



INDIAN DEVELOPMENT ORGANISATION TRUST
Perambalur,
Tamilnadu

FINANCIAL POLICY
2021

(Approved by Board resolution number 122 dated 22.06.2021)



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Introduction

Indian Development Organisation Trust was registered under the Indian Trust Act, in 1990 with the registration number of 193/90. It is registered under FCRA Act, u/s 12AA and 80G of Income Tax Act.

INDO trust implemented projects like, Family Counselling Centre, Creches, Child line 1098, Link Workers Scheme, Environment Programme, EIC for HI, Supplementary Educational Centre and Water and Sanitation Programme. INDO Trust working areas are Perambalur, Ariyalur, Pudukkottai and Trichy. INDO TRUST is a registered civil society organization works for the protection and promotion of rights of multiply marginalized women, historically marginalized Dalit Communities, and vulnerable and most marginalized children in Perambalur District.

INDO Trust working areas are Perambalur, Ariyalur, Pudukkottai and Trichy.

Vision:

Enhancing Sustainable development, empowering and equal access to vulnerable communities.

Mission:

For attaining sustainable development, INDO Trust empower and mainstream the vulnerable communities for their livelihood through education, skill trainings, enlightening right based awareness creation, environment awareness, benefits and opportunities available, resource engagement with community involvement and social participation in working areas

Legal Identities

Indian Development Organisation Trust is registered under the following Acts

1. Indian trust Act 1882

Indian Trust Act 1882, in Perambalur District, Tamil Nadu (Reg No: 193/1990)

2. Income Tax Act, 1961

Registered under Income Tax Act 1961 under section 12 A & 80 G

C.No.6162E (9)/2010-11/CIT-I/TRY Dated: 08/10/2010

C.No.6162E (187)/2000-01 Dated 01.03.2001

- The Permanent Account Number (PAN) is AAAAI0420P



3. Foreign Contribution (Regulation) Act, 1976 (FCRA)

- FCRA Registration - Ministry of Home Affairs (Registration No. 076040246)
- Renewal of Registration - Dated: 02.08.2016 valid up to 31.10.2021.

Purpose of the Policy

The purpose of these policies is to establish guidelines for

- Developing financial discipline across the organization
- Making financial decisions
- Reporting the financial status of the organization
- Ensuring the optimum utilization of the resources of the organization

Financial Management

This Financial policy is to provide an understanding of common practice in financial management, and help you to build the basic systems and practices needed in a healthy organisation.

This Financial Policy provides a framework for financial governance and system for the better functioning of an organization with transparency and accountability and also zero leakage of resources-financial and other resources.

The financial situation of an organisation should be reviewed at least on a monthly basis, with the focus on the budget, receipts of income and expenditure. The Director / Financial Trustee / Manager shall be responsible for ensuring that financial controls are in place and adhered.

All staff members, programme beneficiaries, volunteers and board members generally have a responsibility to prevent financial mismanagement.

Financial Resources

INDO TRUST shall mobilize resources and Grants from all possible means (Institutional Grants from Foreign and Local Organizations CSR, Research Grants, Government fund / beneficiaries' contributions, donations of the well-wishers, service charges & fund raising through special campaigns etc.) for realizing the Mission of INDO TRUST



The income of donation and contribution can be received in form of money, kinds, etc., Interest income is received on Fixed Deposits and Savings Bank Account and is accounted on accrual basis at the end of the year.

Financial Governance

INDO TRUST Financial Management is governed by the following Acts, rules & policies

- Indian Trust Act
- Foreign Contribution (regulation) Act
- Income Tax Act
- Industrial Dispute Act
- Payment of Minimum Wages Act
- Payment of Gratuity Act
- Maternity Benefit Act and other Acts related to NPOs.
- Financial Policy of INDO TRUST
- Staff Policy of INDO TRUST
- Procurement Policy
- Decisions of INDO TRUST Trustees and Executive Committee members.
- Contractual obligations of the Donors.

Financial Planning

INDO Trust Planning & budget approval by INDO TRUST

The core team consisting of the Director, Programme coordinators and the chief accountant prepare the draft annual plan & annual budget and present it for the approval of the Trustees of PT

The Trustees of INDO TRUST shall approve the annual budget during the annual Trustees meeting of PT. If additional projects are sanctioned after the approval of annual budget of PT, supplementary budget shall be approved by Executive Body of PT.

Banking:

INDO TRUST shall invest the foreign fund in the designated bank account (Foreign Contribution account) and all other domestic donations / Grants in separate bank accounts as per the decisions of the Executive Committee of PT.

All the bank accounts of INDO TRUST shall be operated jointly by the Managing Trustee & Financial Trustee or as per the decision of the executive committee.



INDO TRUST shall also comply with all the provisions of Income Tax Act 1961 on the investment of funds.

Financial Responsibilities

The Board of Trustees will supervise the Financial and review the adherence of the policy on the periodical basis. The Board of Trustees is also responsible for changing the policies if so required for betterment of the organization.

The Board of Trustees delegates this overall responsibility to the Managing Trustee and Financial Trustee. They will be involved in implementation of the financial policy and its adherence across the organization. They also represents the board in day to day administration of the organization. External auditor must be appointed by Managing Trustee with approval of the Board of Trustees.

When INDO Trust receives funding from a given donor the project head / financial manager / accountant appointed for that project will held responsible of understanding and monitoring the specific regulations, requirements and compliance factors specific to that donor.

The Managing Trustee and Financial Trustee shall be responsible for ensuring that financial controls are in place and adhered to and, more specifically, that:

- expenditures remain within the budget,
- expenditures are only for the purposes set out in the budget,
- Financial documentation, including quotations, invoices and receipts are collected and filed in an orderly manner.

Accounting Procedures

The Organisation is following the double entry system of accounting. The books of accounts are maintained in the computerized form. The accounts are prepared in Tally ERP 9 software.

Separate Books of Accounts are maintained

Separate book of accounts are maintained for each and every project of Indian Funds and Foreign Funds.



Mode of Payments

- Payments up to INR 5000 can be provided either Cash / Cheque / DD / NEFT, RTGS Transactions as per the requirement.
- Payment exceeding INR 5000 must be made by Cheque / DD / NEFT, RTGS Transactions only and cash transaction is not entertained.

Petty Cash Handling:

Petty cash limit will be maintained as per the project wise budget and guidelines. The petty cash amount must be tallied every month and the petty cash register has to be maintained with exact bill of utilisation on time to time basis by project accountant and it is their responsibility to provide at any point of time during internal or external audits.

Recognition of Revenue Income

The Income is recognized in the books of accounts as and when it is received.

Recognition of Revenue Expenditure

All the expenditure other than depreciation is recognized as and when it is incurred. Depreciation is provided at the end of the financial year on the written down value of the capital items.

Recognition of Capital Expenditure

All capital expenditures are capitalized in the books of accounts and are reflected in the Balance Sheet. The depreciation is provided on Written down Value basis at the end of each financial year followed by Income Tax guidelines.

Major Expenditure

- **Direct Project Expenses**

The direct project expenses are accounted as and when it is incurred. The direct project expenses include the objective of the project and its implementation. Based on the agreement with the donors, the budget line for the total amount of project is prepared and code is allotted for each head for data entry and easy reporting of expenses.

Project wise cost centres are opened for the project and expenses are accounted according to the budget head. Simultaneously all the vouchers for the expenses incurred are accounted in the regular accounting system for the purpose of preparing income – expenditure statement and Balance Sheet for the Income Tax and other purpose for all the projects.



- **Salary and Honorarium**

The expenditure of salary includes the salary of Director, project manager, project staff, administrative staff, contract staffs, paid volunteers and accounts staff along with management contribution for provident fund and gratuity for the eligible staff. The contribution for provident fund is paid to the employees who are entitled for the provident fund under the Provident fund a/c. The expenditure of honorarium includes the payment made to the consultants.

- **Administrative Expenditure**

The administrative expenditure includes the expenditure other than project expenditure. These expenses include office maintenance, audit fees, travelling of admin staff, communication, postage, courier, finance and management expenses, municipal Taxes, staff welfare etc.

Over and above, for the purchase of capital item - movable properties and immovable properties, there is a separate procedure for the procurement of these items. Movable properties consist of computers, office equipments, furniture and fixtures and vehicles located at different branch offices. Immovable properties consist of land and buildings.

- **Depreciation**

Depreciation is not considered as expenditure but it is a charged to income and expenditure a/c for the usage of capital item and to create reserve. INDO Trust follows the WDV (Written down Value) for the depreciation as per the Income Tax Act 1961.

- **Management of Project Accounts**

All direct project expenditures are accounted based on the budget as determined in agreement between the INDO Trust and the respective funding agency. The books of accounts are maintained as per the requirement of donors as well as under the Income tax Act 1961. These books of accounts are maintained simultaneously and are tallied. The books are maintained under 'Tally'. As per ledger the details of specific grant income is arrived in aggregate (sum up of all the projects), while as per Cost Centres the details of such specific grant is arrived project wise. As and when accounting entry is passed, firstly, grant is credited in the specific ledger and simultaneously it is credited in the specific defined cost centre of the respective project.

Similarly, as per ledger the detail of specific expenditure is arrived in aggregate (sum up of all projects), while as per Cost Centre the details of such specific expenditure is arrived project wise. As and when accounting entry is passed, firstly expenditure is



Indo Trust Financial Policy

debited in the specific ledger and simultaneously it is debited in the specific defined cost centre of the respective project.

When the financial year is completed, the Utilisation Certificate (UC) to be issued to the respective funding agency is prepared based upon the expenditure of the respective project.

- **Books of Accounts and Other Documents Maintenance**

At INDO Trust, the a/c keeping has been recorded as per various internal and external audit requirements.

List of Books of Accounts

Separate vouchers are maintained for FC and Indian accounts with serial numbers and centre wise. The list contains

- Cash Receipt,
- Fund Receipt,
- Cash Payment voucher,
- Bank Receipt,
- Bank Payment,
- Contra,
- Petty cash register,
- TDS Register,
- Asset Register, etc.

Following books/registers are maintained for FC and Indian accounts separately (one petty Cash Book is also maintained for day to day cash transaction and from petty Cash Book, all vouchers are entered in Computer Cash Book). This contains Cash Book, Bank Book, Journal Register, TDS Journal Register, Asset Journal Register, etc.

Statutory and other Compliances

List of Books of account maintained and other documents maintained for Statutory and Internal Audit Requirements. For FC and Indian accounts separate cash and bank receipts, cash and bank books, cash and bank vouchers, contra vouchers and journal vouchers, ledgers for expenses and capital items, asset register, etc. Over and above the petty cash register is also been maintained.



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Following Files/ registers are maintained:

- ✓ **General Correspondence**
- ✓ **TDS Return (Salary, Job Work & Professional Fees):**

TDS needs to be paid before 7th of the next month in which the tax is being deducted except in the month of March. The Tax is paid before the 30th April. Quarterly returns to be filled before 15th of the succeeding month after the end of quarter except for March, the cutoff date is 30th April.

- ✓ **FC Return File:** The FC return duly audited by statutory auditors needs to be filled with the FCRA division, Ministry of Home Affairs regulations and notifications.

- ✓ **Bank Reconciliation File:**

Every month bank reconciliation statements are prepared and tallied with the bank passbook after taking necessary accounting action.

- ✓ **Consolidated Balance Sheet and Income expenditure Statement (FC and Indian Income Tax IT) Return:**

The IT Return needs to be filled before 30th November on completion of Financial Year or as per the notification from the Income Tax department

- ✓ **MIS (project-wise):**

The budget wise expenditure statement is prepared & submitted every month to all the project heads for the review.

- ✓ **Financial statements for the Board of Trustees:**

Minute book is maintained for Board of Trustees meeting as well as for general body meeting. The Board of Trustees meeting is held once in a year.

Physical Verification and Reconciliation:

Physical Verification of Cash

The physical verification of cash is conducted by the Internal Auditor / Managing Trustee / Financial Trustee / Finance Manager at every quarter and is reconciled with cash book. Also surprise physical verification of cash is conducted by Managing Trustee / Financial Trustee.

Physical Verification of Assets

The physical verification of assets is done jointly by the Managing Trustee / Financial Trustee once in a year. Any excess shortage in cash or in assets is dealt with proper accounting action.



Authorisation Procedures

All the transaction by cash / Cheque will be done after the authorized signature of both the Managing Trustee and Financial Trustee.

Type of Forms

To facilitate the day-to-day operations of the organisation, various types of forms have been made in easy to fill formats for the staff members. The purpose and the system to be followed while filling each of the forms have been explained below and the specimen copies are available separately.

1. Receipt
2. Project Advance Requisition
3. Cheque/DD Requisition
4. Local Travel Claim
5. Outstation Travel Reimbursement
6. Requisition for Ordering Food/Snacks during Workshop/ Meeting and Training:
7. Vehicle Requisition for Local/Outstation Travel Vehicle Log Book / Travel Slip
8. Air Ticket/Rail Booking
9. Leave Application
10. Bill Book / Contribution Book
11. Stationery Requisition

Type of Registers

To have better internal control, the accounts/administrative department should maintain the following types of register project wise

1. Salary and Receipt
2. Assets
3. Stationery and Training Materials Stock
4. Publication Stock
5. Postal (inward and outward)
6. Service Contract
7. Vehicle Log Book
8. Investment



9. Insurance
10. Leave Record
11. Staff Attendance
12. Staff Movement

Review and Monitoring Systems

1. Review and Monitoring by Management

The accounts department should provide by way of Management Information System (MIS) following details to the Managing Trustee / Director

Monthly MIS

- ✓ Budget comparison statement project wise
- ✓ List of grants received
- ✓ Bank reconciliation statement
- ✓ List of advances outstanding
- ✓ Statement of investment

Quarterly MIS

- ✓ Comparison of budget and actual expenditure statement
- ✓ Trial balance
- ✓ Receipts and payments accounts
- ✓ Income and expenditure accounts

2. Internal Audits

To have better internal control over the areas of accounts, finance and administration regularly, an internal audit should be done project wise by the project accountant and financial manager every quarter. The donor agency may appoint an internal auditor to conduct an audit for the proper functioning or implementation of the project within the allotted budget can be done as per the requirement of donor agency.

3. Appointment of Statutory Auditor

Auditing of the annual accounts of the organisation is a statutory requirement. The Management should appoint professional chartered accountant for the audit of books of the organisation. After appointment of statutory auditors, audit of the books of accounts are carried out by them.



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The annual accounts (Balance Sheet and Income and Expenditure) of the organisation and form FC-3 and Receipts and Payments and other required Income Tax and return statements together with the reports will be prepared, signed and duly stamped by the auditor. FC-3, Income Tax, GST and other return and other statements as required should be filed before due dates.

4. Accountability & transparency to stakeholders:

The approved annual plan, the budget and audited annual financial reports & Statements of accounts shall be submitted to all the donors of INDO TRUST

5. Prevention of misappropriation/ Embezzlement of funds of organization fund- Anti-Fraud and Anti-Corruption Provisions

If any allegation/complaint of misappropriation of organization fund is reported to INDO TRUST, the Board of Trustees of INDO TRUST shall appoint an independent expert committee to enquire into the allegation & to report to INDO TRUST.

Appropriate action will be taken to recover the project fund misappropriated and the persons concerned will be dismissed from the organization by following appropriate procedure.

6. Legal Compliance & reporting

- Ensuring maintenance of Books of accounts as per the Indian Trust Act-, Ministry of Home Affairs-Government of India, and Commissioner of Income Tax-Government of India
- Ensuring the approval of the audited statement of accounts in the Annual Trustees meeting.
- Ensuring the annual timely filing of Audited statement of accounts and Income Tax returns
- Ensuring the annual timely online filing of FC3, FC4 & FC6 along with audited statement of Foreign Contribution Accounts and submitting the signed copies to the Ministry
- Ensuring the timely reporting to Donors as per the contractual obligations.
- Ensuring the TDS from the parties concerned.
- Ensuring the remittance of TDS to Income Tax department through the designated banks.