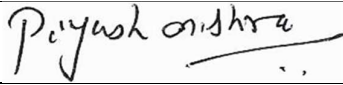




SOP Document Tracker

1	SOP No.	SOP002	
2	Doc. ID*	SOP002ACCOUNT01092022	
3	Title	Accounting Policy	
4	Date of Issue	1/09/2022	
5	Date of Expiry	Until notified	
6	Date of withdrawal		
7	Holder Name and Designation	Mr. S. K. Chhatoi, Manager(Finance & Admin)	
8	Authorized Issuer	Mr. Piyusa Ranjan Mishra, CEO	
9	Signature of the issuer		
10	Place and Date of Signature	Place: Bhubaneswar	Date: 01/09/2022

PS: *This document replaces all previous versions, if any.



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1 INTRODUCTION

1.1 SCOPE OF THE MANUAL

The manual describes the accounting policies, systems and procedures to be used by ISWAR. The manual will cover the input, processing, output, control and distribution of data. It has been developed to set out the accounting policies and procedures that will:

- a) Ensure that ISWAR's books of accounts are prepared to conform to sound accounting principles and practices.
- b) Enable the management to obtain accurate and timely financial reports on monthly basis, thereby promoting sound financial management.
- c) Ensure correct and accountable use of funds and other resources. The approach used is in line with generally accepted accounting principles and organizations best practice reporting requirements.

The main purpose of the manual is:

- a) To assist in the maintenance of controls.
- b) To provide a training and monitoring resource.
- c) To be used as a reference document by the staff, management, auditors and other stakeholders.

The procedures have the following objectives: -

- a) To enhance completeness and accuracy of the data posted from source documents (say invoices, payments, receipts, journal and cashbook) to the computerized system (Tally Software).
- b) To provide accurate and reliable reports to enable management to perform effective control over the operations of ISWAR.
- c) To detail the operation and administration procedures for input, processing, output and distribution of data to ensure security of data and documents.

The manual has been written for use as follows:

- a) As a means of reference to management, supervisors, new and existing accountants staff, auditors, and as the basis of training staff, and ensuring that appropriate controls are in place.
- b) As a clearly defined list of the tasks to be carried out by each individual

- c) As a timetable for processing transactions and producing reports
- d) As a guide to evaluators and any monitoring consultant who may wish to review the institution's progress.

1.2 UPDATE OF THE MANUAL

The update of the manual is the responsibility of the finance committee consisting of concerned authorities from finance & accounts as well as department head and approved by the Chief functionary of organization. The committee must ensure that:

- a) The manual is kept up-to-date
- b) The manual continues to set out the procedure that must be followed in the operation of the system and procedures
- c) Sufficient copies of manuals are available
- d) Amendments to the manual are properly authorized and communicated to concerned parties immediately. It is envisaged that, it may be necessary to amend the manual once in a year if required to accommodate any changes. The finance committee must ensure that there is a list of all the persons to whom the manual has been issued so as to ensure that the amendments issued are completed promptly.

Each amendment to the procedures manual must be given a unique code and dated, the finance manager is responsible for ensuring that each procedure issued has been properly amended.

1.3 RESPONSIBILITIES OF USER STAFF

All personnel with a role in the management of ISWAR financial operations are expected to uphold the policies in this manual. It is the intention of ISWAR that this accounting manual serves as our commitment to proper, accurate financial management and reporting.

2 ACCOUNTING POLICIES & PROCEDURES

2.1 BASIS OF ACCOUNTING

- a) ISWAR shall prepare its accounts on the historical basis of accounting but assets shall be re-valued from their historic cost to reflect current values as necessary
- b) ISWAR shall apply accrual based accounting method. Revenue and grants/donations shall be recorded in the accounting period it is received and expenses recognized when

incurred. Loan and Grant revenue is recognized when received. Other revenues are recognized in accordance with the accruals concept.

- c) Grants and donations if any shall be recorded separately from operational activities. They will be shown “below” the operating line on the Income Statement, together with non-operating income and expenses and taxes. When transferred to the Balance Sheet, they will not be included in the Retained Earnings from operations, but in Contributed Capital (or Donated Equity).
- d) 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).

2.2 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:

Expense -----□ Cash memo -----□ voucher -----□ cash book -----□ ledger -----□ trial balance ----
--□ income and expenditure statement, balance sheet

Hand in hand with an accounting trail, we can trace what we can call as a programmatic trail.

Program plan -----□ Activity to be performed -----□ Authorization from the program head for the expense related to the activity -----□ Perform the activity ----□ 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.

3 CASH HANDLING

3.1 CASH ACCOUNT AND TRANSACTIONS

Cash transactions are to be resorted only for petty expenses and when /where banking facilities are not available. As per Income Tax Rules, no claim exceeding Rs.20,000/- should be settled through cash payments. These should invariably be by account payee cheques/online payment only. As a matter of procedure and control, the attempt should be to minimize the number of cash transactions.

3.2 DAILY CASH BALANCE

The denomination of the closing balance of the cash should be entered below this and signed by the Accountant. This register has to be maintained from the beginning of the financial year. A fresh register has to be started at the beginning of every financial year. Maximum and minimum cash limits have been fixed as (Maximum Rs.10,000 and minimum zero balance)

3.3 WITHDRAWAL OF CASH FROM BANK

- a) The Cash Withdrawal Form/Money Indent to be filled up and signed by the staff handling cash.
- b) The cash balance available and the estimated expenses would need to be computed.
- c) The authorised persons must verify the requirement before signing the cheque for withdrawal of cash.
- d) The signature of the person presenting the cheque and receiving the cash should be attested on the backside of the cheque by one of the authorized signatories.
- e) A Cash Receipt (Contra) voucher to be prepared and accounted for by the accountant on the same day.
- f) The Cash Account (Manual) to be updated for receipt of the Cash.

3.4 CASH PAYMENTS

- a) Cash payments will be made only after preparing the Payment voucher.
- b) All vouchers should have serial numbers
- c) The Voucher has to be approved by the competent authority before payment. (as per the requirement of individual departments)
- d) The Payee must sign the voucher for having received the payment.

- e) In case the competent person is not present, the voucher must be verified/approved by any other person standing-in for the person before release of the payment.
- f) As per Income Tax Rules, no cash payment of more than Rs.20,000/- is permitted.
- g) All cash payments above Rs 5000 should be receipted with a revenue stamp as per the provisions of the stamp act
- h) The number of cash payments must be reduced by converting settlements through cheque payments.

3.5 CASH VERIFICATION

- a) The competent authority should physically verify the cash balance occasionally and compulsorily at the end of the month.
- b) The person handling the cash and the person in charge of finance should sign the Cash Account record and when the physical verification of cash is carried out.
- c) Any discrepancy noticed during the physical verification should be recorded and reported in writing to the person concerned immediately.

3.6 CONTROLS TO BE EXERCISED

- a) Third parties should not be allowed access to the accountant or the safe. Cash should be paid to them in the front office.
- b) Only one designated person who is responsible for it handles cash.
- c) A fixed period has to be fixed for cash disbursements. Only emergency payments can be released during other times.
- d) Maximum and minimum cash limits to be strictly observed.
- e) Accounting of cash receipts/payments is done on a daily basis.

3.7 PETTY CASH

- a) Petty cash shall be maintained on an imprest basis. At any given time, the cash and receipts in the cash box shall total the imprest level. The level shall be maintained at Rs 10,000.
- b) Only the accountant or designated person will handle petty cash. Actual cash will be spot-checked and verified by the supervisor/finance manager at least once per week. The staff person in charge of the funds will reimburse for any discrepancies.



- c) A cheque to replenish the fund shall be issued when the fund is low, and at the end of every month.
- d) The cash and vouchers shall be kept in a locked box or safe.

3.8 INTERNAL REQUISITION FORM

The internal requisition form shall be the original document of record of all major expenditure. It is the form through which non-recurrent expenditure shall be initiated. The form is to be completed by the staff requesting payment. It shall prove the local purchase order or the authority to incur such expense.

The request is addressed to the Finance/Accounts Manager and is to contain the name and the signature of the staff making the requisition and subject of the requisition. The internal requisition form shall be pre-numbered.

3.9 LOCAL PURCHASE ORDER (LPO)

- a) All LPOs shall be the authorized instruments to order new supplies.
- b) The LPO is written after receipt and authorization of an internal requisition form.
- c) The LPO requests the supplier to supply goods or services as per details stated therein and promises to pay on receipt of an invoice thereof.
- d) The information on this form is the supplier's name, address, and date, name of the requisition, delivery note number, and invoice number, details of goods or services to be supplied or rendered.
- e) The LPO book shall be pre-numbered. The Finance/Accounts manager and the accountant must authorize the LPO.

3.10 FIELD TRAVEL CLAIM FORM

- a) Field Travel Claim Form is the document of record of per diem and all other expenses incurred by staff during field trips.
- b) This form shall be used in claiming for expenses incurred by the staff while on field trips or in accounting for monies advanced for travel expenses and any other expenses.
- c) This form is designed to collect information on the name of the traveler, rate used, and other travel expenses. Staff making claim on travel or submitting returns on travel advances will be required to complete this form.



3.11 IN-STATION TRAVEL CLAIM FORM

All travel must be authorized by the Organization Head, Head of the particular department and counter signed by the Finance/Accounts manager on the field authorization form. No claims for reimbursements shall be honored without these authorizations.

4 SALARIES AND ADVANCES

4.1 SALARIES

The following is the procedure on salaries: -

- a) All permanent employees shall be issued with appointment letters signed by the organization head and employee-signifying acceptance of the terms and conditions set forth thereto. The appointment letter shall contain the initial salary, responsibilities, duties and the general terms and conditions.
- b) Subsequent changes in salary, responsibilities, duties, terms or conditions of employment shall be communicated to the employee in writing.
- c) A personal file shall be opened for every employee. Copies of job application letters, Appointment letters and any other correspondence between employer and the employee shall be kept in this file.
- d) Salaries shall be paid monthly in arrears. A salaries schedule showing the gross pay, advances, deductions and net pay shall be prepared by the Accountant, checked and verified by the Finance manager/HR manager and approved by the organization head prior to the preparation of payment vouchers and the cheque.
- e) A personal data card shall be opened for each member of staff. Salaries shall be paid by cheque/neft transfers through the respective bank accounts.
- f) Employees shall be issued with a pay slip every month, which will show the computation of his/her net salary.
- g) Signing the payment vouchers for the net pay, and the monthly transfer sheets where applicable shall evidence authorization of salary payments.

4.2 SALARY ADVANCES TO STAFF

Staff advances shall be given upon request in accordance with regulations stipulated in the personnel policies and procedures manual (by complete, signed and authorized Staff Advance Authorization form, SAAF). An Advances ledger account should be opened and reconciled at the



end of every month. However, all advances should be approved subject to the availability of funds.

4.3 PENDING ADVANCES

A statement of funds lying with outsiders and staff should be recorded at the end of every month-end. It is necessary to review it on a monthly basis to identify whether any deposits/advances are lying unadjusted or overdue for settlement. While it is possible that the actual date of payments and the purpose of which the deposit/advance was given gets obliterated by passage of time, this report will regularly give details of such funds lying elsewhere.

4.4 TRAVEL EXPENSES

Travel expenses incurred by staff or any other authorized person shall be reimbursed according to the regulations set out in the Human Resource Policies and Procedures Manual.

4.5 TRAVEL ADVANCES TO STAFF

Travel advances shall be granted in accordance with the above-mentioned regulations. A separate staff debtor account shall be opened for each advance granted. Any advances not accounted for within one month shall be recovered from the salary of the employee concerned without prior reference to the employee.

5 OPERATING BANK ACCOUNTS

5.1 BANK ACCOUNT

One bank account for the funds shall be opened only in a nationalized bank or any other bank authorized by RBI. Necessary authorization to open any bank account or alter its manner of operation would need to be got in writing from the necessary authority.

5.2 AUTHORISED SIGNATORIES

- a) Every cheque/instrument is to be signed by at least two signatories
- b) A staff that has access to bank account and cash account is not entitled to be an authorized signatory.

5.3 AUTHORITY TO SIGN

The authority to sign should lie with CEO, Director and Chairman of the executive members of society. The bank is authorized to undertake any written instructions, signed by two of the signatories, for transacting any financial business from time to time.

5.4 CLOSING OF BANK ACCOUNTS

Any bank account not required must be closed immediately. The Finance/Accounts person has to take the matter with the Competent Authority and procure in writing the obtaining necessary resolution. When it is decided to close a bank account, the following actions should be completed:

- a) Transfer balance in the account (leaving the minimum amount required) to the other bank account.
- b) Surrender all the cheque leaves to the bank under a receipt.
- c) After receipt of the resolution, deliver it to the bank under receipt and transfer the balance to another account.
- d) Confirm closure of the bank account and transfer of balance to the competent authority.

6 BANK TRANSACTION

6.1 BANK RECEIPTS

- a) All receipts are to be acknowledged by issuing an official receipt. The date of receipt, it's 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.
- b) The bank deposit slip should be attached with the Receipt Voucher.
- c) 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.

6.2 BANK PAYMENTS

- a) Payment Voucher has to be prepared before preparing any cheque.
- b) Cheque should not be prepared, for whatever reason, if sufficient balance is not available with bank.
- c) All Vouchers have to be verified and approved before payment is released.

- d) Payment has to be made only against original bills and claims. Any type of copy of bill or claim should not be entertained.
- e) All supporting documents should be attached with the Payment Voucher and filed according to serial number.
- f) Cheques should be written legibly and doubly ensure that the amount in words and figures are the same.
- g) All cheques have to be crossed. A Rubber Stamp stating “A/c Payee Only”
- h) Post-dated cheques are not to be issued.
- i) All cheques are stamped “for the *Name of the Organization*”
- j) The cheque number should be written on every Payment Voucher.

6.3 CONTROLS TO BE EXERCISED

- a) The authorized signatories should sign all letters/instructions to the bank only.
- b) Cheques in advance or in blank should never be signed.
- c) Un-cashed cheques should be cancelled within a reasonable period.
- d) Specimen signatures should not be left unsupervised.
- e) Cheque books should always be kept under lock and key. Only authorized persons should be allowed to handle them.
- f) Using a carbon (black side up) under the cheque will leave an impression on the reverse of the cheque making it difficult to alter.
- g) A receipt after payment by cheque should be insisted.
- h) Bank reconciliation statement has to be done on a monthly basis.

6.4 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 make sure that entries are passed (if any) for bank charges, interest received etc. in the books immediately.

7 INVOICE VALIDATION

7.1 ESSENTIALS OF A VOUCHER

- a) Department name – in order to identify that the voucher belongs to a particular project, the Department name needs to be stamped / marked on the voucher.

- b) Voucher number – the voucher should be numbered and these voucher numbers should be pre-printed. The voucher book should be officially issued to the person responsible for preparation of vouchers. Any vouchers wrongly written should be marked ‘CANCELLED’ across the face of the voucher and left in the book itself. Hence, either the vouchers would have been used and taken into the cash book or be left as cancelled or accounted for as balance remaining. This is a good practice in accounting and can be introduced over a period of time.
- c) Date and the serial number of the voucher used.
- d) Classification – The cost centers and line items are clearly specified in the proposal. On the basis of the nature of expenses, it is verified that the expense is correctly classified into the various line items as appearing in the proposal.
- e) Narration – there should be a detailed narration in support of the classification showing the description of the transactions.
- f) Amount – it is verified that the amount on the voucher is equal to the amount reflected by the supporting documents, or matches any adjustments effected (e.g.: advance payments adjusted)
- g) Supporting documents – these are in the form of original bills, which are the real proof of transactions based on which payment is affected. The classification of the expense is based on the nature of expense reflected by these documents and the amount on the voucher should be the amount reflected by these documents.
- h) Signature of the person preparing the voucher
- i) Signature of the person authorizing payment (To verify with the delegation of powers of each member authorized within the organization to approve payments)
- j) Signature of the person receiving payment
- k) Defacing of vouchers and supporting documents by a ‘PAID’ stamp, subsequent to payment to avoid duplication of payments, and providing reference numbers of vouchers and cheque number if relevant.

7.2 CHECKS TO BE DONE BEFORE PASSING A VOUCHER FOR PAYMENT

- a) Whether required supporting documents are present
- b) Checking the supporting document.
- c) Payment should be made only against a valid invoice in original.
- d) Approval by concerned person & authorized signatory.

- e) Verification of accuracy in accordance with the order/letter/other documents if any.
- f) Verification of numerical accuracy
- g) Checking of advance payments made if any or details of part payments made if any.
- h) Making sure that payment has not been made twice for e.g., by making all extra copies of bills as “extra copies” and by making all paid vouchers as paid.
- i) Ensure that payments are made on time.
- j) Cheques should be used for all major payments. Payment by cash should be restricted to minor purchases and where inevitable.
- k) For any payment exceeding Rs.5000/- the receiver’s signature is to be obtained on a revenue stamp affixed to the voucher. If the recipient sends a receipt, then a revenue stamp needs to be affixed on the voucher and defaced by a double line across the stamp.
- l) It should be ensured that the vouchers are not overwritten. In cases where it is necessary to correct the figures, the figures originally written should be scored out and the new figures entered. The person preparing the vouchers as well as authorizing payment should then initial the corrections made.

7.3 SUPPORTING DOCUMENT FOR VOUCHERS

- a) All bills should be in the original. Payment should not be made against a quotation and copy of a bill or a faxed bill.
- b) The person initiating the payment should authorize all supporting documents.
- c) It is the responsibility of each person who is responsible for buying goods/ services in the department to check each bill for its validity. i.e., check that the description of items, number of items, cost per unit and total cost, date of the bill and name of payee (i.e. name of project) are accurate. Payments should be made only after checking these details.
- d) Any mistake/ discrepancy should be pointed out to supplier /shopkeeper before payment and if an alteration is necessary, the supplier /shopkeeper should make the change right then and put his/her initials and date. If this results in a change in any of the amounts on the bill it is particularly important that supplier /shopkeeper clearly writes himself on the bill the payment received in words. The management reserves the right to accept such altered bills or not. A better option would be to obtain a fresh bill if possible.
- e) No other alteration in the bill by Department staff is normally permissible. If at all an alternate is unavoidable e.g., a mistake in the date by supplier which was not corrected such a bill should be brought to the attention of Head of the Department who should

change it and initial it and a note should be put on the bill why alteration was necessary.

The management reserves the right to accept such bills or not.

- f) Invoices should only be in the name of the organization.
- g) Where bills are in local language, please indicate briefly in English the purpose /item on the bill.

Budget items	Allowable expenditure	Supporting documentation	Mode of payment
<i>Personnel</i>	Salaries of staff involved in the project	Approved Payroll records	By Bank transfer to individual Accounts
<i>Stationary</i>	Purchase of books and stationary	As per bills. To be entered in the Consumable register as per format	Online transfer
<i>Telephone & Fax</i>	Telephone & Fax	As per bills. All calls identified to the Department will be allowed	online transfer
<i>Postage</i>	Postage stamps, Revenue stamps & Courier	As per Postage register maintained	Cash
<i>Office Rent</i>	Rent of HO and district office	Rent receipt, lease deed.	online transfer
<i>Electricity Charges</i>	Electricity bill for HO and district office	As per bill. In case of shared meter then Sub-meter needs to be installed.	online transfer
<i>Photocopying charges</i>	Photocopy of documents related to project	As per bills, details of what is being photocopied, how many copies @ rate	By cash if below Rs.500/-
<i>Maintenance</i>	Tea, newspaper, sweeper, etc.	As per bills /voucher	By cash
<i>Printing</i>	Printing of vouchers, claim forms, etc.	As per bills	online transfer
<i>Local Travel</i>	Bus fares, Bus passes, Auto fares incurred by staff to cover work area	Copy of bus pass, in case of rest by local travel claim form	By cash
<i>Outstation Travel</i>	This includes transport, boarding and lodging expenses	Travel tickets to be enclosed, boarding and lodging bills and details to be mentioned in the voucher for what traveled.	By cash/ cheque/ online transfer
<i>IEC Material</i>	Printing of brochures,	As per bills and to be entered in	online transfer

Budget items	Allowable expenditure	Supporting documentation	Mode of payment
	stickers, leaflets etc.	IEC register. The L/f of the register to be mentioned on bill. Sample for all BCC materials developed to be available for verification and record.	
<i>Meeting Expenses</i>	Expenses incurred towards meet	As per bills	By cash/ cheque/ online transfer
<i>Needs Assessment</i>	Field costs. Local travel, Forms printing and photocopy	As per bills and claim Forms	By cash/cheque
<i>Staff Development</i>	Exposure visits training etc. for staff	On approval from Skip supervisor	By Cheque / DD/ online transfer

7.4 CHECKING OUTPUT

- a) The input of all invoices is checked for completeness and accuracy. The purchase journal report will be generated, and this will enable these checks to be carried out.
- b) The accountant must check the invoices posted against the Purchase Journal Report and ensure that the general ledger allocations and other invoice details are correct. Where the accountant identifies that an error has been made, the error on the listing should be circled and the correction initiated and initialed.

7.5 APPROVAL OF INVOICES

- a) The finance/accounts manager prior to processing should approve all invoices.
- b) The accountant must ensure that all invoices have been authorized by head of the organization /CEO/Department Head and head of department. A week time will be allowed for approval.
- c) The head of the relevant department must ensure that the invoice is sent to the accountant within a week of receipt of the invoice. Once the invoice is approved it is sent to the accountant. If the finance manager is not satisfied with the invoice and cannot approve it for payment, it should be regarded as a disputed invoice.

At the end of the month the accountant should agree the balance on the control account to the supplier's listing. If there is any difference, reconciliation should be prepared. The accountant must also ensure that a monthly reconciliation is done between the General ledger balance and



the supplier's statement of account balance. The reconciliation has to be prepared and reviewed on a monthly basis and the file maintained by the accountant.

8 MAINTAINING A CASH BOOK

A cashbook is a primary book of entry that is prepared after a voucher for a particular transaction. The cash book records all transactions in which cash /bank receipts are involved.

- a) A double column cashbook that can act as a bankbook or a single column cashbook (in case a bank book is maintained separately) has to be maintained.
- b) No cutting or alterations should be made in the cashbook. Correction fluid should also not be used. Any mistake should be corrected by passing a rectification entry.
- c) Cashbooks have to be maintained regularly (as and when a transaction takes place). All cash balances should be inked up regularly.
- d) The Cashbook has to be tallied checked and signed by the competent authority or any other appropriate authority every month.
- e) Cashbooks should always remain at the office.

9 ACCOUNT BOOKS AND DOCUMENTS TO BE MAINTAINED

- a) Cash Payment/Receipt Vouchers & Book
- b) Bank Payment/Receipt Vouchers & Book
- c) Summary/Daily Petty Cash Book
- d) Journal Vouchers and Journal
- e) General Ledger
- f) Fixed Assets Register
- g) Contract/Registration Documents
- h) Attendance Register
- i) Budget Copies of various grants
- j) Utilization Certificates
- k) FCRA and other relevant Registration papers
- l) Copies of Consultancy agreements
- m) Capital assets approvals
- n) File of original bills of assets purchased
- o) Copies of all Contracts and agreements.

- p) Stationery Register
- q) File containing Bank Mandate and authorized signatories.
- r) Quotation file for all purchases
- s) Advance Payment Register (Advance to third parties & Staff Advances)
- t) Cheque issue register
- u) Cancelled cheque register
- v) Donation receipt issue register

10 RECEIPTS AND PAYMENT ACCOUNT

This is like a summary of the cash and bankbook 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.

11 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 drawn up at the end of the year.

12 PROCUREMENT, STOCK & INVENTORY

12.1 PURCHASING

The purchasing function involves:

- a) Identification of needs, for goods and services,
- b) Identification of costs to cover the needs for those goods and services,
- c) Identifying the suppliers, procuring estimates (at least three)
- d) Negotiating favorable trading terms with them,
- e) Placing an order.
- f) Receiving the goods and/or services and paying for them
- g) Preparation of accounting and archiving expenditures.

12.2 IDENTIFYING THE SUPPLIER

- a) Credibility of the supplier in terms of being able to supply the requirements and in time
- b) Cost effectiveness of the goods supplied
- c) Quality of goods supplied
- d) Supplier should meet all necessary formalities in connection with its status as per the rules and regulations of the Government.
- e) Supplier must be able to supply all the good in the requisition/or of the specification prescribed in the purchase order
- f) Must be local, reliable and known
- g) Must be able to supply large quantities if necessary
- h) Past performance
- i) Availability of supplier
- j) Reputation of supplier

12.3 CONTROL OBJECTIVES

The control objectives here will be to ensure that

- a) All purchases are duly authorized and approved before the goods and services are ordered.
- b) All goods received or services rendered are according to specification and in quantities requested for.
- c) Liability for all purchases is accurately reflected in the books of account and that suppliers are paid only in accordance with the agreed term
- d) Goods ordered are actually received in stores as may be appropriate and relevant accounting records updated accordingly.

12.4 GENERAL PROCEDURES

- a) The existing purchase policy of the organization must be followed.
- b) For all purchases of capital goods, and goods purchased in bulk like stationary and other supplies, three quotations should be obtained. Then the final supplier is decided upon. However, justification should be given in case the lowest of quote is not selected. Quotations should be attached with the relevant vouchers while submitting the same checking.

12.5 PURCHASING CAPITALS ASSETS

- a) Any non-consumable item of expenditure needed to start program operations and major capital expenditures as outlined in the plans and budgets are called fixed assets.
- b) In the case of capital asset purchases and consumables in bulk, it is always healthy to issue purchase orders clearly spelling out the terms and conditions of purchase.
- c) As mentioned above, all non-consumable items of expenditure should be purchased with three quotations. It is important here to understand that attractive asserts like camera, tape recorder etc. also form part of fixed assets, even though their value might not be very high. Office equipment and IT equipment will also form part of the fixed assets.
- d) All incidental charges, which are incurred to get the asset to the place where it is situated and to get the asset into operating condition, must be added to the cost of the asset.
- e) An inventory of the capital assets should be maintained and updated from time to time.
- f) It is suggested that the fixed assets register is approved and signed by the competent authority after it is updated every six months or annually.
- g) All assets must be given an identification number, and such number must be painted on the asset. This number should also be mentioned in the fixed assets register.
- h) Physical verification of assets should be undertaken (preferably by an office bearer or someone of adequate authority) at least once a year. All additions, deletions, modification etc. should be recorded
- i) Contracts Register (for all contracts issued with payment details and other particulars)

12.6 MAINTAINING A STOCK REGISTER

- a) This is to be maintained at the office where the goods are purchased or stored centrally.
- b) The format of the central stock register is enclosed.
- c) This register shall be updated on the receipts column as and when fresh stocks arrive. It is important that the person responsible for the stocks initials the quantity in the stock book.
- d) All requisitions must be numbered and in duplicate. One copy has to be maintained at the central store and the duplicate given to the accounts.
- e) All issues shall be recorded immediately in the stock register, and this must be updated on a daily basis.
- f) The stock registers should be maintained on a FIFO (first in first out basis).

13 FINANCIAL PLANNING & BUDGETING

13.1 BUDGETS & APPROVALS

It is necessary that for every activity taken up by us to be interpreted in financial terms and get the approval of the concerned competent authority. Such interpretation takes the form of budgets detailing each and every components of the activity so that a clear evaluation of the total activity and the components thereof can be made by before approval. Such budgets normally become necessary, for the following activities:

- a) Meetings & conferences
- b) Special events
- c) Remuneration of Staff & Consultants
- d) Capacity Building & other Training Programs
- e) Office Running Expenses
- f) Promotional events
- g) Travel

However, most of the times the expenses incurred on these activities are part of our program budget and specific grants are allocated for such expenses and would require only a simple sanction. It is therefore necessary that the budget for such activities is prepared at the time of preparation of the plan itself.

The process to be followed is

- a) Budget for each activity to be prepared giving break up of sub-activities and related costs.
- b) The budget has to be verified and certified by the finance/accounts manager to ensure that the costs are realistic as compared to the activities, and the budget captures all the required costs for such activities only.
- c) The necessary approval of the budget for incorporation into the Plan.

Wherever there are procurement of supplies and services for such activities, the formalities with regard to multiple quotations, evaluations, etc. have to be followed

13.2 BUDGET MANAGEMENT

- a) A Budget is an estimate of the amount of money to be received and to be spent for a specified purpose in a given time.
- b) Budgets set a framework for reporting and analysis.

- c) Budgeting never stands completely alone, but rather flows out of the managerial process of setting objectives and strategies and of building plans. It is especially and intimately related to financial planning.
- d) While accounting, separate sub-codes to be created for every activity under the main grant code, so that the utilization of the budget can be monitored activity-wise.

13.3 WHILE PLANNING THE FINANCIALS

- a) The whole team needs to be involved in the budgeting process.
- b) Objectives of the program along with activity plans must be completed before starting the budgeting process.
- c) Changes in strategies for the forthcoming year based on the past experience have to be unanimously decided by the team and the budget should be accordingly formulated.
- d) List out the resources required to achieve these activities and cost them.
- e) All line items in the budget must flow from planned activities.
- f) Budget should be as detailed as possible with justifications and break up of costs matched against each activity.
- g) When budgeting for subsequent years/phase, cost increases due to inflation, exchange rates etc. would need to be kept in mind.
- h) All expenses have to be reviewed against the budget on a monthly basis.
- i) The management shall verify the quarterly reports against the budget, analyse causes for variance and take appropriate action.

14 REPORTS

14.1 MONTHLY ACCOUNTS

The financial reports and schedules as prescribed below should reach the relevant persons before the 10th of the following month as per the following dates:

The following reports on financial information will be produced by Accounts for internal and external use.

ReportType	Description	Frequency	Source	Target
CashAccount	Shows cash receipts and Payments during the Month	End of each month	Finance/Accounts	Management
Cash Reconciliation	Shows reconciliation of Physical cash count and Cashbook balance	Daily	Finance/Accounts	Management
BankAccount	This report shows bank Receipts and payments	End of each month	Finance/Accounts	Management
Bank Reconciliation	Reconciliation of bank Statement and cashbook Balances	End of each month	Finance/Accounts	Management
Advances	Shows unsettled Advances by staff at Month end.	End of each month	Finance/Accounts	Management
Income and Expenditure	Shows income earned, Investments Expenditures	Every six months	Finance/Accounts	Management / Investors
Assets and Liabilities	Shows Assets value and And their financing	Every six months	Finance/Accounts	Management

14.2 MONTHLY EXPENDITURE AND VARIANCE REPORT

A Monthly Expenditures and Variance Report that reflects the expenditures incurred during the month for each line item and the total expenditure incurred for the month. It also gives the cumulative expenditures incurred to date and the available balance on the budget. The report is due to the Avert Society by the 10th day of the ensuing month. See Annexure B for a sample of the report.

Where there is a budget variance, particularly overspending on a budget line item, or introduction of a new set of activities in a budget column, the report should state if the variance is:

- a. Permitted under the terms of this grant.
- b. Unanticipated and requires approval

14.3 MANAGEMENT INFORMATION REPORT

The Finance/Accounts Officer prepares and consolidates the Reports and submits it to the Relevant Persons as the case may be, with a copy to the Finance Manager before 10th of every month.

This report is under 6 heads and is explained below:

Bank & Cash Balances: This will reflect the utilization of funds received and also will furnish broad indication of how much has been spent on Grants and on office/admin expenses. The opening and closing balances should be in agreement with the Bank Book.

Analysis of Expenses against Budget: This is the variance report on Management of Expenses budget and reflects whether the trend of expenses have to be reviewed in order to avoid any negative variation and take corrective action as necessary. Every positive and negative variance has to be commented upon citing reasons for variance and corrective action proposed.

Grant Utilization Status: It is necessary to review on a monthly basis the utilization status of grant budget in order to ensure that the actual spending is as per the planned budget and the phasing of utilization.

Statutory Compliance:(TDS, P. Tax, I. Tax, GST etc): The implications of non- compliance of statutory provisions are very serious and it is therefore necessary that the management is kept informed about the compliance or otherwise of these provisions, this report becomes useful for managers to monitor adherence to the requirements and due dates.

Fixed/Consumable Assets: The Assets Register needs to be maintained as per the format. authorisation of the same need to be done on a regular basis.

15 LEGAL & STATUTORY MATTERS

15.1 INCOME TAX – TDS

Deduction of Tax at source from all eligible payments is the responsibility and liability of the organization. Failure to deduct tax and issue certificates for such deductions within the stipulated time attracts penalty under the Income Tax Act. As the rates of tax deduction change periodically, the finance department would indicate the applicable rate of tax deduction as and when there is any change in the rates. If you are in doubt about the applicability of tax deduction, it is better to check with the Auditor to be on the safer side.

Although the Income Tax Act specify the upper limit of amount of payment in a financial year beyond which tax has to be deducted, it is better to start deducting tax right from the first payment, irrespective of the value, if we are likely to deal with such party in future also. This will ensure that no payment escape deduction of tax even by oversight.

The tax deducted during a month has to be deposited to the government account latest by 7th of the subsequent month. It is necessary that separate challans are filled in for each category of tax deduction like Contracts, Rent, Brokerage, Payments to professionals, etc. (the due date of 7th is taken for credit to the government account and not the date of deposit. It is therefore necessary to do the deposit one or two days before the 7th. There is need of filing TDS return on quarterly basis based on the tax challans paid during a quarter with the deductee information in the IT portal by 31st of the month following a quarter. TDS certificates can be downloaded from the portal after 15 days of TDS return filing.

15.2 LEGAL REPRESENTATION

Any filing of suits, representing OUR NGO PARTNERS in a court of law, or giving evidence or appearing as a witness in a suit filed by or against us with judicial authority can be done only with the written authority of the competent authority. The particulars of such cases should be forwarded to the relevant authority for proper documentation and issuance of such authorization letter.

15.3 PROFESSIONAL TAX

Professional Tax is a deduction, which would need to be made from persons who receive a remuneration at the rate as prescribed under the Professional Tax Act of the home state. After

deduction, the amount shall be deposited in Govt. Treasury by end of succeeding month. Normally the Govt. issues notices for assessment of Professional Tax. The Accounts Manager is responsible for coordinating with the concerned department and get the notice issued as early as possible and get the assessment carried out expeditiously, and bring the status up to date.

15.4 GOODS AND SERVICES TAX(GST)

A GST is a comprehensive, multi-state destination-based tax that is levied on every value addition. GST has replaced many indirect tax laws that previously existed in India. GST Act is followed from 01.07.2027 onwards. GST is charged while rendering any service to a client at the rate prescribed under the Act. The details of invoices are uploaded in the GST portal by filing GSTR1 return in the succeeding month around 10th and Tax is deposited by 20th of succeeding month with filing of GSTR3B return. An annual return is also filed for turnover above Rs.2,00 Crore by filing GSTR-9 return by December month for the previous FY

16 AUDIT

16.1 EXTERNAL AUDIT

The Auditor so appointed shall audit the books of accounts as per the terms of reference given to them. The Auditor shall have access to all the Audit reports of the grantees and sub-recipients of the funds. A new resolution will be passed every year for the appointment of external auditor.

16.2 COST OF EXTERNAL AUDIT/RATING

The cost of external audit and rating would be normally borne by ISWAR. The office bearers of organization shall fix the remuneration, and it shall form part of the annual business plan.

17 FIXED ASSETS

17.1 OVERVIEW

It is the responsibility of the Finance/Accounts manager to maintain a complete and accurate fixed asset register. The fixed assets register will be maintained on an excel spreadsheet or a book and should have the following details:

- a) Identification or serial number
- b) Acquisition date
- c) Description of asset

- d) Location
- e) Class of asset
- f) Cost of acquisition
- g) Accumulated depreciation
- h) Net book value

The Finance/Accounts manager should ensure that all the assets are tagged with identification codes. All the classes should commence with the prefixes itemized below followed by a unique 3 or 4 numerical numbers for each specific item. E.g. an office desk at the reception will fall under the furniture and fitting class and will be identified by the code XYZ/FA/OD/) 001 where: -

FA - Fixed Asset

FF - Furniture & Fittings

OD - Office Desk

001 - Unique for Desk at the reception

17.2 PROCESSING DEPRECIATION

- a) At the end of every month, the Accountant should prepare a depreciation schedule for each of the items using depreciation rates described in sub-section
- b) The Finance manager should review the schedules and sign them as evidence of the review. On the strength of the duly reviewed depreciation general journal, the accountant shall update the fixed assets register

17.3 ACCOUNTING FOR FIXED ASSETS ADDITION

- a) Recording and payment for the acquisition of fixed assets shall be as per payment procedures.
- b) On delivery, the assets shall be classified, tagged and recorded in the fixed assets inventory register.

17.4 ACCOUNTING FOR DISPOSAL OF ASSETS

- a) The board of organization must approve disposal of fixed assets. No assets should be disposed of without the written authorization of the board.
- b) On the strength of written authorization by the board, the management should invite public bids for the purchase of the asset.



- c) On receipt of minimum of three bids, the board should sit and adjudicate over the bids. On conclusion of the sale to the winning bidder and on the strength of the board disposal authorization and adjudicated bids, the finance manager and accountant shall prepare a journal to record the disposal and the bidder's indebtedness. The journal will include an adjustment for the revaluation if any.
- d) If the disposal is a cash sale, the Accountant should issue a general receipt.
- e) At the board discretion, an auction may be conducted. Cash proceeds from the auction should be treated as above.