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## **Finance & Procurement Policy**

## 1. FINANCIAL PROCEDURES

### 1.1. Accounting Procedures

It is the responsibility of the management to clarify to all staff that accountability is a joint responsibility and does not rest solely with the accountant.

#### 1.1.1. Responsibility of the accountant

**The accountant's job is:**

To ensure that any particular expenditure was necessary and due

To ensure that it is charged to the correct expenditure head

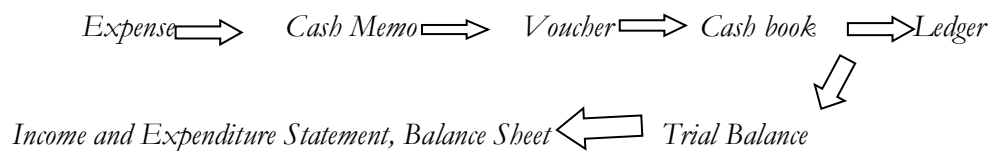
Check that payee details are correct and make the payment

Check that the person initiating the payment will ensure that the correct amount has been authorized and that the particular expenditure was necessary and due

#### 1.1.2. Maintaining Accounting trail

Every transaction would need to be traced back and forth since the Account = books are maintained in a set pattern.

**The trail is as follows:**



Hand in hand with an accounting trail, the management are able to trace what they call as a programmatic trail.

*Program plan*  $\Rightarrow$  *Activity to be performed*  $\Rightarrow$  *Authorisation from the program head for the expense related to the activity*  $\Rightarrow$  *Perform the activity*  $\Rightarrow$  *Maintain the relevant program records.*

The accounting trail is important as it helps to check/countercheck expenditure incurred/ activities done and thus helps in maintaining a transparent system.

### **2.1.3. Operating of Bank Accounts**

#### **i. Bank Account:**

The Foundation will operate one main current bank account with sub-accounts for each of the project funds that is opened only in a nationalized bank or any other bank authorised by BoDs. The Foundation will also have separate bank account for staff salaries and another for provident fund. Necessary authorisation to open any other bank account or alter its manner of operation would need to be got in writing from the Board of directors through Executive director and must be opened only in a nationalized.

#### **ii. Authorised Signatories:**

- Every cheque/instrument is signed by at least three signatories (one preferably from the Board of Directors).
- The authorized signatories are signing the cheques/instruments for and on behalf of The Foundation, and it is therefore necessary that the Rubber Stamp (or printed by the bank as such) for The Foundation is affixed on every cheque/ instrument, below which only signature are indicated.
- An employee who has access to bank account and cash account is not entitled to be an authorized signatory.

#### **iii. Authority to Sign:**

The authority to sign is a decision of the Board of Directors. The signing of cheques is done by three signatories; one from the Board and others from management unit, executive director and one from programme office. The bank is authorized to undertake any written instructions, signed by two of the signatories, for transacting any financial business from time to time.

#### **iv. Closing of Bank Accounts**

Any bank account not required to be operated will be closed immediately.

The Finance officer has to take the matter with the executive director and procure in writing the obtaining necessary resolution of the Board of directors. When it is decided to close a bank account, the finance officer with the authority of executive director will ensure that the following actions are completed:

- Transfer balance in the account (leaving the minimum amount required) to the other bank account.
- Surrender all the cheque leaves to the bank under a receipt.
- After receipt of the resolution, deliver it to the bank under receipt and transfer the balance to another account.
- Confirm closure of the bank account and transfer of balance to the executive director and later to the Board of directors in the proceeding Board meeting.

#### **2.1.4. Bank Transactions**

##### **i) Bank Receipts:**

- All receipts are to be acknowledged by issuing an official receipt. The date of receipt, its accounting and the date of deposit of the cheque/draft to the bank account should be the same. The relaxation can be only in view of banking hours or bank holidays.
- The bank deposit slip should be attached with the Receipt Voucher.
- No receipt should be issued on the last day of the month if the instrument cannot be deposited with the bank on the same day.

##### **ii) Bank Payments:**

- Payment Voucher has to be prepared before preparing any cheque.
- Cheque should not be prepared, for whatever reason, if sufficient balance is not available in the bank account.
- All Vouchers have to be verified and approved by respective supervisors and finance officer before payment is released.
- Payment has to be made only against original bills, invoices and claims. Any type of copy of bills, invoices or claims should not be entertained.
- All supporting documents should be attached with the Payment Voucher and filed according to serial number.

- Cheques should be written legibly and doubly ensure that the amount in words and figures are the same.
- All cheques have to be crossed. A Rubber Stamp stating A/c Payee Only – Not Negotiable” should be put on every cheque. Bearer cheques should not be issued under any circumstance.
- Post-dated cheques are not to be issued.
- The cheque number should be written on every Payment Voucher.

iii) Controls to be exercised:

- All letters to the bank should be signed by the authorized signatories only.
- Any of the signatories should never sign cheques in advance or in blank.
- Un-cashed cheques should be cancelled by finance officer within a reasonable period.
- The signatories should not leave specimen signatures around.
- Cheque books should always be kept under lock and key. The accountant or in his/her absence, only authorized persons should be allowed to handle them.
- Using a carbon (black side up) under the cheque will leave an impression on the reverse of the cheque making it difficult to alter.
- All employees conducting any transaction on behalf of the organization should always insist on a receipt after payment by cheque.
- Do the bank reconciliation statement on a monthly basis.

iv) Bank Reconciliation Statement.

- This has to be done every month to ensure the balances as per the bankbook and the passbook tally.
- Following the reconciliation, the finance officer should make sure that entries are passed (if any) for bank charges, interest received, etc. in the financial books immediately.

## **2.2.ACCOUNTING**

**2.2.1.** Account Books and Documents to be maintained:

- Cash Payment/Receipt Vouchers & Book

- Bank Payment/Receipt Vouchers & Book
- Summary/Daily Petty Cash Book
- Journal Vouchers and Journal
- General Ledger
- Fixed Assets Register
- Employment contract Documents
- Attendance Register
- Budget Copies of various grants
- Project Completion Certificates
- Copies of Consultancy agreements
- Capital assets approvals
- File of original bills/invoices of assets purchased
- Stationery Register
- File containing Bank Mandate and authorized signatories.
- Quotation file for all purchases
- Advance Payment Register (Advance to third parties & Staff Advances)
- Contracts Register (for all contracts issued with payment details and other particulars).

### **2.2.2. Receipts and Payment account**

This is like a summary of the cash and bank book and starts and ends with the cash and bank balances. It differs from the income and expenditure statement in that the income and expenditure statement does not show details of loans, sale of assets, recovery of staff advances, etc. At the end of every quarter a receipts and payments account is prepared.

### **2.2.3. Preparation of the Final Accounts**

Final accounts include a balance sheet and income and expenditure account and a receipts and payments account would need to be drawn up at the end of the year by the finance manager and verified by Executive Director.

#### **2.2.4. Computerized accounts**

Suggestions before deciding on an accounting package:

- A good on line help system.
- Preview and editing of reports on screen.
- Facility of sub ledgers or similar classification of transactions.
- Memory for repeat transactions.
- Security restrictions to prevent people from changing date by mistake
- Back up of date files.

BACKUP routines shall be employed to ensure that total loss of data can never occur. In this regard, backup of the organisation file shall be carried out daily on either separate CDs/floppy diskette for each day and a weekly and monthly record should be kept as well.

Some cautionary measures to be taken are as follows:

- Access to the IT system will be restricted to authorized personnel only.
- Records will be backed up on regular basis.
- System will be virus checked on a regular basis.
- On computerizing accounts for the first time, both the manual and computerized accounts will be done parallel for the first six months to a year to ensure that computerized outputs are on track.