

FINANCIAL POLICY



Shakti Organisation
Catalysing Sustainable Development

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Policy and Procedures: Financial Management

1. Purpose:

The purpose of this Financial Management policy and procedures document is to specify

- roles and responsibilities for every person in the organisation who has some role in financial management or procedures,
- financial planning and reporting that SHAKTI should undertake each year,
- Financial policies to be followed by every person in the organisation.

2. Key Principles

The key principles on which SHAKTI's Financial Policy is based are:

Organisation Funds

- Organisational funds belong to the SHAKTI. They should not be used for private purposes, including private grant or loan.
- Funds should be carefully used in an effective way in the best interests of the organisation.
- All Board, Staff and members are responsible for the careful and honest use of funds.
- Funds granted to SHAKTI for a specific purpose will be used for that purpose only.

Collective Accountability

- All Board members and staff of SHAKTI have a collective (shared) responsibility for the financial health of the organisation.
- Each person has specific financial responsibilities. Everyone on the Board and all staff dealing with finances must share responsibility for the careful and honest use of the organisational funds.
- Everyone on the Board is also responsible for examining and questioning the all financial report before formally approving it.

Transparency

- All financial documents and reports should be available to all members of the Board and all staff members with financial duties.
- Annual accounts should be available to all members.
- Generally there is no reason for the Board to withhold any financial report from a member.

Separation of Duties

- This principle states that no one person covers all financial tasks. Where ever possible, financial tasks are split between two or more people.
- Usually one person will **DO** the task and another person will **CHECK** the task is done correctly.
- The Accountant will not work as Cashier and Cash will be handled by Cashier.

3: Roles and Responsibilities

3.1 General Secretary

In relation to SHAKTI's Financial Management policies and procedures, the General Secretary will undertake to:

- ensure financial management policy is implemented effectively
- ensure a yearly Budget is prepared and approved by the Board and that a six monthly review is carried out,
- liaise with Treasurer and Financial Committee to ensure financial reports are prepared,
- read and question monthly financial reports,
- act as a cheque signatory
- check the Payment Voucher and the individual cheque before signing and authorising the payment
- check the monthly Bank Reconciliation against the Bank Statement
- ensure all financial records are kept up to date
- Physical verification of cash.

3.2 Treasurer

In relation to SHAKTI's Financial Management policies and procedures, the Treasurer will undertake to:

- ensure financial management policy is implemented effectively
- liaise with General Secretary on financial matters and bring any irregularities to his attention urgently
- ensure a yearly Budget is prepared and approved by the Board
- ensure financial reports are prepared for the Board and check their accuracy
- present these reports to the Board and be able to answer questions on these reports
- act as a cheque signatory
- check the Payment Voucher and the individual cheque before signing and authorising the payment
- check the monthly Bank Reconciliation against the Bank Statement
- ensure cheque butts are completely correct and are readable
- regularly carry out spot checks on procedures and financial documents

3.3 Board Members

In relation to SHAKTI's Financial Management policies and procedures, all Board Members will undertake to:

- attend Board meeting regularly
- read and understand SHAKTI Financial Policy and Procedures
- learn to understand the financial budgets and financial reports
- approve the SHAKTI Annual Budget
- read and question financial reports that are tabled at the Board meetings

3.4 Accountant

In relation to SHAKTI's Financial Management policies and procedures, the Accountant will undertake to:

- receipt all income and bank daily
- ensure all income is banked by the last day of the month
- make all payments on the due date using a payment voucher
- ensure all appropriate documents are attached to payment vouchers and file them in cheque order
- ensure the voucher is signed by any client after receiving payment
- input I&E data into the electronic cashbook on a weekly basis and ensure these are identical to the hard copy
- backup all financial electronic files weekly
- carry out the monthly bank reconciliation
- ensure records are kept up to date.

3.5 Cashier

In relation to SHAKTI's Financial Management policies and procedures, the Cashier will undertake to:

- Handling the cash transaction of the Organisation
- take responsibility for the cash box and petty cash recording
- ensure the voucher is signed by any client after receiving payment
- ensure all appropriate documents are attached to payment vouchers.

4.1. ACCOUNTING RULES AND PROCEDURES

- Goods and services procured/rendered should be supported by bills.
- Money receipts should be obtained from the parties for all payments made and should be affixed with a revenue stamp if it is more than or equal to Rs.5000/-
- All the vouchers should be prepared, recommended and approved by concerned authorities as per the decisions of the organisations authority chart.
- All the money receipts issued by the organization should be pre-numbered.
- Bills should be asked for all payments.
- All the transactions made for Shakti Organisation should be properly recorded in cash book and dully posted into the Ledger and Sub-Ledgers maintained if any separately.
- Unutilized amounts at the end of the period to be transferred from Income and Expenditure to "Unutilized Grants: under Liabilities and not to be shown as excess of Income over expenditure.
- Expenditure should be monitored from time to time in order to ensure that it is not exceeding the Budget amount.
- All assets purchases or received as gifts should be reflected in asset register.

4.2. Recording of Transaction:

Accounts are divided into parts. Left hand side is called Debit and right hand side is called as Credit. The rule which Shakti follows is;

- Debit what comes in and credit what goes out.
- Financial year –from 1st April to 31st march of next year.

4.3. Financial Planning

- A full organisation budget will be prepared annually
- A budget review will be undertaken after six months

4.4 Bank Account

- Organization can open Bank Account as per the need with a resolution of its Executive Body.
- The signatories for all accounts must be authorized by the Executive Body of the Organisation.
- Amount withdrawn from bank according to the planned activities.
- All SHAKTI income and expenditure must go through the SHAKTI bank account

4.5 Income

- All income is receipted
- All income is banked into the SHAKTI bank account
- No unbanked income is used for petty cash
- Ideally income is to be daily but must be banked weekly. All Income, no matter how small, is always banked by the end of the month.

4.6 Expenditure

- All expenditure must have an approved budget allocation
- All payments over Rs. 5000/- are to be paid by cheque payment
- Every cheque payment must have a Payment Voucher completed
- Each Payment Voucher is to be authorised by the people who sign the cheque it relates to
- Payment vouchers are to be signed by the person who receives the cheque wherever possible
- Small payments within Rs. 5,000/- may be paid using the Office petty cash, at the discretion of the General Secretary,

4.7 Reporting

- A monthly bank reconciliation report is prepared and printed. This reconciliation is reviewed and checked by both the General Secretary and Treasurer. It is to be attached to the bank statement it relates to and filed in the Bank Statement file.

4.8 Record Keeping

The following records are to be kept and maintained by staff. The files are to be kept in a safe and secure place known to and approved by the Treasurer and General Secretary.

- **Physical records:** Receipts books, cheque books, income file, payment voucher file, bank statement file, Audit Report file,
- **Electronic records:** The Tally cashbook is to be backed up on a weekly basis onto a CD or USB Drive.

At the end of the financial year, the financial records for that year are to be archived and stored in a safe place.

4.9 Annual Accounts and Audit

- Annual Accounts are to be prepared
- Annual Accounts are to be audited
- Annual Accounts are to be presented to members at the Annual General Meeting.

4.10 Misuse of Funds

- Any suspected misuse or misappropriation of funds will be investigated by the General Secretary and Treasurer.
- The investigation will be done by following fair procedures. Once completed and the facts clearly established, the General Secretary / Treasurer will take appropriate action. For minor issues this may be kept to internal disciplinary action. For serious offences, the matter will be referred to the Police.
- The General Secretary will inform the Board of any serious offences and the action taken

4.11 Board Volunteerism

- The SHAKTI Board members agree to work for the organisation in the spirit of volunteerism.

4.12 Conflict of Interest

- Board and staff members will undertake to avoid real, apparent or potential conflict of interest situations in their work.
- Board and staff members agree to abide by the Conflict of Interest guidelines which are attached.

5.1 Material procurement:

- ❖ There should be a purchase committee of consisting three members to carryout material procurement for the Organisation. Any item costing more than Rs.20,000/- needs purchase committee's approval.
- ❖ Quotation has been invited from the 03 separate interested parties for purchasing the materials above Rs.20,000/-The lower bidder will be given priority subject to the quality and rate for the products in to account and as decided by the purchasing committee.
- ❖ Shakti will also follow the procurement policy of Donor agency as per the concerned project requirement.

5.2 Compliance of Foreign Contribution Regulation Act:

- ❖ Organization has registered under Foreign Contribution Regulation Act of 1976, Ministry of Home Affaire, Govt.of India, New Delhi.
- ❖ The FCRA A/C is at State Bank of India (SBI), Main Branch, New Delhi.
- ❖ The FC amount received from the supporting agencies has been deposited in the FCA/c & other sources of receipt have been deposited in the general A/c.
- ❖ Filling of FC Annual and Quarterly Returns to the FCRA online portal of Home Affairs within the stipulated time.

5.3 Compliance of Income Tax Act:

- ❖ Organization is registered under Income Tax of 12-A.
- ❖ Organization is registered under Income Tax of 80-G.
- ❖ Organization is having permanent Account Number (PAN)
- ❖ Organization is having tax Deduction Account Number(TAN)
- ❖ Filling of Income Tax returns within the stipulated time.

5.4 External and Internal Audit:

- ❖ Internal audit should be conducted twice in a year & External audit once in a year.
- ❖ Annual audit will be done with the support from the external qualified chartered Accountant at the end of the each financial year.
- ❖ Audited financial report of the project will be sent to the concerned supporting agencies every year separately.
- ❖ The annual audited statement of the organization will be placed & passed in the annual general body meeting.
- ❖ After the completion of the audit, the reports for the same will be published in the Annual report of the organization for public accountability & transparency.

5.5. Honorarium /Salaries:

- ❖ Honorarium /Salaries of the staffs are paid through cheque/Bank advice and in case of small amount or due to any inconvenience salary can be given as cash also.
- ❖ Separate Payroll records are to be kept for all salaries and wages.

5.6 ABOUT BASIC ACCOUNT SYSTEM OF THE ORGANIZATION:

- ❖ Vehicle log book, Telephone log book, Stocks & Advance registers, requisition slips, bank controlling register, bank transactions statement are maintained.
- ❖ Separate cash book as well as Ledger book has maintained for separate projects.
- ❖ Cash book are being maintained in Tally Package.
- ❖ Cash up to Rs.25000/- at main office and cash in transit up to Rs.50, 000/- has also been insured.

5.7 Fixed assets:

- Fixed assets will be recorded at cost of acquisition including incidental costs related to acquisition and installation.
- Assets of the organization will be insured.
- Intangible assets are recorded at cost of acquisition. They are amortized on a straight –line basis over a period of 2 years.
- Physical verification of fixed asset will be done on quarterly basis.

5.8 Depreciation:

Depreciation has been provided over the useful life of the assets on the written down value method on pro-rata basis from the date of purchase up to the date of sale. Assets costing less than Rs.5, 000 are being fully depreciated in the year of purchase.

5.9 Inventories:

Inventories of promotional materials are valued at lower of cost and net realizable value.

6 Advance system:

A) Personal:

- ❖ No personal advance will be issued to any staff.
- ❖ Advance for out station visit may be given.

B) Programmatic: General Fund

- 50% of the planned programme advance has been given to the concerned staff before one day.

- The concerned staff for which the advance has been given will submit all bills & vouchers within one week of the completion of the programme and after that the rest amount will be released.
- If the staff will not submit the bills & vouchers within the stipulated time, she/he will be barred from next programme advance.

C) Programmatic: FC Fund

Centrally vendor based procurement of goods and Goods will be encouraged instead of providing programme advance to any staff for any programme in FC funding projects.

7 Maintenance of Project Grant:

- Prior approval should be obtained from the Donor Agency for any major variances from the approved or sanctioned Budget.

8 Conflict of Interest

Shakti has the separate Conflict of Interest Policy for Staff and Board Members.


General Secretary
Shakti Organisation (SSCSO)

**General Secretary,
Shakti Organisation(SSCSO)**

N.B-{this finance policy is approved by the Executive Body of Shakti Organisation on 29.09.2006 and amended on 20.08.2022, came into immediate effect.}