

FINANCE POLICY

Of

North East Diocesan Social Service Society

North East Diocesan Social Service Society
Joypur, Kharguli, Post box-186, Guwahati-781001, Assam
Tel: (O): 0361-2519562
E-mail: nedsf@rediffmail.com
Website: www.nedsf.net

INDEX

SECTION-1 INTRODUCTION

- 1.1 Objectives of the Policy**
- 1.2 Users of the Policy**
- 1.3 Amendment to the Policy**

SECTION – 2 FINANCIAL POLICIES, PROCEDURES AND SYSTEMS

- 2.1 Financial Policy**
 - 2.1.1 Planning and Budgeting
 - 2.1.2 Training of Finance Employee
 - 2.1.3 External Review
- 2.2 Procedures and Systems**
 - 2.2.1 Internal Control
 - 2.2.1.1 Cash Transaction
 - 2.2.1.2 Bank Transactions
 - 2.2.1.3 Payment Procedures
 - 2.2.1.4 Fixed Assets and Inventory Control
 - 2.2.1.5 Investment Control
 - 2.2.1.6 Internal Auditor
 - 2.2.2 Professional Accounting System
 - 2.2.3 Reporting and Monitoring systems
 - 2.2.4 Handing Over System

SECTION – 3 PLANNING AND BUDGETING

- 3.1 Planning**
 - 3.1.1 Objectives of Planning
- 3.2 Budgeting**
 - 3.2.1 Budgeting process
 - 3.2.2 Rationale of the Budget
- 3.3 Finance Committee**
- 3.4 Budget Monitoring**

SECTION - 4 ACCOUNTING AND RECORD KEEPING

- 4.1 Maintenance of Books of Accounts**
- 4.2 Type of Accounting**
- 4.3 Accounting for NEDSSS**
- 4.4 Imprest Account in Project Centre office (Applicable only for field based projects)**
- 4.5 Project Accounting**
- 4.6 Advances**
 - 4.6.1 Advances towards projects
 - 4.6.2 Advances for Travel
 - 4.6.3 Other Advances
- 4.7 Purchase Procedure**
- 4.8 Sales Procedure**
- 4.9 Asset Register**
- 4.10 Depreciation**

- 4.11 Donor Register
- 4.12 Cheque Register
- 4.13 Fixed Deposit & Investment
- 4.14 Bank Reconciliation Statement
- 4.15 Inward Remittance List
- 4.16 Financial records and Documents
- 4.17 Maintenance of Files
- 4.18 Preservation of Financial Records
- 4.19 Back-up

**SECTION 5
REPORTING AND MONITORING**

- 5.1. Reporting
- 5.2 Monitoring

**SECTION – 6
INVESTMENT OF FUNDS**

- 6.1 Planning for investments
- 6.2 Investment Report

**SECTION – 7
LEGAL COMPLIANCE**

- 7.1 Foreign Contribution Regulation Act, 2010
- 7.2 Reporting to Ministry of Home Affairs
- 7.3 Income Tax Act
- 7.4 Annual Return to the Income Tax Department
- 7.5 Tax Deducted at Source
- 7.6 Societies Act
- 7.7 Disbursement to the Project Holders
- 7.8 System for Tracking Legal Compliance

**SECTION-8
AUDIT**

- 8.1. The purpose of an Audit
- 8.2. External Auditor versus Internal Auditor
- 8.3. Appointment of an Auditor
- 8.4. Responsibilities of an Auditor
- 8.5. Audit Report
- 8.6. Possession of Original Documents
- 8.7. Change of an Auditor
- 8.8. Financial Calendar

ANNEXURES

Overview of NEDSSS

North East Diocesan Social Service Society is the social wing of the Regional Catholic Bishops' Council of North-East India. It is registered under the Societies Registration Act 1860, dated 7th June 1989.

Since its inception, NEDSSS has been engaged in various developmental programmes and activities to serve the interest of the people.

Vision

NEDSSS envisages a society where people lived in unity and diversity based on the gospel values of justice and love.

Mission

To enable member associations to empower the poor and marginalized and ethnic groups in the region for promotion of peaceful, just and equitable society through participatory and sustainable development process.

SECTION – 1 INTRODUCTION

Accounting procedures and systems are the guiding light of an Organization. This policy is designed in view of the accounting and financial requirements of North East Diocesan Social Service Society. It aims to generate information required for Internal Control and for management decision making process. It also aims at maintaining highest standard possible by the Organization in financial management.

This policy is also a guide to the Project Management in setting up and maintaining high standards of Accountability. This will lead to an enhancement of credibility and allow the activities of the Organization to be more fruitful and effective.

The intention of this policy is to provide major practical information on the internal control mechanisms for proper management of fund, in terms of fiscal accountability, accounting system and financial management.

This policy provides information on:

- Quality management of finance
- Sound decision-making on financial matters
- Internal review and audits
- Compliance of major obligations
- Budgeting and fiscal discipline
- Efficient utilization of available resources
- Reporting and Monitoring
- Integration of economic policies with the Mission of the Organization

1.1 Objectives of the Policy

The objectives of the Finance Policy are as follows:

- i. To document the accounting and reporting system
- ii. To communicate and manage the finance policies & Procedures
- iii. To assist the Finance Department with the accounting and financial system
- iv. To serve as a guide to the financial management.
- v. To ensure best possible controls and procedures
- vi. To protect and support the Organization to achieve overall project objectives
- vii. Ensuring compliance to systems and procedures of the Donors and statutory agencies
- viii. Effective and Efficient management of project funds

1.2 Users of the Policy

Those who are connected with the financial activities of NEDSSS are the users of the Policy. They are as follows: -

- i. The General Body and the Governing Body
- ii. The Director and Employee
- iii. The Finance Department
- iv. The Statutory Auditor
- v. The Financial Advisors
- vi. The Internal Auditor

The above persons are expected to familiarize themselves with the contents of the Policy.

1.3 Amendment to the Policy

Any amendments to the Policy will be incorporated only with the approval of the Governing Body.

Amendment Form (Annexure-1)

SECTION – 2 FINANCIAL POLICIES, PROCEDURES AND SYSTEMS

2.1 Financial Policy

Financial policy is a tool as well as a measure for the standards of accountability. Transparency and high standards of accountability can be infused in the Organization only if there is a sound financial policy. Good financial policy contributes towards fulfillment of its vision and hence proper systems and procedures have to be evolved and practiced. This is the very core of a financial system.

The policy ensures the following:

- i. A creative, honest and sound management of resources
- ii. Creative investments of funds
- iii. High accountability standards
- iv. Professional system of reporting, monitoring and evaluation

2.1.1 Planning and Budgeting

Please refer to Section 3

2.1.2 Training of Finance Employee

The finance employee should have requisite academic qualifications, competency and experience. They should also be given proper orientation and provide refresher courses and trainings on a continuing basis since there is a need for constant up-gradation of skills in finances. This measure will improve the quality of the Finance Department and therefore will promote better financial management within the Organization.

2.1.3 External Review

It is healthy for an Organization, which is responsible and accountable to the public, to have an external review on finance. There would be an external Expert familiar with the finances of NEDSSS who will review the finances and financial policies and systems to see whether they are adequately adhered to. The expert would alert NEDSSS with regard to any lapses and deficiencies in standards and policies within its cadres from time to time.

2.2 Procedures and Systems

Procedures and systems are the key factors which ensure the smooth functioning of an Organization. A good system will make sure that there is a clear and automatic functioning, preventing domination or manipulation by any one person or group of persons for their own personal benefits.

The following are some of the systems and procedures:

- i. Internal Control
- ii. Professional Accounting Systems
- iii. Reporting and Monitoring Systems
- iv. Handing Over System

2.2.1 Internal Control

Internal control helps to keep the system in place to avoid frauds and misappropriations or deviation from accepted policies and procedures. Periodical review of internal controls is required to maintain the vitality of the system.

Purpose of Internal Control:

- i. Adherence to management policies and procedures
- ii. Safeguarding assets
- iii. Prevention and Detection of Fraud and Error
- iv. Accuracy and completeness of accounting records
- v. Timely preparation of reliable financial information
- vi. Inspiring confidence in the organization by its funding partners and beneficiaries.
- vii. Assisting management towards orderly and efficient conduct of its operations,
- viii. Prevention and control of any risk detrimental for the operation and performance of activities.

The following internal controls are adopted.

2.2.1.1 Cash Transaction

i. Cash payments

Both for accounting and control purposes, the Accountant with the knowledge of the Director will make all the payments. As far as possible all payments should be made through cheque except for petty cash transactions. All payments exceeding Rs. 10,000/- will be made by crossed "A/c Payee" cheque or demand draft.

ii. Cash Receipts

The management will ensure that the cash received by the organization is promptly deposited in the bank. It will be acknowledged through pre-numbered Receipts, which are properly recorded in the cashbook.

iii. Physical Verification of cash

Management will ensure to verify the actual cash in hand with the balance shown in the book at least once a month and also undertake surprise checks at periodical intervals.

iv. Cash Holding Limits

The maximum Office cash holding limit for a Project with the cashier/accountant for Foreign Contribution should not exceed Rs. 20,000/-

For Local contributions, the maximum cash holding limit will be Rs. 50,000/- apart from the actual cash payment/advance requirements calculated for the week.

v. Accounting for Cash

- All cash withdrawals will be counted and recorded in the cash book on the same day by the Accountant/Cashier
- Petty cash transactions will be recorded in 'Petty cash book' serially in date wise
- Closing cash balances will be recorded and authenticated by the Accountant/Cashier on a daily basis while closing for the day
- All cash refunds will be recorded immediately in the cash book
- Cash book will be maintained on Daily Basis and to be closed at the end of the day. This register is to be maintained from the beginning of the financial year and a fresh register will be used at the beginning of every financial year

2.2.1.2 `Bank Transaction

- All bank accounts will be opened in the name of "North East Diocesan Social Service Society" only
- The management reserves the right to open or close project related bank accounts as and when deemed suitable
- All bank accounts will be operated by a minimum of two signatories
- NEDSSS will operate through designated separate bank accounts for foreign contributions and local contributions
- Bank Reconciliation Statement will be prepared.

- The cheque book will always be in safe custody of a designated authority that is accountable.
- Cheques and Drafts received will be acknowledged through pre-numbered receipts and properly recorded.

2.2.1.3 Payment Procedures

All payments would be made either by cheque, cash, demand draft or bank transfer. The Accountant will check and verify the bills and documents before payment. The Executive Director will approve for the payment after verification.

i) Payment for Contractual Services

Payment for contractual services will be made through bank payment. The schedule of payment will depend upon the Terms of Reference (TOR) agreed by the personnel concerned and NEDSSS. Payments are covered by a statement of fees and other incidental expenses like travel, etc., submitted by the concerned person. The Accountant will check and verify the statement and the Executive Director will approve for payment.

ii) Employee Salaries

Employee salaries will be paid on the last working of the month or not later than three days following the completion of the month

2.2.1.4 Fixed Assets and Inventory Control

An Inventory Register records asset which are generally consumable or saleable while a Fixed Asset Register records for more permanent assets, which provide long-term benefits. Hence both are valuable as they represent a substantial portion of the net worth of the Organization. Both types of assets will be controlled and managed efficiently and also used effectively.

The following are measures for exercising adequate control:

- Fixed Asset Register will be maintained.
- The management will carry out a physical verification of the stock and assets periodically.
- Management will ensure that there is an annual physical verification prior to the statutory audit.
- Original documents such as sale deeds, registration documents for vehicles, sanctioned building plans, land related revenue records etc. are carefully preserved.
- All fixed assets are numbered for identification and accounting purposes.
- Fixed assets will be acquired or disposed off only after proper authorization.

2.2.1.5 Investment Control

Other than fixed asset and stock, investment also represents a substantial net worth of the Organization. Therefore investment must be managed and controlled efficiently and effectively.

- Professional investment system.
- Consideration of the requirements of various statutes before investing.
- Organizing a Half Yearly Investment Report highlighting
 - The percentage of return
 - Returns for the period
 - Investments matured
 - Investments maturing in the next period

2.2.1.6 Internal Auditor

The Governing Body will appoint an Internal Auditor for Financial Supervision. The Internal Auditor will verify Accounts, Financial records, Transactions, Fixed Assets and Application of funds. He will conduct internal auditing at every six months and advice the Employee and the Management on the financial position

and utilization of funds. Corrective measures, if any, will be taken immediately for effective and efficient financial management.

2.2.2 Professional Accounting System

A professional accounting system will include clear supporting documents and simple, transparent, yet informative books of accounts. Please refer to Chapter 4.

2.2.3 Reporting and Monitoring system

Please refer to Chapter 5

2.2.4 Handing Over System

At the time of handing over by any financial employee, the following issues have to be borne in mind: -

- a) Books of accounts, register and other financial statements/records must be updated
- b) Physical cash must tally with the balance as per Cash Book.
- c) A bank reconciliation statement must be prepared.
- d) Files pertaining to legal compliance like Income Tax , Societies Registration and Foreign Contribution Regulation Act must be handed over along with the legal compliance status report
- e) Original documents relating to fixed assets like sale deeds, building plan, investments, Certificate of Registration under various laws etc. must also be handed over.
- f) Any outstanding income or expense such as advance recoverable, bills payable etc. must be notified.
- g) Investment related documents are to be handed over with verification.

Important note: All the above mentioned should be verified and signed by the outgoing employee and counter signed by the Executive Director.

SECTION – 3 PLANNING AND BUDGETING

NEDSSS has a vision where people live in unity and diversity based on the Gospel values of justice and love and a mission to enable member associations to empower the poor and marginalized and ethnic groups in the region for promotion of peaceful, just and equitable society through a participatory and sustainable development process. This must be translated into reality. Planning and Budgeting must be done with wisdom and foresight so that the mission can be accomplished in the most rational way.

3.1 Planning

It is necessary that every activity to be taken up by the Organization is interpreted into financial terms and approved by the concerned authority. Such interpretation takes the form of budget detailing each and every component of the activities drawing clear evaluation for the financial utilization.

3.1.1 Objectives of Planning

Planning process needs to ensure that:

- i. The project or the program planned should be towards achieving the overall vision and mission of the Organization
- ii. The program plan should be relevant to meet the needs of the target group
- iii. The projected plan should be converted into a concrete action plan
- iv. The action plan should be converted into Cost Plan by effective budgeting

3.2 Budgeting

Budgeting never stands completely alone, but rather flows out of the managerial process of setting objectives and strategies and of building plans. It is an important tool for planning the finances of an Organization. It is especially and intimately related to financial planning.

3.2.1 Budgeting process

- i. Detailed activity budget (from the approved yearly budget) will be prepared giving break up of sub activities and related costs
- ii. Budget will be prepared after carrying out need-assessment
- iii. Accounts personnel will verify the budget
- iv. Budget will be approved by the Governing Body

3.2.2 Rationale of the Budget

It is important to maintain the basis of the budgeted amount; how it is calculated, what type of expenses were anticipated and the amount budgeted for the same under each head (cost center wise). This will help to clarify doubts about the various provisions made under different budget heads, whether that particular activity/transaction was estimated and under which head it has to be accounted for.

3.3 Finance Committee

Finance Committee constitutes of the Secretary, Treasurer, Accountant and Internal Auditor.

It will be the responsibility of the Finance Committee:-

- i. To review the annual budget
- ii. To review the periodic audited statements
- iii. To advice on investment policies
- iv. To meet periodically at least every half year to review the financial system

3.4 Budget Monitoring

The budget will be monitored periodically and if required the budget could be revised based on the gaps identified.

- i. Budgetary variance analysis will be done on a quarterly basis by the Accountant.
- ii. Any surplus or deficit will be brought to the notice of the concerned person.
- iii. Minor variations can be approved by the Executive Director.

SECTION - 4 ACCOUNTING AND RECORD KEEPING

Accounting is a basic management tool which can be defined as the art of recording, classifying, and summarizing in a significant manner in terms of money, transactions and events which are, in part at least, of a financial character and interpreting the results thereof. Accounting is essential to record any financial transaction which helps in ascertaining the financial status of an Organization on a particular date. Any transaction or activity effecting the financial position of the Organization, either directly or indirectly, will be recorded /reflected in the Books of Accounts.

4.1 Maintenance of Books of Accounts

Adequate Books of account will be maintained by NEDSSS and will be updated daily whenever financial transaction takes place. Daily maintenance will enable the management to have proper analysis of the financial status and information to take appropriate decisions at appropriate time.

4.2 Type of Accounting

NEDSSS follows the Cash System of Accounting. In the cash system of accounting, entries are made only when the cash is received or paid and no entry is made when the receipts or payments are due.

4.3 Accounting for NEDSSS

NEDSSS follows the Double Entry Method of maintaining books of account. Under this system, the following books of account shall be maintained: -

- i. Petty Cash Book (imprest)
- ii. Main Cash Book with cash and bank columns (normally referred to as Cash book)
- iii. General Ledger (Normally referred to as Ledger- monthly, half yearly, annual)
- iv. Project Ledger
- v. Journal Register (Normally referred to as journal)

In addition to aforesaid primary books of account, following subsidiary books of account shall also be maintained:

- i. Investment Register
- ii. Fixed Assets Register
- iii. Loans and Advance Register
- iv. Employee salary Register
- v. Employee attendance register
- vi. Stock Register
- vii. Cheque Issue Register
- viii. Donor Register
- ix. Insurance Register
- x. Cheque Register

NEDSSS will maintain exclusively two sets of books of accounts.

One set of books of accounts for Receipts and Utilization of Foreign Contribution as required under the Foreign Contribution Regulation Act.

Second Set of books of accounts for local funds collected and spent by NEDSSS.

NEDSSS will follow Fund Based Accounting and shall treat each project as liability.

4.4 Imprest Account in Project Centre office (Applicable only for field based projects)

Funds shall be disbursed towards reimbursement of imprest to the Project Centres from the foreign contribution account and from Indian funds separately. This is for accounting convenience, for proper legal compliance and to avoid mixing of FC (Foreign Contribution) and LC (Local Contribution).

The Project Centre office shall maintain proper accounts and send the expenses statement along with the original bills to NEDSSS when 80% of the imprest funds have been spent.

As soon as the head office receives imprest account, the head of finance will review the imprest account through a designated employee and have the approval of the Director and send the demand draft/bank transfer request to the bank or make the cash reimbursement.

The assistant who maintains the imprest account should take into account the following points: -

- i. Supporting documentation
- ii. Booking the item of expenditure under relevant heads of accounts
- iii. Tallying the expenses with the tour schedule

- iv. Identification of unauthorized expenses
- v. In case of certain expenses like long distance calls, proper details like person called, purpose, number and time utilized, have to be verified before payment
- vi. In case of problems of discrepancy in the imprest, the designated assistant should point it out to the Head and follow them up till they are classified / rectified
- vii. To ensure the follow ups, the assessing assistant should maintain register

Format for Imprest account (Annexure 2)

4.5 Project Accounting

NEDSSS will maintain a separate set of books for each project. If there is any component of local funds used with foreign grants, separate set of books will be maintained. However, for the purpose of reporting to the funding Donor, transactions from both local funds and foreign funds will be merged. All foreign contributions received for different projects will pass through the designated FCRA bank account.

4.6 Advances

Advances given are classified as under:

- i. Advances towards the project
- ii. Advances for travel, salary etc
- iii. Other Advances

4.6.1 Advances towards projects

Project advances are generally made from that particular grant of that program. Once such an advance is made both the Program Department and the Finance Department will keep track of it and ensure that the same is regularized within the Financial Year. Such advances that cannot be regularized within the Financial Year should be avoided at the most possible.

4.6.2 Advances for Travel

For travel purposes, employees can avail cash advance for expenses to be incurred on official trips. Request for advance should be prepared by the personnel concerned, verified by the accountant and to be approved by the Executive Director. All cash advances should be liquidated within 7 days following the completion of the trip. No subsequent advance will be given to any employee before the settlement of the previous advance.

Advance Requisition Format (Annexure-3)

Format for submission of bills and other details for travel (Annexure-4)

4.6.3 Other Advances

Advances can be availed by the employees for arranging meeting, workshop, etc. The concerned employee should ensure to settle the advance within 7 days after the completion of such event.

4.7 Purchase Procedure

- i. There shall be a Bid Committee/Purchase and Sell Committee to discuss and decide on any purchase and sale related matters
- ii. Assets, which have to be purchased, should be approved in the budget
- iii. In case it is not budgeted; rationale / justification for urgency of such purchase has to be given
- iv. Three quotations to be obtained from different vendors to ensure cost effectiveness and utility for value above Rs. 10,000/- (cost benefit analysis)

- v. Identification of vendors from whom to purchase and its terms of reference such as payment terms, delivery details, guarantee period, services available, AMC etc.
- vi. Proper authorization/approval for purchase from Governing Body
- vii. After purchase/installation, proper identification mark (asset number) should be put on the asset by the Finance Department
- viii. The asset purchased shall be inspected with regard to the specifications and quality
- ix. All the decisions of the Bid Committee shall be minuted and kept in a register

4.8 Sales Procedure

- i. Reason for sales/ write-off/disposal of the assets will be recorded
- ii. Approval from the Governing Body
- iii. Calculate the estimated present value of the assets and comparison with Written Down Value (WDV).
- iv. Fixing reserve price.
 - v. Calling/ scrutiny for tenders/ auction of assets.
 - vi. Collection of sale value.
 - vii. Depositing the sale proceeds in the NEDSSS account.

4.9 Asset Register

Asset Register will be maintained to reflect all the movable and immovable assets owned by NEDSSS. Separate register will be maintained for Foreign Contribution (FC) and Local Contribution (LC). All original bills related to fixed assets will be maintained in a separate file. This will assist future reference in case of guarantee/warranty/sales and fixed asset register. Photocopy of the bill will be attached with payment voucher.

Asset Register format (Annexure-5)

4.10 Depreciation

NEDSSS will follow the Written Down Value method of Depreciation. The rate prescribed by the Income Tax for the respective year will be taken / charged for calculating Depreciation.

4.11 Donor Register

This ledger will be maintained to reflect the status of Donor-wise funds.

This Ledger will contain the following transactions:

- i. Amount received from the Donor
- ii. Amount disbursed out of the Donor Funds
- iii. Balance available or deficit in the Donor Account.

4.12 Cheque Register

NEDSSS will maintain a Cheque Register to keep track of the payment and for future references.

Cheque Register format (Annexure-6)

4.13 Fixed Deposit & Investment

A register for Fixed Deposit & Investment shall be maintained with the date of deposit, principle amount, interest received, period of deposit and maturity date. The register shall be regularly checked and updated.

4.14 Bank Reconciliation Statement

The Finance Department will prepare a bank reconciliation statement.

The difference in the balance could be due to the followings:

- a) Bank charges debited by the bank are not immediately entered in the books of NEDSSS
- b) When cheques are being deposited, NEDSSS will record it in its books immediately whereas the bank will enter it in the bank pass book or statement only on realization of the cheque.
- c) When cheques are being issued NEDSSS will record it as payment but until the concern party presents the cheque for payment the bank will not debit it.
- d) Errors may be committed in the books by the bank and / or by NEDSSS
- e) Standing instructions given to the bank to make payment or collect receipts are entered in the bank books but the entries in the books of NEDSSS are passed only after receipts of the bank advice

4.15 Inward Remittance List

The Finance Department will maintain an Inward Remittance List exclusively for foreign contribution received in proper format.

Inward Remittance List format (Annexure-7)

4.16 Financial records and Documents

NEDSSS will maintain proper financial records and documents on daily basis. Any transaction must be supported by certain valid documents like vouchers, receipts, etc.

4.17 Maintenance of Files

A good filing system is an integral part of the accounting system of any organization. The Finance Department will maintain a proper filing system of all financial matters of the organization.

The following files will be maintained:

- i. Voucher file
- ii. A separate bank file for each bank account
- iii. Receipts file/book
- iv. Fixed Asset file/register
- v. Fixed deposit file
- vi. Management reports
- vii. Financial statements
- viii. Audited accounts
- ix. Budget file
- x. Income Tax Files
- xi. Programs files for different grants
- xii. Salary files/Employee file

4.18 Preservation of Financial Records

The financial records will be preserved for duration as per Government rules and the Donor. It will be made available for verification by the Governing Body, members of the organization, the funding agencies, Auditors and Government authorities.

4.19 Back-up

Regular backup will be taken from the accounting software on weekly basis. Three copies of the monthly backup will be kept in the custody of the Accountant, the Executive Director and in a safe place outside the office premises.

SECTION 5

REPORTING AND MONITORING

5.1 Reporting

Reporting is a process which presents a reflection of its current status, especially the financial situation. Reporting is important because it enables not only those in authority but also the public at large to know whether activities which had been planned are carried out, whether there have been any deviations and whether there are high standards of efficiency and accountability.

A good reporting and monitoring system ensures transparency in the accounting.

Reporting and monitoring are two important functions which are complementary to each other for the effective functioning of the Finance Department. Reporting function enables the management to obtain certain key information required to ensure that the financial system is working smoothly and is intact. Monitoring function facilitates taking note of any deviation from what has been planned or budgeted and enables corrective action.

The following are some of the ways of reporting by NEDSSS:

- i. Reporting to the GB/Donors
- ii. Reporting to the Executive Director
- iii. Reporting to the Government
- iv. Reporting to the public at large e.g. by publishing an Annual report.

The following are the reports submitted to the Board:-

- i. Quarterly Financial Report
- ii. Annual Financial Report
- iii. Legal Compliance Status Report
- iv. Projects Status Report
- v. Budget Comparison Report
- vi. Investment Status Report
- vii. Donor Donor Status Report
- viii. Management letter from statutory Auditors

NEDSSS prepares a separate set of financial statements for submission to FCRA Department of the Ministry of Home Affairs as follows:

- i. Receipts and Payments Account
- ii. Income and Expenditure Account
- iii. Balance Sheet
- iv. Form FC 6

Another set of financial statements of Local contributions as follows:

- i. Receipts and Payments Account
- ii. Income and Expenditure Account
- iii. Balance Sheet

NEDSSS also prepares another set of financial statements including the foreign contributions and local contributions as follows:

- i. Receipts and Payments Account
- ii. Income and Expenditure Account
- iii. Balance Sheet

The consolidated financial statements shall be used for the following purposes :

- i. Submission to the Income Tax Department
- ii. For filing returns to the Registrar of the Society
- iii. For obtaining various Income Tax Exemption U/S 80 G, 10 (23) ©, 35AC etc.

The audited financial statements will be presented in the Board meeting after the end on the fiscal year and adopt the same before filing it with the concern Government Authorities.

5.2 Monitoring

Reporting and Monitoring are like two sides of the coin. Monitoring is a process to ensure that the project or activity is carried out in accordance with the planned objectives.

There are various levels of monitoring depending on the relationship of the people connected to NEDSSS e.g. The Board is the first level of monitoring authority being the legal body which is accountable and fully responsible. Similarly, the Government, both at the State and Central levels, monitors the activities of NEDSSS through various laws which cover FCRA, Taxation etc.

SECTION – 6 INVESTMENT OF FUNDS

NEDSSS deals with funds received for carrying out various objectives and goals.

6.1 Planning for investment

It is important to have a good investment policy in order to ensure that the funds are invested in the most effective and efficient options. Interest earned from these investments will be allocated to the respective funds based on their proportionate average monthly balances.

For this purpose NEDSSS will draw an investment plan keeping reference to the Section 11(5) of the Income Tax Act based on the following factors

- i. nature of funds available for investment in short term deposits and long term deposits
- ii. time plan for implementation of the projects for which funds are received

NEDSSS will ensure conformity and stability and avoid financial crisis.

6.2 Investment Report

The Finance Department will prepare investment Report and present the same to the Treasurer and the Secretary/Executive Director.

An annual investment report shall also be prepared and the same shall be presented to the Governing Body.

Investment Report format (Annexure-8)

SECTION – 7 LEGAL COMPLIANCE

7.1 Foreign Contribution Regulation Act

NEDSSS is duly registered under the FCRA with Registration no: 020780045, Dated: 11th December 1998.

7.2 Reporting to Ministry of Home Affairs

i) Annual Report will be prepared in the form prescribed by the Government for the fiscal year ending 31st March and will be reported to the Ministry of Home Affairs on or before 31st of December after the end of that fiscal year.

The annual report will contain the following:

- Form FC-6 prescribed by the Government signed by the Chief Functionary and Certified by the Auditor.
- The Audited Receipts and Payments Account
- Audited Balance sheet

ii) Change of name of the Organization, address, its registration, its nature, its aims and objectives (if any) will be informed to the Ministry of Home Affairs within 30 days of incorporation.

iii) Prior permission will be obtained from the Ministry of Home Affairs for change of designated bank account.

7.3 Income Tax Act

NEDSSS is a charitable and non-profitable organization having exemption from the Income Tax Act, 1961 under Section 12A with Registration No: 493/CIT/Tech/GHY/12A/98-99, w.e.f. 01.06.1999.

7.4 Annual Return to the Income Tax Department

NEDSSS will file the Annual Return within the stipulated time as per the Income Tax Act.

The following documents will be filed along with the return of income

- i. Form ITR 7 provided by the Income Tax Department
- ii. Audited Financial Statements
 - Receipts and Payments Account
 - Income & Expenditure Account
 - Balance Sheet
- iii. Audit Report in form 10B certified by the Auditor
- iv. Computation of Income
- v. Copy of certificate of registration under section 12A
- vi. List of original subscribers to the MOA
- vii. Latest Governing Body Members List
- viii. Copy of PAN Certificate

7.5 Tax Deducted at Source

NEDSSS will deduct tax at source whenever applicable as per Government rules.

Such tax deducted at source will be deposited with the Central Government on or before the prescribed date.

Quarterly Return and Annual Return for tax deduction will be filed in the prescribed form on or before the prescribed date.

NEDSSS will issue to those deducted, a certificate for deduction of tax in prescribed Form.

7.6 Societies Act

NEDSSS is registered under the Societies Registration Act, XXI of 1860 with a Registration No: 529/1989-1990, dated 7th June 1989. Renewal No: RFS. 514/1989-90/1968, dated 24th August 2010.

7.7 Disbursement to the Project Holders

While making disbursements to the project holders NEDSSS ensures the followings:-

- i. The Recipients/project holders are duly registered under FCRA
- ii. The Recipients/project holders agree to en-cash the disbursement in approved bank account for receiving the foreign contributions

- iii. The recipients/project holders agree to provide such returns to NEDSSS as may be required
- iv. The objectives for which the recipient is receiving funds are not different from the objectives of NEDSSS itself.
- v. NEDSSS and the project holders agree upon the above terms and conditions in a duly documented contract agreement.

7.8 System for Tracking Legal Compliance

The Finance Department will maintain a register to record the various notices received from the Government Departments like Income Tax, FCRA, Societies, etc. wherein details for compliance shall also be recorded for efficient work and tracking.

SECTION-8 AUDIT

An Audit is a systematic review of the financial transactions. It involves an examination of the validity of supporting documents and certification of The Financial Statements, Legal Compliances such as FC-6 for FCRA, Audit Report in Form 10B under the Income Tax Act etc.

The Auditor also normally presents a report to the management in order to help them to improve the accounting standards and practices.

8.1 The purpose of an Audit

An Auditor acts like a watchdog. It safeguards the accountability standard of an organization. An Auditor certifies the authentic financial status and points out, if there are any deficiencies, malpractices or frauds. It thus builds confidence in the minds of the people whether they are Board Members, beneficiaries or the public. An audit is also a means for legal compliance.

8.2 External Auditor versus Internal Auditor

An External Auditor is an independent person or firm specifically appointed to audit the accounts of NEDSSS. The Auditor's report is used for filing returns and compliance of legal requirements. The Internal Auditor is normally appointed by the management basically to provide guidance to the management.

8.3 Appointment of an Auditor

The Auditor will be appointed by the General Body as provided in the constitution of NEDSSS every year to audit the accounts. The Auditor will be provided with a specific scope of work and the same shall be agreed upon and documented.

8.4 Responsibilities of an Auditor

Certification of the followings:

- i. Financial statements
- ii. Receipts & Payment accounts for the financial year ending
- iii. Income expenditure Account the financial year ending
- iv. Balance sheet as at the end of the year
- v. Utilization certificates of project grants.

8.5 Audit Report

The Auditor will provide the following reports:

- i. A quarterly, six monthly or periodic report as required by NEDSSS
- ii. An Annual Report as of 31st March of every year
- iii. The Audit Report shall consist of Balance Sheet, Income & Expenditure and Receipts & Payment Account, Management Letter.

8.6 Possession of Original Documents

It is important that NEDSSS retains in safe custody all original documents including the following:

- i. Memorandum of Association and bye-laws
- ii. Certificate of Registration of Society etc.
- iii. Certificate of Registration u/s 12A of the Income Tax Act.
- iv. Certificate of exemption u/s 80G of the Income Tax Act department
- v. Assessment orders issued by the Income Tax Department on completion of assessment
- vi. Certificate of Registration under FCRA
- vii. FC-6 certificate along with the acknowledgement of filing with the Ministry of Home affairs

8.7 Change of an Auditor

There may arise a situation when NEDSSS has to change its Auditor. The following procedure will be followed during change of an Auditor:

- i. Identify a new Auditor with experience of Foreign Contribution Regulation Act (FCRA)
- ii. Pass a resolution at the General Body Meeting / Governing Body Meeting or such other meetings of the appropriate body to appoint a new Auditor
- iii. Issue an appointment letter with a clear scope of work and obtain an acceptance of the new Auditor.
- iv. Inform the previous Auditor.

8.8 Financial Calendar

SL.NO	FINANCIAL CALENDAR OF NEDSSS	DATE
1	Filing of Annual Return to the Registrar of Societies	January
2	Annual Budget 1st Draft	15 th January
3	Annual Budget 2 nd Draft	15 th February
4	Annual closure of Project Disbursements	25 th March
5	Annual Budget final draft	05th March
6	Annual Closure of Accounts	31 st March
7	Issue of TDS Certificates to Employee/Contractor/Professional/Rent	30 th April
8	Annual Audit	30 th May
10	Filing of Annual Returns – TDS on salaries	31 st May
11	Annual Return for TDS for contractors/professionals/Rent	30 th June
12	Half yearly closing of accounts	30 th September
13	Filing of Income Tax Return	30 th September
14	Filing of FC-6 with MHA	31 st December

ANNEXURES

Annexure-1

**NORTH EAST DIOCESAN SOCIAL SERVICE SOCIETY
AMENDMENT FORM**

Section	Para Ref.	Description	Date of Amendment

Annexure-2

**NORTH EST DIOCESAN SOCIAL SERVICE SOCIETY
Project Area Office.....
PERIOD FROM: TO:**

Voucher no.	Date	Receipts	Amount	Payments	Amount
		Receipts Total		Payments Total	
				Balance	
		Grand total			

.....
Accountant

.....
Project Coordinator

.....
Executive Director

Annexure-3

NORTH EST DIOCESAN SOCIAL SERVICE SOCIETY

ADVANCE REQUISITION FORM			
Name:		Designation:	
Project Title:		Project no:	
Date of travel:		Date of return:	
Budget Code	Budget Amount	Particulars	Amount (Rs.)
TOTAL			

.....
Applicant

.....
Accountant

.....
Executive Director

Annexure-4

NORTH EST DIOCESAN SOCIAL SERVICE SOCIETY

Details of Travel Expenses

1. Name..... 2.Designation.....
3. Purpose of travel.....
4. Departure Date..... Time.....
5. Arrival Date..... Time.....

6. Details of Travel Expenses

Date	From	To	Mode of travel	Amount (Rs.)	Ticket No

A. Total Rs.....

7. Accommodation

No of DaysRs..... (Attach Bills)

B. Total Rs.....

8. Food

No of DaysRs..... (Attach Bills)

Additional if any Rs..... (Explanation)

C. Total Rs.....

9. Other Expenses

- Rs.....
- Rs.....

(Explanation)

D. Total Rs.....

Grant Total (A+B+C+D) Rs.

(Rupees only.)

Advance Received Rs..... Dated

Signature of Applicant..... Accountant..... Director.....

FOR OFFICE USE

Total Advance Rs.....

Total Travel Expenses Rs.....

Balance Rs.....

Signature of Accountant

Dated:

Annexure-5

**NORTH EST DIOCESAN SOCIAL SERVICE SOCIETY
ASSET REGISTER**

Sl.No.	Bill No.	Date of Purchase	Description of Asset	Identification No.	Location of Asset	Person Responsible	Value of Asset	Depreciation	WDV year wise

Annexure-6

**NORTH EAST DIOCESAN SOCIAL SERVICE SOCIETY
CHEQUE REGISTER**

DATE	CHEQUE NO	CHEQUE DRAWN IN FAVOUR OF	PARTICULARS	AMOUNT	ACCOUNTANT SIGNATURE	DIRECTOR SIGNATURE

Annexure-7

**NORTH EST DIOCESAN SOCIAL SERVICE SOCIETY
INWARD REMITTANCE LIST FOR**

VR.NO.	DATE	CR ADVICE	PURPOSE	DONOR	CURRENCY	TOTAL	RATE

Annexure-8

**NORTH EST DIOCESAN SOCIAL SERVICE SOCIETY
INVESTMENT REPORT**

Sl No.	Name Of Bank	FD No	Date of Deposit	Due Date	Rate of Interest	Period	Amt Deposited	Interest	Amt on Maturity