

# **FINANCIAL MANAGEMENT POLICY OF**

**ASSOCIATION FOR SOCIAL WORK AND SOCIAL REARCH IN ORISSA  
(ASWASRO)**

**PREPARED BY**

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**FINANCIAL MANAGEMENT OF ASWASRO:** Financial management brings together planning, budgeting, accounting, financial reporting, internal control including internal audit, external audit, procurement, disbursement of funds and the physical performance of the programme, with the main aim of managing resources efficiently and achieving pre-determined objectives. Sound financial management is, therefore, a critical input for decision making and programme success. Accurate and timely financial information provides a basis for better decisions about physical progress of the programme, availability of funds, reducing delays and bottlenecks if noticed.

The financial management system should produce timely, relevant reliable financial information that would allow programme managers to plan and implement the program, monitor compliance with agreed procedures and appraise progress toward its objectives.

To meet these requirements, the system should include the following features;

**PLANNING:** A system to identify the needs to achieve the programme objectives, evolve strategies and approaches to address them and take up suitable interventions and activities.

**BUDGETING:** A system to identify the short-term activities necessary to achieve the programme objectives and express these activities in financial terms.

**ACCOUNTING:** A system to, analyze, and summarize financial transactions.



**FUNDS FLOW ARRANGEMENTS:** Appropriate arrangements to receive funds from all sources and disburse them to the staffs / departments / agencies involved in programme implementation.

**REPORTING:** A system that would produce sufficient detailed information to manage the programme, and provide each level of management with regular financial information (consolidated and / or dis-aggregated) for decision making and monitoring.

**INTERNAL CONTROL:** Arrangements including internal audit, to provide reasonable assurance that (i) operations are being conducted effectively and efficiently and in accordance with financial norms, (ii) financial and operational reporting are reliable; (iii) laws and regulations are being complied with; and (iv) assets and records are maintained.

**INTERNAL FINANCIAL TRANSACTION POLICY:**

- ⇒ The financial policy of the organization has been prepared with the consultative of financial advisor & organization members' brainstorming hour.
- ⇒ Financial policy means, day to day income & expenditure of the organization or any type of financial transaction rules.
- ⇒ The finance matter of the organization as per bye law, the Secretary / Treasurer is solely responsible. He / She will answerable on day to day income & expenditure of the organization in front of Executive Body, General Body or donating agency.
- ⇒ Mode of Operation: The accounts of the organization have been jointly operated by the Secretary & Treasurer of the organization.

- ⇒ It is approved that up to Rs. 5000/-, Secretary can keep the amount in hand and expend it without permission of EB.
- ⇒ Any members or functionary willing to work in project, he / she can work as per his / her ability. The honorarium will be decided by the Chief Functionary.
- ⇒ The Executive Committee will be decided an honorarium for the President, Secretary and Treasurer as per their work.
- ⇒ The project & office staffs are appointed as per requirement or project guidelines. The staff payment will be decided in Executive Committee meeting. Looking at the sanction project or organization Budget.
- ⇒ As per requirement organization can develop any documents near any professionals. He / She can be paid by the organization with the consultation of chief functionaries.
- ⇒ TA will be provided unlimited to functionaries for the benefit of the organization.
- ⇒ TA to staff will be decided as per actual & as per his / her action plan recommended by the concerned project coordinator.
- ⇒ For any events or activities purpose the amount will requisition held by the concerned project / programme in charge 7 days before.
- ⇒ For any type of salary advance the staff will fill up advance requisition form and submitted it in the financial cell with the recommendation of the project coordinator.
- ⇒ The advance amount will not exceed 3 times of his / her salary.
- ⇒ The accountant can keep maximum Rs.10, 000/- with him for any type of emergencies.



⇒ He can give advance to staff of any emergency cases like health or death with the telephonic of Secretary.

**BUDGETING: Annual Plan preparation process:** There should be a bottom up approach in respect of planning of activities as inputs for the preparation of budgets at the executive body level. The activity plan should be prepared based on the inputs from various implementing units. Using the cost norms provided in the scheme book activity cost should be developed as an input to preparing consolidated budget. In this respect, a budget circular should be given to all project units. So that they communicate their requirements well in time in order to avoid any delays. While preparing the budget it is to be ensured that the calculation is made on the following criteria in respect of assistance to Institutions and Targeted Interventions.

- (a). **One time cost:** Generally this is for setting up of the institutions cost for minor modifications, furniture, computer etc.
- (b). **Fixed Cost:** Comprising of salary, rent, electricity costs etc.
- ©. **Variable cost:** Depending on number of beneficiaries targeted.

In-kind support from donating agencies is also to be reflected in the Annual Work Plan separately.

**UTILISATION OF FUNDS:** The funds under the project are to be utilized and reported under the same heads as given the budget / plan:

**Check List format for any financial transaction with staff:**

1. Name of the staff
2. Period of contract
3. Total Budget Approved
4. Amount disbursed so far
5. amount expended so far
6. Observations by Internal Audit wing if any
7. Recommendations of project in charge
8. Recommended amount of release
9. Details of budget provision
10. Fund availability position

**The following books, accounts and registers shall be maintained by the society:**

1. Cash Book
2. Ledger
3. Journal
4. Register for Journals / Magazines / News Papers
5. Register of temporary advances
6. Register of money orders and Bank drafts received
7. Register of Money orders, postal orders and bank drafts dispatched
8. Cheque issue register
9. Register of remittances made into the Bank
10. Bank Pass Book
11. Bill register
12. Establishment register
13. Stock register
14. Capital goods

15. Non-consumable articles
16. Consumable articles
17. Register of works
18. Register of grants of advances to CBOs/ NGOs/ Voluntary Agencies / Staffs
19. Fixed asset register
20. Classification accounts of the project
21. Monthly accounts of Receipts and Payments
22. Temporary advance register of (a) Staff, (b). Consultants and (c). TA / DA advance-personal advances register

The formats for aforesaid books and documents and their primary supporting documents like vouchers, invoices, receipts etc. shall be in accordance with the proforma under standardization under the accounting policy.

Any other books and accounts which may considered necessary for the day to day work of the society shall also be maintained with the approval of the Secretary / Treasurer / Chartered Accountant. Most of the books are provided for in the accounting software and manual records are required only in case of the following:

**LEDGER:** Where a manual record is considered necessary due to parallel run or failure of the computer systems the following procedure must be followed:



- ⇒ The ledger should be kept in the prescribed form. Separate pages are to be opened for each head of account / item of expenditure and revenue.
- ⇒ The ledger accounts shall be arranged and grouped in such a manner that the desired information is promptly secured.
- ⇒ Combined ledger accounts can be maintained for various detailed heads. The contingent register may be maintained in such a manner that it is used as ledger for recording expenditure under miscellaneous items.
- ⇒ After the ledger accounts have been written up and completed in respect of cash and adjustment items, the daily total of each ledger account should be carried into the appropriate classified account and the classified account should then be totaled up and from the gross total the amount of adjustment should be deducted / added to bring out the net totals of receipts and payments as per cash book.

**JOURNAL VOUCHERS:** Journal is one of the important account books. It will be used for settlement of advances and booking of expenditures reported by the peripheral units' vouchers shall support each adjustment entry passed through a journal. Brief narration of each entry shall be given in the voucher and it shall be signed by the project coordinator in line with the approved financial delegation. The accountant will check each entry of the journal with the vouchers and put dated initials against the entries checked.



**CORRECTION OF ERRORS:** If any item of receipts or cheques belonging to one head has been wrongly classified under another head, the error shall be corrected in the following manner:

- (a). If error is discovered before the posting is completed in the ledger, the necessary correction should be made in the original entry before the accounts of the day are closed;
- (b). if the error is discovered after the posting to the ledger has been completed but before 31<sup>st</sup> March, the correction should take the form of a journal entry.

**NOTE:** errors affecting only classification i.e., receipts or payments on one side of the cash book without any change in monetary value shall be corrected in the manner prescribed;

- (a). Above, if the same has been detected before the close of the months' accounts. If the error is detected after the account for March has been closed, the correction should be carried out through a journal entry.

In all such cases, the correcting entry should be supported by a transfer entry memo approved by the head of the office and a note of correction shall be made against the original entry in red ink.

**MONTHLY END CLOSING OF ACCOUNTS:** Monthly accounts are to be closed after obtaining from the peripheral units by 10<sup>th</sup> of each month. It is important that the following month end closing procedures are adhered to:

- (a). Settlement of all overdue advances to staff, peripheral units;
- (b). Completion of posting to ledger accounts in the monthly financial report submitted to project head office and project coordinator with key indicators / variances along with list of overdue unsettlement advances.

**YEAR END CLOSING OF ACCOUNTS:** In case of closure of accounts for the financial year the cut off date will be 31<sup>st</sup> of March every year and the following procedures have to be followed:

Sl.No.	Action	Date By
01.	Send reminders to peripheral units, staffs, for settlement of overdue advances and submission of statement of expenditure for expenditure incurred upto 31 <sup>st</sup> March each year	February each year
02.	Settlement of all overdue advances to staff and peripheral units	March 15 each year
03.	Completion of Bank reconciliation	March 31 each year
04.	Completion of posting to ledger account	March 31 each year
05.	Annual financial report to funding agencies and Project coordinator with key indicators / variances along with Bank balance and provisional UC	March 31 each year
06.	Audited financial statements with updates / corrections where necessary	March 31 each year

**PROCUREMENT:** A system to carry out procurement of goods, works and services keeping in mind the considerations of economy, efficiency, transparency and equal opportunities to all.



**FINANCIAL PRECEDURES MANUAL:** A manual that sets forth the programme, financial policies, and procedures for the guidance of all personnel charged with responsibilities, with the aim of ensuring that programme resources are properly managed and safeguarded.

**FINANCIAL MANAGEMENT STAFFING:** Appropriate qualified financial management staff, including accounting and internal audit staff, with clearly defined roles and responsibilities to conduct financial management activities.

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