

FINANCE POLICY- 2009

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Finance is an important term, what has its own importance in any organization's sustainability and growth. If any organization followed some specific rules, and regulations and procedure how to use finance in the right and productive manner that enhance the efficiency, effectiveness and capabilities. Due to right coordination and management of finance an organization can achieve its goals and objectives with profitable manner. So finance policy is a procedure and guideline, how to use it in profitable manner. Especially for a social organization which dealing directly with public money and most important value is transparency? Govt. requires openness for all at the every level within the organization as well as outsiders like stakeholders, donors etc.

FINANCE POLICY

Our organization has a written finance policy and the finance policy is comprehensive to cover all aspects of financial management.

- ❖ The general body approves the finance policy.
- ❖ The finance policy is updated based on the need and requirements.
- ❖ On the basis of discussion the finance policy is popularized among the staff and well-wishers of the organization.
- ❖ In the organization a finance manual is prepared. An auditor is appointed by the General Body for a specific period with specific job description. And it's give statutory report and management reports also.
- ❖ The auditor ensures that the reporting guidelines of the funding agency are complied. At annual basis the accounts are audited.
- ❖ We don't have availability comply with audit recommendations during the year with corrective actions.

GOVERNANCE SYSTEMS

Our organization has a General Body and Number of General Body members are nine (9).Governing body members in the organization are seven (7) in numbers. In a year four times the governing body meet. Our

Governing Body review and approve the audited statements. The annual budget is studied regularly. We maintain a Minutes Book separately for the General Body and Governing Body meeting. We always send the members notice for the above meeting.

PLANNING AND BUDGETING:-

In our organization, a proper planning and budgeting system are followed by the each department. The budget and planning is done separately as capital, projects, and administration. The budgets are followed quarterly basis.

In the planning and budgeting process the core team is involved which having program officers, accountant, governing body etc. The Budget gives the clear linkage between the activity and finance budget.

ACCOUNTING SYSTEM:-

Lok kalyan sansthan is used manual practice of accounts and having all necessary books of accounts and supporting books like cash books, ledgers, payment voucher files, printed vouchers for FCRA and INR separate colors, attendance register, travel register, log books, receipt book pre numbered, salary registers, capital assets register, distribution registers and files of approval budgets etc. The organization has an accounts policy. That is having various important rules and regulations and the proper procedures. Lok kalyan sansthan also having a computerize accounts system parallel of this manual system. Organisation is trying to develop it further it can be a fully computerized system in future.

Rates / tenders

Rates are invited in beginning of every financial year starting for all year procuring of regular required items but for the capital assets or onetime requirements doing by procuring comity (core team), so rates are decided in starting of year but suppliers can be different but within the rates is necessary.

PAYMENT PROCEDURE:-

- ❖ Bills of expenditures are produce by the person who may have purchase the item or travel or his/ her other claims if any to the accountant after such verification by the programme coordinator. Accountant verify the same with other technical things like approval, verification, travel register, dates, advances etc and than made a voucher and sign it and giving to secretary for approval and than he/ she pass the bill, if payment is less than 10,000 can be given in cash but above from this limit should be paid to account paid cheque only.
- ❖ For the salary and routine expenses accountant making himself a group cheque and giving to secretary for approval and sending to the bank.
- ❖ The payment voucher which are not pre-numbered but separate color given for FCRA and INR funds and format of same used are got from accounts aid India.
- ❖ In the payment voucher we provide a place for project name, project number and project code and seal is used by the organization. (as per project requirements and agreements with donors)
- ❖ Authorization before payment is done by the related program officer for project related routine expenses but other than routine expenses core team members or governing body members approval are the most
- ❖ Supporting bills are marked "Paid" and "Program name" after payment is done by the accountant.
- ❖ In case of payment by Cheque whether is by A/c pay or payee only both are used by the accountant, a photocopy of cheque should be keeping for reference.
- ❖ All the receipts are in numbered and we are used the every amount receipt.
- ❖ We used the Journal voucher for accounting, for reimbursement of advance purpose.
- ❖ We are maintaining separate vouchers for FCRA and LOCAL Funds in different colors.
- ❖ We are having two colomm cash book is to account for both cash and bank transactions.

ADVANCE AND SETTLEMENT:-

- ❖ We are using both practices single cash book for all program / project but also keeping separately, it depend on donors which one he use.
- ❖ The books are updated daily basis.
- ❖ We are maintaining a Petty Cash Book and maintaining a separately PTC for FCRA and LOCAL.
- ❖ Our Organization having more than one bank accounts and we are maintaining the Separates cashbook for each bank account (bank column cash book).
- ❖ We are maintaining only one account for FCRA funds purpose.
- ❖ We are taking out the printout of the bank books on weekly basis.
- ❖ The entire bank book updated daily basis.
- ❖ We not have a single ledger for all projects / programs. We used Separate ledger for each cashbook.
- ❖ We have a separate ledger for each project / programs.
- ❖ Printouts of ledger books will not show s single ledger for all projects or each project.
- ❖ Our organization not maintaining the separate Journal Books but journal entries are doing in same cash book in separate column.

ORGANISATION ASSETS SYSTEM:-

- ❖ In the name of organization Lok kalyan sansthan the assets are purchased.
- ❖ STOCK register carried out for physical verification of fixed assets at annual basis.
- ❖ In the organization fixed assets register is maintained, prepared, and listed. Only few like 2 and 4 wheelers etc. fixed assets are insured adequately.
- ❖ All the Log Book is maintained for all the vehicles owned by the organization.
- ❖ Numbering are given to all assets

ADVANCE AND SETTLEMENT:-

- ❖ Our organization has the provision for programme advances. On the basis of requirements the advances are given in the form of cheque or Cash or both.
- ❖ We have some limits for making advances in cash but sometimes it depends on condition. In our organization second advance given after the settlement of first advance.
- ❖ We have Seven days for internal advances time limit for settlement of advances. All the advances are settled fully and accounted through journals.
- ❖ Any advance anybody keeping without any specific purpose or region than 10% interest will be charged from particular defaults.
- ❖ In cash not settled any advance before getting the monthly salary it will automatically deducted from salary
- ❖ Advance for salary or personal purpose are normally not given from programme fund but in special case some time may be given for a maximum settlement time is three month and two witnesses of LKS staff is necessary.

PURCHASE PROCEDURE AND STOCK CONTROL:-

Purchase

- ❖ Our organization has purchase policy in which rates are decided in beginning of financial year for routine purchase and than any supplier can supply the requirements within the decided rates but other than these items, core comity or three govern. Body members only jointly can take the decision.
- ❖ We follow the system of all the purchases are made based on the purchase requisitions.
- ❖ Core team of the organization is authorized to prepare the purchase requisitions.
- ❖ We do not enter the purchase requisitions are serially numbered and entered in a register.
- ❖ For the out of tender items quotations are obtained for all major purchases.
- ❖ The bidding is received from the contractors.
- ❖ We making a tabular format compare the quotations received before anything purchase.
- ❖ Our organization follows the reasons or criteria for selecting a contractor are recorded in the tabular sheet.

STOCK

- ❖ All the stock register is maintained and the stock register is updated immediately after the purchases at regular basis. All the purchases are recorded and mentioning the purchase bill number.
- ❖ All the old and outdated items are not removed from the stores but some time yearly basis we do that activity.
- ❖ We removed all the expired medicines from the stores.
- ❖ A management representative is not available in the organization to checks the store items regularly. At the yearend stock list is prepared properly in our organization.

INTERNAL CONTROLS ON FINANCE

- ❖ Our organizations payments are authorized by the program officer and then secretary or treasurer
- ❖ The cash balance is done at daily basis.
- ❖ In our organization the cash balance with the book balances are checks by the Accountant daily basis or some time by secretary or treasurer.
- ❖ In the organization the verification of cash system are followed by monthly basis. And we also carry out a surprise verification of cash.
- ❖ We have the full control over the project wise fund balances.
- ❖ The cashiering, accounts writing work are totally segregated.
- ❖ We will start cash insurance from in this year only.

BANK AND BUDGET CONTROL PROCEDURE

Bank control

- ❖ The bank account operated by the Chief Functionary with another signatory.
- ❖ We compare the bank balance with the book balance at monthly basis.

- ❖ The organization Bank reconciliation statement prepared at monthly basis.
- ❖ On the accountant custody the Cheque books kept.
- ❖ Under the accountant custody the original documents like fixed deposit receipts, title deeds for assets kept.

Budget control

- ❖ All the budget line heads are followed in the account system properly.
- ❖ All the expenses are made within the budget amounts and booked in the correct account head.
- ❖ Some time permission is obtained from the donor for the excess payments or un- budgeted items.

FUND TRANSFER PROCEDURE

- ❖ It is not fixing that the how many times funds are transferred in a month.
- ❖ No one system is used to transfer the funds from head office to Field office.
- ❖ It is not fixed that how often the funds transfers are confirmed and which format is used to confirm.

INSURANCE POLICY

In the organization, both human as well as materialistic ASSETS, both having insurance policy. For human 5 lac's Rs group insurance procedures and like 2 and 4 wheelers etc. are insured adequately and also updated timely.

TRAVELLING AND DIET ALLOWANCES SYSTEM

In the organization on the basis of distance, traveling, food and stay allowances are decided and payment is done on the basis of bills. These bills are signed by project coordinator and after that accountant do the payment on

the basis of signed bills to the employee. Advance for travel for local is normally not given but travel for long distance or if anybody having not cash with hand than only travel advance is given with approval of programme coordinator.

SALARY OF THE STAFF

Salary of the employee will base on her/his educational background, experience of the developmental sector, attitude and commitment. We have an organizational policy that we are not going to have more than 10 times difference in the salary of the lowest level staff and uppermost staff.

- ❖ Salary in the organisation should be monthly paid.
- ❖ Always keeping a principal of minimum wedge.
- ❖ The women field employee salary should be start - 3500 Rs/month
- ❖ The men employee salary should starts - 3500 Rs/month
- ❖ One month salary of the employee (maximum Rs 5000) should be taken as a security, but he can take some advance money from the organization at that time but he/she should deposit this amount within 3 month of joining the organisation.
- ❖ All salary should be given direct to his/her bank account by joint cheque so every body has to open a bank A/c in SBBJ only so it can become essay.
- ❖ In cash any body have not bank A/c than he/she must write an application for cash than only it can be but not more than thrice.
- ❖ Salary can be given to his wife in cash she have any complain against him for not giving an amount for family expenses but she must gives a application and core team must agree.

• Increment

Growth is one of the important factors, which motivates individuals/organizations to perform better in their work. Thus, organization is very much sensitive to this issue and therefore it has decided to provide annual increment to their employees. But as it is a fact that everybody do not perform equally, we have laid certain conditions for imparting increment to the individuals.

Availability of financial resources

As it is a grass root organization, salary of the staff is project based and National / International funding agencies or the government/non govt. organization supports almost every project. These projects are surrounded in the budget boundaries. After every year, when we revise the budget, we keep the provision of 10% or more increment in the staff's salary. As we have mentioned our limitations, generally this 10% or more is sanctioned but sometimes this does not happen due to some reasons. In that case, considering our financial limitations we do provide only sanctioned increment to that particular staff (provided some one, have not done an exceptional work). Else, taking into account other parameters we provide 10% or more increment to the project staff. Criteria for the increment will be post, responsibility and salary drawn.

Allowances

TRAVELLING ALLOWANCES

Organizations believes in comfortable but not more expensive travel so allowances should be given as per class of city, in 'A' class city second class fair and in 'B' class city third class fair or as per arrangements in project / organizers arrangements.

FOOD ALLOWANCES

Organizations should be given 200 Rs per day in 'A' class city and 150 Rs in 'B' Class city as food allowance on producing bills but expenses are less than said amount than only actual amount will be paid.

STAY ALLOWANCES

(The reports should be prepared for separately for FCRA and consolidated along with General Funds)

Organisation should be given stay allowances in 'A' class city 300 Rs and 200 Rs in 'B' class city.

TELEPHONE ALLOWANCES

Telephone allowances are given as per decided by the core committee on the basis of work requirement to each staff and these are flexible as per job responsibility.

Project coordinators	: - 500 Rs
Program coordinators	: - 850 Rs
Chief coordinator Rs	: - 1500/-
4000 – 6000 salary	: - 300 Rs
Less than 4000	: - 200 Rs

Mess system

In LKS mess system should be start and diet system should be followed. 20 Rs diet, and 10 Rs breakfast, 2.50 Rs tea should be rated. And if outsiders will come then diet should be rated as 45 Rs diet breakfast 20 Rs. provisions, tea 5 Rs. should be followed.

FINANCIAL REPORT ANALYSIS AND COMUTRIZATION

- ❖ In our organization the accountant, auditor, and any other as secretary tallies the Accounts. We are follow the accrual system or cash system of accounting.
- ❖ In our organization the following financial reports are prepared as per the rules of IT and department :
 - a) Receipts and Payments account
 - b) Income and Expenditure account
 - c) Balance sheet

(The reports should be prepared for separately for FCRA and consolidated along with General Funds)

- ❖ The organization follows the financial reports drawn in accordance with fund based accounting as project wise separately.
- ❖ Our organization follows the computerized accounting. We are using the both system parallel.
- ❖ Our organization used the software which are :- tally 7.2
- ❖ The software have not any provision for fund accounting or project based accounting and the data back ups are not available.
- ❖ Access controls (ex Pass word) are designed and installed for the accounts system not available. The data back ups are checked or run through in another computer facilities are not available.

REPORTING AND MONITORING SYSTEMS

- ❖ We prepare the Receipts and Payments Accounts, Income and Expenditure Account properly.
- ❖ We prepare the balance sheet of all the items.
- ❖ In our organization we tally the account by preparing either a Trial Balance or a Receipts and Payments account at annual basis but some time on basis of project requirement.
- ❖ We see the balance money in the project(s) account comparing the amount received and the money spent, at monthly basis.
- ❖ We submit financial reports to the Director, Board or Governing Body, and Any Advisory Committee.
- ❖ A practice of reviewing the financial reports during the quarterly basis. Core team reviews the financial reports.
- ❖ The actual expenditure compared to the Budget for each project is done by the core team at monthly basis.
- ❖ Controlling the expenditure, explaining the reasons for such variations two measures are taken. And we submit the reports on time.
- ❖ We ensure that the donor reporting guidelines are complied with.
- ❖ We have evolved a donor reporting Calendar and having a system for linking activity and Financial Report.