

# PROJONMO

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# FINANCIAL POLICY



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## **1 PURPOSE**

The Financial Policy of Projonmo NGO is framed to maintain the organization in its financial management function. The Financial Policy covers the accounting system, budget, financial reporting, payments, annual financial statements, and tax policy. It adheres to the General Accepted Accounting Principles (GAAP) and abides by the rules and regulations of the government. It encompasses the duties and responsibilities of the incumbent office bearers of the executive committee/Board of trustees /Board of Directors. It lays down a broad framework of accounting procedures and guidelines to which the organization is expected to adhere.

This system would facilitate accurate maintenance of accounts with all transparency. The Executive Committee /Board of Trustees/Board of Directors is the custodian of the finances of Projonmo.

## **2 FOCAL POINT**

The financial situation of the NGO will be reviewed monthly, with a focus on the budget, receipts, and expenditures. The Financial Manager shall be responsible for ensuring that financial control is in place while both the financial manager and Secretary shall be responsible in regard to the following financial issues:

- Financial Management
- Payroll Management
- Office & Administration Management
- Budgets and Management Reporting
- Management reporting to the Executive Director and Audit
- Cash flow management processes
- Manage processes to record & reconcile expenses and provide regular monthly reporting
- Financial documentation, including quotations, invoices, and receipts are collected and filed in an orderly manner

### On Receiving Funds:

The President / Secretary / Treasurer / shall be responsible for overseeing the regular implementation of policies and procedures. Due to the number of detailed requirements involved when an organization receives funding from a given donor, the Financial Manager of the NGO will be entitled to review the specific regulations, requirements, and compliance factors specific to that donor.

## **3 EFFECTIVE DATA AND APPLICABILITY:**

This Financial Policy is reviewed and renewed and will be effective from 1<sup>st</sup> April 2023 and defines instructions in the context of finance and administration.

## **4 THE ACCOUNTING SYSTEM**

A practical accounting system for NGO Projonmo consists of the following:

### The funding agreement

The funding agreement between the donor and NGO will outline all aspects of the project and will include the following:

- activities to achieve the deliverables
- funding of the project

- reporting on activities
  - narrative report
  - financial report
  - periods of reporting
- management of funding and procurement of goods
- stipulations in the budget regarding how the funding is to be applied.

### The budget

The budget will include all planned activities listed by type of activity and deliverables. Each line item in the budget indicates the costs that may be incurred for the specific activity (for example, the number of workshops to be presented, the number of persons to attend, the venue rental costs, and the presenter costs). Traveling costs and per diems are either provided for in a separate line item or aligned with specific activities. Fees per kilometer and per diems applicable are listed. Provision for administrative costs may include:

- bookkeeping fees
- audit fees
- telephone costs
- rental
- stationery
- other office costs or lumpsum

For a lump sum the total overhead provision may be transferred to a dedicated account from which running costs are paid monthly in total.

### Bank account(s)

- A. Every bank account associated with the organization should be registered in the organization's name.
- B. The Board must pass a resolution to authorize the opening of a bank account and appoint the bank signatories.
- C. A maximum of three signatories, such as the chairperson, secretary, member, staff, or treasurer, are permitted. Bank transactions require the authorization of at least two of these signatories.
- D. Opening multiple bank accounts may be done in accordance with the requirements of the funding agency, if deemed necessary.
- E. Membership fees, local donations, project funds from donors, government funds, and contributions from within the country can be received in the bank account. For foreign contributions, FCRA registration is necessary, and a specific designated bank account should be used.
- F. A register for issuing cheques must be kept, containing essential information such as cheque number, date, payee, amount, and the signatures of authorized signatories.
- G. The custody of the cheque books will be with either the chairperson, secretary, or treasurer.

### Petty cash

The Financial Manager and Secretary manage and have sole access to cash funds, overseeing petty cash reconciliation and vouchers. If the Financial Manager handles petty cash, they supervise the process periodically. The petty cash handler reconciles funds and is accountable for any shortages, always holding the cash box key.

- Cash is kept in a cash box in a secure, lockable cupboard or in a safe.
- For pay-outs from petty cash, a petty cash request form must be completed
- The transaction is finalized when proof of purchase (invoice or till slip) is handed to The Financial Manager of the petty cash and any surplus cash has

been returned

## 5 FIXED ASSETS LIST

In the case of general purchases (stationery, refreshments, fuel, cleaning material):

- Treasurer to maintain a register of all the fixed assets of the organizations.
- a purchase order is completed before the item is purchased;
- the delivery note, confirming receipt of goods, is signed by the designated NGO staff receiving the goods;
- the invoice is approved by the Executive Director and Financial Manager for payment and signed, along with the payment request form.
- the payment is made by bank or electronic transfer;
- low-cost items such as refreshments and cleaning materials are mainly purchased via petty cash.

## 6 ANNUAL BUDGET

The annual Budget should be made by the Secretary/Director and Treasurer/Accountant and approved by the Executive Committee/Board of Trustees/Board of Directors and incur the expenditures as per the approved items. They have the flexibility to spend up to 5% above or below the budget. Any expenditure above 5% must receive approval from the Executive Committee /Board of Trustees/Board of Directors. Electronic approvals and post facto approval can also be made.

## 7 RECORDING OF PROJECT ACTIVITIES

The Financial Manager will be responsible for bookkeeping in different folders for all NGO financial transactions. The accounts must be kept in accordance with acceptable practices of accounting. Activities should be executed as agreed upon in the agreement with the donor. Records and proof per activity shall be kept. Reporting is usually done as follows:

### a) Narrative reporting on activities

The Program Manager summarizes the activity, supported by the following documentation, also reporting on outcomes, challenges incurred and results achieved, if measurable:

- an attendance register, signed by all participants of workshops, conferences and seminars to be maintained.
- the date, place, venue and subject of the seminar or workshop and group addressed (recorded on the attendance register);
- evaluation forms, completed at the closure of the event by the participants

### b) Financial reporting on activities

All costs incurred for the presentation of an activity are summarised in a financial report:

- **venue costs** – rental of the premise
- **presenter fee** – external consultant
- **traveling expenses** – per kilometer fees for presenter or participants from remote locations
- presentation materials and stationery used during the workshop
- refreshments consumed during the workshop
- **daily allowances** (per diems) –absence from home/office.
- When planning an activity, expenses must be aligned with the budget.

## **8 PAYMENTS**

### **1. Electronic Payments (Internet Banking):**

- Financial Manager and Executive Director or secretary authorize invoice payment, specifying the budget item.
- Financial Manager completes budget allocation form, attaching invoice and bank receipt.
- Budget allocation form includes invoice details and project for accurate tracking.

### **2. Cash Payments:**

- Record cash payments on a budget allocation form.
- Financial Manager requests cash with budget details.
- Recipient provides a receipt or fiscal bill as proof.
- Return invoice and leftover cash to the Financial Manager.
- Record actual costs and get Financial Manager's approval.
- Attach proof of payment to the budget allocation form.

### **3. Bank Transactions-cash book**

Bank transactions involve electronic transfers, debit orders, and bank charges. Banks provide monthly statements or as requested by the NGO. The transactions are recorded in a schedule showing:

- Starting balance at the beginning of the month
- Cheques issued during the month, in order
- Electronic transactions listed by date
- Debit orders paid by the bank
- Bank charges incurred
- Closing balance at the end of the month.

### **4. Payment for Goods, Works and Services and petty cash**

- To buy things or services, to use official Purchase Orders, no matter the cost. These are important documents.
- Payments are made through checks or bank transfers. For an amount below Rs 5000, cash may be applied to fill out a petty cash request form properly.
- Before signing a check, to see all details are filed and necessary papers are attached for checking.
- Payments are only made against invoices, and for cash payments, the recipient signs a petty cash voucher.
- When working away from our office, employees and Board Members get a daily allowance that covers food, accommodation etc.
- Petty cash transactions must be fully recorded every month. If there's money missing, the person in charge must cover the shortfall.

## **9 MONTHLY SUMMARIES OF EXPENSES**

This document provides a monthly breakdown of expenses for each budget category. It includes two columns: one displaying the budget as per the agreement and another showing the differences between actual incurred costs and the budget. These differences are noted as either under budget or over budget. This tool is vital for the NGO to track spending and ensure it aligns with funding agreements.

## **10 AUDITED ANNUAL FINANCIAL STATEMENTS (EXTERNAL AUDIT)**

Within two months of the end of each financial year, the Financial Manager is responsible for finalizing the accounting books and submitting them to the designated external auditor for the

preparation of an audit report. The external auditor is then required to furnish the Board Members with the audit report within three months. To facilitate a timely audit report, the Financial Manager must promptly provide the external auditor with all necessary information and documents. Additionally, a copy of the audited financial report is shared with each donor.

## **11 REPORTING TO A DONNOR**

We report to the donor as will be agreed upon in our arrangement. Our reports include a narrative section describing the detailed activities completed during the reporting period and a financial report outlining all expenses throughout the agreement's timeframe. These reports, provided in the appendices should be tailored to meet the specific requirements of the donor.

In some cases, during the project, we may need may arise make adjustments to planned activities for improved outcomes. However, we always seek consent from the donor before making any changes to the project execution.

## **12 STAFF ADMINISTRATION**

### **Salary payments**

Salaries are paid in Indian Rupees by the end of each month. Taxes are deducted as per legal rules. Employees receive a pay slip with details like the organization's name, employee's name, payment period, basic salary, itemized deductions, and the net payment due to the employee. The salary is usually transferred electronically on the last day of the month for which it's due. All deductions are made in Indian Rupees and are sent to the designated account.

### **Income tax registration of employees**

Employees must register with the Income Tax Registration Office for TDS (Tax Deducted at Source) deduction where applicable. The recipient issues a registration certificate displaying the taxpayer's registration number. The Financial Manager should retain a copy of this certificate.

## **13 NGO's equipment and Facilities**

Each piece of equipment should have a work ticket, detailing its purpose and the source of funding, provided by an authorized person.

Key records to be maintained include:

- A purchase book for recording all purchases and returns.
- A sales book (if applicable) for recording all sales and returns.
- A cash receipts journal linked to the sales and purchase books, capturing all cash transactions.
- Bank statements reflecting deposits and withdrawals.
- Copies of supporting documents for entries in the books/journals, appropriately linked.
- Registration of goods should be recorded, including newly acquired goods during the year.
- Conduct an annual inventory (if applicable) and retain the inventory records, alongside any other inventories conducted throughout the year.