

FINANCIAL MANAGEMENT POLICY



Approved by: Executive Committee of Shibganj Integrated Development Society

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**SHIBGANJ INTEGRATED DEVELOPMENT SOCIETY
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FINANCIAL MANAGEMENT POLICY

Introduction:

The entity of an organization is separate from that of the individuals who authorized to operate finance and accounts. The top management shall be responsible for ensuring that, all the transactions and activities of the organization is carried out within the framework of its aims and objectives as well as on the basis of the decisions and policies taken / adopted by the Executive or General body. The information needs of an NGO is very large due to the fact of multiple funding, variety nature of projects, different locations and multiple budget heads to meet each of the projects funded by different agencies. The finance and accounting system of any organization should be in such way, which could integrate both, activities as well as expenditures in order to be able to effectively analyze, understand, comply and present inter-relations between the various activities undertaken and expenditures incurred for the purpose for which it is meant. Shibganj Integrated Development Society identified a series of good practice principles which can be used as a standard in developing proper financial management systems. These principles will guide behavior and help in the development of policies and procedures. Using of these principles will help and identify relative strengths and weaknesses in the systems.

General purpose:

The purpose of these policies is to establish guidelines for

- Developing financial discipline across the organization
- Making financial decisions
- Reporting the financial status of the organization
- Ensuring the optimum utilization of the resources of the organization.

Financial responsibilities:

The Executive Committee members will supervise the Financial and review the adherence of the policy on the periodical basis. The committee is also responsible for changing the policies if so required for betterment of the organization. The Board delegates this overall responsibility to the Hon' Secretary. He/she will be involved in implementation of the financial policy and its adherence across the organization. He/she also represents the board in day to day administration of the organization. He/she is responsible for the co-ordination of the following.

- Annual Budget Presentation based on the available and anticipated resources of the organization.
- Optimum Utilization/allocation of the funds depending on the "Stakeholders" interest in the organization, especially donors/donning agencies.
- Selection/Appointment of the external Auditor (with prior approval of the board members).
- Devising the plan of action as per the organization's Mission/Vision and long term plans of the organization.

Responsibility of Secretary and Account Officer:

The Accounts officer and Secretary jointly responsible for discharging all the statutory compliance relevant to the organization. The Accounts officer in consultation with Secretary and the various stake holders needs to devise the robust internal control process for the finance discipline of the organization and to maintain highest ethical standards for the organization. The Accounts officer is also responsible for utilization of “80G” receipts as per the strict adherence to law of land. The Accounts department is directly supervised by the Accounts officer and is responsible recording daily financial transaction, preparation of periodic receipts and payment statements, periodic reports to enable the program managers/user departments to take appropriate actions for effective implementation of their programs.

Budgeting Process:

Project in-charge and Secretary jointly responsible for preparation of the “Budget Statement” well before the beginning of the financial year depending on the availability of the resources as well as the program commitments to the stakeholders. The consolidated Budget will then be approved by the board of members and Secretary will authorize to run the program as per the budget approved. The Accounts Officer will be responsible for monitoring the financials as per the budget approved. The Board members shall review and approve the recommended fiscal year budget revenues, expenditures and cash flow and approve the budget at the start of the new fiscal year within a reasonable time.

Financial statements:

The financial statements shall be prepared on an accrual basis in accordance with Indian Accounting Standards and as per the stipulations of the Indian Accounting system and subject to provisions under society registration act 1960. The Accounts Officer will prepare all the financial statements strictly as per the requirement of law of land/Indian accounting standards without any deviations, if any deviations, the same needs to be immediately brought to the notice of the board members. For the management review, the Accounts Officer shall prepare and present Monthly Financial Statements in a format approved by the Secretary. The statements shall be presented to the Secretary, senior management & board for review.

Audit:

The organization will have an audit of its financial statements annually, within 6 months of the end of each the fiscal year. The audit shall be completed by a firm of Chartered Accountants. The Secretary and the Accounts officer shall have direct responsibility in overseeing the implementation of the Annual Financial Audit. The Secretary and the Accounts Officer shall recommend to the Board for the selection of a firm to perform the annual audit. A representative of the audit firm shall be invited to attend the annual presentation to the Board members, and shall be required to make a presentation to the Board if the audit report is other than unqualified, or if the auditor's report material weaknesses in internal controls or reportable conditions. The Accounts Officer or the

Auditor shall prepare the IT Forms and it shall be reviewed by the Secretary, and the Board members before submission to the IT Department. All the related periodic statutory obligations have to be completed as per the stipulated time and the records to be maintained to such discharge of the obligations.

Revenue and income procedures:

The Secretary & Accounts Officer, develops and proposes revenue goals and objectives and submits them to the Board discussion and approval. All contributions shall be recorded in accordance accounting principles. Contributions must be credited to the appropriate revenue lines as presented in the annual budget and coded with the appropriate account number as designated in the organizations Chart of Accounts including FCRA Accounts.

Recording receipts:

- Any Cash receipts should be recorded in the cash book and immediately to be deposited in the designated bank.
- Any cheque/Demand drafts received should be recorded in the receipt book and ensure to deposit the same in the bank on priority. Record of the donor with complete details also to be maintained.
- 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 organization's Bank Account.
- All the online contributions to be monitored periodically.
- Grants and donations if any shall be recorded separately from operational activities.
- In-kind contributions must be recognized through journal adjustments that are supported by appropriate and objective documentation (e.g. agreements, formal letters or memos, Memorandum of understanding).

Cash Account and Transactions:

Cash transactions are to be resorted only for petty expenses and when/where banking facilities are not available. As per approval of the Governing body, no claim exceeding Rs. 25,000.00 should be settled through cash payments. These should invariably be by account payee checks only. As a matter of procedure and control, the attempt should be minimize the number of cash transactions.

Daily cash balance:

The denomination of the closing balance of the cash should be entered and signed by the Accountant. This registered has to be maintained from the beginning of the financial year. Maximum cash limits have been fixed as Rs. 5000.00.

Withdrawal of cash from bank:

- The cash withdrawal form/money indent to be filled up and signed by the staff handling cash.
- The cash balance available and the estimated expenses would need to be computed.
- The authorized persons must verify the requirement before signing the check for withdrawal of cash.
- A cash receipt (Contra) voucher to be prepared and accounted for by the accountant on the same day.
- The cash account to be updated for receipt of the cash.

Cash Payments:

- Cash payment will be made only after preparing the payment voucher.
- All vouchers should be pre-printed with machine made serial numbers.
- The voucher has to be approved by the competent authority before payment.
- The payee must sign the voucher for having received the payment.
- In case the competent person is not present, the voucher must be verified/approved by any other person standing-in for the person per before release of the payment.
- All cash payments above Rs. 2000.00 should be receipted as per the provision of the stamp act.
- The number of cash payments has to be reduced by converting settlements through check payments.
- All orders for procurement of goods, works and services must be made on official Purchase Orders regardless of the amount of money involved. All Purchase Orders should be treated as accountable documents. All payments should be made for goods and services with invoices attached to authorized Purchase Orders and a properly authorized payment voucher.
- No check must be signed before it is written and all authorizing papers must be attached for verification.
- No advance payments shall be given for supply of goods or services unless provided for in the contract.

Cash verification:

- The competent authority should physically verify the cash balance occasionally and compulsorily at the end of the month.
- The cash account record should be signed by the person handling the cash and the person in charge of Finance as and when the physical verification of cash is carried out.
- Any discrepancy noticed during the physical verification should be recorded and reported in writing to the person concerned immediately.

Controls to be exercised:

- Third parties should not be allowed access to the accountant or the safe. Cash should be paid to them in the front office.

- Cash is handled by only one designated person who is responsible for it.
- A fixed period of time has to be fixed for cash disbursements. Only emergency payments can be released during other times.
- Maximum and minimum cash limits to be strictly observed.
- Accounting of cash receipts/payments is done on a daily basis.

Petty cash:

Accountant should have control over cash funds, have sole access to the cash, and assume responsibility for the reconciliation of the petty cash vouchers and the remaining cash funds. If the Accountant is in charge of petty cash, financial head is designated to supervise the petty cash operation at intervals. The handler of petty cash is responsible for the reconciliation of the petty cash funds and is liable for any shortages of cash. The key of the cash box remains with the person handling petty cash at all times.

Effective date and applicability:

This Financial Policy is effective from 1 April 2024 and defines instructions in the context of finance and administration.

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