to be a route for substantial or continuous cash transactions.
- ✚ Fresh advance will not be given on the day of settlement of previous advance a minimum of 2 days should be given to process the new request.
- ✚ Taking advances for one programme and settled the bills for another programme will not be good practice.
- ✚ Advances utilized minimum for the programme then the balance amount will be returned to office for the closing of advances and deposit into the bank.
- ✚ Advance request form should be filled clearly (details required) and also attaching the agenda for the meeting / workshop / monitoring visits should help the accounts department to monitor.
- ✚ During the settlement the reports should be available with the claim form.
- ✚ The employee wise break down of advance is also available.

2.16 Investments:

- ✚ Before making any investments in fixed deposits etc., ensure that they are approved under section 11(5) of the Income Tax Act.
- ✚ Fixed Deposits Register should be maintained.
- ✚ Long term investments to be made only with specific approval from donor unless out of donor specified corpus funds.
- ✚ All Investments should be held only in the name of the organization.
- ✚ Avoid investments in mutual funds and other investments linked to the vagaries of the stock market.
- ✚ Investments with fixed returns are to be preferred.
- ✚ Original (long term) investments to be kept in the bank locker with photocopies in the office.

- ✚ All Investments to be physically verified every year both by the management and by the auditor.

2.17 Confirmation of balances from third parties - advances, payables and banks.

Finance Department has to get the confirmation on payable to third parties, advances outstanding and bank accounts as on March 31, every year.

2.18 Accounting Software - Controls

- ✚ Only authorized software (legal version) is to be used. The controls required are: -
 - No removal or Insert of the possibility entries.
 - No removal of the possibility to change/correct any part of an entry once made.
 - Preparation of the receipt and payment account automatically by the software.
 - Restricted/authorized access to the system.
 - Adequate backup.
 - Computer log book to be maintained.
- ✚ Donor/utilization reports should be generated directly by the accounting software or by export of data from the computerized accounts into specifically designed sheets.
- ✚ Attempts should be made to use the features of generating vouchers cheque preparation to reduce the repetition of work.

2.19 Books of account - print outs

- ✚ Daily print outs should be taken for the cash, bank and journal books. These should be checked and approved by the head of accounts department and the Director. Daily printouts should be filed chronologically to form the final daybook.
- ✚ The general ledger should be printed out at the end of every month after it is completely analysed. The monthly ledgers can start with the opening balance of that month and if filed month wise can form the final general ledger.
- ✚ The monthly trial balances should be printed out and approved by the relevant program heads preferably along with the budgets so that they are aware of the extent of utilization of funds. Monitoring information used by program staff should be from the accounting records.

3.0 DONOR REQUIREMENTS:

3.1. Correspondence with donors

All communications, correspondence shall be done by the Director. The Director shall negotiate and conclude contracts, agreements etc. with donor agencies for taking assignments, projects and other work for and on behalf of the society.

3.2 Disclosure to Donors

- ✚ In utilization statements to donors the following shall be shown separately:
 - Exchange gain/loss
 - Interest from bank accounts
 - Sale proceeds of assets
- ✚ The donor wise income and expenditure account and balance sheet could be the utilization statements to donor.
- ✚ If the donor has separate form, use the same form and account heads in the books/income and expenditure account and balance sheet.
- ✚ Disclose to the donors the Indian money accounts also which relate to their project/relevant to them.
- ✚ Submit global audited accounts to all donors.
- ✚ Inter project/donor transfer of funds not to be done without prior approval of the donors and should be disclosed to the donors.
- ✚ Variances to be explained with suitable explanations.
- ✚ Substantial variances should be subject to prior approval of the donors.

3.3 Donors Balances

The Books of account and utilization statements should clearly reflect the closing balance of the donors. This should include the breakup of the closing balance. The advances, liabilities, fixed assets, portion of bank and cash balances, loans to/from one donor to another comprise the break up of the closing balance.

4.0 BUDGET AND BUDGETORY CONTROLS:

4.1 Approval of budgets

- ✚ Individual program/donor wise budget should be prepared.
- ✚ For each financial year master budget for the organization should be prepared. Organisation/master budget should be prepared and approved by the Executive during February or March of the previous financial year.

- ✚ The budget of the organization must be discussed and approved by Executive.
- ✚ Any clarification on the budget as well as utilization the head office will directly approach the partners.
- ✚ The Executive will approve the over all budget for and its partners to follow head office.

5.0 STATUTORY REQUIREMENTS:

5.1 Foreign Contribution (Regulation) Act (FCRA)

- ✚ Receive all transfers from foreign donors through the designated bank account (State Bank of India – a/c number 11092102425) only.
- ✚ For funding is received from more than one donor maintain separate set of books – bank/journal/general ledger for the FCRA bank account (or distinct account codes) and show all transfers from donors as receipts and to projects as payments.
- ✚ For every project maintain separate books (or codes) and bank account of Indian money. If possible have separate books for Indian Money related to/relevant to separate donors.
- ✚ It is advisable to treat the following as foreign contribution receipts and report the same in Form FC-3
 - Interest on all bank accounts from all foreign grant accounts.
 - Exchange gain.
 - Sale of assets as foreign receipts when purchase was out of foreign contribution.
 - Revolving fund recoveries as receipts when original loans were out of foreign grants.
- ✚ The total foreign contribution closing balances should be also available donor wise (with break up) and should tally with the donor wise utilization statements and balance sheet. Reconciliation should be available if for any reason this does not tally.
- ✚ Submit Form FC-3 along with audited accounts on or before 15th July.

5.2 Income Tax

- ✚ SASY should file the Income tax return annually every year. Form 3A should be filed with ITO, Villupuram on or before 31st October.
- ✚ To co-ordinate with auditors to complete the audit well in time and file the returns well in time.
- ✚ SASY also has 80 G exemption. The recognition is usually for three years. 80G should be periodically renewed.
- ✚ 80G should be renewed 6 months before expire of recognition.
- ✚ The organization will deduct TDS on salary, Fellowship holders, professional consultants, contractors, Printers etc as per the provisions of the income tax. Tax Deducted should be remitted to Government account on or before 7th of succeeding month.
- ✚ E - TDS filling to the Income-tax department on quarterly basis.

- ✚ Form 16 will be issued for salary person and Form 16A issued for others.

5.3 Society Renewal:

- ✚ SASY is registered under Tamil Nadu Societies Registration Act, 1975. Accordingly annual returns and other returns of the society should be filed regularly.
- ✚ Conduct annual general meeting on or before 30th September.
- ✚ File audited accounts, list of members, list of executive members, annual report etc. within 6 months from the date of the annual meeting.
- ✚ Any change in members, executive should be reported within three months of change to the Registrar of Societies.
- ✚ Receipt of fee paid for service of documents is the only proof for filing. Therefore, receipt should be carefully preserved.
- ✚ A separate file relating to all transactions with the registrar should be maintained.

6.0 Auditing

- ✚ Auditing is an independent examination of records, procedures and activities of an organization, and expressing opinion on the state of affairs by the auditors.
- ✚ SASY will issue the auditor and audit engagement letter detailing the work expected of the auditor, apart from the statutory audit.
- ✚ Instead of year end audit, SASY shall try for quarterly audit.
- ✚ At the end of every audit or every half year audit, SASY should request a written management report from the auditor.
- ✚ SASY would take suitable action on the report and shall furnish 'action taken report' to the auditor.
- ✚ General body of the society will appoint auditor every year.

7.0 General Requirements:

- ✚ Follow-up of the department is related to the partner's financial data like (Financial statements, receipts and monitoring visits of their books).
- ✚ Reimbursement of any programme expenses is handled by the staff during the programme, the staff members who are present should claim their expenses on the same day / very next day to close the accounts / settlement. It is easy for the department to tell the exact balance available in the current budget head towards proceeding for the new programme.

- ✚ Any bills is approved by the concerned department head should have clear idea about the budget code and write the proper notes on the request / forms, it is easy for the other department to look into the process.
- ✚ Authorisation means not only signing the bills / statements, it is like that you aware of the programme / expenses and it is correctly done and make a comments on the request.
- ✚ The reimbursement of different projects should be claim in separate forms, because the organization is now maintaining separate books of accounts for all the projects.

8.0 Responsibilities of Accounts Department:

- ✚ Verifying the vouchers, documents, reports and books prepared by head office and field offices on daily basis
- ✚ Helping in preparation of Annual budget of SASY and Monitoring the Utilization
- ✚ Finalize the annual accounts with the statutory auditor and Fund utilization Certificate to donors.
- ✚ Reply to the queries raised by the Internal and External auditors
- ✚ Represent all the statutory authorities in regard to financial matters like Income Tax, FCRA, Registrar of Society
- ✚ Handling and Filing of Annual Returns and documents like:
 - Income Tax - Form 3A,
 - FCRA - FC -3,
 - Registrar of Society,
 - TDS
- ✚ Helping and taking the decision in investment in fixed deposits and fixed assets into the bank.
- ✚ Updating books of accounts on daily basis or as on when the expenses incurred.
- ✚ Help the management to structure the increment, settlement, dues etc., to the staff.
- ✚ Workout TDS for staff.
- ✚ Preparation of Form 16 and Form 16A.
- ✚ Represent and reply of queries raised by the Auditors of the Funding Agency.
- ✚ Assist in verification of quotation offered for purchase.
- ✚ Tracking of advances, partner's documents and etc.
- ✚ Coordinate the inter departments/ Projects
- ✚ Reporting to the Chief Executive Officer cum Executive Director
- ✚ Financial Advisory Committee member to discuss the issue related to the finance with members team.
- ✚ Verifying partners audited statement of account and giving critical comments for improvement.
- ✚ Liaison with the auditors on financial matters arises