



**CENTER FOR COMMUNITY DEVELOPMENT  
(CCD)**

# **FINANCE POLICY & PROCEDURES**

**Prepared By**

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## **Finance Policy and Procedures**

**I. Introduction:** The policy aims at providing a rational and legal finance management system in the organization and the procedures aims at providing means to the policy implementation. CCD mainly raises funds as grants for development projects from donors (govt//non-govt). it can take lone and raise its own revenue. The policy aim at how rise and spend money within the contractual frameworks and within the legal frameworks. It spends money on programs and personnel directly and also work through communities. It sometimes provides its own resources to a project that ask for participatory contribution. In such a complex environment, the policy helps to make thinks simpler and easier.

## **II.Methods of Accounting**

According to 1997-98 income tax circulars, all VO's are required to maintain their books of account either in cash or in mercantile system of accounting on regular basis. In CCD, the mercantile system is followed. Here goods and services purchased/availed are recorded as assets or expenses at the time the goods/ materials/ services are availed irrespective of the fact as to whether actual payments are made by cash or bank or not by the org. similarly revenue including grants/ donation are recorded at the time when they are earned.

### **Factors of Accounts: Double Entry System**

- a) The business has to enter business dealings with a number of person or firms. So an account of each person or firm with whom the business has sealing is opened. Such accounts are called as personal Account.
- b) The business must necessarily have some assets as stock, cash furniture etc. for which an account of each assets is opened. Such account are called as real or property Account.
- c) There must be certain sources from which the income of business is derived. Similarly certain expenses must be incurred to earn the income. Therefore, an account of each expenses and income is opened in the book. Such accounts are called as nominal or fictitious Account

## **III.Books of Accounts to be maintained**

- |  |                           |
|--|---------------------------|
| 1. Cash book (General/project wise)    | 7. Stock/ Asset Register  |
| 2. Ledger book (General /project wise) | 8. Mutual fund            |
| 3. Salary register                     | 9. Staff advance register |
| 4. Attendance register                 | 10. Telephone log book    |
| 5. Vehicle Log Book                    | 11. Production register   |
| 6. Leave Record                        | 12. Sales register        |

- 13. Training/ workshop register
- 14. Public contribution register

## 15. SHG Accounts

1. **The object of cash book** is to keep a daily record of the transaction relating to receipts and payments of cash. The number of transaction relating to cash is usually large, because most of the transactions are done through cash. This shall be done for projects separately.
2. **Ledger** account is summary statement of all transaction relating to person, asset, expenses, income, which takes place during a period of time and show their net effect. From the ledger account one can be easily able to know the head wise effect of different transaction. This shall be done for projects separately.
3. Salary registers are required to be maintained at each project level; according to the new salary structure worked out and circulated earlier.
4. Attendance register is a must for coordination office staff (Admn. Staff) and in case of project staff attendance register must be maintained at project level.
5. Vehicle log-book should show clearly the purpose for which the vehicle is use, P.O.L. used including POL filling and at the end of the month abstract of P.O.L used, repair and maintenance cost to be abstracted and countersigned by appropriate authority.
6. Keeping of staff leave project-wise and centrally is must and the same information should be intimated by the programme officers to the accounts department every month, at the time of settlement of advances etc.
7. Account Dept... Is keeping assets registers (non consumable and consumable separately) of the organization as a whole. It is also advisable for all programme officers to keep their individual asset registers of projects for cross verification and audit.
8. Mutual Funds Register is maintained at head office only and details of loans sanctioned against mutual fund deposits and recoveries thereof are maintained in the mutual fund register and ledger at the head office only. However, project level records should be maintained to facilitate deduction, recovery of lone and balance confirmation.
9. Staff advance register are maintained at head office only, because as per our policy no advance can be given unless it is approved by the appropriate authority of the organization. The details of the advances will be regularly intimated to the persons concerned.
10. Telephone log book are to be maintained at each project level, where telephone has been provided. Format of telephone log book is encloses with his guidelines and no format can be made for personal call non-official calls and every month before the

payment is made that must be analyzed by the project cashier and the bills be charged accordingly.

11. Production register maintenance is compulsory at the production unit as per the prescribed Performa of register of registers enclosed along with guideline.
12. Like production register sales registers are to be maintained at the sales unit positively as per the prescribed format enclosed along with this guidelines.
13. Training/ Workshop records is to be maintained at each project level in the prescribed formats showing the programme title, dates and place of training/ workshop. Copy of training/ workshop record for each programme must be enclosed along with the bills for the concerned programme.
14. Since, public contribution as well as beneficiary contribution is one of the integral part of all the programme, it is essential to maintain a public contribution register at each project level in the prescribed format and for each type of contribution separate folios are to be maintained and abstract of the same must be submitted to the Accounts Department in the prescribed format.

#### Books of A/c's (subsidiary)

1. Journal – Book of Original entry.
2. Cash Book – To record cash receipt & payments
3. Purchase Book or invoice Book – to record all credit Purchases
4. Sale Book – For Recording all goods sold on credit
5. Sales return Book – For recording all sales returned by customer.
6. Purchase return Book – For recording all purchases returned to creditor.
7. Bills receivable Book - to keep a record of bill receive from customer.

Bill payable Book – to keep a record of bill payable to creditors

All transaction in subsidiary nature are first entered in the journal in the order in which they occur and from the journal they are posted to the respective accounts in the ledger at any convenient time. Besides the above subsidiary records other relevant records as mentioned in general Account guideline has to be maintained by the unit for smooth and effective functioning of the unit.

#### **IV. Cash Flow Analysis**

Cash flow analysis is one of the most important factors of financial management and control. Cash flow analysis is essential at all levels as this ensures timely requisition and allotment of funds and organization of programmes and activities as per the planned scheduled effectively. To maintain effective cash flow in time the following factors must be taken into account.

1. Requisition for funds should be sent to the donor in time , budget along with programme plans planned quarterly should be submitted to the accounts dept with due approval of coordinator at last 30 days before the beginning of each quarter.
2. No payment can be made to projects or programs unless funds for that purpose is received or earmarked by the approving authorities.
3. Total requisition should not exceed the total budget and that should not be approved in any case,. Further requisition for funds must clearly show the purposes and dated of requirements.
4. All advances/ transfers to project/programmes shall be transferred to the project accounts except central office level procurement/ expenditures for the concerned projects as per the direction of secretary. No funds shall be transferred to the project unless project level accounts level accounts are opened and operated.
5. Personal loans/advances can be sanctioned by head office subject to availability of deposits of the person concerned as per the rules.
6. While preparing the advancer requisition their staff concerned should follow their approval budget and budgetary analysis, as well as the accounting guidelines.
7. While preparing the advance requisition the staff concerned should follow the approval budget and budgetary analysis, as well as the accounting guidelines.
8. Requisition should be placed as per approved budget heads only where there is budget balance, if there is no budget head, no requisition should be submitted.
9. In case of deviation in budget head due approval must be taken from approving authorities subject to provisions under the project and such deviations must not exceed the total approved provisions of budget.
10. Details of outstanding advance on programme heads should be submitted to accounts department at the time settlement of advance to facilitate budgetary analysis and this is must.

## **V. Requisition procedures and Settlement**

The project staff shall prepare the statement of expenses and other details of the month in prescribed format along with bills, vouchers and other details; submit the same to the account dept. by the 7<sup>th</sup> of the next month along with the requisition for the forthcoming month. (E.g. along with April account settlement June requisition to be submitted by 7<sup>th</sup> of May).

The account dept. will verify and consolidate the expenditure/accounts settle and the requisition and place them before the 20<sup>th</sup> day of very month for approval of expenses advance requisitioned. At approval the advanced for the subsequent month will be transferred to the project account.

### Supporting Documents during Settlement

While making any payment everybody should ensure the payment while they make, against that sufficient proof should be obtained to justify the expenses. Always printed bills/ receipts are preferable proper hand receipts should be prepared. Besides all this one important aspect must be noted that where the expenses is Rs.500/- or more, one rupee stamp must be affixed by the receiver along with signature over the stamp.

### IMPORTANT & MUST

“All expenses vouchers are required to be passed by the concerned passing officials along with authentication certificate and the passing official should also see whether the purpose of the expenses is clear of not and the person making the expenses has duly signed on that or not. The expense incurred by the project heads of the supporting of expenses department in any

Case”. Statement of accounts should be prepared by the project staff at the time of settlement, should be signed”.

### Description of Important Expenses

In case of NGO Accounts there are some specific programme expenses for which the officials concerned must provide due care.

Such as –

1. Workshop/ seminar/ convention/ team expenses
  2. Travel expenses
  3. Consultancy
  4. Resources person fees
  5. Printing/ publication
  6. Overhead or direct expenses
  7. Non-recurring expenses
1. In case of workshop/ seminar/ convention/ team expenses, the participant list with signature of participants is required and all the expenses for the particular programme such as, lodging, fooding, traveling etc. should be calculated and all the bills/ vouchers must show the number of participant while raised. The total expenses also should be within the budgetary provision and the participant list, photograph, reports etc. must be enclosed along with the bills/ vouchers placed for settlement approval.
  2. In case of travel expenses the TA bill formats must be used (regular touring persons must submit TA bill of the whole month in one format and occasional touring persons in single tour TA bill format) All expenses relating to travel such as DA, lodging, ticket, fuel, hiring etc. should come under that and except DA other expenses should have printed and authenticated supporting.
  3. In case of consultancy and any type of assignment job such editing, report writing translation, evaluation; training etc. no payment can be made unless agreement is

executed with the party by the coordinator. Details of expenses incurred by the consultant is required, only proper receipts against the payment made to consultant is required. If the consultant has his own official receipt and pad he can receive on that, otherwise ODDM's debit voucher must be signed with revenue stamps and seal (if possible).

4. Like consultancy; payments made to resource persons, there should be certain and clear cut basis of that payment. This case is similar as in consultancy case.
5. Printing and publication are being taken up by the administration/ Accountants department at head office on submission of materials and requisition for the same with details of size and numbers etc. however, in case of printing and publication, before placing any order three quotations are must from three parties where the cost of order is Rs. 2,000 or above order should be placed to the party whose quotation like what should be the mode of payment, delivery duration, quality quantity etc. while making advance payments to any party printed advance receipts must be obtained in that respect. At the time of final payment the party is required to give final bill with final money receipt, which are quite essential for accounts.

#### What is Bill and what is Receipt

Always payments are made on bills, Bills shows data, details of work assignment to the party, rate and amount. Bill amount may not be equal with receipt amount. Bill are always subject to charge .But receipt cannot be changed. After making the payment to the party, the payee gives the money receipt duly signed along with revenue stamps. But in some cases it is found that bill and money receipt are combined to one i.e. cash memo. Where there is no bill cash memo is accepted. Cash memo shows details of expenses whereas money receipts only shows, the amount received by the party.

1. In case of overhead or direct expenses, payments are made directly on receiving proper receipts such as salary, house rent, electricity, telephone etc. but one aspect is important before making the payment should sign on that, as part of requirement.
2. In case of non – recurring expenditures, these expenditure do not come regularly. Normally, fixed assets are placed in this category. Direct expenses or a direct purchase is not permissible. For this purpose minimum expenses or direct purchase is not permissible. For this purpose minimum 3 quotations are necessary before placing the order for purchase of such items. Final trading is approved on lowest quotation after preparation of comparative statement of quotations received for the purpose. In case of fixed assets, payment amount to Rs. 5,000/- pr month should not be paid in cash it should be either by cheque or DD. Here in this case quotation challan bills and money receipts are must for accounting and auditing purpose.

### Passing of bills & vouchers

The Bill and vouchers should be passed and approved by the authority for day to day transaction in every day or in the most worst cased the voucher should be passed at the end of the week.

## **VI. Asset Management**

1. Normally, assets procurement and management is taken up by the administration / Accounts departments at head office level. However, in case of special requirements with due approval of the head office assets may be procured at field level. At procurement the same must be intimated with all details for inclusion the central assets stock book.
2. The assets placed at local offices shall be maintained by the local office. In case of vehicles before major repairs, the same be approved by the administration /accounts department.
3. Insurance of vehicles, Annual Maintenance contract (AMC) etc.is usually being done by the administration unit. However, the assets located at field level, especially the vehicles being maintained by field office insurance of the same shall be done at their level with due reports of the administration.
4. Office vehicle allotted to the personnel are object submission of undertaking in prescribed format and copy of valid licenses. Maintenance of the same shall be done at their level with due reports to the administration.

## **VII. Income Generation from sales of Book etc.**

In case of income Generation programme the books of accounts are maintained separately. The income created out of the business is kept separately sent for that business only after obtaining permission of the approving authorities of the organization. The in-charge of the IGP unit is required to submit their monthly income expenditure accounts to the accounts department as per settlement procedure. Sources of income include:

01. Sale publication, report press clipping etc.
02. Sale of cards, show tickets and other items not specified above.
03. Disposal of old assets, papers, land or any others.
04. Income from Xerox, vehicle, telephone and rent/recurring if any.

To be followed as per the provisions laid down in the staff policy.

## **VIII. Salary register / honorarium register**

The organization should separately maintain the salary acquisition Register for the concerned project staff like full timers and part timers and month wise in details. Loss of



pay will be calculated as per provision and remain in project fund of that project. There shall be monthly payment in cash or cheque.

## IX. Travel Payments

To be followed as per provision laid down in the staff policy.

1. Rate of Reimbursement: The monthly rate of TA/DA reimbursement shall be within the limits prescribed from time to time.
2. Mode of travel :
  - a) In normal practice all the tours to places with public transport facilities shall be covered only by public transports and TA will be claimed in actual.
  - b) Where public transport is not available office motorcycles may be used subject to maximum distance coverage of 80 Kms distance including to & fro journey. All travels must be entered in the log book and photocopy of log must be enclosed with TA bills for reimbursement of P.O.L (petrol, Oil, Lubricants).
  - c) Chief functionary and senior personnel and EC members on duty can use cars, 2<sup>nd</sup> AC etc.

The organization has fixed a travel policy to its staff members for their travel within the district for Rs.30/- for senior staff and Rs.20/- for junior staff and Rs. 10/- for volunteers as a D.A/ tour allowance and outside the district, it has fixed Rs.75/- for senior, Rs 50/- for junior staff and Rs.30/- for volunteers and for above 100kms distance it has fixed Rs. 200/- as a T.A.D.A to the staff.

### 01. Use of Office Vehicle:

- a) In case of use office vehicles (LMV) and contract carriages (taxi), such travels shall usually not be except prior approval of project Head, Secretary.
- b) No office vehicle as a matter of practice shall be used for personal purpose. However in case of emergencies or bare necessities office vehicle may be used with prior permission of immediate authority. Such travels shall be entered log book showing

Personal in purpose of use column and the P.O.L. expenses shall be recovered from the user. During tour of programme personnel all office vehicle must be kept at the office only, if such tours exceeds two days.

## X. Personal Loan & Salary Advance Rule

1. Salary advance will be made after the 15<sup>th</sup> of any month on request, subject to availability of funds and the emergency need of person. The advance will be not more than 50% of net salary due to at the end of the month, and will be wholly recovered in that month. However salary advances cannot be claimed as a matter of regular practice or right.

2. Loans and advances for marriage, purpose of assets, and heavy medical expenditure and such other circumstances may be sanctioned by the coordinator and finance executive. Such loans and advances must be repayable in equated monthly installments not exceeding 25% of net salary. And in number of installment not going beyond 10 months or period of employment whichever is earlier. For such advances applications addressed to the coordinator at least 30 days before the date of requirement showing the purpose and necessity of such loan as well as the proposed rate and month of deduction from salary.

## **XI. POLICY ON PROGRAMME ADVANCE**

The programme Advances are provided to the concerned program staff basing on the following requirements.

- The program Advance Requisition Form should be duly filled and approved by the secretary.
- The advances should be settled within the week i.e., on Saturday, unless and until the previous advance is settled, the next advance requisition cannot be approved, in the most worst cases the time for the settlement of advance dues shall be within 10 days.
- The advance should be provided according to the weekly planned advance programme.
- Project advance planning for the program is to be done by the project staff at the end of the month.
- It has be reached the office/ finance department within 1<sup>st</sup> week of the following month after the approval of the secretary for preparing the financial arrangements.
- According to the Advance planning the finance Department will provide the required money as per the budget Allocation with due approval of the secretary.

### **Procurement of assets and inventories**

The organization has to look after the basis norms for purchasing of assets and inventories for getting proper quotations b(price list), at least 2 or 3 from the concerned firms and to purchase lowest available price according to the cost analysis of the articles assets.

## **XII. Insurance policy**

The organization has to look after the insurance coverage for the movable and immovable assets with a view to protect from theft, fire and other unavoidable incidents.

## **XII. Budgetdeviations**

The finance Department/the Account will look after carefully the budget deviation, which is practically not applicable in account practice. The decision in this regard has to be taken

by the chief functionary. Normally ten percent deviations are acceptable. But the chief Executive has to look into donor-agreement papers and take permission of the donor wherever required to approve the deviations.

### **XIII) Legal Financial Compliances**

The chief functionary should see the legal compliance of the organization by submitting timely returns to society Registration Authority, FCRA authority, income Tax authority etc. for proper function of the organization.

The organization has to look after the donor's requirements as per the guidelines of the donors to submit monthly/ quarterly/ yearly statement of accounts and annual progress report etc. in a uniform way.

### **XIV. EC/GB Approvals**

All the projects shall be approved by the executive council before they are submitted. In case of lack of time, the project can be passed later with retrospective effect.

The Annual audited statements of all projects and the general Body as per the SR act shall pass the organization. The auditor shall be appointed by the EC/ general Body.

The EC/general Body, in line with the contract compliance of the Donor agency, shall approve the assets acquisition and sale.

The Secretary of CCD is accountable for all financial transaction.

## Annexure – 1

**NATURE OF EXPENSES AND SUPPORTING THERE OF**

<b>S.N</b>	<b>Budget Heads</b>	<b>Nature of expresses</b>	<b>Required Supporting</b>
1.	Training /workshop	Honorarium to resource Fooding list of participants Loading Travel of RPs & participant Tent house/decoration/ mike/ light Leaflets/banners  Files/ pen/ paper, etc. Transportation  Resource materials/reports	Signature with stamp on voucher Hotel bills/ hand bill Hotel bill List of participant with Fair & sing Bill/ Photo negative Bill & money receipt With sample copy Bill/ money/ Receipt Bill/ voucher with Signature with vehicle no Publication bill & money Receipt with sample copy Report & photographs
2.	Travel	T.D D.A Vehicle repair/maintenance Transportation (Taxi, bus/ air /rail)  Taxi hires charge (Hired from CPSW's Authorized/approved agency in Case hire from Bhubaneswar )	TA Bill As per norms Fuel bill, repair bill, entry in log book Bill/ voucher with vehicle number & signature permission of coordinator Duty slip Bill Money receipt
3.	Salary	Salary  Allowances Honorarium Wages	Salary register, circular (Leave register / rules / Appointment order) as per norms As specified above As specified above in case of wages muster roll to be maintained
4.	Consultancy/ research	Consultancy charges activities  Publication Reparation (writing/editing) TA/DA of research person Contingencies Evaluation	Agreement, bill , M/R report of consultant Quotation / publication bill M/R Agreement / order/ bill as per norms Bill/ voucher with justification Agreement order /bill
5.	Coordinator	House rent  Electricity	Agreement, signature on stamped Voucher Electricity bill

		Water Telephone Postage & Printing Account salary Office Asst. salary CP-IV salary Typist/ computer person salary Advertisement	Water bill Telephone bill Bill
6.	Non recurring	Construction          Assets procurement	Design, estimate, agreement it assigned to contractor material bill receipts Measurement book quotation in triplicate costing above 2000 Comparative statement Bill and money receipt DD/cheque payment for assets above costing more than ra.5000/-