Policy on
Financial Management and Accounting Transactions
A Manual

(Internal Document)

Association for Health Welfare in the Nilgiris
Post Box.20, Thottamoola, Gudalur.
Nilgiris. Tamilnadu. INDIA. 643212

www.ashwini.org        ashwinigudalur@gmail.com

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This manual focuses on the policies of ASHWINI with respect to accounting procedures and issues related to better financial management.

- The responsibility for maintaining all accounting transactions of ASHWINI is with the Accounts team.

- It is the responsibility of the accounts team to ensure that this policy on financial management and accounting transactions is implemented in letter and spirit by every employee of ASHWINI.

- The accounts team will also take the initiative to update this policy from time to time, suggest amendments and get it approved by the Governing Board of ASHWINI.

**Voucher Maintenance**

Vouchers are fundamental documents that capture all the details related to any financial transaction conducted. Hence, utmost care will be taken while preparing vouchers.

1. Vouchers will be complete with all the details related to any transaction. The following information will be available in each voucher:
   - Transaction Date
   - Voucher Number
   - Cash or Bank (in case of payment / receipt vouchers)
   - Whether the transaction pertains to Foreign funds or Indian funds
   - Whether the transaction pertains to a particular Project
   - Name of the person receiving / giving the money (only in the case of payment / receipt vouchers)
   - Ledger Name
   - Amount for each ledger item
   - Total Amount (both in number and in words)
   - Signature of the persons
     - who prepared the voucher
     - who authorised the transaction
     - who received the money
   - Cheque Number (in case of bank transactions)
   - Detailed narration of the transactions

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1 updated in June 2010
2. Always preprinted vouchers will be used with the name of the organisation printed on top of the voucher sheets.

3. The vouchers related to Foreign Contribution account and Indian Contribution account will be maintained separately.

4. Under each account, the cash vouchers, bank vouchers and journal vouchers will be filed separately. That is, all the cash payment and cash receipt vouchers will be filed in one file; all the bank payment and bank receipt vouchers will be filed in one file and all the journal vouchers will be filed in one file.

5. Each of the five different vouchers will be serially numbered. Vouchers will be numbered on the transaction day itself and by the end of the day, they will be filed chronologically and serially.

6. Vouchers will be written legibly and clearly, without any scratches or strike-overs.

7. All the details will be written in English.

8. All the vouchers will have proper supporting documents, wherever applicable. All vouchers should be self-contained in all respects, with all the required information documented in the voucher or in the attached supporting documents.

Cash Transactions

1. A separate cash box will be maintained for all the cash accounts of ASHWINI.

2. Separate Cash boxes: FC and IC funds will have separate cash boxes and wherever mandated, the projects too will have separate cash boxes.

3. Signature of the person receiving cash will be obtained in all the cash payment vouchers. Even when cash bill or detailed expense statement is attached to the voucher, the signature of the person receiving the payment will be obtained.

4. Payment of Expenses: All cash payment vouchers will have supporting documents like cash bills, travel or other expense statements, receipts for services rendered etc. The narration will clearly mention the nature of expenses and programme details.

5. Payment of Advances: All cash payment advances will have proper 'Advance Requisition Form' filled by the person seeking advance. Details of the expected expenses will be mentioned in the requisition form.

6. Authorisation of Payments: All the cash payments made by the cashier / accountant will be authorised by suitable persons given that responsibility within 2 months from the completion of the transaction month.

7. Rough Cash Book: A separate cash book will be maintained for each of the cash accounts being operated by ASHWINI. For every cash box, there will be a rough cash book.

The rough cash book will be maintained which records all the cash transactions in the format given below:
8. **Closing of Cash** : Apart from the voucher details, the physical cash available in each box will be recorded by the cashier with denomination. The physical cash balance will be tallied with the book balance every day. *Even on days without any transactions*, closing of cash with denomination will be written in the rough cash book by the cashier.

9. **Verification of Cash Balance** : The Accountant will randomly check the physical cash balance available in the cash box and with the records of the rough cash book. At least once in 15 days, the cash balance in each of the cash boxes will be verified by the Accountant and her / his signature will be affixed in the rough cash book with date.

10. **Monthly verification** : As computerised accounting software will be used by ASHWINI, the cash balance in each account in the computer will be cross-checked with the rough cash book and the physical cash balance. This procedure will be done without fail every month by the Accountant, so that errors are completely addressed within the same month and no errors are carried forward from one month to the next.

### Bank Transactions

**Bank Book** :

1. A rough bank book needs to be maintained which records all the bank transactions in the format given below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Voucher Number</th>
<th>Details</th>
<th>Dr.</th>
<th>Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A separate bank book has to be maintained for *each* of the bank accounts being operated by ASHWINI.

**Operating Bank Accounts** :

1. The signatories of the bank accounts will be decided by the Executive Committee of ASHWINI from time to time. The Executive Committee can delegate the power to operate the bank accounts to other employees of ASHWINI or honorary members associated with its activities.

2. All the bank accounts of ASHWINI will be operated jointly by at least two people.

3. All the bank transactions will be recorded in the bank book.
Payments through Bank:

1. All payments above Rs. 20,000 will be made by cheque or demand draft or direct bank transfer only.
2. ASHWINI should make as much of its payments through bank as operationally possible and it should be the first preferred choice.
3. All salaries of the team members will be made by cheque only or will be directly credited to their bank accounts.
4. All payments through bank will be pre-approved by one of the signatories authorised to operate the bank accounts. Their signature will be obtained in the Bank Payment voucher before the payment is made.
5. When payment is made by cheque, the signature of the person receiving the cheque will be obtained in the bank payment voucher. It can be the payee themselves or some other person carrying the cheque from the office.
6. The accounts team should make efforts to obtain Official Receipts from the payee when cheque/DD are sent by post or when the payment is made through core banking facility or direct bank transfer. Such receipts should be attached to the bank payment vouchers.
7. When payment is made through DD or by direct bank transfer, the counterfoil of the payment challan with Bank's seal needs to be attached with the bank payment voucher.

Cash Withdrawals:

1. All cash withdrawals from the bank will be done by cheque duly signed by the authorised signatories.
2. Withdrawal slips will be used only in the rare circumstances of cheque books not issued by the bank in time.

Bank Receipts:

1. All receipts in any of the bank accounts have to be properly accounted for, including the complete address of the donor.
2. Letters received from the donors should be obtained and attached with the Bank Receipt voucher. As anonymous donations will be taxed by the Government, it is important to get the letters/confirmation from all donors, especially when they deposit the amounts directly in ASHWINI's bank accounts.
3. Bank interest credited by the bank directly in the accounts have to be accounted for in the same month, as soon as the bank statement is obtained from the bank.
4. Till the source of receipt is not known, those receipts should not be brought to the accounts of ASHWINI and should not be used either.

Bank Reconciliation:

1. Reconciliation of balances in the Bank Book and the bank account should be done on a monthly basis for each of the bank accounts.
2. The difference in the balances should be recorded in the bank book. The following format may be used for this purpose:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as per the Bank Book</td>
<td>aaaaaaa.aa</td>
<td>bbbbbbb.bb</td>
</tr>
<tr>
<td>Balance in the Bank Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheques issued, but not withdrawn</td>
<td>ccccccc.cc</td>
<td>dddddd.dd</td>
</tr>
<tr>
<td>1. details</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. details</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheques deposited, but not credited</td>
<td></td>
<td>eeееее.ee</td>
</tr>
<tr>
<td>1. details</td>
<td></td>
<td>fffffffff.f</td>
</tr>
<tr>
<td>2. details</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Cashiers should complete the Bank Reconciliation statement within the first three days of every succeeding month. The Accountant should verify this reconciliation statement and sign the statement.

**Opening of new bank accounts**:

1. ASHWINI can open new bank accounts as per the requirement of different projects or donor agencies. New accounts can be opened only after the Executive Committee approves it by passing a suitable resolution to that effect.

2. A copy of the resolution passed to open the bank account shall be submitted to the bank also for their records, clearly specifying the signatories for operating the account.

3. As soon as a new bank account is opened, a new Bank Book should be opened by the cashier for the account and all other systems mentioned above should be followed.

**Closing of bank accounts**:

1. Unused bank accounts can be closed by ASHWINI again after getting the approval of the Executive Committee and passing a suitable resolution in the Executive Committee meeting.

2. The closing balance in the bank account should be transferred to other bank accounts in operation directly. Only when there is no other account in the same branch, should cash be received after closing the account.

3. A certificate should be obtained from the Bank Manager that the account has been closed and the final balance of funds being transferred to other account or being handed over as cash should be mentioned in the certificate.

**Advances & Settlement**

ASHWINI will give advance payments to its team members or to suppliers as per the following guidelines:
1. **Programme Advances**: ASHWINI will make payments in advance while implementing many field activities.

- As most of the expenses are incurred in the villages, the field team members will be given programme advances, which will be used by them to carry out programme activities at the village level.
- All the programme advances will be taken in the name of the Area Centre by the Field Accountants attached to the Area Centre.
- Advances will be given only against an Advance Requisition Form with details of expected expenditures.
- Separate cash books will be maintained at the Area Centres for the programme advances taken from ASHWINI. These cash books will also be closed on a daily basis at the Area Centres.
- All such advances will be settled by the end of the same month with expense particulars like bills / statements / receipts etc.
- The cash book being maintained at the area centre will also be brought while settling the programme advances in Gudalur.

2. **Salary Advances**: All the team members of ASHWINI can avail advances against their salaries within the following terms:

- The maximum amount that can be taken as salary advance by any team member is only 50% of the net salary (after subtracting all deductions).
- Salary advances thus taken will be deducted from their salaries in the same month and will not be carried forward to next month.
- Field Accountants attached to the Area Centre will inform the Accountant of ASHWINI before the last week of the month about the salary advances taken by the field team members, so that deduction can be made from the salaries.

**Settling Incomes**

The field team members of ASHWINI will be handling some incomes as well at the village level. Examples of such incomes are collection of user fees, contributions from community members for services rendered or products sold, disposal / sale of assets or other products of the organisation etc. These incomes will be governed by the following procedures:

1. All persons giving money to ASHWINI will be issued a printed Receipt bearing the name of the organisation.
2. These Receipts will be pre-printed, pre-numbered and will always be in duplicate (at the least).
3. They will bear the signature of the person collecting the money and will mention the name and village of the person making the payment.
4. If the incomes were collected in Gudalur, then they will be settled the same day with the Cashier / Accountant. These incomes will be brought to the books within the same day, through proper receipt vouchers.
5. If the incomes were collected at the village level, then they will be settled with the Area Accountant within one day and it will be brought into the cash book maintained at the area centres. The Area Accountant will settle them in Gudalur within 15 days of receiving such incomes.

6. While settling incomes at the area centres or at Gudalur, the receipt vouchers will clearly mention the serial numbers of the receipts against which the amounts are being settled. Date of receiving such incomes at the Area Centres or at Gudalur will also be mentioned.

7. The Area Accountants or the Accountant at Gudalur (as the case may be) will affix her / his signature in the Receipt books, to confirm that those incomes have been settled at the area centres / Gudalur respectively.

Foreign Contribution

ASHWINI has obtained permission from the Ministry of Home Affairs, Government of India to receive foreign contributions. The next section has details regarding accounting systems with respect to foreign contributions.

First of all, all the transactions related to foreign contributions should be kept totally separate and physically distinct from Indian contributions. This means that

- There should be a separate cash book and bank book for foreign contribution account.
- The vouchers related to foreign contribution accounts should be filed separately. Vouchers should be numbered in a separate serial for foreign contribution account.
- Other documents like bank statements, Receipt Books, Fixed Deposit statements etc. should also be kept separately.
- Advances made from foreign contribution account should be settled in FC account only; same procedure to be followed for Indian account as well.
- Assets obtained using FC accounts should be accounted for separately. When such assets are disposed, the income from the sales should be accounted for only in FC account.
- Interest earned from FC bank account and from Fixed Deposits made using FC funds should be accounted for in FC account only, and should not be mixed with IC incomes.
- There can be only one bank account (that has been approved by the Home ministry) in which all foreign contributions can be received. On no account, grants / donations from foreign sources can be received in any of the Indian bank account.
- Cash donations can be received from foreign sources, but it should be only in Rupees and such donations should be accounted for in FC account only.

Fixed Deposits

Unutilised funds should be invested in Fixed Deposits ranging from three months to one year. The systems that need to be followed are given below :

- The Term Deposit Receipts obtained from the banks should be kept separately for FC and IC accounts.
When grants are received from donor agencies against specific projects, it is advisable to keep surplus funds in Fixed Deposits, but to keep these TDRs separately tagged to the Donor Agency. This will help in allocating interest earned from such Fixed Deposits to that project, if the donor agency insists ASHWINI to do so.

All TDRs should be kept safely by the accountant under lock and key. A register should be maintained either manually or through a computerised system, with the following details about the TDRs in hand:
- Date of Investment
- TDR Number
- Investment Amount
- Date of Maturity
- Maturity Amount
- Interest Rate
- Foreign or Indian Contributions
- Where applicable, project / donor agency details

On a monthly basis, the total value of fixed deposits in hand should be reconciled with the trial balance. Any difference should be reconciled in that month itself and corrective accounting entries should be passed.

If funds from specific funds like Corpus Fund, Gratuity Fund or Building Fund etc. are invested in Fixed Deposits, then such TDRs should also be tagged and monitored separately. Wherever applicable, the interest earned from such funds may also be invested in the same fund.

On maturity of the Fixed Deposits, the interest income should be accounted separately. It is strongly advised to credit the entire maturity amount in the bank and then to reinvest the amount in fresh FDs once again, if required. This will help reduce errors in accounting the interest incomes.

### Fixed Assets

ASHWINI will have special procedures related to acquiring and disposal of fixed assets, apart from the standard rules related to revenue expenditures. Some of the procedures related to fixed assets are covered in other sections as well, but they are given in a summarised form here.

1. **Fixed Asset Register** : ASHWINI will maintain a Fixed Asset Register with details of all the fixed assets that were acquired right from inception of the organisation.
   - Each of the asset will be marked clearly in the Asset Register with details like Date of purchase, gross value, source of funds (Foreign or Indian), number of items, current location and donor agency (where applicable).
   - The depreciated value of the assets will be updated in the asset register every year after the audited financial statements are received.

2. **Acquiring Assets** : ASHWINI will follow standard protocols as described in its Purchase policy while acquiring new assets. The purchase procedures are not listed in this manual, but the scope is limited only to the accounting procedures.
Vehicles acquired by ASHWINI will be registered in the name of the organisation and not in the name of any individual person.

Land purchased by ASHWINI will be registered in the name of the organisation and not in the name of any individual person.

Proper Bills will be obtained for the purchase of any other movable or immovable assets.

All payments related to purchase of fixed assets will be made by cheque or through direct bank transactions only.

3. Disposal of Assets: ASHWINI will follow standard protocols as described in its Purchase policy while disposing / selling any of its fixed assets. The procedures for disposal are not listed in this manual, but the scope is limited only to the accounting procedures.

- The sale proceeds of the assets will be entirely credited in the account of ASHWINI by the buyers and to be received in the name of any individual.
- All such sale proceeds will be received in the form of cheque or through direct bank transfers.
- Only in the case of disposing depreciated old assets or scrap or condemned assets, cash receipts will be allowed.
- Care will be taken to credit the amount in the FC or IC account, depending on the nature of the asset being disposed. If it is a FC asset, then the sale proceeds will be credited in the FC account only.
- If the asset had been acquired using any specific donor-funded project, care will be taken not to break any of the terms mentioned in the contract.
- Otherwise, prior permission (or intimation) of the donor agency, as the case may be, will be obtained before disposing of such assets.

Monthly Financial Reports

It is important to prepare monthly reports that document the financial status of the organisation. Apart from the donor agency funded projects, these statements will also give the status of expenses and incomes of the entire organisation using ‘own funds’.

The two essential reports that have to be prepared on a monthly basis are the Budget Realisation Statement and the Funds Position Statement. The next section gives the details and guidelines for the preparation of these monthly financial monitoring reports.

1. Budget Realisation Statement (BRS)

This statement is an important tool for budget monitoring and is especially important for donor agency funded projects. It shows the status of expenses incurred and incomes earned with respect to the budgets and targets respectively. The following format shall be used to prepare the BRS.
<table>
<thead>
<tr>
<th>Line Item</th>
<th>Budget</th>
<th>Expense</th>
<th>% Spent</th>
<th>Balance Available</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Month</td>
<td>Cumulative</td>
<td></td>
</tr>
</tbody>
</table>

**Project 1**

<table>
<thead>
<tr>
<th>Line Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line Item 1</td>
</tr>
<tr>
<td>Line Item 2</td>
</tr>
<tr>
<td>....</td>
</tr>
</tbody>
</table>

**Sub Total of Project 1**

<table>
<thead>
<tr>
<th>Line Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line Item 1</td>
</tr>
<tr>
<td>Line Item 2</td>
</tr>
<tr>
<td>....</td>
</tr>
</tbody>
</table>

**Project 2**

<table>
<thead>
<tr>
<th>Line Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line Item 1</td>
</tr>
<tr>
<td>Line Item 2</td>
</tr>
<tr>
<td>....</td>
</tr>
</tbody>
</table>

**Sub Total of Project 2**

**TOTAL of Expenses**

It is also important to monitor the incomes / receipts for the organisation on a monthly basis in comparison with the targets set at the beginning of the financial year. The following format may be used for this purpose.

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Target</th>
<th>Incomes</th>
<th>% Received</th>
<th>Balance Available</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Month</td>
<td>Cumulative</td>
<td></td>
</tr>
</tbody>
</table>

**Project 1**

<table>
<thead>
<tr>
<th>Line Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project 1</td>
</tr>
<tr>
<td>Project 2</td>
</tr>
<tr>
<td>....</td>
</tr>
</tbody>
</table>

**TOTAL of Incomes**

2. **Fund Position Statement (FPS)**

While the Budget Realisation Statement will give details of the expenses incurred or incomes earned against the budgets / targets. Apart from this, we need to monitor the balance of funds available with the organisation for each project. Sometimes, the funding agency may release funds in more than one instalment during the financial year. The Funds Position Statement will give an idea when the request for release of funds will have to be made to the donor agency.
The following format will be used for preparing this FPS report:

**Projectwise transactions during the month**

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Opening Balance</th>
<th>This month transactions</th>
<th>Closing Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Receipts</td>
<td>Expenses</td>
</tr>
<tr>
<td>Project 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project 2</td>
<td></td>
<td></td>
<td></td>
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<td>...</td>
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<td>...</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL

This Funds Position Statement needs to be prepared separately for FC and IC.

Now, the closing balance of funds in each of the project may be in four different forms – as cash balance, bank balance, advances to others or as fixed deposits in the bank or a combination of all. This reconciliation needs to be done on a monthly basis. The format for collating this information can be something like this.

**Break-up of the Closing Balance funds**

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Cash</th>
<th>Bank</th>
<th>Advances</th>
<th>Deposits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
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<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Again, this information needs to be prepared separately for FC and IC.

The Accountant shall be responsible for preparing these two reports on a monthly basis before the 10th of the succeeding month.

**Donor Funded Projects**

ASHWINI implements many projects with the financial assistance of donor agencies. These projects are carried out with specific budgets and the expenses are to be monitored for each line item of the project. The following policies will be put in practice by ASHWINI related to donor funded projects:

1. **Financial Reports**: Financial reports will be submitted to the donor agencies in a frequency mentioned in the contract letter with the donor agencies without fail.
The accounts team will first prepare the monthly BRS for the entire organisation, including the donor funded projects. Only after this internal statement is prepared and reconciled with the cash / bank / advances balances, the financial reports to donor agencies will be prepared.

These financial reports will be prepared in the formats prescribed by the respective donor agencies. Reasons for variance will accompany the statement showing the utilisation of funds under various line items.

2. Audited Financial Statements: In the audited financial statements, donor supported projects will be clearly shown along the following guidelines:

- In order to highlight the transparency of financial transactions, ASHWINI will follow fund based accounting while preparing the Balance Sheets. That is, the unutilised funds from such donor supported projects will be indicated separately in the Liabilities.

- Separate schedules will be made within the Final Audited Accounts of ASHWINI for the donor supported projects as well.

- A copy of the consolidated audited statement of accounts will be shared with all the donor agencies whose projects are currently being implemented by ASHWINI.

3. Assets acquired: Assets acquired using such donor-funded projects will be tagged to the project in the Fixed Asset Register of ASHWINI. The line item will be kept distinctly separate during the project period so that the asset can be identified distinctly.

4. Separate Bank Account: Wherever mandated, ASHWINI will open separate bank account and maintain all the accounts separately for donor-funded projects.

Organisational Budgeting

ASHWINI will do an annual exercise of preparing a comprehensive budget for the entire organisation.

- The Organisation budget will include all the donor-funded projects, but will cover all the other activities for which ASHWINI's own funds will be used.

- The organisation budget will have targets for incomes as well. Again, the expected releases of funds from donor agencies will be included. Besides, the expected / planned donations to be raised from other sources will also figure in the organisation budget.

- The accounts team shall present a draft organisation budget during March of every year to a small team comprising of senior programme team. Based on the comments from this team, the organisation budget will be finalised.

- The BRS statement will monitor the actual expenses / incomes against this organisation budget on a monthly basis.
Statutory Auditing of Accounts

It is important to be fully prepared for the annual auditing. The following procedures will be completed before starting the audit and the required documents will be kept ready:

1. **Vouchers:** All the vouchers will be filed; the voucher files will be neatly labeled (with the month names) and numbered serially. The vouchers of FC account and IC accounts will be filed separately and numbered ASHWINIly.

2. **Cash Certificates:** For each of the project account, the closing balance of cash as on March 31st will be confirmed by the Secretary of ASHWINI in the form of Cash Certificate. The certificate will be in the form of “It is confirmed that the cash balance as on 31.3.2xxx in the ????? account of ASHWINI was Rs. ?????? (Rupees ????? ???? only)”. This certificate will be printed in the letterhead of the organisation and signed by the Secretary.

3. **Bank Certificates:** For each of the bank account of ASHWINI, confirmation statement will be obtained from the Branch Manager of the bank as on March 31st.

4. **Print out of Books & Ledgers:** The following books of accounts and ledgers will be printed out from the computerised accounting software by the Accountant and kept ready:
   - **Cash Book:** Print-out of Cash Book for the entire financial year will be done in detailed format with narrations. The closing option while printing cash book will be ‘DAILY’.
   - **Bank Book:** Print-out of Bank Book for the entire financial year will be done in detailed format with narrations for each of the bank accounts. The closing option while printing bank book will be ‘DAILY’.
   - **Ledgers:** Print-out of all the other ledgers for the entire financial year will be done in detailed format with narrations. The closing option while printing the ledgers will be ‘MONTHLY’.
   - **Journal Book:** The journal book will be printed for the entire financial year in condensed format with narrations.

   The print-outs of all these four books / ledgers will be filed separately for FC and IC accounts, properly labeled.

5. **Fixed Deposits:** The closing balance of funds invested in Fixed Deposits will be confirmed to the auditors in the following manner:
   - **Xerox Copies:** Xerox copy of all the FD receipts will be made on April 1st and submitted to the Auditors.
   - **Statement of FDs:** A statement giving the details of all FDs will be prepared and accompany the xerox copies.

   Format given in the next page will be used to prepare this statement, which needs to be tallied with the book balances as given in the trial balances of each of the accounts.
ASHWINI

List of Fixed Deposits on 31.3.2xxx

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Deposit Date</th>
<th>Deposit Amount</th>
<th>TDR Number</th>
<th>Maturity Date</th>
<th>Maturity Amount</th>
<th>Interest Rate</th>
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<tr>
<td>Foreign Contribution Account</td>
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<td>← This should tally with trial balance</td>
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- **Bank Confirmation**: A confirmation statement will be obtained from each of the bank branches where ASHWINI has invested its funds in FDs. A statement signed by the Branch Manager with such details of the FDs as given in the table above will be obtained.

6. **Advance Confirmation**: Confirmation statements for all the advances pending by the end of the financial year will be obtained from the employees / suppliers to whom advances were given.

7. **Documents for Fixed Assets acquired**: During the financial year, if new fixed assets were acquired, copies of documents will be submitted to the auditors as given below:

   - **Land**: The registered document for the purchase of land in the name of the organisation will be submitted.
   - **Vehicles**: Copy of the Registration Certificate (RC book) of the new vehicle that specifies the name of the organisation as owner will be submitted.

8. **Trial Balances**: The trial balances for each of the accounts / companies in the computerised accounting software will be given along with all the books.

9. **List of Donors**: The list of all the grants / donations received during the year will be prepared in the format given below and submitted to the auditors. The list should be separately made for FC and IC donations / grants. This is required both for filing FC-3 returns to the Home Ministry and Income Tax returns.

<table>
<thead>
<tr>
<th>Date</th>
<th>Details of the Donor / Complete Address</th>
<th>Amount Received</th>
<th>Purpose of Donation</th>
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10. Other Documents: The following documents will also be made available for auditing by the accounts team:

- **Copies of Bank passbooks** (or) file containing the computer print outs of bank statements received from the bank. This needs to be done for all the bank accounts.
- **Cancelled Cheques**: All the cancelled cheques will be filed separately and will be made available for auditing.
- **Receipt Books**: For FC and IC accounts, separate Receipt books will be maintained and the same will be given for auditing.
- **Grant letters or contracts with Donor agencies**: During some financial years, new projects are launched after signing legal contracts with donor agencies or with government departments. Copies of these grant letters or legal contracts will be given for perusal of the auditors.

11. Appointment Letter: Every year, ASHWINI will issue an appointment letter to the auditors, as per the decision of the Governing Body.

- Every year, the appointment will be renewed with the auditors or a new auditor will be appointed, if required.
- The appointment letter will mention the financial year for which the appointment is valid and a copy of the appointment letter will be given to the auditors.
- In the appointment letter, ASHWINI will indicate any special issue that needs the attention of the chartered accountants during the audit. Requirements like special audited statement for a particular project, certificate in a format given by the donor agency etc. will be communicated to the auditor in written form.

The clarifications raised by the auditors will be used by the accounts team to improve the management, control and financial systems from year to year and the team will strive for constant improvement in its functioning.

Whenever possible, it will be good conduct the statutory audit by the middle of the year or after 9 months. ASHWINI will encourage the auditors to conduct mid-year audit or at least to complete the vouching, so that the year end activities can be completed faster.

**Income Tax Issues**

ASHWINI is registered with the Income Tax department of Government of India. A Permanent Account Number (PAN) and Tax Deduction Number (TAN) have been obtained from the Income Tax department. All efforts will be made to comply with the Income Tax law and the rules passed by the department from time to time. Especially, the following issues will be looked into carefully:

1. **Annual I.T. returns**: Every year, returns will be filed with the Income Tax department. This is covered in detail under the section on ‘Submission of returns to Government agencies’ later in the manual.

2. **Tax Deduction at Source**: ASHWINI will deduct tax at source as per the rates applicable at that time.
The common payments that may invite the TDS provisions are Salaries, Professional Fees, Payment to Contractors, Rent Payments, etc.

- The auditors will be consulted at the beginning of every financial year to get the applicable rates.
- Name, complete address and the PAN number of the deductee will be collected by the accountant while deducting TDS.

3. **Depositing TDS**: Tax thus deducted at source will be deposited in the State Bank of India giving details of the payment and deductee.

- This deposit will be made to the bank before the 7th of the succeeding month.
- Details of such deductions will be filled in the format prescribed by the I.T. department from time to time. A copy of this form will be kept in the file as office copy. PAN number of the deductee and the nature of payments will be mentioned in this form.
- The counterfoil of this form, with Bank’s seal and signature will be filed along with the Bank Payment voucher.

4. **Quarterly e-TDS returns**: ASHWINI will file the quarterly e-TDS returns giving the details of all the TDS made and deposits made with the bank.

- As the facility to file e-TDS returns is currently not available in Gudalur, the services of local Chartered Accountants will be availed so as to file the e-TDS returns in time.
- Details of deductions and remittances made in the bank will be given to the local chartered accountants.
- After the e-TDS returns are filed, a computerised receipt will be generated by the system. This needs to be collected. This is an important document.

5. **Issuing Form 16-A**: At the end of every financial year, ASHWINI will issue Form 16-A to all the persons from whom TDS was deducted.

- The format that is currently prescribed by the I.T. department for this Form 16-A will be used by ASHWINI.
- Details of tax deducted, PAN numbers of the deductees, the PAN and TAN number of ASHWINI, remittances made to the Bank and importantly, the challan / receipt numbers of e-TDS returns filed will be provided in the Form 16-A.
- These Form 16-As will be issued for each of the deductee separately, signed by the Secretary of ASHWINI and issued within two months of the end of the financial year.

6. **Obtaining Form 16-A**: Similarly, if any TDS was deducted from the incomes earned by ASHWINI, then Form 16-A will be obtained by ASHWINI from the deductor. These forms will be given to the auditors before finalising the Income Tax returns for that year. Wherever applicable, such TDS will be claimed back.
7. **TDS on Interest Income**: ASHWINI is a charitable organisation and hence, it can claim exemption from deduction of TDS for the interest income from the FDs invested in banks.

   - ASHWINI will make an application to this effect with details of the FDs and the expected interest incomes
   - The exemption certificate from the I.T. department addressed to the banks will be obtained at the beginning of every financial year
   - A copy of the same will be submitted to the banks, so that TDS is not deducted on the interest incomes or such deductions are reimbursed.

**Submission of Returns to Government Agencies**

ASHWINI will take steps to file the annual returns to the government agencies in time. The following annual returns will be filed punctually by ASHWINI:

1. **Income Tax Returns**: Along with completing the auditing operations, ASHWINI will get the Income Tax Returns also prepared by the chartered accountants.
   - Required documents like a true copy of the resolution passed by the Board, List of Governing Body members and the notified forms will be completed.
   - All the documents will be given to the Chartered Accountants for submission to the Income Tax department before **September 30th** of every financial year.
   - The original acknowledgement received from the Income Tax department should be collected from the Chartered Accountants and kept safely for our records. As this document is being required by various government agencies now, steps will be taken to collect this acknowledgement without fail.

2. **FC-3 Returns**: The annual returns to the Home Ministry will be submitted before **December 31st** of every financial year.
   - These returns will be prepared in the prescribed FC-3 form and the same will be filed online.
   - After submission, a hardcopy of the submitted form will be printed out and sent by Registered post to the Ministry of Home Affairs, New Delhi.
   - Another copy of the FC-3 returns will be sent by Registered Post to the Assistant Central Intelligence officer in the District Head Quarters, Ooty.
   - The acknowledgements received from both these offices will be filed safely as a proof of compliance by ASHWINI.

3. **Returns to Registrar of Societies**: Every year, annual returns will be submitted to the Registrar of Societies in Tamilnadu before **October 31st**.
   - A copy of the audited statement of accounts, list of governing board members, annual renewal fees and copies of the minutes of Annual General Body members etc. will be submitted.
These returns will be sent by Registered Post and the acknowledgement received from the office will be filed as a proof of compliance by ASHWINI.

Receipt for the Registration Fees paid to the Registrar will be obtained and filed safely for records.

A completion certificate should be obtained from the Registrar of Societies within one year of submission of the returns. This is the most important document and ASHWINI will take steps to collect this from the Registrar’s office every year.

4. **Quarterly FC Returns**: At the end of every quarter, a statement showing the receipts from foreign sources will be sent to the Central Intelligence Officer in the district quarters at Ooty.

- The following format will be used for submitting the quarterly returns. Complete address of the individual donor or donor agency will be provided in this.

<table>
<thead>
<tr>
<th>Date</th>
<th>Details of the Donor / Complete Address</th>
<th>Amount Received</th>
<th>Purpose of Donation</th>
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- These quarterly returns will be sent by the 2nd day of July, October, January and April for the previous three months.