SGBS UNNATI FOUNDATION

Financial Policies & Procedures Manual

Version1.0 April 2014

This Manual contains the policies affecting handling of Finance and the related procedures that are to be followed in SUF in order to maintain high levels of transparency, financial integrity and have systems that are of the highest standards.

TABLE OF CONTENTS

1. Introduction

1.1 Financial Policies and Procedures Manual

A Financial Policy and Procedure manual documents the policies and procedures SUF should use to record and monitor financial transactions. Documentation of financial policies and procedures is important because it provides clarity regarding internal processes. Its purpose is to help SUF in:

- Recording all financial transactions
- Monitoring and control of expenditures
- Satisfying statutory reporting requirements
- Ensuring timely and accurate financial and management reporting to all stakeholders i.e. donors, grantors, government, governing board etc
- The management being responsible for the financial dealings

1.2 Accounting principles

The guiding accounting principles are:

- Dual aspect – All transactions should be recorded on double-entry basis.
- Money Measurement – only transactions that can be measured in monetary terms are to be recorded in the accounts.
- Consistency – All transactions are to be treated on same basis from year to year. In case of any change in the basis of treatment, the same must be adequately disclosed in the notes to accounts.
- Materiality – a transaction shall be considered as material when its value equals to or is over INR 10,000 or equivalent.
- Disclosure – Significant accounting policies and information shall be disclosed in all financial statements.
- Historical Cost – all transactions shall be recorded at the cost price.
- Accrual – The financial statements shall be prepared on the basis of accrual system of accounting unless otherwise demanded specifically by a funding agency, and in such a case, this shall be notified in the audit report.

2. AUTHORISATION POLICIES & PROCEDURES

Principles

Authorization policies are designed so that SUF employees holding appropriate delegated authority are made responsible for approving transactions carried out under the name of SUF.

Authorization refers to the signing of a document to verify approval. The signature verifies that the signatory has read and reviewed the document and agreed to its content.

Verbal approval is not sufficient for authorization.

Authorization of financial transactions ensures that employees holding appropriate delegated authority are aware of their responsibilities in safeguarding SUF's assets and helps to guard against errors and irregularities.

Employees cannot authorize their own work or claims. So, all expense claims must be authorized by the employee holding appropriate delegated authority to authorize.

The authorization procedures are tied into the budget-holder approval process. An employee who is authorized and made responsible for approving transactions can only approve expenditure under budgets for which they have authority. A budget-holder can delegate their authority only in exceptional circumstances and must then subsequently review all transactions.

2.1 Authorization structure & limits

<u>Authorization Limits for SUF Employees</u>

Expense Claims:

Limits	Claimant	Authorized by
Upto Rs. 5,000	Staff	By Centre manager or above
Above Rs 5,000 upto Rs 10,000	Centre Managers	By Department executive & HOD/CFO or Dir ectors
Above Rs 10,000 upto Rs. 10,00,000	Department Executives	Jointly by Head of Departments & CEO/COO/ CFO or Directors
Above Rs 10,00,000	**CEO/COO**	By Board

Bank and Cash Payment

All Bank/Cash Payments	As per above Limits
Cheque signature	Single upto Rs 20,000 & Two signatories above this limit
Bank Reconciliations	Should be verified by other than the person responsible to prepare
Purchasing	As per Purchase policy
Payroll Monthly sheet	HR Incharge with Accounts Unit
Leave & Other Calculations	HR Incharge
Payroll Authorization	CEO/CFO

Advances

Salary Advances	Not permissible
Travel Advances	Head of Depts. / CEO / Director/CFO
Advances for project events	HOD/Director/CFO

2.2 Entertainment Expenses

It is essential to ensure that on occasions when extension of hospitality is in the best interest of SUF, funds are expended prudently and in a manner compatible with the use of donated funds. Hospitality expenses shall be defined as the provision of food, beverages, activities or events for the purpose of promoting and furthering the mission of the SUF.

The following guidelines should apply:

Hospitality is only allowable in administrative meetings directly concerned with the objects of the SUF, in which meals are an integral part and not supplied solely for personal convenience.

As a general rule, hospitality costs relating to staff visiting partners and affiliates shall be allowable where per diem is not paid to the employee.

Hospitality expenses incurred while on official travel should be reported and claimed as travel expenses for that trip. The staff members who claim per diem are not entitled to claim additional entertainment expenses.

Alcoholic drinks, tobacco, pan-taamul and any other habit-forming items shall not be paid for from SUF's funds or during SUF's events or any other occasions / travels either keeping in mind our position on health and a high level of ethics.

Expenses on taking guests to films, theatre, dances, etc that may be seen by SUF's constituency as a wastage or luxury may not be paid from SUF's funds.

All entertainment expenses shall be approved by the HOD/CFO/Director with the purpose and names of the participants at the meeting.

3. BANK, CASH AND INVESTMENTS OPERATIONS

Principles

Funds should be made available for SUF's work while minimizing the risks of loss, fraud or misappropriation.

3.1 Bank Arrangement

Based on the above principle bank arrangement shall be established as under:

- SUF shall have Separate bank accounts for Local and Foreign Contribution Accounts. SUF may maintain as many bank accounts as it may require for operating its various local funds. But it shall have only one bank account for receiving of its FC funds.
- All foreign contributions shall be deposited into designated FC account. SUF shall take special care to ensure that all foreign contributions, though received for different projects and from different funding partners/agencies are all first deposited into the designated **FC Bank Account declared to the Ministry of Home Affairs (MHA)** and granted approval for. If necessary, SUF may maintain more than one bank account (s) for the purpose of utilization of FC funds at different places where the activities are being carried out. Details of such Bank accounts must be reported in FC-6 as per rules. In such cases SUF shall transfer the funds received through the designated FC Bank Account to the other FC Bank Accounts and utilize. However this may be changed in line with any amendments made subsequently to the FC Regulations Act 2011 under which this has been made permissible.
- Under no circumstances any FC funds should be directly deposited into any other FC Bank Accounts. More over all the subsequent bank accounts opened for handling FC funds should only be used for FC purposes and no local funds should be mixed up.
- SUF shall maintain proper records to show the details of Foreign Contributions received. E.g. Date Received, Name and Address, Purposes, FC Amount, Rate, INR, Period of Utilization etc.
  No overdraft shall be allowed without prior written approval from the Board.

3.2 Bank Selection & Account Opening

3.2.1 Bank Selection

The selection of new bank or changing the current bank for main account (i.e. designated FC or any other bank account) shall be carried out by CFO through review regarding the proposed bank's reliability , integrity, financial stability and facilities offered.

3.2.2 Opening of Bank A/c

Bank account shall always be opened in the name of SUF. While opening a bank account for its projects, it should be opened in the name of SUF followed by the designated purpose, e.g., SUF – Main, SUF – FC, SUF – <project name>, etc.

SUF should take a prior approval from the Board for opening or closing any bank account. To open a bank account a resolution has to be passed in the Board meeting indicating in what name, in which bank and branch and who shall be the authorized signatories for operation of the bank account.

3.2.3 Signatories

SUF shall have any CEO/CFO/HoD/HR or a Board member authorized to operate the bank account Singly or Jointly and for such limits as may be decided by the Board from time to time. However to facilitate smooth functioning of day to day matters particularly when the authorized joint signatories are out-of-station, SUF’s board can decide to allow two of any four signatories that may include one or two member (s) of the staff (but not including the members of the Accounts /Finance unit).

3.2.4 Deposits & Payments

SUF shall make all the deposits through properly filled up pay-in slips where the Account Number and all other details are clearly & correctly filled up. The corresponding Official Receipt Number shall be noted In the counter-foil of the pay-in-slips and the duly acknowledged counterfoils shall be preserved safely in bound form for bank reconciliation and audit verification.

SUF shall make all payments, withdrawals, transfers, pay-orders, demand drafts etc. only through cheque or net banking and not by issue of letters or any other mode. All the relevant details should be clearly mentioned in the Cheque counter-foils/record-slips and the same shall be preserved safely for bank reconciliation and audit verification.

SUF shall avoid any Bearer Cheque (without crossing), simple crossed Cheque (with out marking account payee only) and post dated Cheque. Except under special circumstances, all payments exceeding Rs.5,000/- each shall be made only through crossed account payee Cheque.

3.2.5 Computerised Accounts

While Receipts, Payments and Journal Vouchers shall be maintained in hard/paper form, all the other Account – keeping shall be done in a computerized accounting package like Tally or similar, of which the licensed version should be procured.

3.2.6 Reconciliation

Local Cash, FC Cash and for any other account if its Bank Account is being maintained separately must be reconciled with the Bank Accounts on every working day at close of working hours and the same must b e recorded in writing on a notebook that maintains this reconciliation on a sheet per day. While the Cash as per Computerised accounts must be entered in figures, the actual Cash must be accounted for by the form of currency it is held, e.g., number of notes of Rs. 1, 2, 5 , 10, 50, 100, 500 or 1000 denomination and totalled.

It will be the duty of the Accountant to get the cash tallied and reconciled between the Computerised accounts and the physical cash by any senior staff outside the Accounts/ Finance Unit once every month. The Head of the Finance / Admin Unit on her/his part will also be duty bound to reconcile the same once every week. The individual reconciling the cash must also sign the notebook to authenticate the amount at the end of physically verifying the cash.

SUF shall prepare monthly bank reconciliation statement. Bank statement shall be obtained from the bank manually or downloaded via Internet banking. The bankbook from the Computerised Accounts shall be balanced and reconciled with the bank statement by the 10th day of the following month. The Accountant shall be responsible to prepare the bank reconciliation and the Accounts Manager will be responsible to check its veracity and its regularity.
The reconciliation should take account of cheques drawn, but not yet presented at the bank and of deposits made which have not yet been recorded on the bank statement. All discrepancies should be notified in writing immediately to the bank concerned. The bank reconciliation statement shall consist of the following:

- Date of preparation
- Bank Statement of the previous month

- Bank Book of the previous month
- Bank reconciliation Statement duly signed by the person preparing the same and reviewed/approved by the Admin Incharge.
- The documents shall be properly filed for future reference. In case of outstanding cheque for more than 3 months, the concerned party shall be contacted for necessary actions.

SUF shall keep the unused chequebooks in the safe custody of the Accountant and this must be brought out from a locker only temporarily for purposes of making a cheque payment/verification. SUF shall preserve all cancelled cheques for identification and control purposes.

At the end of the financial year, SUF shall take confirmation of balances from the bank for all bank balances such as SB, CA and FD's along with TDS Certificates wherever applicable.

3.3 Cash

All cash payments should be made only on the basis of authorized documentation. All payments should be documented on a payment voucher, which should be attached to the corresponding receipt. The person authorizing the expenditure, usually the Exec Director or the Admin Incharge on her/his behalf must sign payment vouchers.

For each party, separate voucher shall be prepared. However, the payment voucher may include more then one item of expenditure, but expenses of more than one funding agency may not be entered on the same payment voucher.

3.4 Limits

For SUF the maximum limit of Cash in hand shall be Rs 50,000/- each for Local and for FC Cash. If any other Project Account has also been opened, Rs 20,000 Cash in Hand may also be maintained. However the CEO/CFO are authorized to permit a temporary higher limit under special circumstances for Project a nd Workshop related Expenses, especially when networks are down and holidays can be foreseen.

3.5 Checks

Regular checks should be made to sequential numbering of entries to ensure that all documents have been entered into the cashbook. Checks should also be made of vouchers to ensure that all payments have been correctly authorized.

3.7 Safe Custody

Cash must be stored under lock and key in a cash box or safe inside a metal almirah/cupboard.

3.8 INVESTMENTS

3.8.1 Principles

Many times funds are received by the SUF in advance to be applied for carrying out the objectives over the next one to three years. Sometimes the available surplus is not sufficient to take up the planned work and the SUF has to wait for some more time to get the minimum funds accumulated for said purposes.

To make optimum use of funds lying surplus, SUF shall make prudent investments with scheduled comm ercial banks from time to time. Accounts where large sums are invariably present, a Flexi-Fixed Deposit may be opened within the same account to earn a higher rate of interest.

3.8.2 Investment yardsticks

Based on the above principle the following should be kept in mind:

While deciding the various investment options, SUF should keep in mind the usual yardsticks such as yield, safety, liquidity, and capital appreciation & Government restrictions. Corpus funds, Maintenance funds, Endowment funds and other similar long term funds should be invested in long term approved securities, invariably Fixed Deposits which are safe and which give higher yield and capital appreciation. Mutual Funds and ULIPS though occasionally coming up in IT Sec 12A permissions, may be the last choice of investment, being linked to the volatile share market.

Funds required for annual operating or administrative expenses, ongoing programs/projects, shall be invested in short term-approved securities like Flexi-Bank Fixed Deposits or Savings Bank accounts, which are safe and have better liquidity.

4. ACCOUNTING, RECORD KEEPING AND FINANCIAL CONTROL

4.1 BASIC ACCOUNTING CONCEPTS

Through proper Accounting an organization can determine the correct financial status and know the weak points and areas that need improvement. For proper Accounting, proper Books of accounts and financial records have to be maintained on daily / regular basis. These days Books of accounts are maintained on double entry system in which for every entry there shall be a debit and corresponding credit.

4.2 BOOKS OF ACCOUNTS

4.2.1 RECEIPTS

All amounts received by SUF in cash/ cheque /DD / bank transfer or any other mode should be acknowledged by raising an Official Receipt, even if it is for a single paisa. Official Receipt shall be prepared in duplicate from ***a pre-numbered printed bound Receipt Book*** with perforation on the original copies. Carbon (Book) copies of Official Receipts act as Receipt Vouchers.

All the relevant information on the Receipt such as Date, Received from (Name, Address), Amount, Cash or Cheque No., Name of Bank, Purpose, Name of Project/Fund, Group, Account Head, Code etc. shall be correctly and neatly completed and signed by an authorized person.

Receipts are of two types. Capital receipts (such as Corpus donations, Loans received, Refund of Loans & Advances, Sale of fixed assets etc.) and Revenue Receipts (such as Voluntary contributions-other than Corpus donations, Interest Received etc.) Capital receipts shall be dealt with in the Balance sheet and Revenue Receipts shall be treated as Income in the Income & Expenditure A/c.

In case of Corpus donations a letter of confirmation should be taken from the donor and kept in a separate file for Corpus donations. This letter should not be taken in a standardized format. In case of local donors who wish to have 80G benefit, either copy of 80G exemption letter shall be attached to the original Receipt or information about the 80G exemption (i.e. CIT Reference number, Date of issue and Period for which it is valid) must be given by way of a seal affixed on the front/reverse side of the receipt and given to the donor of SUF. SUF shall keep two separate receipt books for FC Account and Local Accounts.

4.2.2 VOUCHERS

4.2.2.1 Principles

A Voucher is the basic document used to support the authenticity of a transaction entered in the Books of Accounts and can be broadly divided into Cash Voucher, Bank Voucher and Journal Voucher.

Based on the above principle vouchers shall be established as under:

All payments made by SUF in cash/cheque/DD/bank transfer or any other mode shall be supported by Payment Vouchers. Journal Vouchers should support all journal adjustments made between two General Ledger Accounts, especially when staff is proffering claim bills against advances drawn earlier.

Payment Vouchers are of two types namely self-vouchers and third party vouchers. Self-voucher means voucher prepared from the organizations own stationery. Third party voucher means Bill/ Invoice/Cash

Memo obtained from suppliers and service providers. Normally as far as possible SUF shall obtain third party vouchers as proof of payment. Self-vouchers are prepared for in-house payments such as Salary, Travel, and Conveyance etc. and as such other out side payments where bills are not issued such as Rent, Postage, Minor Repairs, and Milk etc. Wherever it is not possible or practical to obtain third party vouchers, self-vouchers supported by detailed expenses statement may be used.

All vouchers should be numbered either automatically (using accounting software) or manually, and entered in the Cash Book/bank Book for easy identification. All the relevant information such as Date, Name of Project/Fund, Group, Account head, Code , Amount Debit/Credit, Cash or Cheque No., Name of Bank, Creditor/Payee's Name, Address Bill No. & Date, Purpose and Total Amount should be correctly and neatly completed on the voucher.

The Voucher shall be signed by the relevant persons who claims expenses or who made the payment / who approved the payment and who received the payment. In no case the person who prepared the voucher ***and/or who made the payment should be the same person who also approved the payment. This would be very important especially in the case of bills claimed by the cashier/ accountant and the Admin Incharge/*** CEO***/ Exec Director.***

All cash payments should be made only to the particular creditor who supplied the materials/ rendered the services and issued the bill. Cheques should always be prepared in the name of the creditor who supplied the materials/rendered the services and can be collected either by the payee or by an authorized person appointed by the payee through proper authority letter in a printed form.

All the supporting documents such as Cash-memo/ Bill /Invoice /Expenses statements shall be duly attached to the respective Vouchers and all the Cash, Bank and Journal Vouchers should be filed in the order of Voucher Number in (three) separate series of files.

In case of Travel Expenses, prescribed Statement of Reimbursement of Travel Expenses, should be prepared and submitted along with all necessary supporting bills such as original Air/Train/Bus tickets, original Air Boarding Pass, original Expenses Bills etc. If no bills or tickets available (in the case of train tickets) for Travel expenses then a copy of self-declaration shall be taken from the claimant shall be attached. In case of disbursements to local Project/ Programme Partners (being registered charitable societies/trusts) proper acknowledgment for receipt of the contribution should be obtained in their printed pre-numbered Official Receipt and attached to the Voucher (to which a photocopy of the draft sent should have already been attached) even if for a Bank Transfer or Crossed cheque.

In case of disbursements to local Project/Programme Partners (being reimbursement of expenses as part of an Extension Programme) proper acknowledgment for receipt of the reimbursement should be obtained in the form of a Statement of Expenses along with all original bills and vouchers and attached to the Voucher (to which a photocopy of the draft sent should have already been attached).

In case of payments in the nature of Staff loans, Staff advance / imprest for travel and other office expenses or Advances to creditors against an estimate or Part payments to creditors against a bill, Self-Voucher should be prepared, all relevant details completed and got signed by all the relevant persons (who prepared and/or who made the payment, who approved the payment and who received the payment).

The signature of the payee/person duly authorized by the payee should be obtained on the Payment Voucher directly or on a revenue stamp (at present Rs.1/-) if the amount exceeds Rs.5, 000/- in all the cases (whether payment was made in cash or by Cheque/DD and whether as advance, part payment or full and final payment or as staff advance/imprest).

5. FRAUD AND OTHER IRREGULARITIES

5.1 Principle

SUF's financial integrity and reputation is to be preserved and financial losses are to be minimized.

5.2 General

Fraud is an intentional manipulation of funds through unauthorized ways for personal gain.
Fraud may take place by misappropriation of cash, forging of signatures on cheques, misappropriating investments by transfer to other persons or by pledging and taking loans, misappropriation of stock, misappropriating recoveries from employees etc. The causes of fraud are inadequate control on cash and cash transactions, cheques not kept in the safe custody of authorized signatories, original fixed deposits and other investment documents not kept in safe custody, delay in accounting, inadequate control of stock, lack of control on recoveries, lack of good monitoring and reporting system etc. Hence fraud and other irregularities include illegal acts such as theft, deception, and manipulation of accounting entries, bribery and corruption. Where cases of suspected fraud, or irregularities, are discovered in SUF's operation, these must be promptly reported to the Executive Director and to the Head of Finance.

Upon suspicion of a fraud, SUF shall take following action immediately:

- Initiate appropriate internal investigation
- Staff briefing
- Proper reporting lines re-established
- Changing of computer passwords
- Restricting access to assets and information
- Appropriate action shall be taken against the personnel found guilty as per the procedures defined in SUF's HR Document.

5.3 Whistle-blowing procedures

There may be occasions where staff members feel that financial or procedural malpractice is taking place. If the member of staff has a genuine concern over the actions of a colleague or a partner organization, then the matter should be raised with:

- Executive Director and Head of Finance
- Chair of the Board / Treasurer where there are concerns over Senior Management.

Any personal interest should be made known when first raising concerns. No disciplinary action shall be taken against a member of staff raising the concern unless there is evidence that the allegations were both false and malicious.

5.4 Reporting to the police

SUF requires that major frauds of Rs. 5,000/- or more be reported to the police. If an exemption is required, full written details of the fraud and reasons why the police should not be informed should be sent to the Chairman of the Board.

5.5 Fraud investigation

A fraud investigation should be initiated by the CEO/ Executive Director / Chairman of the Board of Trustees to determine the extent of the fraud, establish how it was carried out so that safeguards can be

put in place to prevent reoccurrence, and to identify the perpetrator.
The knowledge that fraud has been uncovered should be limited to a very few key personnel. This shall increase the likelihood of full and unbiased information emerging, and prevent the untimely departure of the suspected perpetrator(s), destruction of evidence and accusations of slander.
Following issues should be specifically addressed in the investigation:

- Whether any criminal prosecution is likely or desired and how the investigation should proceed such that this end is not compromised.
- Local circumstances may dictate when the police are to be involved.
- The recovery of losses incurred by SUF, by taking action through the Courts / alternatives if any?
- If and how to dismiss employees in order to minimize the knock on effect of that action.
- What action is to be taken to prevent recurrence of the fraud?

5.6 Fraud at Partner Organizations

Incidents of fraud by partner organizations need to be dealt with on a case-by-case basis. However, the following basic good practice guidelines can be followed in almost all cases;

- Report the matter to the Chairperson of the Board and Executive Director.
- Suspend further funding to the Partner as soon as fraud is established until the matter has been resolved to SUF’s satisfaction.
- Carry out an investigation as appropriate either independently or with partner staff.
- Demand that the organization takes appropriate action against the perpetrators
- Make efforts to recover the money that has been misappropriated.
- Re-assess the relationship with the partner organization and terminate if it cannot be salvaged
- If the relationship is to continue, ensure that sufficient action has been taken to address control weaknesses that allowed the fraud to occur. This may involve building the capacity of the partner organization.

5.7 Reporting to the Audit Committee / Governing Board

Every investigation should result in a written report. In this report, management should disclose full details of their findings. Significant cases of fraud (i.e. Rs. 1,00,000) must be reported to the Board immediately. Otherwise all incidents, whatever their level of materiality must be reported at the end of the financial year in an annual statement to the Executive Director at the Secretariat. Executive Director is in the best position to gather and assimilate information on the occurrence of frauds in SUF and then inform the Board as required.

5.8 Timetable

Dealing effectively with suspected fraud involves prompt action. Whilst it is not possible to define a rigid timetable to be followed for all fraud investigations, there are clearly certain standards for swift action that should be achieved. The following minimum time frame has therefore been established. In many cases straightforward fraud should be resolved in a much shorter time frame.

Fraud or suspected fraud identified	0 Days
Notification to senior management	Within 3 days
Initiation of fraud investigation	Within 10 days
Verbal findings of fraud investigation to senior management	Within 20 days
Written report on investigation	Within 30 days
Management action	Within 60 days
Implementation of recommendation to prevent repeats of fraud	Within180 days

5.9 Money Laundering

The word ‘Laundering’ is used to describe how illegal (or dirty) money is made to look legal (or clean). The perpetrator finds a way to put the dirty money through a reputable party and then gets the money back. This process of making illegally generated money appear legal is Money Laundering. The term Money Laundering is also used for a number of offences involving the proceeds of crime or terrorist funds. It includes possessing, or in any way dealing with, or concealing, the proceeds of any crime. Charities can be especially susceptible to the attentions of potential money launderers.

5.9.1 Obligations of all staff of SUF

- Report any suspicious money laundering activity to the appropriate members of senior management.
- Not to assist in the money laundering process through acquiring, concealing, disguising, retaining or using the proceeds of crime. This would include not accepting any cash donations more than Rs 20,000 or accepting Indian donations above Rs 50,000 without their PAN number.
- Not to prejudice an ongoing investigation
- Not to contact any person who has been suspected of, and reported for, possible money laundering in such a way as to make them aware of the suspicion or report (“tipping off”)

6. RELATED PARTY TRANSACTIONS/ CONFLICT OF INTEREST

6.1 Principle

The staffs of the SUF aspire to the highest levels of ethical conduct in all of their work for the organization.

SUF employees, officers and directors have an obligation to conduct themselves in an honest and ethical manner and act in the best interest of the organization. All employees, officers and directors should endeavour to avoid situations that present a potential or actual conflict between their interest and the interest of the organization.

A “conflict of interest” occurs when a person’s private interest interferes in any way, or even appears to interfere, with the interest of SUF. A conflict of interest can arise when an employee, officer or director takes an action or has an interest that may make it difficult for him or her to perform his or her work objectively and effectively. Conflicts of interest may also arise when an employee, officer or director (or his or her family members) receives improper personal benefits as a result of the employee’s, officer’s or director’s position in SUF.

SUF strongly believes that its work for poor and marginalized benefits from having members of its staff with current and past experience in the not-for-profit sector and in the substantive fields in which SUF works. Given the broad experience and interests of SUF’s staff, from time to time, staff may serve as officers, employees, directors, trustees, or consultants to an organization under consideration for SUF’s support or for provision of goods or services. Consequently, transactions may arise during the ordinary course of SUF’s work where conflicts of interest are present.

SUF has adopted a ~~conflict~~ No-Conflict of interest policy to ensure the legal and ethical integrity of its decision-making and to make clear that no organization or individual benefits inappropriately because of a relationship with a staff of SUF. (Confirm above revision of “ no-conflict “ is OK ???)

6.2 Prohibited transactions

While the Code does not attempt, and indeed it would not be possible, to describe all conceivable conflicts of interest that could develop, the following are some examples of situations that may constitute conflicts of interest:

- Working, in any capacity, for a Partner organization or other third party while employed in SUF.
- Directing funds to an organization owned or managed by, or which employs, a relative or friend.
- Accepting gifts/ bribes, kickbacks or any other improper payments for services relating to the conduct of the day-to-day affairs of SUF.
- Accepting, or having a Member of an employee’s family accept, a gift from persons or entities that deal with the SUF, where the gift is being made in order to influence the employees actions, or where acceptance of a gift could otherwise reasonably create the appearance of a conflict of interest.
- Appointment of a consultant and other services provider who is a close relative of the concerned SUF official.

Conflicts of interest may not always be clear-cut. Any question therefore about an employee’s actual or potential conflict of interest with the SUF should be brought promptly to the attention of the Chairman of the Board, who shall review the question and determine a proper course of action, including whether consideration or action by the full Board is necessary.

However this principle shall mainly apply for long term and large consultancy and services where long term and large described as more than 10 days of work and/or more than Rs. 10,000 fees in a year. Short term services like capacity development, facilitations etc. less than 10 days of work and/or less than Rs. 10,000 fees shall not fall under this.

6.3 Procedure for related party transactions

If we have to involve financially with any related party under any exceptional circumstance then the Executive Director shall take formal approval from the Board.

- Formal approval shall involve submission of a note to the Board, describing the nature of involvement and relationship, explanation on exceptional circumstances, task, financial involvement and period of transactions.
- If such a related party transaction is unavoidable; they must fully disclose the nature of the related party transaction to the appropriate authority. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to that party.
- In the case of any other transaction or situation giving rise to conflicts of interests, the appropriate authority should after due deliberations decide on its impact.

6.4 Disclosure of related party transactions

Our year-end statutory accounts shall disclose related party transactions as per the generally accepted accounting and auditing standards.

6.5 Disclosure of existing related party transactions

All SUF staff shall have to disclose their all existing related party transactions by 31st March every year. This disclosure should include-nature of involvement and relationship, circumstances, task, financial involvement and period of transaction. This disclosure note must be submitted to the Head of Finance.

6.6 Definition of Relative

For the above purpose of this policy relative means:

- Spouse
- Father
- Mother (including step-mother)
- Son (including step-son)
- Son's wife
- Daughter (including step-daughter)
- Father's father
- Father's mother
- Mother's mother
- Mother's father
- Son's son
- Son's son's wife
- Son's daughter
- Son's Daughter's husband
- Daughter's husband
- Daughter's son
- Daughter's son's wife
- Daughter's daughter
- Daughter's daughter's husband
- Brother (including step- brother)
- Brother's wife
- Sister (including step-sister)
- Sister's husband

7. FIXED ASSETS

7.1 Acquisition of Fixed Assets

Capitalization of assets takes place when the benefits of the expenditure are expected to extend over periods beyond the one in which the expenditure arises. Assets costing less than Rs 5,000 should not be capitalized but expensed on purchase and recorded on an inventory for control purposes.

Approval of Governing Board/ Executive Director/ CFO is needed prior to purchase or disposal of any fix ed asset worth more than Rs 50,000. The Governing Board may decide to delegate the powers for purch ase of office furniture and equipments to other Executives subject to over all limits sanctioned in the Bu dget.

Procurement procedures to be followed for acquisition of fixed assets

7.2 Fixed Assets Register

A register shall be maintained to record all capitalized assets (over Rs. 5,000). The purposes of the fixed assets register are:

- To provide a means of controlling the assets including acquisition, disposal and transfer
- To enable accounting calculations to be performed on asset cost, depreciation and net book value
- To allow assets to be checked regularly in order to avoid misuse or misappropriation

The fixed asset register should give details of each asset as follows:

Date Received
Name of Supplier, Bill No. & Date
Description of Item, Model, Make & Serial. No.
Quantity
Total Invoice Amount
Other Expenses
Location
Identification No.
Depreciation Year, Rate, Amount & Cumulative
Disposal Date, Given to and Amount

Copies of bills for purchase of all fixed assets shall be put in separate Fixed Assets files for FC accounts and Local Accounts. All the original property documents shall be kept in safe custody.
It is appropriate to group classes of assets together in the fixed assets register for ease of reference.

7.3 Asset Listing

A separate asset listing should be kept for all assets under Rs 5,000. The purposes of this listing are:

- To provide a means of controlling the assets including acquisition, disposal and transfer
- To allow assets to be checked regularly in order to avoid misuse or misappropriation

The asset listing should show similar details to the fixed assets register except depreciation and net book value.

7.4 Verification of Fixed Assets

On a regular basis and at least once a year, each asset on the register should be inspected to confirm its existence, location, usefulness and condition. Centre Manager should carry out the verification exercise. All assets that cannot be located must be thoroughly investigated and a full report submitted to the Executive Director. Based on this report and on the recommendation of the Head of Finance, the Executive Director shall authorize the asset to be written off from the books and appropriate action taken to avoid future loss of assets. Assets in poor condition or which remain idle should be considered for disposal

7.5 Disposal of fixed asset

When disposing fixed asset, either by selling or scrapping, the difference between proceedings and the carrying value should be written off to income statement. The fixed asset account should be credited with the original costs and the depreciation account should be debited with the accumulated depreciation to date. A survey should be conducted to estimate the selling price of assets to be disposed . If expected price is less than Rs 10,000 then the administration officer can authorize disposal of fixed as sets with communication to Head of Finance. In cases where expected price is more than Rs 10,000, Head of Finance in consultation with Executive Director shall approve the disposal of fixed assets.

7.6 Depreciation Policy

Depreciation is a charge to the income and expenditure account in order to write off the cost of an asset over its expected useful life. Depreciation should be computed as per the rates given in the Companies Act.

7.6.1Special circumstances

If there is a situation where assets may be required to be written off over a shorter period, the use of alternative depreciation rates is subject to approval by Governing Board.

7.7 Insurance of Assets

Assets purchased must be insured adequately.

8. FINANCIAL AND MANAGEMENT REPORTING

8.1 GENERAL

Management and financial reporting are a key part of maintaining and demonstrating financial integrity and, in the case of management reporting, for financial information to be brought into the decision making process. The Finance department should provide timely, accurate and relevant financial information for management (through management information Systems).

Financial management system has generally following components:

- Planning and budgeting
- Reporting and monitoring
- Accounting, Record Keeping & Financial Control
- Audits and External Reviews.

While each of the above said sub-system is important by itself, it is more important that they function as a well integrated financial management system to realize the goals of the organization in the most effective manner.

8.2 PLANNING AND BUDGETING

Planning and budgeting are two important functions in the financial management system, yet they are nothing but two sides of the same coin. It is often misunderstood that these aspects are necessary only in the profit making organization. It is the responsibility of the executive team of SUF to evolve and follow a good planning and budgeting system. As these are important aspects, a separate chapter is devoted to discuss these topics.

8.3 REPORTING AND MONITORING

The financial management function in SUF has to be proactive rather than reactive. In order to be proactive the financial position has to be reported periodically to the appropriate authorities within the organization so that the same can be analyzed to check up whether the goals are being achieved through the planned activities and programs and that the organization is functioning effectively and in case deviations, necessary corrective actions are taken.

The following reports should be generated:

8.3.1 YEAR-END STATUTORY ACCOUNTS

Annual Statutory Returns should be prepared for both SUF's Statutory Audit and submission to the funding agencies.

8.3.2 MANAGEMENT ACCOUNTS – MONTHLY AND QUARTERLY

In order to make timely and meaningful management decisions, accurate financial information is necessary. In addition, being able to compare accounts with original budgets enables management to identify favourable or adverse trends, and to highlight variations in income or spending which may require special attention. Finance unit should therefore prepare and disseminate monthly and quarterly management accounts for SUF.

8.3.3 REPORTING ON DONOR-FUNDED CONTRACTS

SUF has a responsibility to honor our accountability, commitments and honestly report to donors on projects funded. The finance functions should work closely with Programme coordinators and programme officers at both local and international levels to ensure that all contractual requirements on donor-funded contracts are met.

8.4 ACCOUNTING, RECORD KEEPING & FINANCIAL CONTROL

Control systems in SUF are meant to provide reasonable security to the finances and assets of the organization. Control systems also provide checks and balances, which help to keep the system in its place, to avoid frauds and misappropriation or deviations from accepted policies and procedures.

As the organization operates in a dynamic environment, all the control systems should be reviewed periodically and improved to take care of all new developments. The most important controls are required in the following areas:

-Cash Transactions
-Bank Accounts
-Fixed Assets
-Investment Control
-Loans & Advances
-Inventory Control-if relevant.
-Handing Over System
- I.T systems and softwares

###