

Finance policy and procedures

CARADA

At-Shaktinagar Pada, Post-Bhawanipatna, Dist-Kalahandi, State-Odisha, 766001



CARADA, KALAHANDI, ODISHA

FINANCIAL POLICIES AND PROCEDURES

1. Brief background

CARADA started its journey long back with a humble beginning. CARADA is a prominent Pioneer organisation in the Tribal Dominant Kalahandi district in the state of Odisha, India. The presence of natural resources with dense forest has greatly impacted the life of indigenous inhabitants who have lost their livelihoods and assets like lands. Though a small section of people mostly from outside have benefitted immensely due to agriculture output activities, majority of the local indigenous community including significant percentage of tribal people have suffered heavily. The Distress Migration culture in the District has broken the social fabric of their society; they have lost their traditional livelihood through farming and NTFP collection and processing; High pollution has contributed to their health hazards putting them under severe health problems like silicosis, respiratory diseases, TB, skin diseases and other terminal illnesses. In fact even now many affected villages nearer to the abandoned and active mining areas have seen generation of villagers mostly male/female who have been involved in brick making works at Andhra Pradesh regularly suffer from terminal illnesses and lose their life. The agricultural productivity is also impacted negatively due to distress migration.

CARADA is committed to fight for the cause of marginal sections of the society and organised resources for these suffering people so that they can gradually ride the ladder of development and aspire to lead a better life through all round development of Food and nutrition, Best Education, Family security, Livelihood promotion for regular sustainable income sources, best possible use of available resources to generate income. Similarly another area of focus of CARADA is working on Child rights, Health Rights, Reducing MMR and IMR, Stop Early childhood marriage, Reduce vulnerability against trafficking and sexually transmitted diseases etc.

CARADA has manifold intervention areas to reach out to these marginalised sections and bring them up at par with other sections in the society. CARADA collaborates with Government schemes and leverages them extensively so that the huge resource available is accessible to the community people and they can change their fortune. CARADA works as an enabling institution through a well designed process where the people get empowered and take decisions for their own betterment. They are able to scan their environment and use the available supports to the best of the capability so that their income increases manifold and they live a dignified life in the villages with all possible facilities



2. Value framework of CARADA's finance policy

- 1) Honesty, sincerity and loyalty
- 2) Government fund or any fund if it involves any illegal or unethical practices
Will not be accepted
- 3) CARADA believes in total accountability and transparency

3. Accounting systems

CARADA follows the double entry book keeping system. Further, it follows what has come to be known as the hybrid system of accounting wherein both accrual as well as cash basis mainly for incomes is maintained. CARADA is in the process of moving towards a fund accounting system. As required by the statute the financial year of CARADA would be 1st April to 31 March.

A Management Committee consisting of the Secretary, Finance Manager, oversee the broad finance management, fund flow, budgetary allocations and policy implementation aspects. Further an Internal auditor will be appointed to conduct a compliance audit on a quarterly basis.

Finance management of CARADA deals with many broad areas of activities. This policy and procedures document forms a broad guideline for the finance management at CARADA. It will also be the responsible for meeting all the statutory requirements that are relevant from year to year.

CARADA in general strictly follows the principle that only tax paid bills and invoices would be accepted for payments. However, it is the experience of CARADA that in rural areas and for purchase of certain items such as sand, bricks, stone etc it is indeed difficult to obtain such tax bills. In such circumstances when all means to get the tax bill fails, the policy of CARADA would be to obtain a bill on white paper with due signature from the vendor and this would then need to be authorised either by the Secretary as the case may be.

Furthermore, CARADA will strictly follow the statute requirements defined for the not-for-profit organisations from time to time. Specifically, at present CARADA files its annual returns with the Income Tax Authorities, Registrar of Societies as well as with the Union Home Ministry under the FCRA act. Further, the TDS related documents are also filed and maintained by the Finance Manager of CARADA.

The major areas of finance management at CARADA are classified as follows for the purpose of this document.

- 1) Bank accounts
- 2) Asset management
- 3) Purchase procedures
- 4) Vehicles Management
- 5) Travel expenses procedures
- 6) Staff welfare



- 7) Advances and Loans
- 8) Corpus management
- 9) Records, book keeping, reporting and Auditing

4. Bank accounts

All bank accounts are governed by the Governing Board of CARADA, they are managed only through the resolution of the governing board be it for opening, closing, defining signatories, mode of operating or any other matter related to the operation of the bank account. However as a policy, a minimum of two signatories would be compulsory for operating every account of CARADA.

As required under the FCRA, all the foreign funds from donor agencies and from any other foreign source will be received only into the FCRA designated bank account at the State Bank Of India Keonjhar branch. The Foreign Contribution (FC) funds are further transferred to the respective programme accounts at the local level for the implementation of the programmes through separate FC bank accounts. All FC funds are managed through FC accounts only and not mixed with other domestic/ local fund accounts. Under no circumstances will the transfer of FC funds to domestic and vice versa be allowed.

The funds are transferred to the local account (project) based on the annual financial plan of the respective projects. The concern project will submit a quarterly fund request to the CARADA. The fund request will be prepared by the Project accountant and authorised by the program manager/project coordinator before it is sent to the CARADA for approval. The CARADA transfers the funds every month based on the quarterly fund requests received from the concern Project.

It is the policy of CARADA that all income from FC account is deposited only in the FC designated bank account. However, in case of need, such as when funds are delayed from one donor, advance can be received from one FC project to another FC project account and it should be reimbursed immediately on receiving the funds provided the donor conditionality allows for such transfers.

All bank withdrawal details will be recorded in the Cheque Approval Register. The authorized representative is required to verify the cheque approval register before signing the cheque. The accounts staff will prepare the bank reconciliation statement at the end of each month and this will be verified and approved by the Finance Manager.

Any payments made for an amount exceeding Rs. 2,000 should be made through cheque payment, however the only exception that is allowed is for the purchase of local items such as groceries and vegetables. Further, exception could also be made for specific instances such as the booking of bulk travel tickets wherein cash payments can be made up to a maximum amount of Rs. 15,000 provided that it is authorised by the Secretary of CARADA.



5. Asset management

An asset is defined as a physical item with a value greater than Rs. 3,000 and having a useful life of more than one year as well as having a reasonable resale value. All other items not falling into this category is termed as inventory.

The Secretary of CARADA would have to authorize the purchase of all assets both at the CARADA as well as at the regional centres, except for purchase of immovable Assets such as Land purchases. The would have to give the authorisation for purchase of any land for Secretary of the organisation.

On receipt of the authorization for purchase of the asset, the respective finance team, be it at the CARADA or the regional centres are required to strictly follow the purchase procedures as defined in this document. However, for purchases at the regional centres, the quotations along with the purchase requisition for assets should be sent to the CARADA for final approval. Once the purchase has been carried out the respective Project should intimate the CARADA for recording.

All Assets as defined above, would be recorded in an Assets Register and numbered accordingly. The CARADA allocates the Asset number to the Asset and communicates the same to the Project Secretary – Finance at the regional centre for painting on the Asset. The Asset register would clearly depict the location of the asset as well as the person responsible for the asset who would be required to acknowledge by signing in the assets register. All Assets bought out of FC funds will also be recorded in the FC-6 register as defined in the FCR Act in addition to being recorded in the Assets register.

Any movement of Assets from one centre to another centre or one place to another should be intimated to the CARADA immediately with proper memo mentioning details. These details are then recorded in the Assets register at the CARADA and appropriate signatures should be obtained from the new person responsible for such shifted assets.

Any sale of Asset has a market value and/or book value exceeding Rs. 3, 00,000/- would be done only after the Executive Board has approved for the sale. The Management Committee (MC) would make the recommendation for the sale of such assets giving the reasons etcetera to the Executive Board. The MC would make these recommendations based on the request from the CARADA. On receipt of approval from the Board CARADA will issue advertisements in the local newspapers as well as put up in the organization notice board as well as canvas by word of mouth the availability for sale of the asset and invite for tenders. The tenders will be opened in front of the bidders and the highest bidder would be invited to purchase such assets.

However, for sale of assets whose market value and/or book value does not exceed an amount of Rs. 3,00,000/-, the Secretary in consultation with the Management Committee can dispose such assets to the highest bidder taking into account the market as well as the book value of the asset.

In either of the procedures for sale of assets, the Finance Manager will be informed and the sale proceeds will be deposited directly into the respective bank account depending on whether the asset was purchased from FC or local funds. All sale proceeds of assets bought from FC funds will be compulsorily deposited into the FC designated bank



account with bank only.

On completion of the sale transaction, the appropriate records vis-à-vis Assets register and the FC-6 register will be updated and maintained accordingly by the Accounts team.

7. Purchase procedure

Purchase procedures will be strictly followed for any purchases made for an amount exceeding Rs. 5,000, be it either an asset, an inventory or any other purchase. The Managing Committee (MC) as explained above would also act as the purchase committee.

Prior-approval through requisition would have to be taken from CARADA before any purchase exceeding Rs. 5,000 has to be made. On approval, three quotations would have to be obtained. It should be ensured that the specifications of the article would be uniform in all the three quotations.

The MC on scrutiny of the three quotations after deliberation will select the vendor on whom the order for purchase could be placed. However, the MC will follow the principle that quality should be given the first priority. These deliberations are recorded in the minutes book of the MC and a purchase note/order is raised.

Based on the Purchase note/order, the respective staff² will place the order for supply of the goods and on receipt of the goods intimation along with the bill will be sent/given to the Project Secretary – Finance who in turn will release the payment for the purchase to the vendor directly through bank transaction.

However, at the initial stage of the purchase the purchase would be classified either as revenue purchase or capital purchase. Purchase of an Asset is classified as Capital purchase while other purchases is classified as revenue. For revenue purchases, an advance amount could be given to either the staff or the vendor that should be settled immediately on receipt of the goods. For the items classified as capital purchases, the payments would be made directly to the vendor and advance would be given only in situations where it is specifically requested by the vendor in the quotation.

However, in the event that it is not possible to obtain three quotations, due to various reasons – small towns; remote areas; single vendor etc – two persons – one from the Finance and one from Programme will jointly visit the vendors and obtain the various (maximum available) quotes and present the same on a piece of paper duly signed with due reasons for not having obtained the three quotations. This would have to be approved by the PC as well as either the ED or RD.



8. Vehicle Management

CARADA at present maintains a total of eight four-wheelers and four two-wheeler vehicles. Of these, two four-wheelers and one two-wheeler are stationed at the various Regional Centres. The four-wheelers at the Regional Centre are utilised mainly for field trips, marketing (for training programmes) and bank visits during big withdrawals. The two-wheeler vehicles are given to the staff for fieldwork purposes. Vehicle movement is approved by Project head and Secretary.

All vehicles either four-wheeler or two-wheeler vehicles will be registered in the name of CARADA. Logbooks will be maintained for each of the vehicles owned by CARADA. The respective driver will normally maintain the four-wheeler logbooks and the staff member given the responsibility for the vehicle will maintain the two-wheeler logbooks. The Finance team will monitor all logbooks including the maintenance of the vehicle in an economical manner and any discrepancies or negligence will be brought to the notice of the Executive Director for further process.

The staff wanting to use the four-wheeler vehicle should give requisition for fuel to the finance team and they would initiate the necessary steps. CARADA maintains a Petro slip at its CARADA. For the purchase of fuel and lubricants for the vehicles wherever possible at places where direct payment and settlement of fuel bill accepted.

The Projects Secretary - Finance will maintain an up-to-date chart highlighting the due dates for insurance, road tax, etcetera in order to enable smoother follow up. Further this chart would also highlight the details of the user of the vehicle and the status of their driving licences.

All two-wheeler users would need to use helmets compulsorily. The passengers of the front seat and the driver of the four-wheeler vehicles should compulsorily use the seat belt. It is the responsibility of the driver of the four-wheeler to ensure that the front seat passenger wears the seatbelt. The two-wheeler vehicle will be confiscated from staffs that do not follow these safety norms.

10. Staff welfare

CARADA believes that the staff should be comfortable while they work in such trying and difficult circumstances. The organization will look after the provisions towards staff welfare aspects.

12. Programme advances

As also mentioned above, inter-project advances could be given on a short-term basis on certain situations. Such advances could be given provided that the donor conditionality and also the cash flow allows for such transfers.

In order for smooth implementation of programmes, the staff CARADA could be given an advance to carry out the programmes at field level. These advances would be given based on the requisition form given by the concerned staff which needs to be



duly authorised by the secretary. All such advances given against programme implementation would be termed as Programme Advances.

The staff should settle all Programme Advances within two days of completion of the programme. In case of difficulty in doing so due to various reasons such as remoteness of the place of the programme etcetera, the exception to this could be that such Programme Advances would be settled latest by the month end with due reasons and authorisation. In the event that the advances are not settled even by the end of the month, the amount equivalent to the Programme Advance would be deducted from the salary of the particular month of the staff.

Further, unless a previous Programme Advance has been settled the staff are not entitled for a second advance. In exceptional cases, due authorisation from the secretary will have to be obtained for giving a second advance while the first advance has not yet been settled.

12. Records; reporting and auditing

Records

CARADA's finance team maintains a number of records and books in order to fulfil the function of finance management needs of the organisation. The records being maintained at present are:

- a. Daybook, Cash Book and Ledgers - weekly print outs with due signatures
- b. Closing cash and bank balance register with due signatures
- c. Cheque authorisation register
- d. TDS deduction register
- e. Grant in aid register
- f. Fixed Asset register
- g. Stock register
- h. Salary/Honorarium payment register
- i. Employees provident fund register
- j. Leave register
- k. Vehicle Log book
- l. Training register.

All the financial record such as vouchers and supports; daybook print outs, ledger print outs, cash and bank balance sheet will be stored and maintained for minimum nine years.

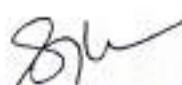
Reporting

CARADA prepares many reports for both internal as well as external sharing. The finance team will prepare all these reports on time as prescribed especially with regard to the statutory reports. At present the following reports are being made by CARADA:



- m. Audit statements such as Receipts and Payments, Income and Expenditure and Balance Sheet
- n. Budget versus actual report on a quarterly basis for each programme and shared with programme staff
- o. Donor report for respective donor in their format along with the programme report
- p. Fund request to the donor agencies.
- q. Monthly salary statement and leave statement from regional centre to HO
- r. Fund request by regional centre to Head Office on quarterly basis.
- s. Income tax reports for filing
- t. TDS reports for filing and forms for distribution
- u. FC-3 form for reporting under FCRA
- v. Monthly report for the CIB (FCRA)
- w. Professional tax report

Apart from the above various reports are generated based on the need that may arise from time to time.



Chief Executive
CARADA Kalahandi