



# Finance Manual

## Version 1 - 2024

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# FINANCIAL MANAGEMENT

ACT believes in adhering to the highest standards of accounting practices for ensuring credibility and transparency in its use of funds that are meant for developmental activities or charitable purposes. It is aware of its fiduciary responsibilities and therefore takes cognizance of proper financial management systems. The Finance Management manual is applicable to every employee, vendors, consultants, professionals, academic and research institutions, and the office bearers of ACT. The Finance Manual was approved by its Executive Committee at its meeting held on 5<sup>th</sup> January 2024.

## Internal Controls - Cash

- a) Cash Management-Accountant, Finance & Accounts should estimate the cash requirement based on the approval of expenditure (Capital& Revenue both) given by the Director. A consolidated statement should be prepared based on which cash should be withdrawn.
- b) Cash to be withdrawn only after approval of the DIRECTOR.
- c) Personnel authorized by the DIRECTOR shall with draw the cash.
- d) The Cash in Hand at each of ACT's State/ Project offices should be very minimum and should not exceed Rs. 25,000/-, except on extra-ordinary circumstances duly approved by the DIRECTOR. The petty cash at Head Office should not exceed Rs 75,000/- at a time. If more petty cash is required due to some specific requirements, prior approval of the DIRECTOR in writing must be obtained.
- e) The cash should be kept in a Locker under the custody of the Accountant at Head Office and the Accounts & Admin In-charge at regional State Offices/ Project Offices.
- f) The keys of the safe should be with the cash in-charge as authorized by the DIRECTOR.
- g) Excel Statement/Cashbook containing details of all cash transactions and daily closing balance of cash to be maintained. The closing balance shall be mailed (or SMS/ WhatsApp) to the Finance Head/ DIRECTOR on a daily basis.
- h) If the person handling cash is proceeding on leave, the DIRECTOR shall designate a staff to handle cash and will be handed over the keys. Such handing over has to be documented and has to be authorized by the respective Project Managers. Upon joining, the same process of handing back should be followed.
- I) Any cash received (excluding advance refunds of staff) should be duly acknowledged with a receipt and entered in the cash book

register.

## **Cash Payments**

- a) Cash payments comprise payments made against expenditure/ advances to the staff members/ individuals/ Firms/ organizations. Each payment shall be charged to corresponding head of account or Project as per the approved budget for the respective project or budget head.
- b) Cash payments as far as possible should be minimized. The effort should be to go complete digital.
- c) Cash payments should not be made beyond Rs.10,000.
- d) Any cash payment above Rs. 2000/- up to Rs. 10,000/- to be approved by the Finance Head/ Finance Manager. Cash payments less than Rs. 2000/- to be approved by the Finance Manager or Project Managers of respective projects. Such expenses need to be finally approved by the Finance Manager at Head Office.
- e) Cash payments should be made only against original invoices/ bills unless it is an advance payment.
- f) Imprest ledger account should be made in respect of every person to whom cash has been given as advance and this account should be updated daily or after every transaction.

## **Internal Controls - Banks**

- a) In respect of Cheques received, receipts should be issued within 2 working days after the clearance of the cheque. All donations received in bank account, 80G receipt must be issued after complying with Form 10BE requirements. For donations received in cash, receipts should be issued immediately showing the purpose of donations.
- b) Counter foils for Bank Deposit Slip be prepared, and cheques be deposited as soon as possible in the appropriate Bank A/c, FCRA or Non-FCRA.
- c) Receipts must be given for over-the-counter collections immediately.
- d) If post-dated cheques are received, they must be held in safe custody with Manager (Finance & Accounts) or Accounts & Admin In-charge (at field offices) until deposited.
- e) The cheque books in use shall be under control of DIRECTOR (at Head Office) or Accounts & Admin In-charge (at field offices) who shall be responsible for their safe custody.
- f) The cheque books shall be kept in the locker for safe custody.

- g) The approval procedure in respect of payment to vendors/service providers/other payments should be followed
- h) As far as possible, all disbursements should be made by Bank transfer or account payee cheques only.
- I) Cancelled cheques should be mutilated and defaced with 'CANCELLED' mark.
- j) There is no practice of signing cheques in blank under any circumstances.
- k) Vouchers must contain evidence of examination by person those authorising vouchers for payment.
- l) Duly supported vouchers should accompany cheques when they are presented for signatures.
- m) All the supporting documents should be properly defaced and identified by cheque number at the time of signatures.
- n) When stop payments instructions are issued the original entries should be reversed immediately.
- o) Upon receipt of Bank Statement for the previous month, a Bank Reconciliation Statement should be prepared which shall be pre- served by the Accounts Department and kept in a systematic manner.
- p) Each month the bank reconciliation statement should be carefully reviewed to investigate long outstanding cheques deposited or issued, or any other item for settlement.
- q) Cheques older than 3 months from date of issue should be transferred to 'Stale Cheques A/c' noting the reference number and date of the payment voucher and the liability towards concerned Head of Account.

At every year-end, (31st March) bank balance confirmation certificate should be obtained from all bankers for the purpose of audit and these should be preserved in Bank Reconciliation Statement File.



## **FIXED ASSETS**

- a) The Fixed Assets budgeted for the period should be purchased upon written authorization of DIRECTOR.
- b) The Programme Managers should ensure that amount to be expended do not exceed the amount budgeted for or approved by the donor. In case the amount exceeds the budget, then appropriate supplementary authorization from the competent authority should be obtained for excess expenditure to be incurred.
- c) The purchase and receipt of capital items should be subject to same controls as are applicable to Purchases of materials, stores etc.
- d) The asset upon its receipt, after inspection and approvals should be allotted an Asset Number and it should be displayed on the asset so purchased and entry be made in the Fixed Assets Register.
- e) A register of all fixed assets (including fully depreciated assets and assets received as Donations/Grants) should be maintained.
- f) The Fixed Assets Register should be maintained in the prescribed format.
- g) The Fixed Assets Register should be tallied / reconciled quarterly with the financial accounts.
- h) The fixed assets should be physically verified periodically, the system should ensure that all the assets are verified at least once in a year, the assets lying with staff/ third parties/ out reach centers, should be got confirmed, at least once, in a year.
- i) The registration books of vehicles owned should also be periodically verified.
- j) The persons involved in verification should prepare a report so on after its completion. The report should indicate separately about the damaged/ obsolete items besides the shortages/ excesses of fixed assets. The damaged/ obsolete items disclosed by such reports should be removed from the records and financial accounts upon appropriate sanction.
- k) For moving Fixed Assets from one location to another, the asset should be allowed to move out of any office/ Projector site only when accompanied by a transfer order in duplicate. The second copy of the transfer order duly receipted by the receiving office should come back immediately upon its delivery. The location there of should be corrected, in the



Fixed Assets Register and, on the asset, (asset number).

- l) Written approval of DIRECTOR should be obtained before scrapping or selling any fixed asset and reflected in the Fixed Asset Register.
- m) The fixed assets, as far as possible, should be insured at re- instatement basis.
- n) Appropriate Depreciation as per the Accounting Policy be charged on Fixed Assets.



# **PURCHASES AND CONTRACTS**

To ensure that the programme implementation is carried out in a proper manner, there may be requirement of procuring materials and contract or services. Following process shall be adopted for purchases and contracting.

## **Type A: Routine Materials Purchase**

Such materials shall be those which are required on a recurring basis, such as stationery items, other office consumables, Guest House consumables, fuel, repair & maintenance etc.

For these materials, Manager-HR and Manager-Accounts shall finalise a list of vendors and rates. The same shall be approved by the DIRECTOR upon intimation. As far as possible, procurement of these materials shall be done through the approved vendors at the approved rates. The same procedure shall apply for the field offices.

If for any reason, the material cannot be procured from the approved vendors, any alternate vendor can be assigned provided the rates are not more than the approved rates. If the rates are higher than the approved rate, a special approval shall be required from the DIRECTOR.

## **Type B: Other Materials Purchase**

Materials which are required for specific purposes as per project requirements or for office use shall be procured on a case-to-case basis as per laid down Standard Operating Procedure mentioned below.

Following is the Standard Operating Procedure for purchase and contracts.

### **Standard Operating Procedure For Purchase And Contracts**

1. Concerned Manager to raise request in Material Requisition Form or Service Request Form as the case may be.
2. Manager-Accounts & Admin (at Head Office) or Accounts & Admin In- charge (at field offices) shall prepare a Terms of Reference and make a single party purchase/ works contract OR float Request For Quotations to at least 3 parties for all purchases/ works contract as the case maybe depending upon the value of the requirements. The limits are described in points 3 & 4 below.
3. Single Party Purchases/Works Contract: Up to Rs. 20,000 on approval of the DIRECTOR

*: Beyond Rs 20,000 on the basis of 3 party quotation and as per the recommendation of the Purchase Committee* Three party quotations for all purchases / Works contract above Rs. 20,000.

4. For all purchases/ contracts over Rs. 100,000:

- Negotiations to be carried out by the Negotiation Committee/ Purchase Committee having the following members:
- Accounts Department representative (Head Office or State Office or Project Manager as the case may be)
- Programme Director

Either the DIRECTOR or

Finance Head

- Once Negotiations are finalized, the contracts to be released by the respective Programme Managers. Negotiations Committee meeting notes to be prepared by the concerned Programme Manager.
- All works contract above Rs. 1.00 lacs to be evaluated by the Negotiation Committee based on:

STEP 1: Technical Capability (Timeliness, Prior Experience, Manpower required etc.). The parameters for assessing the technical capability to be determined by the Negotiations Committee.

STEP 2: Only those agencies who qualify after STEP 1 would be considered for Financial Proposal. While doing so, on comparable quotations need to be considered as wide variation would not help in rate fixing. For example if a construction work to be awarded (house or school sanitation units based on pre- approved design and BoQ) the rate fixing needs to be done by taking the lowest three quotations for negotiation and finalization. In any case, the negotiation must not go beyond the approved budget of the donor or beyond the capacity of ACT to fund or finance the gaps.

STEP 3: Negotiations to be carried out with the agencies identified after STEP 2.

5. Purchase Order and Works Contracts be released for all items over Rs.1,00,000.
6. For all purchased items below Rs. 1,00,000, direct Invoice without Purchase Order/ Work Order to be

accepted.

7. All Purchase Order and Works Contracts to be reviewed by the Finance Manager and approved by the DIRECTOR before issuing it to the party.

The Negotiations Committees can meet physically as well as telephonically/ conference calls.

8. If required, repeat or additional orders can be placed to the same vendor at the same rate within 18 months of the original order, incase the supplier is in agreement.

### **Payments:**

1. All Single Party Payments up to Rs.1,00,000 to be approved by the Programme Director and Finance Head or DIRECTOR.
2. All single party payments more than Rs.1,00,000 to be approved by DIRECTOR on recommendation of the Purchase Committee and the Programme Head
3. All other payments to be verified by the concerned Project Manager and approved by the DIRECTOR.
4. The DIRECTOR may approve single party payment up to the value of Rs.15 lakh and any single payment beyond Rs.15 lakh may be approved by one of Board Member and preferably the Treasurer.
5. All payments above Rs.15 lakh may be placed before the Executive Board during the Board meeting for their review and knowledge.

## **TOUR ADVANCE AND SETTLEMENT**

1. Staff shall be entitled to take advance for undertaking any tour according to the approved tour plan. The employee may apply for the advance in the Travel Approval Form. Once the Travel Plan is approved, the Accounts & Admin Manager or In-charge shall release the advance to the employee.
2. On completion of the tour the staff concerned will submit their claim to the HR Manager, who will verify and forward the claim to the Accounts & Admin department (or return to the employee for further clarifications). The Travel Reimbursement Form must be submitted along with all bills in original within two weeks of completing the travel.

## GRANT MANAGEMENT

1. Grants are assistance in cash or in kind to an organization for past or future with certain conditions. They exclude those forms of assistance which cannot reasonably have a value placed upon them. Grant is awarded for the purpose of undertaking specific expenditure on project.
2. If other conditions are attached with the grants such as restricting the type or location of the asset or the period during which the fixed asset to be acquired is held should also be fulfilled
3. The amount should be received as per the agreement entered into with the Donor Agency.
4. Grants if received for a specific purpose should be utilised for that purpose only. If a donor gives a grant for a specific fixed asset then the organization should purchase, construct or otherwise acquire such asset only for the said purpose without any deviation. If any deviation is expected, prior approval from the donor is must.
5. Grants/ Donations received in foreign currency should be received in the designated bank account of SBI under the provisions of FCRA or any other act as may be applicable.
6. Donations/ Grants received in Indian currency should be deposited in the bank account (NONFCRAA/c) and these funds should not be mixed up with foreign funds under any circumstances.
7. If required by the donor the funds received in the Indian currency should be deposited in separate bank account and should be utilised in the manner prescribed by the donor.
8. Foreign grant/ foreign donation should be recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
9. Donation received towards corpus should invariably be accompanied by a request letter from donor to this effect.
10. Grants if received from government or local authority should be duly accounted for and terms & conditions attached to such grant should be complied with. Any deviation or change must be done with prior approval only.

# **RECOVERY OF COMMON COSTS AND SERVICES**

## **PERSONNEL COSTS**

1. The recovery of personnel cost used on part time for different projects shall be recovered by ACT on the basis of time allocated for a particular project/ activity and as per donor approval.
2. The recovery rates of every staff will be determined at the beginning of each financial year on the basis of salary paid to each staff during the month of March of the previous financial year and add all the other payments made during the previous financial year. And will add 10% towards average increase in salary in the next year and 10% towards OD process.
3. Salary shall constitute all actual payments made to the staff during the month inclusive of all perks and benefits. Accidental insurance cover of Rs. 4 lakh would be provided by the organisation. Any other insurance like mediclaim would be the responsibility of the staff concerned.

## **OTHER COSTS**

1. Wherever practicable the rate for recovery shall be determined on the basis of the expenses incurred in the previous financial year. The cost sheet will be prepared at the beginning of each financial year considering all the direct cost incurred for the purpose and the indirect cost including depreciation in respect of the particular asset used for the purpose.
2. While calculating the indirect cost beside depreciation the recovery should be made on the basis of man hours of the operator, Assistant and administrative staff also. In case the reasonable apportionment is not possible a certain percentage of direct cost not exceeding 20% may be treated as indirect cost.
3. The rate determined will be increased by 5 to 7% towards inflation.



# BOOK KEEPING

## SOURCES OF INCOME AND MANAGEMENT

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1. The various sources of income of ACT as defined in the Rules and Regulations of ACT are as under:
  - a) Admission Fees
  - b) Donations and Special contributions
  - c) Self Generation
2. It has also been stated that The Income of the society will be used for the purpose of the aims and objectives.
3. The above incomes shall be reflected on the Income side of the Income & Expenditure account of ACT under the following heads.
  - a) Grants Received
  - b) Interest Received
  - c) Contribution & Donation
4. As the Rules and Regulations permit self-generated incomes, these Self-generated Incomes would be the Income of ACT and would be reflected in the Income and Expenditure account of ACT for the year/period.
5. The following set of books of accounts will be maintained.
  - a) FCRA Books – Grants/Donations received and utilized pertaining to the Foreign Grants. This is maintained according to the FCRA requirements.
  - b) Local Funds Books – Grants/Donations received and utilized pertaining to Grants received from Government of India, Indian Donors, other contributions, CSR Grant, CSR Donations, donations, Interest and other receipts.
  - c) If the MOU / Grant Contract specifies to maintain separate books of accounts for any project, the same will be maintained.
  - d) Each set of books will contain:
    - i) Cash book
    - ii) Bank Book for each Bank
    - iii) Journal Book
    - iv) Ledger
6. Heads of accounts to be maintained in the Main Ledger (Group wise listing)
  - a) Under Capital Accounts
    - (i) Accumulation Fund
    - (ii) Core Fund
    - (iii) Grants in Aid and

- iv) Any other Specified Funds
- v) Under Current Liabilities
- vi) TDS Payable
- vii) Expenses payable
- b) Under Fixed assets
  - i) Furniture & Fixture
  - ii) Electrical Equipment
  - iii) Computers
  - iv) Office Equipment's
  - v) Vehicles and
  - vi) All other moveable and non-moveable assets
- c) Under Current Assets
  - i) Cash Account
  - ii) Individual Bank Accounts
  - iii) Security Deposits (A separate ledger head for each Security Deposit)
  - iv) TDS Receivable
  - v) Investments (a separate ledger for each Bank/Institution)
  - vi) Under Loans & Advances (a separate ledger for individual Vendor/service Provider)
- d) Under Receipts
  - i) Grant in Aid
  - ii) Interest on Investments
  - iii) Consultant
  - iv) Membership fees
  - v) Donations
  - vi) Other miscellaneous receipt
- e) Under Payments
  - i) Salaries & Benefits to staff
  - ii) Travelling
  - iii) Grants in aid disbursed
  - iv) Rent
  - v) Conveyance
- f) Repairs and Maintenance
- g) Courier, Postage & Telegrams
- h) Printing & Stationery
- i) Electricity & Water
- j) Insurance
- k) Bank Charges
- l) Staff Recruitment

7. Voucher:
- a) The Voucher shall be generated from computer containing details of the Accounts head to be debited and credited, the Name of the Funder/Donor Agency, Budget line of the expenses and serial number of the voucher.
  - b) Types of vouchers:
    - (i) Payment Voucher (Bank & Cash Payments)
    - (ii) Receipts Voucher (Bank & Cash Receipts)
    - (iii) Journal Vouchers
    - (iv) Contra Vouchers (for withdrawal & Cash deposit with Bank)
    - (v) A separate series of Serial Number will be followed for different types of vouchers mentioned above.
8. State or Project Offices:
- a) Bank Accounts – Bank accounts can be opened in the State Offices as per requirement, with the permission of the Governing Board.
  - b) Maintenance of the accounts at the State Offices
  - c) The cash of the State Office will be the responsibility of the Finance & Admin in charge attached to the Office.
  - d) A petty cash book will be maintained at the centre and a separate set of accounts will be maintained at Head Office, Delhi
  - e) The Finance In Charge should send to Head Office, Delhi, the following documents:-
    - (i) The Cash statement on every last day of the week in the prescribed format (Daily Cash Statement Format). This has to be sent by email to the Accounts and Admin Incharge at the Head Office.
    - (ii) A photocopy of the Petty Cash book for the month should be sent along with the closing cash statement of the last working day of the month through post.
    - (iii) A photocopy of the Pass Book of the Bank or the Bank statement for the month.
    - (iv) Request of funds for the expenses to be incurred at the State Office should be forwarded to the Programme Manager of the Regional Office.
    - (v) The Finance In charge will submit the statement

of expenses within 3 days of completion of every month.

9. Trial Balance:
  - a) Accounts and Admin Incharge at the Head Office must generate a trial balance for every month within seven days of the closing of the month with the cumulative amount from the first day of financial year from the general ledger and cash book showing the entire transactions of the month concerned under main heads of account.
  
10. Annual Accounts:
  - a) The balance sheet, Income & Expenditure Account and Receipt & Payment Account must be prepared, based on the Accounting Policies being followed by ACT, for every financial year for reporting to the General Body.
  - b) The balance sheet should show all balances of assets and liabilities account at close of the year with the comparative figure for previous period.
  - c) The DIRECTOR must sign the balance sheet, before forwarding it for auditor
  - d) The necessary annexes to the balance sheet should be numbered in sequence and attached.
  - e) The annual accounts along with balance sheet shall be subjected to audit by the statutory auditors.
  - f) The audited annual accounts along with balance sheet and audit report should be placed before the Annual General Meeting of ACT.
  
11. Delegation of Authority
  - a) The Governing Board shall delegate authority through the DIRECTOR for the day-to-day management of ACT. The DIRECTOR can further delegate authority to members of the staff/team to relieve the load and to ensure smooth operation during absences of key staff.
  - b) Delegated Authority Document purpose is to clarify who has the authority to make decisions, commit expenditure and sign legal undertakings on behalf of the organisation so that there is no confusion about responsibility. The Delegated Authority Document should include instructions for such duties as:
    - (i) Signing cheques
    - (ii) Placing and authorizing orders for goods and services

- (iii) Authorising staff expenses
  - (iv) Handling incoming cash and cheques
  - (v) Access to the safe and petty cash
  - (vi) Checking and authorising accounting records
  - (vii) Signing legal undertakings
- c) Authorisation rules
- i) The lowest level of authority is defined – it is taken for granted that those higher up the management ladder will also have the same authority.
  - ii) No one should authorise any transaction from which they will personally benefit. This lays the individual open to claims of impropriety and calls into question the integrity of the organisation.
  - iii) Sub-ordinates must not authorise payments to managers – they must be passed to someone who is more senior in the management structure.
12. MONITORING - This involves producing regular and timely information to DIRECTOR and the Governing Board for monitoring purposes. Monitoring involves comparing actual performance with plans to evaluate the effectiveness of plans, identify weaknesses early on and take corrective action if required. Tools: budget monitoring reports, cash flow reports, financial statements, project reports, donor reports, audit reports, evaluation reports etc.
- a) Budget Vs. Actual Performance Report
- A Budget versus Actual Report takes budgeted income and expenditure for the reporting period and compares it with the actual income and expenditure for the same period. The difference between the two figures is known as the 'variance' and this will be assessed as to how significant or otherwise it is. Each month the records are reconciled and summarised to give a summary of all transactions. Since the accounts have been set up to be consistent with the budget headings, no additional analysis will be required.
- b) Variance Analysis
- This involves looking at the significant variations from the budget and seeking to explain why it exists and what can be done to remedy the situation. Any variance of above 10% is considered as significant.
13. Identify problems, look for solutions
- a) The project teams will forecast the project

expenditure on a monthly basis and should be compared with the actuals.

- b) Budget monitoring reports help to identify problem areas and provide an early warning that targets are not being achieved. They also help detect fraud or misuse of funds.
  - c) There are four key indicators to investigate:
  - d) What does the bottom line tell? Overall, is the budget over- spending or under-spending and is it significant at this period? Plus/minus 10% is reasonable.
  - e) What are the significant variances in the individual line items? Are the reasons for the differences explained and convinced?
  - f) Do linked budget line items (e.g. activity-related costs) tell the same story? Or do they contradict each other? For example, the project materials budget is underspent suggesting delayed activities due to climate or social unrest, but the project's vehicle running cost is high!
  - g) Do the budget report figures tell the same story as the narrative project report?
14. Some important points to remember when making decisions based on financial reports are:
- a) Where funds are given for a specific purpose, these may not be used to support a different activity that is showing a deficit.
  - b) If it is necessary to cut back a project, discuss the reasons with funding agency and revised the plans for remaining period.
15. Donor Reporting
- a) As any project that is funded by an external donor will have to submit financial reports to that donor. The basic problem in producing donor reports is that the major donors and NGOs all use different account structures. It is rarely possible to shift between one structure and another. The different structures are fundamental: they affect how the accounts are built up in the first place. This means that it is very likely that reports created using an NGO's internal structure cannot be used to generate reports in a donor's structure. This issue has to be considered at the beginning of a project.
  - b) Terms and Conditions of Grant Aid
    - i) It is important always to check what has been agreed to be done as part of the agreement for

funding from each of your donors. Conditions imposed by donors vary enormously but can include:

- ii) Progress reports – frequency, format and style of reports, usually quarterly to coincide with release of grant installments.
  - iii) Scope and designation of funds – what funds may, or may not, be used for; whether funds can be carried forward from one financial year to the next.
  - iv) Administrative overheads – the specific items that are allowable or excluded, or a percentage limit based on the total grant.
- c) Budget line items – specific budget headings/account classifications which correspond with the original grant application.
  - d) Virement policy – i.e. permission (or otherwise) to transfer surpluses in the budget from one budget heading to another, and within what limits.
  - e) Bank Accounts and interest – separate bank accounts are required by some donors and/or they do not allow you to keep any interest earned on sums invested.
  - f) Depreciation policy – how to treat fixed assets purchased with grant.
  - g) External Audit & Reviews – some donors require a separate external audit and audited Utilization certificate

#### 16. Donor Report

- a) Donors require that an NGO is able to demonstrate financial soundness before granting the release of funds. In most cases the report will include a budget compared to actual summary, accompanied by a narrative report on the activities being undertaken.
- b) For the purpose of reporting the first step is to assemble the necessary information. This includes:
  - i) Who exactly is funding what (line by line through the budget)?
  - ii) What are the donor's reporting requirements?
  - iii) What is the donor's accounting structure?
- c) This information should be available from the contract signed with the donor, and from the project management. Producing finance reports in a donor's format will also meet the project management's reporting requirements.

- d) The Accounts should be prepared in such a manner that the information/Reports required to be submitted can be easily generated. For this purpose, Account Codes similar to Budget Heads should be adopted.
- e) The Accounts should be kept up to date and reconciled so that these reports can be submitted at the earliest. Book-keeping problems often make donor reporting problems much worse.
- f) While recording the transactions the Codes must be properly followed and all transactions must be properly recorded.
- g) Some projects can grow to be very large and include a number of different donors funding different activities or sometimes the same activity. It may be possible to split up the different parts of the project, and to account for them separately, as sub-projects, geographical areas of operation, or as independent projects. This may mean that the original budget has to be split up, according to sub-project (or donor) as well. This makes it much easier to monitor the use of different donors' funds. Another aspect of this approach is to encourage donors to fund specific parts (or budget lines) of the project. For instance, one donor might take on the nutritional component of a project and another take on the hygiene promotion work. This helps to clarify the funding position, and the production of donor reports.
- h) If the accounts are set up to categories everything at the 'project code' level, then both the donor and the NGO will be satisfied. The actual amount spent can be compared against the budget for each budget line. Also, the funding should be known for each budget line. So, donor reports can be produced.
- i) Everybody involved in the accounts must know how the finance systems works, and who is responsible for what. This does not only include the Finance staff only but also the project managers, and anyone who is responsible for spending money.
- j) Donors should be informed of any changes to the budget (expected expenditure). There is likely to be a level for changes to the budget, which require prior authorisation from the donor. This will be set out in the donor contract.
- k) Generally, financial reports should be completed in



the currency of the budget and/or the currency of the bulk of the expenditure. It is important that all exchange rates used are recorded.

#### 17. Fraud & Irregularities

- a) There will be occasions when internal control systems fail to prevent losses through theft, fraud or other irregularities. Fraud is defined as: a deliberate, improper action, which leads to financial loss to the Organisation. This includes theft of goods or property; falsifying expenses claims; and falsification (or destruction) of records to conceal an improper action.
- b) Fraud does not include accounting errors; actions condoned by established practice; and cases where no loss is incurred. Other irregularities include unauthorised activities for private gain: e.g. 'borrowing' from petty cash; use of vehicles; or abuse of telephones and other equipment.
- c) Incidents of fraud and irregularities require sensitive handling to minimise the long-term impact. It is important to be prepared to deal with any occurrences of fraud or financial irregularity by having a written procedure, which covers steps that need to be taken.
- d) Deterrence
  - i) The procedure should state clearly that routine controls, checks and balances are in place to safeguard the assets of the organisation and to protect staff from any suspicion of, or temptation to, fraud or other impropriety. Paid staff and volunteers are therefore obliged to co-operate fully with internal control procedures and failure to do so will be dealt with as appropriate within the organisation's disciplinary code.
- e) Types of irregularity
  - i) The procedure will identify different types of irregularity; how seriously they are viewed; and how they will be dealt with. For example, all instances of theft and fraud will be viewed as Gross Misconduct and will result in immediate dismissal and loss of terminal benefits. A clear statement of the organisation's policy on the circumstances in which the Police will be informed must also be made. This must take in account local circumstances.
- f) Detection
  - i) A procedure for reporting suspicions of

irregularities should be made clear to all. This should make it easy for people to report concerns in confidence and without fear of retribution.

- ii) When an irregularity is reported or detected, record the details in writing; report it immediately to a superior. Follow up all reports or suspicions immediately; do not allow rumours to spread or let the 'trail' go cold.
- g) Investigation
  - i) When an irregularity comes to light, it must be dealt with quickly and sensitively; look for corroboratory evidence before instigating a formal investigation. If all the evidence points to an irregularity, the individual(s) involved should be formally interviewed with a third person present to take notes.
  - ii) Protect documents and records by either removing access to them by those involved in the irregularity or by suspending the people involved during the investigation. The policy will identify who is responsible for conducting a formal investigation. This will depend on the nature of the irregularity; it could be conducted by the senior manager, the internal auditor, the external auditor or, in more serious cases, the Police.
- h) Summary Here are some tips on how to deal with fraud and other irregularities – to keep RISKS LOW:
  - i) DO
    - Report the incident to a superior
    - Investigate incidences, gather the facts
    - Secure the assets and records
    - Keep calm!
    - Swiftly act
  - ii) DON'T
    - Look the other way
    - Overlook the 'fall out' of a fraud
    - Withhold information to protect others
    - Above all, remember that prevention is better than cure

## 18. Duties & Functions in Finance & Admin Department

- a) Accounts and Admin Incharge, HO:
  - i) Ensure that appropriate finance systems are maintained, and that all procedures and controls are implemented.

- ii) Make sure that all financial transactions are carried out and recorded in accordance with standard financial procedures.
  - iii) Manage bank accounts, and the transfer of money between head-office and field offices.
  - iv) Monitor cash flow, and ensure that sufficient funds are always available in the bank.
  - v) Authorise payroll, and other payments.
  - vi) Regularly review the float, loan and salary advance registers.
  - vii) Carry out a cash count every two weeks.
  - viii) Prepare an analysis of the cashbooks, management report, comparison with budget, and commentary at the end of the month.
  - ix) Check the month end cashbooks and ensure that all book-keeping and coding is accurate.
  - x) Monitor actual expenditure versus budgets.
  - xi) Preparation of financial reports to donors, in liaison with project partners.
  - xii) Monitor the funding situation and prepare the funding grid at the end of each month.
  - xiii) Assist in the preparation of budgets and accounts to donors, as requested.
  - xiv) Provide any other financial information, as requested, and respond to any other financial queries.
  - xv) Liaise regularly with Project partners & Donors.
  - xvi) Assist any audit undertaken.
  - xvii) Provide support to field finance staff, and work closely with them to ensure that financial information is accurate and up to date.
  - xviii) Continue to develop improvements in the finance system, as necessary.
- b) Finance incharge at Field level
- i) Make payments and receive funds in accordance with finance procedures
  - ii) Collect and examine supporting documents.
  - iii) Ensure that documents and signatures are valid.
  - iv) Prepare payment vouchers, and receipt vouchers.
  - v) Maintain bank statements, loan and salary advance registers.

- vi) Prepare monthly payroll.
  - vii) Prepare cheques/payment orders and ensure that they are properly delivered.
  - viii) Record all transactions, on manual/computer systems as appropriate.
  - ix) Manage the petty cash:
    - Ensure that supporting documents/signatures are valid.
    - Prepare petty cash vouchers.
    - Be responsible for petty cash held in the office.
    - Prepare Petty Cash Form, and request additional cash as necessary.
    - Carry out cash count every two weeks.
  - x) Ensure that all accounts records are filed in an orderly manner.
  - xi) Produce bills for staff use of vehicles, photocopier and phone.
  - xii) Assist in the production of the monthly accounts (specifically, produce the cash books and the analysed cash books for the office).
  - xiii) Undertake any other duties that may be requested by the DIRECTOR.
- c) Cashier:
- i) Maintain Day Book and its records.
  - ii) Make payments, including preparing payment vouchers.
  - iii) Receive cash, including preparing receipt vouchers.
  - iv) Maintain Bank statements, loan and advances registers.
- d) Admin Incharge
- i) Prepare monthly payroll and salary payments.
  - ii) Produce personal bills for all personal use of phone, photocopier and vehicle.
  - iii) Maintain all administration files and registers like attendance, tour, personnel registers etc.
  - iv) Receive, distribute, circulate and file all documents that come into the office.
  - v) Ensure that all communications are properly referenced and recorded.
  - vi) Book flights and train tickets and arrange visas for staff and visitors.
  - vii) Maintain and manage a suitable stock of office stationery.

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