

# FINANCE POLICY



## **Development Society for Poor (DSP)**

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# **CONTENTS**

## **1. INTRODUCTION**

## **2. ABOUT DSP ORIGIN**

### **2.2 AREA OF OPERATION**

### **2.3 STRUCTURE & STAFF**

### **2.4 GDSS&WS ORGANOGRAM**

### **2.5 VISION OF GDSS&WS**

### **2.6 MISSION OF GDSS&WS**

### **2.7 AIMS AND OBJECTIVES**

### **2.8 EXECUTIVE BODY**

## **3. OBJECTIVES OF FINANCE MANUAL**

## **4. FUNDS**

## **5. BUDGET**

## **6. REGISTERS**

### **7. FOREIGN CONTRIBUTION REGISTER**

### **8. INVENTORY REGISTER**

### **9. STAFF LOAN REGISTER**

### **10. FIXED ASSET REGISTER**

### **11. CASH BOOK**

- 12. SALARY REGISTER**
- 13. DEPOSIT REGISTER**
- 14. CHEQUE ISSUE REGISTER**
- 15. TRAINING REGISTER**
- 16. P. F. REGISTER**
- 17. STAFF ATTENDANCE REGISTER**
- 18. LOG BOOK**
- 19. BANK RECONCILIATION STATEMENT**
- 20. FINANCIAL**
- 21. CASH FLOW CHART**
- 22. VOUCHERS**
- 22. RECEIPTS**
- 23. BANK TRANSACTIONS**
- 24. LEGAL COMPLIANCE**
- 25. INVESTMENTS**
- 26. INTERNAL CONTROL SYSTEM**
- 27. INSURANCE POLICIES**
- 28. STAFF TRAVEL**
- 29. HEALTHY FINANCIAL MANAGEMENT SYSTEM**

## **1. INTRODUCTION:**

Any social development sector, either DSP or NGOs, for their healthy financial administrative system, five components are important: 1. Planning and Budgeting 2. Accounting and Record keeping 3. Internal control systems 4. Financial reporting 5. Legal compliance.

Development Society for Poor (DSP) follows the above five elements:

1. Recording systematically all financial transactions,
2. Monitoring and controlling expenditures
3. Making sure that the programme funds are carefully controlled with no place for fraud
4. Making sure that there is enough money for the programme activities and staff salaries
5. Making the field staff understand the financial position
6. Satisfying statutory reporting requirements
7. Ensuring timely and accurate financial and management reporting to donors and grant-makers in establishing good accounting policies and procedures.

The DSP program staff work together with the finance staff for better financial administration by understanding each other and work together for better results.

DSP follows a sound financial management system which is imperative in establishing transparency and accountability as well as in attaining self-reliance.

Careful planning, commitment and financial administration can be seen in all the programmes of DSP.

## **2. ABOUT DSP:**

### **2.1 ORIGIN**

Development Society for Poor (DSP) was registered in 2005. Prior to that period, social welfare activities were mainly relief and charitable works.

After establishing Archangel's Home for the Aged at Rentachintala, a full-fledged office was set up. Later, it was shifted to the present location and equipped with the state-of-the-art infrastructure, qualified and trained programme and administration staff.

## **2.2 AREA OF OPERATION:**

The DSP operates all over the civic district of Guntur, extending over an area of 10,268 sq. km., covering a total of 729 villages. The District is divided into 57 Mandals. Each Mandal consists of a minimum of 7 to a maximum of 20 villages.

## **2.3 STRUCTURE & STAFF:**

DSP has 10 full timers and 26 part timers on its rolls.

The following project support departments function under it:

### **a) General Administration:**

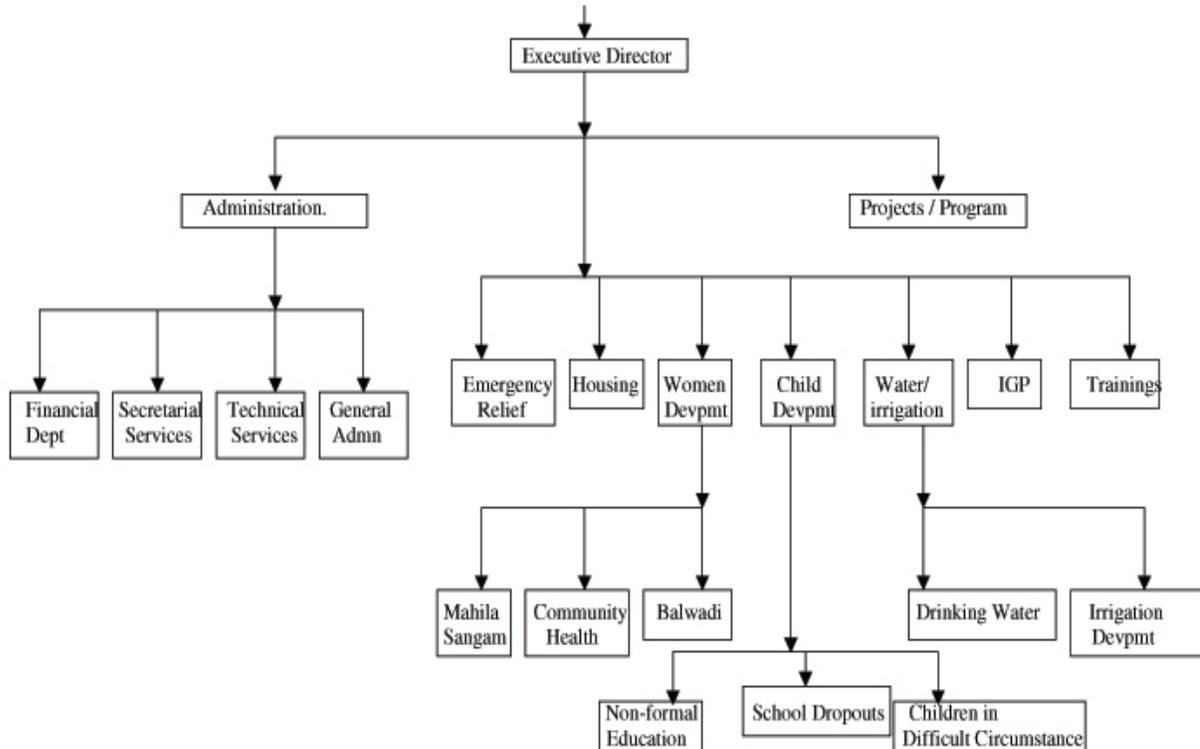
(Finance, account, secretarial services, personnel administration and office management (2 staff)

### **b) Project Administration:**

1. Educational Projects for vulnerable children
2. Livelihood Skill Training Projects for the Young People
3. Projects for the Differently-Abled
4. Health Projects
5. Hygiene & Sanitation Projects
6. Housing Projects
7. Drinking Water Projects
8. Emergency Relief Projects

## 2.4 DSP ORGANOGRAM:

### Executive Body headed by the President



## 2.5 VISION OF DSP:

To empower the rural poor communities, the Scheduled Caste, the Scheduled Tribe and the Backward Class, irrespective of caste, creed and religion.

## 2.6 MISSION OF DSP:

Awakening critical consciousness and motivating collective action among the rural poor communities, the Scheduled Caste, the Scheduled Tribe and the Backward Caste in order that they would eventually transform themselves, the community and the society at large, into a place where justice, human dignity, peace and equality reign for the development of the people.

## **2.7 AIMS & OBJECTIVES:**

1. To perform acts of charity and render service to those in need especially the poor, distressed and backward in the community irrespective of caste, race, freed or religion.
2. To engage in social service activities aimed at improving the economic, educational and social conditions of the poor, including farmers, working classes or persons of whatever occupation.
3. For the achievement of the objects of the Society, the society is competent to formulate and execute schemes, programmes and projects.
4. To negotiate with and enter into agreements with donor agency foreign or Indian or Government (State or Central) for the promotion and achievements of the objects of the Society and receive or obtain grants, allowances, privileges, concessions from those authorities and comply with their terms and conditions enforced by them.
5. To establish and maintain both a Reserve Fund and a Revolving Fund of such amounts as the Governing Body may think it fit, for the promotion of the activities of the Society.

## **2.8 EXECUTIVE BODY:**

The executive Body or Committee consists of 7 members. They control and manage the affairs of the Society. The committee meets once in Six months. The President of the Society, the Executive Director is the Secretary of the Society. The Executive Director cum Secretary is nominated by the president and ratified by the Executive Body. The members of the Executive Body members are nominated by the Bishop and ratified by the Executive Director. The term office of the Executive Committee members is 5 years. They can be re-elected for further period.

### **3. OBJECTIVES OF FINANCE MANUAL:**

- a. To satisfy statutory reporting requirements
- b. To better the operational efficiency
- c. To systematically record every financial transaction
- d. To standardize financial systems and procedures
- e. To strengthen the managerial effectiveness
- f. To ensure control of financial transactions in handling projects
- g. To establish good accounting policies
- h. To ensure timely and accurate financial and management reporting to donors
- i. To have a good control on the budgetary system
- j. To monitor and control expenditures

### **4. FUNDS:**

Financial resources and funds are imperative for DSP to realize its vision and achieve its mission.

DSP has three sources of funds:

1. Funds from the foreign agencies
2. Funds from the local agencies
3. Funds from the communities

## **5. BUDGET:**

Budget is an important element in the planning of a project. Budget is prepared by the Director and the Accountants according to the wishes of the donors. Budget for the Government supported projects is planned according to MOU. Allocation of funds and the Budget for a programme has to be approved by the Executive Director.

Budget is divided into two kinds:

1. Programme activities
2. Administrative activities

### **1. Programme Cost:**

- a) Core Programme Cost(Project implementation cost)
- b) Project support cost (Staff salaries, review meetings, monitoring etc)
- c) Capital cost (fixed cost such as vehicles, office furniture, building etc.)
- d) Reserve cost (Revolving Fund, Endowment Fund etc.)

### **2. Administrative Cost:**

Executive Director looks after these expenses such as vehicle maintenance, stationery, postage, office upkeep, audit fees, rent etc.

The Accountants of DSP separately indicate the core programme cost, programme support cost, capital cost and administrative cost. Foreign funds and local funds for a particular project amount to the total cost of that project. The DSP gives importance to in-preparing of the budget which is participatory involving the personnel.

Every activity in the budget has realistic cost. DSP keeps the administrative cost at the low in the overall project cost. All the project running and the projects applied together with their Budgetary details are clearly explained by the Executive

Director in the Executive Body meeting which is held once in three months or at a time when it is necessitated.

## **6. REGISTERS:**

DSP keeps the Accounts Registers in order for financial transactions:

1. Foreign contributions Register
2. Inventory Register
3. Staff Loan Register
4. Fixed Asset Register
5. Cash Book
6. Salary Register
7. Deposit Register
8. Cheque Issue Register
9. Training Register
10. P. F. Register
11. Staff Attendance Register
12. Log Book
13. Bank Reconciliation Statement

The accountant checks these Registers daily. The Executive Director checks, verifies and approves the transactions in these Registers every month.

## **7. FOREIGN CONTRIBUTION REGISTER:**

The Register contains all the transactions made regarding the contributions made by the foreign agencies. It records the foreign credits, the mode of credit, the type of currency, the date of credit, Bank charges, the project for which the credit is recorded, the purpose of the credit and for which it has to be utilized, the cheque numbers, name of the bank from which it has been release.

## **8. INVENTORY REGISTER:**

DSP accountant maintains an Inventory Register in which the stock of goods in DSP is mentioned. These are broadly divided into perishable goods and imperishable (perpetual) goods. Perishable goods are disposed off as quickly as possible. The stock of goods is under the care of purchase manager. For a purchase of a good costing more than Rs.20,000/-, three quotations have to be called for. The purchase has to be made after an analysis of the quotation and low price. Every Buying and disposal is accounted in the stock register. Inventory register gives the market value of the goods. Inventory verification is done once in a year. The goods of every department is checked. Bin card system is followed to note the material of every department of DSP. The Accountant is responsible in preparing a report on the inventory and submitting it to the Executive Director.

## **9. STAFF LOAN REGISTER:**

DSP gives Rs.10000/- as the maximum loan amount for the staff at a time. The staff pays it back in monthly installments. The Staff Loan Register contains all the name of the staff and the loans taken by the staff, the dates on the loans are taken, the amounts they have taken, the amounts they have paid back and the amounts still in due.

## **10. FIXED ASSET REGISTER:**

The DSP Accountant records the fixed assets with special reference number linked to a project or a fund. Annual maintenance and depreciation charges are mentioned in the register. The Register mentions the name of the Asset, date of its purchase, the purpose for which it is purchased in the short and long run, addition or deletion of the asset. Insurance and creation of Asset Reserve are also mentioned in this Register by the Accountant. The Executive Director approves it.

## **11. CASH BOOK:**

The Accountant maintains the Cash Book. It is balanced daily and the cash on hand tallies with the book balance. It is written date-wise in the chronological order of payment with a short narration of the transaction. It includes the details of receipts, Date, transaction, opening balance of the day and closing balance of the day. The accounts are done on a daily basis. The denomination of the cash is written in the Cash Book. The details of the cheques issued on each day are written in the Cash Book. The Accountant maintains the double entry Cash Book in a columnar manner for recording recurring cash and bank transactions. This is done in the respective columns according to the date of occurrence. At the end of the day, the Cash Book is verified and approved by the Executive Director.

## **12. SALARY REGISTER:**

The Salary Register contains the names of the staff. The DSP staff gets monthly salary on a consolidated basis. On the 1st of every month, every employee in DSP receives his salary after signing in the salary register. The salary details are written in the salary register.

## **13. DEPOSIT REGISTER:**

DSP maintains different accounts. Revolving Funds are deposited in the respective accounts. Date, purpose of the deposit, name of the project and depositor's

signature are written in the Deposit Register. It is verified by the Executive Director.

#### **14. CHEQUE ISSUE REGISTER:**

Cheque issue register is maintained by the individual projects. Each project has a cheque issue register which includes opening balance, date and particulars of the cheque, amount, withdrawal and balance. The Accountant updates it.

#### **15. TRAINING REGISTER:**

DSP maintains a Training Register. It records all the details of a training programme. It contains the names of the project, the location where the project is conducted, the date of the programme, the name and address of the Resource person, the number of the participants and the narrative report of the programme. It is verified and checked by the Executive Director.

#### **16 P. F. REGISTER:**

The Accountant maintains the P. F. Register. DSP pays 12% of the basic salary of the staff towards Provident Fund.

#### **17. STAFF ATTENDANCE REGISTER:**

DSP maintains the Staff Attendance Register. The staff has to sign in the register both in the morning session and in the afternoon session. The staff can make use of 15 casual leaves in a year. Salary is cut proportionately if one puts more than 15 leaves a year. The Accountant notifies the matter to the Executive Director in extra-leave cutting from the staff salaries.

## **18. LOG BOOK:**

This is called Vehicle Log. DSP bears the initial cost of the vehicles related to a Project. The expenses of maintenance of the vehicles will be recovered from the Project. A Log Book is kept in the vehicle. Details of travel, distance, name of the official, purpose of the travel, name of the project are written in the Log Book. The Executive Director gives the prior permission for the trip. The Driver gives the details of the trip and the official who travels signs it. The Accountant checks the Log Book every week. The Accountant prepares the debit notes for each project every month based on the weekly usage of the vehicle report. The Accountant issues the debit note and collects the money from the project concerned. Repairs of the vehicles incurring more than Rs. 1000/- have to have the approval of the Executive Director.

## **19. BANK RECONCILIATION STATEMENT:**

Bank Reconciliation Statement is made every month to avoid wrong entries, fraud or misappropriation and ensure Bank Transactions are reflected properly in the appropriate Books. The Accountant prepares the Bank Reconciliation Statement every month and submits it to the Executive Director for verification and approval before 15th of the following month. If there is any variance between the cash balance in the Bank and the cash balance on the accounts, it has to be explored and explained by the Accountant.

## **20. FINANCIAL REPORTING:**

Financial Statements are very important to show the credibility of any Organization. All the stakeholders including the general public, the General and Executive Body members, the Donor agencies, the Government agencies or departments and the beneficiaries have the right for the appraisal of financial state of affairs of a Social Service Society. Financial Statements are prepared once transactions are entered and books of accounts are closed by preparing the trial balance and Balance Sheet. The Accountant prepare the Financial Statement reviewed by the Auditor with notes on account and Audit Report.

**Financial Reports are prepared:**

1. Monthly
2. Quarterly
3. Annually.

**Monthly Financial Statements include:**

- a) Receipts & payments Statement
- b) Fund Reconciliation Statement
- c) Bank Reconciliation Statement
- d) Budget Comparison Statement
- e) Other additional Statements (if requested)

**Besides, the Accountant prepares the following monthly Statements and submits them to the Executive Director for checking and approval:**

- a) Receipts & Payments Statement
- b) Consolidated & Project-wise Budget Comparison Statement
- c) Narrative analytical report of Projects
- d) Consolidated and Project-wise cash flow Statement
- e) Project-wise fund position Report
- f) Bank Reconciliation Statement (Account-wise)
- g) Dues / Advances / Loans pending more than 10 days
- h) Statutory Audit Reports
- i) Financial Reports to donors (if required)

**Besides, the Accountant prepares the Annual Financial Report which includes:**

- a) Income and expenditure account which is a summary of income and expenditure. It includes depreciation.
- b) Balance Sheet which reflects the financial status of GDSS&WS in terms of assets, liabilities and the net worth.
- c) FCRA Balance Sheet and Receipts and Payments Account which the Accountant prepares and files with the Home Ministry before 31st of July every year.

## **21. CASH FLOW CHART:**

The overall cash requirement for the coming months is estimated in the cash flow chart for each project separately. The Accountant prepares the cash flow chart in the last week of every month for the following month based on the requirements prepared by the programme staff. The available resources are taken into account.

## **22. VOUCHERS:**

A voucher is the basic document to support the authenticity of a transaction entered in the books of accounts. A voucher contains voucher number, budget code, date of expenditure, amount both in number and words, note on expenses, recipient's name and address, sanctioning authority and signature of the recipient. It is supported with an invoice or a bill. They are filed in Order of occurrence and duly numbered as per the cashbook.

All payments are approved by the Executive Director. After the payment "PAID" stamp is put on the voucher. Revenue stamp is affixed on the voucher for a payment of Rs.5000/- or above. The Accountant writes in the voucher the Head of the Accounts under which it falls. Proper evidence has to be produced for the payment before the Accountant writes any voucher. Cash payment are allowed for an amount not exceeding Rs.5000/- All cash transactions related to the projects have to be approved by the Executive Director.

### **23. RECEIPTS:**

DSP uses printed receipts for all the amounts received. The Accountant signs them. The printed receipt books are kept under safe lock and key. The cancelled receipts are kept without detachment from the receipt book. All the cheques received are crossed immediately. The amount received on a particular day is deposited in the bank on the same day or the next morning.

### **24. BANK TRANSACTIONS:**

DSP has a separate bank account for receiving the foreign grants. All the accounts are opened and operated in the name of the DSP. In depositing the money in the bank, either by cash, cheque or draft, correct number is entered in the pay-in-slip or the slips are kept safely for reference. Only crossed account payee cheques are issued. Payment is not given to the post dated cheques. The DSP reports immediately to the bank when a cheque is lost to avoid misuse of the cheque. The bank passbook is updated regularly. Bank passbook, cheque books, pay-in-slips and Bank Statements are kept safely for any audit or inspection.

### **25. LEGAL COMPLIANCE:**

The Accountant of DSP files the annual returns along with the annual report and Financial Statements to the Registrar of Societies for the annual renewal of the Society. The amendments made during the year in the by-law or the constitution of the Society is also filed with the Registrar of Societies. DSP has registration under Section 12 A. It has obtained the Permanent Account Number (PAN). It is registered under Foreign Contribution Regulation Act (FCRA) and files the form FC 3 annually in due time.

DSP follows the provisions, rules and regulation of Provident Fund. It pays 12% of the staff basic salary towards the Provident Fund.

## **26. INVESTMENT:**

Investments are made from the surplus funds of the Organization. All the investments have to be approved by the Executive Director. The Accountant maintains an investment Register giving details of the date of the deposit, interest rate, date of maturity, the purpose of F.D., closing date and the amount received.

The Accountant keeps the investment certificates in safe custody. The Executive Director makes surprise check up of the investment certificates. The Accountant makes the monthly statements of the investments and presents them to the Executive Director for approval. The interest from the investments is utilized either for the programme implementation or for the development of DSP.

## **27. INTERNAL CONTROL SYSTEM:**

To ensure effective functioning of the Organization and to put a check to inefficiency and mismanagement, DSP follows the following internal control procedures.

### **a) Internal Audits**

DSP conducts an internal audit once in every quarter month before the quarter Reports are finalized.

### **b) Checking of cash balance:**

The Executive Director has a periodic checking of cash balance and sees whether the amount in the cash book tallies with the actual cash in the bank.

### **c) Monthly Trial Balance:**

The Accountant lists all the debit and credit balances prepared from the main cash book and the ledger.

**d) Bank Reconciliation Statement:**

The Accountant prepares the Bank reconciliation statement to ensure if bank transactions are reflected properly in the appropriate account books. The Statement is made every month to avoid wrong entries in wrong books.

**28. INSURANCE POLICIES:**

The accountant maintains an insurance register to keep the insurance policies. The register contains insured amount, premium, due date for the renewal etc. It is accountant's duty to renew the policies before the expiry of the due date.

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