

# **SAMAJ PRAGATI SAHAYOG**

## **FINANCE MANUAL**

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**Documented by:**

Rozmin Ajani  
Chartered Accountant  
Hyderabad

rozminajani@ajanis.com  
visit us: [www.ajanis.com](http://www.ajanis.com)  
mobile: +91 98492 55865

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## ACRONYMS

BRS – Bank Reconciliation Statement

EC - Executive Committee

SPS – Samaj Pragati Sahayog

FC – Foreign Contribution

FCRA 2010 – Foreign Contribution (Regulation) Act 2010

FCRR 2011 – Foreign Contribution (Regulation) Rules 2011

LC – Local (Indian) contribution

MoU – Memorandum of Understanding

NGO – Non Governmental Organization

PAN – Permanent Account Number

PO- Purchase Order

PT – Profession Tax

RBI – Reserve Bank of India

TAN – Tax Deduction and Collection Account Number

TDS – Tax Deduction at Source

## PREFACE

Samaj Pragati Sahayog (hereinafter referred to as SPS) is registered as a Society under the Societies Registration Act XXI of 1860 at Delhi, vide registration no. S-20730 dated 1<sup>st</sup> February 1990.

Samaj Pragati Sahayog (SPS) is one of India's largest grass-roots initiatives for water and livelihood security, working with its partners on a million acres of land across 72 backward districts, mainly in the central Indian Adivasi belt. SPS is headquartered in a drought-prone, tribal area in the Dewas district of Madhya Pradesh, which typifies the most difficult problems of the country.

In pursuit of its core value of accountability and transparency, Samaj Pragati Sahayog is committed to maintaining sound financial management systems across the organization, with high standards of governance, transparency, accountability, statutory and donor compliances. A step forward in this direction, is the standardization of policies and procedures for accounting, reporting, internal checks and control, audit arrangements, grant management and statutory compliances. It is recognized that these policies and procedures need to be formalized and effectively disseminated, to ensure sustained implementation. Therefore, these have been articulated and documented through this Finance Manual.

It is our earnest request to the Samaj Pragati Sahayog staff across all levels and locations to follow this manual in word and spirit so that we can collectively ensure that the organization achieves excellence in financial management.

**Core Team**

**Samaj Pragati Sahayog**

## How this manual is organized

It is recognized that financial management is not restricted to accounting systems. It encompasses a comprehensive range of functions and areas, with the underlying objective of encompassing best practices in financial management, while maintaining complete transparency and accountability at all levels.

This manual documents the key processes of SPS's financial and grant managements, through a number of sections and sub sections. However, there may be other specific or special conditions / requirements in case of direct or indirect grants made by national or international donors for specific projects. In such cases, the special / specific terms of grant that form part of the Grant Letter accepted by SPS, and in case of their conflict with the requirements included in this manual; **the special / specific terms of the said grant duly accepted by SPS would prevail.**

Keeping in view the varied functions of financial management, this manual has been divided into the following sections:

Section	Contents
1)	<p><b>Overview of financial Management at Samaj Pragati Sahayog</b></p> <p>This section provides an overview of the legal status of SPS and its registrations under various Acts.</p> <p>It provides an insight into Financial Governance at SPS, and the organization of the Finance Function, which is synergized to the programmatic and funding profile of the organization.</p>
2)	<p><b>Accounting Systems</b></p> <p>This section covers the keys elements of SPS's Accounting Systems such as its significant accounting policies, accounting structure and</p>



	control, accounting processes for field level utilization, vouching processes, retention policies for accounting records, records to be maintained at all levels and year end processes to be followed at all levels to facilitate a smooth closure of accounts as at 31st March each year.
3)	<p><b>Overview of Internal Control at Samaj Pragati Sahayog</b></p> <p>This section provides an overview of the overall framework of Internal control at SPS and how these are inbuilt into the day to day financial processes as defined in the Finance Manual.</p>
4)	<p><b>Payment Procedures</b></p> <p>This section provides an insight into the processes followed for various types of payments, including pre and post approval of all expenses.</p> <p>It also deals with the financial and programmatic supporting to be maintained for all expenses, and processes to be followed in situations where such supporting is not available (in cases of remoteness of SPS's areas of operations).</p> <p>This section also outlines the responsibilities of the persons preparing and approving vouchers.</p>
5)	<p><b>Cash and Bank Management</b></p> <p>This section deals with key elements of cash management including cash spending, cash retention and cash withdrawal limits. Other aspects including "Non-Negotiables" with regard to cash payments, daily cash closures and verifications are also dealt with.</p> <p>The best practices in bank management such as joint signatories, preparation of Bank Reconciliation Statements and maintenance of proper banking records are also included.</p>

6)	<p><b>Advances Management</b></p> <p>This section deals with the management of various advances given by SPS including project, travel, supplier and personal advances.</p>
7)	<p><b>Procurement Policy and Procedures</b></p> <p>The processes followed for procurement of various categories of goods and services, ordering and acceptance thereof, recording / referencing of goods received are included in this section.</p> <p>The process of inventory control is also covered as part of this section</p>
8)	<p><b>Fixed Assets Management</b></p> <p>This section deals with all aspects of fixed assets management including the capitalization and depreciation policies of SPS, dealing with project assets and assets received as grant-in-kind, maintenance, retirement and disposal of fixed assets, as also recording and physical verification of fixed assets at periodic intervals.</p>
9)	<p><b>Investment Management</b></p> <p>This section outlines the Investment policy of SPS which is framed based on the provisions of the Income Tax Act and FCRA, as also donor requirements, while focusing on highest safety and optimum returns of investment. The aspects of tracking, recording and safe keeping of investment related documents is also included.</p>
10)	<p><b>Donor Management</b></p> <p>This section covers all aspects of donor management including key elements of grant management, accounting, utilization processes, management of donor funds, reporting and grants closure processes.</p>
11)	<p><b>Financial Monitoring of Partners</b></p> <p>While at one level SPS is a grantee for the grants received by it, at</p>

	another level it is the donor for the onward granting that it does from donor grants to the various implementing NGOs partners. It is therefore important that there are proper mechanisms in place for the financial monitoring of this onward granting. This section includes the complete process for financial monitoring of onward grants right from the pre-funding processes to the final grant closure.
12)	<p><b>Statutory Compliance</b></p> <p>This section deals with key requirements of two of the most important Acts that regulate Samaj Pragati Sahayog, namely the Income Tax Act 1961 and FCRA 2010.</p> <p>Since FCRA 2010 is a relatively new Act that came into force from 1st May 2011, the key provisions of this Act have been provided by way of a comprehensive checklist to facilitate ease of implementation.</p>

All sections have been further divided into sub-sections to ensure smooth flow and ease of understanding.

It is recognized that in keeping with the ever changing financial and regulatory scenario in the country and also to meet the organization's own growth needs, the systems and processes would need to be reviewed and improvised at regular intervals. It is therefore proposed to review and update the Finance Manual once in every two years, to ensure that Samaj Pragati Sahayog's financial systems and processes remain relevant and updated in keeping with the times and the organization's needs.

## SECTION 1

### ORGANIZATION OF THE FINANCE FUNCTION AT SAMAJ PRAGATI SAHAYOG

#### 1.1 Overview of Samaj Pragati Sahayog's legal status and Registrations

- Samaj Pragati Sahayog (hereinafter referred to as SPS) is registered as a Society under the Societies Registration Act XXI of 1860 at Delhi, vide registration no. S-20730 dated 1<sup>st</sup> February 1990.
- It is registered u/s 12A of the Income Tax Act, 1961 vide registration no. 434/94-95 dated 29<sup>th</sup> March 1995.
- It is registered under the Foreign Contributions (Regulation) Act 1976 vide registration No. 063230006 dated 22<sup>nd</sup> March 1999.
- It had obtained certificate of exemption under section 80G on the Income Tax Act, 1961 which is valid till 31<sup>st</sup> March 2010 and therefore this exemption will continue to remain valid unless cancelled as per notification/*Circular No. 7/2010 [F.No.197/21/2010-ITA-I]*, Dated 27-10-2010 issued by the Income Tax department.
- It is registered under Profession Tax with effect from 17<sup>th</sup> December 2004.
- It is registered under State Sales Tax & Central Sales Tax from 2004.
- Its PAN is AADTS7699N
- Its TAN is BPLS02539F.

Additional Registrations would be obtained, if required, as per the applicability of Acts in force in India, on SPS.

## **1.2 Overview of Samaj Pragati Sahayog's funding profile**

SPS projects are primarily funded through contributions and donations from various grant making agencies including Government, Donors and Grant Making Agencies, both foreign and Indian. SPS also earns interest on its Corpus Funds contributed by foreign and Indian Donors.

SPS implements its programmes either directly, or through local NGOs, and networks of NGOs & CBOs on partnership basis. SPS also works / associates itself with other organizations (academic & research too) and institutions including government departments.

The direct programmes of SPS are implemented through its various divisions handling the key programmatic interventions including Watershed, Agriculture, Livelihoods, Right to Food, Support Voluntary Organization (SVO) and Kumbaya. Apart from these there are divisions handling the support functions such as accounts and administration, infrastructure development and maintenance, publications, films and audio visual. Each division is headed by a Core Team member and supported by project / programme officers and village professionals.

SPS also has two campuses which house its head office, and some of its project offices, sub-centres, training and other activities. Apart from these it has other project offices and work stations as per need, from where its activities are carried out.

Given its diversified funding and programme base, it is imperative that financial management processes are defined for all levels, divisions and project offices where the resources are utilized and activities performed. This necessitates the establishment of an effective finance function to ensure that standard financial management practices are implemented at all levels.

### 1.3 Overview of Financial Governance at Samaj Pragati Sahayog

Samaj Pragati Sahayog is governed by its Memorandum of Association which details its aims and objectives; and Rules & Regulations.

Executive Committee of SPS is charged with the responsibility of carrying out the objects of SPS as set forth in the Memorandum of Association and management and organization of all affairs and funds of the Society. The Executive Committee of SPS comprises of a minimum of 5 and a maximum of 11 members, including the President, Treasurer and Secretary. The roles and responsibilities of the Executive Committee and its office bearers are detailed in the Rules and Regulations

The Executive Committee meets as per the need, within the framework of the stipulations contained in the Rules and Regulations.

In keeping with the financial governance norms defined in the Rule and Regulations, all statutory functions are undertaken by the General Body in its meetings.

#### General Body Board Meetings

- The General Body, comprising of all members of the Society ordinarily meets once in each year, after the close of the financial year, but before September each year to undertake the following functions:
  - To receive and approve the audited financial statements of the Society. **The audited financial statements are filed with the concerned regulatory authorities including the Income Tax and Home Ministry, only after they are approved at the General Body Meeting.**
  - To receive and approve the report of the Executive Committee.

- To appoint auditors for each financial year (**April to March - being the accounting year of SPS**) to audit the accounts of the Society on such remuneration and terms as they deem fit.
- To approve / ratify organizational budgets.
- To elect members and office bearers of The Executive Committee

### **Minutes**

- Proper minutes of all General Body and Executive Committee Meetings are maintained in a separate Minutes Registers, which document the proceedings of the meetings by way of formal resolutions.
- All minutes are printed. Each page of the printed minutes is pasted on the respective minutes' registers.
- Minutes are approved in the immediately following meeting, and signed on all pages by the Chairman of the Meeting (in which the minutes are approved).
- In case of resolutions passed by the Executive Committee members by circulation, the duly passed resolutions are similarly pasted on the minutes register, along with email copies of approvals received from each member.
- In case Executive Committee meetings are held telephonically, proper meeting minutes are prepared and approved in the immediately following physical meeting of the trustees, and pasted in the minutes' book as mentioned above.

### **Other Financial Governance Matters**

- Relevant disclosures are made as per the Income Tax Rules in force of the remunerations and other amounts paid to General Body / Executive Committee members. Such disclosures are also made to other regulatory authorities and donor agencies as per their mandates.

- Various organizational policies including HR Policy, Procurement Policy, Finance Policy and other such policies, as also any major amendments thereto from time to time are formally approved by the Executive Committee in its meetings
- For day to day management, SPS operates within the framework of the various policies approved by the Executive Committee, and a documented “Chart of Delegation” which details the delegation of authority at various levels in the organization. This “Chart of Delegation” and any amendments thereto, are formally approved by the Executive Committee in its meetings.

#### **1.4 Management Structure**

Based on the powers delegated to it by the Executive Committee, the day to day affairs of SPS within the framework of the direction, policies, and systems laid down by the Executive Committee, are entrusted to a Core Team of experienced professionals who work full-time at headquarters, leading the team of SPS activists. Each division and function at SPS is headed by a core team member, and has its own team and structure based on its requirements.

A small team from within the Core Team, is designated as the Standing Committee, and is authorized by the EC to take decisions on specified financial matters such as opening and closing of bank accounts; approving purchase decisions; accepting and approving acceptance of grants from donors and grant making agencies; reviewing and approving decisions pertaining to investments; and carrying out other responsibility that may be entrusted by the EC.

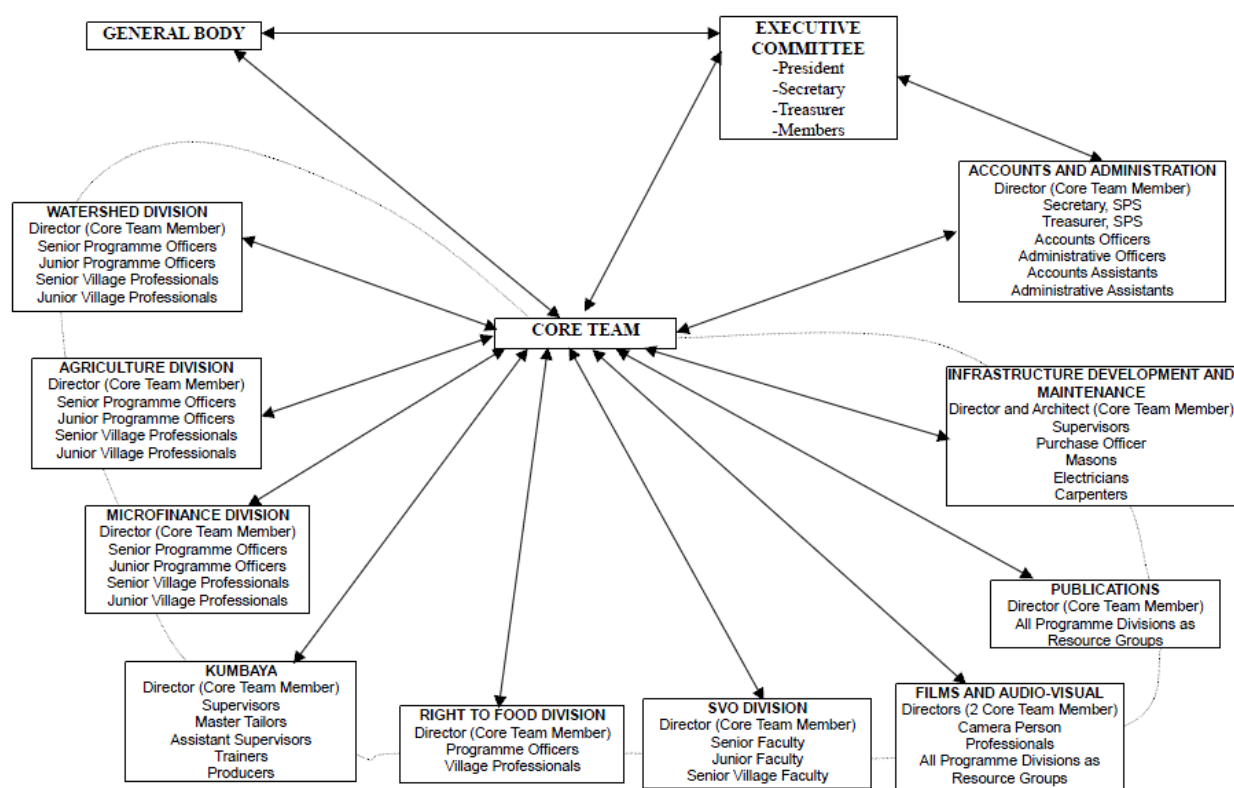
Broadly speaking, the Executive Committee is responsible for setting the financial policies and the Management Staff, headed by the Core Team, is responsible for implementing these, with the support of the finance team at Samaj Pragati Sahayog.



The Finance Function at SPS is headed by the Chief Accounts Officer (CAO), who works under the guidance of, and reports to the Treasurer of SPS. The CAO is assisted by accounts officers based at the head office or at the project level, based on need. The Chief Administration Officer, based at the Head Office, supplements the finance function, and oversees the areas of statutory compliance, investments, procurement, fixed assets and inventory management.

**It is the responsibility of the entire Samaj Pragati Sahayog team to ensure that the approved financial management policies are consistently implemented in both letter and spirit. A decentralized organizational structure with delegated responsibilities and authorities, can work effectively only within the framework of sound financial management systems which are standardized across the organization.**

**An overview of the Management Structure of SPS is provided below**



## 1.5 Chart of Delegation of financial and Non-Financial Authority

Recognizing the decentralized nature of Samaj Pragati Sahayog's activities and programmes, and based on the power accorded by the Rules and Regulations of SPS, to delegate authority and responsibilities to the management staff, the Executive Committee have approved the "Chart of Delegation" to the key persons responsible for the day to day running of the organization and its various functions / departments.

The following paragraphs outline the grant of non-financial and financial authorities as approved by the Executive Committee. These have to be exercised within the framework of the financial systems and processes as defined in this manual.

The purpose of delegation is to facilitate a more effective process for authorizing and executing grants and contracts by clarifying roles and procedures. The goal is to enable staff to more efficiently obtain the needed services and supplies while still ensuring appropriate due diligence required by good business practices and donor requirements.

### Grants of Authority

All financial and non-financial decisions are authorized and executed as indicated below

S.No.	Power to perform function	Designated Authority
<b>Non-Financial Authority</b>		
1.	Custody of original constitution documents, all original registration documents, financial statements and statutory returns filed	treasurer
2.	Approve formulated policies, rules and regulation	Executive Committee
3.	Signing of appointment or termination orders of Secretary	President
4.	Signing of appointment or termination orders of other staff	Secretary

S.No.	Power to perform function	Designated Authority
5.	Signature on Organizational Audited Financial statements on all pages including schedules.	Secretary and Treasurer
6.	Signature on Statutory returns	Secretary and / or Treasurer
7.	Signature on documents pertaining to providing loans and borrowing	President, Secretary , Treasurer (any two)
8.	Deciding staff salaries and increments	Core Team
Grant Making / Partner Management		
9.	Selection of Partners	Director of the concerned project in consultation with Core Team
10.	Signature on Partner Agreements / MoU	
11.	Grants release to Partners	
12.	Closure of Projects with partners incl. no cost extensions	
Donor Management		
13.	Signature on Donor Agreement	Secretary / Treasurer /
14.	Signature on Government Project MoU	Director of the concerned project
15.	Signature on Narrative Reports to Donors	Director of the concerned project
16.	Signature on Financial Reports to Donors	Director of the concerned project / CAO/ Treasurer
Financial Authority		
17.	Approval of annual organizational budgets for head office and projects	Executive Committee
18.	Travel/Programme Advance & Settlements to Core Team	Treasurer
19.	Approval of advance / Imprest to projects / field staff and settlement (only one advance request can be made for one purpose / programme. However, once approved, the actual advance amount may be divided between staff members as specified in the request form)	CAO for routine expenses upto Rs. 10,000 / Director of the concerned programme for others

S.No.	Power to perform function	Designated Authority
20.	Travel/Programme Advance & Settlements - Functional staff at Head Office (only one advance request can be made for one purpose / programme. However, once approved, the actual advance amount may be divided between staff members as specified in the request form)	CAO for routine expenses upto Rs. 20,000 / Treasurer for others
21.	Approval of budgeted Head office Expenses	CAO for routine expenses upto Rs. 10,000 / Treasurer for others
22.	Approval of budgeted Field Level / project exp.	CAO for routine expenses upto Rs. 10,000 / Director of the concerned programme for others
23.	Making/withdrawn of investments (to be ratified by the EC)	Standing Committee
24.	Procurement of Capital Goods at Head Office / regional offices	Standing Committee as per the procurement limits prescribed in the section on procurement systems.
25.	External Consultancy	Director of the concerned project / programme within the framework of the approved project budget, and as per the guidelines prescribed in the section on procurement systems.
26.	Bank Account operations	Signatories as defined in the Rules and Regulation / decided by the EC from time to time.
27.	Other functions	As decided by the EC from time to time

### **AUTHORITY TO APPROVE PAYMENTS**

- Any decision made at Samaj Pragati Sahayog is taken / approved by the appropriate authority, as per the powers defined in the above table.
- Within the framework of the delegation levels defined above, all procurement and payments are made in accordance with the processes defined in this manual.
- In all cases, it is ensured that any payment or expenditure that is approved has a provision in the relevant budget line item of the concerned project.
- **In addition, any terms and conditions as laid down by the concerned donor are adhered to.**
- Periodic feedback on the key decisions taken within the framework of the above delegation is provided to the EC. The ratification of the EC is documented in the minutes of the meeting in which the decisions are ratified. Instances of key decisions include (but are not restricted to) the following:
  - Project grants approved / MoUs signed with donors/ projects completed
  - Grants awarded to partners / partnerships completed
  - Key agreements / contracts signed
  - Investments made or withdrawn
  - Major Capital items of Rs. 50,000 or more
  - Key staff employed / terminated / resigned / retired
  - Statutory returns filed
  - Any other exceptional / important matters

It is reiterated that where required, **prior written approval of the donor is obtained** for making any budget shifts in case of donor funded projects, based on the terms included in the donor agreement.

## SECTION 2

### ACCOUNTING SYSTEMS

#### 2.1 Significant Accounting Policies

##### 2.1.1 Fiscal Year

The fiscal period of SPS is April to March in keeping with the requirement of laws presently in force in India

##### 2.1.2 METHOD OF ACCOUNTING

Samaj Pragati Sahayog maintains its books of account and prepares its financial systems on Mercantile Basis. However, provisions are made for outstanding / prepaid expenses and accrued incomes, only annually at the close of the financial year on 31<sup>st</sup> March each year.

##### 2.1.3 FOREIGN EXCHANGE TRANSACTIONS

Transactions in foreign currencies are recorded at exchange rates prevailing on the date of transactions, and at which the amounts are credited in the bank account of SPS.

Any exchange fluctuations resulting in gain or loss in relation to budgeted amounts, are reported separately in the audited financial statements.

##### 2.1.4 INVESTMENTS

All investments of Samaj Pragati Sahayog are made as per the provisions of section 11(5) of the Income Tax Act, 1961. In case of investments made from Foreign Contributions the provisions of FCRR 2011 are also adhered to. Investments are valued at cost and recorded as such. However the market value of investments is suitably disclosed in the financial statements, as on the reporting date.

The list of investments approved under section 11(5) of the Income Tax Act is placed as **Annexure 1** to the manual

### **2.1.5 STOCKS**

Unutilized stock of raw materials and finished products meant for income generating activities of SPS are accounted for as closing stock and valued at cost.

### **2.1.6 FIXED ASSETS**

- All assets procured from SPS funds, and having value exceeding Rs.5000/- and having useful life of more than one year are capitalized by Samaj Pragati Sahayog.
- All fixed assets (procured from SPS funds) are recorded at purchase price plus any attributable costs of bringing the asset to its working condition.
- Assets procured out of donor funds, are charged off as expenditure in the income and expenditure account in the year of purchase. However, through memorandum accounts, these are reflected in the balance sheet at cost, on both asset and liability sides.
- In the fixed assets schedule attached to the balance sheet, Samaj Pragati Sahayog's organizational fixed assets are distinguished from project fixed assets.
- Donated assets or grants received in kind are recorded at nominal value (Re.1) in cases where it is not possible to ascertain the cost or fair value of such assets or grants. Where documents are available to ascertain the cost or fair value of such assets / grants these are recorded at cost or reasonable value as the case may be. Since such donated assets are "unrestricted" in nature, that is, given for furthering the general objects of SPS, these are treated at par with assets procured out of SPS's own funds.

### **2.1.7 DEPRECIATION**

Depreciation on Fixed Assets procured out of SPS funds is provided as per the rates provided under the Income Tax Rules from time to time. Depreciation is not provided on assets procured out of donor funds.

### 2.1.8 REVENUE / GRANT

Samaj Pragati Sahayog mobilizes income for its programmes and activities from the following sources:

- **Restricted Grants** are contributions received from International / Indian Donors for programmes / projects to be implemented directly by Samaj Pragati Sahayog or through partner NGOs. These grants come with specified restrictions, terms and conditions. Such **restricted project grant income is recognized as income in the year of receipt to the extent utilized**. The balance held on account of donors is reflected as “Restricted Grants” on the liability side of the balance sheet.
- **Unrestricted income** including voluntary contributions, left over amounts from fixed price / fee contracts, un-restricted grants received from International and Indian donors, consultancies and other incomes earned by SPS are treated as unrestricted income of the trust and are **recognized as income in the year of receipt**. Such voluntary contributions and un-restricted grants are applied towards the objects of the trust and may also be accumulated as per the provisions of the prevailing laws. The balances held on account of unrestricted funds are reflected under General Reserves on the liability side of the Balance Sheet.
- **Corpus contributions** received from International and Indian donors, and individuals are not treated as income of the trust. Such corpus funds are received along with intent / specification letters, specifying that the contribution is towards Corpus of SPS, along with terms and conditions with regard to the nomenclature, purpose and investment of such Corpus funds. Such corpus contributions are credited to the corpus fund and shall permanently remain with the Society. It is ensured that the terms and conditions specified in the intent / specification letter are meticulously adhered to.



Interest ploughed back as per the requirements of the donor, is added to the Corpus fund and reflected as part of the Corpus Fund and treated as such.

- **Any other income** generated out of the Society's activities, and interest earned out of unrestricted grants, other than the above-cited shall be treated as unrestricted income of the trust. Such income is treated at par with other voluntary contributions received, and is applied for the purposes of SPS activities, and may also be accumulated as per the provisions of the prevailing laws.

#### **2.1.9 Onward granting**

**Treatment of onward grants:** The onward grants given by Samaj Pragati Sahayog to partner organizations registered as separate legal entities, are treated as advance at the time of remittance of funds, and expensed off (as grants) at the time of receiving the financial reports / utilization certificates. These expenses are not booked as SPS's own expenses under various heads, but are simply termed as "Grants to Partners", under expenditure towards the objects of the Society, in the audited financial statements of SPS.

The significant accounting policies as mentioned above, along with the notes to the account and schedules providing details / breakup of the various figures appearing in balance sheet, income and expenditure account and receipts and payments account form part of the audited financial statements of Samaj Pragati Sahayog .

## 2.2 Overview of Accounting Process

The accounting function is centralized at the Head office level, although basic accounting records and registers are also maintained at the project / other offices for the purposes of monitoring and control.

### 2.2.1 Computerized Accounting

The accounting system at Samaj Pragati Sahayog is centralized at the SPS head office and computerized, using the **Tally accounting software**, which facilitates tracking of expenses by donors, by budget / generic expenditure heads, and by projects.

### 2.2.2 Structuring of the Chart of Accounts

- In keeping with the requirement of the provisions of the Foreign Contribution Regulation Act 2010 / Foreign Contribution Regulation Rules 2011, **separate books of account and records are maintained for foreign contributions received and utilized. This is done by creating a separate Tally “Company” for projects funded through foreign contributions.**
- Separate “Companies” are also maintained for (i) Income Generating Activities such as training, dairy, agriculture, Kumbaya etc, and (ii) for projects funded through donation received under section 35AC of the income tax, in order to meet with the requirements of the Income Tax Rules presently applicable.
- A separate “Company” is maintained for the projects funded from Indian grants.
- Therefore, a minimum of 4 sets of books of account or “Companies” are maintained by SPS in Tally Accounting software.
- Within each company **separate groups are maintained for the funds received and utilized for each project / donor.** Under each donor group separate ledgers and sub ledgers are created, which are structured as per the approved budget line items / sub line items of the donor / project budgets.

- In addition, based on the requirement of the donor or internal need, **separate companies may also be created**, structured as per the approved budget lines / sub budget lines of the donor, to generate separate cash and bank books, expenditure ledgers as per the budgets and other ledgers / accounts as required.
- Within the framework of the above structuring cost centres are also created, where necessary, to maintain track over generic expenditure heads, individual imprest / advances or project wise expenditure.

### **2.2.3 Data Entry and accounting treatment for expenses incurred at various levels**

#### **For Head Office Transactions**

- Most payments for head office level expenses are made through account payee cheques or direct bank transfers
- All SPS staff salaries are paid through direct transfers into bank accounts.
- Third party payments on account of goods and services are also similarly paid through direct bank transfers, based on the original invoices and supporting received.
- Accounting data pertaining to the expenses made from the Head Office is entered into the accounting software and checked by the CAO on a **daily basis**. Any data entry errors identified during the daily checking, are rectified on a daily basis.
- No back dated entries are passed in accounting software.
- Further entries once made are not changed once these are checked at the end of each day. In case of need, such entries are rectified passing rectification journal entries on current dates.

**For project level expenses**

a) **Project Imprests and advances - for programmes, activities, office and other ongoing expenses**

- Different projects and activities work on different imprest periods and timelines for taking and settling advances.
- For the training campus, imprest is given on a weekly basis, while for the SHGs, advances are given on a monthly basis to each in-charge for onward remittance / utilization at the SHG levels.
- For other projects and activities, advances are given to project staff as per need

b) **Requisitions for payments, imprests and advances**

- Duly filled in and approved requisitions forms are received in the accounts department from authorized project staff for project related payments to be made in cash and cheque. The requisition forms have brief details of the payments proposed to be made, and are duly authorized by designated staff as per the chart of delegation.
- Demand sheets providing details of the funds required, quotations, bills / invoices and other supporting documents as appropriate are enclosed with the requisitions.
- The requisitions are numbered and checked at the accounts department for completeness. In consultation with the treasurer, the CAO determines the project to be debited for the proposed payments, the availability of budget provisions and the bank account from which the cheques have to be issued or cash has to be withdrawn.
- As far as possible it is ensured that the payments requested are made either by account payee cheques or bank transfers.
- The requisitions also mention the likely date of settlement, in case of advances.

- In case of advances to third parties, the account of the concerned staff account requesting the advance is debited in order to establish the accountability for the payment. This is reversed, as and when the settlement of advance takes places upon receipt of goods or services as applicable.
- In case of imprest amounts to the SHG in-charges, the requisitions or the demand sheet is a consolidated requirement of SHGs in all locations, complied by the concerned accounts executive. The amount is released by account payee cheques in favour of the account executive / other designated staff for onwards payments as per need. This amount is held in the advance account of the accounts executive / designated staff, till the entire amount is settled.
- In case of imprest / advance amounts to various project staff (including the campus staff), for routine operational expenses, a similar treatment is followed.
- ***It is the endeavor of SPS to open organizational bank accounts at various locations, with joint signatories, in order to reduce the ongoing imprest amounts to project staff. This would reduce the incidence of onward cash payments and reduce the financial risk on SPS as also the concerned staff.***
- Based on the project-wise requisitions received, a *Financial Planning Sheet* is prepared, based on which cash is withdrawn from the appropriate bank accounts, foreign, Indian, and / or concerned project bank account in case of a earmarked bank account for the concerned project.

*The format of the Cash / Cheque requisitions is provided as Annexure 4*

*The format of the demand sheet is provided as Annexure 5*

*The format of the financial planning sheet is provided as Annexure 9*

**c) Settlement of imprest / advances**

- All imprest amounts are settled on weekly or monthly basis based on the defined settlement timelines.
- In case of advances, these are settled within the timelines indicated in the requisition slips and / or within 7 days of the completion of the activity for which the advance is taken.
- Advances are regularly tracked by the accounts staff and the Treasurer on periodic basis.
- On the basis of the imprest settlement:
  - **The settlement form, duly authorized as per the delegation chart, along with the original supporting (financial and programmatic)** is checked by the accounts assistant at the head office.
  - **Entries** are made in the Tally software for the settlements.
- It is ensured that as at 31st March each year the imprest and advance amounts are reduced to a minimum balance.
- In any event, the accounting entries pertaining to any month, including those for field level **expenses are completed by the 15<sup>th</sup> of the following month, after which the accounts for the month are “frozen”**.
- Rectification entries, if any, are passed in current dates to amend any data that has already been entered.

*The format of the advance settlement form is provided as Annexure 7*

**For grant remittances to NGO partners (by SPS)**

- Remittances to partners are made on the basis of duly signed MoUs / Agreements with documented terms and conditions, signed by both parties (SPS and the concerned partner)

- The remittances made to partners are initially reflected as advances in the books of Samaj Pragati Sahayog .
- Once financial reports are received from the partners, the advances are settled and the net expenditure incurred by the partner is reflected in the books of Samaj Pragati Sahayog as **Onward Grants** to the concerned partner. These expenses are **not** booked as SPS's own expenses, since these represent the expenses incurred by the partners and reflected as such in the books of the concerned partners. Further, the original supporting are in the name of the concerned partner and are maintained at partner level.
- Audited utilization certificates are called for from the partners on an annual basis.
- The processes for financial monitoring of onward grants are documented in the relevant section in the manual.

### 2.3 Generation of Books of Account and Management Reports

- The monthly accounts are closed by the 15<sup>th</sup> of the following month. This implies that all entries pertaining to a month are completed by the 15th of the following month. **No back dated entries can be passed after this date.** Rectifications, if any, are made only through a rectification Journal Voucher, which is duly verified and approved.
- At the end of each financial year, the following printouts are taken.
  - Bank Books
  - Expenditure ledgers (cost centre wise ledgers to facilitate analysis of expenses by generic heads like salaries, rent, travel etc)
  - Project ledgers ( ledgers / sub-ledgers wise ledger structured in keeping with the donor budget / sub-budget line items)
  - Detailed Trial Balances
  - Bank Reconciliation Statements (monthly) for each bank account

- On an **annual basis**, after the completion of the statutory audit, the books of account are **initialed by the statutory auditors for authentication purposes**.

## 2.4 Data Security

Samaj Pragati Sahayog ensures that a proper system for data security is followed. This is required in order to ensure that:-

- There is no loss of crucial accounting information as a result of any unexpected media corruption or hardware problem in the computer.
- The accounting information is secure against any unauthorized access

**For ensuring the above, the following processes are followed:**

- The accounts are backed up on the Samaj Pragati Sahayog server on a daily basis
- In addition, on a weekly basis, the accounting data is backed up on an external device (external hard disk / pen drive)
- As an additional precaution, a copy of the accounting data, duly backed up on an external storage device is also maintained outside the office premises, that is, “off-site”. This data is updated on a weekly basis.
- All accounting information is password protected. The user has a unique ID and password. In addition, the CAO has the full access password. In any event, it is ensured that at least two persons know the password for safety reasons.

## 2.5 Storage and Maintenance of Past Records

- All financial records of Samaj Pragati Sahayog are **retained for a period of 10 years, after the end of the financial year to which they pertain**. This period meets with the requirements of the Income Tax Act and the FCRA presently in force.



- In addition, requirements of donors with regard to the retention of the accounting records pertaining to projects funded by them are also adhered to.
- Till such period, all the financial records including the books of account are stored in an easily accessible manner, properly labeled and numbered. All the vouchers are properly bound in a chronological order.
- At the end of the 10 years of retention as mentioned above, the financial records are scrapped / shredded as follows :

#### Financial records to be scrapped and retained

Record type	Exceptions (to be retained without time limit)
Books of account, vouchers and supporting documents attached to the vouchers.	<ol style="list-style-type: none"> <li>1. Vouchers and supporting relating to purchase agreements, lease deeds, lease premium, etc.</li> <li>2. Vouchers relating to <b>equipment and all fixed assets, which are current in the fixed asset register of Samaj Pragati Sahayog</b> . Here if the Asset has been sold off, the voucher can be scrapped.</li> <li>3. Vouchers relating to Insurance of Capital items mentioned above.</li> </ol> <p>The Reason for the above exception is to maintain information relating to the date of purchase, purchase price, depreciation claimed, etc. These documents are preserved till the Asset is with Samaj Pragati Sahayog .</p> <p><i>Soft copies of the books of account are backed up and retained on an external hard disk for all the years, even beyond 10 years</i></p>

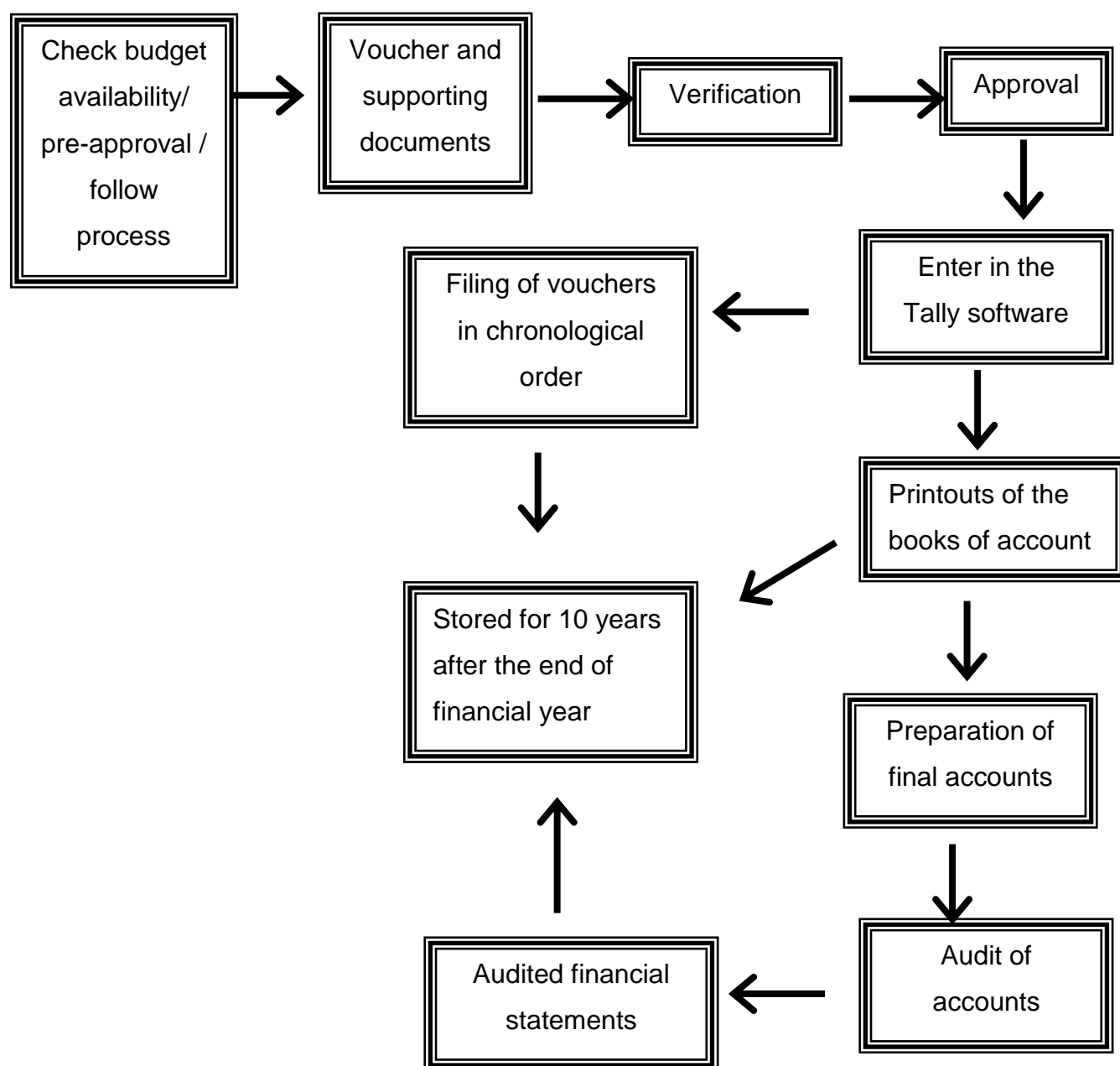
Record type	Exceptions (to be retained without time limit)
<ul style="list-style-type: none"> <li>• Registration Records</li> <li>• Statutory Returns</li> <li>• Audited financial statements</li> </ul>	Such records and returns are preserved and retained for all years.

- Each year, a resolution is passed at the Executive Committee level approving the records (with complete details thereof) to be destroyed for past years. A documented report of the detailed list of records destroyed, with the date and time, the manner in which these were destroyed, with the names, designations and signatures of the persons present is maintained and filed in the audit file.

## 2.6 Accounting Processes

### Summary Process for Accounting Financial Transactions

The following diagram illustrates the complete process followed for the purpose of accounting financial transactions at SPS



## 2.7 Additional Financial Records maintained at Head Office

In addition to the books of account generated from the accounting software, and the supporting vouchers and documents, the following supplementary records and source documents relating to financial transactions are maintained at Head office. **All accounting records are maintained separately for Foreign Contributions, as mandated by the FCRA 2010 / FCRR 2011.**

1. Monthly Bank Reconciliation Statements for each bank account of SPS
2. Cheque book / pay-in slip counterfoils
3. Unused cheque books
4. Fixed Assets Register – Foreign Contributions
5. Fixed Assets Register – Local (Indian) Contributions
6. Registration documents under various Acts
7. Organizational statutory returns filed under each Act - separately
8. MoUs of partners
9. MoUs of donors
10. Rent deeds and other contracts signed
11. Investment and other title deeds
12. Staff Personnel records
13. Salary Sheets / records
14. Provident Fund records
15. Stock registers
16. Other records as per need

The above is an illustrative list of the supplementary records and documents maintained at the Samaj Pragati Sahayog Head Office. Additional records and documents may be maintained as required.

Further, the above mentioned records are maintained with authorized persons at the head office or in a safe deposit locker, as appropriate.

## 2.8 Year End Closure

**Year ending procedures followed at Samaj Pragati Sahayog Head Office:**

**The Head office ensures adherence to the following procedures for the year ending 31<sup>st</sup> March each year:**

- Minimum cash balance
  - Physical cash verification is undertaken by a designated authority and a certificate issued with denominations (*format provided in **Annexure 2***)
  - Bank balance certificate is obtained from all banks as at 31<sup>st</sup> March
  - Nil or Minimum advances and receivables
  - Confirmation certificates is obtained for each advance, receivable outstanding as at 31<sup>st</sup> March
  - Schedule for bank deposits / security deposits outstanding ( if any ) as at 31<sup>st</sup> March is prepared giving the date and particulars of deposits
  - Schedule for advances outstanding ( if any ) as at 31<sup>st</sup> March is prepared giving the date and particulars of advance
  - Physical verification of fixed assets is carried out, reconciled and documented
  - Physical verification of all investments is carried out, reconciled and documented.
- Further details are provided in the section on fixed assets management.

## SECTION 3

### OVERVIEW OF INTERNAL CONTROL AT SPS

Internal control system is a set of processes designed by an entity's governing board, management and other personnel, to provide reasonable assurance regarding the achievement of objectives in three categories:

1. Effectiveness and efficiency of operations
2. Reliability of financial reporting
3. Compliance with applicable laws and regulations

**Internal controls can be judged as effective, in each of the above categories, if the EC and management have reasonable assurance that:**

- They understand the extent to which the entity's operations and objectives are being achieved
- Published financial statements are being prepared reliably
- Applicable laws and regulations are being complied with
- Funding agencies specific requirements are complied with
- Reports are submitted to the funding agencies accurately and in time

In the context of SPS, given its diverse range of activities, increasing financial outlay, multiple funding, and decentralized nature of spending, effective internal control assumes critical importance.

At SPS all the key elements of internal control are inbuilt in day to day financial management processes across the organization. These processes have been documented in this finance manual to ensure their standardization, consistency and longer term sustenance.

**The key elements of internal control include the following key areas:-**

- delegation of financial authorities
- approval and payment processes
- cash and bank management
- procurement processes
- inventory control
- fixed asset management
- advances management

While some of the above elements have been covered in the preceding sections, the other aspects of internal controls inbuilt within Samaj Pragati Sahayog have been detailed in the following sub-sections.

### **Internal Audit at Samaj Pragati Sahayog**

In addition to all the above, Samaj Pragati Sahayog has introduced an **Internal Audit Process**, with the key objective of ensuring that all the systemic aspects dealt with in this manual are adhered to at all levels.

**The scope of the Internal Audit**, apart from ensuring proper vouching and supporting documentation at all levels, covers in-depth review of each key element of financial management as covered in this manual, in a phased manner.

**The Internal Audit is undertaken on quarterly basis**, and covers the Head office and all projects / Campuses / Offices in a phased manner.

**The Internal Auditor reports to the Executive Committee** of Samaj Pragati Sahayog , and undertakes the audit cycle in a manner that coincides with the meetings of the Executive Committee.

## SECTION 4

### PAYMENT PROCEDURES

#### 4.1 Vouchers

The accounting process starts with the preparation of a voucher, which is the basic accounting document. A voucher is prepared to record any financial transaction that takes place anywhere in the organization. **Therefore a voucher is prepared for each and every entry made in the books of account.**

***Samaj Pragati Sahayog generates vouchers at Head office directly from the Tally software, with Tally generated voucher numbers.***

#### Types of Vouchers

Following types of vouchers are generated at Samaj Pragati Sahayog :

- a) Cash / Bank Payment vouchers
- b) Cash / bank Receipt vouchers
- c) Journal vouchers – for non-cash/bank transactions including settlement of advances and rectification entries

*The above-mentioned types of vouchers are printed directly for the Tally software at the head office level.*

- d) Supporting manual vouchers prepared at project / head office levels are used to back up the main Tally generated vouchers as per need.

*The format of a supporting voucher used at SPS is attached as Annexure 6*



## 4.2 Attributes of a complete voucher

All vouchers invariably contain the following information regarding the accounting transaction it represents:

- Voucher number (generated by the Tally software)
- Date of transaction
- Description of transaction, giving adequate details of the expenses to justify its charging to the project and the budget head debited
- Project / expenditure head (co-relating with the project / approved budget heads)
- Amount in words and figures
- Signature of recipient (in case of cash payments)
- Signature of person preparing / recommending /approving the payment
- Revenue stamp for cash payments for Rs.5,000/- or more (in case of cash payment vouchers, including payment of cash advances)
- DD/Ac Payee Cheque/ Bank transfer details in case payment is by way of a demand draft or A/c payee cheque or bank transfer
- Paid stamp with date and voucher number on the face of voucher and each supporting document
- Appropriate approved supporting documents evidencing the payment made

**At Samaj Pragati Sahayog, all vouchers are complete in all respects.**

## 4.3 Processing of payments

**4.3.1** The process (including for pre-approval of expenses) to be followed for incurring expenses and the subsequent payment thereof depends on the nature of expenditure. An overview of some common expenses, processes followed, policy reference, and supporting documents (financial and programmatic) required are tabled below:

Category of Expenditure	Process followed / policy reference	Supporting documents ( <i>attached with vouchers, or referenced / filed in an accessible manner</i> )
Procurement of assets (including fixed assets and consumable)	As documented in the procurement section of this manual.	<ul style="list-style-type: none"> <li>• Approved requisition from the originating department / division</li> <li>• Quotations for assets costing Rs. 10,000 or more. Alternatively documentation of process followed.</li> <li>• Quotations analysis sheet with approval of the standing committee (as mentioned in the procurement policy)</li> <li>• Purchase order for items / assets costing Rs. 20,000 or more</li> <li>• Invoice – complete in all respects</li> <li>• Entry in fixed assets / stock register as appropriate</li> </ul>
Consultancies (including those awarded to other NGOs)	As per the consultancy contract	<ul style="list-style-type: none"> <li>• Duly documented, approved process followed for sourcing the consultant.</li> <li>• Consultancy contract and scope of work, with details of timelines and deliverables.</li> <li>• Invoice of the consultant, duly authorized by the concerned authority certifying receipt of services.</li> </ul>

Category of Expenditure	Process followed / policy reference	Supporting documents ( <i>attached with vouchers, or referenced / filed in an accessible manner</i> )
		<ul style="list-style-type: none"> <li>• Deduction of Tax at source as applicable</li> </ul>
Remittances to Partner NGOs	As per the MoU or agreement with partner & utilization reports	<ul style="list-style-type: none"> <li>• MoU/agreement with partner</li> <li>• Addendums, if any</li> <li>• Updated reports / grant utilization statements</li> <li>• Receipt of Bills/ supportings (if reimbursement mode)</li> <li>• Receipts from partners</li> </ul>
Staff salaries	As per defined process followed for salary processing	<ul style="list-style-type: none"> <li>• Appointment / confirmation/ increment letters</li> <li>• Leave records</li> <li>• Monthly salary processing records</li> <li>• Communication to the bank for salary credits / cheque records with the acknowledgement of the bankers.</li> </ul>
Payment to travel agents	After reconciling the invoice of the travel agent with actual travel and/or cancellation details	<ul style="list-style-type: none"> <li>• Invoice of travel agent</li> <li>• Travel authorizations</li> <li>• Used tickets and Boarding passes (attached to and tracked with the travel claim of individual staff members)</li> </ul>

Category of Expenditure	Process followed / policy reference	Supporting documents ( <i>attached with vouchers, or referenced / filed in an accessible manner</i> )
Rent payments	As per the provisions of the rental agreement	<ul style="list-style-type: none"> <li>• Current rental agreement</li> <li>• Deduction of Tax at source as applicable</li> </ul>
Other payments	As per the various processes documented in the manual	<ul style="list-style-type: none"> <li>• Proper bill / invoice complete in all respects</li> <li>• Proper confirmation for receipt of goods and / or services</li> </ul>

- **Copies of PAN cards are taken from all staff and third parties where there is a requirement of deduction of tax at source**
- Some other supporting statements in predesigned, preprinted and numbered formats, maintained to back-up the vouchers and the process followed include
  - Cash / cheque requisitions
  - Imprest / Advances settlement formats
  - Labour payment sheet – as a covering sheet for duly signed muster roll
  - Weekly Income Report – as a cover sheet for the cash received against sale
  - Financial Planning Sheet – as a covering sheet for the cash withdrawals

**4.3.2 Examples of financial and programmatic supporting to back up programmatic expenses are tabled below:**

Expense Category	Illustrative Supporting Documentation
Travel Expenses	Airfare/Train Fare <ul style="list-style-type: none"> <li>• Original ticket and travel agent invoice</li> <li>• Boarding pass in case of Air Travel</li> <li>• Details and documentation evidencing purpose of travel,</li> </ul>

Expense Category	Illustrative Supporting Documentation
	<p>brief trip report on outcomes/follow up steps</p> <p>Local Transportation, Accommodation, Meals and other costs</p> <ul style="list-style-type: none"> <li>• Expense reports indicating traveller, purpose and location of trip and trip report.</li> <li>• Original receipts and invoices for hotels and other expenditures attached to expense report and corroborating the dates and the number of days</li> <li>• Invoices, credit card / bank statement or other payment evidence to support amounts paid.</li> </ul>
Training /Workshop Expenses	<ul style="list-style-type: none"> <li>• Signed participant lists</li> <li>• Summary report of the training/workshop.</li> <li>• Original receipts and invoices for food and venue expenses.</li> <li>• For travel, details and supporting as mentioned above must be enclosed.</li> </ul>
Vehicle Hiring	<ul style="list-style-type: none"> <li>• Vehicle hire agreement (where vehicles are hired from approved service provided)</li> <li>• Original invoices</li> <li>• Signed duty slip</li> <li>• Duly signed petrol slips for petrol filled</li> <li>• Programmatic details including persons traveling, purpose of travel and its relevance to the project / line item debited etc.</li> </ul>
Other payments including programmatic payments	<ul style="list-style-type: none"> <li>• Proper bill / invoice complete in all respects</li> <li>• Complete financial / programmatic supporting duly correlated. This could include for Travel - purpose, invitation, visit report etc; for Training – participant list, signatures, agenda, report, etc; proper confirmation for receipt of goods and / or services</li> <li>• For labour payments, signed muster rolls, duly certified by the designated staff of SPS</li> </ul>

**All the above mentioned expenses can be incurred and subsequent payments made only after:**

- (i) Confirming the availability of budget provisions
- (ii) Obtaining the approvals of appropriate authorities as specified in the manual
- (iii) Deduction of tax at source, wherever applicable

**4.3.3. In exceptional situations only**, where it is not possible to get proper and formal bills with registration details of the supplier, due to remoteness of the area or other genuine reasons, then supporting in the following form and order are accepted with documented reasons for unavailability of proper bills and approval thereof.

Preference Category	Type of supporting
<b>1</b>	Formal and proper bill with complete details including the registration details, invoice number, invoice date, complete particulars of quantity, rate, value, specifications of the items supplied, name, address, contact details of supplier etc. It is emphasized that wherever taxes need to be paid on the formal bills, these should be paid.
<b>2</b>	Informal bill on letterhead of supplier, with complete details including invoice number, invoice date, complete particulars of quantity, rate, value, specifications of the items supplied, name, address, contact details of supplier etc.
<b>3</b>	Paper bill on plain paper with the rubber stamp of the supplier, complete particulars of quantity, rate, value, specifications of the items supplied, name, address, contact details of supplier etc.
<b>4</b>	Paper bill on plain paper with complete particulars of quantity, rate, value, specifications of the items supplied, name, address, contact details of supplier etc.
<b>5</b>	Signature of the recipient of the voucher providing complete particulars of quantity, rate, value, specifications of the items supplied, name, address, contact details of supplier etc.

Preference Category	Type of supporting
<b>Important notes:</b> <ul style="list-style-type: none"> <li>In all cases, it is endeavored to get proper and formal bills with complete registration on other details as mentioned in preference category 1. Currently over 90% of the third party payments fall in this category.</li> <li>Only in cases where it is not possible to get the proper and formal bill, are the other options considered, in the order of their preferences.</li> <li>The reasons and justifications for not getting formal bills (in exceptional circumstances) are documented and approved by the designated authorities.</li> <li>It is recognized that external or third party evidence / supporting is preferred to internal (staff) evidences.</li> <li><b>Periodically, the standing committee circulates the category / types of payments, with limits which may fall in categories 2 to 5, along with the detailed process to be followed.</b></li> <li>In all cases, all financial supporting for expenses are also supported by necessary and sufficient programmatic supporting. <b>All the above requirements are applicable for payments at all levels.</b></li> </ul>	

#### 4.4 Responsibilities of the staff preparing payment vouchers:

- Accurately complete the payment voucher (as per the checklist provided above), including the amount to be paid.
- Attach all the supporting documents, approved by the designated authority, including requisition for goods or services, purchase order, bill or invoice from supplier, proof of receipt of goods or performance of services.
- cross reference to other supporting documents such as :
  - rental agreements
  - consultant contracts
  - quotations
- Ensure that the supporting documents sufficiently justify the payment.
- Ensure that all arithmetic calculations are checked and details of the supporting documents match each other.

- Ensure that the appropriate amount of tax has been deducted at source, where applicable.
  - Ensure that the payment amount does not exceed the authority level of the employees authorizing the payment.
  - Sign the payment voucher.
  - Once the cheque has been prepared / funds transferred, stamp each voucher 'PAID'
- Certain consultancy and other contracts often require recurring payments to be made based on the original contract. To make recurring payments, it is ensured that:
- All subsequent payments are tracked against the original contract, to determine the amount of tax to be deducted and advances to be adjusted, if any.
  - A running total of payments is maintained to avoid errors and / or overpaying.

#### **4.5 Attributes to check while preparing cheques:**

- The amount in words, and figures is identical, and match the amount paid
- The date matches the voucher date
- The payee's name is spelt correctly and matches the name on the contract
- All blank spaces on the payment, payee and date lines of the cheque are filled in to prevent alteration
- The cheque is payable only to the person or the organization as agreed to, in the purchase contract.
- In case of third party / supplier payments, only in exceptional circumstances, where a payment is required to be made to the proprietor of the firm (different from the firm name printed on the invoice), a signed declaration / request to this effect is obtained from the supplier on the firm letterhead (same as mentioned on the invoice). Further such payments are approved by the designated authority as exception to the general rule.



- No cheque is issued, that is payable to Individual employees of the supplier companies, “cash” or “bearer”. **All cheques are crossed and marked as “Account Payee Only”**

#### **4.6 Attributes to be checked before Approving vouchers**

**The following aspects are checked before passing a voucher for payment:**

- Whether there is a budget provision for the expenditure
- Whether prior approval has been taken, as per the approved delegation of powers for the expense incurred.
- Whether all the necessary supporting documents are available with the voucher.
- Whether the expenditure has been booked under an appropriate account head.
- Whether all necessary deductions have been made from the bill amount.
- Whether there is confirmation, that the party has fulfilled the consultancy / purchase order terms.
- Whether there is confirmation that the relevant processes have been followed for the category of payment being made.

## SECTION 5

### CASH AND BANK MANAGEMENT

#### 5.1 Cash Management

##### 5.1.1 Cash Payment Procedures

- At the Head office, cash is maintained with the assistant accountant.
- **Separate cash books and cash boxes are maintained for foreign and Indian funds.**
- **There is no mixing of foreign and Indian cash at any level, either in accounting or maintenance of physical cash.**
- The limit for making cash payments is **restricted to Rs.3000/-**. **Where a lower limit is specified by a donor, this (lower limit) is made applicable for the concerned project.** Beyond these limits, all payments are made through account payee cheques or bank transfers. **In exceptional situations** where it is not possible to make payments through account payee cheques / bank transfers, then cash payment beyond this limit can be made after documenting the reasons warranting such cash payments, and obtaining the approvals of the designated authorities as per the Grants of authority.
- The maximum limit of cash maintained at the Head office of Samaj Pragati Sahayog at any point, is **Rs.100,000/-**.
- The maximum amount of cash in hand and in transit is covered under insurance at all times.
- In the normal course, the amount of cash withdrawn from the bank does not exceed **Rs.50,000/-, based on the cash requisitions received from various projects.** However, during trainings, meetings and other programmes, excess amounts may be withdrawn with the approval of the appropriate authorities as per the Delegation Chart. The reasons for these are specifically recorded in the requisitions and vouchers.

- Duly approved cash requisitions are submitted to the accounts department sufficiently in advance (currently atleast 3 days) to facilitate planning and withdrawal of cash from the relevant bank accounts.
- Cash payments are made only on the basis of appropriate approval and authorization, and after verification of all the supporting documents.
- Acknowledgement of receipt of cash (including for advance) is taken on all the vouchers from the person receiving cash.
- At the end of each day, the cash book is closed and the physical cash balance is verified against the book balance in the Tally software. This is signed by the accounts assistant as a token of verification.
- The CAO / Treasurer verify the physical cash balance with the book balance, and sign the same as a token of verification, atleast once a week. This verification is done on a surprise basis from time to time.
- Cash is kept in the safe custody cash box / lockers, which are maintained separately for foreign and Indian funds.
- Under no circumstances are cash payments made for the following :
  - Salaries
  - Rent
  - Consultancy payments
  - Capital items procurement
  - All payments in excess of the specified limits (unless in exceptional circumstances as described above)

### **5.1.2 Cash Receipts**

- The Society has authorized one person at each of its project offices / sub-centres to receive cash accruing from sales of products, training fees, milk sales, seed sales etc.

- Cash received by the authorized persons at each sub centre is deposited at the accounts department at head office on a weekly basis
- This is accompanied by the Daily / Weekly Income Report, along with the details of the serial numbered debit notes / invoices as applicable.
- A complete check is maintained to ensure that all amounts collected are deposited with the accounts department on a weekly basis. This is done through a serial number check and reconciliation of invoices / debit notes with the amounts collected.
- Periodic tracking is also done of the amounts receivable in case of credit sales
- This complete area of collections and receivables is also covered under the internal audit process.

*The format of the Daily / Weekly Income Report is provided as Annexure 8*

## **5.2 Bank Management**

### **5.2.1 Bank management processes**

- As per the requirement of the Foreign Contribution Regulation Act, all foreign contributions are received in the exclusive, designated bank account maintained for this purpose.
- For the purpose of utilization, in the normal course, all utilization is from the designated bank account. However, in the case of donor funded projects, if required by the donor or in case of need, separate utilization accounts are opened exclusively for the purpose of the Foreign Contribution utilization. These accounts are opened and operated within the framework of the FCRA 2010/ FCRR 2011. **There is no mixing of foreign and Indian funds at any level.**

- To differentiate the various funds deposited into and utilized from this bank account, as mentioned in the section on accounting, Foreign Contribution accounts are maintained in the separate Foreign Contribution “Company” created in the Tally software.
- For Indian funding received, separate bank accounts are maintained as per the need and / or requirement of the donors.
- In case a separate bank account is opened for specific donor grants, this is used exclusively for the said grant, and all payments pertaining to the donor grants are made only from the said account.
- Each bank account is earmarked for specific purpose(s). Defunct bank accounts (accounts not in use) are closed. .

**The operation of bank accounts is undertaken as per the following guidelines.**

- All bank accounts are operated as per the resolutions passed by the Executive Committee / Standing Committee from time to time, and within the framework of the approved delegation.
- All bank accounts including the bank accounts maintained for donor funded projects are jointly operated by two out of three (or more) designated authorities.
- All bank accounts are opened as savings bank account
- All banking records are meticulously maintained.
- All cheque books, used and unused, and other banking documents are kept under the safe custody by an authorized person.
- A quantity control over the cheque books issued by the bank is maintained.
- A Bank Reconciliation Statement (BRS) for each bank account is prepared on a monthly basis, within 10 days from the close of the month and is approved by the Treasurer.

*The format of a bank reconciliation statement is provided as Annexure 10*

- Long pending BRS items of more than 30 days are reported / explained to the Treasurer on a monthly basis by the CAO.
- Stale cheques (As per the RBI regulations, these are cheques not presented to the bank for upto 90 days from the date of issue) are reversed and added back to the concerned project account.
- Under no circumstances are signatures obtained on blank cheques.
- Except in cases where the cash is withdrawn for office use, all cheques issued are crossed with “Payee’s A/c Only” clearly written on the cheque , or by affixing a rubber stamp.
- If the cheques become stale due to non-collection or are erroneous, they are cancelled.

**To cancel a stale cheque:**

- the word “ CANCELLED” is written across the face of the cheque
- A rectification voucher is prepared for the reversal entry
- A new payment voucher is prepared if the cheque is to be reissued
- The original voucher number is replaced with new voucher number on all the supporting documents
- The cancelled cheque is preserved by attaching the same or its stub with the cheque number to the reversal voucher or to the used cheque book.

## SECTION 6

### ADVANCES MANAGEMENT

#### Overview

Generally, following are the basic types of advances at SPS

- **Employee advances**
- **Supplier advances**

#### 6.1 Employee Advances

There can be three types of employee advances:

##### 6.1.1 Staff Loans and Salary Advances

These are advanced from general sources. Details are provided in the Human Resources Manual of SPS. These are **not** advanced from any project or donor funds, **unless specifically approved by the donor in writing.**

##### 6.1.2 Travel Advances

- Travel advances are released only against a duly authorized requisition form received by the accounts department.
- Advances are either released through bank transfers or in exceptional cases in cash if the amount does not exceed Rs. 20,000.
- No advance is given if a previous advance is outstanding.
- The travel advance drawn has to be settled within 7 working days after completion of the travel or next travel, whichever is earlier.
- Under no circumstances are advances allowed to become overdue. An aging analysis of any outstanding advances is prepared and monitored on a weekly basis. Details of outstanding advances are provided to the Project / Programme Director and Treasurer

### **6.1.3 Programme Advances**

- These are normally given to staff members for conducting approved and budgeted activities such as training programmes, which are normally conducted in locations outside of the project office
- All procedures mentioned above with regard to travel advances are also applicable to project advances
- No advance is given to one person for more than one activity at one time. A new advance is not given if a previous advance is pending.
- The advances for activities as per approved action plan are approved as per the Delegation Chart.

### **6.1.4 General**

- The processes followed for taking advances & imprest amounts and settlement thereof are included in the section on payment processes.
- Only one advance request can be made for one purpose / programme. However, once approved, the actual advance amount may be divided between staff members as specified in the request form
- The advances are settled based on statements and supporting documents received. The settlement of advance is made in a prescribed format giving complete details of the amount spent, along with all the supporting documents, including the used tickets, boarding passes, hotel / food etc.
- It is ensured that the amounts spent for travel and accommodation are within the entitlements, prescribed from time to time.
- Advance settlement is approved based on the chart of delegation.



## 6.2 Supplier Advances

- These can be given only if the terms of the Purchase Order or Contract specifically provide for the same.
- Rent agreements generally require a security deposit or advance rent to be paid for hiring real estate. These are generally a guarantee against damage and failure to make rent payments. These deposits /advance rents are adjusted against the last rental payments.
- It is ensured that tax is deducted at source from such advances, wherever applicable.
- When giving advance to suppliers, the following aspects are considered:
  - Business practice
  - Supplier's credit rating
- Any advance request has the following information:
  - Nature/purpose of advance
  - Liquidation date
  - Approval
  - Any previous outstanding advance.
- In case of advances to third parties, the account of the concerned staff account requesting the advance is debited in order to establish the accountability for the payment. This is reversed, as and when the settlement of advance takes places upon receipt of goods or services as applicable.
- These are tracked through staff wise advance accounts maintained in the Tally software.
- All advances are closely monitored, to ensure that they are settled as per schedule.
- Under no circumstances are advances allowed to become overdue. An aging analysis of any outstanding advances is prepared and monitored on a monthly basis.

## **SECTION 7**

### **PROCUREMENT PROCESSES AND INVENTORY MANAGEMENT**

#### **7.1 Overview**

At Samaj Pragati Sahayog, procurement of goods and services happen throughout the year and across various levels. All procurement of goods and services are undertaken and documented in a manner which ensures transparency and competitive review. Moreover, SPS aims to maintain the highest standards of integrity, economy and efficiency when it awards a contract or any other type of agreement.

#### **In summary:**

1. It is SPS's policy that procurement of goods and services is done from approved service providers and vendors, selected on the basis of predetermined criteria, unless there is adequate, documented and approved justification for not doing so.
2. Competitive quotes are not required to be sought for procurements equal to, or less than Rs 10,000; however, such procurements are done from the approved vendors for the items to be procured.
3. Competitive quotes are invited for procurements in excess of Rs. 10,000. Such quotations are invited from vendors approved from time to time, by the standing committee.
4. Exceptions to the approved norms are duly documented, approved and attached to the vouchers for the relevant procurements.

#### **All procurements are authorized and executed as indicated below:**

- i. Approved in accordance with the Delegation Chart.
- ii. Appropriate procurement procedures outlined in the procurement policy.

- iii. Compliant with SPS donor requirements.
- iv. If restricted funds are being used, the procurement is within the approved budgets.

## **7.2 Procurement Process for Goods and Services**

The following are the main steps in the procurement process that are uniform for all categories of procurements.

### **7.2.1 Approved Vendors**

- Suppliers are identified for all goods (including fixed assets and consumables) and services (such as printing works, vehicle hire, venue bookings etc) that are normally procured at head office and project levels.
- Set criteria with financial-technical parameters and credentials are defined for including a supplier (existing or new) as an “approved” supplier. Such criteria include parameters such as registrations like TIN, PAN etc, readiness to accept payments through banking channels, satisfaction levels from past purchases, quality levels, references from known sources etc
- A specified process including involvement of designated staff at head office / project/ location offices is followed for approving / validating the list of approved suppliers for various items to be procured.
- Based on the recommended list of vendors (with justifications based on the set parameters), received from the designated project / location/ staff, vendors for different categories of goods and services are approved by the standing committee on an annual basis.
- The list of approved vendors is reviewed on a half yearly basis to add or delete a vendor in the approved vendors list.

- Once approved, on-going quotations for various items above the specified limits are obtained only from the approved vendors.
- Single source procurements for specified items (by the standing committee) are also made from the approved vendors.
- It is possible that for some supplies, there may be only one (sole) approved supplier. The reasons for these are suitably documented.

### 7.2.1 Receipt and evaluation of quotations

- For any purchase to be made, a duly approved purchase demand / requisition is received at the Head Office accounts department from the concerned project / location (Format enclosed as Annexure 11)
- For any procurement with a value of more than Rs. 10,000/-, three quotations are called for, from approved vendors, with identical specifications to ensure comparability of quotations.
- The quotations obtained on the letterhead of the suppliers and provide details of specifications, quantity, rates and other terms and conditions of the supply.
- In case it is not possible to get signed, written quotations, the concerned division may obtain oral quotes (duly documented by the concerned staff), quotes through email, or through the internet.
- A comparative statement of all the quotes received is prepared to facilitate decision making.
- The final decision with regard to the procurement is made after due negotiations. This is documented and signed by the **designated authority, that is, a designated member of the Standing Committee**, citing the reasons for the selection of the supplier.
- For general use, items like stationery, office supplies, accommodation for meetings, workshops and conferences, travel bookings, Annual Maintenance Contracts etc, the administration department may obtain periodic quotations approved vendors, which are

reviewed at specified intervals or when there is a change in the price agreed with the vendor, whichever is earlier.

- In instances where numerous items need to be purchased (such as medicine, books etc) and where the quality parameters are identical, the quotations can also be based on the discount being offered by the suppliers offered on the MRP.
- In cases where procurements have to be made from vendors outside of the approved vendors list the reasons for these are duly documented and approved by a designated authority, that is, a designated member of the Standing Committee.

### **7.2.2 Order and acceptance**

Purchase orders (PO) are issued from the head office for all purchases **in excess of Rs.20,000** and payments are released through bank transfers based on the terms of the purchase order, intimation of goods received, invoices and other supporting documents.

#### **Purchase orders are numbered and include the following:**

- Supplier's full address
- The delivery address and, if different, the address to which invoices should be sent
- The name and telephone number of the contact with whom the supplier can raise any queries
- Date of issue
- Payment terms
- Specific delivery date agreed in advance with the supplier
- Delivery terms – whether cartage is included in the price or charged extra
- Specification of goods or services including description of items, unit of purchase
- Inclusive/ exclusive of taxes
- Prices – itemized prices and the total value of the order
- Any other relevant information

*The format of a standard purchase order is provided as Annexure 12*

The purchase order is always dated, and has a reference to the quotation from which it has originated. The quotations, the documented decisions for the procurement and the Purchase Order are properly referenced and filed in an accessible manner, to evidence the process followed for any procurement.

**When, in unavoidable circumstances, the above specified process is not followed, the reasons are documented along with the description of the process followed. This is duly signed by the approving authority and attached to the relevant voucher.**

### **7.2.3 Receipt of goods**

- As and when the procured items are received, the quality of the goods is checked with specifications mentioned in the purchase order and the accompanying invoice.
- In case the item procured is a fixed asset, or an asset for which an entry is required to be made, **the corresponding registers (stock register / fixed assets register) are updated with the required details (as mentioned in the section on stock / fixed assets management).**
- The invoice for the items received is then processed for payment (as mentioned in the section on Payment Processes).
- Procurements made are initially debited to stock accounts, and charged to consumption / different donors only on the basis of consumption records / distribution records.
- Stocks items / assets transferred to locations / projects from the head office are accompanied with a preprinted and pre-numbered materials issue form, with details of the materials transferred. The entries for issue (in case of stock items) and location (for fixed asset items) are made at head office and location / project level on the basis of these materials issue forms.

### 7.3 Inventory records

At Samaj Pragati Sahayog the items that form part of inventory include:

- Office items including stationery and consumables
- All categories of items purchased for the various activities of SPS, including all raw material, finished products, spares, construction materials, livestock etc.
- Programmatic items such as materials procured for training and / or items that need to be distributed for project purposes
- Inventory register is maintained at Samaj Pragati Sahayog at all levels, including projects, sub centres, work stations, campus etc, where inventory items are received.
- The inventory register at each level includes the details of quantities of opening stock, receipts, issues and closing balances. For this purpose, proper care is taken to ensure the following:
  - Updation for receipts and issues is made regularly and correctly
  - Brought forward and carry forward entries are made correctly
  - Stocks in excess of requirements are not ordered
  - Receipt of goods is entered in the inventory register (computerized / manual) against the respective item of stock
  - In case where the quantities issued at one level, represent the quantities received at another level, there are proper checks and balance in place to ensure that the correlation between the two sets of registers is maintained.
- To avoid errors in inventory records, it is ensured that the information entered in the inventory register match with the information on the supporting documents such as purchase orders and invoices. For this purpose, the reference of the voucher / bill number is entered in the inventory register, and the folio number of the inventory register in the payment voucher, at head office level.

- The referencing at the location / project level happens on the basis of the materials issue forms.
- Physical verification of all stock is carried out on periodic basis (atleast once a quarter) and duly documented. All stocks are also verified by the Internal Auditor atleast once in each financial year in a phased manner.

***Annexure 3** provides the format of the stock register, which is maintained item-wise in a separate folio*

#### **7.4 Contracting Consultants**

- The process for contracting task based consultants is initiated at the project level, subject to the availability of approved budget provisions, and the approval as per the policy of the delegation of authority.
- A documented process is followed for the sourcing of the consultants, providing justification for the selection of the consultant and the remuneration / consultancy fee proposed to be paid.
- For all consultancies, a formal contract is entered into with the consultant, documenting all the terms and conditions, including timeframes for the delivery of services and payments, and deduction of tax at source.
- Consultancy payments are processed as per the terms of the contract, upon receipt of invoice from the consultant, certification of satisfactory receipt of the delivered services by the project holder, and approval of the designated authority. The process and the supporting documentation for this purpose have been mentioned in the section on payment procedures.
- Tax at prevailing rates is deducted at source, for consultancies in excess of the prescribed limits in the Income Tax Rules (presently Rs. 30,000).



## **SECTION 8**

### **FIXED ASSETS MANAGEMENT**

#### **8.1 Definition of Fixed Assets**

Fixed Asset is an asset, which is:

- Held with the intention of being used for the purpose of providing services
- Not held for sale in the normal course of business
- Expected to be used for more than one accounting period

The accounting policy with regard to fixed assets has been stated in the section on accounting. This section deals with the operation aspects of fixed assets management.

#### **8.2 Components of Cost of Fixed Assets:**

**The cost of fixed assets comprises the following:**

- Purchase Price
- Other non-refundable taxes or levies
- Applicable duties
- Any directly attributable cost of bringing the asset to the working condition for its intended use like site preparation, delivery, handling and installation cost, and professional fees (i.e. Fees of Engineers and Architects)

#### **8.3 Procurement (of assets procured from SPS and donor funds)**

- Any fixed asset is procured based on the budget availability and approval of the designated persons, as per the process defined in the sections on procurement and payment procedures.
- Payments for procurement of fixed assets are made through crossed account payee cheques/demand draft/ Pay Order/ wire transfers.

## 8.4 Capitalization Policy

### Assets procured from SPS Funds

- All assets procured from SPS funds, having useful life of more than one year, and with an individual total cost (as specified above) of more than Rs. 5,000/- are capitalized in the year of procurement.
- All fixed assets (procured from SPS funds) are recorded at purchase price plus any attributable costs of bringing the asset to its working condition.
- All capitalized assets are entered in the fixed assets register of SPS, maintained at head office level.
- Subsidiary fixed asset registers are also maintained at project / location levels, on the basis of the material issue forms issued by the head office.
- In case of items which are capital in nature and the benefit thereof will be enjoyed for a period exceeding one year, but the individual total cost of which is up to Rs.5,000/-, these items are **not** capitalized, but for the purpose of control these are recorded in a separate register, called the “*dead stock register*” and are physically verified at periodic intervals.

*The format of Material Requisition form is provided as Annexure 13*

### Assets procured from Donor Funds

- Assets procured out of donor funds, are charged off as expenditure in the income and expenditure account in the year of purchase. However, through memorandum accounts, these are reflected in the balance sheet at cost, on both asset and liability sides.
- In the fixed assets schedule attached to the balance sheet, Samaj Pragati Sahayog’s organizational fixed assets are distinguished from project fixed assets.
- Assets procured out of donor funds are also recorded in the fixed assets register.

- Upon completion of the project funding, the project assets are treated according to the terms of the project agreement. In the absence of any clause pertaining to the treatment of fixed assets in the project agreement, the assets are converted into general assets after obtaining formal permission from the respective donor, where required. The exception to this treatment, are the assets procured out of Government Grants, which are retained in the category of project assets.

#### **Assets received as donations**

- Donated assets or grants received in kind are recorded at nominal value (Re.1) in cases where it is not possible to ascertain the cost or fair value of such assets or grants. Where documents are available to ascertain the cost or fair value of such assets / grants these are recorded at cost or reasonable value as the case may be. Since such donated assets are “unrestricted” in nature, that is, given for furthering the general objects of SPS, these are treated and recorded at par with assets procured out of SPS’s own funds.
- Necessary accounting entries are passed in the books of account to record these assets

### **8.5 Depreciation Policy**

Fixed Assets are depreciated as per the rates and other provisions prescribed by the Income Tax Act from time to time. Depreciation is not provided on assets procured out of donor funds.

### **8.6 Insurance**

Insurance cover for all movable and immovable assets is obtained and renewed regularly. The type of insurance cover required for various types of assets is determined by the Administration Department.

## 8.7 Retirement and Disposal of Fixed Assets

- When an asset is no longer appropriate for the purpose it was obtained for, due to either the availability of better alternatives or change in user requirements, it becomes useless or obsolete. The term obsolete refers to an asset which is:
  - No longer being used
  - Outmoded in style or design
  - Technologically outmoded by newer technological innovations
- All obsolete or surplus assets need to be disposed-off or written-off by the best means. An asset can be put up for disposition, if it is not repairable or if the cost of repair is not justifiable in comparison to the new asset.
- Assets may be identified for disposal, either (i) during the physical verification processes undertaken during the course of the year or at the end of the financial year or (ii) by the project / location staff in the normal course of operation. The assets so identified for disposal, are documented with reasons thereof. These are disposed-off after following the specified process for disposal.
- Any asset that is capitalized (from SPS funds) / reflected in the balance sheet (from donor funds) can be disposed-off only after approval from the Standing Committee. **For assets procured from donor funded projects, in case the MoU / contract/ grant agreement specifies conditions to be complied with for disposal of assets, these are followed, and reported to the donor.**
- In case of assets not capitalized / consumables with a value (per unit) of Rs. 1000 or less, the decision with regard to the disposal may be taken by the programme director.
- The sale/disposable value of capitalized assets is shown as receipt against sale of asset.
- The sale/disposable value of assets not capitalized is shown as receipt as miscellaneous income.
- In both cases the assets are removed from the respective assets registers, by way of an entry for sale/disposal/scrap.

## 8.8 Record of Fixed Assets

- A detailed and comprehensive Fixed Asset register is maintained at the head office level, in a manner such that at any point in time, it gives complete information regarding the assets possessed by Samaj Pragati Sahayog.
- The Fixed Asset Register includes the following details:
  - Date of acquisition of the Asset
  - Voucher and bill reference of the Asset procured
  - Source of funding
  - Detailed specification of the Asset
  - Cost of the Asset
  - Location of the Asset – Head office/ concerned Regional office
  - Details of the Supplier
  - Details regarding warranty/Guarantee for Asset
  - Details regarding insurance for the Asset
  - Identification code of the asset

*The format of fixed asset register is provided in Annexure 14*

- The Fixed Assets register is updated at the time of procurement /disposal /write off /Transfer of assets to other locations.
- The details as appearing in the fixed assets register are reconciled with (i) the amounts as appearing in the balance sheet on annual basis and (ii) the fixed asset details maintained at the project / location offices.
- There is a systematic ID Marking on all items of fixed assets. This is correlated with the identification code mentioned in the fixed asset register.
- Subsidiary fixed asset registers are also maintained at project / location levels, on the basis of the material issue forms issued by the head office. These are physically verified at periodic level as per the procedure outlined below.

## **8.9 Physical Verification of Fixed Assets**

- Physical verification of assets happens at various points in time during the course of the year.
- Periodic physical verification against the asset records maintained at project / location levels is undertaken by designated staff from head office when they visit projects / locations.
- Physical verification of fixed assets is undertaken on an annual basis, as at 31<sup>st</sup> March each year by the project / location staff. For this purpose, a certificate of confirmation for the assets present and verified at the regional level is obtained from each project / location.
- Physical verification is also undertaken by the internal / statutory auditors in a phased manner, such that all assets at head office / project / location levels are covered within a period of three financial years.
- This verification is undertaken for all assets and is reconciled against all the items appearing in the fixed asset register.
- Any discrepancy between the fixed asset register and the physical count of assets is documented, reconciled and appropriate action taken
- In all cases, the process of physical verification is documented and the report generated is signed by the verifier.

## **8.10 Organizational Assets handed over to staff**

Certain organizational assets such as motorcycles, laptops, etc are handed over to staff at various levels for official use.

In such cases a signed declaration is taken from the staff to the effect that (i) the assets being handed over to the staff are organization assets (ii) the staff would use the assets for

organizational purposes only (iii) the staff would maintain the assets properly and (iv) the assets would be returned to the organization on demand, or at the time of separation of the staff from SPS. Such a declaration is signed by each staff receiving any organizational asset from SPS.

Further, some organizational assets such as cameras are maintained in the office, but handed over to different staff for official use at different points in time. For such assets a movement register is maintained to track the dates on which such assets are handed over to designated staff and the dates which these are received back.

### **8.11 Change in location of assets**

As mentioned earlier the locations of assets are tracked at the head office level, on the basis of the material issue forms issued by the head office. It is therefore important to intimate the head office with regard to any change on location of assets.

For this purpose, a document is created for transfer of any asset from one project / location to another. This is duly approved by the concerned project / programme director / standing committee member and submitted to the accounts department to effect the necessary change in the location of the said asset, in the fixed asset register. Simultaneous changes are also made in the fixed asset registers of the two projects / locations from and to which the asset is transferred.

## SECTION 9

### INVESTMENT MANAGEMENT

#### 9.1 Overview

Samaj Pragati Sahayog invests its short term, medium term and long term surpluses for the purpose of generating revenue for the organization and / or the concerned project as the case may be.

#### 9.2 Investment Policy

- Investments at Samaj Pragati Sahayog are made in accordance with the provisions of Section 11(5) of Income Tax Act, FCRA 2010/ FCRR 2011, and all the other Acts as applicable to it, from time to time.
- The investment policy of Samaj Pragati Sahayog aims to secure optimum returns, **while ensuring the absolute safety of its investments at all times.**
- Any requirement or condition laid down in the donor grant letter / contract / MoU by any donor is strictly adhered to. This includes any condition with regard to:
  - Mode and periodicity of investments
  - Periodicity of receipt of income
  - Earmarking of Investments
  - Treatment, usage and reporting of interest
  - Reflection in the audited financial statements
  - Any other stipulation including for corpus funds

#### 9.3 Investment related decisions

- Based on the authority delegated by the Executive Committee, the investment related decisions including those pertaining to Corpus Fund investments are taken by the Standing Committee.



- All investment related decisions are documented and signed by the Standing Committee members, along with the necessary backup details, workings and justifications for the said decisions.
- The Standing Committee, may, if need be, take the assistance of investment professionals, in making investment related decisions. However, it is ensured that the investment policy of SPS is adhered to at all times.
- With every investment made, a written declaration is obtained from the investment managers confirming that the said investment is in accordance with the provisions of section 11(5) of the Income Tax Act.
- Investments made are monitored and tracked at periodic intervals, by the Standing Committee, to take timely decisions to ensure that their net worth is compromised at any point in time.
- Investment decisions made by the standing committee are presented to the Executive Committee at periodic intervals for ratification.
- Wherever possible, SWEEP facilities are also availed for the savings bank accounts maintained by SPS, in order to optimize the returns on idle funds.

#### **9.4 Investment Records**

- In order to track the investments made, their maturity dates and interest earned, detailed Investment Registers are maintained, separately for investment made from Indian and foreign funds, with the following details:
  1. Date of Investment
  2. Type of Investment
  3. Name of the Institution
  4. Certificate number
  5. Amount of investment
  6. Rate of interest

7. Duration of investment
  8. Maturity date
  9. Maturity amount
- With the help of the Investment register, the maturity dates and interest / dividend receipts are monitored, to ensure that (i) the interests / dividends are received in time, (ii) they correlate with the investment terms and (iii) the funds are re-invested in time, where required.
  - In the normal course, investments made in fixed deposits are held till maturity. In the unlikely event where an investment has to be prematurely broken this is done with the prior written approval of the Standing Committee.

### **9.5 Safe Custody of Investment Documents**

- All original investment certificates are maintained, in safe custody or in a locker, maintained by authorized persons.
- The original certificates are physically verified as at 31<sup>st</sup> March each year, and the said verification process is duly documented and signed by the verifier.

## SECTION 10

### DONOR MANAGEMENT

#### 10.1 Overview of Donor Funding

SPS's main source of funding is from grant funds from Indian and foreign donors and grant making agencies. Each donor has specific requirements of grant management, including those pertaining to grant accounting, utilization and reporting. It is made sure that the requirements of all the donors are properly complied with; within the framework of SPS's own laid down financial management systems and processes.

**Samaj Pragati Sahayog maintains complete transparency with regard to record-keeping and utilization of funds received from donors.** For this purpose, it has its own comprehensive and transparent financial management systems, which are documented by way of this manual. These systems are followed across all levels in the organization.

One of the key components of SPS's donor management policy is to integrate the financial guidelines and reports specified by the Donor, with its own systems, so as to facilitate generation of the donor required information and analysis thereof. This not only caters to the reporting requirements of donors, but also helps in the decision making process.

#### 10.2 Understanding Donor funded projects

All projects of Samaj Pragati Sahayog funded by donors are called donor funded projects. This funding can either be from an Indian source or a foreign source (as defined in the FCRA 2010).

All funding from foreign sources constitute “**Foreign Contribution**”, and is regulated by the FCRA 2010 and the FCRR 2011. For all foreign contributions received by Samaj Pragati

Sahayog, requirements of FCRA 2010 and the FCRR 2011 are adhered to. These requirements are detailed in the section on statutory compliances.

Foreign Contributions may be received by Samaj Pragati Sahayog either as a **first recipient** or **subsequent recipient**. This means that the foreign contribution can come either:

- Directly from the foreign country of the donor, either in foreign currency or in Indian Rupees. In these instances, Samaj Pragati Sahayog is the **first recipient** of the foreign contribution as per FCRA.
- From an Indian agency which has in turn received the funds from a foreign source. In these instances, Samaj Pragati Sahayog would be the **second recipient** of the foreign contribution as per FCRA.

Foreign Contributions may be received by Samaj Pragati Sahayog either by way of funds (in foreign currency or Indian Rupees) or by way of **grant-in-kind** that is, by way of assets donated by a foreign source. This **grant-in-kind** also constitutes foreign contribution, and may be received by Samaj Pragati Sahayog either as first or subsequent recipient.

**A project can also be funded by local (Indian) funds, to which the FCRA regulations do not apply.**

### **10.3 Preparedness for donor funded projects**

Generally donor funded projects come with a number of terms and condition to be adhered to. By and large, most of the generic requirements have been covered in SPS's financial systems and procedures manual. However, there may be other specific requirements from the donor, which need to be recorded and adhered to for smooth operation and compliance of individual donor funded projects. In case of any conflict of donor requirements with the

requirements included in this manual; **the special / specific terms of the donor grant duly accepted by SPS would prevail.**

It is difficult to document the specific requirements of each donor agency, since individual donors may have different sets of requirements. Thus the finance department and the respective programme staff carefully study the Memorandum of Understanding / Grant agreement with donors and note donor specific requirements. These may include procurement processes, payment processes, quotation requirements, cash payment limit and reporting requirements. These are strictly adhered to.

#### **10.4 Accounting of donor funded projects**

- Although different funding agencies follow different budget lines and reporting periods as discussed above, **the books of account of projects are maintained according to the statutory accounting period only**, that is, from April to March.
- As mentioned in the section on accounting, based on the requirements of the donors, either (i) a separate company in Tally software is opened, or (ii) a group is created within which ledgers and sub-ledgers are created in accordance with the donor approved budget heads and sub-budget heads. This facilitates recording of financial transactions against the approved budget-lines of the donor, monitoring donor budgets, as also reporting to the donor from time to time.

#### **10.5 Utilization of donor funds**

As a principle, donor funds are utilized only for the purposes for which they are approved. This is a non-negotiable principle. Utilization of donor funds is done in accordance with the following parameters:

- Utilization of donor funds is in accordance with the terms and conditions of the agreement and as per the approved / sanctioned budgets.

- Expenses are correctly charged to the related budget heads.
- No unbudgeted activity or expenditure is undertaken unless approved in writing by the donor.
- In case of any expected over utilization in any budget line, in excess of permissible flexibility levels, SPS ensures that prior written approval is obtained from the donor and Samaj Pragati Sahayog Core Team.
- Allocation of budgets within inter-line items is not made without obtaining the approval from the donor and the Samaj Pragati Sahayog Core Team.
- The Interest earned on the grants is utilized as per the donor requirement or as agreed with the donor.
- No expenses pertaining to periods before or after the approved grant period are charged to the donor funded project unless approved in writing by the donor.
- Unutilized / underutilized budget provisions from one year are not carried forward to subsequent years without prior written approval of the donor.
- Only actual expenses incurred for the planned and approved project purposes are charged to the donor funded projects. **“Notional Expenses”** (*Amounts not actually spent by the organization, but reported to the donor as utilization and transferred to the organization’s unrestricted funds*) are not charged to the project, unless specifically approved by the donor in writing. Examples of Notional Expenses include rent for owned premises or charging for internal resource persons etc.
- The policy regarding provision of internal services (such as vehicles, training facilities, resource persons etc) to the projects, including the rates to be charged of the projects, and the justification thereof, including comparison with outside rates, is documented and approved by the standing committee.
- In case there are any internal services that SPS provides to a particular project then  
(i) a disclosure of such services along with the proposed rate and justification thereof

is included in the project proposal submitted to the donors and (ii) For ongoing projects, written approval is obtained from the donor for such services, and the rates proposed to be charged.

- Disclosures are made to the donors for any financial transactions made from grants funds with any interested parties or with any sister concerns, along with the process followed / rationale for the same.
- In terms of project finances, budgets as worked out in the final project proposals and as included in the donor grant letter / MoU are strictly adhered to (as applicable) in terms of :
  - *Unit costs of various activities / expenditure units*
  - *Numbers in terms of outputs (programmes / trainings)*
  - *Numbers in terms of staff / other expenditure parameters*
  - *Budgets of various implementing partners as included in the project proposal*
  - *Budgets of various locations / offices as included in the project proposal*
  - *Working and details of the budget as included in the project proposal.*
- In case of co-funded projects, where part-funding of the project costs is required to be met from other sources, including other donors, community contributions or SPS's own contributions, it is ensured that the funding ratios (as proposed in the approved budgets) are maintained.
- Similarly, where in a project funded by a donor, funds are required to be leveraged from government schemes it is ensured that the ratios / quantum of funds to be leveraged are maintained throughout the project period.
- Where contributions for a donor funded project are to be raised in kind, proper and authenticated records are maintained for such contributions, including records for the quantum of contributions raised and basis for the valuation thereof.
- Proper processes are put in place for consolidation of the data pertaining to the contribution raised from the community in cash and kind.

- In case of expenses / salaries that are common in nature and are funded by more than one donor, there is a clear working with regard to **allocating the common expenses** to the various projects. This may be based on the percentage of time allocation, level of spending in the different projects and / or budgetary provisions available.
- Where SPS receives % allocations for overheads from donors, while reporting to these donors, the amounts of the overheads are applied based on the agreed % of the actual costs, without providing any details or breakup for the amounts so charged.
- On the other hand where SPS receives allocations for overheads from donors, with details of expenditure that can be charged to the project, these are charged on the basis of the actual expenditure incurred, backed up by actual payments, supporting details, supporting bills and other documents.
- Complete transparency is maintained while charging of common expenses.

### **10.6 Management of grant Funds**

- In case required by the donor (for Indian and foreign contributions), a separate bank account is opened for the specific grant / project. In case of foreign contributions, the requirements of the FCRA 2010/ FCRR 2011 are strictly adhered to.
- In case the grant agreement specifically provides for adding back of the interest earned, to the project grant, this is ensured. The interest earned on saving bank account and on the fixed deposits made to deploy short / medium term surpluses, is properly accounted for and reported to the donor. The utilization of such interest is done according to the donor guidelines or with prior written approval from the donor.
- The deposits made from donor funds are specifically earmarked as such, and the details thereof, reported to the donor in the periodic financial reports



## 10.7 Reporting to donors

- It is ensured that all prescribed reports are submitted to the donors well within the time limit.
- Reports submitted are generated from books of account only and all the figures are reconciled with the Tally Accounting software. **No advances, notional expenses or provisions are included in the submitted donor reports.**
- The closing grant balance is reconciled with cash and bank balances, deposits and outstanding advances as on the date of reporting.
- Reports are submitted to donors in prescribed format, and within the specified timelines as defined in the MoU / grant letter. The reports are prepared according to the approved budget and chart of accounts /budget line items.
- Details of other contributions are also reported to donors, in case of co-funded projects.
- The reports submitted to the funding agencies are filed separately with the covering letter in order to trace the date of filing of the reports. In case reports are submitted through e-mail, copy of the mail is printed and filed in the respective donor file.

## 10.8 Grant Closure

- Donor grants normally comprise of multi-year funding, ranging from 3 to 5 years. They comprise of the total project budget for the entire grant period, which is further broken into annual budgets and activity plans.
- In some instances, where there are savings or underutilization of budgets, the donor may agree for a no-cost extension of the grant period. In case such a situation is anticipated, Samaj Pragati Sahayog ensures that formal approval with budget break-up is obtained from the donor well in advance.

- In case it is anticipated that the donor may continue funding and extend the project by way of the next phase of programme interventions, the necessary planning starts well in advance, so that necessary approvals, budgets and funds are received in time to ensure a smooth transition into the next phase of the project.
- Donors normally prescribe the processes for grant closure, marking the formal end of the grant. It is ensured that all such processes with regard to closure of project, books of account and final audit and reporting are strictly adhered to.
- The planning with regard to grant closure starts well in advance of the closure date.
- While each donor agency has its own specific requirements, in general the following is ensured:
  - The procedure with regard to ownership/ transfer of fixed assets is followed, if so provided in the grant agreement
  - All advances and deposits are liquidated, and deposited in the bank account
  - All liabilities are discharged as at the date of the closure
  - In case the project involves other implementing partners, necessary steps are taken with regard to their grant closures.
  - The closure is planned in such a way that as at the date of the grant closure, the balance is reduced to balance payable to or receivable from the donor
  - These accounts are audited, to mark the formal closure of the project, and submitted to the donor with other closure documents and reports

### **10.9 Organizational Budget and Charging of Common Expenses**

- Work at SPS is organized around several programmes and projects. Therefore, budgeting at SPS is largely confined to programme and project level budgeting. However, since the organizational overheads and administrative expenses are also allocated to donor funded projects, SPS also plans out the annual organizational expenses, and review the allocation of these “common expenses” to the various

project budgets. Further, since the donor funded projects have different budget periods, it is important to have a common base period for allocation of administrative expenses and overheads. This base period is taken as the financial year. In normal circumstances, salary increments and inflation (for non-salary expenses) are considered for annual increase in administration expenses.

- The SPS organizational budget includes incomes and expenses (programmatic and administrative) from all sources and all donors. In cases where any donor budget year does not coincide, the part of the budget relevant to the organizational budget year (that is, financial year) is considered to arrive at both the income and expenditure pertaining to the year.
- The core team matches the project and administration budgets, with the funding already available and those forthcoming. Where there is a mismatch or a funding gap between the organizational administrative expenses and the funding available from restricted donor funding, SPS may have to access its unrestricted income / reserves to fund some of the administrative overheads.
- In cases of budget line items which are common to more than one donor, or where the same expenditure is (partly) provided for in the budgets of more than one donor (example – rent, electricity, common telephone expenses etc), such expenses are allocated to the respective donors at this stage itself. This facilitates the planning process, as also the actual charging of expenses to the donors on an ongoing basis. The basis of such allocation is either the percentage funding of each donor, or the budget provisions available, as the case may be. Similarly, salaries of any common staff (if any) being funded by more than one donor are also accordingly allocated.
- Following is the illustrative (but not exhaustive) list of common expenses that may be incurred at SPS level. :
  - Telephone exp.
  - Office rent

- Printing and stationery
  - Municipal taxes
  - Electricity exp.
  - Petrol and diesels expenses
  - Vehicle repairs and maintenance expenses / Insurance premiums
  - Part salaries of some staff
  - Organizational Audit' fees
  - Building and equipment maintenances
  - Post and telegram expenses
  - Newspapers, subscription fees
- It is recognized that, as the terminology suggests, such allocations are made only for “common” costs incurred for the “common” facilities used by more than one donor funded project. The same principle holds true for charging of “common” salaries of specified staff members (like accountants and project staff overseeing or managing more than one project). Thus, project related / project specific administration / staff expenses provided for in the project budgets, for expenses specifically pertaining to the said project, do not fall within the purview of common expenses and are charged to the respective project.
- The important guiding factors for common costs allocation are (i) the same expenditure cannot be charged to more than one donor, that is, SPS cannot recover from donors more than what is has actually spent and (ii) where there are common expenses (as discussed above), these are charged in a consistent and equitable manner across all projects. It is ensured that complete transparency is maintained in charging common expenses to projects. The basis of this charging (to various projects) is made available to the donors / their representatives during financial reviews / audits.

- The organizational budget prepared as per the above process is approved by the Executive Committee before the beginning of the financial year, each year. The budget is also approved / ratified by the General Body either in its physical meetings, or through circulation.
- Once, the budgets are approved, the incomes and expenses are broken down into month-wise projections, in order to arrive at monthly funds requirements, plan for investments, as also prepare for any possible shortfall in funds.
- The approved budgets are reviewed on periodic basis (at least half yearly), and necessary changes are made based on the spending patterns and approvals from the donors, where required.
- The actual expenditure against the budget approved by the Executive Committee is submitted to it on half yearly basis along with revised estimates for approval.

## SECTION 11

### FINANCIAL MONITORING OF PARTNERS

#### 11.1 Overview

As mentioned earlier, apart from direct programme implementation, Samaj Pragati Sahayog also implements its projects and activities through various partner NGOs / CBOs sharing the same objectives as those of SPS. In such situations, SPS does “**onward granting**” of the grant funds received by it, to such implementing partners, and assumes the role of a donor in so far as this funding is concerned. Samaj Pragati Sahayog is thus charged with the responsibility of ensuring that all the partners also adhere to all the terms and conditions of the original grant (to SPS) and have good financial management systems.

**For this purpose, Samaj Pragati Sahayog ensures the following;**

- That terms and conditions of the original donor are adhered to by all partners. These involve all grant management aspects pertaining to budgeting and utilization processes, correlating programmatic outputs to expenditure, ensuring proper remittances, reporting and audit processes, and finally ensuring the proper closure of the grant.
- That proper financial management systems are in place at partner levels.

This section deals with the processes followed at SPS to ensure all of the above. It provides a standard framework of financial monitoring of partners – right from the pre-award process and selection of prospective partnership to the “closure” of the partnership at the completion of the project

#### 11.2 The Pre-award Phase

- Upon identification of prospective partners who share SPS’s programmatic goals in the specific intervention for which a partnership is sought to be established, based on formal

programmatic assessment, SPS undertakes a pre-award financial due diligence for the organization with whom a potential partnership is envisaged.

- As part of the financial due diligence of the prospective partners, SPS verifies / collects basic documents including the constitution documents and copies of registrations under various Acts.
- SPS ensures that the basic minimum documentation with regard to each selected partner is available in an accessible manner, in individual partner files. This information includes the following:
  - Copy of Income Tax exemption registration (under section 12A).
  - Copy of the registration under the Societies / Companies / Trust Act, as applicable
  - Copy of FCRA registration / prior permission (*mandatory in case grants are to be remitted from foreign contributions, since onward grants from FC funded projects can only be given to institutions having FCRA registration / prior permission*)
  - Copy of the Byelaws / Memorandum & Articles of Association
  - Copies of the audited financial statements of the immediately preceding 3 financial years
  - Copies of the management letter issued by the statutory auditor, if any, in the immediately preceding 3 financial years
- In addition to the desk review of documents, an onsite review may also be undertaken to assess the effectiveness of the financial and grant management systems and processes at the prospective partner level. In case the organization has field or project offices where the programme intervention is proposed to be implemented, the systems put in place at these levels along with the financial monitoring processes for field level utilization are also assessed.

### 11.3 Memorandum of Understanding / Grant Agreement

- The partnership between SPS and the implementing partner organization is formalized through a MoU / grant agreement which is issued by SPS, and signed by the partner, as a token of acceptance of the terms and conditions contained therein.
- SPS's grant agreement is an articulation of expectations and responsibilities between SPS and its partners. It signifies the formal initiation of the partnership.
- SPS's partnership agreement with its partners clearly specifies all the aspects of the partnership, in keeping with the requirements of SPS's own commitments to the donor from which the funds have been received for onward granting. With regard to financial aspects of the grants, it includes some or all of the following clauses based on the nature of grant/agreement:
  - a. Nature of partnership
  - b. Duration of grant
  - c. Roles and responsibilities
  - d. Ownership of project assets
  - e. Dealing with assets upon completion of project or their disposal
  - f. Copyright, reliability and use of information
  - g. Detailed implementation plan
  - h. The detailed budget with breakup financial plan
  - i. Fund requisitions
  - j. Interest earned on grant funds
  - k. Monitoring and Evaluation plan
  - l. Reporting requirements – programmatic and financial – with templates and timelines
  - m. Audit requirements
  - n. financial management, internal control, legal compliance, transparency in accounting and reporting
  - o. Separate books of account (if required)
  - p. Separate bank account (if required)
  - q. Cancellation of grant
  - r. Disputes ( if any ) Settlements



- The terms and conditions of the agreement, apart from the general conditions, may also include the special terms and conditions of the specific grant, based on the requirements of the donor.
- Once signed and accepted, the grant letter becomes a legal document, which binds both the parties to the terms and conditions mentioned therein

### **11.4 Project Implementation Phase**

In this phase, the financial monitoring process at Samaj Pragati Sahayog comprises of the following:

- Financial reports / audited utilization received from partners
- Project monitoring visits

#### **11.4.1 Financial Reports / audited utilization statements:**

- The Grant Agreement provides the details of the Programmatic and Financial Reporting requirements including the timelines and formats.
- SPS's finance staff ensures that reports are received within the timeframes and formats as prescribed in the grant agreement.
- As mentioned earlier, the remittances to the partners are booked as advances, till such time that the financial reports are received.
- The financial reports received are analyzed in terms of :
  - Correlation of expenses with the activities undertaken
  - Comparison of actual expenses with budgets for the reporting period
  - Ensuring that all provisions of the partnership agreement have been adhered to.
  - Ensuring that major deviations, if any, either in the implementation plan or budgets have been affected only after obtaining prior written approval from SPS.
- In addition to the periodic financial reports, SPS also prescribes submission of audited utilization on an annual basis.

#### **11.4.2 Financial Monitoring Visits**

SPS program and finance staff members monitor the project closely, and may periodically visit partner NGOs to assess (i) the program and financial management systems and (ii) SPS grant utilization in accordance with the terms of the MoU / Grant Agreement.

Where required, appropriate mentoring and capacity building support is provided to assist the partners in putting in place acceptable financial and grant management systems and processes.

#### **11.4.3 Audit**

SPS may undertake or commission periodic financial / programmatic audits of the partners based on the requirements of the grant conditions, grant size and /or the felt need based on assessment of reports and project visits.

#### **11.5 “Closure” of Grants**

This phase comprises of a proper programmatic and financial close out at the end of the project, supported by final programme and financial reports to be submitted to Samaj Pragati Sahayog within the set timeframe.

The timelines for partners’ closure are planned in such a manner that SPS gets sufficient time to close all activities related to the original funder of the grant.

## SECTION 12

### STATUTORY COMPLIANCE

#### Overview

As a policy, Samaj Pragati Sahayog ensures that it is compliant to all legal and statutory requirements, of all Acts under which it is registered, or which apply to it from time to time.

The Acts which currently apply to Samaj Pragati Sahayog include the following:

#### 12.1 The Income Tax Act, 1961

The Income Tax Act, 1961 determines the charge of Income Tax on various “persons” as defined in the Act, including Charitable Trusts and Institutions, which enjoy exemption from payment of Income Tax, subject to adherence to various provisions as laid down in the Act and Rules as amended from time to time.

***SPS is registered under section 12 A of the Income Tax Act 1961. This implies that it enjoys conditional exemption of its income subject to adherence to provisions of sections 11 to 13 of the said Act. The key provisions of the Act applicable to SPS are summarized below***

#### **Checklist for availing exemption of income**

- Annual Audit of Accounts
- Investment of funds in accordance with the provisions of section 11 (5) of the Income Tax Act, 1961. In case of violation, the entire income will be liable to be taxed.

*(Refer Annexure 1 for the list of investments approved under section 11 (5) of the Income Tax Act)*

- Application of the specified percentage of income (presently 85%) for charitable purposes *(or by making the necessary applications with the appropriate authorities, in case it is unable to apply the specified percentage towards charitable purposes).*
- Filing of Return of Income in the prescribed form (presently ITR 7) on or before 30<sup>th</sup> September for the previous financial year.

## **12.2 Deduction of Tax at Source (TDS)**

- Samaj Pragati Sahayog has obtained its Permanent Account Number (PAN) and Tax Deduction and Collection Account Number (TAN), as mandated.
- It deducts tax at source from all payments where such deductions are required to be made at rates specified from time to time.
- It ensures deposits of such payments to the credit of the Central Government, within the prescribed timeframes.
- It ensures that prescribed returns with regard to such deductions are filed in time

### **Payments subject to TDS**

As per the provisions of The Income Tax Act, SPS deducts tax at source on the following payments where they exceed the specified limits (as presently applicable):

- Payment of salaries to its staff (Section 192)
- Payment to contractors and sub-contractors ( Section 194 C)
- Payment of rent ( Section 194 I)
- Payment of fees for professional or technical services ( Section 194 J)

### **Remittance of Tax**

SPS remits the tax deducted at source into the credit of the Central Government within the due date (presently before 7th day of the month)

### **Filing of TDS Returns**

- Quarterly returns are filed in specified forms before the 15th of the immediately following month (except that the return for the quarter ending 31st March can be filed by 15th May).
- Returns filed are in form 24Q for salaries and 26Q for others.

### **12.3 The Foreign Contribution (Regulation) Act (FCRA)**

The Foreign Contribution (Regulation) Act 2010 and The Foreign Contribution (Regulation) Rules 2011 have been enacted w.e.f. 01.05.2011. The old FCR Act and Rules, 1976 have been repealed effective this date.

The FCRA 2010 is an Act to consolidate the law relating to the acceptance and utilization of foreign contribution or foreign hospitality by certain individuals or associations or companies and to prohibit acceptance and utilization of foreign contribution or foreign hospitality for activities detrimental to National Interest and for matters connected therewith or incidental thereto.

The FCRA 2010 and the FCRR 2011, include a number of provisions that need to be adhered to, by entities registered under the Act to receive and utilize foreign contribution.

#### **Checklist / summary of requirements under FCRA (provided for SPS adherence purposes)**

- An association granted prior permission or registration under the repealed Foreign Contribution (Regulation) Act, 1976 shall be deemed to have been registered or granted prior permission, as the case may be, under the Foreign Contribution (Regulation) Act, 2010 (FCRA, 2010) and **such registration shall be valid for a period of 5 years from the 1st May, 2011, i.e., up to the 30th April, 2016.**

- **Every certificate of registration granted under FCRA, 2010 shall be valid for a period of five years from the date of its issue.**
- Every certificate of registration shall have to be renewed. The application for renewal is to be made in Form FC-5 along with the prescribed fee, six months before the date of expiry of the certificate of registration.
- An association implementing an on-going multi-year project shall apply for renewal twelve months before the date of expiry of the certificate of registration. In case no application for renewal of registration is received or such application is not accompanied by the requisite fee, the validity of the certificate of registration shall be deemed to have ceased from the date of completion of the period of five years from the date of the grant of registration.
- An association granted prior permission or registration under the Foreign Contribution (Regulation) Act, 2010 (FCRA, 2010) should receive the foreign contribution in the same exclusive designated Bank Account mentioned in the order granting prior permission or registration. This account number would be the same as has been intimated by the organisation in their application for prior permission/registration.
- Deposit of any local fund in this bank account is not allowed.
- One or more accounts in one or more scheduled banks may be opened for utilizing the foreign contribution provided that no funds other than foreign contribution shall be received or deposited in such account or accounts. *(Intimation has to be sent to the Home Ministry with 15 days of opening each such account)*
- Foreign contribution cannot be mixed with local funds being handled by the organisation.
- An association granted prior permission or registration is required to carry out the activities, for which foreign contribution is received, in India only and the amount should not be utilised for purposes other than for which it is received.

- Any fixed asset acquired out of the foreign contribution and any article received in kind from the foreign source should be in the name of the association and not in the name of any individual in the association.
- Not more than 50% of the foreign contribution shall be defrayed to meet administrative expenses of the association. What constitutes 'administrative expenses' has been defined in Rule 5 of the Foreign Contribution (Regulation) Rules, 2011 (FCRR, 2011).
- Any foreign contribution or any income arising out of it shall not be used for speculative business. What constitutes 'speculative business' has been defined in Rule 4 of FCRR, 2011. *(This Implies the SPS cannot invest in shares or mutual funds. Procurement of land is also not allowed unless it is directly related to the objects of the Trust)*
- **An association granted prior permission or registration should maintain a separate set of accounts and records, exclusively for foreign contribution received and utilised.**
- If the foreign contribution relates only to articles, the intimation shall be submitted in Form FC-7.
- If the foreign contribution relates to foreign securities, the intimation shall be submitted in Form FC-8.
- Every report submitted shall be duly certified by a chartered accountant.
- Every account giving details of the receipt and purpose-wise utilisation of the FC, including the interest earned on the FC amount, should be maintained on an yearly basis, commencing on the 1st day of April each year, and every such yearly account is to be submitted, in prescribed Form FC – 6 along with the income and expenditure statement, balance sheet and statement of receipt and payment, duly certified by a chartered accountant in duplicate, within nine months of the closure of the year, i.e., before 31st December.

- Every such return in Form FC-6 is also be accompanied by a copy of a statement of account from the bank where the exclusive foreign contribution account is maintained by the person, duly certified by an officer of such bank.
- The annual return in Form FC-6 shall reflect the foreign contribution received in the exclusive bank account and include the details in respect of the funds transferred to other bank accounts for utilisation.
- The accounting statements shall have to be preserved by the NGO/association for a period of six years.
- Even if no FC is received during a year, a 'Nil' return is required to be filed with the Ministry of Home Affairs within the prescribed time limit.
- Associations/NGOs granted registration or prior permission, which have received foreign contribution in excess of one crore rupees, or equivalent thereto, in a financial year, shall place the summary data on receipts and utilisation of the foreign contribution pertaining to the year of receipt as well as for one year thereafter in the public domain.
- No FC should be transferred to an association which has not obtained either prior permission or registration under FCRA or to any person or association, prohibited under FCRA from receiving any FC. However, if the foreign contribution is proposed to be transferred to a person who has not been granted a certificate of registration or prior permission by the Central Government, the person concerned may apply for permission to the Central Government to transfer a part of the foreign contribution, not exceeding ten per cent, of the total value of the foreign contribution received. The application shall be countersigned by the District Magistrate having jurisdiction in the place where the transferred funds are sought to be utilized. The District Magistrate concerned shall take an appropriate decision in the matter within sixty days of the receipt of such request from the person. The donor shall not transfer any foreign contribution until the Central Government has approved the transfer.



Any transfer of foreign contribution shall be reflected in the returns in Form FC-6 as well as in Form FC-10 by the transferor and the recipient.

- Change of name, address, registration, nature of activities or aims and objectives of an association should be intimated to the Ministry of Home Affairs within 30 days of effecting the change, along with the documentary evidence effecting the change.
- Prior permission of Ministry of Home Affairs should be obtained for replacing 50% or more of the office bearers.
- Prior permission of Ministry of Home Affairs should be obtained for changing bank account for valid and convincing reasons.

In addition, SPS also files its returns in form FC6 online within the prescribed timeframes.

**With regard to the NGO partners funded by it, SPS may undertake the following processes or obtain confirmations or declarations from the NGO partners to ensure compliance to the FCRA 2010 and FCRR 2011:**

- Certificate from the NGO partner confirming that it (the NGO partner) continues to be a registered entity having further valid registrations under section 12AA of Income Tax Act, 1961 and Foreign Contribution Regulation Act, 2010 (FCRA).
- Confirming that the partner is not declared as a prohibited or political nature organisation under Foreign Contribution Regulation Act, 2010 (FCRA).
- Confirming that the implementing partner is not engaged in any activity which can be interpreted as activity of 'political nature'. Any activity, even, for a social cause may be considered as activity of political nature if it involves forceful or coercive means of protest such as Dharna (blocking premises of authorities), Bandh (calling

for closure of shops & vehicle movement), Rastaroko (blocking road), Railroko (blocking rail) etc.

- Ensuring that the project period is within the validity period of the FC registration certificate, as FC registration is valid for 5 years only. The registration of NGOs which was valid on 1st May 2011 would continue to remain valid upto 30th April 2016.
- Ensuring that the funds are transferred only to the approved and designated bank account. Subsequently the partner may be asked to open dedicated bank account for specific projects.
- Seeking a declaration from the partner that its certificate of registration has not been suspended.

#### **12.4 Profession Tax**

Samaj Pragati Sahayog ensures that appropriate deductions are made from the salaries of all its staff members as per the prescribed slabs, and that the same are deposited in time

#### **12.5 Sales Tax**

Samaj Pragati Sahayog ensures that all the requirements of the Sales Tax Act are appropriately adhered to.

## 12.6 Checklist for important Statutory Compliances

S. No	Particulars	Due Date
<b>FCRA Returns</b>		
1	Form FC 6 (soft copy to be uploaded and signed hard copy to be filed)	31 <sup>st</sup> December
<b>Income Tax Returns</b>		
1	Return of Income with Income Tax Department – ITR 7	30 <sup>TH</sup> September
<b>TDS</b>		
1	Deposit of tax deducted on Salary under section 192 to the credit of central government	Within 1 week from the last date of month in which tax is deducted
2	Deposit of tax deducted on Contractors under section 194 C to the credit of central government	Within 1 week from the last date of month in which tax is deducted
3	Deposit of tax deducted on Rent under section 194 I to the credit of central government	Within 1 week from the last date of month in which tax is deducted
4	Deposit of tax deducted on Professional under section 194 J to the credit of central government	Within 1 week from the last date of month in which tax is deducted
5	Quarterly Returns Form 24 Q for Salaries Form 26 Q for other than salaries	
	First Quarter ending on June 30	July 15
	Second Quarter ending on September 30	October 15
	Third Quarter ending on December 31	January 15
	Fourth Quarter ending on March 31	June 15
<b>Others</b>		
2	Submission of Professional Tax - form 5	30 <sup>th</sup> May
3	Remittance of monthly Professional Tax - form 5A	On or before 20 <sup>th</sup> day of the next month

## **Annexures**

### **Annexure 1: Investments u/s 11(5)**

**The following is a list of investments approved under section 11(5) of the Income Tax Act:**

- Investments in savings certificates or any other securities issued by the central government.
- Deposits in any account with the post office savings bank.
- Deposits in any account with a scheduled bank or a co-operative society engaged in banking
- Investments in the unit trust of India
- Investments in any security of money created and issued by the central government or the state government
- Investments in any debentures issued by a company or corporation where both the principal thereof and the interest thereon are fully and unconditionally guaranteed by the central government or by state government.
- Investments or deposit in any public sector company.
- Deposits with or investment in any bonds issued by a financial corporation engaged in providing long term finance for industrial development in India which is approved by the central government.
- Deposits with or investments in any bonds issued by a public company formed with the main object of carrying on the business of providing long term finance for construction or purchase of houses for residential purposes which is approved by the central government.
- Investments in immovable property.
- Deposits with the industrial development bank of India.
- Investments issued under any scheme of the mutual fund referred to u/s10 of the income tax act.
- Any transfer of deposits to the public account of India.
- Deposits made with an authority constituted under any law for satisfying the need for housing accommodation or for the purpose of developing, planning, improvement of cities, towns and villages
- Any other form or made of investment or deposit as may be by the act or rules from time to time.

## Annexure 2: Cash Confirmation Certificate

This is to confirm that the Cash on hand at the ....., at the close of the office hours of 31st March ..... has been physically verified by me. The cash on hand verified by me as on 31<sup>st</sup> March ..... was Rs..... (in words ..... ) is the following denomination value.

Denomination	Nos	Amount	
		Rs.	Ps
1000's			
500's			
100's			
50's			
20's			
10's			
5's			
Coins			
Total			

(Name and designation of verifier)

(Designation)

**Annexure 3 Stock register**

**ITEM – WISE FOLIOS**

Opening Balance	Purchases				Issues			Closing Balance		Physical Balance as on	
	Date	V.no	Qty	Value	Issue ref	Date	Qty	Date	Qty		Remarks

# **Annexure 4: Cash / Cheque Requisition Format**

**Cash / Cheque Requisition  
Form (to be filled separately for  
cash / cheques)**

**Samaj Pragati Sahayog**

<b>Name :</b>	<b>Date:</b>	<b>No.:</b>				
<b>Purpose</b>		<b>Amount</b>				
<b>Total</b>						
Cash/Cheque Given By:	Approved by:	Recipient Signature:				
Enclosed (Please Tick) 1) Demand Sheet 2) Bill & Other Supportings  In case of Cheque requisition Cheque in favour of : Account No. : Bank Name : IFSC No. :						

## Annexure 5: Demand Sheet

### Demand Sheet

<b>Samaj Pragati Sahayog</b>		
<b>Jatashankar Village, Bagli Tehsil, dewas District M.P 455 227</b>		
Telephones and Fax: 07271-275757/275550 Email : core@samprag.org		
<b>Name of Location:</b>		<b>Location Incharge:</b>
Requisition for .....		Date:
<b>S.No</b>	<b>Particulars / Purpose</b>	<b>Amount</b>
1		
2		
3		
4		
5		
6		
	<b>Total</b>	
	<b>Previous Balance</b>	
	<b>Total Amt.</b>	
Signature of Location Incharge		Approved Signature



### Annexure 6: Supporting Expense Voucher

Samaj Pragati Sahayog		Supporting Expenses Voucher	
Name	Date :		

Date	Particulars	Attached	Amount

Total		
Approved By	Received Rs.	In Cash/Cheque
Secretary/Treasurer/A.O.		

**Annexure 7: Cash / Cheque Payment (settlement) Form**

<b>Samaj Pragati Sahayog</b>				<b>Cash / Cheque Payment (settlement) Form</b>			
Name :		Date:					
PF No.:							
Cash / Cheque Requisition Reference No.							
Date	Cash/Cheque No.	Paid To	Detail of Expenses			Supporting Voucher	Amount
Total							
Balance refunded/to be received							
<div>Submitted by</div> <div>Approved by</div> <div>Received Cash Rs.....</div>							



### Annexure 9: Financial Planning Sheet

#### Samaj Pragati Sahayog

Financial Planning Sheet								
							Date	
S.No.	Name of Person Requisitioned	Req.No.	Particulars	Local	ABF	FC	35 AC	Others
Total								

## Monthly Bank Reconciliation Statement

## Annexures

**Annexure 11: Purchase Requisition**

<b>Samaj Pragati Sahayog, Bagli, Dist. Dewas, M.P</b> <b>Purchase Requisition</b>			
No.	Date:		
Requisition Given By Order Given To Goods Received on Goods Received By Goods Received At			
<b>DETAILS</b>			
S.No.	Material	Quantity	Purpose/Project
Sign of person making Requisition  Process followed 1) Quotations i ii iii Remark Mention whether approved vendor  Process followed in case quotations not obtained		Signature of approved authority	



### Annexure 13: MATERIAL ISSUE SLIP

MATERIAL ISSUE SLIP NO						
Location:					Date:	
Name of the Person Received:						
Sl. No.	Particulars/Item	Model No.	Sl. No.	Qty.	Project	Bill No.
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
Signature of Person Handing Over					Receiver's Signature	



# **Annexure 14: Fixed Assets Register**

## **ITEM – WISE FOLIOS**

Date of purchase	Name of supplier	B.No	V.No	Details of Model/Brand	Qty	Rate of Depreciation	Total cost (Rs)	Identification code	Location	Project/Donor	Sales		
											Date	Sale proceed	Receipt V.No