POLICY DOCUMENT
Foundation for Development Initiative (FDI)

Finance Policy

Sources of Funds

NGO receives funds from the following sources:
i) Government-supported project fund.
ii) Foreign Funding.
iii) CSR Funds.
iv) Grants/ Donations received by individuals/institutions etc.
V) Membership fees.

Bank Account

Society Can open its Bank Accounts in any Scheduled Bank through any of the three authorized signatories/Office bearers namely- President, General Secretary, Secretary & Treasurer while the bank accounts of the society would be operated Jointly by any two of them. For remote and distantly located areas account may be operated; jointly by any two of the President/ General Secretary/ Secretary/Treasurer and any other Employee/Person authorized by the Governing Body.

Signatories to Cheque Books

Account of the Society is being jointly operated. The signatures of any of the two signatories can release money. It is mandatory for the Head Office bank account and for those projects, which are near to Head office in Delhi. However, for those projects that are far flung from Delhi or remotely and distantly located projects; for operational and financial efficiency and discipline; sometimes exceptions could be made. However, even in such cases, one member of the Office bearer of the Governing Body would remain one of the signatories of bank accounts.

Types of Accounts

The following three types of accounts will be maintained by the Organisation:

(1) Head office Account –
All donations/ income (if any) accrued to NGO will be deposited in the Head Office Account. The President, Secretary, General Secretary and Treasurer are authorized to operate the bank account. Two signatures of either of these officials will be required for fund disbursement.

Organisation would strive to create a corpus fund so that in case of non-availability of funds/ delay in getting grants normal programmatic activities are not hampered by borrowing money from the fund. As soon the grants / funds received, the borrowed amount should be immediately transferred to Head Office corpus fund.

Such internal borrowing should preferably be done through banking modes.

(2) Project Account

It is advisable to open separate bank accounts for every Funder or project for better management of funds and programme. Depending upon specific needs and project guidelines, the Organisation will open savings or current bank accounts.

In new project areas, expenses incurred for setting up or meeting day-to-day expenses would be done through reimbursement mode.

(3) Petty Cash Fund

A petty cash fund of Rs 20,000 (maximum) would be kept to meet day-to-day office/ project expenses. The Project Manager/Supervisor will ensure proper handling of petty cash funds through surprise checks from time to time

Payment Procedures

Procedure for Fund Disbursement

• Requests for payments are to be properly substantiated with bills/receipts and essential documents.
• Requests for payments to be prepared by the accountant and submitted to the Project Director for approval.

The payment Process Approval Matrix is explained in Annexure.
Payments can be made through different modes of banking Electronic (NEFT/RTGS/IMPS/PFMS), by Cheque/DD.

Payment Voucher has to be prepared before preparing any cheque are as follows:

- Cheque should not be prepared, for whatever reason, if sufficient balance is not available with bank.
- All Vouchers have to be verified and approved before payment is released.
- Payment has to be made only against bills and claims.
- All supporting documents should be attached with the Payment Voucher and filed accordingly.
- Cheques should be written legibly and doubly ensure that the amount in words and figures are the same.
- Post-dated cheques not to be issued.
- All cheques should be stamped in "the *Name of the Organisation"*.
- The cheque number should be written on every Payment Voucher.
- Every cheque/instrument is signed by at least two signatories

Payment by Cheque/Bank Transfer

(1) Payment for Purchases

Payment against purchases exceeding INR 5,000 shall be made by Cheque/Bank Transfer.

(2) Payment for Services Rendered

a. Payments for Staff Salaries
i. Payment Calendar

Depending upon availability of grants Staff salaries will be paid within seven working days following the completion of the month through NEFT/PFMS/Account Payee Cheque.

ii. Staff payroll

The accountant as the basis of payment prepares staff payroll (salary sheet). The staff payroll contains information on the employees' basic salary for the month, allowances if any, deductions, EPF/ESI and net salary payable. The staff payroll is checked by the HR/Supervisor/Program Manager and then sent to Project Director for approval.

iii. Advance Pay

- Employees may take advance payment of up to two (2) months (after completion of one year in service) with specific purpose and in extraordinary circumstances. Before their time of one (1) year, it would be decided upon case basis with special request and final approval of Project Director.
- Advance vouchers will clearly indicate the purpose of the advance as well as the break up and the budget available.
- There will be no cash advance except for petty cash expenses for office.
- No more than two advances can be pending at a time in one account.
- Maximum permissible limit for one field staff is Rs 10,000 and preferred mode of payment would be through account. Any higher amount, on the recommendation of Project Manager, Project Director may approve.

For travel purposes, NGO employees may be given advances for expenses covered on official trips. Request for advances need to be made by the personnel concerned, recommended by the Accountant and Program Manager and approved by the Project Director.

All advances for travel are to be settled within a week following the completion of the trip.

iv. Tax Deduction at Source

Organisation will deduct tax at source applicable as per Government rules.

b. Payment for Contractual Services

Payment for contractual services/Professional services/Consultancy is done through Electronic Transfer/NEFT/PFMS/Account Payee Cheque. The schedule of payment depends on the Terms of Reference (TOR) mutually agreed upon by the Consultant/Professional and the organisation. Payments are covered by a Request for Payment Form prepared by the accountant and approved by the Project Director. TDS will be deducted as per applicable government norms.

Policy for Book Keeping and Record Maintenance in the Organisation Book Keeping and Recording

Book Keeping

The recording system of the Organization's financial transactions allows for monitoring bank balances, the status of funds receipts and expenditures, and a comparative statement of budget vs. actual expenditure on a monthly /quarterly basis.

Organisation will maintain records of fixed assets, petty cash disbursements, supplies, inventory, use, and maintenance of office equipment.

Accounting

The following sets of financial reports will be prepared by the Organisation
A. Quarterly Financial Report (QFR), will be prepared for review by the Project Director/ Project Manager, of that designated project. The Core Management Team of the organisation will review its quarterly report. Financial reports to funders will be submitted as prescribed in the agreement between the funding agency and the organisation.

B. Annual Balance Sheet and Statement of Income and Expenditures will be prepared for each financial year.

Voucher
- The voucher is a basic document, which is prepared to record any transaction that takes place.
- Vouchers shall not be overwritten. In such cases, it is best that the voucher be cancelled and retained for future inspection.
- Vouchers need to be stamped with a rubber stamp of a particular project or agency.
- Vouchers need to be approved by the person initiating the expenditure (who can sign on the supporting document as well) and another authorized signatory.
- No voucher should be passed for payment without supporting documents.

AUDITING

A Statutory Auditor appointed by the Governing Body will annually audit Books of Accounts of the organisation. Similarly, FC return would be annually prepared and submitted to the competent authorities of the Government of India.

If needed, Organisation may hire internal auditor in order to streamline its accounting systems and procedures.

Travel Policy

The organisation has a well-defined staff travelling policy where staffs up to the rank of Supervisor and above are entitled to travel by 3rd AC in Train Journey while those below the rank of supervisor would be paid on actual basis and entitled to travel through (Bus & Sleeper Class). To travel in 2nd AC /1st AC/ through AIR; Supervisors and above that ranks; need to take prior permission from Head Office. While Top Management Team of the organisations are entitled to travel through AIR (Economic Class) and in 1st Class AC during Rail Journey.

During their Outstation Journey All staffs above the rank of Supervisor and above are entitled for certain emoluments; depending upon the nature of the city where they have been staying.
- Maximum Permissible limit for Non- Metro City would be Rs 4,000 for food & lodging or as per Actual Bill whichever is less.
- Maximum Permissible limit for Metro City would be Rs 5000 for Food & Lodging or as per Actual Bill whichever is less.
- IF they fail to produce any bill during their outstation journey then they would be paid a Daily Allowance of Rs 3000 for Metro City and Rs 2000 for Non-Metro City
- Top Management Team of the organisation are also entitled for certain emoluments-
- Maximum Permissible limit for Non-Metro City would be Rs 5,000 for Lodging & Rs 2,000 for Fooding or as per Actual Bill whichever is less.
- Maximum Permissible limit for Metro City would be Rs 6000 for Lodging & Rs 2500 for food or as per Actual Bill whichever is less.

IF they fail to produce any bill during their outstation journey then they would be paid a Daily Allowance of Rs 3500 for Metro City and Rs 2500 for Non-Metro City.

Here a differentiation has been made between Organisation Policy and Project Policy. For Project Related Work Each and Every Staffs would be governed by project-laid guidelines- (Financial/Administrative/Travel) but work beyond the Project would be governed by the Organization's Policy.

For better Monitoring & Execution of the Program members from Top Management would visit once in a month every Project field and it should be properly documented (Financial and reporting)

PROCUREMENT POLICY

Purpose
The purchase of goods and services is necessary for the efficient and smooth functioning of the organization. The aim of the internal control system for the supplying of goods and services is to, ensure orders are handled by individuals having skills in evaluating what purchases are required from suppliers offering the best deals, to ensure purchases made do not exceed the budget provided and to ensure purchased goods and services conform with the quantity and price specified in the order.

Methodology
Organisation will follow certain methods in purchasing goods, equipment and services required for the needs of the organization or its various programs. Use of competitive bidding or taking three (3) quotations would be followed. In case of rural/inaccessible areas, two quotations will be sufficient. The first criterion in choosing a supplier shall be the lowest bid. However, if a supplier does not provide the required level of service or an adequate guarantee, then other criteria shall also be considered. The organisation would specify in the purchase file the reasons why the lowest bid was not chosen. A single quotation is sufficient for all procurements up to the financial limit of INR 20,000/-

In the case of non-expendable items, or fixed assets, such as computers, printers and Photocopy machines etc. three (3) quotations must be obtained if the purchase value of a single item exceeds INR. 20,000.

In case of preferred/empanelled vendors and Agencies, criteria of three (3) Quotations will not be followed. With a single (1) quotation, purchase/booking would be done and the validity of such quotations would be for 12 months only.

The purchase file shall contain all the documents pertaining to each transaction, i.e., the purchase requisition, quotations, the contact information of suppliers' purchase contracts or orders, invoices, delivery slips, and any other pertinent documents.

Purchases
Employees making purchases as part of the project activity or organizational work shall follow these mechanisms:
  a. Requisition form – Accountant/employee requesting a purchase fills their form, has it approved by the Project Director and sends it to the finance Manager.
  b. Order form - The finance Manager Issues the order form, after being signed by the Project Director the concerned employee/Accountant/ the finance team will make the purchase successful based on the order form.

Any Purchase of goods or services exceeding Rs 20 lakhs in value will require Tendering/RFQ processes to be followed. The Procurement Committee will call for RFQ in at least 3 leading newspapers especially mentioning the cutoff date to submit the RFQ. The RFQ must be sent in a sealed envelope.

Procurement Committee

The Procurement committee at each project office would comprise three (3) members- one members from Governing Body/ Project Director, Programme Manager and accountant/any-responsible office staff. The main function of the committee is to identify and recommend a supplier/ service provider based on a comparative analysis for procurement.

While Head Office Procurement Committee would also comprise of three members (3) - one governing body Member along with the Finance Manager and Director of Finance.

Fixed Assets Policy for the Organisation

To carry out its activities, organisation needs material resources. The quality of these resources is dependent upon how they are used. Material resources are in large part durable goods, which need to be well managed to be maintained in good condition. These goods include stationery, tables, chairs, shelves, computers, and related accessories. The Fixed Assets Policy will aim for:
A fixed asset register, listing the following details relating to non-expendable equipment must be maintained-
- Type of equipment
- Serial number
- Date purchased
- Cost of purchase.
- Asset code
- Location (office assigned to).

The Asset Register should be updated as soon as the new items are purchased or acquired but at least once a year. The asset must have a useful life of at least 2 years.

Asset inventory

The purpose of the inventory is the physical monitoring of the items belonging to a project. The inventory makes it possible to detect differences between information about goods in the records and the actual state of goods. Inventory is usually done once a year and is the responsibility of the finance team (HO).

Disposal of Asset.

Assets are disposed on the recommendation of the teams to the Procurement committee depending upon its usability. i) If the item has become obsolete or it cannot be used further, it is discarded and scrapped. ii) If the item needs to be replaced then it is sold to the highest bidder and it is sold as per the approval of the procurement committee. iii) The Assets purchased from the Donor funds are disposed off as per the instruction of the Donor

RECEIPTS TO DONORS

The finance team (HO) will ensure to arrange for the receipt for the donations including 80G receipts where applicable and forward the same to Treasurer /Finance Manager. Treasurer /Finance Manager shall ensure that all donors and contributors shall receive proper acknowledgement of their contributions in accordance with statutory guidelines.

EXPENDITURES PROCEDURES

All expenditures shall be approved by the Project Director and strictly as per the budget statement. All expenditures shall be recorded by budget line items and stakeholder's requirements (if any). The accountant maintains standard accounting records containing all aspects of the organization's financial operations. They include but are not limited to A general ledger, Cheque details, a payroll register, fixed asset register. The Project Director/Manager shall approve all the Invoices. Following the review and approval, Cheque payment vouchers shall be prepared, and the invoices shall be distributed to the accountant for payment preparation. Upon

payment of a bill, the invoices/supporting documents have to be attached with voucher and filed in chronological order. All the payments have to be verified for the statutory deductions if any needs to be deducted and remitted to Govt. in the stipulated period.

Payments to External Parties
- All payments to resource persons/consultants, organizations, etc. must be made either at the time of the workshop/event itself or within 15 days of the closure of the event.
- Program Manager/Accountant will be responsible for collecting receipts either online or within 15 days of payments made.
- Team members tying up contracts with third parties for specific transactions should have quotations detailing the terms of engagements including advance, payment plan if any, TDS etc.
- In general, try to pay the service providers in crossed account payee Cheque/Electronic Transfer.
- There should not be any Cash payments against a particular Bill/Invoice exceeding Rs. 5,000/-
- Tax (TDS) will be deducted as and where applicable. In case some specific information like PAN No. etc. are required beforehand.

AMC SERVICES
The AMC for repairs of computers and other equipment to be reviewed every year and if we are satisfied with the service, the contract may be renewed, if not fresh quotations to be called in for consideration.

Financial Approval Matrix

Expenditure is controlled so that transactions are routed through each level of the authorization matrix. Every project has its own dynamics and accordingly expenditure booked. We prepare statement of Expenditure (SoE) as per approved budget by Donor agencies and all planned expenditure booked accordingly. Vouchers shall be prepared at project office by Junior accountant/accountant after duly checking all bills and their supporting documents and then submit it to head office where Finance officer verifies it and forwards to Project Director for final approval with all supporting documents. Once approved by Project Director payment instruction shall be issued to the bank or payment done. If needed Project Director shall consult Director Finance for more clarity and better compliance. Director Finance has unrestricted access to any financial and programmatic documents and he shall routinely do random scrutiny of all bills and vouchers whether in Head Office or in field office. In case of unplanned expenditure or excess expenditure final decision shall be taken by Project Director after consulting funder/donor.

Additional controls apply so that approvers can only authorize expenditure in their own areas of responsibility.

SN	Staff	Finance/ Contract Approval Limit
1	Project Director/ Chief Functionary/ Director Finance	No limit within the constraints of the annual budget/project budget approved by the Donor
2	Finance Officer	Up to 50,000
3	State Manager (if any)	Up to 30,000
4	Program Manager	Up to 15,000
5	Junior Accountant/Accountant	Up to 10,000
6	Community Mobiliser/Field Monitor	Up to 5,000

These limits apply only to expenditures included in the approved annual budget. Financial Regulations require budget holders to manage expenditures against the approved budget, with any exceptional unbudgeted expenditure being reported to the Director Finance/ Project Director.

Management Cost Matrix/Cost Allocation Policy

We are a not-for-profit Organisation. To run our organisation smoothly and maintain a structure to carry out project monitoring mechanisms, we charge an Overhead Cost (IDC) to our Funding agencies. All the programme-specific expenses are to be debited directly to the budget of the specific donor. Any common cost will be allocated in proportion to the available budget and the availability of budget for the period.

We spend overhead money on running our organization's expenses and project-related necessities & and compliances like Accounting, Legal Expenses, Administrative salaries, office expenses, communication expenses, utilities and all other unforeseen expenses essential for programmatic need but not factored under the project. We also depute One representative from the Executive Body / Governing Body as Project Director of the important projects with clear-cut responsibility like on boarding of project team, provide strategic direction to project and supporting field team with timely input, conduct periodic review meetings and attend other project level meetings as per the need. Ensure timely completion of project milestones, maintain oversight over the project activities and ensure financial integrity of the project.

- Broadly, we spent the management cost under the following proportionate-

- Audit & Legal Compliances- 20%

- Administrative Expenses/ Salaries- 40%

- Communication & other unforeseen -10 %

- Head Office – 30%

PAYMENT MATRIX

1. **Assets/ Goods Purchase Payment Process Matrix (HO)**

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Puchase need ──► Invoice Appoved by Accountant/FM Manager ──► Payement process to Supplier by Finance Manager/Accountant
     │                          │                                        │
     ▼                          ▼                                        ▼
Requisition sent        Invoice received                    Payment through Cheque
by Project Manager                                          /Transfer by any Two Signatory
     │                          │                            (General Secretary/
     ▼                          ▼                            Secretary/Treasurer
Approved by             Purchase order
Project Director
     │                          │
     ▼                          ▼
Quotations ──────► Appoved By Procurement Committee
                   (PM/PD/Finance Manager/Accountant
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![Foundation for Development Initiative logo]

2. Salary payroll Payment Process for Allied Project

Attendance check by HR Manager	**Sent to EPF Consultant**	**Final Salary payment Approved by PD**
Preparation of Salary Sheet by FInance & Operation	**Approved EPF/ESI by Finance Manager (HO)**	**Payment process to Bank by Finance Manager/Accountant**
For Approval to HR Team	**Approved by FM/Accountant (HO)**	**Payment through Transfer by any Two Signatory (General Secretary/ Secretary/Treasurer**
For Approval to Supervisors & Finance Manager	**Approved By Finance Head**	

3. Professional/ Consolidated Fee Payment Process

Attendance/Work Report Check by Finance & Admin officer	**Payment through Transfer by any Two Signatory (General Secretary/ Secretary/Treasurer**
Approved by Project Manager	**Payment process to Bank by Finance Manager/Accountant**
TDS Deduction by Finance Manager	**Approved by Project Director**
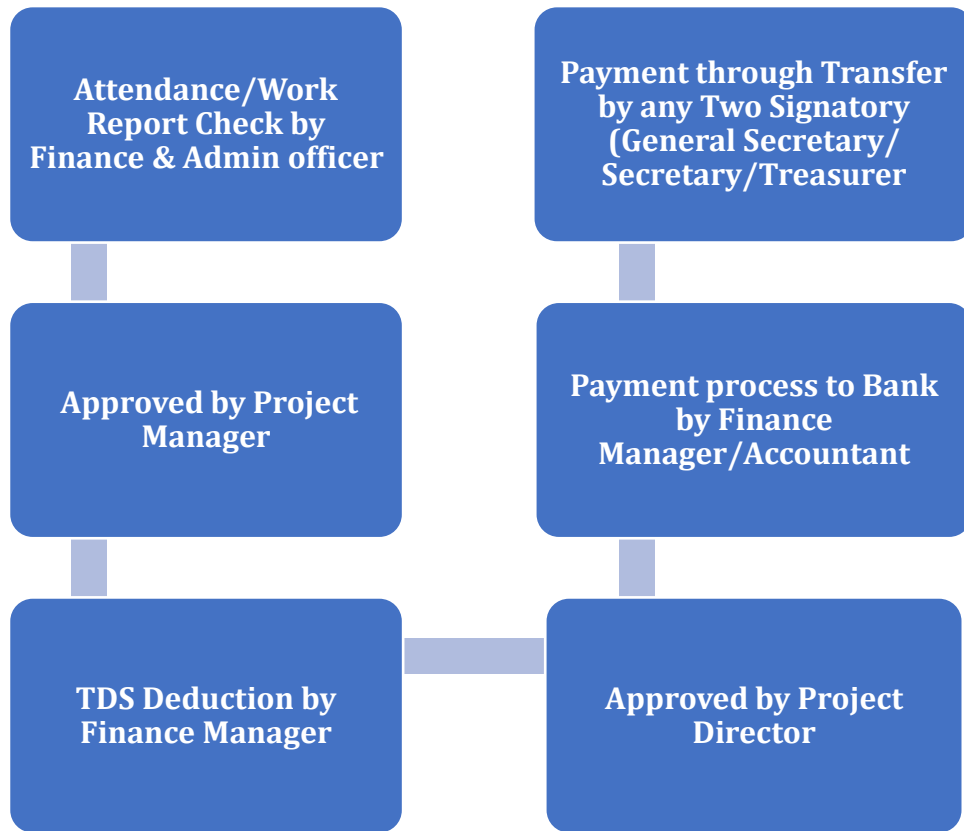
4. Travel / Miscellaneous Expenses Payment Process

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┌─────────────────────────┐         ┌─────────────────────────┐
│  Logsheets/ Travel      │         │ Payment through Transfer │
│  Reimburesment Format   │         │ by any Two Signatory     │
│  submit by Staff/ SMCs  │         │ (General Secretary/      │
│                         │         │ Secretary/Treasurer      │
└───────────┬─────────────┘         └───────────┬─────────────┘
            │                                    │
┌───────────┴─────────────┐         ┌───────────┴─────────────┐
│  Check & Approved by    │         │  Payment process to     │
│  Finance & Admin officer│         │  Bank by Finance        │
│                         │         │  Manager/Accountant     │
└───────────┬─────────────┘         └───────────┬─────────────┘
            │                                    │
┌───────────┴─────────────┐         ┌───────────┴─────────────┐
│  Approved by Project    │─────────│  Approved by Project    │
│  Manager                │         │  Director               │
└─────────────────────────┘         └─────────────────────────┘
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