

Finance Policy of IDEAS

- 1.1. This manual is the guide book of Madurai Jesuits Social Education Trust, commonly known as IDEAS to maintain high standards of compliance and accountability. IDEAS considers the grant and its finances as patrimony of the people we serve. This policy will contribute to the effective and efficient financial administration of the organization.
- 1.2. It will ensure that all records and documentation are easily accessible and available as needed, for example on inspection by statutory authorities.
- 1.3. **Objectives of the Manual: The objectives of the Manual are as follows:**
 - 1.3.1. To document the accounting and reporting system
 - 1.3.2. To readily assist the Finance Unit with the financial Policies and Procedures
 - 1.3.3. To serve as a guide to financial management
 - 1.3.4. To ensure Statutory and Other Compliances

2. STRUCTURE OF FINANCE UNIT

- 2.1. Finance unit manages finance and admin.
- 2.2. The finance officer is the overall in charge for finance who is supported by an accountant, Assistant Accountant and office assistant.
- 2.3. The accountant ensures that all financial transactions approved by the finance officer are properly vouched and entered in tally, following statutory and donor compliances.
- 2.4. The Assistant Accountant looks into statutory payments, disbursement of salaries and petty cash and helps the Accountant.
- 2.5. The office assistant takes care of all bank dealings, stationary purchase, checking vouchers and filing of all finance documents.

3. ACCOUNTING POLICY

- 3.1. The Accounting Policy is based on Generally Accepted Accounting Principles laid down by Institute of Chartered Accountants of India (ICAI). ICAI has guidelines for accounting in NGOs. IDEAS will comply with these guidelines and as & when the Institute makes changes, it will amend its policies and procedures accordingly.
- 3.2. The books of accounts are maintained on cash basis as per the requirement of Company's Act, 2013. The policies related to financial management are based on principles of sound internal controls such as transparency, adequate segregation of duties and avoidance of conflict of interest. It will prevent wasteful expenditure and corruption in its operations.
- 3.3. IDEAS maintains its books of account in Tally 9 ERP.
- 3.4. Records like Cheque Issue/NEFT Payment Details, Attendance Register, Leaves, Fixed Asset Register, Bill Register, and Inventory Register are to be maintained.

4. ACCOUNTING OF INCOME

- 4.1. IDEAS accounts for Grants, donations, interest on grant funds, rental income and miscellaneous income as income.

- 4.2. All the incomes other than grant, donation, interest, rental income shall be treated under the head miscellaneous income.

5. FIXED ASSETS

- 5.1. Any capital item with value more than Rs. 5,000/under Equipment and value more than Rs.2000/under Furniture - and with useful life of more than a year would be considered as Fixed Asset in the books of accounts.
- 5.2. The Fixed Asset should be capitalized along with the transportation and other incidental cost.
- 5.3. A physical verification should be done at-least once in a year.
- 5.4. The assets which are of no longer in use should be discarded through the approval of the Director.
- 5.5. Depreciation will be charged on the assets as per the rates prevailing under the Income Tax Act. Depreciation charged on assets will be debited to the Capital fund.

6. PROCEDURES AND SYSTEMS

- 6.1. Procedures and systems are the key factors, which ensure an organization's smooth functioning. A good system will make sure that there is a clear and automatic functioning within IDEAS thus preventing domination or manipulation by any one person or group of persons for their own personal benefits.
- 6.2. The following are some of the common and generally accepted systems and procedures:
- 6.2.1. Internal Control
 - 6.2.2. Professional Accounting Systems
 - 6.2.3. Reporting and Monitoring Systems
- 6.3. **Internal Controls**
- 6.3.1. Internal controls are like checks and balances which help to keep the system in place to avoid frauds and misappropriation or deviations from accepted policies and procedures.
 - 6.3.2. Periodical review of internal controls is required to maintain the vitality of the system.

The following internal controls are recommended:

6.4. CASH TRANSACTION

6.4.1. Segregation of cash payments

- 6.4.1.1. Both for accounting and control purposes, all the payments should go through the Director.
- 6.4.1.2. In the Imprest system, there is a limit to various kinds of staff, and it must be strictly followed.
- 6.4.1.3. Continuous cash withdrawals should be avoided. Cash withdrawals must be as minimum as possible and balance cash deposits to bank accounts should be avoided.

6.4.1.4. If cash withdrawal is above Rs.20,000 (cumulative) in a month prior approval should be obtained from Finance Officer.

6.4.1.5. The cash payments should be supported by a bill and other relevant documents. In case, if the vendor is from a remote rural area and not able to provide a proper bill, then a handwritten bill along with the phone / mobile no, address of the vendor should be made with the signature of the vendor for future reference (It is allowed only in case of rarest of the rare case and small expenses).

6.4.2. Segregation of duties

6.4.2.1. The person responsible for receiving and spending the cash should not be involved in recording such entries in tally.

6.4.3. Cheque payments

6.4.3.1. As far as possible all payments for expenses should be made through cheques/Net banking except for petty cash transaction. In any case, it is advisable to make all payments exceeding Rs.2,000/- by crossed "A/c Payee" cheque or demand draft or inter-bank transfer/net banking.

6.5. BANK TRANSACTIONS

6.5.1. All cancelled cheques should be preserved/pasted number wise on the cheque issue register for identification and control purposes.

6.5.2. The cheque book should always be in the safe custody of a designated authority who is accountable.

6.5.3. Cheques and drafts received by IDEAS must be acknowledged through pre-numbered receipts which are promptly deposited within 24 hours and properly recorded. The various functions of receiving, processing, and recording should be clearly segregated.

14. BANK ACCOUNTS

14.1. All the Foreign Money should be received in the FCRA Designated Bank Account and the money can be transferred to the FC Link accounts for utilization.

14.2. No fund from the Indian Source will be deposited into the FC utilization Account.

14.3. No FC fund will be deposited into the domestic Fund account.

15. OPENING AND CLOSING OF BANK ACCOUNTS

15.1. The Finance Officer will prepare a resolution/note for opening and closing of bank accounts. Resolution/note needs to be approved by the GB for opening and closing of every Bank a/c.

16. FCRA RETURN & RENEWAL

16.1. Apart from quarterly returns that are to be uploaded, IDEAS will file its FCRA return within due date i.e. 31st December every year or before the date as extended vide notifications released by MHA from time to time.

16.2. IDEAS should apply for FCRA Renewal every 5 years from the date of last Renewal to keep intact the FCRA Registration and continue receiving the FC money without any hindrance.

17. TYPES OF ACCOUNTING:-

- 17.1. IDEAS is following the Mercantile System (Accrual system) according to which an entry is recorded on the basis of the amounts having become due for payment or receipt, whether or not payment is made or amount received.
- 17.2. One set of books of accounts for Receipts and Utilization of Foreign Contribution as required under the Foreign Contribution Regulation Act, 1976
- 17.3. Second set of books of accounts for local funds collected.

18. MAINTAINING CASH UNDER THE IMPREST SYSTEM

- 18.1. Under the Imprest system the Cash holding is fixed to a certain limit for handling cash.
- 18.2. The limit is fixed based on the estimated requirements for a week/ fortnight/month.
- 18.3. Petty cash is handled by the Assistant Accountant
- 18.4. Petty cash is to be used as per the following norms:
- 18.5. All the petty cash payments should be made for expenses below Rs.2, 000/- only. Payments exceeding Rs.2, 000/- shall be made in exceptional situations with special approval from the Finance Officer

19. PAYMENTS

- 19.1. Payments whether by cash or cheque should be made only after obtaining the necessary authorizations (after attaching the relevant supports/bills to the voucher) and meeting all requirements of this manual.
- 19.2. Payments will be made normally as a rule by account payee cheque or account payee demand drafts or Bank Transfers. Account payee cheque/demand drafts/Bank Transfers should be a rule and cash an exception. Very small payments to suppliers who do not hold bank accounts and those that are not practically payable by cheque or bank transfer may be made by cash. Even small suppliers should be encouraged to accept account payee cheque or bank transfer. This will help inculcate the banking habit in them.
- 19.3. All payments whether by cash or cheque/bank transfer will be made to the payee only till 2 pm on weekdays so that enough time is available after the payment hours to complete the daily accounting work like closure of books and checking balances, printing the vouchers, daily books, etc.
- 19.4. Cheque should be issued only in serial order i.e., without leaving any unused cheque in between. Only one cheque book per bank account should be in use at any point. A new cheque book should be used only after the last cheque of the old book has been issued. That the previous cheque book has been fully used will be evident to the authorized signatories from the cheque issued details/register.
- 19.5. After making the payment a 'paid' seal with respective project no. must be affixed on the voucher and all the supports attached to the voucher.
- 19.6. No payments shall be made against the credit/debit card payment of any employee unless they are supported by original bills. No payment shall be made just on the basis of the statement of the card issuer.
- 19.7. Where the person is on a long tour and the statement is to be paid for during his/her absence, the payment is to be debited as advance and charged to expenses only on receipt of the bills.

- 19.8. In the event of loss of original bill(s), the voucher must be supported by adequate proof to substantiate the loss. Duplicate bills must be obtained from the vendor/supplier/party and attached to the voucher.
- 19.9. No payment reimbursable to the organization and no advance payment made shall be charged to expenses. These amounts shall be booked to the relevant receivable or payable account till settlement.
- 19.10. Payments will be made only after deduction of income tax at source as per the Income Tax Act and Rules there under. The tax so deducted should be remitted to the account of the Government within the time limit provided under the Act/Rules. TDS certificates should be issued to the party if TDS deducted. All the related provisions under the Income Tax Act and Rules must be complied with.
- 19.11. Organization name is to be mentioned on bills.

20. RECEIPTS

- 20.1. Preprinted number receipts should be issued on receipt of any amount whether by cash or by cheque/bank transfer. Separate receipt books are to be maintained for foreign and local/Indian funds/receipts also for grant/donations and other receipts separately.
- 20.2. Separate receipt book/series should be maintained as per each segregation, FC & LC for Grants/donations & other receipts at any point.
- 20.3. Receipts should be in triplicate. The original receipt must be issued to the payer. The Office copy could be retained, and one copy should be attached to the voucher.
- 20.4. Contra entries for withdrawal of cash from the bank need to be supported with cash payment plan with balance and approval. Contra voucher for withdrawal should contain the acknowledgement by the cashier receiving the cash and the cash book (rough, if any) folio where the withdrawal is accounted.
- 20.5. All cash receipts from third parties in excess of Rs.1000/- must be banked within one working day of receipt. However, cash receipts must generally be avoided. Cheque/bank transfer receipts should be the rule and cash receipts should be accepted only in exceptional cases.
- 20.6. In the case of cash donation receipts the permanent account number (PAN) if any is to be mentioned
- 20.7. Receipts must be accounted immediately on actual receipt itself.
- 20.8. Income tax Act/Rule must be followed when 80G exemption is given for receipts.
- 20.9. **Receipts**
 - 20.9.1. A receipt is acknowledgement of money received by an organization towards capital or income (revenue) such as donation, grant, advance recovered or any other income/receipts.
 - 20.9.2. Receipts should contain the pre-printed serial numbers.
 - 20.9.3. A duplicate copy of the receipt should be retained on record
 - 20.9.4. The receipt book should call for the details like PAN, address, amount, mode of payment (cash/cheque/bank transfer) for all the donation receipts.
 - 20.9.5. The receipt book should be signed by the authorized receiver or the person/staff designated.

21. ADVANCES

21.1. Advances for projects activities

- 21.1.1. Advances for project are generally made from a particular grant for activities of that program/project. Once such an advance is made both the Programs Finance and the Admin Finance shall keep track of it and ensure that the same is regularized within the Financial Year. Such advances that cannot be regularized with the Financial Year should be avoided.
- 21.1.2. The project advances can be given only through bank transfer. Further, it should be taken care that cash payments should be avoided to the maximum extent possible.

22. BANK RECONCILIATION STATEMENTS

- 22.1. The Finance unit shall prepare a bank reconciliation statement every month which shall be certified by the Director or a designated person.
- 22.2. The bank reconciliation statement will be reviewed at the end of each month to reverse the stale cheques appropriately in the accounts.

23. VOUCHERS

23.1. Third party bills versus self-prepared vouchers

- 23.1.1. Third party bills are supporting documents acknowledging/proving the expenses and receipts of payments from the organization.
- 23.1.2. Self-vouchers are vouchers with no supporting documents for which payment is attested by the person who has incurred the expenditure e.g. conveyance. Wherever it is not possible or practical to obtain third party bills, self-vouchers may be used. This also should be in the rarest cases. In all other cases third party bills should be obtained. The vouchers are classified as Contra Voucher, Receipt Voucher, Payment Voucher, Journal Vouchers (JV). Contra vouchers should be prepared for deposit and withdrawal of cash into and from the bank. They should be independently filed in order of occurrence and duly numbered from the Tally Software.

23.2. The following points are to be observed with regard to vouchers of all types:

- 23.2.1. Any payment should be approved by a duly authorized person and under no circumstances should vouchers be authorized by the person preparing the voucher.
- 23.2.2. Voucher authorizer and payment receiver should not be the same person. In such unavoidable cases an approval needs to be obtained from supervisor and attached with the voucher.
- 23.2.3. In case where a cash bill or cash receipt is given, the same shall be attached to the voucher duly signed by the payee.
- 23.2.4. For cash payment above Rs. 5,000/- a revenue stamp of appropriate (at present Rs.1/-) value must be affixed and the payee, or the person authorized by the payee, should sign and in the case of a third person, write his/her address. However, if the payment is made through bank, revenue stamp is not required.
- 23.2.5. The head of account under which the transaction falls must be clearly written.
- 23.2.6. Payment should not be released either in cash or by cheque/bank transfer unless the voucher supported with proper evidence, is produced and is complete in all respects.

- 23.2.7. Due care should be taken to check that all the supporting bills are attached to support a transaction and the payment shall be released only on careful examination of all the bills equivalent to the payment to be made.
- 23.2.8. Vouchers should be self-explanatory and enough details to be included in the narration.
- 23.2.9. Mixing of entries in same voucher type should be avoided.
- 23.2.10. Separate entry is to be made for each party/person/receiver/vendor etc (Vouchers of multiple parties cannot be clubbed in single voucher)

24. PROCUREMENT PROCEDURES

- 24.1 IDEAS has a procurement committee consisting of the Treasurer, Accountant and Trainer.
- 24.2 No preferential treatment to any vendor/consultant is to be done nor promotion of any vendor/ consultant happening to be known or unknown to the member/s or to the staff.
- 24.3 The organization shall ensure that wherever possible, it would resort to bulk buying/ purchase after considering the normal requirement.
- 24.4 Ensure quality of the item/ commodity/ goods/ services at the best available price.
- 24.5 The committee will call for quotations from Vendors/Service Providers and quotations must be opened by the committee in the presence of all.
- 24.6 Minimum 3 quotations are to be obtained from Vendors with GST registration.
- 24.7 After analysis of the quotation and quality assurance the committee's recommendations will be placed before the Animator of the Jesuit community who is mandated to ensure proper implementation of the project.
- 24.8 The limit of the Animator is up to Rs 5,00,000 and he will issue purchase order. Above 5,00,00 board's approval is mandatory.
- 24.9 Purchase of assets must be recorded in Asset Register, number serially.

25. PRESERVATION OF FINANCIAL RECORDS

- 25.1. The financial records must be preserved for 10 years and be made available for verification by the Board of Trustees, members of the organization, the funding agencies, auditors and Government authorities, as per need. In the case of computerized accounts, the necessary back up shall be maintained apart from the printouts.
- 25.2. The backup shall be updated on daily basis and also stored in external storages on a weekly basis.
- 25.3. Additionally, an offsite location for storage will safeguard the data.

26. REPORTING TO THE BOARD OF TRUSTEES AND DONORS

- 26.1. The following are the common reports submitted to the Board: -
 - 26.1.1. Financial Management Information System
 - 26.1.2. Quarterly financial report
 - 26.1.3. Half Yearly Financial Report
 - 26.1.4. Annual Financial Report

- 26.1.5. Legal Compliance Status Report
- 26.1.6. Projects Status Report
- 26.1.7. Budget Comparison Report
- 26.1.8. Investment Status Report
- 26.1.9. Donor Agency Status Report
- 26.1.10. Management Letter from Statutory Auditors.
- 26.1.11. Specific periodic Internal Audit Reports
- 26.2. **Reporting to Donor Agencies-**
 - 26.2.1. The Reporting is done as per the requirement of the donor as mentioned in the Grant Agreement and the same shall be reviewed by the Director.

27. CLOSURE OF BOOKS OF ACCOUNTS

- 27.1. The books of accounts shall be closed by 10th of following month.
- 27.2. The books of accounts shall also be closed in software so that no back dated transactions are punched in tally software after that.
- 27.3. No changes will be made to transactions of previous months. Correction transactions will be written in the current period with appropriate references.

28. LEGAL COMPLIANCES

28.1. INCOME TAX Return

The income tax return shall be filed by MJSET every year by 30th Sept or before the date as extended by the Income Tax Department vide notification released from time to time.

28.2. TDS Return

MJSET should file TDS return for every quarter as per the due dates specified by the Income Tax Department or before the date that may be extended vide notification from time to time.

28.3. FCRA Return

Apart from Quarterly Returns that are required to be uploaded, MJSET should file FCRA return for every year as per the due dates specified by the FCRA Department (MHA) or before the date that may be extended vide notification from time to time.