

FINANCIAL POLICY

OF

THE SOCIETY FOR WELFARE, ANIMATION & DEVELOPMENT



**SOCIAL SERVICE CENTRE
CONVENT ROAD, RAYAGADA- 765 001, ORISSA, INDIA**

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FINANCIAL POLICY OF SOCIETY FOR WELFARE, ANIMATION AND DEVELOPMENT

SWAD, the developmental wing of the Catholic Diocese of Berhampur, Odisha, India, since 1993, has been walking with the poor in eight districts of South Odisha.

SWAD **envisions** building a just, equitable peaceful, harmonious, inclusive and self-reliant society that is rooted in love. SWAD **mission** is to promote livelihood, education, health, gender equality, environmental justice, human rights and dignity of all-especially that of the poor and the marginalized such as Tribals, Dalits, Women and Children through the process of non-violent conflict transformation and participatory sustainable development.

SWAD is a charitable Society. It seeks to accompany the journey of the poor toward peace and development with the generous financial support of partners from home and abroad. It carries out all its activities in a non profit manner. The precious financial resources that its friends and partners give in trust need to be managed in an efficient, transparent and honest manner. The executive committee along with its program staff is mere steward spending the money that others have entrusted to them. This is the spirit and philosophy that guides the financial policy of the Society for Welfare, Animation and Development.

Scope: This policy has been designed to help for strengthening the Financial Management System. The manual focuses on financial and accounting aspects of funds/grants received and utilized by the organization. Some of these aspects are connected to the issues such as FCRA and Income tax.

SWAD is committed to the objective of maintaining a professional and qualitative financial management system with high standard of accountability and transparency in fund received and utilized.

Financial Year

SWAD follows the financial year starting from 1st April to 31st March. Our accounts are designed to follow this system. For reporting to funding agencies we are following the period from the date of project started and the date of project ended.

The Following policies are the Financial Policies of SWAD:

1. ACCOUNTING AND RECORD KEEPING:

Establishing proper book-keeping system is a very important aspect of the Financial Management System. All the funded projects are maintained by separate cashbook and ledger other than FCRA cash and ledger book. The cash book and ledger book are maintained on double entry basis. The organization maintains the following basic accounting records.

- Cash book
- Ledger book
- Journal
- Fixed asset register
- Stock register
- Vehicle log book
- Salary register/records

- Procurement related documents
- Payroll and timesheet records

2. BANK TRANSACTIONS:

SWAD carries out all its financial transactions through bank accounts that are operated through multiple signatories. No savings account may be opened or operated without the President, Secretary and the Treasurer being the signatories collectively. For the sake of operational facility signatures of any two of the above core executive committee members should suffice to deposit or withdraw funds from the savings accounts. Besides the FCRA account, the executive members are allowed to open savings account in other nationalized banks for general or specific savings/transactions.

- a. The bank account will be maintained in the name of “Society for Welfare Animation and Development”
- b. Any change in signatory will be intimated to bank at the earliest.
- c. The treasure will maintain a file for bank statements based on rules and regulation of the state.
- d. The finance officer shall prepare BRS on monthly basis which is to be approved by director.
- e. The unused cheque will be with the custody of other than a signatory of bank account. A cheque register will be maintained to track the cheque books.
- f. SWAD prohibits signing of cheques without particulars and amount.

3. RESOURCE MOBILIZATION

The Core Executive Members (President, Secretary, and Treasurer) should strive hard to mobilize local and outside resources to financially support the programs and expenses of SWAD. As a bonafide social service organization, SWAD should not receive money from unknown sources or the ill gotten wealth of any criminal elements.

4. CORPUS FUNDS

In order to give continuity to its works of human promotion and charity, SWAD should set up corpus funds toward (a) Organizational Development, (b) Human Resource Development, (c) Emergency Relief, (d) Educational Assistance to the Poor Students, (e) Campaign against Hunger & Disease. SWAD should carry out fund raising and deposit the designated donations into the above mentioned funds for which the donations are received.

5. POLICY ON REMUNERATION FOR THE PROGRAM STAFF

The Human Resource Policy of SWAD mandates that a minimum honorarium of Rs. 5000/- for the Community Organizers, Rs.12,000/- for the Coordinators and Rs.15,000/- for the Program Managers be given every month. Hence, SWAD should request the Funding Partners to respect this salary package. In case a Funding Partner has a thirteenth month salary during the program year for the program staff then SWAD may persuade the staff member to save the amount in the ‘Staff Welfare Fund.’ In the same way if the pay package of a project exceeds the amount stipulated in the ‘Remuneration Policy’ then the staff may be persuaded to save the difference amount in the ‘Staff Welfare Fund’ of SWAD.

6. STAFF WELFARE FUND

SWAD should set up a 'Staff Welfare Fund.' SWAD should deduct ten percent from the remuneration that is built into the projects and save the amount in a special Bank Account. The saved amount cannot be availed by the staff until they resign from SWAD or their service gets terminated by SWAD. Interest earned also can be proportionately distributed among the staff member.

7. POLICY ON LOANS IN TIMES OF NEED:

In times of need staff members may avail loans from the 'Staff Welfare Fund.' Loans taken from the 'Welfare Fund' should be returned within the same financial year. A staff member may avail only one loan in one financial year and the amount is not to exceed more than 50% of his/her total savings held at the 'Staff Welfare Fund'.

8. POLICY ON RECOVERY OF LIABILITY:

In case a staff member causes liability in his/her handling of the program expenses or assets of SWAD, it may be recovered or restituted from the savings of that person kept at the 'Staff Welfare Fund.'

9. ANNUAL BUDGET

The Executive Members of SWAD should prepare an annual (April to March) General Budget for the ordinary and extraordinary expenses of the Organization showing at the same time the possible source of income for those expenses. The Governing Body should approve the budget at the Annual Budget Session. The Executive Members of SWAD should also prepare an annual (April to March) budget for each project. The Executive Members should timely correspond with the funding partners for the necessary fund flow so that the programs do not get interrupted and the program staff does not get affected.

10. ADVANCE FOR THE PROGRAMS

SWAD should advance money for all the programs. The implementing Partners or the Program Managers/Coordinators should submit action plans along with a financial requisition request on prescribed formats on a monthly basis on or before the 25th of every month. For some programs this requirement may be applied on a quarterly basis if the executive committee so decides. No further advance should be given to any implementing partner or program coordinator unless documentary proofs for the liquidation of the advance taken are submitted to the finance department of SWAD.

11. SYSTEM OF PAYMENTS

All payments above five thousand rupees should be made through cheques. Salaries and payments in settlement of bills for procurements should always have to be through cheques. The Executive Director may allow the salaries of the grassroots Community Organizers from the remote areas to be paid through bearer's cheques or through a cheque made out to the Program Head. Deduction of service taxes (TDS) as per the requirement of the income tax department of the Government of India should be adhered to very strictly.

Payments above five thousand rupees may be allowed to be paid through cash if the recipient refuses to take a cheque.

No payments should be made to anyone outside the office hours (10 am to 4.00 pm) and after the 10th of every month. Only in emergency situation this policy may be relaxed. Provision for payments should first be cleared by the finance department before the Secretary cum Executive Director is approached for approval. Only after the approval the cheques and vouchers are to be prepared by the accountants.

12. SYSTEM OF CASH DISBURSHMENT AND CASH RECEIPT

SWAD will disburse cash for the procurement of goods and services, advance to the staff and vendors. Following steps should be followed while disbursing cash:

- a. A request by staff/vendor
- b. Finance officer shall review the request based on budget/fund availability. In case of advances, the existing unsettled advances against the requesting staff/vendor shall be reviewed.
- c. Request should be approved by director upon reviewing by finance officer
- d. Disbursement voucher to be prepared for approved request and same to be entered into the tally.
- e. Payment to be made by treasurer/finance officer with a acknowledgement from payee.
- f. In case of refund of cash, this has to be deposited to the treasurer by preparing a receipt voucher.

13. SYSTEM OF LIQUIDATION

Implementing Partners and Program Managers/Coordinators of SWAD should follow standard system of liquidation of money taken for program costs and procurements. Proper bills, vouchers, testimonials, reports, participant's list, photos, etc should be submitted as valid documentary proofs for the liquidation of the advances taken.

14. CASH FLOW FORECAST:

On the 28th of each month the Finance Department of SWAD should prepare a 'Cash Flow Forecast' for the program as well as general expenses of the Organization that is required for the coming month.

15. BUDGET ADJUSTMENTS:

SWAD should inform Funding Partners and get prior permission if more than 10% of changes are required to be made in the financial plan (approved budget) of any project.

16. POLICY ON UNSPENT FUNDS:

All the unspent or balance amount of the projects should be strictly considered as that of the Funding Partner. SWAD should faithfully follow the directives of the Funding Partner for the liquidation of such funds. The Secretary cum Director should write to the Partners with specific plans seeking permission to use such funds.

17. MANAGEMENT OF PETTY CASH

The Treasurer of SWAD is allowed to keep only five thousand rupees (Rs.5000/-) in cash for the day to day management of the Organization. The Petty Cash is to be kept in a Box locked and the box be placed in a safe place. The Secretary/Director is to scrutinize and seek an account of this provision at the end of every month. Surprised checking of petty cash balances to be done by a designated staff other than custodian of petty cash once in a month.

18. MAINTENANCE OF THE DOCUMENTS OF RECEIPTS AND PAYMENTS (BOOK KEEPING)

All documentary proofs related to receipts and payments should be carefully maintained by the accountants under the supervision of the Treasurer. Accounts should be digitalized or computerized with latest version of computer software like tally and the back up to be kept at regular intervals to protect the files from piracy or virus. The Secretary cum Director should oversee the accounting of SWAD every month. No unauthorized persons should be given access to computers or files with accounts of SWAD. Tally back up of the particular project should be sent to the funding agencies periodically as per the requirement of the agencies. Books of account for each project will be maintained separately in accounting software. Separate password shall be given for each project/company. Finance officer should maintain the confidentiality keeping the ID and password and same shall be shared with the director.

19. PROCUREMENT (ACQUISITION) OF FIXED ASSETS

All the implementing partners and staff members of SWAD should strictly follow the following procedures for the procurements (acquisitions) of fixed assets:

- a) For goods and services at least three comparable offers must be obtained. The contract should be awarded to the most favourable bidder and deviations will have to be justified. A price comparison (bid analysis) should be submitted to the Purchase Committee. Only after a comparative study should the approval for purchase be given or works order/hiring of services be done.
- b) A documentation of the process followed should be kept and presented for scrutiny before any legitimate authority like the funding partners or the financial auditors.
- c) When purchasing from a local or a small vendor or service provider from whom no formal request for the bids can be made, care must be taken to ensure that the current local market prices are not exceeded. The financial report must be accompanied by official records showing local market prices.
- d) The quantities and the price specified in the budget may not be exceeded without prior consent by the donor and the Executive Director. The target must be reduced correspondingly if prices are exceeded. If prices are lower, the quantity may be increased correspondingly.
- e) Tax benefits (e.g. exemption from value added tax) must be claimed.
- f) Relief goods must be marked with the name of the Donor and SWAD before distribution. This mandate and charter to mark the goods with Donor's name may be exempted only if hostile situation in the ground is seen to endanger the safety of personnel involved in transportation and/or distribution.

20. DISPOSAL OF FIXED ASSETS

Unless otherwise explicitly given a direction by the Funding Partners for the disposal of fixed assets created by the project fund, SWAD should follow its policy of having a discussion at the Core Committee of the Executive Members (President, Secretary, and Treasurer) and enlist the assets as the assets of the Organization. This should, however, be taken up at the next Governing Body Meeting for validation. Neither implementing partners nor Program Managers are allowed to sell or alienate fixed assets created with SWAD fund or with the fund of the Funding Partners.

21. POLICY ON EQUIPMENTS:

Equipments (Computers, Camera, Printer, Scanner, Copier, LCD Projectors, etc) that are purchased with the financial assistance from Funding Partners should be primarily used for the programs for which they are procured. Once the program period is completed all such equipments should be enlisted into the asset list of SWAD and validation is to be sought from the Governing Body. Neither implementing partners nor Program Managers are allowed to sell or alienate any equipment created with SWAD fund or with the fund of the Funding Partners. Deviation may be allowed only if the Funding Partner gives a clear directive contrary to the above policy.

22. POLICY ON PURCHASE COMMITTEE

SWAD should have a 'Purchase Committee' consisting of six members who do not have any executive power at SWAD. The President, Secretary and Treasurer should not be members of the purchase committee as they are the approving authority in the Organization. The members are nominated or selected by the Governing body. This committee should assist the Secretary and the Treasurer in taking a decision through bid analysis for the procurement of assets and other goods and services.

23. VEHICLE MANAGEMENT POLICY

The Executive Members of SWAD should utilize the vehicles available at the Organization to monitor and administer the programs and activities. They should maintain and pay for the expenses from the program costs for which they may be used.

The Program staff of SWAD should utilize the vehicles made available to them by SWAD or by the Funding Partners to strictly implement, monitor and administer the programs. The vehicles are to be maintained from the budget that is set aside at the project. At the completion of the Projects the vehicles are to be returned to SWAD headquarters. Unless the Funding Partner gives explicit directives for their future use, such vehicles are to be enlisted into the asset list of SWAD and should be utilized for general purposes or for the implementation of other projects. Under no circumstances a staff should sell or alienate a vehicle without the explicit permission from the Secretary cum Director. The Governing Body will have to give its approval for the disposal of vehicles.

24. POLICY ON TRAVEL ALLOWANCES:

All the Program Staff at SWAD should get a consolidated pay including Travel allowance. If a program/project provides for special or extra travel allowance for the Managerial Staff built into its budget allocation then only the actual expenses should be paid. The staff is not claim the entire allotted amount as their due. The office or administrative staff too should get travel allowance if they are to travel for meetings and seminars or to dispense their responsibilities. When Funding Partners reimburse travel expenses for meetings and project related workshops then the staff is obliged to reconstitute the advance taken from SWAD.

25. POLICY ON ALOCATION OF COMMON COST:

SWAD shall charge the common cost to each project based on the budget allotted in the project. These common cost includes telephone, electricity, eater, postage, office rent, hospitality, stationeries, printing, general travel such as travel to bank, representation for the organization etc.

26. POLICY ON FINANCIAL TRANSACTIONS IN TIMES OF EMERGENCIES

In times of emergencies the Core Executive Committee Members which consists of the President, Secretary and the Treasurer should take decisions for appropriate financial transactions. They are obliged to consult with other members of the Governing Body or at least share the decisions later.

27. ASSET REGISTER

SWAD should maintain an 'Asset Register' with an updated list of assets it owns. Twice a year the Asset Register should be updated. The Secretary cum Director is to be responsible for the maintenance of this register.

28. MISUSE OF FUNDS

The Secretary cum Director is obliged to inform, after discussion with the Governing Body, to the Funding Partners if some serious misuse of program funds has taken place along with 'the action taken report.' The Executive Committee should take responsibility to complete the program as is planned or follow the directives of the Funding Partner.

In case one of the members of the Core Executive Committee (President, Secretary and Treasurer) is suspected of financial mismanagement then the Governing Body is to act quickly and after a proper enquiry relieve the person from his post. Funds misappropriated should be reconstituted by the person in concern. If necessary the Governing Body should take recourse to legal actions against the person.

29. NOTIFICATION OF OTHER FUNDING SOURCES

Under the principle of transparency and as sign of respect for the partnership SWAD should report any matching grant it receives for a specific program simultaneously to all the partners involved.

30. STOCK REGISTER

The accountant or someone working for the documentation at SWAD should maintain a 'Stock Register' of stationary items and other office needs and is to distribute such items as per the requisition submitted by the staff members.

31. POLICY ON FINANCIAL AUDIT:

The Governing Body, of SWAD should carry out internal auditing of its financial management and financial efficiency annually. The Executive Committee should allow Funding Partners to audit and check financial management of a particular project or the entire system.

SWAD should get its receipts and payments audited through a reputed chartered accountant, file its returns with the FCRA department of the Ministry of Home Affairs and with the Income Tax Department annually.

SWAD should compile and share through its 'annual reports' its audited balance sheet of receipts and payments after it has been approved in its Governing Body.

32. RETENTION OF ITS AUDITED REPORTS:

Even after the programs are completed and reports are shared with the concerned Funding Partners, SWAD should retain and conserve all its audited financial statements for a period of ten years.

33. PERIODIC REVIEW AND ASSESSMENT

SWAD reviews its financial management policies and scrutinize its efficiency every three years. However, it should have an annual evaluation on the financial management of programs and projects with the Charter Accountant and with all the available Funding Partners. SWAD organizes workshops/seminars to improve its efficiency on financial management at regular intervals.

34. APPROVAL CHART:

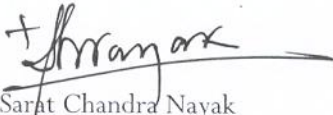
SWAD shall maintain following chart of authorization for different amount and type of expenditure. No employee/executive body members are allowed to approve his/her own expenses.

Sl. No	Type of transaction	Approval authority
1	UP to Rs. 5000/-	Treasurer
2	Rs.5001/- to Rs. 10000/-	Director
3	Rs. 10001/- to Rs. 20000/- (from SWAD corpus)	Executive body

4	Rs. 10001/- to Rs. 20000/- (from approved project budget)	Director
5	Above Rs. 20000/-(from SWAD corpus)	GB
6	Above Rs. 20000(from approved project budget)	Director

35. COLLABORATING WITH OTHER NGO PARTNER FOR PROJECT IMPLEMENTATION:

- g. SWAD may collaborate with other registered grass root NGO as partner for implementation of project as per requirement.
- h. IN case of FC funded project, only the NGOs who are registered for receiving such fund shall be considered for partnership.
- i. SWAD shall conduct an assessment with its standardized format before signing agreement.



Bishop Sarat Chandra Nayak
President

PRESIDENT
SWAD.RAYAGADA



Fr. Joseph Valiaparambil
Secretary cum Director

DIRECTOR/SECRETARY
SWAD.RAYAGADA



Fr. Sushil Kumar Gouda
Finance Administrator

FINANCE ADMINISTRATOR
SWAD.RAYAGADA