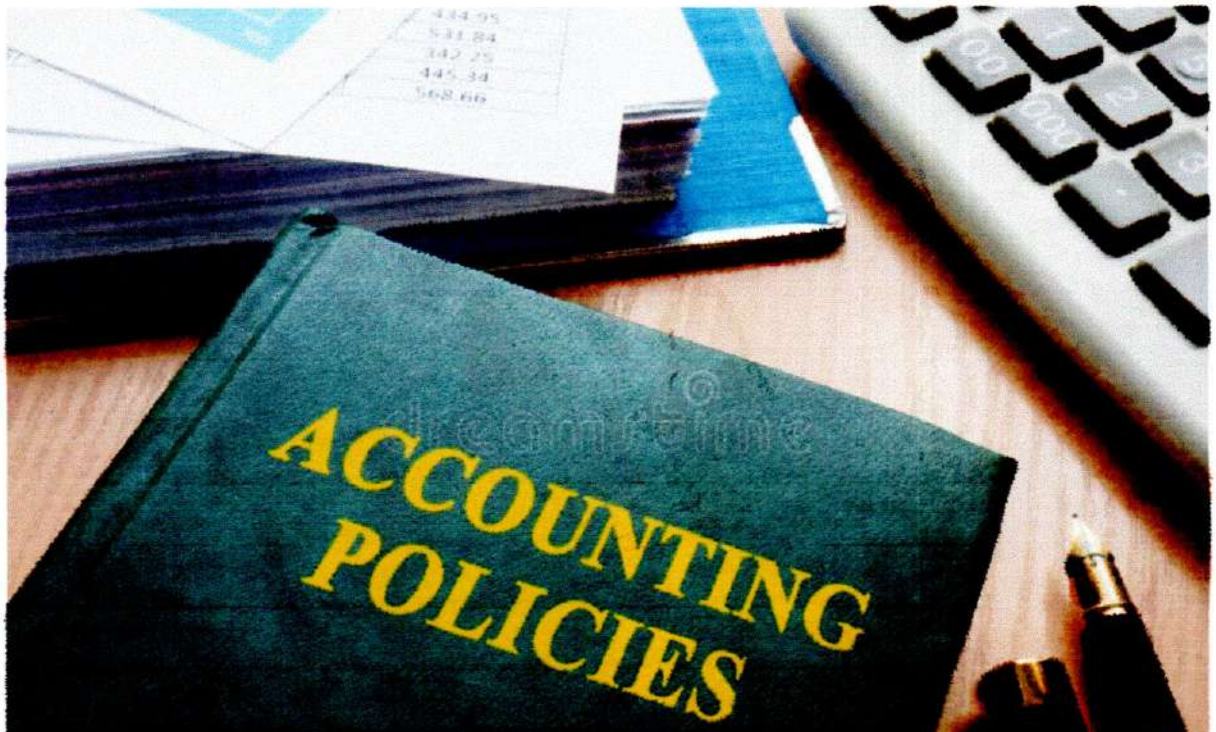
Mahasakthi Welfare Society

Finance &Accounting Policy



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Policy on Finance &Accounting (MWS)

Financial and accounting management is critical for all organizations. It outlines the accounting principles, systems, and procedures to be followed. Nongovernmental organizations serve the people. All funds received here are used for the benefit of the people. Donations to non-governmental organizations are also tax-exempt. Given all of this, it is critical to establish the organization's transparency and credibility.

The following are essential for these activities

1. Organizational Policy

2. Procedures for policy implementation and monitoring.

3. Policies that are updated over time

4. Integrity.

To achieve its goals, this policy is divided into three chapters, namely

1. Guidelines and rules for policies

2. Financial Policy.

3. Accounting Policy

In the event of any doubts, clarifications, or disputes, the decision of the following committee will be final. It will be binding on all parties. To resolve the issues, the committee will consult with relevant experts such as auditors, tax advisors, and lawyers.

1. The chief executive officer, secretary, or managing trustee of the company

2. A board member with expertise in finance and accounting.

3. The organization's Chief Financial Officer, and if this position is not available, the above two individuals may jointly select one or two management-level employees.

Chapter 1

Generic principles, guidelines and rules

The generic principles, guidelines, and rules apply to the entire organization and guide all personnel's actions and behaviours.

1. The organization's purpose is to address social causes, serve beneficiaries, and alleviate problems or improve their conditions. Our goal is to maximize every penny spent.

2. The organization receives exemptions and exceptions from various tax laws and regulations. The organization strives to follow all applicable laws.

3. The organization recognizes that the governing body is responsible for ensuring compliance, oversight, and fulfilling statutory and fiduciary duties.

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Secretary

Credibility and transparency

The organization prioritizes credibility and transparency by adhering to the following norms.

a. Account books must always be kept using legal accounting software. And Periodic updates will be made to keep up with technological progress. Management believes technology plays an important role in promoting transparency.

b. Minimize cash transactions, particularly for expenditures. The organization aims to limit cash transactions to 5-15% of annual expenses, in line with Income Tax laws and FCRA rules.

c.Donations will be collected through traditional banking channels, electronic transfers, and other methods with proper documentation. If cash donations are collected, donors' details and identity documents will be recorded. Obtained. Receipts and proper accounting are required for all donations received. Donations, whether made electronically or through traditional banking channels, will include PAN and address.

d. In addition to the donations issued receipt book, the details of donors, including address and PAN, as well as the donation collected, mode of collection, and receipt number issued, will be recorded separately.

e. The organization may receive a donation in kind. While it understands that such donations are not tax-deductible for the donor, it will acknowledge, record, and use them for the causes it supports.

f. All expenditures must be supported by vouchers and documents that serve as evidence. Furthermore, any exceptional transactions must be supported by details in the voucher or in the form of explanatory notes and/or administrative notes. If required by law, the bills obtained must come from GST-compliant vendors.

g. The maker-checker concept must be strictly followed by involving two people in any of the transactions.

h. While oral instructions/approvals are necessary, they must always be accompanied by an email or authentication in the vouchers/office notes.

i. Any deviations and exceptions in the transaction must always be approved and authenticated by the competent authority within the organization.

5. Management will ensure adherence to its own time lines, such as the preparation and approval of the annual budget, quarterly financial reviews, periodical bank reconciliation, and so on.

6. The organization will ensure that the timelines mandated by statute, such as the remittance of TDS amounts, the filing of returns, and so on, are met, with the exception of delays caused by circumstances beyond the organization's control.

7. **Conflict of interest:** When such circumstances arise within the organization, it is the duty of the individuals involved to bring the matter to the attention of the next higher authority, seek advice, and act upon that advice.

8. **Expense approval**: In accordance with the board-approved power delegation, capital and operating expenses will be approved. In rare circumstances, when a specific authority goes beyond its authority, notice must be given to the relevant authority within a reasonable amount of time, and ratification of the authority will be sought after providing a thorough justification for the violations.

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9. The procurement committee and vendor selection: When making purchases, particularly ones that are significant in value, the company typically gets three quotes from reliable vendors. Three quotes are required in order to make sure the company keeps costs as low as possible. However, the company endorses the notion that the best isn't always the cheapest. Therefore, if necessary, choose a higher quote to ensure the quality of the goods or services acquired, but such choices must be appropriately documented. The company may choose to designate consistent suppliers with a solid reputation in order to reduce the effort required to obtain quotes each time.

10. Payment to vendors/suppliers: After the organization is fully satisfied with the goods and services, payments must be made to the vendors or suppliers no later than 15 to 20 days after the goods and services are received, but no later than the next payment cycle. Appropriate TDS will be withheld and sent to the government on time in all qualified situations.

11. Payroll processingmust be completed promptly, and salaries must be paid to employees within seven days of the end of each month. Employees must also submit their travel claims, transportation claims, and any other reimbursements by the seventh of the following month.The bills will be processed and paid by the fifteenth of the same month.

12. With rare exceptions, all utility bills, yearly subscriptions, and other payments must be made on time.

13. Book and record maintenance: The organization must keep all of its books and records up to date and preserve them for a minimum of eight to ten years. Every time data is stored in an electronic format, a backup must be made at least once every month. Such electronic records must be physically stored off-site or make use of cloud storage services in order to maintain continuity. When it comes to disposing of outdated and scrapped assets, the organization will be mindful of environmental concerns, particularly when it comes to potentially dangerous assets like e-waste.

14. In accordance with statutory timelines, the statutory audit, account finalization, annual income tax return filing, and stakeholder presentation of audited accounts will all be completed on time.

15. Accounts will be opened and maintained with public sector banks and highly regarded private sector banks, to the extent that it is feasible and contingent upon the availability of banking facilities. The management is aware of the necessity of supporting regional cooperative banks, though. However, appropriate precautions will be taken to distribute funds to reduce the risks if opening accounts in multiple financial institutions is necessary.

16. Rule of law is paramount: According to the organization, it cannot be a victim of its own regulations since the real world necessitates flexibility in approach. The Rule of Law, the organization, the community, and the organization's employees should therefore be the order of importance when addressing dilemma situations.

17. Consulting the experts: Making decisions can be difficult in some circumstances. As a result, the organization will always ask subject-matter experts for their opinions by posing pertinent queries and concerns. After this, there will be internal discussion in an

18. Regular policy and guideline reviews: The company is aware that the world in which it works is changing. Therefore, in order to adapt to the evolving ecosystem, it will not only implement appropriate modifications as required but also periodically review the policy. This time frame must be at least three years. Additionally, the organization's highest governing body must approve the review and

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modifications. If there are urgent changes, the Executive Director, Secretary, or Trustee will make the changes and the Governing Body will subsequently ratify them.

19. Preserving Confidentiality: Although openness is necessary for transparency and credibility, the organization and its employees learn about private facts and information. The organization will therefore make an effort to maintain a delicate balance between transparency and confidentiality.

20. Set an example:The organization is aware that the sanctity of any regulations or requirements stems from their appropriate application. Additionally, the organization's top officials are always in charge of implementation.

21. Reporting undesirable events or incidents: Finally, it is the responsibility of every individual within the organization who is aware of any undesirable events or incidents to promptly report them to the relevant higher authority so that prompt corrective action can be taken.

Chapter 2

Financial Policy

The organization is aware of the fact that grants and donations are its most important source of funding. As a result, the organization will do everything in its power to find and establish avenues for the flow of funds and will use the money raised wisely by adhering to the following policy guidelines.

1.Resource mobilization: The organization will implement a policy to reduce the possibility that A will halt the flow of funds. continuously utilizing a variety of sources, including government, corporate social responsibility, institutional, HNI, and individual donors. In order to guarantee a steady flow of funds, it will also not be against using contemporary sources such as crowd funding, aggregators, and any other creative form of mobilization.

B. The organization will not hesitate to use international sources, even in the face of strict compliance requirements set forth by the FCRA, Act, and Rules.

C. Any excess funds will be invested as allowed by the FCRA Act and tax law, with an effort to reduce the chance of investment loss. By doing this, it will resist the temptation to make high-risk, high-return investments.

2. Budgeting and control: By March 15th of the previous fiscal year, the organization will have prepared the annual budget and obtained approval. It will guarantee that the budget is created project-by-project and separate administrative costs that aren't directly associated with the project—also known as head office expenses. The entire organization's budget will also be included in the budget. To get the right picture of the budget, it will attempt to separate the capital budget, cash inflow and outflow, and income and expenditure budget. The organization is aware that one of the most important aspects of budget control is budget monitoring. Every month, the organization's CEO or secretary will carry out this task. It will prepare quarterly performance and variance reports for review by the board.The organization understands that 5-10% variations are normal but it will make all out efforts to operate within the budget boundaries barring a few practical exceptions.

3.Approval of quarterly budgets: The organization will make an effort to create quarterly budgets in addition to the annual budget. As a wise and essential procedure, such quarterly budgets will be approved by the Board prior to the start of the relevant quarter.

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4.Bank account opening and operation: The Board may allow bank accounts to be opened by two or more people and to be operated independently, taking into consideration the practical challenges. However, the organization will follow the bylaw or trust deed if it does not allow for such a mode of operation. The board will establish periodic limits for check signing if a single signatory is allowed. If the amount exceeds these limits, two people must internally approve it. Operating online is a very practical and effective way to do business. As a result, the company will periodically set reasonable restrictions on initiator and approver permissions. It will make use of the online facility as much as possible.

5.Approval of expenditure: The Board shall set limits for approval of expenditures and shall review it periodically. The limits as of now shall be:

Si.No	Position in the organization	Limit for operational expenses (INR	Limit for Capital expenses (INR)	Limit for approval of Travel/ communication /Conveyance etc., (INR)	Emergency expenses limit (INR)
1	Director	10000	5000	2000	10000
2	Field staff	10000	5000	1000	10000
3	Administration staffs	10000	5000	1000	10000
4	Accountant	10000	5000	1000	10000

6. Acquisition of Capital Assets: The organization needs capital assets such as buildings, land, cars, computers, laptops, furniture, and fittings. They cannot be readily converted into cash and must be paid out in one lump sum. Furthermore, when the company tries to get rid of them, they typically fetch less than the purchase price. Therefore, before deciding to purchase such assets, the company will conduct a comprehensive cost-benefit analysis of its use.

7.Upkeep of the movement register: Every capital asset will have a valid identification number attached to it. For official use, some assets, such as laptops, might need to be given to staff members or consultants. To document the type of assets, identification number, date of issue, acknowledgement, date of return, and authentication of the issuing or receiving person, a movement register will be kept in each of these situations. The fixed asset register for both purchased and in-kind assets is supplemented by this record.

8. Insurance of capital assets and other properties: To safeguard the organization's assets from potential dangers, annual insurance will be taken against property loss due to fire, theft, burglary, and civil unrest. The insurance will be renewed as soon as possible.

9.Disposal of capital assets:

It can be difficult to get rid of unnecessary and redundant capital assets. The organization might not even receive the book value, which is the primary issue. Assets might have to be sold as scrap at the worst. Even though it is difficult to envision such circumstances, the organization will use the following guiding principle to assist in making situation-appropriate decisions:

i. By requesting quotes, assets will be sold for more than book value whenever feasible.

ii. Employees will be given preference if there are no qualified bidders or takers or if their quotes are significantly lower than the book value; however, the sale must still be at least the book value. In rare circumstances, it might be allowed to purchase something for less than book value.

iii. It will be sold as scrap if steps (a) and (b) do not succeed.

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10. Opening of the bank accounts:

Certain mandates like FCRA, funding agencies demand, , may compel, to open more than one account. Hence, having regard to all these, the following guidelines will be used:

i. There shall be one main account for carrying out the most of the transactions.

ii. Since FCRA mandates opening and maintaining of exclusive dedicated account, same shall be strictly adhered to. Besides main FCRA account, utilization accounts will be opened depending on the need.

iii. No money may be transferred between the main account and FCRA or any other account connected to local funds.

iv. The company will avoid creating project-based accounts as much as possible. This is because opening cost enters in the accounting software makes it simple to manage project expenses. The organization will attempt to manage with the current account or accounts unless the grantor (apart from grantors related to the FCRA) compels them to open and run a separate account.

v. If the organization operates in multiple locations, centre-specific bank accounts may be established based on the needs.

11. Use of funds received from grantors: Grantors are often concerned about grants being diverted for purposes other than those for which they were intended. As a result, these guidelines will be strictly followed. However, if the loans are taken out while the grant is being processed, they will be repaid as soon as the grant arrives.

12.Funds utilization reporting: The organization will strictly adhere to committed timelines. A utilization report for each donor/grantor will be prepared and submitted. Any discrepancies will be reported with the necessary explanations. The organization will make every effort to use the grant funds within the time frame agreed upon. Any unspent funds will be promptly reported and not used. The organization must renegotiate to use any unspent funds and avoid returning them to the funder unless absolutely necessary.

13.Borrowings: The organization should avoid relying on borrowed funds as they can be wasteful and incur interest payments. If necessary, it will strive to obtain interest-free loans. If interest must be paid, it shall be kept at the minimum in relation to the market interest rate at the time of borrowing.

14. Loans and advances to employees: Employee loans and advances should be avoided due to the nature of the organization. However, it is often unavoidable and necessary in order to retain high-quality employees. In such cases, the organization shall establish budget limit and eligibility criteria, as well as the individual limit, can be given for specific purposes. Consider whether loans should be interest-free or at a reasonable rate, based on market conditions.

15. Minimizing cash transactions: To minimize cash transactions, the organization will follow the following guidelines:

a.Pay all salaries, vendors, consultants, and travel expenses. Payments for travel advances, asset purchases, and consumables will be made electronically or through crossed checks.

b. A petty cash limit of Rs.10,000/- will be set to cover small expenses that may require cash payment. Proper entry must be supported by vouchers/bills and authorization from the competent authority.

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employees seeking reimbursement for travel expenses, local transportation, small purchases, and communication will be encouraged to use electronic payments and provide proof of payment before receiving reimbursement.

All statutory provisions relating to cash payment limits will be strictly followed in both letter and spirit.

16. Password protection:The organization recognizes the vulnerability of electronic data if proper security protocols are not implemented. Consequently, it will be guided by the following procedures:

a. Users will need to create their own passwords and not share them with others.

b. In the case of common passwords, such as accounting software, they must be recorded and stored in a secure location. Only the CEO/Secretary/Nominated board member, along with the accounts in-charge, have access to the sealed cover. Record such transactions in a separate book as they occur. Permitted users will need to remember their username and password for daily logins.

17. Cash Insurance:The manual's strategies may result in organizations handling minimal cash. If cash handling exceeds Rs.25,000/- on a regular basis, the organization will withdraw funds.Purchase an appropriate insurance policy, and review and renew it on a regular basis.

18.Internal audits, statutory filings, and annual financial statements: The organization will strictly adhere to filing timelines. It will ensure that all relevant information is fully disclosed. As far as internal While auditing is not required by law, it plays a crucial role in ensuring an efficient financial system. To conduct internal audits, the organization will hire a competent external auditor. To maximize efficiency, audits will be conducted quarterly or at least semi-annually. Audit report findings will be addressed immediately for correction. This report will be accompanied by an action taken report.

19. Annual stock verification is essential for preserving the organization's assets. Periodic verification and certification is crucial. The organization will conduct annual stock verification for fixed and current assets. These are classified as current assets. It will also include verification of assets received in kind. If the number of assets is too large, it will use ABC analysis. ABC analysis classifies assets into three categories. Assets A and B typically account for 80-90 percent of the total asset value. Hence, the following approach will be adhered to.

A. High-value assets require 100% stock verification.

B. Medium-value assets require 60-80% stock verification.

C. Low-value assets: Random verification, with at least 10% stock verification.

20. Periodic analysis of efficiency parameters**:** As stated in the policy, the ultimate measure of efficiency is how effectively funds are utilized. To achieve this goal, the finance unit will conduct an annual financial analysis.Report performance on the following parameters to the Secretary/CEO, who will share it with the Board for corrective actions and strategic changes.

1. The ratio of program spending to total spending.

2. Annual compounded growth rate of funds mobilized.

3. The distribution of funds raised in terms of institutional and individual donors, Determine the percentage contribution of government grants, FCRA funds, and other sources to total funds raised.

4. The ratio of fundraising costs to total costs.

5. The ratio of interest and other investment gains to total income.

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6. Assets versus total income.

7. Current Ratio.

21. Publication of Annual Reports: Annual reports will be published in both hard and soft formats, including not only highlights of targets and achievements, but also financials and a list of major donors.

Chapter - 3

Policy on Accounting

The organization will use a double accounting system, with the following general accounting principles:

1. FCRA accounting must be cash-based. We will strictly adhere to cash-based accounting for all FCRA-related transactions.

2.Cash-based accounting will continue to be used for transactions other than FCRA, as has been the case in the past. However, changeover to accrual-based accounting will be adopted as and when necessary, after receiving the Board's approval and consulting with the auditor.

3. For transactions other than FCRA, accrual-based accounting will be used, as it has in the past. If necessary, the Board will approve and consult with the auditor before implementing cash-based accounting.

4. Depreciation will be calculated using the written down value method (not applicable if capital expenditures are accounted for as payments for the year and charitable contributions are claimed within the 85% norm). The depreciation rates will be communicated by the Income Tax Department on a periodic basis.

5. In the event of a dispute in accounting, statutory requirements will take precedence over organizational practices.

6. Regarding FCRA, a separate "company" will be created in order to create a completely different set of accounts as they relate to FCRA-related transactions as per the FCRA Act, 2010 and Rules, 2011.

Accounting is done in reputable software, so there are built-in systems and processes.As a result, the organization will train its employees on how to use the software so that they can take full advantage of all of the system's benefits and capabilities. Multiple people will be trained in the software to ensure continuity. Furthermore, the organization will follow the accounting guidelines/rules outlined below.

1. Bank Reconciliation:By the fifteenth of the following month, all bank accounts will have been reconciled. Depending on the volume and concentration of the transactions, the reconciliation will take less time if there are a lot of them in a given month or months.

2. Check books should be stored safely: Check books are crucial security tools. Therefore, it is important to ensure proper receipt and use. Therefore, when handling the check books and leaves, the following rules will be applied.

a. A separate folio will be assigned to each bank account in the check book register.

b. Upon receiving the check book or sis, it will be entered into the register and forwarded. The number of leaves will be noted along with the serial numbers, beginning and ending. To make sure all of the

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check leaves are received, they will be physically counted after they have been recorded. Any disparity will be reported to the relevant bank and investigated further until the matter is resolved rationally.

c. The check book will be recorded as soon as it is issued.

d. The space designated for documenting the specifics of the check leaves issued will be utilized in the check book.

e. If a check leaf is cancelled, it must be struck across and the cancellation must be noted in the designated space in the check book along with the cancelled check leaf's serial number.

3. Cash book: Because the accounting software includes a cash book, the systems for linking individual cash books for each bank account will be aligned with the accounting software.

4. Cash Management: Cash is a risky asset. As a result, the following system will be implemented to eliminate or reduce the possibility of any misappropriation.

a. A separate register must be kept in Excel or in physical form.

b. Record the exact amount received and the denominations.

c. Daily total cash spent can be recorded.

d. At the end of the week, cash must be physically counted and recorded, including denomination details. This cash balance will be reconciled with the cash book in the accounting software. It must be signed by the person handling cash.

e. The supervisor shall conduct surprise checks on a regular basis, but no less than once per month. Such checks will be done at random as a surprise cash verification.

5. Ledgers:All necessary ledgers will be started in accordance with the system.Ledgers will be posted on a daily basis to ensure that no vouchers are pending for posting for more than 15 days at any time. The postings will be reviewed by internal auditors. Aside from that, the next higher authority after the person who posts it will verify the ledgers at random.

6. Establishment of cost centres: When multiple projects are undertaken, it is critical to keep track of spending for each project separately. Accounting software allows for such segregation by creating cost centres. This ensures that segregation occurs automatically during the posting process. Furthermore, project-specific reports can be generated as needed.

7. Voucher generation:For each transaction, four types of vouchers will be generated: cash, bank, transfer or journal, and receipt. Transactions with very small amounts will be recorded in a separate petty cash register outside the tally. Monthly, transaction summaries will be printed or transferred to accounting software after reconciliation.

8. Bill and voucher filing: The organization will file bills as well as vouchers generated by the accounting software. However, bills for fixed assets purchased will be filed separately. Copies will be filed alongside the vouchers. Frequently, the tax department uploads the original bills as part of scrutiny to ensure that proper bills and vouchers are available for such purchases.

9. Provisioning: Because the organization uses an accrual system of accounting, it must make provision for all unincurred expenses for the relevant accounting year. Additionally, the accrued income will be provided for. In doing so, it will follow the "Conservatism" accounting principle.

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10. Year-by-year account separation: Accounting software typically allows transactions to be posted in the appropriate fiscal year. However, until it is actually divided by invoking appropriate options, it will continue to display two consecutive years together. As a result, the organization will freeze the accounts for the fiscal year in which the audited balance sheet is completed and approved. This prevents any vouchers from being posted, even if they are done accidentally.

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