

# ***Financial Policy***

**Balasore Social Service Society (BSSS)**



**(Revised in 2024)**

**Balasore Social Service Society  
Vivekananda Marg  
Balasore 756 001**

## TABLE OF CONTENTS

**A. Introduction**

**B. Scope**

**C. Financial Year**

**D. Basics of Finance**

- 1. ACCOUNTING AND RECORD KEEPING**
- 2. BANK TRANSACTIONS:**
- 3. RESOURCE MOBILIZATION**
- 4. CORPUS FUNDS**
- 5. POLICY ON REMUNERATION FOR THE PROGRAM STAFF**
- 6. STAFF WELFARE FUND**
- 7. POLICY ON LOANS IN TIMES OF NEED**
- 8. POLICY ON RECOVERY OF LIABILITY**
- 9. ANNUAL BUDGET**
- 10. ADVANCE FOR THE PROGRAMS**
- 11. SYSTEM OF PAYMENTS**
- 12. SYSTEM OF LIQUIDATION**
- 13. CASH FLOW FORECAST:**
- 14. BUDGET ADJUSTMENTS:**
- 15. POLICY ON UNSPENT FUNDS:**
- 16. MANAGEMENT OF PETTY CASH**
- 17. MAINTENANCE OF THE DOCUMENTS OF RECEIPTS AND PAYMENTS  
(BOOKKEEPING)**
- 18. PROCUREMENT (ACQUISITION) OF FIXED ASSETS**
- 19. DISPOSAL OF FIXED ASSETS**
- 20. POLICY ON EQUIPMENT**
- 21. POLICY ON PURCHASE COMMITTEE**
- 22. VEHICLE MANAGEMENT POLICY**
- 23. POLICY ON TRAVEL ALLOWANCES**
- 24. POLICY ON FINANCIAL TRANSACTIONS IN TIMES OF EMERGENCIES**
- 25. CASH POLICY**
- 26. BANKING PROCEDURE AND PRACTICES**
- 27. ACCOUNTING METHODS AND PRACTICES**
- 28. INTERNAL CONTROL POLICY**
- 29. COST ALLOCATION POLICY**
- 30. ASSET REGISTER**
- 31. MISUSE OF FUNDS**
- 32. NOTIFICATION OF OTHER FUNDING SOURCES**
- 33. STOCK REGISTER**
- 34. POLICY ON FINANCIAL AUDIT**
- 35. RETENTION OF ITS AUDITED REPORTS**
- 36. PERIODIC REVIEW AND ASSESSMENT**

## **A. Introduction**

Balasore Social Service Society (BSSS) is a non – profit development organization Society. It seeks to accompany the journey of the poor toward peace and development with the generous financial support of partners from home and abroad. It carries out all its activities in a nonprofit manner. The precious financial resources that its friends and partners give in the trust need to be managed in an efficient, transparent and honest manner. The executive committee along with its program staff is a mere steward spending the money that others have entrusted to them. This is the spirit and philosophy that guides the financial policy of the Society for implementing the developing work efficiently and effectively.

## **B. Scope**

This policy has been designed to help for strengthening the Financial Management System. The manual focuses on financial and accounting aspects of funds/grants received and utilized by the organization. Some of these aspects are connected to the issues such as FCRA and Income tax.

BSSS is committed to the objective of maintaining a professional and qualitative financial management system with high standard of accountability and transparency in fund received and utilized.

## **C. Financial Year**

BSSS follows the financial year starting from 1<sup>st</sup> April to 31<sup>st</sup> March. Our accounts are designed to follow this system. For reporting to funding agencies we are following the period from the date of project started and the date of project ended or as mentioned in the project agreement.

## **D. Basics of Finance**

**1. ACCOUNTING AND RECORD KEEPING:** Establishing a proper book-keeping system is a very important aspect of the Financial Management System. All the funded projects are maintained by separate cashbooks and ledger other than FCRA cash and a ledger book. The cash book and ledger book are maintained on a double entry basis. The organization should maintain the following basic accounting records.

- Cashbook
- Ledger book
- Journal
- Fixed asset register
- Stock register
- Vehicle logbook
- Salary register/records
- Procurement related documents
- Payroll and timesheet records

## **2. BANK TRANSACTIONS:**

BSSS must carry out all its financial transactions through bank accounts that are operated through multiple signatories. No savings account may be opened or operated without the President, Director cum Secretary being the signatories collectively. For the sake of operational facility signatures of any two of the above core executive committee members should suffice to deposit or withdraw funds from the savings accounts. Besides the FCRA account, the executive members are allowed to open a savings account in other nationalized banks for general or specific savings/transactions.

## **3. RESOURCE MOBILIZATION**

The Core Executive Members (President, Secretary/Director, and Treasurer) should strive hard to mobilize local and outside resources to financially support the programs and expenses of BSSS. As a bonafide social service organization, BSSS should not receive money from unknown sources or the ill gotten wealth of any criminal elements.

- The rooms and other facilities can be rented on day to day basis for purposes of social development to general public, companies, firms, NGOs and government departments from which contributions be taken for the repair and maintainance of the said facilities.

- The utility tariff for BSSS facilities is fixed periodically and the details are given below as of now.

A) Room (Single Occupancy)	: Rs. 1,000
B) Room Double Occupancy)	: Rs. 1,500
C) Non A/C Training Hall	: Rs. 2,000
D) A/C Training Hall	: Rs. 2,500
E) L.C.D. Projector & PA system	: Rs. 1,000
F) Breakfast, Lunch, Tea & Coffee	: Rs. 250
G) Breakfast, Lunch, Supper, Tea & Coffee	: Rs. 300

The price for the food is for the fixed Menu. It can be varied as per the order by the party.

## **4. CORPUS FUNDS**

To give continuity to its works of human promotion, development and charity, BSSS should set up corpus funds toward (a) Organizational Development, (b) Human Resource Development, (c) Emergency Relief, (d) Educational Assistance to the Poor Students, (e) Campaign against Hunger & Disease. BSSS should carry out fundraising and deposit the designated donations into the above mentioned funds for which the donations are received.

## **5. POLICY ON REMUNERATION/ HONORARIUM/SALARY FOR THE STAFF**

The Human Resource Policy of BSSS mandates that a minimum honorarium of Rs. 9000/- for the Community Organizers, Rs.15000/- for the Asst. implementing officers/Asst. coordinator and Rs.17, 000/for the implementing officers (Coordinator) be given every month. The accountant and the documentation officer may get partial salary, as they are only part-timers for the said project. Hence, BSSS should request the Funding Partners to

respect this salary package. In the same way, if the pay package of a project exceeds the amount stipulated in the 'Remuneration Policy' then the staff may be persuaded to donate the difference amount to 'The Corpus Fund of BSSS'. From this fund BSSS should pay the regular staff during lean periods.

## **6. STAFF WELFARE FUND**

BSSS should set up a Staff welfare Fund (PF/ESI). BSSS should follow the norms and regulations laid down by the government regarding the same.

## **7. POLICY ON LOANS IN TIMES OF NEED:**

In times of need staff members may avail loans from the organization and it must be returned within the same financial year. A staff member may avail only one loan in one financial year and the amount will be decided at the discretion of the Director, according to the urgent need of the loanee.

## **8. POLICY ON RECOVERY OF LIABILITY:**

In case a staff member causes liability in his/her handling of the program expenses or assets of BSSS, it may be recovered or restituted from the salary of the same person.

## **9. ANNUAL BUDGET**

The Executive Members of BSSS should prepare an annual (April to March) General Budget for the ordinary and extraordinary expenses of the Organization showing at the same time the possible source of income for those expenses. The Governing Body should approve the budget at the Annual Budget Session.

The Executive Members of BSSS should also prepare an annual (April to March) budget for each project. The Executive Members should timely correspond with the funding partners for the necessary fund flow so that the programs do not get interrupted and the program staff does not get affected.

## **10. ADVANCE FOR THE PROGRAMS**

BSSS should advance money for all the programs. The implementing Partners or the Program Managers/Coordinators should submit action plans along with a financial requisition on prescribed formats on a monthly basis on or before the 25<sup>th</sup> of every month. For some programs, this requirement may be applied on a monthly or quarterly basis if the executive committee so decides. The advance shall be given to every Program Manager/Coordinator every week upon the submission of weekly requisition on prescribed format on every Saturday. No further advance should be given to any implementing partner or program coordinator unless documentary proofs for the liquidation of the advance taken are submitted to the finance department of BSSS.

## **11. SYSTEM OF PAYMENTS**

All payments above five thousand rupees should be made through cheques. Salaries and payments in settlement of bills for procurements may always have to be through cheques. The Executive Director may allow the salaries of the grassroots Community Organizers from the remote areas to be paid through the bearer's cheques or a cheque made out to the Program Head. Deduction of service taxes (TDS) as per the requirement of the income tax department of the Government of India should be adhered to very strictly. Payments below five thousand rupees may be allowed to be paid through cash if the recipient refuses to take a cheque. But the payment above 10000 and above must be paid through account payee cheque.

No payments should be made to anyone outside the office hours 9 am to 5.00 pm. Only in an emergency, this policy may be relaxed. Provision for payments should first be cleared by the finance department before the Secretary cum Executive Director is approached for approval. Only after the approval the cheques and vouchers are to be prepared by the accountants.

## **12. SYSTEM OF LIQUIDATION**

Implementing Partners and Program Managers/Coordinators of BSSS should follow a standard system of liquidation of money taken for program costs and procurements. Proper bills, vouchers, testimonials, reports, participant's list, photos, etc should be submitted as valid documentary proofs for the liquidation of the advances taken.

## **13. CASH FLOW FORECAST:**

On the 28<sup>th</sup> of each month, the Finance Department of BSSS should prepare a 'Cash Flow Forecast' for the program as well as general expenses of the Organization that are required for the coming month.

## **14. BUDGET ADJUSTMENTS:**

BSSS should inform Funding Partners and get prior permission if more than 10% of changes are required to be made in the financial plan (approved budget) of any project. If any changes occur in the activities BSSS should take prior approval from the Donor.

## **15. POLICY ON UNSPENT FUNDS:**

All the unspent or balance amount of the projects should be strictly considered as that of the Funding Partner. BSSS should faithfully follow the directives of the Funding Partner for the liquidation of such funds. The Secretary cum Director should write to the Partners with specific plans seeking permission to use such funds.

## **16. MANAGEMENT OF PETTY CASH**

The Treasurer of BSSS is allowed to keep only five thousand rupees (Rs.5000/-) in cash for the day to day management of the Organization. The Petty Cash is to be kept in a Box locked and the box is placed in a safe place. The Secretary/Director is to scrutinize and seek an account of this provision at the end of every month.

## **17. MAINTENANCE OF THE DOCUMENTS OF RECEIPTS AND PAYMENTS (BOOKKEEPING)**

All documentary proofs related to receipts and payments should be carefully maintained by the accountants under the supervision of the Treasurer. Accounts should be digitalized or computerized with the latest version of computer software like tally and the back up to be kept at regular intervals to protect the files from piracy or virus. The Secretary cum Director should oversee the accounting of BSSS every month. No unauthorized persons should be given access to computers or files with accounts of BSSS. Tally back up of the particular project should be sent to the funding agencies periodically as per the requirement of the agencies.

## **18. PROCUREMENT (ACQUISITION) OF FIXED ASSETS**

All the implementing partners and staff members of BSSS should strictly follow the following procedures for the procurements (acquisitions) of fixed assets:

- a) For goods and services, at least three comparable offers must be obtained. The contract should be awarded to the most favorable bidder and deviations will have to be justified. A price comparison (bid analysis) should be conducted by the Purchase Committee. Only after a comparative study should the approval for purchase by the Director/Asst. Director is given or works order/hiring of services should be done.
- b) Documentation of the process followed should be kept and presented for scrutiny before any legitimate authority like the funding partners or the financial auditors.
- c) When purchasing from a local or a small vendor or service provider from whom no formal request for the bids can be made, care must be taken to ensure that the current local market prices are not exceeded. The financial report must be accompanied by official records showing local market prices.
- d) The quantities and the price specified in the budget may not be exceeded without prior consent by the donor and the Executive Director. The target must be reduced correspondingly if prices are exceeded. If prices are lower, the quantity may be increased correspondingly.
- e) Tax benefits must be claimed.
- f) Relief goods must be marked with the name of the Donor and BSSS before distribution. This mandate and charter to mark the goods with Donor's name may be exempted only

if a hostile situation in the ground is seen to endanger the safety of personnel involved in transportation and/or distribution.

## **19. DISPOSAL OF FIXED ASSETS**

Unless otherwise explicitly given a direction by the Funding Partners for the disposal of fixed assets created by the project fund, BSSS should follow its policy of discussing the Core Committee of the Executive Members (President, Secretary/Director, and Treasurer) and enlist the assets as the assets of the Organization. This should, however, be taken up at the next Governing Body Meeting for validation. Neither implementing partners nor Program Managers are allowed to sell or alienate fixed assets created with BSSS fund or with the fund of the Funding Partners.

## **20. POLICY ON EQUIPMENT:**

Equipment (Computers, Camera, Printer, Scanner, Copier, LCD Projectors, and Motorcycles etc) that are purchased with the financial assistance from Funding Partners should be primarily used for the programs for which they are procured. Once the program period is completed all such equipment should be enlisted into the asset list of BSSS and validation is to be sought from the Governing Body. Neither implementing partners nor Program Managers are allowed to sell or alienate any equipment created with BSSS fund or with the fund of the Funding Partners. The deviation may be allowed only if the Funding Partner gives a clear directive contrary to the above policy.

## **21. POLICY ON PURCHASE COMMITTEE**

BSSS should have a 'Purchase Committee' consisting of three members who do not have any executive power at BSSS. The President, Secretary/ Director and Treasurer should not be members of the purchase committee as they are the approving authority in the Organization. The members are nominated or selected by the Governing body. This committee should assist the Secretary/ Director and the Treasurer in deciding bid analysis for the procurement of assets and other goods and services.

## **22. VEHICLE MANAGEMENT POLICY**

The Executive Members of BSSS should utilize the vehicles available at the Organization to monitor and administer the programs and activities. They should maintain and pay for the expenses from the program costs for which they may be used.

The criteria to charge BSSS' vehicles when it is used for project or funding agencies are given below.

BSSS charges for its vehicles on daily basis either in Kilometre or fixed charges depended on the road and distance.



- For Bolero, for a day from: 1 KM up to 200 KM the kilometer charge is rupees 15, plus vehicle hiring charge, if it is A/C rupees 1000 and if it is non A/C rupees 800.
- In the case of Xylo for the same the kilometer charge is rupees 16, along with vehicle hiring charge, if it is A/C rupees 1200 and if it is non A/C rupees 1000.
- For Bolero, for a day if from, 200 KM up to 300 KM the kilometer charge for A/C is rupees 14 and non A/C along with half vehicle hiring charge, if it is A/C rupees 500 and if it is non A/C rupees 400.
- In the case of Xylo for the same the kilometer charge is rupees 15, along with vehicle hiring charge, if it is A/C rupees 1000 and if it is non A/c rupees 900.
- For Bolero, for a day if it above, 300 KM the kilometer charge for A/C is rupees 8 and non-A/C 7 and the same hiring charges will be charged as above.
- In case of Xylo for the same, the kilometer charge is rupees 10 and the same hiring charge will be charged.
- The kilometer rate may be subjected to the fuel rate.
- Driver salary, vehicle maintenance and other fuel cost are included.
- BSSS will charge from the project when it is used for.
- Insurance and road tax of the said vehicle will be taken care of by the organization.
- BSSS has to maintain a logbook to know the running of the vehicle.

The Program staff of BSSS should utilize the vehicles made available to them by BSSS or by the Funding Partners to strictly implement, monitor and administer the programs. The vehicles are to be maintained from the budget that is set aside at the project. At the completion of the Projects the vehicles are to be returned to BSSS headquarters. Unless the Funding Partner gives explicit directives for their future use, such vehicles are to be enlisted into the asset list of BSSS and should be utilized for general purposes or the implementation of other projects. Under no circumstances a staff should sell or alienate a vehicle without explicit permission from the Secretary cum Director. The Governing Body will have to give its approval for the disposal of vehicles.

### **23. POLICY ON TRAVEL ALLOWANCES:**

All the Program Staff at BSSS should get travel allowance as decided by the executive committee as per the project or the work assigned. The bills for the same must be submitted to the finance department. The office or administrative staff too should get travel allowance if they are to travel for meetings and seminars or to dispense their responsibilities. When Funding Partners reimburse travel expenses for meetings and project related workshops then the staff is obliged to restitute the advance taken from BSSS.

### **24. POLICY ON FINANCIAL TRANSACTIONS IN TIMES OF EMERGENCIES**

In times of emergencies, the Core Executive Committee Members which consists of the President, Secretary/ Director and the Treasurer should take decisions for appropriate

financial transactions. They are obliged to consult with other members of the Governing Body or at least share the decisions later.

## **25. CASH POLICY**

### **Setting Up of Cash Fund:**

- I. BSSS will maintain the level of cash balance of Rs. 50,000 to 1,00,000 for the Organization.
- II. Director should designate the Cash Custodian and the cash custodian should have a copy of this Finance Policy. The Cash Custodian should give an undertaking that he/she has read the Cash Policy and that he/she understands the contents of the same. It shall be the duty of the Director to share a copy of the Cash Policy with the Cash Custodian.
- III. The Director should designate another employee to serve as a regular backup during the absence of the Cash Custodian.

### **Operating Controls on the Cash Fund:**

- I. The Cash Custodian should be located in a safe room with restricted access, if possible.
- II. The cash funds should be stored in a portable, lockable metal container (Cash Box) during operating hours and should not be left unattended. After operating hours, the cash funds should be stored in a safe or other secure location. It is strongly recommended that only the Cash Custodian/ Director or equivalent authority be given access to the safe's content.
- III. Other individuals must not be allowed to store their valuables in the organization's safe.
- IV. There should be adequate segregation of duties between the Cash Custodian and the main cashier of the office and that the Cash Custodian should not perform other cash functions of disbursement / receipt of travel advances, staff advances, vendor advances, etc.
- V. The cash balance of Rs.50, 000 should be maintained on imprest basis.
- VI. A memo should be prepared by the Director indicating the names or titles of those employees who are authorized to approve the expenditures from the cash fund and the same should be available with the Cash Custodian.
- VII. The Director should inform all the staff of the hours during which the cash fund will be in operation.
- VIII. The Cash Custodian should count the cash funds at the end of each day and that the same be documented in the Cash Count Sheet (Format Attached) and maintained in the files.
- IX. The cash fund shall be counted at unannounced times by a staff independent of the cash functions and that the record of such counts be documented in the Cash Count Sheet and maintained in the files. The unannounced count should take place at least once a month. If there is any shortfall or excess during the cash count, then the following shall be applicable x. Cash Custodian shall be accountable for any shortfall in the cash fund and deposit the shortfall in the cash fund from his private monies.

### **Replenishing Cash Fund:**

- I. The Cash Custodian should commence the replenishment procedure when the cash balances touch Rs.5000
- II. The Cash Custodian should perform a quick review of the Cash vouchers, making sure that all are prepared in ink, signed by the respective parties, codes with the appropriate donor source / project numbers and account codes, adequately supported by documents attached and agreed to the cash register.
- III. At the time of replenishment, the cash count shall be conducted and the results of the same shall be documented in the cash count sheet and maintained in the files. The shortfall/excess should be accounted for as per the Point No.11 of the Operating Controls listed above.
- IV. All cash disbursement should then be sorted and summarized by donor source / project number and account code.
- V. All the cash vouchers and supporting documents should be cancelled (put PAID stamp) by the Cash Custodian before the completed package is routed to the Finance Department for processing.
- VI. The payment request form for reimbursement should be accompanied with the following documents while submitting to Finance Department :
  - All the cash vouchers with the supporting documents attached
  - The Cash Count sheet
  - The cash register (which would be returned by Finance Department after checking)
- VII. The cheque should then be routed to the final designated cheque signer for final sign off and approval.
- VIII. After signing the final approver routes the cheque and cash voucher back to the Finance Department.
- IX. The Finance department then issues the cheque to the Cash Custodian and files the vouchers and the supporting documents.
- X. The Cash Custodian encashes the cheque, inserts the funds received into the Cash Box and records the receipt on the cash register to complete the replenishment process.

## **26. Banking Procedure and Practices**

### **General Account (Local Account)**

- I. BSSS will maintain its account with Scheduled Bank as per the Reserve Bank of India Act, 1934.
- II. BSSS will maintain its account (General) in Saving Bank Account mode and it should be an interest-bearing account.

- III.** Opening of a new account should be decided by the Governing Body by passing a resolution and the Governing Body will decide who will be responsible for operating the account in the name of the organization.
- IV.** In case the BSSS is having its field offices situated in different places, the Governing body shall authorize through a proper resolution as to who will be the responsible person/s to open and operate the bank account in the name of the organization.
- V.** The account should always be opened in the name of the “Balasore Social Service Society”
- VI.** All the Bank accounts of the BSSS should be operated by two authorized signatories
- VII.** BSSS will maintain two separate bank account for the Foreign contribution fund and Local contribution fund.

### **FCRA Account (as per the FCR Amendment Act -2020)**

- VIII.** BSSS shall have two FCRA accounts, one in the designated bank account with SBI, New Delhi Branch, and the second designated bank account at the local level for keeping and utilization of the FC funds.
- IX.** BSSS can have a separate FCRA utilization account as per the demand of the funding agencies
- X.** The Director of BSSS will designate to keep the cheque book in the safe custody of an authorized person.
- XI.** BSSS will not entertain to issue the postdated cheques and cheques without the details (Blank cheque).
- XII.** The custodian must ensure that before issuing the cheque, the purpose and relevant document should be available.
- XIII.** BSSS will issue only account payee cheques to outside vendors.
- XIV.** BSSS will maintain the cheque issuing register to have control over it.
- XV.** Custodian will ensure an adequate balance in the account before issuing the cheque in compliance with the Negotiable Instrument Act, 1881.
- XVI.** Drafts and cheques received should be deposited within seven days. If the cheque/Draft is lost, the loss must be reported immediately to the bank to avoid misuse.
- XVII.** Pass Book should be updated at a frequent interval of one month.
- XVIII.** Custodian should ensure that cheques /Drafts deposited are credited in the correct account.
- XIX.** The Custodian should ensure that he/she should periodically verify whether the bank is crediting the interest due.
- XX.** Bank Reconciliation Statement should be prepared at the end of the month and it should be verified by the Director on a monthly basis.
- XXI.** Cheque books, passbooks or statements, pay in slips and confirmation statements should be preserved for at least 10 years and made available for audit and inspection by authorized entities.

## **27. Accounting methods and Practices.**

- I.** BSSS will comply with the General Accounting Principle and procedure to maintain it's day to day financial activities. The transactions are documented by preparing vouchers and issuing receipts. The organization will prepare a cash book, bank book, ledger book, journal book etc;. The organization will prepare financial statements such as Receipts and Payments Account, Income and Expenditure account and Balance Sheet.
- II.** Whereas BSSS will adhere to the Marchentile system of accounting. This is the system where an entry is recorded based on the amount that has become due for payment or receipt, whether or not payment is made or the amount received.
- III.** BSSS will maintain its account on a fund/project basis.
- IV.** The **standard chart of the account code/head** will be used to book all transactions and the same chart of account code is used to prepare the budgets and financial reports.
- V.** Adequate supporting documents are available for every expenditure transaction. Supporting documents are systematically and neatly filed. All supporting documents are stamped "paid" for all payments and 'cancelled" for all other invoices and as per the guidelines of donor agencies.
- VI.** The organization will have the purchase committee/ Bid Committee comprising at least 3 members for purchasing any goods or services having cost more than Rs.10000.00 All the purchase order must be signed by the Director of Balasore Social Service Society.
- VII.** The Salary will be paid to its staff on 29<sup>th</sup> of every month 29<sup>th</sup> is Sunday or public holiday, then on next working day.
- VIII.** The Organization discourages the use of salary advances except for situations of the acute personal financial crisis. In such cases, payroll advances are limited to the amount due in the next pay. For Salary advance, the employee has to take the approval of the Director and the request letter should have the recommendation of his/her immediate supervisor.
- IX.** Travel advance will be given to traveling staff as per the need of the travel and it should be liquidated or settled within three days from coming back from a trip.
- X.** Travel advance will not be settled or adjusted with salary payment.
- XI.** The selection of vendor should be made taking into account its credibility and capacity to provide service/product.
- XII.** As part of the risk management, the organization will maintain a minimum or no advance policy for its vendor.
- XIII.** The date, description and amount of every transaction are recorded in a cashbook. The transactions will be recorded and updated at least daily.
- XIV.** The board or any higher body of the organization reviews financial reports every six months.

- XV.** BSSS has its signature matrix setting out with duly approved by the director for which members of staff can authorize which expenditures to ensure that each transaction is authorized by the appropriate member(s) of staff.
- XVI.** A qualified external auditor audits the BSSS's books of accounts once a year.
- XVII.** The Annual audited reports should be presented before the annual governing body meeting for their review and comment.
- XVIII.** The person designated (Accountant/ Accounts Manager/Director) is responsible for submitting the financial reports to funding agencies and other stakeholders in the prescribed format and on time. Financial reports are submitted to the right government agency in the right format and on time.

## 28. Internal Control Policy

Internal control is a *process* that consists of activities supporting an organization in accomplishing its goals. Internal control is not a single event, but a series of actions. Strong internal controls not only serve to protect an organization's assets but also to promote employee morale and improve management-staff relations.

- I.** BSSS adheres to the principle that no one person covers all financial tasks. Where ever possible, financial tasks are split between two or more people.
- II.** Segregation of duties is a basic internal control concept. BSSS will assign different people for authorizing transactions, recording transactions, and maintaining custody of assets.
- III.** All the receipts, cash disbursement and settlement vouchers will be signed by at least two persons and will be approved by Director or any authorized there so.
- IV.** All the reports submitted to donors or stakeholders will be reviewed by a person other than the preparer and approved by the Director before its submission.
- V.** Bank Reconciliation Statement will be prepared every month and will be reviewed by Director and documented.
- VI.** All employees who can approve commitments or payments should be listed on an authorization chart. The Finance Manager should ensure that authorization charts for commitments as well as for disbursements are current.
- VII.**

**AUTHORIZATION CHART**

Authorized Personnel	INR Amount	Approve Financial Commitment?	Authorize Cash or Bank Disbursement?
Program Manager	Rs.1,000 – Rs.3,000	Yes	No
Asst. Director	Rs. 3,000 - Rs. 10,000	Yes	No
Director	Rs. 10,000 and above	Yes	Yes

- VIII.** Internal Control Effectiveness: Auditors are to be assessed the effectiveness of an internal control system in their reports to management. Material weaknesses will be

reviewed by the management every six months and upgrade or amend the policy for its effectiveness.

## **29. Cost Allocation Policy :**

The objective of this policy to establish a standard approach for consistently distributing administrative level costs to projects based on the benefit that each project receives from the cost. This policy will ensure to identify the opportunities to recover more “fair share” costs from donors.

- i.** Direct Costs such as employee salaries & benefits for project staff, project materials, project expenses and Travel expenses which are directly related to projects that will be charged directly to a project or grant because it directly benefits that effort.
- ii.** Indirect expenses such as administrative/ financial staff salary, rent, electricity, (not possible) telephone, internet facility and utility, vehicle expenses and other expenses can be distributed in reasonable proportion to all the major projects as per the benefits received for the project or donor. BSSS shall consider the projects those have got more than Rs. 1200000/- (Rupees Twelve Lakhs only) per annum as major projects
- iii.** The finance or accounts department will ensure the equitable distribution of various costs to different projects in a justifiable manner.
- iv.** Other expenses that are not specified in the projects shall be met from the General Account of the organization where donations of various kinds are collected.

## **30. ASSET REGISTER**

BSSS should maintain an ‘Asset Register’ with an updated list of assets it owns. Once a year the Asset Register should be updated. The designated person has to be held responsible for the maintenance of this register and get it signed by the director and filed it.

## **31. MISUSE OF FUNDS**

The Secretary cum Director is obliged to inform, after discussion with the Governing Body, to the Funding Partners if some serious misuse of program funds has taken place along with ‘the action taken report.’ The Executive Committee should take responsibility to complete the program as is planned or follow the directives of the Funding Partner.

In case one of the members of the Core Executive Committee (President, Secretary, or Treasurer) is suspected of financial mismanagement then the Governing Body is to act quickly and after a proper enquiry relieves the person from his post. Funds misappropriated should be restituted by the person in concern. If necessary the Governing Body should take recourse to legal actions against the person.

### **32. NOTIFICATION OF OTHER FUNDING SOURCES**

Under the principle of transparency and as a sign of respect for the partnership BSSS should report any matching grant it receives for a specific program simultaneously to all the partners involved.

### **33. STOCK REGISTER**

The accountant or someone working for the documentation at BSSS should maintain a 'Stock Register' of stationery items and other office needs and is to distribute such items as per the requisition submitted by the staff members.

### **34. POLICY ON FINANCIAL AUDIT:**

The Governing Body of BSSS should carry out internal auditing of its financial management and financial efficiency annually. The Executive Committee should allow Funding Partners to audit and check financial management of a particular project or the entire system. A Terms of Reference should be given and an agreement should be made between BSSS and the Audit firm.

BSSS should get its receipts and payments audited through a reputed chartered accountant, file its returns with the FCRA department of the Ministry of Home Affairs and with the Income Tax Department annually.

BSSS should compile and share through its 'annual reports' its audited balance sheet of receipts and payments.

### **35. RETENTION OF ITS AUDITED REPORTS:**

Even after the programs are completed and reports are shared with the concerned Funding Partners, BSSS should retain and conserve all its audited financial statements for ten years.

### **36. PERIODIC REVIEW AND ASSESSMENT**

BSSS should review its financial management policies and scrutinize its efficiency every three years. However, it should have an annual evaluation on the financial management of programs and projects with the Charter Accountant and with all the available Funding Partners. BSSS should organize workshops/seminars to improve its efficiency on financial management at regular intervals.



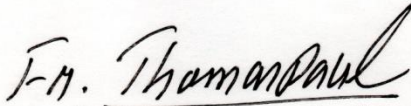
**Signature of the Board members**



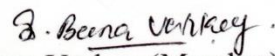
Bishop Varghese Thottamkara Souru, (President)



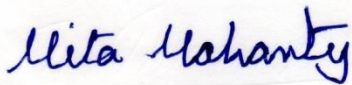
Fr. Jose Areserril. (Member)



Fr. Paul Koonamparampath, (Member)



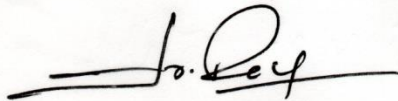
Beena Varkey (Member)



Mrs. Mita Mohanty, (Member)



Fr. Cherian Kizhikandayil, (Member)



Roy Antony K. (Director)