



Samarth In Participatory Action (SIPA)

Financial Policies

1. Accounting Principles:

1.1. Maintenance of Books of Accounts:

The following Books of Accounts shall be maintained, as per procedure described, at the Head Office at Sehore (MP).

- a. SIPA has opted accrual-based accounting system whereby expenses are recognized when services are rendered or goods are delivered.
- b. Computerized Books of Accounts are being maintained in the licensed version of Tally Multi User Accounting Software and updated on a daily basis. Updated version of Tally Software is being used.
- c. SIPA follows Indian Generally Accepted Accounting Principles (GAAP) to prepare, present and report Financial Statements.
- d. SIPA has a Fiscal Year which corresponds with the Indian Income Tax and other Statutory Authorities.
- e. SIPA will maintain project-wise expenditure details in the cost centres, to be developed either on the basis of sanctioned / approved budget heads or as per standard reporting formats for respective projects / donors.
- f. Separate set of books shall be maintained for – i) Projects supported by Local Fund Donors (LF), and ii) Projects supported by Foreign Donors (FC projects).
- g. Only in case of specific requirement of any Donor Agency, separate set of books will be maintained for such specific projects.
- h. Donor-wise correspondence files relating to legal and financial matters will be maintained by the Accounts Department.

1.2. Retention of Books of Accounts & Records:

The books of account and relevant records shall be retained for a period of 10 (Ten) Years from the end of the relevant assessment year or as per the relevant donor requirements. However, SIPA may take a decision for longer period depending on the provisions of the Trust Act, Income Tax, FCRA or any other Act.

1.2.1. Non-Disposable Records:

The following records shall not be disposed:

- a. Registration and all other legal documents.
- b. All documents related to Fixed Assets owned by SIPA at any given point of time.

1.2.2. Disposal Policy

A Disposal Committee consisting of three members as identified by the Chief Operating Officer shall be formed for disposal of records, which have completed its timeline. The Disposal Committee will submit a proposal to the Chief Operating Officer and upon approval shall proceed for disposal process of the records.

Disposal proceedings shall be properly documented and shall be submitted to BoT for ratification in the next Board Meeting. All necessary documents shall also be kept on records for future reference.

1.3. Reconciliation Statements:

The Accounts Department of SIPA shall prepare and maintain the following Reconciliation Statements on monthly basis, or as per specific requirement:

- a. Bank Reconciliation Statement.
- b. Inter-office reconciliation.

1.4. Procedure for Advances:

SIPA will provide sufficient advance funding to any employee in need of such funds for the purpose of conducting approved business activities.

The following procedure shall be adopted and followed for releasing advance payments for respective activities:

- a. A duly approved requisition for release of Advance must be submitted to the Accounts Department in the prescribed format at least two days prior to requirement.
- b. No further advance shall be granted until the previous advance is reconciled or acquitted. In exceptional cases, scanned copy of bills sent through e-mail may be considered for release of subsequent advance subject to approval of the Chief Operating Officer.

In following cases, it is **mandatory** to obtain prior approval of Chief Operating Officer, before releasing and/or incurring expenditure irrespective of any amount whatsoever:

- a. Any Advances of 'CORE' funds.
- b. Any Advances for the purchase of Fixed Assets.
- c. Temporary advances for project due to delay in receiving the relevant project fund for any reason whatsoever.

1.5. Procedure for settlement of Advance Accounts:

Each of the staff is expected to follow meticulously the dates decided from time to time for settling their monthly accounts.

- a. The field team shall submit duly verified monthly expenditure statement along with original copies of supporting documents as per date specified above to the Accounts Department at HO for settlement.
- b. The Accounts department shall enter the same in the books of Accounts, after the verification and approval from appropriate authority. The accounts shall be reconciled on a monthly basis.
- c. In case of delay in settling the advance accounts, beyond the prescribed limit, the Management, at its discretion, may with-hold the salary of concerned staff, till the outstanding advance is cleared.

2. Financial Procedures

2.1. Procedure for Releasing Payments

The Accounts Department of SIPA shall observe the following policy for releasing of payments:

- a. All Advances payments/reimbursements up to Rs. 5,000/- (Rs. 2,000/- in case of FC funds) may be paid in cash, while payments for more than Rs. 5,000/- must be paid through an account payee Cheque or Direct Bank transfer.
- b. In-case of field trainings and workshops all efforts shall be made for direct payment to party. In case of small vendors or extreme cases, payment may be made in cash subject to approval from appropriate authority.

2.2. Procedure for Cash Handling:

For withdrawal of cash from the bank, the Accounts Department of SIPA shall follow the following procedure:

- a. Cash withdrawals from the bank are made as and when funds are required.
- b. If the bank withdrawal is for less than Rs. 20,000/- a cash requisition will be raised by the Cashier, duly approved by the delegated authority. For more than Rs. 20,000/-, the cash requisition will be approved by the Chief Operating Officer.
- c. Cash retention limit is defined up to a maximum of Rs.75,000/-
- d. For programs conducted in places other than HO and if the disbursement of money is for more than Rs. 50,000/-, the finance unit shall ensure that either one of their

staff accompanies the organizers of the program or they ensure that one of the senior staff of the organization accompanies the program to assist in financial matters.

- e. The Accounts Officer/Manager verifies the Indents, Vouchers and the supporting Bills and checks the accounting statement given by the Cashier. He/She, then checks and verifies the cash balance as per books of accounts in Tally Accounting Software, tallies it and then closes the Accounts for the day.

2.3. Procedure for Bank Operations:

The following procedure shall be adopted by the Accounts Department of SIPA, for preparing, signing and issuing the cheques for making respective payments:

2.3.1. Authorization from Board:

The Chief Operating Officer is authorized to open savings / current accounts with Scheduled Bank as per Organizational requirement. The information of opening a new bank account will be provided to the BoT during the subsequent Board meeting.

2.3.2. Type of Bank Account:

SIPA may open savings / current accounts with only scheduled banks. SIPA will operate separate bank accounts for Foreign Contribution Fund and Local Fund.

In case of any specific donor requirement, SIPA shall open a new Bank Account for the specific project funds and such bank accounts shall be closed on the closure of the project. In other cases, SIPA shall designate any one of the existing Bank accounts for the project to receive funds and incur expenses for the committed project period.

2.3.3. Authorized Signatories:

All the bank accounts will be operated jointly by any two authorized signatories for all cheques up to Rs. 30,000/-. For all cheques amounting to more than Rs. 30,000/-, signature of three authorized signatories shall be required out of which the signature of the Chief Operating Officer is mandatory.

3. Common Cost Policy:

3.1. Definition

Such expenses which are incurred as a whole, but cannot be assigned directly to any particular project, are treated as Common Cost viz. electricity bills, phone bills etc.

Normally projects are sanctioned on the basis of:

- a. Specific budgetary limitations for respective expense heads.
- b. Total fixed amount, without specifying any expense head.

For projects with specific budgetary limitations for respective expense heads, it will be mandatory to apportion the common cost under respective expense heads accordingly. However, for projects of fixed amount, with a view to determine the actual cost incurred under such projects, it will be necessary to apportion the common costs to respective projects. Therefore, the policy being described below shall be applicable to both types of projects.

3.2. Components of Common Cost

In SIPA, the main components of Common Cost comprise of:

- a. Salaries and Remuneration.
- b. CUG Mobile Expenses.
- c. Office space & Utilities Cost.
- d. Photocopy and Printouts Cost.
- e. Vehicle Running Cost.
- f. Postage Expenses.
- g. Stationery Expenses.
- h. Usage of Office Equipment.
- i. Publication cost.
- j. Audit and legal expenses.
- k. Any other expense as defined by the Chief Operating Officer.

3.3. Procedure for Allocation of Common Cost:

The specific procedure to be adopted for allocation of respective common cost components is being described below:

3.3.1. Salaries & Remuneration:

Salaries of regular staff and remuneration to Consultants shall be paid by SIPA from Core Funds. The same will be allocated to the concerned project as follows:

- a. Fixed Salary Basis:
The Salaries of specific project staff will be allocated to the project under the committed budget for human resource cost. The allocable amount will be determined on basis of actual salary paid or committed budget, whichever is low.
- b. Time Sheet Basis:
In case of non-availability of the fixed committed human resource cost in the sanctioned budget, the human resource cost may be charged on the basis of time spent by the staff for the project. In this category cost of human resource will be calculated as mentioned below:

Monthly salary / 20 days x 1.5 = Cost per day x No. of days worked for the project

SIPA may charge a different rate to any project depending upon the complexity or nature of the project and subject to approval of the Chief Operating Officer.

3.3.2. Office Space & Utility Cost

- a. Telephone & Internet Expenses.
- b. Electricity Expenses.
- c. Rent & Maintenance Expenses.

The above all three categories of expenses will be paid from Core Funds. On monthly basis the cumulative expenses will be allocated to concerned project as per availability of appropriate budget line item.

3.3.3. Audit, Legal & Insurance Expenses

Audit, Legal & Insurance Expenses shall be allocated on pro – rata basis depending on the volume of work undertaken in the project and availability of budget.

3.3.4. Other Common Cost

All the expenses incurred on common costs shall be first paid out of Core Account on actual basis. Thereafter, the costs shall be recovered from respective projects as per monthly MIS prepared on the basis of usage and rates decided by the Management from time to time. The same shall be credited as Organizational Receipts to Core Books of Accounts. All necessary documents shall be maintained to back up the expense and shall be available for reference and audit purpose.

4. Policy on Fixed Assets & Depreciation:

All fixed assets must be procured and disposed of in accordance with the SIPA's Procurement Guidelines or applicable donor requirements. Fixed assets procured for direct program work and approved by donors may be expensed of at the time of procurement, unless the donor has other requirements. All other fixed assets meeting the following criteria must be capitalized and depreciated.

- Not paid for directly with donor funds (Core funded).
- Purchase price greater than INR 5,000.
- Useful life that extends beyond one year.

DEPRECIATION

There are three types of rates applicable for charging depreciation for various types of assets:

- Rates as per the Companies Act
- Rates as per the Income Tax Act
- Rates as per the Organizational Approved Policy

4.1. Current Depreciation Policy:

Presently SIPA is following the rates of depreciation applicable as per the Income Tax Act 1961 based on Written down Values, which is as under:

S. No.	Category of Assets	Rate of Depreciation
1	Land	NA
2	Office Building	5%
3	Furniture & Fixtures	10%
4	Office Equipment	15%
5	Computers	60%
7	Vehicles	15%

Note: The above rates are subject to change, from time to time, as per Income Tax Rules.

4.2. Fixed Asset Register

An Asset Register needs to be maintained in which all non-consumable items are recorded. An annual physical count of all assets purchased should be conducted to identify any discrepancies between the assets register and actual property on hand. Disposal or write-off of the asset shall be properly documented. The Register and other relevant documents such as warranties relating to the assets shall be available for audit. The Asset Register will include necessary information detailed in a later section.

4.3. Disposal of Fixed Assets

Fixed Assets may be disposed off in accordance with the Donor Guidelines. In case of disposal of assets procured out of Core Funds, prior approval from BoT/Chief Operating Officer will be required.

Once an asset reaches its non-useable condition for the purposes of SIPA, such assets may be disposed off in the open market, subject to prior written approval of the Chief Operating Officer.

Any asset due for disposal, having the written down book value of **Rs.10,000/-** may be sold without inviting proposals.

For disposal of Assets having the written down book value of more than Rs. 10,000/-, cost proposals will have to be invited from the prospective buyers and the item shall be sold to the highest bidder.

For maintaining the records of such disposed assets, an Asset Disposal register shall be maintained.

5. Income Recognition Policy

5.1. Received Income

SIPA has opted accrual accounting system, SIPA receives the income during the relevant financial year as mentioned below;

- Receipts for professional services.

- Receipts for facility providing for training services (including accommodation and material etc.).
- Receipts for contribution towards published material.
- Bank Interests (Including FDR).
- Other Organisational overhead charges.

5.2. Receivable Income

As per Income Tax Rules, applicable to Voluntary Organizations and Trusts, such funds which have not been actually received, but have only become 'due', shall be recorded as 'Receivable' funds in the Books of Account.

Such 'Receivables' will continue to be shown as such, till they are actually received.

As such, SIPA shall continue to follow the aforesaid policy, as applicable to Voluntary Organizations, for booking its income in the Books of Accounts.

5.3. Backup Policy

Back up of Financial Data:

It is the responsibility of the Accounts Officer to maintain back up of Financial data including Accounting software, on an external storage on a weekly basis or earlier.

Back up of individual laptops/ Computer Systems shall be the responsibility of the concerned staff.

6. Compliance Policy

SIPA shall observe various compliances, as per following schedule prescribed for Voluntary Organisation:

6.1. Statutory & Legal Compliances

S. No.	Description	Tenure	Due Date
1	Submission of Income Tax Return	Annual	30 th September of following financial year
2	Deposition of Monthly TDS	Monthly	Within 7days after then of the month under which tax deducted
3	Submission of Tax Deducted at Source (TDS) Return	Quarterly	Within 15 days of completion of quarter
4	Issuance of TDS Certificates to concerned parties	Form 16- Annual Form 16-A Quarterly	30 April of following financial year

			Within 15 days after the submission of Quarterly TDS Return
5	Deposit of Provident Fund deducted from the salary of employee in the account of PF Commissioner	Monthly	Within 15 days after the end of the month under which amount deducted
6	Filing of Provident Fund Return with the PF Commissioner	Annual (March to February)	30 th April of following financial year
7	FCRA Returns	Annual	31 st December
8	Deposit of Professional Tax deducted from the salary employee	Monthly	Within 15 days after the end of the month under which amount deducted
9	Submission of Professional Tax Return	Quarterly	Within 15 days of completion of quarter
10	Reports Submission to office of the Registrar Public Trust	Annual	In next financial year

6.2. Local Authority Compliances

S. No.	Description	Tenure	Due Date
1	Property Tax	Annual	On or before 31 March (of the current financial year) to get advantage of rebate it is advisable to deposit the tax by 31 July and 31 October
2	Payment of bills of Electricity, Telephone etc	As per dates prescribed in the respective bills	As per dates prescribed in the respective bills
3	Office Rent	Monthly	As per dates prescribed in the respective mutual agreement

6.3. Management Compliances

S. No.	Descriptions	Tenure	Due Date
1	Statutory Audit	Annual	As per due date
2	Internal Audit/System Audit	Quarterly	Within 15 days of completion of quarter
3	Internal Audit Report Compliances	Quarterly	Within 5 days of on receipt of the report

4	Submission of utilisation certificate/statement of expenses	As per dates prescribed in the respective mutual agreement	As per dates prescribed in the respective mutual agreement
5	Submission of Management Financial Information Report	Monthly	Within 5 days of completion of Month

7. Auditing of Accounts

7.1. Appointment of Auditors

As per requirement, following auditors are appointed by the Finance Committee:

- a) Internal Auditor
- b) The statutory auditor.

The Finance Committee shall identify suitable Chartered Accountant Firms preferably having experience in handling audits of Organizations in the Development Sector. Upon finalization of respective Auditors, the Finance Committee shall prepare a detailed note justifying the selection of the particular firm and seek approval of the Chief Operating Officer.

Once approved, a Contractual Order/appointment letter, for a maximum period of Three Years shall be issued in favour of the Auditor.

The Statutory Auditors are appointed by the general body of the Trust on the proposal submitted by the Chief Operating Officer.

7.2. Submission of documents of Audit

Audit of Accounts shall be carried out on quarterly basis i.e. in the months of July, October, January, and in April.

In addition to quarterly audits, Annual Audit shall be conducted by the Statutory Auditor as per timeline.

The Accounts Department shall submit all the documents, as may be required by the Auditor for completing the Audit work.