

Deepshikha

Institute for Child Development and Mental Health



(The picture needs to be changed as per Deepshikha's Suitability and Vision)

Financial Utilisation Manual

2017

Developed in consultation with Deepshika

By

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Index to be developed after the finalisation of the manual.

1. INTRODUCTION

1.1 Purpose of manual

The purpose of these policies is to establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of the Deepshikha, and managing its funds. It also provides basis for good financial management practice of the organization. Keeping in view these aspects, it is very important for Deepshikha to have a "Finance and Accounts Management Manual" which will serve as guideline for maintenance of day to day accounts of it.

The objectives of this manual are

The first category of objectives relates to doing things the proper, ethical, economical, effective and efficient manner. "**Economy**" is minimizing the resources for achieving the intended goals or outcomes of an operation, taking into account the determined quality of those effects or results. "**Effectiveness**" is the extent to which objectives have been achieved on a particular activity or relationship between planned performance and actual impact of a particular activity. "**Efficiency**" is maximizing the effects or results from a specific activity of proper investments. That means minimal input of resources to achieve a certain amount and quality of output values or maximum output values with a certain amount and quality of input resources.

The second category of objectives concerning the compliance of the laws, other regulations, established policy, plans and procedures. Laws and regulations governing the authorizations granted to the entity. Same policies, plans and procedures will be develop to ensure practical implementation and compliance with the provisions of the laws and regulations. Therefore, they should be adapted to the characteristics, activities and environment of each entity.

The third category covers protection of property and other resources from losses caused by mismanagement, unjustified spending and utilization, as well as irregularities and abuses. Management of the entity property, (purchase, use and wear out of assets), is a key issue relating to the protection of property.

The fourth category includes strengthening the accountability for the successful accomplishment of tasks. Duty of head of the organization is to establish an organizational structure and procedures that will ensure the operation, monitoring and development of an efficient system of sound financial management and control, taking into account the specifics of the entity and activities that are financed, the risks of operation, applying the standards internal control, the basic elements of financial management and control instructions and guidelines for financial management and control of the Ministry of Finance. The head of the entity in writing should clearly define the responsibilities and limitations of authorisations of managers, by providing adequate separation of duties. In case of transfer of responsibilities, the head of the entity for the given authorizations continues to be responsible for all decisions including decisions relating to financial management and control.

The fifth category includes the proper recording of financial transactions, obliging the heads of the entities in their accounting to provide data separately for all types of revenues and other receipts, expenditures and other outflow, and the condition of assets, liabilities and sources of funds. Accounting is established and operates under the principles of fairness, efficiency, economy, verifiability and orderliness.

The sixth category of objectives relates to timely financial reporting and monitoring of results of operations. It involves the preparation of appropriate consistent and useful financial and management information, including financial statements that promote decision-making and enables transparent and efficient monitoring. This information will improve decision-making process only if they are of adequate quality, are assembled, maintain, protect and provide timely reports through

appropriate structure and content managers and staff within the entities, as well as external stakeholders.

FINANCIAL RESPONSIBILITIES

It is the responsibility of the Board of Directors to formulate financial policies and review operations and activities on a periodic basis. The Board delegates this oversight responsibility to the Treasurer of the Board and the Finance Committee of which the Treasurer is the Chair. This responsibility is shared through delegation with the

Head of Finance. The Director Deepshikha acts as the primary fiscal agent, implementing all financial policies and procedures. The Director Deepshikha, with oversight of The Finance Committee is responsible for the coordination of the following: Annual budget presentation, management of the Endowment and other fund investments, selection of the outside auditors, and approving revenue and expenditure objectives in accordance with the Board approved long-term plans. The Head of Finance with oversight by the Finance Committee has the day-to-day operations responsibility for managing Deepshikha funds, ensuring the accuracy of the accounting records, internal controls, financial objectives and policies, financial statement preparation, and bank reconciliation review and approval. The Accountant is directly supervised by the Head of Finance and is responsible for the preparation of the Chart of Accounts, Reporting Formats, Accounts Payable Processing, Payroll input and Payroll processing, Cash Receipts input, Journal Entries for General Ledger, as well as Bank Reconciliations.

3. CONFLICT OF INTEREST

Members of the Board of Directors are prohibited from activities that might present conflicts of interest. The powers of directorship may not be used to personally benefit the Director at the corporation's expense. If a Director has a financial interest in a corporate transaction, the Director must fully disclose the interest and abstain from voting. Loans to Directors are prohibited.

4. BUDGETING PROCESS *(The entire Board must approve the budget.)*

Director Deepshikha's, the Head of Finance, and the Treasurer shall be responsible for presenting to the Finance Committee and other Board Committees an annual operating budget draft sixty (60) days prior to the end of the fiscal year and thirty (30) days prior to its submission to the Board of Directors. The Finance Committee shall review and approve the recommended fiscal year budget revenues, expenditures and cash flow, and submit it for approval to the Board of Directors. The budget shall contain revenues and expenses forecasted by month. A chart describing monthly cash flow shall be included.

1.2 Reasons for financial control

DEEPSHIKHA is a non-profit organisation with its base from Ranchi, Jharkhand in India. It is registered under Societies Registration Act' 1861, and under this act its Members are responsible for the proper administration of the charity in the interests of its beneficiaries. Financial controls help the Members to ensure that Deepshikha is properly administered. The Members have a duty to produce true and fair annual accounts in order to satisfy the requirements of society laws. The financial controls also help to ensure that the ethos of Deepshikha is followed, using all resources to achieve best value for money and thus to maximise the benefits of the work. The emphasis should be on obtaining good value for money and producing work of an excellent quality, and not wasting resources.

1.3 Internal controls

Since Deepshikha is a non-profit organisation, their Members or office bearers are responsible for the proper administration of the charity and to ensure that the organisation's aims, uses of their

assets etc. are in the interests of their beneficiaries. The Members have a duty to produce true and fair annual accounts in order to satisfy the requirements of their respective laws.

Internal Controls system of Deepshikha will help the Members to ensure that it is being properly administered and all the resources of the organization are being properly used to achieve best value for money and thus to maximise the benefits of the work. It also improves efficiency, reduces wastage of resources and secures completeness and accuracy of the records of the organisation.

There are various internal controls which we will follow in Deepshikha:

1. Organisational: An organogram is drawn up depicting organisational structure, specifying responsibilities, reporting lines and controls. With specific mention of Job descriptions is be written. This allows assessment of the management and reporting structure.

2. Authorisation and approval: There should be a system of review and authorisation of expenditures of one individual by another whereby the possibility of error is minimised. There should be a policy in the organisation whereby any transaction that involves more than a certain amount, then more number of people should be involve in transaction to avoid fraud and mistakes. In the organisation there should be a senior management committee which decides about procurement of goods and services of over and above a certain amount as per the procurement system of the organization.

3. Physical: Policy should be there in the organization whereby safety and security of assets should be achieved. This could be done by limiting access of assets etc. to the authorised persons.

4. Segregation of duties. To avoid the risk of internal manipulation or error, a transaction should be split into different parts so that it can be performed by different staff members.

5. Personnel: Since human resource of any organization is the key to success; it is very important that the staff is qualified to properly deliver the roles, selected properly and trained.

6. Arithmetics and accounting: Organisation should ensure that its transactions are properly authorised, correctly recorded and accurately processed. Hence there should be a system of continuous checking of totals and reconciliations.

7. Supervision: Day to day transactions should be supervised and checked periodically by a more senior member of staff preferably Finance Director person authorized by him/her to ensure, accuracy and completeness.

2. CASH AND BANK

1 Purpose

This procedure provides a series of cash handling practices for Deepshika to supplement and support the cash handling.

2.1 General

The cash handling procedure focuses on preventing the mishandling or loss of cash, and situations where charges of cash mishandling can be raised against staff. It is intended that the procedure will ensure consistency of cash handling practices amongst Schools and different departments.

2.2 Main Cash

A cash book in Tally 9.0 must be kept from which the cash balance in the safe can be ascertained at any time. All cash payments must be recorded in a cash payments voucher. The vouchers will be prepared in the Tally 9.0 software itself unless there is a specific requirement from any particular project to maintain vouchers manually. The printouts of the vouchers will be taken and will be duly signed by the concerned authorities and filed. In case of cancelled vouchers, the same should be filed serially in the voucher file. The original bills, receipts etc. must be attached to all cash payment vouchers. All cash that is received must be deposited in the bank account so that the total receipt can be traced to the bank statement. A receipt voucher will be prepared in Tally 9.0 for all cash and bank receipts. Keys to the safe must be kept by the authorised person (preferably Accountant) in charge of the safe. If the safe holder is going away, the cash in the safe must be counted and reconciled to the cash book at the time of the handover with the person who is taking the charge.

2.3 Cash Limits: Cash held in the office must be kept to a minimum. The maximum cash that can be held in Deepshikha Head Office for the purpose of office running cost must not exceed **Rs. 20,000/-** (at the end of the day) including cash in the safe and petty cash (if any). The maximum amount of cash that can be held in a sub office is **Rs. 10,000/-** (at the end of the day). The maximum amount for a single payment in cash is **Rs. 20,000/-**. Hence cash payment above this limit must be avoided.

2.4 Petty Cash

The petty cash float and safe cash will be operated by the Administrative Officer wherever required. The Accountant can do surprise physical verification of petty cash any time during a month. The result of such surprise checks should be documented.

Cash Limits: In DEEPSHIKHA head office petty cash float should not exceed **Rs. 2,000/-** and in sub offices **Rs. 1,000/-**. The maximum amount of single payment from petty cash is fixed as **Rs. 500/-** for the head office and **Rs. 300/-** for the sub offices.

However, Finance Director will review the limit from time-to-time and based on such review Recommendation shall be placed before the Secretary to approve any change in the limit.

2.5 Sub Office Account

On monthly basis, sub offices of Deepshikha will send a detailed fund transfer request to the head Office/project head office addressing Finance Director or Project Head with a copy to the concerned Accountant. After approval from the concerned authority fund will be transferred to the designated bank account. In the subsequent month (within 7 days) the sub offices will send the statement of expenditure enclosing all the bills and supporting along with the next month's fund transfer request.

2.6 Bank Signatory:

All bank accounts must have a minimum of two cheque signatories. The Secretary must be a mandatory signatory for all the bank accounts, unless the account is in another location. In this case signatories must be approved by the Secretary, DEEPSHIKHA.

The following are to be ensured:

- Cheque signatories must be the most senior members of staff in the office.
- Blank cheques must never be signed.
- Cheques must be crossed 'account payee', unless they are cashable cheques given to the employees for different purposes. Cashable cheques must not exceed the limit fixed for maximum amount of single cash payment.

- Bank statements must be obtained every month, and reconciliations must be performed which will be checked by the Finance Manager.
- Outstanding cheques must be cancelled when they are out of date.
- The cheque book in use, and any new ones, must be kept in the safe, and their issue controlled.
- Spoilt cheques must be cancelled in ink and stapled back on the cheque book.
- The cash flow and bank balances must be monitored so that excess money is not held, but the balance must also be monitored to prevent bank charges being incurred due to an overdraft. Bank charges should be minimised.
- The systems of recording cash and cheque/bank payments must be kept separately so that the balance in either can be ascertained at any time.

3. Procedure Content and Guidelines

Cash Collection Points

3.1.1 Cash Collection Point Status

Cash collection point status:

- (a) Can only be assigned to a School or its departments of Deepshikha; and
- (b) Will only be assigned where there is evidence that the applicant receives and/or handles cash on a regular basis.

3.1.2 Cash Handling Staff Authorisation

- (a) Cash may only be handled by a staff member after approval has been granted by another staff member with the appropriate authority to do so, typically the Head of the School or Unit.
- (b) Written notice signed by the individual granting authorisation must be sent by Finance. The notice will include the name of the staff member being granted authorisation to handle cash, their job title, and the reasons for the handling of cash.
- (c) The staff member delegated with the authority to handle cash shall provide a signed written notice acknowledging their understanding of the Policy and of this procedure, and their obligation to comply with it.

3.1.3 Changes in Cash Handling Staff

If a staff member authorised to handle cash no longer requires that authorisation, the onus is on the School to update their own records and send written notice of the change to Finance. This includes circumstances where the staff member leaves their position in the cash collection point for another position in the school.

3.1.4 Equipping a Cash Collection Point

A cash collection point will require equipment for the receipting, secure storage, and subsequent banking of cash, as well as staff safety. Note that the equipment required will depend on the nature and volume of transactions that a cash collection point will be processing, and that the cash collection point is required to agree equipment requirements with Finance. The potential equipment items that a cash collection point may require are:

- (a) Receipting Cash
 - (i) Cash register or cash drawer with a lock to restrict access to staff authorised to handle cash for the intra-day secure storage of cash;
 - (iii) Computer terminal and relevant software for the timely processing of customer transactions.
- (b) Secure Storage of Cash
 - (i) Safe or similar storage unit for the overnight secure storage of cash.
- (c) Banking of Cash
 - (i) Bank deposit book;

- (ii) Bank deposit bags; and
- (iii) Unmarked bags for the transport of cash to the Payments Team or the Bank.
- (d) Safety of Staff
 - (i) Easily accessible panic button, monitored by Campus Care; and
 - (ii) Cashier-cage or counter-screen.

3.2 Safekeeping of Cash

3.2.1 Storage of Cash

- (a) During business hours all cash should be securely stored in a locked cash register, cash drawer, or similar, with access restricted to authorised cash handling staff.
- (b) For staff security, during business hours the amount of cash securely stored in a locked cash register, cash drawer, or similar, should be monitored. Where necessary cash should be transferred into a safe or similar for secure storage.
- (c) Outside of business hours, all cash should be securely stored in a safe or similar, away from where cash is typically handled. Cash should not be stored in an obvious place, such as in a locked cash tin on the cashier counter.

3.2.2 Safe Combinations

- (a) Combinations for all safes used by the Deepshikha must be recorded by Finance. Finance will also communicate the safe combination to the Bank. The onus is on the Schools and Central Service Units using the safes to send Finance written notice of the safe combination.
- (b) Knowledge of the safe combination should be limited to those who require access to the safe.
- (c) The safe combination should be changed whenever someone with knowledge of the safe combination leaves their position in the cash collection point for another position in the Deepshikha, or leaves the Deepshikha.

3.3 Staff Security

3.3.1 Safety of Staff

Each cash collection point should consider staff safety issues. Threats to staff safety may include collection of an unusually high amount of cash in a short period, or the presence of a threatening individual or group. The points that should be considered by each cash collection point for inclusion into their formal procedures are:

- (a) The cash collection point should have a formal procedure for the training of cash handling staff, with particular attention paid to dealing with aggressive or threatening customers.
- (b) The set-up of the cash collection point should be appropriate to the nature and volume of transactions.
- (c) The relationship between the cash collection point and Campus Care should reflect the level of security that may be required.

3.3.2 Security Services

For some cash collection points it will be deemed appropriate to establish an ongoing security arrangement with Campus Care, such as installation of a continuously monitored panic button. It is the onus is on the School to contact Finance for assistance in establishing such an arrangement.

3.4 Receipting and Distributing Cash

The points that should be considered by each cash collection point for inclusion into their formal procedures are:

3.4.1 Issue of Receipts

- (a) A receipt should be issued to the customer by the cash collection point immediately upon receipt of cash.

(b) A carbon-copy of the receipt should be retained and filed by the cash collection point.

3.4.2 Receipt of Remittance Advice

(a) A remittance advice should be issued to the customer by the cash collection point immediately upon distribution of cash.

(b) For over-the-counter transactions the cash handler should obtain the customer's signature as verification of their agreement that they have received the full amount of payment required.

3.4.3 Issue of Receipts or Remittance Advice

The receipting system should be logical and comprehensive to allow the customer and cash collection point to retain a full record of a transaction. The receipts issued by the cash collection point should incorporate the following features:

(a) Identify the cash collection point and their contact details;

(b) Logically ordered, for example in numerical order;

(c) carbon-copy to allow customer and cash collection point to retain a copy; and

(d) Record salient features of the transaction, including:

(i) date of the transaction;

(ii) Nature of the transaction;

(iii) Amount; and

The cash collection point should logically file receipts, for example in chronological order, for future reference.

3.4.4 Due Care

Cash handlers must exercise due care when receipting cash to ensure that the:

(a) customer provides the full amount of payment required; and

(b) payment method is legal tender.

3.4.5 Currency Transactions

(a) Authorised cash handlers must exercise due care to ensure that no counterfeit currency is accepted.

(b) If any counterfeit currency is encountered the details must be immediately reported .

(c) Currency should be counted in front of the customer twice, to help prevent any misunderstanding over the amount of cash that the customer has presented to the cashier.

Cheques

Authorised cash handlers must exercise due care to ensure as far as possible that a cheque:

(a) is made out to "Deepshikha";

(b) has been marked as "Not Transferable" to protect the cheque if it is lost or stolen;

(i) is supported by suitable identification ; and

(ii) has not been post-dated.

3.5 Record Keeping

3.5.1 Daily Record Keeping

The cash collection point should create a formal record of cash handling transactions at the close of each business day. This is typically referred to as a "daily balance".

3.5.2 Daily Balance

The daily balance must contain information on the following:

(i) The total physical cash received;

(ii) The total physical cash distributed;

(iii) A breakdown of the modes of cash received;

(iv) A breakdown of the modes of cash distributed;

(v) A reconciliation of physical cash received and distributed against the receipting system, regardless of whether that system is manual or automated;

- (vi) A breakdown of any difference between the physical cash balance against the cashier system cash balance (referred to as a “cash surplus” or “cash shortage”); and
- (vii) An explanation of any difference between the physical cash balance against the system cash balance.

3.5.3 Cash Surpluses or Shortages

- (a) As a result of the daily record keeping, a cash surplus or shortage may be identified. If so, the following procedures must be followed by the manager of the cash collection point:
 - (i) Disclose the amount and reason for the cash surplus to Finance and deposit the surplus with the Payments Team for safekeeping;
 - (ii) Disclose the amount and reason for the cash shortage to Finance; and
 - (iii) Disclose the details of any attempts that have been made to recover the cash to Finance. This is especially relevant in circumstances where a customer can be identified as having short-paid.
- (b) In the event of a difference between the physical cash balance and the system cash balance, the cash collection point should determine whether it is indicative of any material weakness in their cash handling procedures. If so, the procedure should be amended to eliminate the weakness.

3.5.4 Misappropriation, Theft, or Loss of Cash

- (a) A manager of a cash collection point should disclose details of any misappropriation, theft, or loss of cash to Finance immediately.
- (b) Appropriate finance person should inform the Finance Director, of the misappropriation, theft, or loss of cash immediately, and will coordinate an investigation of the incident.
- (c) The manager of the cash collection point must follow relevant Deepshikha disciplinary procedures if staff are involved in a misappropriation, theft, or loss of cash. This would involve consultation with Human Resources.
- (d) In the event of a misappropriation, theft, or loss of cash, the cash collection point should determine whether it is indicative of any material weakness in their cash handling procedures. If so, the procedure must be amended to eliminate the weakness.

3.6 Deposit of Cash

3.6.1 Authorisation to Deposit Cash

- (a) Only Schools or Units that have been issued with a deposit book are permitted to deposit their cash directly with the Bank.
- (b) The Payments should be deposited by a delegated authority.
- (c) If School or any Unit that has cash to deposit but has not been issued with a deposit book must present the cash to the Accounts professional, who will coordinate the deposit into the Bank.

3.6.2 Bank Accounts

- (a) Cash received on behalf of Deepshikha may only be deposited into designated Deepshikha bank accounts. Deposit of Deepshikha cash into any other bank account is prohibited and deemed as serious misconduct for the purpose of staff performance.
- (b) If there is any confusion about which bank account is the most appropriate for the cash to be deposited into, the Payments Team should be contacted for advice.

4.6.3 Preparation of Cash for Bank Deposit

- (a) To preserve the policy of segregation of duties, cash for deposit directly with the Bank or the Payments Team should be prepared by a staff member not involved with the receipting or distribution of cash. Where this is not possible, cash deposits should be prepared under dual control.
- (b) Where a cash collection point has authorisation to deposit cash directly with the Bank:
 - (i) Deposits must be prepared using a deposit book issued by Finance; and

- (ii) Records of the deposit must be retained.
- (c) Where a cash collection point has no authorisation to deposit cash directly with the Bank, they must deposit cash with the Payments Team. The cash for deposit must be accompanied with logical documentation recording date and amount details.
- (d) Where a cash handling site is established temporarily on or off Campus, cash must be deposited as soon as possible after the event.

3.6.4 Frequency of Deposit

- (a) Timely deposit of cash will help ensure the safekeeping of the Deepshikha 's funds and the security of the staff in the cash collection points.
- (b) Cash ready for deposit with the Payments Team or the Bank must never be taken off Campus.
- (c) The Deepshikha 's interpretation of the requirements for the frequency of deposit of cash are outlined below, and these should be incorporated into the procedures of the cash collection point. Cumulative receipts and minimum frequency of deposit directly to the Bank or via the Payments Team are:
 - (i) Up to Rs.1000 within 5 business days;
 - (ii) Rs.1000 to Rs 2,999 within 3 business days;
 - (iii) Rs.3,000 to Rs. 4,999 within 2 working days;
 - (iv) Rs.5,000 to Rs.9,999 within 1 working day;
 - (v) Rs.10,000 to Rs 49,999 during that day; and
 - (vi) Rs. 50,000 or greater immediately.

3.6.5 Transportation of Cash

- Care and caution must be exercised when cash deposits are being transported to or from the Payments Team or the Bank.
- (a) Transportation of deposits should not conform to any regular time. Wherever possible such transportation should be irregular, subject to change without notice, and specific details should only be known by a select few.
 - (b) Deposits containing cheques, transactions may be sent to the Accounts team .
 - (c) Deposits containing currency should never handle to any internal team member of Deepshikha.
 - (d) The details of cash transported to the cash collection point should be recorded into a log immediately on arrival.
 - (e) The details of cash transported from the cash collection point should be recorded into a log prior to departure.
 - (f) If a School or Unit has a deposit of greater than Rs.20,000 for the Bank or Payments Team, they should always contact the Team Leader of the Payments Team who will arrange supervised transportation.

3.6.6 Transfer of Accountability

If a cash deposit is not being transported by the person it was prepared by, a transfer of accountability must be recorded into a log, with the following information:

- (i) name and signature of the person who prepared the cash deposit;
- (ii) name and signature of the person transporting the cash deposit;
- (iii) date of the transfer of accountability;
- (iv) date of the deposit will be made, with the Bank or and
- (v) amount of the deposit.

3.6.7 Intact Deposit of Cash

The following are examples of prohibited activities. Occurrences should be treated as serious misconduct under the staff Conduct Policy:

- (i) Theft of cash;
- (ii) Borrowing cash for personal use;
- (iii) Cashing cheques from Deepshikha deposits;
- (iv) Deposit of Deepshikha cash into a bank account other than a designated bank account;
- (v) Smoothing cash receipt records to conceal shortages in cash receipts; and
- (vi) Alterations to cash records.

Function	Processes	Description of Outcome (if not self explanatory)
Macro-fiscal planning	develop macroeconomic framework	an economic framework linking growth of Deepshikha, savings, investment and balance of payments should be kept. The activity needs to be completed by the director finance.
	develop investment programme	a listing of investment projects (including possible sources) that is intended to be implemented over a period of the programme (3-5 years). The activity needs to be completed by the director finance.
	prepare fiscal plan	a medium-term rolling plan (3-5 years) showing forecasts of tax and non-tax revenues, estimates of additional incomes, estimates of resources from external and internal borrowings and projections of current expenditure. The activity needs to be completed by the director finance.
Budget preparation	make initial budget allocations to Deepshikha and programmes	a listing of allocations linking the medium-term framework to annual budgeting based on the results of macro fiscal planning
	issue budget call circular containing budget ceilings and guidelines	a circular issued by the core Deepshikha , indicating economic prospects, broad policy objectives, budgetary ceilings, and guidelines inviting line Deepshikha to present programmes and projects for inclusion in the budget
	receive and analyse annual budget submissions	proposals for programmes and projects prepared by line Deepshikha , in response to the budget call circular, for execution during the fiscal year
	prepare draft budget	a draft compilation of the programme based on submissions from line departments of Deepshikha to be done my Director Finance

	finalise budget	The core group of Deepshikha, and management would decide upon the final approval of the budget.
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Figure 5: Financial Management: Main Functions and Processes

Function	Processes	Description of Outcome (if not self explanatory)
Budget implementation	prepare expenditure plans	line Deepshikha projections of expenditure based on planned programmes and projects
	prepare cash flow forecasts	a forecast of cash requirements over the year based on known and anticipated commitments for both recurrent and capital expenditures
	release funds to Deepshikha	Finance Director, authorising periodic release of funds to sector Deepshikha within the budgetary allocations
	receive budget authorisation and execute programmes and projects	
	process payroll and pensions	
	Procure goods and services. The process that consists of the following sub-processes which can be either centralised or decentralised: • request goods and services • authorise expenditure • commit funds • issue purchase order • verify receipt of goods and services • receive bills/invoices • authorise payment	

Figure 5: Financial Management: Main Functions and Processes (cont.)

Function	Processes	Description of Outcome (if not self explanatory)
Budget implementation continued...	pay for goods and services	
	request budget adjustments/supplementary allocations	requests to transfer appropriations from one budget category to another or requesting the addition of supplementary allocations
	adjust budgetary allocations	revised budgetary allocations based on work programme priorities and funds availability
	authorise expenditure and implement expenditure controls	authorisations incurred after ensuring compliance with financial rules and regulations, availability of budgetary allocations and funds to cover the transaction
Budget monitoring and evaluation	prepare fiscal reports	reports detailing and explaining major deviations from the planned budget programme and suggesting corrective measures that might have to be considered
	Monitor and evaluate budget implementation	
	monitor progress on Deepshikha programmes and projects	periodic reviews of actual expenditure and analysis of budgetary lags and variations with budgetary estimates – matching financial and physical progress and reallocation of funds where necessary

Figure 5: Financial Management: Main Functions and Processes (cont.)

Function	Processes	Description of Outcome (if not self explanatory)
Cash management	monitor cash flows and expected cash requirements; issue and redeem government securities. This process includes the following sub-processes: • receive Deepshikha expenditure plans • receive revenue forecasts from revenue collection Deepshikha • prepare overall cash flow forecasts	status reports and forecasts of cash requirements and availability and data on transactions relating to government's short term and cash deposits

	• monitor revenue inflows • monitor maturities of cash and term deposits • monitor cash balances • monitor overall cash flows • issue and redeem securities • receive actual expenditure statements from Deepshikha • receive and process Deepshikha requests for funds • release funds to Deepshikha	
Debt Management	float domestic loan offerings	
	account for receipts	
	project debt service requirements	
	service debts	Cheques issued by the Accountant Office for payment of interest and repayment of principal.
Foreign aid management	co-ordinate aid inflows	Aid Deepshikha matched to projects and project negotiations overseen
	disburse and account for aid	Disbursement and repayment transactions pertaining to external borrowings

Figure 5: Financial Management: Main Functions and Processes (cont.)

Function	Processes	Description of Outcome (if not self explanatory)
Revenue administration	administer tax revenue and tax collection systems	Implementation of the tax policies covering the actual levy and collection of revenues including taxes, duties etc as laid down in these policies
	administer non-tax revenues and associated revenue collection systems	implementation of the valuation and collection of other non tax revenue systems such as stamp duties, user fees/charges for services products

Accounts administration	administer payment and receipt systems	
	administer general and subsidiary ledgers and budget ledgers, including accounts reconciliations	
	account for fixed assets	
	account for inventory	
	develop costs for programmes and projects	recording and accounting of all government transactions relating to revenues, expenditures, public debt and other (eg fixed-asset) financial transactions
Auditing	audit government accounts	Internal audit during the course of the fiscal year and external audit carried out by external auditor from time to time.

Figure 5: Financial Management: Main Functions and Processes (cont.)

Selection of Bank: Bank accounts and the cheque signatories, and any changes to them must be approved by the Secretary. The Secretary can recommend change in the bank account or opening new bank account to the Governing Body of the organization, and after its approval the change or account opening processes could be done.

For selection or change in FCRA bank account, FCRA rules and provisions must be adhered to places where Deepshikha works. Here it is to be noted that we will have only one designated bank account for **receiving** of foreign funds which is mentioned in our FCRA certificate.

For opening of such bank accounts in different places, we will open them with the minimum balances as applicable in different banks with the amount available in our FC designated bank account. The account will be open in State Bank of India branches to avail core banking facilities of SBI as our FCRA designated bank account is also in SBI. After opening these accounts, only foreign project funds will be transferred to them. In these bank accounts no Indian funds will be transferred. The project funds will be transferred to these accounts based on the requisitions received from the responsible person of the respective sub offices for certain periods and will be treated as **‘Advance paid towards ----- Project’** in Head quarters. It will be settled only after making expenses and A sending a **‘Statement of Expenses’** along with all the bills and vouchers to the Head Office. The books of accounts and records should be made available for internal and external audit purposes.

For Bank Account Operation, the concerned person must keep following things in mind:

1. The account should exclusively be used for Deepshikha's transactions.
2. The concerned person should collect bank statements on monthly basis and send to Deepshikha for reconciliation purpose.
3. All transactions should be made through bank as far as possible.

4. The concerned person should maintain a Cheque Issue Register for recording details of issuance of any cheque.
5. Cheque Book should be kept in safe and cancelled cheque should be stapled in the Cheque Book.
6. The signatories will never do signature on the blank leaves of the Cheque Book. However, if there are 2 or more signatories and one of the signatory is going out of station, then he/she can sign some of the leaves so that transactions can be smoothly happened. However, the other signatories should sign the leaves only when actual payment will be made.

3. PAYMENTS

3.1 Mode of Payments

The following modes of payments can be used by Deepshikha.

- a) Payment through petty cash
- b) Payment through main cash
- c) Payment by cheque/DD/bank transfer

3.2 Process of Payments

The process of payment under the above three categories are as follows:

- a) Payments through petty cash
 - i. Payments will be made against the original bills.
 - ii. The bills must be approved by appropriate authority before payments are made.
 - iii. The supporting documents must be cancelled by stamping each item "PAID & CANCELLED" to prevent reuse.
 - iv. Acknowledgement must be obtained wherever required.
 - v. When the petty cash payment exceeds 80% of the limit, the custodian will prepare a summary of expenses. The statement along with the supporting will be submitted to the Finance unit for reimbursement.
 - vi. The Accountant will check the statements and supporting documents for the reimbursement and after obtaining approval from the appropriate authority, pay cash equivalent to the amount verified as payable.
 - vii. All the documents in support of the payment must be attached to the replenishment voucher to be prepared by the Accountant and recorded in Tally.
- b) Payments through main cash
 - i. The purpose of this cash is to pay the advances to the staff, staff reimbursements, reimbursement of petty cash expenses, payment of utility bills, payments for emergency expenses etc.
 - ii. The bills must be approved by appropriate authority before payments are made.
 - iii. Expenses are recorded in Tally and send to the Secretary for review and approval. Payments are made after necessary approval.
 - iv. The supporting documents must be cancelled by stamping each item "PAID & CANCELLED" to prevent reuse.
 - v. When the cash balance is low in any office, the Accountant shall have to send a request for withdrawal of cash to Secretary (head office)/State Managers (sub offices)/Project Head/Finance Director for approval.
 - vi. After obtaining necessary approval a self cheque is drawn and signed by bank Signatories for withdrawal of cash.
- c) Payment by cheque/DD/bank transfer
 - i. All payments except for those payable in cash must be paid through cheque/DD/bank Transfer.
 - ii. Cheque for all such payments will be issued against written claim for payment and against original documents.
 - iii. The bills must be approved by appropriate authority before payments are made.
 - iv. Payment vouchers have to be prepared for all such payments.

- v. The Accountant will check the necessary documents which are required to make the payment and will write the cheque while preparing the payment voucher.
- vi. All relevant documents in support of the payment must be attached to the payment voucher.
- vii. All the supporting documents attached to the payment voucher must be cancelled by putting stamp "PAID & CANCELLED" to prevent reuse.
- viii. The cheque alongwith the payment voucher will be placed before the relevant authority for review and approval.
- ix. The responsibilities of such person reviewing the documents include matching the amount in figures and words, matching the amount in the invoice/request and that in the cheque, payee details are correct etc.
- x. Bank signatories will sign the cheque after approval of the payment voucher.
- xi. Acknowledgement of receipt must be ensured at the time of release of cheque.
- xii. Cross cheques to be used for payments above the cash limits.
- xiii. All Govt. rules and regulations such as Deduction of Tax at Source (TDS) etc. to be complied with while making any payment.

3.3 Documentation of Payments

The following needs to be ensured while making payments

- a. Payments can only be made against an original unaltered invoice.
- b. Payments can be made after the receipt of the correct goods and services has been confirmed and the invoice details are verified.
- c. Prior for making payment processes, it should be authorised by the appropriate authority.
- d. Acknowledgement must be obtained in case of any payment.
- e. All payments must be recorded in Tally 9.0 in the respective project's company and their printouts should be taken and duly signed by the appropriate authorities. All original bills and receipts must be attached to the voucher.

3.4 Vouchers

Voucher is a record in which one gets complete details of any financial transaction. In Deepshikha, since we do our accounting in Tally 9.0 software where we write voucher for different transactions, we will take the printouts of them for our record.

However, if it will be any specific requirement of the project to maintain separate vouchers manually, then only we will maintain manual vouchers. If we will maintain any manual voucher, then we will follow the following points regarding its maintenance:

- 1) Every voucher should have heading written clearly like payment voucher, receipt voucher, journal voucher, contra voucher, sales voucher etc.
- 2) Under these headings, there should be clearly printed the name and address of the organization.
- 3) Project name should also be mentioned on the vouchers.
- 4) There should be a place for numbering the vouchers.
- 5) There should also be a place for date.
- 6) In the voucher, there should be enough places to write accounting transactions like which item is debited and which is credited and its corresponding amount.
- 7) Also there should be a place where amount can be written in words.
- 8) There should also be a place for signatures of those persons who write the voucher i.e. Accountant and who approves the transactions i.e. Secretary of Deepshikha.
- 9) There should be a place for 'Receiver's' signature.

4. ADVANCES

The different types of advances are as follows:

- a) Advances to Staff

b) Advances to suppliers/service providers

4.1 Advances to Staff

- Salary in advance may be availed on request and approval of the line supervisor. An employee may avail 2 months salary in advance or an amount of Rs. 10000 (Ten thousand). Which so ever is lower will be considered. In case of approval of salary in advance the return has to be done within the same financial year.
- Person intends to take advance will have to fill Advance Requisition Form duly approved by the line manager. If anyone is asking for advance for organising any training program or an event, then he/she will first make a detailed budget and send it for approval to the appropriate authority.
- The limit must be kept to a minimum based on the estimate of expenses to be made.
- Advance requisition should be submitted to the finance unit minimum 3 working days before its requirements.
- Secretary or appropriate authority should review the advance request and approve within the limits permitted.
- Employees will have to settle the advance within 7 working days after returning to office.
- Preferably, no advance will be given if the previous advance is not settled.

4.2 Advances to suppliers/service providers

- Normally payment to the supplier or service providers can be done only after receiving the items in good condition or receipt of quality service. However, if required some percentage of advance can be given to these parties if there is no alternative.
- The advance to the supplier will only be made after Purchase Committee has given its recommendation to purchase item from that supplier. The advance will be based on its quoted price. In the case of service providers, advances will be given based on the Agreement or Terms of Reference signed between Deepshikha and Service Provider.
- Any advance given to the supplier shall be incorporated in the purchase/work order issued to such supplier.
- The advance will be adjusted (in case of part advance) at the time of making final payment after receiving the goods and services satisfactorily.

5. PROCUREMENT

The purpose of this section is to provide a system of procurement of goods and services.

Deepshikha

should always give effort to ensure value for money. The goods and services should be procured at a fair market value. An effective internal control system can assure that quality goods and services are procured at a fair market price.

It is important to note that for all procurements above Rs. 15,000/- (Rs. 20,000/- for consultants) from a single source, the selection of supplier/service provider to be determined after comparing minimum three quotes. However, in exceptional cases we may find any supplier or service provider is in better position to supply goods or provide his/her services because of his past experience with Deepshikha or reference from any reliable source. In that case Secretary of Deepshikha in consultation with the Senior Management Team can take decision to select the supplier or service provider and in those cases no 3 party quotations are required. In such circumstances, if there is a substantial amount being involved for the assignment, then approval from the concerned donor Deepshikha should be taken.

The below controls apply to all procurements including stock, consultants and services.

5.1 Procurement Controls

It should be the policy of Deepshikha to ensure that all purchased products conform to the specified

Requirements. For the purpose of ensuring conformance of product to specified requirements, there should be a process of selecting the suppliers/service providers on the basis of their ability to meet the requirements.

When fewer than three names appear in the list, the procurement committee should ensure that in fact only fewer numbers exist who can deliver the goods and services and document the same.

5.2 Procurement Committee

A 3 or 4 members committee in different projects involving key persons of those projects will be known as 'Procurement Committee'. The main function of the committee is to identify and recommend the supplier/service provider based on a comparative analysis for approval by appropriate authority. The approval for all the purchases will be made by the Secretary Deepshikha or his Delegated Authority. This can be taken even through email.

For all the assets purchased above Rs. 15,000/-, following minimum documents are required to keep

1. Quotation/Proforma Invoice
2. Copy of written Purchase Order
3. Invoice
4. Delivery Challan (if possible)
5. Money Receipt

All the assets purchased will be entered in the Asset Register of Deepshikha and assets will be issued

to project staff with a Handing Over Letter.

5.3 Procurement Process

The following process needs to be followed for all procurements of goods/services.

- Purchase related decisions will be taken in the Strategic Management Committee of DEEPSHIKHA. However, if the detailed list of assets are given in the project budget, then they will be purchased based on the need arises.
- Administrative Person (DEEPSHIKHA) will collect the comparable quotations from different suppliers.
- Single quotation could be the basis for all procurements up to the financial limit of Rs. 15,000/- or Rs. 20,000/- as the case may be.
- Quotations to be asked to minimum three (3) vendors. Preference should be given to purchase costlier items from the authorised dealer to ensure quality of goods and after sale services.
- The Purchase Committee will review all the quotations and recommend a supplier/service provider with proper justification.
- In general the lowest bidder shall be selected. In case the second lowest or any other bidder gets selection, it should be categorically established that what additional benefit it would fetch to Deepshikha.

Wherever it is not possible to obtain the minimum number of required quotes, the fact should be documented with adequate reasons. All selections without following the procurement procedures above this limit needs to be approved by Secretary before initiating release of payments.

The most senior staff in the finance unit (Finance Manager) or delegate shall review all contracts before the same is approved by the Secretary.

5.4 Payments to Suppliers/Service Providers/Staff

Payments for any goods/services/consultants must be made only against an original tax paid invoice, after verifying receipt of goods/services and appropriate authorisation.

5.5 Property and Rental Agreements

Rent agreements must be signed by the Secretary or Person-in-Charge of the respective offices. If local regulations require that withholding tax should be deducted on rental payments etc. Then the regulations must be followed.

5.6 Signing of Agreement or Terms of Reference

If any assignment is given to any outside individual/institution and if the payment to that individual/institution will be Rs. 20,000/- and above, then a separate Agreement or Terms of Reference will be signed between Deepshikha and the concerned individual/institution. For petty assignments, no such contract or agreement needs to be entered.

The agreement should have clauses of consideration amount to be paid for the assignment, terms of payment, scope of work, time frame for the work, deliverables, confidentiality of the assignment etc.

6. FIXED ASSETS AND PROPERTY

For book keeping and preparation of final accounts, any tangible item complying with the following are categorised as fixed assets of Deepshikha.

- The item has a potential useful life of more than a year
- Deepshikha is the absolute owner of the item

It is the policy of Deepshikha to keep accurate records of all assets' cost and accumulated depreciation.

6.1 Fixed Assets Register

The accounting treatment for fixed assets is to include them in expenses at 100% in the year of purchase. This enables expenditure reports to match funders' reports, as donors normally allow the full purchase of the asset to be charged to them at the time of purchase. Because the assets are not therefore capitalised on the balance sheet, they must be controlled and monitored using a fixed asset register.

However statutory requirements warrants fixed assets to be depreciated over a period of time and accordingly the assets are capitalised on the Balance Sheet of the Deepshikha. A fixed assets schedule with accumulated depreciation shall be maintained to comply with statutory requirements. The fixed assets register must be completed with details of all items which cost over Rs. 5,000/- and must be regularly updated. The register must show:

- Identification number
- Date of purchase
- Description including make, model and serial number
- Cost (in Indian Currency)
- Reference to acquisition voucher number & date
- Supplier's name
- Location of the asset
- Staff responsible, if any
- Sale proceeds, if any and date of sale
- Reference to sale documents

There must be a physical check of fixed assets against the register at least once a year preferably on or before 31st March. The physical verification will be done by Finance Manager or a team designated by him.

The responsibilities of the Finance Director other staff assigned with physical verification of assets include:

- Verification of fixed assets physically
- Ensuring the records are up to date
- Comment on the condition of the assets
- Non compliances, for example check whether update registration and insurance coverage for the vehicles exist.

6.2 Identification of Assets

Each fixed asset should have a permanent unique identification number, which will be written on the fixed asset permanently. The number should be assigned immediately after acquisition of the asset. All designated employees of Deepshikha responsible for each fixed asset will ensure the following:

- ☑ The assets are protected from damage, loss or unauthorized use
- ☑ The assets are properly maintained
- ☑ All the policies of the organisation relating to fixed assets are complied with
- ☑ The manufacturer's instructions are properly followed.

6.3 Disposal of Assets

In situations when the Directors or the Senior Management Team (SMT) of the organisation recommends for the sale or disposal of any fixed assets if there is a need and proper justification for the same. The meeting of the Senior Management Team should be recorded in which it should clearly give details of assets to be disposed off with the justification for their disposal. The implication of not having those assets in the organisation should also be discussed and also how these implications will be covered-up with the existing or new assets to be acquired by organisation should be discussed.

The SMT should also recommends on which items to be sold as scrap and which items to be sold on fair market value after looking at their present condition. If an asset is scrapped, for example because it is broken or keeping such assets will unnecessarily increasing the maintenance cost because of their frequent maintenance etc., this must be taken up by the Secretary to the Governing Body after recommendation from SMT, and must be recorded in the fixed asset register as scrap with nil proceeds.

However, for those assets, which are to be disposed off on fair market value, their value should be determined with some appropriate assessment process as is possible and it should be documented. For disposal of the said assets a notice announcing this should be put in the office notice board. Deepshikha staff as well as the villagers (except members of Senior Management Team or any of their relatives if any) will also be eligible to bid for the same at a value which is same or more than the fair market value determined. If the items remain undisposed then advertisements should be put at other prominent places for selling off these assets and a receipt should be issued for the same.

The consideration amount should be as far as possible be taken through Account Payee Cheques from different parties in the name of Deepshikha or if it is not possible in certain circumstances then the entire consideration amount received should be banked immediately.

A Receipt Voucher should be prepared and amount should be debited in the Cash Book. The Fixed Asset Register should be updated, mentioning the items disposed. We may open a separate Fixed Asset Disposal Account and all the asset disposal entry should be made crediting this account. The amount could be utilised either for the purchase of another capital assets or could be used for charitable purposes as per the provisions of income tax act given in this regard. If any item is to be handed over to the community member for the purpose of the project, then the consent of the concerned funding Deepshikha will be obtained in writing.

All decisions related to Disposal/Scrapping/Handing over of equipments should finally be approved by the Governing Body of Deepshikha. Income Tax rule related to disposal of assets should be complied with.

FCRA Rules related to consideration amount received on sale of Capital Asset. If the FCRA assets are sold off, then the amount recovered should be shown in the FC-3 and amount realised should be banked in the FCRA designated bank account only. Also FCRA balance sheet and Fixed Asset register should be updated after the disposal process.

6.4 Insurance

All vehicles must be insured at least third party only, or to the minimum level required by local laws. Additional cover for fire and theft must be considered if appropriate bearing in mind the likelihood of payout in the event of a claim. Apart from vehicles, other costlier items may also be insured to protect against any loss.

6.5 Vehicles

Vehicles are very costly and vulnerable assets, and their use and costs must be carefully monitored. Only authorised staff members are permitted to drive and they must hold appropriate driving licenses and be covered by insurance. A copy of the driving license must be kept on file, and the copy must be updated if any endorsements are received.

A log book must be completed for every journey, and each time the vehicle is refuelled. Repairs and maintenance must also be shown in the log book. The log book must show the beginning and end of the journey and the destination and purpose of the trip and the number of KM travelled, and each journey must be authorised. The cost of servicing and parts used must also be recorded. From this record the cost per KM (excluding servicing and parts) can be calculated, and used for control and monitoring purposes every month. The log book and cost per mile calculations must be reviewed every month by the Administrative Person (Deepshikha).

Vehicles must not be used for private purposes. However if used its cost of fuel etc. will be borne by the concerned staff only and will not be charged to Deepshikha. Private use of Deepshikha's vehicle would only be permissible when the vehicle is not needed for use in Deepshikha work. Staff making personal use of a vehicle with fuel supplied by the organisation should show the details in the log book itself which could be adjusted during reimbursement of fuel bill. Reimbursement will be made only for the vehicle used for official purposes.

6.6 Computers, Laptops & Software

In order to protect computers and the data thereon, it is important that

- ☑ Proper back up procedures are followed regularly, and backups are taken offsite in case of fire or theft in the office
- ☑ Good virus protection is used
- ☑ Licensed software is used to ensure it will operate properly

7. PERSONNEL

7.1 Appointment letters and contracts with employees

Appointment letters or contracts will be issued to all the Deepshikha's staffs during the time of their joining. All the relevant terms and conditions will be disclosed in the appointment letters or contracts. The selection of the staff will be done through a thorough selection process and will be based on their qualification, experiences and references suitable for their respective positions. A detailed job description will also be provided to all the staffs.

7.2 Payroll Processing

Control Objective:

To ensure employees are paid appropriate, approved amounts for actual work performed and salaries and related taxes or benefits are properly calculated, recorded, and remitted on a timely basis.

Responsible Parties:

Executive Director – responsible for hiring, approval of time sheets, employee review and advancement.

Administrative Assistant – responsible for calling in the hours worked to Paychex (outside payroll processing firm).

Procedures:

- Executive Director interviews and hires all staff.
- Each employee completes the employee packet of forms including:
 - Application/personal information sheet
 - Name and address
 - Adhar details
 - Date of birth
 - Proof of identity
 - PAN Card
 - Date of joining
- Executive Director reviews all forms for completeness and notification of the new employee, sending copies of forms, as required.
- Executive Director must authorize all changes to payroll or employee status and must personally notify.
- All personal forms should be maintained in employee files, in the possession of the Executive Director.
- Requests for vacation and/or sick/personnel time need approval by the Executive Director.
- Any unused vacation at fiscal year, end will be accrued as a liability, based on the Deepshikha's policies for use and accumulation of vacation time.
- For each time period (payroll is paid on the 15th and 30th of the month), all employees will prepare and sign a time sheet showing hours worked on a daily basis.
- All time sheets will be reviewed and approved by the Executive Director. Any overtime needs to be approved in advance by the Executive Director.
- The Administrative Assistant will check the mathematical accuracy of the time sheets and call in the payroll period.

- The reports for each payroll will be opened and reviewed by the outside accountant, then recorded in the accounting system.
- All required payroll reports are filed by Accounts officer.

Segregation of duties:

The controls listed above are adequate segregation of duties and there is limited risk. Management understands this risk and feels the risk to Deepshikha is limited.

Grants restricted funds related Expenditure

Control Objective:

To ensure grant funds and restricted contributions are properly recorded, collected and monitored on a timely basis. To ensure that restricted grant funds and contributions are used for the purpose intended and any reporting requirements for grants are met on a timely basis.

Responsible Parties:

Director Finance – monitors all grant and restricted contribution transactions (receipt, collection, and expenses) and prepares required reports for granting Deepshikha .

Administrative Assistant – records entries in the accounting records and provides the Community Liaison/Fundraising Manager with copies of all grant funds received and/or expenditures against grant funds.

Executive Director – oversight of procedures and review of proper recording and reporting for grant funds received and expended.

Procedures:

- Director Finance informs the Administrative Assistant when the Deepshikha is notified of the award of grant funds or restricted contributions.
- Director Finance maintains the grant or restricted contribution documents in individual files including:
 - grant application,
 - budget submitted with application,
 - grant or restricted contribution requirements,
 - summary sheet of grant/contribution cash receipts and expenditures allocated against the grant/contribution,
 - amounts and dates funds will be received on the grant if all funds are not received in one distribution prior to expenditures,
 - disbursement requests, if filed, with the granting Deepshikha ,
 - Reports filed as required under the grant/contribution.
- Director Finance will maintain a file of due dates for payments and reports to ensure payments are received and reports are filed on a timely basis.

- The Director Finance will copy the Administrative Assistant with any distribution requests or notices of distribution from grants/restricted contributions.
- The Administrative Assistant will record any amounts due under grants when the grant is made or when disbursement requests are filed with the granting Deepshikha . These funds will be recorded in the accounting records as accounts receivable and grant or contribution revenue. A classification will be set up for individual grants and restricted contributions that require tracking income and expense by grant/contribution.
- The Administrative Assistant will notify the Director Finance of any amounts recorded in the accounting records as due and not received within 15 days.
- The Director Finance will follow up with granting Deepshikha within 30 days of the due date on any amounts not received when due.
- The Administrative Assistant will notify the Director Finance and the Executive Director of any amounts more than 30 days overdue.
- The Executive Director will review the grants receivable on a monthly basis and determine if any allowance for doubtful collection is required on a past due grant. The Executive Director will notify the Administrative Assistant to record any required allowance for doubtful collection.
- Complaints from donors or granters will be resolved by the Executive Director.
- Grants and donors will be published in the Deepshikha's journals, newsletters, programs, website, etc.
- Records are kept by the Director Finance of any gifts contingent on future events, such as bequests, and periodically reviews these contingent contributions to determine if they can be recorded in the accounting records because the contingency has been met.
- Restrictions that lapse at a specific time or at the occurrence of a specific event are monitored by the Director Finance to ensure that resources are appropriately used and accounted for in the accounting records.
- The Board of Directors will approve an annual budget and budgets for specific events or grants. Actual revenues and expenses will be compared to budgeted expectations. Variances will be reviewed to understand any significant differences from budget.

Segregation of duties:

The controls listed above are adequate segregation of duties and there is limited risk. Management understands this risk and feels the risk to the Deepshikha is limited.

Additional control is achieved in this area as follows:

- Oversight by the Executive Director,
- Complaints from granting Deepshikha are resolved by the Executive Director,

- Amounts receivable, received or expensed are recorded in the accounting records and reconciled by the Director Finance to the grant/contribution records, and
- Monthly review of all accounting entries by an outside accountant.

Capital Assets

Control Objective:

To ensure the Deepshikha's capital assets are safeguarded and properly recorded in the accounting records.

Responsible Parties:

Administrative Assistant – records the purchase as a capital asset addition in the accounting records.

Executive Director – approves capital purchases, provides oversight of procedures and reviews proper recording of capital assets.

Procedures:

- The Board of Directors will prepare a capital budget in conjunction with other organizational budgeting. Inclusion of a capital item in the budget serves as approval for the acquisition.
- Asset acquisitions greater than Rs.1,000 will be recorded in the accounting records as capitalized assets. Items less than Rs. 1,000 will be recorded as expenses as acquired.
- The following procurement guidelines will be followed:
 - procurements will be made from approved vendors;
 - bids or costs will be solicited from at least 2 to 3 vendors for purchases greater than Rs.5,000;
 - the quality of the assets will be determined and whether the assets selected are appropriate for the intended purpose.
- Prepare a purchase/check request for the asset (see cash disbursements procedures). Obtain approval of the purchase from the Executive Director.
- Attach a tag or sticker to the asset showing the name of Deepshikha and the asset number of the item.
- Maintain a list of all assets used in operations, whether capitalized or expensed, that includes the following information:
 - Description of the asset,
 - Serial/tag number,
 - Location of the asset,
 - Cost or value at time of acquisition,
 - Date acquired,
 - Funding source, if applicable,
 - Restrictions on use or disposal of the asset,

- Date asset was retired or disposed, and the
- Amount received from any sale of the asset.
- The Executive Director, or a designated employee, will perform an annual inventory of major assets to assure all items are in use and held by Deepshikha. Any assets not in use will be assessed to determine if the value of the assets needs to be written down or written off in the accounting records.
- The Executive Director will determine that all major assets are safeguarded from loss and properly insured.
- Any donations of capital assets greater than Rs.5,000 must be approved prior to acceptance by the Executive Director and the Board of Directors. See procedures in Pledges, Contributions and Donations.
- Use proper guidelines to establish the estimated useful lives for each asset and record depreciation based on this determination. Deepshikha will consult with the outside accountant to establish the estimated useful life of an asset.
- See procedures in Cash Disbursements that would also apply to purchases of Capital Assets.

Segregation of duties:

The controls listed above are adequate segregation of duties and there is limited risk. Management understands this risk and feels the risk to is limited.

Additional controls are achieved in this area as follows:

- Oversight by the Executive Director and Board of Directors,
- Annual inventory of major assets,
- Cash disbursement procedures are following for any Deeshikha purchases of assets,
- Procurement guidelines for major purchases, and
- Monthly review of all accounting entries by an outside accountant.

7.2 Payment of Salaries or Fees

Salaries should be paid any time after 25th of every month (but not later than 1st week of the following month) subject to availability of fund in the concerned project. Net salaries should be made by bank transfer/cheque. However for persons staying in the interior parts where the banking facility is not available cash payment could be done by Deepshikha.

For those staff who have been issued Consultancy Contract will submit an Invoice and Report of the month and will get approved from their respective line manager. After approval from their Supervisor, their respective fees will be paid.

Every month Accountant will make a salary and fees requisition which will be approved by the Secretary-Deepshikha or concerned Project Manager if the office is located in other place before making payment process. Also requisition made for salary payment from any of the Deepshikha's suboffices will be approved by the Secretary-Deepshikha before making transfer.

The salaries of Deepshikha's Core Staff Members, whose supports are being received in different projects, will be transferred from different projects to Deepshikha's General Account and their respective salaries will be disbursed from the same account thereafter. However for the project staffs, their salaries or fees will be disbursed from the respective projects in which he or she is working.

Staffs will be given a payslip showing salaries or fees calculation and deductions. Tax will be deducted at source above the applicable limits as per the Income Tax Law from salaries and fees and paid over to the appropriate authorities when due.

7.3 Salary or Fees Advance:

- In Deepshikha the Secretary can authorise an advance equivalent to not more than 2 months salary or fees to the contractual staff for housing, education or medical emergency which must be repaid within the same financial year.
- The employee must have worked for Deepshikha for more than six months before such advance can be given.
- Such Advance will be given subject to the availability of fund in the concerned project in which the staff is working.
- The repayments must be deducted from the employee's salary in equal instalments during the same financial year.
- The decision is at the discretion of the Secretary and any exception to this policy must be approved by the Secretary.
- Salary advance to Secretary will be approved by the Managing Committee of Deepshikha.

7.4 Study Leave

- If in the organisation, somebody is going for higher studies and the course is pertinent to Deepshikha's work during that period, then he/she will be granted study leave. Deepshikha currently may not sponsor candidates fees for his higher studies. In such conditions if suitable vacancy exists after his course completion, Deepshikha would preferably like to opt its team members. The study leave will also be subject to the approval of the concerned donor.

7.5 Staff Medical Benefit

For Deepshikha's staffs, to cover the cost of medical expenses for major disease or ailment provisions are made for all employees to receive ESIC benefits.

7.6 Human Resources Guidelines

For further information on personnel matters, see 'Deepshikha HR manual'. Also refer to the terms and conditions of employment for staff.

8. AUDIT, TDS AND FILING OF RETURNS

8.1 Statutory Audit

DEEPSHIKHA must have a Statutory Audit by an external auditor which should be a Chartered Accountant or a firm of Chartered Accountants. The auditing processes should preferably be completed within the period of 3 months from the closure of the financial year i.e. 31st March for timely compliance of FCRA and Income Tax return filing process. **The statutory auditor must be approved by the General Body of Deepshikha.**

A copy of yearly statutory audits should be kept with Deepshikha in a separate file.

8.2 Internal audit

When Deepshikha's General Body feels that an internal audit should be done as the organization has

grown bigger (in financial terms), then there could be a system of internal audit in the organization which can be conducted by a group of senior persons in the organization including finance Director. The Internal Audit will normally concentrate on the systems and procedures being followed in the organization and suggest improvements. It could be done by an outside group but not from the same firm of auditors which does the statutory audit of Deepshikha.

8.3 Tax Deduction at Source (TDS) and filing its returns etc.

Under section 200 of the Income Tax Act' 1961, there is a specified list of payments which require deduction of tax at source. Deepshikha will deduct TDS on the applicable rates as per the Income Tax Rules applicable time to time.

The tax deducted at source has to be deposited to the credit of the Central Government within the stipulated time limit as mentioned above. Such deposits can be made in various specified nationalized banks with the help of TDS challans available with the income tax department. Whenever a TDS is deposited, TAN of the organization has to be quoted on challan.

Issue of TDS certificate:

Deepshikha deducting TDS is required to issue a certificate to the person from whose income, tax has been deducted. The prescribed form is Form No. 16, for deduction of tax from salary. For all other cases it is Form No. 16A.

Returns to be furnished by Deepshikha:

Deepshikha will submit quarterly and annual returns of TDS within a stipulated period to the prescribed income tax authority.

8.4 Filing of Income Tax and FCRA Returns:

The filing of FCRA returns with The Ministry of Home Affair is 31st December every year after the closure of the financial year and for Income Tax return it is 30th September every year. However these dates are changed time to time and hence Deepshikha will adhered to the changed dates and file its returns before the dates fixed by the appropriate government departments.

RECORDING RECEIPTS

The following procedures for cash received through the mail or given to a staff person shall be in place: Mail should be opened by a staff person that is not involved in the accounting function. All checks shall be endorsed with the Deepshikha 's official stamp. All cash and checks received through the mail shall be forwarded to the designated staff in the Fund Development Department, or other staff not involved in the accounting function. This person records all checks and cash by date, name of company or individual, designation, and amount. After recording checks, or cash, they are forwarded to the accountant who records it for accounting purposes. An individual deposit ticket shall be prepared with triplicate copies, bearing a different designation of each account. That record shall include date of deposit, name of sender, amount, and designation. A copy of the bank deposit slip is retained in chronological order with copies of the deposited checks. All cash and checks shall be deposited the same business day if possible, and no later than the next business day into the Deepshikha 's Bank Account. The same procedures followed for cash receipts shall be followed when monies are received by employees as contributions for special events. Gifts received electronically, such as stock transfers or on-line contributions should be properly recorded by a staff person in the Fund Development department, and by the Accountant. Transactions should be periodically rechecked by the Head of Finance. The Accountant shall make the appropriate entries in the General Ledger books. The Accountant shall reconcile all logs of incoming cash/checks with the deposit slips, and with the record of receipts maintained by the Fund Development organization.

10. RECEIPTS TO DONORS The Secretary/ CEO shall ensure that all donors and contributors shall receive proper acknowledgement of their contributions in accordance with RBI Guidelines.

11. EXPENDITURES PROCEDURES All expenditures shall be approved by the Secretary/ CEO. All expenditures shall be coded by account number using the Deepshikha's Chart of Accounts. The Accountant maintains standard accounting records containing all aspects of the Deepshikha's financial operations. They include but are not limited to: A general ledger, a check register, and a payroll register. Invoices shall be approved by either the Secretary/ CEO. Following the review and approval, check payment vouchers shall be prepared and the invoices shall be distributed to the Deepshikha Accountant for check payment preparation. Upon payment of a bill, a copy of the check or duplicate of stub shall be stapled onto the bill and payment date and check number shall be printed on the invoice. The paid invoices shall be filed alphabetically according to organisation/individual name and shall be kept on a fiscal year basis on file.

Analysis of Documentation Flow in Relation to the Payments Function

Departments of State

Procedures	Records	Documentation Controls
1.1 Raise requisition	departmental requisition book	forms serially numbered copy retained in unit
1.2 Obtain goods, services	- local purchase order (LPO) - Petty contract - Claim/petty cash voucher	forms serially numbered copy retained in unit
1.3 Submit for payment	payment voucher in triplicate	voucher dated LPO no. account code. copy retained in unit.
1.4 Enter in main ledger	voucher charge book	Retained in unit for reconciliation with monthly print out
1.5 Send to Internal Audit	- voucher way book - payment vouchers and supporting documents e.g. requisition, invoices	voucher way book signed by Internal Audit for receipt of original and duplicate payments vouchers, LPOs and all supporting documents.

Internal Audit Unit

Procedures	Records	Documentation Controls
2.1 Receive vouchers	voucher book Deepshikha	all vouchers off Deepshikha checked by internal audit.

2.2 Register vouchers by department	departmental register	date of receipt and voucher reference.
2.3 Approve/check vouchers	payment voucher	voucher signed by accountant; date stamp
2.4 Ensure funds available	Tally	internal audit unit.
2.5 Validate Local Purchase Order	LPO register	LPO register; retained in internal audit unit.
2.6 Ascertain daily cash flow	daily register of vouchers	Maintained in date order with voucher reference; retained in internal audit unit.

Cashier

Procedures	Records	Documentation Controls
4.1 Issue cheque	duplicate payment voucher and supporting documents	To store, filed in payment voucher ,number order.
4.2 Pay cash	cash book (cash payments)	Sent to accounting unit.

Accounting Unit

Procedures	Records	Documentation Controls
5.1 Prepare for data processing	payment cash books summary cash book salaries and allowances cash book input batch control form	check way book and sign batch daily vouchers in account code order (less than 40 per batch) Batch numbers, payment voucher numbers and number of documents.
5.3 Check computer processing	Stored in Tally and Print out of ledger by voucher to be maintained.	All entries checked against vouchers. Original payment voucher stored by month.

Figure 7: Analysis of Documentation Flow in Relation to the Payments Function

The analytic technique described above can be applied to any process associated with a financial function. For example here is the same process of analysis and diagramming applied to the process for accounting for revenue generated. This analysis is important because it illustrates that the

records generated by the process will be captured by the record keeping systems of different administrative units and how they relate to each other. It makes it easier to make informed appraisal decisions.

Analysis of Documentation Flow: Revenue

1 Ministerial/Department

Procedures	Records	Documentation Controls
1.1 Issue of Receipt Books	General Triplicate Receipt Book (GTR)	GTRs issued by (Accounting Unit) on departmental requisition. Receipt Book Issue Note recording serial numbers signed for by receiving officer.
1.2 Receipt of cash and cheques	GTR – official receipt Revenue Voucher	Copy 1 to payer Copy 2 to Receipts Section Copy 3 retained in GTR Book
1.3 Enter in Cash Book	Accountant Cash Book	Entered from GTR

14. LOCAL TRAVEL AND EXPENSE REIMBURSEMENTS

Employees must abide by the Deepshikha's Travel and Expense policy. Travel and expense reports for mileage, meals, hotel, supplies, etc., will be maintained by each employee and then submitted to the supervisor for approval and payment on a weekly basis by the Accountant.

Mileage to and from the employee's residence to the place of work will not be paid by the Deepshikha. Reimbursements will be based on the travel rate established by the Deepshikha CEO and the Head of Finance and approved through the budgeting process. Travel reimbursement shall not be above Deepshikha Guidelines. All parking and other expenditure receipts must be attached to the expense voucher as a condition for payment.

9. RECORD KEEPING

It is the finance department's responsibility to ensure that accounts of all expenditure and income are produced and maintained up to date. All types of financial records are also to be kept up to date.

17. LEASES AND OTHER CONTRACTUAL AGREEMENTS

(Important point: these Procedures do not include procedures for building ownership. If the Deepshikha owns a building, then a separate section should be written.)

Deepshikha conducts a major part of its operations from leased facilities. Leases and other contractual agreements are negotiated by the Head of Finance and executed with the approval of the Deepshikha CEO. New leases in excess of an amount determined by the Board of Directors require the approval of the Finance Committee. The Deepshikha CEO and the Head of Finance are authorized to develop and enter into contractual agreements with vendors, bankers, and third parties for the purpose of ensuring the Deepshikha's general operations. The Finance Committee shall review such agreements and make recommendations when necessary.

18. NOTES, LOANS, ETC. All notes, loans and other indebtedness to be contracted in the name of the Deepshikha (except open accounts and all other routine banking transactions), shall require the signature of the Deepshikha CEO, unless otherwise specified by the Board or established in the

present management policies and procedures. All indebtedness must be approved by the Deepshikha 's CEO.

19. DEEDS, CONVEYANCES, ETC. The Deepshikha CEO and the Head of Finance shall execute all Deeds, Conveyances, Mortgages, Leases, Contracts and other instruments in the name of the Deepshikha .

20. BANK ACCOUNTS AND INVESTMENT ACCOUNTS The Head of Finance shall maintain and oversee Bank and Investment accounts, and ensure the Deepshikha 's day-to-day financial operations. Several accounts may be maintained by the Deepshikha as follows:

1. Checking Account
2. Money Market Account
3. Certificates of Deposit
4. Brokerage Account

These accounts may be changed as the Deepshikha 's financial conditions and requirements change.

21. CHECKING ACCOUNT

All checks, cash, money orders, and credit card deposits, are reviewed by the Accountant and deposited in the appropriate Accounts. Fund raising events, foundations and corporate donations and miscellaneous contributions, shall be deposited into the accounts. Monies shall be transferred from the Checking account into the Money Market Account or the investment account when necessary, by the Head of Finance. Checks are written weekly to meet obligations, or ongoing operational expenditures.

22. BANK RECONCILIATIONS Bank reconciliations shall be completed monthly by the Accountant and cross-referenced with the cash and receipts logs and the monthly Financial Statements. The Financial Statements shall be compiled by the Head of Finance. The Statements shall be then reviewed by the Deepshikha CEO and presented to the Finance Committee. All Bank Statements, Credit Card Statements, and Endowment Fund Reports will be reconciled every month by the Accountant, and records will be kept in the Finance office for at least 10 years.

9.2 Separate Account:

As per FCRA guideline separate books of accounts like cash book, ledger etc. should be maintained for all foreign contribution. Following the guideline Deepshikha will maintain separate donor wise accounts and records.

9.3 Cheque Issue Register:

Accountant will maintain a cheque issue register to identify the project wise issuance of check.

9.4 Cash Count Log Book:

The cash in the safe must be counted and documented in a logbook at the end of the day when the cash transaction takes place and agreed to the cash book. When the cash is counted, a record must be kept of the actual amount in the safe, split into the denominations of notes and coins and signed by the person maintaining the same.

9.5 Staff Contract & Appointment Letters File:

A separate file will be maintained where copy of all the contracts or appointment letters given to project personnel will be kept.

9.6 Travel Report:

In travel claim form person claiming travel reimbursement is required to give brief statement about the work done and if possible, give reference of any reports of that work for further details.

9.7 Fixed Asset Register:

A fixed asset register will be maintained which gives details of all the assets purchased like short description of assets, their cost, their identification number, date of purchase, suppliers name and address, their location etc. In the same register, details of items or assets issued to different person/location will be given.

For issuance of any assets to any person, a Handing Over Note will be prepared which will be signed by the Administrative Person and person taking handover of the asset.

9.8 Separate Fixed Assets File:

A separate file will be maintained for different kinds of fixed assets purchased in which all the Relevant papers related to that assets will be put like:

1. Quotations/Proforma Invoices
2. Copy of Purchased Order placed to the party
3. Invoice/Bill
4. Delivery Challan
5. Money Receipt
6. Insurance Papers (if any)
7. Asset-Handing Over Notes

9.9 Requisition for costlier movable items:

The administrative staff will collect all the Requisition Forms related to costlier movable assets like Camera, LCD etc. from the personnel who requires such items for official purpose duly signed by the person-in-charge or Administrative Personnel and keep in the separate file.

9.10 Approval file:

The administrative staff will maintain a separate file for all approvals given by the approving authority in due course.

9.11 Report to different Funding Deepshikha :

A separate file will be kept for all the reports sent to different funding Deepshikha periodically.

9.12 Audit Report/ Income Tax Returns File:

A separate file will be maintained where yearly statutory audit reports and income tax returns filed will be kept.

9.13.1 TDS Challan & Returns File:

A separate file for TDS Challan and TDS Returns will be kept.

9.14 FCRA Returns File:

A separate file will be kept for FCRA Returns filed every year.

9.15 Training or Event Report File:

A file will be maintained where all the reports related to trainings or events organized by Deepshikha will be filed duly signed by the person responsible for conducting such trainings or events.

9.16 Leave Application File:

A separate file will be maintained where all the leave applications will be filed.

For any uninformed leave, it may be considered as absence from work and for such situations deduction from the salary would be made accordingly.

9.17 Letter Dispatch Register:

A register will be maintained where reference all the letters or correspondences going from the organization will be recorded like date, reference number, letter from and letter to the person or organization, subject etc.

10. DIFFERENT COST CENTRES:

For better cost control and to achieve cost effectiveness, Deepshikha will determine different cost centres which will be based on its branches at different locations. This is done for collecting information on different types of costs, which helps in tracking, control and decision making processes. Tracking will bring out expenditure trends and support management decisions. The process will also help in setting accountability.

11. REPORTING TO DONOR DEEPSHIKHA

Reporting will be made to different donor Deepshikha based on the contractual arrangement between Deepshikha and different donor Deepshikha and filed in a separate file.

12. AUTHORISATION OF CHANGES TO BUDGET AND PROJECT

Any changes in the project budget or any re-appropriation in the project budget will be made only if the Senior Management Team of Deepshikha feel and in consultation with the respective donor Deepshikha . The change will be executed only after getting written approval from the donor Deepshikha .

Appendix 1

“Deepshikha’ Address- ADVANCE REQUISITION FORM	
Name:	Date:
Designation: Purpose:	
Amount: Required by date:	
Amount and Date of Previous advance not yet cleared:	
Signature of Applicant:	Sanctioned by:

Appendix 2:

“Deepshikha’ Address- Travelling Voucher					
Name:		Date:			
Designation:		Purpose of visit :			
Amount: Required by date:					
Signature of Applicant:		Sanctioned by:			
Sl. No.	Date	From	To	Mode of conveyance	Amount (In Rs.)
Sub total					
Any other expenses					
S.no	Description	Unit	Amount		
Total amount-					
Receiver’s expenditure Approved			Signature for payment		

Appendix 3

“Deepshikha’ Address-

Fuel & Lub. Expenses.		
Name :		Designation :
District/Place :		Month :
Vehicle No. :		SI No.
Date	Litters	Rate Amount
Receiver's Accountant Approved		Signature for payment

Appendix 4:

"Deepshikha" Address- Telephone Expenses.	
Name :	Designation :
District/Place :	Month :
Details of Plan-	Rate amount
Receiver's Accountant Approved	Signature for payment

Appendix 5:

Date:

To,

The Secretary
Deepshikha, Ranchi

Subject: Withdrawal of cash for various office related expenses

Dear Sir,

Kindly approve cash withdrawal of Rs.----- (Rs.-----) only from bank for various office related expenses. The cash balance as per cash book is Rs. -----.

Thanking You,

Sincerely Yours,

(XXXXXXXXXX) (Approved)

Accountant-Deepshikha

Background