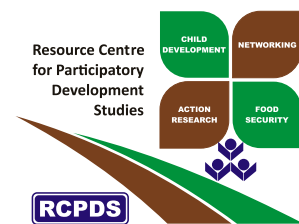


FINANCE MANUAL OF RCPDS – 2016



Resource Centre for Participatory Development Studies

Plot No, 7, Park Town Sixth Street,
Post and Telegraph Colony
Madurai 625 017, Tamilnadu, India
rcpds@sify.com, rcpdsmdu@gmail.com
www.rcpds.org



Members on Board

All Staff members

Members of our parent body - SPEECH

RCPDS strongly believe its services, success and integrity vitally depends on our ability to manage and safeguard the resources, governmental and private donors entrust to us in the best interest of mutual goals agreed upon. Central to this goal is a sound structure of financial management and control, and making wise use of the financial resources in a transparent, accountable and justifiable manner.

Hence, this manual describes policies and a process for ensuring such effective and efficient use of funds within the diverse geographical settings we operate. Where guidance was deemed useful, it is also provided herein. These practices are designed in a participatory manner to be observed in the day-to-day operation of our programs.

I look to the team's solidarity, critical input, review/reflection, acceptance and application of the contents and obligation of this manual in making RCPDS programs successful for the partner communities, especially those underprivileged children for whom we work. Should there be any clarifications required regarding the contents of this manual, please contact our Finance Manager or me at your convenient time.

Sincerely,

Dr John Devavaram

**Chief Executive Officer/Executive Director
RCPDS.**

OVERVIEW OF RCPDS's FINANCIAL MANAGEMENT AND ACCOUNTING

PURPOSE OF FINANCIAL POLICY:

The purpose of the financial policy is to describe and document how the board wants the financial management activities to be carried out. In order to accomplish this, every financial policy needs to address five areas:

1. Assignment of authority for necessary and regular financial actions and decisions, which may include delegation of some authority to staff leaders
2. Policy statement on conflicts of interest, or inside transactions
3. Clear authority to spend funds including approval, cheque signing, and payroll
4. Clear assignment of authority to enter into contracts
5. Clear responsibility for maintaining accurate financial records

IMPORTANCE OF FINANCIAL ACCOUNTABILITY

Sound financial management in RCPDS is critical to the effective, efficient use of resources raised by the organisation. The funds granted to RCPDS are ere marked and entrusted to RCPDS by donors in the best spirit of partnership and trust for the use of particular articulated objectives/goals to best benefit the partner communities.

The ability to provide accurate, complete and timely financial information enables RCPDS to comply with the rules and regulations of our partner organisations, National/overseas regulatory norms, grant reporting requirements, mandatory and statutory requirements as per National law as well as adhere to generally accepted accounting principles and transparency. Accurate and timely financial information also assists in decision-making and enhances our credibility and ability to attract more resources to cover larger communities.

The policies and procedures contained in this manual are designed to provide RCPDS and its Field Offices with the tools needed to effectively manage our financial resources. The regulations laid in this manual are to be used in connection with other policies and procedures as already in existence duly approved by the Board of RCPDS.

FINANCIAL RESPONSIBILITIES OF RCPDS FIELD OFFICE STAFF

General Responsibilities

It is RCPDS policy that all staff (head quarters as well field offices), consultants and client groups conduct our activities morally, ethically, and in the spirit of public accountability and transparency, and in conformity with applicable laws and regulations and practices common with responsible legislations and departments concerning non-government organizations.

Policy on Organization Conduct and Code of Conduct

RCPDS is a registered organization, registered under Tamil Nadu Societies Registration Act of 1975. As a Non-Governmental Organisation, is exempted from Income Tax U/S12AA and registered under Foreign Contribution Regulations Act of 1976 to receive funds from external / foreign sources through its designated bank.

The following is an articulation of the important and fundamental principles.

A. Responsibility, Service, and Public Mindedness

Sustainable progress, peace, and justice require that all organizations contribute to the common good. Thus, as an NGO, RCPDS takes into account the following :

- ☯ Responsibly maintaining itself, as an NGO, RCPDS shall conduct its activities for the sake of others, whether for the public at large or a particular segment of the public.
- ☯ Public money shall not be used for purposes other than for earmarked purposes and all public assets are to be treated with utmost seriousness, as a public trust.
- ☯ As an NGO, RCPDS shall recognize its conduct and activities impact on the public's perception of and that it shares responsibility for the public's trust
- ☯ RCPDS shall exhibit a responsible and caring attitude toward the environment in all of its activities.
- ☯ RCPDS shall be willing to work beyond borders of politics, religion, culture, race and ethnicity, within the limits of the organizing documents and with organizations and individuals that share common values and objectives.

B. Transparency and Accountability

RCPDS shall strive for openness and honesty internally and toward donors and members of the public. Periodic accountings shall be made. Hence,

- ☯ it shall be transparent in all of its dealings with the government, the public, donors, partners, beneficiaries, and other interested parties, except for personnel matters and proprietary information.

- ☹️ Its basic financial information, governance structure, activities, and listing of officers and partnerships shall be open and accessible to public scrutiny and the NGO is to make effort to inform the public about its work and the origin and use of its resources.
- ☹️ it shall be accountable for its actions and decisions, not only to its funding agencies and the government, but also to the people it serves, its staff and members, partner organizations, and the public at large.

C. Truthfulness and Legality

As its mandate that RCPDS is honest and truthful in its dealings with its donors, project beneficiaries, staff, membership, partner organizations, government, and the public in general, and shall respect the laws of any jurisdiction in which it is active. Accordingly, RCPDS shall

- ☹️ give out accurate information, whether regarding itself and its projects, or regarding any individual, organization, project, or legislation it opposes or is discussing.
- ☹️ fulfill its obligations under the laws prevailing in the nation
- ☹️ have a policy for staff and volunteers to confidentially bring evidence to the governing body of misconduct of anyone associated with the organization.
- ☹️ meet all of the legal obligations, which are mandatory under law as well as under the partnership agreements
- ☹️ promptly take corrective action whenever wrongdoing is discovered among its staff, governing body, volunteers, contractors, and partners.

RESPONSIBILITIES OF RCPDS HEADQUARTERS WITH REFERENCE TO FINANCIAL MANAGEMENT AND ACCOUNTING

- a) RCPDS 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.
- b) Grants and donations, if any, are recorded separately project wise. They are shown “below” the operating line on the Income Statement, together with non-operating income and expenses and taxes.
- c) In-kind contributions are recorded through journal adjustments that are supported by appropriate and objective documentation (e.g. agreements, formal letters or memos, Memorandum of Understanding).
- d) The organization shall prepare its accounts on the basis of historical basis of accounting but assets shall be re-valued by depreciating them as per the standard norms from their cost to reflect current values as necessary.
- e) Every transaction can be traced back and forth since the account books are maintained in a set pattern.

RCPDS requires its employees to abide by the foregoing standards of ethical behavior in their dealings with its organization, suppliers, consultants, sub grantees and subcontractors. They are also required to report any violations of these standards

CRITICAL FINANCIAL ANALYSIS

RCPDS periodically shall analyze the financial policy by comprising a series of procedures designed to promote and protect sound management practices, both general and financial. By following internal accounting control procedures, the organisation will significantly increase the likelihood that:

- ✱ financial information is reliable, so that managers and the Board can depend on accurate information to make decisions,
- ✱ assets and records of the organisation are not stolen, misused or accidentally destroyed,
- ✱ the organisation's policies are followed,
- ✱ government regulations are complied with.

RCPDS FINANCIAL MANAGEMENT AND AUDITING CYCLE

Accounting Records fall in to two main categories:

Cash Basis - Actual Receipt & Payment accounted

Accrual Basis - Amount due for payment or Receipt eg.

Our organisation follows cash basis accounting, but for closure of periodical accounts, accrual basis accounting is followed. Eg. EPF Payable for the month of March every financial year.

- The organization follows Fund Accounting – i.e. the inflow and outflow of resources, assets and liabilities that relates to a particular project's funds, to arrive at the actual position of that particular project at a given point of time.
- Fixed assets like equipment, vehicles, computer, etc. are capitalized and depreciated. The depreciation rates are calculated according to the estimated useful life of each class of assets and as per the guidelines laid out in the Income Tax Act. The statutory auditors advise on this is obtained.

Specifically, this policy explicitly provides that:

1. No funds or assets will be used for any unlawful or improper purpose.
2. No contributions will be made for political purposes from RCPDS funds in India or in any country
3. No payments, gratuities, or gifts will be made, directly or indirectly, to any official or employee or other Government or any Government agency.

4. Financial data required to be submitted to donors, including governments, must be accurate, complete and current and prepared in accordance with applicable grant requirements, where appropriate.
5. All financial transactions will be accounted for accurately and properly. No undisclosed or unrecorded funds or assets will be established or maintained for any purpose.
6. Payments/cash transactions will be made only into and from the official cash / bank accounts of RCPDS.
7. In case an advance is required by a person he/she shall fill up an Advance Slip, stating the programme, amount and date of settlement for the advance requirement and present it to the Project Director / Project Officer for approval. No second advance shall be given to a person when a previous advance is pending
8. No borrowings can be made from local lending institutions or individuals without prior written approval of RCPDS Executive Committee.
9. Personal loans or advances cannot be made to staff under any circumstances from project funds, but the same can be availed from Employee benefit scheme on permissible interest rates, which are to be liquidated within 10 months of availing such advances.

Chart of accounts :

The chart of accounts is a list of each account (ledger folio) which the accounting system tracks. Accounts are divided into assets, liabilities, net assets or fund balances, revenues, and expenses. Each account is assigned an identifying number for use within the accounting system, which denotes the specific project and its individual budget lines.

Double entry system

The double entry system of bookkeeping is followed in the organisation - each debit entry has a corresponding credit entry and vice versa. Taking into account the number of entries are be recorded day-to-day sometimes, weekly.

An appropriate accounting system has the following elements:

- (a) Cash book,
- (b) General journal and
- (c) General ledger

1 Cash book

The cash book records all the transactions going through the bank account and through cash transaction. If a project or a partner/branch office has more than one bank account, due to multiple projects, then separate cash books shall be kept for each project.

Besides the amount, the cash book provides the following information for each transaction:

- (i) date on which the transaction has been carried
- (ii) reference to the voucher, i.e. receipt / payment number through which a transaction has been made
- (iii) reference to the ledger, i.e. a code number which denotes under which budget line the particular expenditure has been incurred and
- (iv) a brief description about the detail of expenditure

2 General journal

The general journal is a memorandum book. It is a record of all transactions which do not pass through the cash book, including non-cash transactions (such as accrual entries, transactions in kind, depreciation, etc) and corrections to previous journal entries. Normally these journal entries shall be passed at the end of a period.

3 (General) Ledger

The (general) ledger organizes information by account. The chart of accounts acts as the table of contents to the general ledger. The general ledger analyses under separate headings (ledger folios/accounts) the transactions recorded in the cash book and the journal.

a) Supporting documents

- Receipt or Voucher for money received
- Payment voucher for money payment
- Invoices / Bills along with Quotations and Purchase Order
- Bank statements

c) Automation:

- Type of software used – Tally9
- Our Requirements
- Cash book F.C & Local
- Ledger F.C & Local
- Donor wise Cash book Ledger
- Quarterly R&P / T.B

PROJECT ACCOUNTING CONCEPT

6.3.1 Separate set of books/ register for Foreign, Local

6.3.2 CASH BOOK

- The Cashbook of the office shall be closed and reconciled with the physical cash balance daily
- The closing balance shall be brought forward as the next day's opening balance
- Voucher Number & Ledger Folio should be specified in Cashbook for all expenses in the cash book.
- Cash book (s) shall be closed by March 31st every year and a new Cash Book shall be opened on April 01st every.
- Name of the Project shall be written in the face of the Cashbook maintained in project wise.
- Bank Reconciliation Statement shall be prepared at the end of every month to check the Bank and Cash book transactions.
- Cheque Number shall be written both for the receipts and payments.

6.3.3. LEDGER:

- Opening Balances shall be taken from the Balance Sheet figures for every account as per accounting norms.
- Ledgers shall be balanced on a Monthly basis and taken to the monthly accounts
- Posting shall be made Daily basis and in some exceptional cases on a weekly basis.

TIMING AND METHOD OF RECORDING ACCOUNTING TRANSACTIONS

- All funds received and paid by the project must be entered into the cash/bank book at the time of each transaction.
- Every entry in the cash/bank book shall be based on a voucher, which has been approved by Project Director
- Cancelled cheque.: Cancelled cheque must be cancelled in such a way making it impossible to use it again.
- All Foreign Contributions shall be received through RCPDS's designated Bank account. Based on the quarterly requirement, from the designated bank account, funds will be transferred to the Project Branch Account

ACQUISITION, MAINTENANCE, AND DISPOSAL OF PROPERTY, EQUIPMENT & MATERIALS

- Any Purchase of capital items that costs above Rs.20,000/- shall be purchased after getting more than 2 quotations from its suppliers.
- The quotations shall be studied and 1 shall be finalised
- Then a purchase order shall be made to the supplier after negotiation about the after-sales services, warranty etc. and
- Payment for the product shall be made through a crossed bank cheque
- Purchased asset shall be entered in the Asset Register of the Organisation, numbered
- All the assets of the organisation shall be insured to protect from calamities
- Whenever there is any problem / repair to the asset purchased, then the supplier shall be contacted for service of the same
- At the end of every year the assets of the organisation shall be depreciated as per the accounting norms and the depreciated value of the asset shall be taken to the books of accounts during next financial year

Staff Appointments :

- All staff of the organisation shall be appointed based on the project (s) being implemented by the organisation.
- Staff recruitments shall be made after an interview with the person based on his / her qualification, field experience, personality, etc.
- New staff appointed shall normally be on a probationary period for a minimum period of 3 months, during which period the performance of the staff shall be observed / studied.
- After successful completion of their probationary period, the candidate(s) shall be placed in the regular / ongoing project
- When a particular project comes to an end, staff attached to that project shall be paid with their final benefits and their employment with the organisation shall cease, unless and otherwise any new possibility arises in the organisation.

Staff Benefits :

- All appointed staff of the organisation shall be entitled to benefits provided in the organisation such as EPF, Personal Accident Insurance, Health Insurance with 50% contribution from the staff and 50% contribution from the organisation.
- All staff who have worked more than 3 consecutive years are eligible for Gratuity, as provided in their particular project.
- All rules laid down in organisation shall be followed in the above benefits.

TRAVEL POLICY

- All staff who undertake project related travel are entitled to claim the expenses related to that particular travel on production of appropriate bills for the same
- During special assignments and as per the project norms, if a person is provided with outstation allowance, the same may be applicable for such travels.
- Any activity which involves travelling of a group to a particular project related programme, the group shall be eligible for group insurance for the particular programme.
- The policies which come into effect with regard to new projects shall apply as per the management decision

FIELD OFFICE FINANCIAL REPORTS OVERVIEW

- Field Office shall operation as per the monthly work plan of the project in the field
- It requires to report, on a monthly basis the reports on the physical, social and financial aspects of programme (a)
- It is mandatory that the field office shall follow the financial and physical progress as per the Schedules planned by the organisation

INTERNAL AND EXTERNAL AUDITS

Audit can be made by (a) internal auditors, (b) external auditors – normally statutory audit and (c) evaluation team / donor

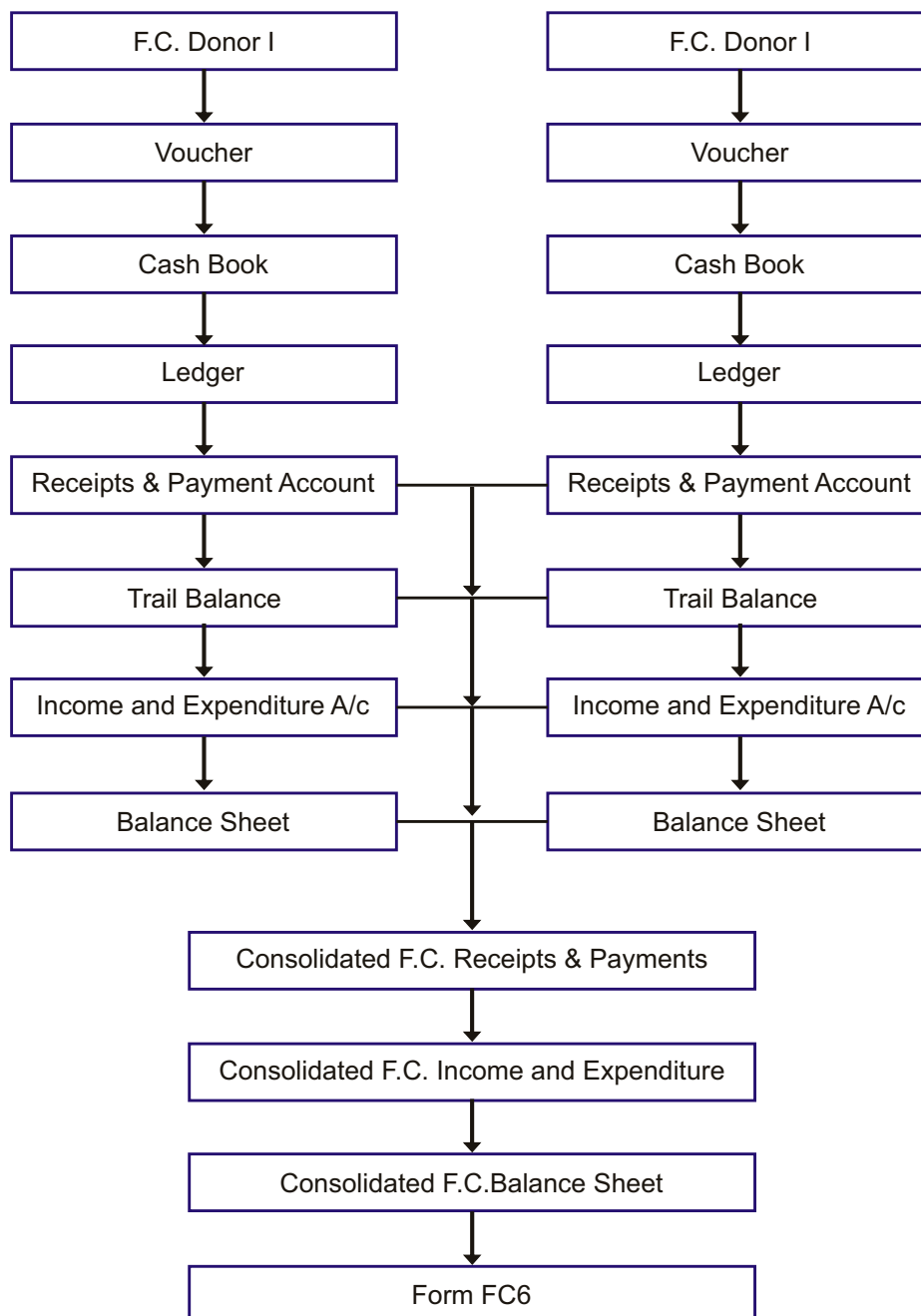
The purpose of any audit shall to verify that the books of accounts are maintained as per the statutory norms, whether any updation with regard to the latest amendments in the statute is needed.

Any recommendation(s) of the audit shall be studied carefully and steps shall be taken, if needed, to follow the same.

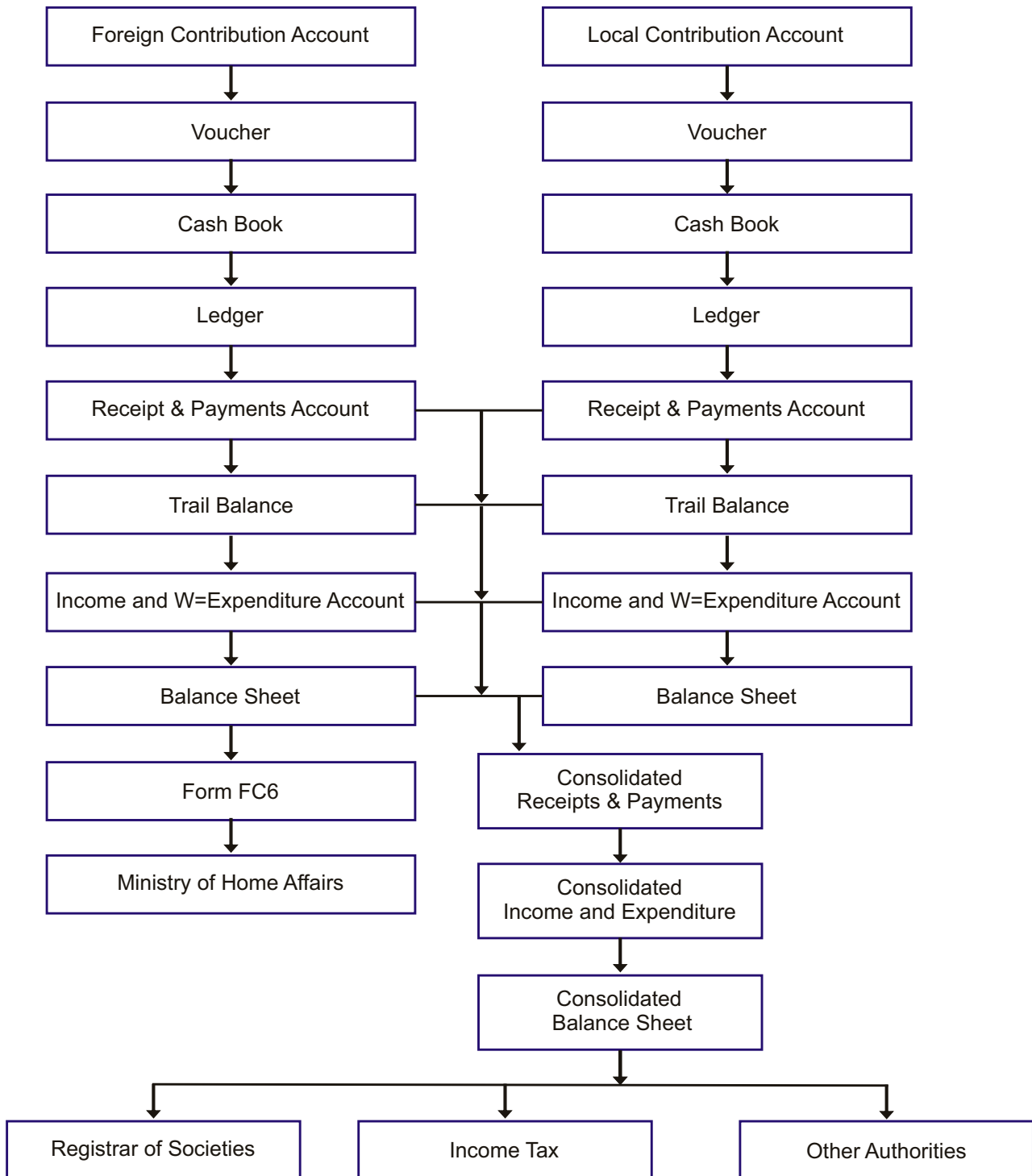
The organization is obligated to produce relevant records and papers for conducting audit and to liaise with external auditors to get the audit completed in time and to prepare the financial statements that are needed to be sent to funding partners and filing the annual returns to competent authorities of the Government.

RCPDS ACCOUNT STRUCTURE

Books separately to be maintain for Foreign Contribution account and local Account. The flow of Accounting system given as below:



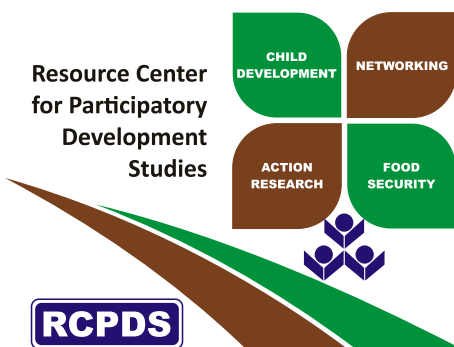
FLOW CHART OF ACCOUNTING SYSTEM





RCPDS POLICY GUIDELINES – 2016

Updated from earlier version of 2013



Please send your comments to
Project Director

RCPDS

Madurai

web: www.rcpds.org

email : rcpdsmdu@gmail.com

These policy papers due for review during 2015

Designed by:

Documentation Division **SPEECH**