

FINANCIAL & ACCOUNTING MANUAL

1. About the Organisation

Sahbhagi Shikshan Kendra is a Society registered under the Society Registration Act, 1860 and the Ministry of Home Affairs under Foreign Contribution Regulation Act, 1976.

Sahbhagi Shikshan Kendra is governed by the Board of Executive Council Members for Policy matters and coordinator looks after the day to day affairs of the organisations.

The main objectives for which the society is formed are;

- a.** To strengthen, encourage and practice the concept and philosophy of participatory Research, Environment health (?)
- b.** To promote the process of social change through strengthening field based agencies working on empowering rural poor.

Sahbhagi Shikshan Kendra gets grants, donations and contributions from various sources, from Government and private development agencies, both Indian and Foreign. This Financial and Accounting Manual proposes to fulfil its obligations under FCRA, Income-tax and other legal provisions as well as to streamline the maintenance of accounts in such a manner that the future programme undertaken by Sahbhagi Shikshan Kendra are taken care of.

Functions/Duties/Responsibilities of Accounts Department

- 1.** The organisation of the accounts section.
- 2.** Listing of various accounting records and registers and also the project ledgers and registers to be maintained.
- 3.** Guidelines for various internal checks and formalities to be exercised in respect of each of the basic accounting documents before they are validated for incorporation in accounts for payment.
- 4.** Specimen for various accounting forms and records to be used. The flow of each transaction in each department to be described indicating the channels through which it would pass before being incorporated in the accounts.
- 5.** A supplement to the chart of accounts containing a detailed description of each accounts and detailed instructions to use it so as to ensure that particular expenditure is debited (?) to the desired account head.
- 6.** Financial Planning and proper monitoring of investments.
- 7.** Making a Management information/Control system.

The functions, duties and responsibilities of accounts section will be;

- a.** To prepare the Cash/Bank vouchers.
- b.** To ensure that the expenditure is duly approved by the coordinator/concerned Authority.
- c.** To ensure that approving authority has mentioned the code no. at appropriate place.
- d.** To ensure that approving authority has mentioned whether the expenditure related to programmes being taken in Indian accounts falls under the FCRA Accounts.
- e.** To ascertain the authenticity and validity of the expenditure.
- f.** To get the cash book and ledge (Indian and Foreign) written every day and also to get the project ledgers written every day.
- g.** To physically verify the cash, tally the same with the books of accounts every day and get it initiated.
- h.** To prepare the trial balance by the 7th of every month for the previous month.
- i.** To prepare the daily cash report.

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- j.** To keep the books of accounts ready for the monthly internal audit to be completed by 10th of every month.
- k.** To promote monthly accounts to concerned authority with respect to that programme/project by 10th of every month.
- l.** To prepare the monthly Bank Reconciliation statement by the 7th of every month.
- m.** To prepare the budget variance report at the end of each month.

II. Books of Accounts

2a. The organisation will maintain the following books of accounts in the Tally system of Accounting:

1. Cash Book and Bank Book for Indian receipts and payments.
2. Cash Book and Bank Book for Foreign receipt and payments.
3. General ledger for recording Indian receipts and payments.
4. General Ledger for recording foreign receipts and payments.
5. Sub-ledgers for each project separately (project ledger).
6. Sub-ledger for recording core expenses not directly attributed to any project.
7. Sub-ledger for advances.

2b. Registers

The society shall maintain the following;

- 1. Assets Register:** Filled when asset is acquired/disposed giving the identification number and location of assets, price etc. and it should be monitored monthly by the Director.
- 2. Statutory Register:** Filled daily by the Administrative or Finance officer and monitored monthly by the Director.
- 3. Publication Stock Register:** Filled whenever publication received/dispatched, monitored monthly by the Administrative or Finance officer.
- 4. Postage Register:** Periodical mailing should be maintained by the Incharge and monitored weekly by the accountant and monthly by the Finance officer.
- 5. Photocopying Charge Register:** Should be maintained by the Incharge, weekly checking by the accountant and monitored monthly by the Finance officer.
- 6. Service Contract Register and Investment Register:** To be maintained by the Accounts Section.
- 7. Attendance Register:** To be maintained by the Administrative Officer.
- 8. Vehicle Log Book:** To be maintained separately for each vehicle by driver/concerned person and monthly monitored by the administrative officer.
- 9. Telephone Register :** All STD calls/Trunk Calls made with detail i.e. date of call, private call, official call, party called, urgent/ordinary, private call charges should be recovered from the staff members.

2c. Files

The following files should be maintained by the organisation;

- | | |
|-----------------------|---|
| 1. Advances | Staff wise/Partners/Party wise |
| 2. Project/programmes | Contracts, correspondence and reports. |
| 3. Donors files | Individual Donor wise |
| 4. Suppliers files | For printer and travel agents and other |

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- 5. Bank statement files
 - 6. Water and Electricity file
 - 7. Telephone Telex and Fax file
 - 8. Service contract file
 - 9. Investment file
 - 10. Rent agreement file.
- suppliers.
Separate file of every bank accounts

5. Financial Powers

5.a. Nature of Expenditure

Approving Authority

- | | |
|---|---|
| 1. Budget Approval | Executive Committee |
| 2. Assets purchased | Director, as per the budget approved by the executive committee. |
| 3. Project/Programme Expenditure | Programme Manager & Finance Section in concurrence with Director. |
| 4. Salary bill as per the approved budget. Travel bills as per the approved travel rules. Other general expenses from the Director. | |

5b. Signing of Cheque

As far as possible all payments above ₹ 500.00 be made by Cheque signed by Director.

6. Flow of Transaction

A. Receipts

1. All funds are received by the society as:
 - Programme Grants
 - Donations
 - Contribution (for Publications)
 - Interest (Bank)
2. All such funds received in cash must be acknowledged in the cash receipt book and entered in the Indian cash book. A copy of the receipt must be immediately sent to the payee.
3. All such funds received through Cheque/Draft must be entered in the Cheque/Draft Register on the day of receipt. The receipt to the payee should be immediately given/sent.
4. All Cheque/Drafts must be deposited in the appropriate bank account on the same day.
5. All said funds received through direct transfer (Mostly Foreign Grants) must be acknowledged with a copy of Bank credit advance to the payee within a week of the transfer affected. The credit advance must be placed in the donor file and a photocopy should be attached with the voucher.

B. Expenditure

Expenditure will be made in the following manner:

1. Programme/Project Related Expenditure

- From the funds received by the SSK Annual or (project period if less than one year) allocation will be made for programme/project activities based on budget prepared and approved by the executive committee.

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- ❑ All advances for project/programme related activities will be approved by Director. These include advances for programme staff and resource persons travel for workshops in the appropriate forms.
- ❑ For use of learning materials, photocopying and stationery (for workshops) request in appropriate forms will be authorised by the Programme Manager. This will be charged to the programme/project.
- ❑ Expenditure will be entered in the appropriate books by accounts section after preparation of expenditure vouchers when bills are submitted with approval of Director, such expenditures will include travel of programme/project staff and resource persons, research/training charges paid to resource persons workshop expenses etc.
- ❑ Transfer of a advance and approval of that expenditure to partners for joint events will be authorised by Director in appropriate forms.
- ❑ Travel of Director, Programme Manager, Programme conveyor and their local meetings and other expenses will be approved by the Director and transferred to project/programme.
- ❑ All salaries, honorarium transactions will be approved by the Director as per the budget approved and will be charged to different programmes/ Projects as per budgeting provisions.
- ❑ All expenses of a capital nature will require prior approval and authorization as per the budget provisions and will be charged to programme/project.
- ❑ All rentals contract for services, regular payments or honorarium to certain programme related resource persons to be approved by the Director and should be as per the budget approved by the Executive Council.
- ❑ All expenses in relation to printing of publication will be approved by the Director as per budget approved by the executive council and transferred to the project/programme.
- ❑ All advances and expenses in relation to telephone and postage, telex, fax etc. will be approved by Director and charged to core expenses and finally be charged to project/programme account.
- ❑ All advances and expenses in relation to purchase of stationery, training materials and bags, acquisition of books and computer consumables will be approved by the Director and entered in core account and finally will be charged to the project/programme account.

II. Core/other Expenses

All other expenses will be treated as core expenses. These will include office building maintenance, equipment maintenance, insurance, auditors remuneration, legal fees etc. Advances and expenses in relation to these will be approved by the Director.

Payment Control Procedure :

General

1. In case of improper and/or inadequate documents the accountant must obtain proper and adequate supporting voucher before release of payment. If proper and adequate documents cannot be obtained the accountant will not make the payment due to lack of inadequate documents.
2. Payment voucher including the support documents should be cancelled by a paid stamp. The paid stamp should have the name SSK and date and space for voucher no. and cheque no.
3. No bearer cheques should be issued.
4. Quotation must be obtained for printing of publication job, travel ticket agency and other capital nature expenses.

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5. Comparative quotation analysis sheet be drawn by the concerned department before purchase and authorization.
6. A preprinted voucher paid with proper numbering should be introduced where proper vouchers are often difficult, the same vouchers should be used and voucher should be properly filled in and signed by the recipient giving full details.

Guidelines for Advances

General

1. Any application for advance for more than ₹ 2500.00 should be made at least three days in advances.
2. Advances will be given only for organisational expenses.
3. Advances for personal nature to confirmed staff may be given but only in cases where it cannot be avoided and limit should be an account equal to three month salary of the staff and be deducted in four equal installments.
4. Appropriate advance form should specify the kind of expenditure and purpose it will be used for.
5. Advances will be disbursed only if they are approved by concerned authority.
6. The Director should co-relate the advance needed and the expected expenditure.
7. Advances form should specify the purpose to which advance is taken.
8. In case of any previous balance outstanding, the advance will be passed by the Director.
9. The bills for expenses incurred should be submitted in written a week of completing expenditure by the person concerned.
10. The bills for expenses along with all supporting vouchers should be submitted to accounts section in appropriate form and should be passed by the concerned authority.
11. All advances should be realized in total as and when the expenditure statement is submitted to the account section. The outstanding balance should be returned at same time.

Approving Authority before passing any advance or expenditure should consider these points into mind. They are;

1. All request for advances are based on reasonable estimation or expenditure.
2. All statements of expenses have necessary supporting vouchers.
3. All expenses should be within the norms of the society.
4. All bills are signed with date on revenue stamp.
5. Any expenditure incurred without prior approval should be authorised only in exceptional circumstances.
6. In case of lack of clarity, detailed explanations shall be sought form the person submitting the bills.
7. The project/programme being debited by the expenses should be checked.
8. Receipts must be obtained for every payment being made to the third party. The person requesting for payment should manage to get the receipt.

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9. Advances to all staff will be given only if there is no balance outstanding in their accounts. In case of any violation to this rule the accounts section must deduct the outstanding advance from the salary of the member holding the advances.

Recording of Transactions

1. All receipts will be recorded on a cash receipt voucher or bank receipt voucher. Entries in appropriate books of accounts should then be made. A copy of the letter/note from the payee accompanying the receipt should be attached along with the photocopy of the draft/Cheque.
2. All bills of expenditure should first be checked for their arithmetical accuracy and proper approval.
3. Appropriate system codes should be entered on the voucher (for receipts and expenditure both) and checked by accounts section before entering in the books of accounts.

Investments

Investment of unspent fund should be made in any one or more of the following modes (as restricted by section 11 (5) of the Income Tax Act.)

1. Investment in Government savings certificates, including Indira Vikas Patra and Kisan Vikas Patra)
2. Deposit in any account with post office.
3. Deposit in any account with any nationalised bank, scheduled bank or cooperative bank.
4. Investment in State Government Securities.
5. Investment in debentures of any company or corporation where the principal value of and the interest whereon are fully and unconditionally guaranteed by the central or state government.
6. Investment or deposit in any public sector company as defined by section 2 (36A).
7. Deposits with or investment in any bonds issued by a financial corporation which is engaged in providing long term finance for industrial development in India and which is approved by the central government u/s 26 (implementation (viii)).
8. Deposits with or investment in any bonds issued by a public company formed and registered in India with the main object of carrying of the business of providing long-term finance for construction or purchases of house in India for residential purposes and which is approved by the central government for the purpose of section 36(i) (viii).

Insurance

1. Cash Transit Insurance is taken.
2. All fixed assets owned by the SSK having worth ₹ 5,000/- and above shall be insured. The responsibility of maintaining all the fixed assets rests with the administration department.

Funds Management

The objective of funds management is mainly two-fold.

- To ensure adequate and timely receipt of funds.
- To ensure minimization of unutilized funds.

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Procedure:

- A. The first step in funds management emphasizes the preparation of an Annual Funds Flow Statement as per the format giving details under each heads as defined in the heads of accounts as per the annexure to the accounting manual.
- B. The second step in funds management emphasizes the preparation of an annual funds statement for each programme, project giving details under each head as defined in the individual heads of accounts as per the annexure to the accounting manual.
- C. The master fund flow statement of the organisation must integrate the fund flow statement of the projects prepared separately.
- D. The funds flow statement shall give a monthly break up and shall be prepared well in advance (at least 30 days) by the account department and same shall be placed before the Director.
- E. It is mandatory for the accounts department to identify the key factors and prepare the fund flow statement (FFS) on the basis of the same.
- F. The responsibility of sending the funds requisition statements well in advance rests with the programme convener. The responsibility of timely disbursement of funds to the project rests with the accounts department.
- G. The revision of budget if needed shall be made cautiously without disturbing the FFS.
- H. The monthly analysis of FFS and its comparison with budget should be analysed in detail and brought to the notice of the co-ordinator. It will also list the corrective actions taken for the proceeding months deviation, if any.

Management Information System

Accounting and reporting for the purpose of management and decision making is as important as legal requirements.

A. Monthly Reports : (to be submitted by the 7th working day from the end of each month)

1. Trial Balance.
2. Receipt and payment account (consolidated and for each programme).
3. Monthly income and expenditure account
4. Monthly financial analysis
5. Monthly budget comparison statement.
6. List of grants received during the month.
7. Monthly donor agency balance.
8. List of donations received during the month.
9. Funds requisition details to be sent to the donor
10. Bank reconciliation statement.
11. List of un-cleared Foreign Cheque/drafts if any.
12. List of advances outstanding.
13. List of the investments being matured in the coming months and interest due thereon.

B. Quarterly Report: (to be submitted by the 15th working day from the end of every quarter).

The following details shall be given in addition to the statements to be given at the end of every month.

- Budget comparison.
- Income and Expenditure account and Balance sheet (consolidated and for each programme).

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- c. **Yearly Reports:** (to be submitted by the 15th working day from the end of every year).

The following details shall be given in addition to the statements to be given at the end of every half year.

1. Necessary details for form FC-6
2. Trial Balance for the complete year
3. Receipts and payment accounts (Indian as well as Foreign)
4. Income and Expenditure Accounts (Indian as well as Foreign)
5. Statement of affairs (Indian as well as foreign)
6. Consolidated Final Accounts.

Audit

Statutory Audit

Auditing of the Annual Account of the society will be carried out by the auditors duly appointed by the executive council.

Annual Audited Accounts of the society (balance sheet and income and expenditure account and receipt and payment, income and expenditure and balance sheet and Form FC-3 and FC-6 relating to previous years) together with reports of the auditors will be presented to the executive council by 30th of April each year for consideration and approval.

Internal Audit

There will also be a continuous internal audit.

Others

Quarterly review of accounts by the auditors with references to the following requirements of SSK.

1. Legal Compliance, FCRA, Income-Tax, Societies Act etc.
2. Accounting policies.
3. Reporting system.
4. Monitoring system.
5. Comparison between budget and actuals.
6. Investments of funds.

Last Dates for submission of final Accounts

FC-6 should be filed with ministry of home affairs by end of 31st of December each year along with the receipts and payment account, Income & Expenditure account and the balance sheet for FCRA account (audited)

Filing of Income Tax return in form ITR-7 along with the computation of income, auditors reports along with its annexure and audited income & expenditure accounts and balance sheet by the end of 30th of September each year.

Director
Sahbhagi Shikshan Kendra