

Message from the Director

Dear Friends,

A smooth and transparent financial management is all pervasive to the growth and development of an organisation, especially for development organisations because they are meant for promoting transparency and accountability in the society. With this vision, we have developed this financial manual which aims at facilitating and systematizing our financial management. The module will serve as a guide for us in all the financial matters. We would like to thank ASK. Delhi for their kind favour of the development of this module. We are equally grateful to our finance department for providing their valuable inputs for this task. The manual is more concerned with the members of the Governing Body and the finance personnel. This is my earnest request to all the concerned to go through the manual and get themselves acquainted with it. Suggestions and feedback are welcome. The document will be revised from time to time and for that purpose your suggestions will be very valuable for us. I hope this module will go a long way in the smooth and transparent operation of our financial activities.

All the best for an efficient financial management Best regards.

CHAPTER-1

INTRODUCTION

This manual is meant to be a guide to help the organization to set and maintain high standards of accountability. This will lead to an enhancement of its credibility and allow the organization work to be more fruitful and effective.

This manual provides information on:

- Quality management of the finances at MVSS
- Sound decision—making on financial mailers
- Compliance of major obligations
- Requirements of funding agencies
- Budgeting, fiscal discipline and hygiene
- Efficient utilization of available resources
- Reporting and Monitoring
Legal and financial issues of funding agencies
- Integration of economic policies with the mission of the organization.

1.1 Objectives of the Manual: The objectives of the Manual are as follow

- a) To document the accounting and reporting system
- b) To readily assist the Finance Department with the financial Policies and Procedures
- c) To serve as a guide to financial management

1.2 Users of the Manual

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

- a) The General Body and the Governing Body of MVSS
- b) The Executive Director, the Programmes Department, Regional Staff and Staff of HR & Administrative. Department

- c) The Finance Department
- d) The Statutory Auditors
- e) The Financial Advisor

The above persons are expected to familiarize themselves with the contents of the Manual so that they can refer to it as and when the need arises.

1.3 Amendment to the Manual

Any amendments to the manual shall be carried out only with the prior approval of the Governing Body on the recommendation of the Executive Director who will consult the Finance Committee and the Financial Consultant prior to it. Any such amendments duly approved by the Governing Body shall be documented in all the copies of the manual both with the individual officers to whom manual has been distributed and in the copies in possession of the Management and such documentation shall be noted in the amendment form prescribed therein.

1.4 Amendment form

Chapter	Para ref.	Description	Date of last amendment

Chapter-2

Financial policies, procedures and systems

2.1 Financial Policy

Introduction

- a. Financial policy is a tool as well as a measure for the standards of accountability of MVSS.
- b. Good financial policy enables the fulfillment of the vision of MVSS. The nobler the vision, the higher the standards of accountability will be. Transparency and high standards of accountability can be infused in MVSS only if there is a sound financial policy.
- c. The financial policy of MVSS is its guiding light and if it is to be implemented and correctly translated into reality, proper systems and procedures have to be evolved and practiced. This is the very core of a financial system.

2.1.1. Guiding principles of MVSS financial policy

- a) A creative, honest and sound management of resources entrusted to MVSS
- b) Optimum utilization of the above resources for the objectives of MVSS
- c) Creative investments of the funds of MVSS
- d) High accountability standards
- e) A Professional system of reporting, monitoring and evaluation.

2.1.2 Planning and Budgeting

Please refer to Chapter 3

2.1.3 Training of Finance Staff

The Finance staff will be provided with orientation refresher courses and workshops on a Continuing basis, since there is a need for constant upgradation of skills in finances. This measure will improve the quality of the accounting standards and therefore will promote better financial management within MVSS.

2.1.4 External Review

It is healthy for MVSS, which is responsible and accountable to the public to have an expert of Finance. There will be an external expert familiar with the finances of MVSS who will review the finances and financial policies and systems of MVSS to

see whether they are adequately adhered to. The expert will alert MVSS with regard to any lapses and deficiencies in standards and Policies within its cadre from time to time.

2.2 Procedures and Systems

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

The following are some of the common and generally accepted systems and procedures for MVSS:

- a) Internal Control
- b) Profession & Accounting Systems
- c) Reporting and Monitoring Systems
- d) Handing Over System

2.2.1 Internal Controls

Internal controls are like checks and balances, which help to keep the system in place to avoid frauds and misappropriation or deviations from accepted policies and procedures. Periodical review of internal controls is required to maintain the vitality of the system.

The following will be the internal controls:

A. Cash Transaction

- i) Segregation of cash payments into petty cash and larger payments.

Both for accounting and control purposes, all the payments will go through the executive director. Petty cash payments up to the limit of Rs 5000- will be handled by the treasurer/ Executive Director. In the imprest system, there is an in-built limit but even otherwise PUSO oil ice has fixed an amount at Rs.25.000/- (Rupees twenty five thousand only).

ii) Cheque payments versus cash payments

As far as possible all payments for expenses will be made through cheques except for petty cash transaction. All payments exceeding Rs. 10, 000/- will be made by Crossed “A/c Payee” cheque or demand draft.

iii) Physical Verification of cash

Management (President, Director and Governing body) will verify the actual cash in hand with the balance shown in the book at least once a month and also on surprise checks, at the end of the financial year at HO & Community Centre (CC) level.

iv) Cash Receipts

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

B. Bank Transactions

a. There will be a good system for preparation of Bank Reconciliation Statement and for monitoring the same.

b. Issuing bearer cheques and post-dated cheques will be avoided as far as possible.

c. Cheques for payment will be issued only when there is an adequate balance in the account since the dishonoring of a cheque will attract criminal liability.

d. All cancelled cheques will be preserved for identification and control purposes.

e. The cheque book will always be in the safe custody of a designated authority that is accountable.

f. Cheques and drafts received by MVSS must be acknowledged through pre-numbered receipts which are promptly deposited and properly recorded and the various functions of receiving, processing and recording will be clearly segregated.

C. Fixed Assets and Inventory Control

While an inventory (Stock Register) records assets which are generally consumable or saleable, a Fixed Assets' Register records more permanent assets, which provide

long-term benefits to MVSS. Hence both are valuable since they represent a substantial portion of the net worth of MVSS. Both types of assets have, therefore, to be controlled and managed efficiently and also used effectively.

MVSS will follow the given measures for exercising adequate control: -

- a. A professional system of accounting will be introduced as — Maintenance of fixed Assets Register.
- b. A physical verification of the stocks and assets will be carried on periodically by the management.
- c. Management will make sure that there is an annual physical verification prior to the statutory audit.
- d. Original documents such as sale deeds, registration documents for vehicles, approved building plans, land related revenue records etc. will be carefully preserved.
- e. All fixed assets will be numbered for identification and accounting purposes.
- f. It will be ensured that the fixed assets are acquired or disposed off only after proper authorization and that they are adequately safeguarded with the consent of the governing body.

D. Investment Control

Other than fixed assets and stock, investments represent a substantial net worth of MVSS. Hence it is vital that investments are managed and controlled efficiently and effectively.

Given below are some healthy practices which will be followed: -

- A. A professional investment accounting through an investment register.
- B. A monthly investment report will be prepared highlighting
 - The percentage of return
 - Returns for the month
 - Investments matured

- Investments maturing in the next quarter

C. All records pertaining to investments will be in the safe custody of a designated authority.

E. Loans

MVSS will only provide loan to the staff if the circumstances demand:

The following will be the measures to exercise control on loans: -

- a. Fixing the limits will be the responsibility of the finance team and will ensure that no one exceeds them.
- b. Fresh loan will not be given until the earlier loan is cleared.
- c. The practice of obtaining confirmation of outstanding balance will be carried out at least at the end of each financial year.
- d. The repayment and deduction schedule will be written out from the salary towards the principal amount.
- e. Loans and advances of Rs. 10, 000/- and more on the aggregate shall be paid through A/c Payee cheque or draft only.

2.3 Reporting and monitoring systems

Please refer to Chapter 5

2.4 Handing Over System

At MVSS, in case of change in office bearers from time to time depending on the period of office, resignation etc. the new office hearers take over the responsibility. At that time of handling over, the following guidelines will be adhered to:

- a) Books of accounts, registers and other financial records will be updated and signed by the preceding office bearer along with another person authorized by the governing body.
- b) Financial statements will be drawn up to the date of handing over the charge and signed by the preceding office bearer along with another person as to the completeness of the financial statement.

- c) Physical cash will be reconciled with the balance as per Cash Book on the date of taking over charge. The Cash Book will be signed jointly and a certificate to that effect will be signed in the presence of authorized witness.
- d) A bank reconciliation statement will be prepared and a certificate from the banker as to the bank balance on the date of laying down charge will be obtained by the preceding office bearer.
- e) Statutory books will be updated and signed before they are given to the new office bearer.
- f) Files pertaining to legal compliance will be handed over along with the legal compliance status report e.g. Income Tax file, Societies Registration file, Foreign Contribution Regulation Act file.
- g) Original documents relating to the fixed assets e.g. sale deeds, building plan, investments, Certificate of Registration under various laws etc. will be handed over and be signed in the presence of authorized witness.
- h) Any outstanding income or expense such as advance recoverable, bills payable etc. will be booked
- i) All the Savings Bank cheques are to be handed over for the verification by a third person.
- j) Change of signatories in the bank has to be prepared and submitted to the bank by the out going office bearer.

CHAPTER -3

PLANNING AND BUDGETING

3.1 Need for Planning

MVSS has a vision, which must be translated into reality. MVSS is based on certain values of service to humanity and it will be a regular practice for them to go through a process of vision building and making a mission statement. The MVSS will plan for the future with wisdom and foresight, so that the mission can be fulfilled in the

most economical way, within the least time limit, with professionalism and quality and in accordance with the highest standards.

3.2 Significance of Planning

The Finances of MVSS will become healthy only if the same is used for the planned activities of MVSS to achieve the objectives and finally to serve the vision.

3.3 Annual Budgeting

Budgeting is an important tool for planning the finances of MVSS. Organisation will follow Budgeting with a corporate approach since there are many departments, which incur expenses. Therefore, the finance department will propose the budget estimates by consolidating estimates received from different regions/depts. and present the same on or before 31st January and get it approved in the Governing Body Meeting before the beginning of the succeeding financial year.

The Finance department will consolidate all the estimates of various regional offices and departments concerning replacements and new equipments for the following year to the executive director or before the board meeting.

The Executive Director will provide feedback and comments with regard to the broad objectives and the needs of MVSS and present the final version to the Finance Committee on or before 15th February every year.

The Finance Committee will study the budget estimates and make such comments as they consider necessary and forward the same to the Governing Body.

The Executive Director will thereafter place the budget with the comments of the Finance Committee before the next Governing Body meeting in March every year.

For constructing any of the budgets, the following steps will be taken care of: -

- Estimating the income/receipts
- Estimating the expenditure/payments
- Reviewing the previous two to three years income and expenditure for pattern
- Arriving at the surplus/deficit in either case, plan how to use the surplus or manage the deficit.

3.3.1. Annual Programme Income budgeting (in linkage with Annual Programme Action Plan)

MVSS in order to attain its goals and objectives will undertake activities for implementation of the project. Each of these activities planned will be linked to the financial plan through budget code and budgeted head of accounts. This linkage will facilitate preparation a clear budget and enable MVSS to determine the expected income for the year. This also gives MVSS the picture of the previous years anticipated income and actual income. The following format will be used for the same:

3.3.2. Staff Budget

This will be the first step to prepare the annual budget. Under this we will determine various positions at various cost centers, which will lead to determining the personnel cost for the year.

3.3.3. Salary Budget

Based on the Staff Budget, the actual salary payable during the year to the staff will be calculated giving all details of the salary components. Under this salary (basic, DA, HRA, CCA, Transport allowance etc.) of each individual employee by his/her name will be determined keeping in mind the staff budget.

3.3.4. Capital Budget

Capital Expenses (non-recurring expenses) at MVSS will be the acquisition of new assets like equipment, furniture, vehicles, land, building and / or additions to building. These assets will require substantially large resources.

Resources will be invested in capital assets only if they are required for the objects of MVSS. Capital assets will otherwise turn out to be liabilities for MVSS e.g. maintenance charges for rundown or idle building and equipment, cost of litigation arising out of encroachment of land etc.

3.3.5. Cost Center wise Budget

Operating expenses will represent the operative expenses of MVSS such as salaries. Travel, office expenses, normal maintenance expenses etc.

This will be the estimation of expenses on the cost centers basis i.e. CC-wise, Department wise. This will help to determine the cost of a particular CC. department.

3.3.6. Total Administrative Budget

Total of Cost Center wise budget (Capital as well as Revenue) will be compared with the budgets and actual expenses of previous three years to have an idea regarding the inflation in the overall Admin Budget.

3.3.7. Rationale of the Budgets

We will also keep the basis of the budgeted amount, how it is calculated, what type of expenses were anticipated and 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.

It will be healthier to run MVSS in a self-reliant manner rather than to be dependent. High dependency will affect the stability of MVSS and result in dislocation of its activities. All efforts will be made to make MVSS self-sufficient through sensible budgeting processes.

3.4 Finance Committee

The Governing Body of MVSS has constituted a Finance Committee for the following purposes:

It will be the responsibility of the Finance Committee:

- Review the annual budget of MVSS and make such comments as may be necessary
- Review the audited periodic financial statements of MVSS
- Advise MVSS on the investment policies
- Meet periodically at least every half year to review the finance system of MVSS
- Meet for such purpose having financial implication of MVSS and render advise for example, mobilization of Corpus Fund, purchase of office premises for CC of MVSS, any unexpected expenses etc.

3.5 Final Approval of the Annual Administrative Budget from Governing Body

After the approval by the Finance Committee, the budget will be presented to Governing Body for their final approval before implementing the same.

3.6 Budget Monitoring — Budget Comparison and Revision of Budget

The budget, however, provisionally prepared, will be a futile exercise if the same is not monitored periodically. Finance department will monitor the budget on a monthly basis as per the format and the procedure recommended earlier and if required the budget could be revised based on the half yearly expenses. Quarterly cost center wise Budget Comparison will also be made for the close monitoring and better control.

3.7 Charts of Accounts Budget Heads

Chart of accounts at MVSS will be a list of accounts agreed based on the Vision, Mission, goals and objectives. The accounts will be prepared based on the programs run, which falls within the vision of the organization. Expenditure will be classified under the agreed head of account and not under any other head of account. Both the heads of accounts and the description of the nature of expenditure under each head will be agreed and not be charged without proper authorization. In short, the budget heads will be integrated with chart of accounts.

CHAPTER -4

ACCOUNTING AND RECORD KEEPING

4.1 Maintenance of Books of Accounts

Introduction

Accounting is a basic management tool which if used properly will enable the Governing Body / Management to determine the correct financial status of MVSS.

4.1.1 Types of Accounting: -

There are different types of accounting. Two important types are:-

- a) Cash System
- b) Mercantile System

MVSS will follow Cash System accounting

In the cash system of accounting, entries will be made only when the cash is received or paid and no entry will be made when the receipts or payments are due.

4.1.2 Accounting for MVSS: -

The Following books of accounts will be used: -

- 1) Petty Cash Book (imprest)
- 2) Main Cash Book with cash and bank columns (normally referred to as Cash book)
- 3) General Ledger (Normally referred to as Ledger- monthly, half yearly, annual)
- 4) Project Ledger
- 5) Journal Register (Normally referred to as journal)
- 6) Investment Register
- 7) Fixed Assets Register
- 8) Loans and Advance Register

9) Stock register.

MVSS will maintain exclusively three sets of books of accounts which are as follow:—

One set of books of accounts for Receipts and utilization of Foreign Contribution as required under the Foreign Contribution Regulation Act, 1976.

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

Third set of books of accounts for Government Grants collected and spent by MVSS. This set of books will be kept for easy accounting, monitoring and reporting to the Government from time to time.

4.1.3 Imprest Petty Cash Book

It will be used for recording recurring petty transactions and thereby lessens the burden of maintaining the Cash Book as well as posting to the General Ledger. Payments made from the Cash book will be acknowledged as receipts in the Petty Cash Book. The difference between the receipts and the total of expenses as shown in the Petty Cash Book will reflect the petty cash in hand.

A) Maintaining Petty Cash under the Imprest System

Under the imprest system the Petty Cash will be fixed to a certain limit for handling cash. The limit will be fixed based on the estimated requirements for a week/ fortnight/month. The Petty Cashier will get the amount reimbursed of the expenditure incurred from the Main Cashier when the cash balance becomes low e.g. the petty cash limit is Rs.25, 000/-. The petty Cashier has incurred expenses of Rs. 15,000/- under various heads of accounts. The balance cash with the Petty cashier is Rs.5, 000/-. The Petty Cashier will be reimbursed Rs 15,000/- to ensure that the cash balance is Rs.20, 000/-.

This book will be maintained to record the following transactions:

- a) All the petty cash payments, which are below Rs.5, 000/-. Payments exceeding Rs.5, 000/- will be made in exceptional situations.
- b) To record the recoupment of the imprest cash from the main Administration Account.

4.1.4 Imprest Account in Community Centre office

Funds will be disbursed towards reimbursement of imprest to the Community Centre Offices from the foreign contribution account and from Indian funds separately. This will be followed for accounting convenience, for proper legal compliance and to avoid mixing of FC (Foreign Contribution) and LC (Local Contribution).

The Community Centre office will maintain proper accounts and send the expenses statement along with the original bills to MVSS office when 80% of the imprest funds have been spent or monthly whichever will be earlier.

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

- Supporting documentation
- Booking the item of expenditure under relevant heads of accounts
- Tallying the expenses with the tour schedule
- Identification of unauthorized expenses
- In case of certain expenses like long distance calls, proper details - namely person called, purpose, number and time utilized, have to be verified and discrepancies have to be pointed out to the Head of Department. After all these verifications the assessing assistant will specifically recommend to the Head of Department to make the payment
- In case of problems of discrepancies in the imprest. The designated assistant will point it out to the Head and follow them up till they are classified / rectified
- To ensure the follow ups, the assessing assistant will maintain a register.

The following format will be used for imprest account in MVSS:

PURVANCHAL GRAMIN SEVA SAMITI BRANCH , (DUMRI)

PERIOD FROM:.....

T0:.....

Amount received	Date	Particulars	Voucher no.	Expenditure	Remarks
15000.00	01.08.03	Travel Expenses	1	1000.00	
		General Expenses	2	500.00	
		Conveyance	3	500.00	
		Printing & Stationery	4	2000.00	
		Telephone	5	800.00	
		Total Expenses		4800.00	
		Balance Imprest Amount		10200.00	
15000.00		Grand total		15000.00	

Signature

Name:

Prepared by
Sanctioned
CC Staff
Executive

Certified
Head,CC

Recommended
Finance Officer

Director

4.2 General Ledger

This will be a book of accounts in which transactions are posted from the Cash Book, Petty Cash Book and Journal Register under account headings e.g. Salaries, Repairs and Maintenance, traveling & Conveyance, Rent, interest received etc. according to the date of occurrence. The ledger printouts will be taken on monthly basis, half yearly (6 month ledger) and annual basis (12 months ledger).

4.3 Accounting for different projects: -

MVSS will carry out various projects/programs in collaboration with Central and State Government as well as with Funding Agencies abroad. Invariably the above agencies will also ask our organization to maintain accounts separately for each project or programme funded.

In all the above cases MVSS will maintain a separate set of books for each of the funded projects.

If there will be 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 agency, transactions from both local funds and foreign funds will be merged.

All the foreign contributions received for different projects have to pass through the designated FCRA bank account.

Further, the project control accounts will be online with the main computerized systems. The integrated accounts of the project will be validated once every quarter. Reporting formats will be evolved to ensure proper monitoring of the project finances.

4.4 Asset Register

Asset Register will be maintained to reflect all the movable and immovable assets owned by MVSS.

Assets Register will reflect the following information:

- 1) Voucher No.
- 2) Voucher Date
- 3) Description of the Asset
- 4) Quantity
- 5) Location
- 6) Amount
- 7) Asset No.
- 8) Specification/Model/Make etc.

4.5 Advances

Advances that are made will be classified as under:

- 1) Advances made towards the project
- 2) Advances made to the staff for travel
- 3) Other Advances

Advances made towards projects

Project advances will be made from that particular grant of that program. Once such an advance is made, both the Programmes 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 will be avoided.

Advances made to the Staff for Travel

The staff will ensure that the tour advances taken by him/her is settled as soon as possible (within 5 days) after reporting on his or her return from the tour. No

subsequent advance will be made to any staff before the settlement of tour advance by the staff through a designated assistant who will keep a separate register of all the tour programs.

The following format will be used by our office for Tour Itinerary for getting the approval of their planned tours from the Executive Director.

MANAV VIKAS SEVA SANGH

TOUR ITINERARY

To

The Executive Director

MVSS

Dated

Sagar

Dear Sir,

I request you to approve my tour schedule as given below:

Time of departure.....

Date	Place Of Visit	Purpose /Project No./Meeting	Name Of The Person/s To Contact	Mode Of Travel Air/Train!Bus/ Taxi Etc.	Accommodation Required Yes/No

1) DATE & TIME OF ARRIVAL.....

Thanking You
Yours sincerely

For Manav Vikas Seva Sangh

Mr. /Mrs.

[Name, Employee Code/Dept]

P.S.: Advance once taken for the tour has to be settled before taking the second advance.

Any change in the tour itinerary has to be approved by the Executive Director.

The following format for taking any tour advance after getting the tour itinerary approved by the Executive Director:

MANAV VIKAS SEVA SANGH
TOUR ADVANCE APPLICATION

Name.....

.....

Designation.....

Department.....

Place of visit.....

Period..... Days.....

From

..... To.....

.....

(Date)

(Date)

Purpose Of tour

(Details).....

.....



(Head of Dept.)

(Rupees.....
.....

Date

.....Signature.....
..... (Executive Director)

Paid Rs
(Rupees.....)

Date.....

Signature.....

(Manager Finance Dept.)

Other Advances

The advance is permissible to the CC staff/finance office/HR/ & Administrative department for arranging any meeting, workshop etc. The concerned staff/office/department will ensure settling the same as soon as possible after the finish of such meeting etc.

4.6 Local Contribution

MVSS will maintain the following Books of accounts for the Receipt and utilization of local Contributions:

4.7.1 Local Contribution Bank Book

This book will be maintained to record the following: —

- a) All the inward remittances of local contributions including cheques/drafts received towards campaign, special collections, donations etc.
- b) All the disbursements made to the CC and towards charity grants
- c) To reconcile the closing balance in the Bank day after day

47.2 Local Contribution Ledger

This Ledger will be maintained to reflect the status of local Funds. This ledger will contain the following transactions.

- a) Amount received towards campaign, special collections, donations etc.
- b) Amount disbursed out of local funds
- c) Balance available or deficit in the funds account

4.8 Depreciation

Depreciation will be provided in order to achieve the following objectives:

- To ascertain the true surplus
- To show the asset at its fair value
- To present a fair and the picture of the financial status
- To provide for replacement of the depreciation asset Depreciation will be a non-cash expenditure of MVSS. It is allowable expenditure under the Income Tax Act.

4.8.1 Method of providing depreciation

The following will be some of the methods of providing depreciation

- Straight Line Method
- Written Down value Method

MVSS Governing Body in its meeting of August 2003 has decided to follow the Written Down Value Method for the last 10 years. The rate prescribed by the Income Tax of the respective year will be taken/ charged for calculating depreciation. Assets purchased prior to 10 years of period will be taken as purchase in the 10th year and calculations will be done on that basis.

4.8 Fixed Deposit Ledger

This Ledger will record entries relating to Fixed Deposits made out of foreign/local contribution with the date of deposit Principal amount, interest received, period of deposit and maturity date, Bank wise.

4.9 Maintenance of Bank Accounts

MVSS will maintain exclusively a separate bank account for operating Foreign Contribution and separate bank account or accounts for operating local funds and also Government Grants.

4.10 Bank Account for Foreign Contributions:

This bank account will be the account officially approved by the foreign contribution Regulation Act Division of the Ministry of Home Affairs, Government of India, while granting registration to the organization under FCRA. This account will contain only the transactions relating to foreign contributions. All inward remittances of foreign contributions will be deposited and en-cashed through this bank account. No local funds will be remitted into this account under any circumstances.

4.11 Receipt of Foreign Contribution

All the receipts of foreign contributions will be credited into the Foreign Contribution Bank Account against which official receipts will be issued to the Donor Agency. No other receipts will be paid into this bank account under any circumstances.

4.12 Payments out of Foreign Contribution

Payment out of foreign contribution will be made for the following purposes:

- a) Disbursements to project holders
- b) Drawing for administrative expenses of MVSS

4.13 Bank Account for Local Funds

MVSS will maintain as many bank accounts as it may require for operating various local funds like Campaign fund, special collections, Government Grants, donations etc.

MVSS will open or close such bank accounts from time to time with the proper resolution of the Governing Body.

4.14 Bank Reconciliation Statements

The Finance Department will prepare a bank reconciliation statement every month which will be certified by the Head of the Department and attached to the monthly management report described elsewhere.

The correction, rectification entries required will be passed on or before the first week of the next month.

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

- a) Bank charges debited by the bank are not immediately entered in the books of MVSS.

- b) When cheques are being deposited, MVSS 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 cheques.
- c) When cheques are being issued, MVSS will record it as payment but until each 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 MVSS
- 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 MVSS are passed only after receipts of the bank advice

4.14.1 The Finance Department will maintain an inward remittance List exclusively for foreign contribution received in the given format:

MANAV VIKAS SEVA SANGH

Inward remittance list for.....

VR.NO	DATE	CR ADVICE	PURPOSE	DONOR	CURRENCY	TOTAL	RATE

4.15 Cash Flow Projection Cash Flow Statement

The Finance Department will prepare a cash flow projection report at least every quarter to serve the following triple purpose:

- a) To make the best investment decisions for the funds of MVSS.
- b) To ensure that there is smooth flow of cash receipts and payments.

c) To avoid any cash crunch/deficit situation.

In order to prepare a scientific cash flow projection report, the Finance will take the assistance of other departments like Programmes Department or HR & Administrative.

The Cash statement presents the flow of Funds of the reporting period that has just expired. The purpose of this statement is to compare the actual transaction with the projection referred to in the previous month and to make any such adjustments as may be required in the coming months. The Cash flow projection report of the departments will be in the given form:-

Receipts	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March	Total
From CARITAS													
OTHERS													
LESS													
PAYMENTS													
BALANCE													

The pattern of disbursements of the previous months or the same period in the last year or past years may be considered. The administrative expenses will be taken into account.

4.16 Maintenance of Financial records and Documents

Maintenance of proper financial records and documents on a daily basis is a good accounting system. Any transaction at 1GSS must be supported by certain valid documents e.g. vouchers, receipts etc. These will be known supporting documents and they are an integral part of any accounting systems.

NOTE: Supporting Vouchers to be attached wherever applicable. (This side to be filled in on the last page of the claim only)

4.17. Maintenance of Files

A good filing system is an integral part of the accounting systems of any organization.

4.18. Following files will be maintained in MVSS:

1. Voucher file for cash book
2. Voucher file for petty cash book
3. Voucher file for journal register
4. A separate bank file For each bank account
5. Receipts file/book
6. Fixed Asset tile/register
7. Fixed deposit tile
8. Management reports monthly)
9. Financial statements
10. Audited accounts
11. Budget file
12. Separate files for each CC
13. Income Tax Files
14. Programmes files for different grants
15. Salary file/Staff file

Some of the above files will be permanent documents and certain others will be non-permanent records.

4.19. Fixed Assets- Purchase/ disposal procedure

Purchase Procedure

- Assets which have to be purchased will be approved in the budget.
- 2. In case it is not budgeted, rational/justification for urgency of such purchase has to be given.
- 3. Three quotations to be obtained from different vendors to ensure cost effectiveness and utility (cost benefit analysis).
- 4. Identification of vendors from whom to purchase and its terms of reference such as payment terms, delivery details, guarantee period, services available, AMC etc.
- 5. Proper authorization' approval for purchase from ED (if needed ED can refer the same to Purchase Disposal Committee for their recommendation).
- 6. After purchase/installation, proper identification mark (asset number) will be put on the asset by the finance department.

Sale Procedure

1. Reason for disposal write off the assets, possibility for further utilization at different location or with some modification/repair etc.
2. Recommendation of the purchase and disposal committee if Executive Director has referred the matter to the committee.
3. Approval For the disposal/write off from the appropriate authority/ED.
4. Calculate the estimated present value of the assets and comparison with Written down Value (WDV).
5. Fixing reserve price.
6. Calling/ scrutiny for tenders/auction of assets.
7. Collection of sale value
8. Depositing the sale proceeds in the MVSS account.

For any other purchase over the amount of Rs 1, 500. Which is not of the fixed assets nature, acquisition of three quotations will be mandatory.

4.20. Documentation of Fixed Assets:

Fixed assets can be classified into two types

1. Immovable e.g. Land, Buildings

2. Movables (e.g. Vehicles, Furniture. Equipment)

The following documents relating to Fixed Assets will be properly preserved at MVSS:

Immovable Assets:

a) Land (Free hold)

- Original Sale Deeds
- Parent documents
- Sketch of the property
- Encumbrance Certificate
- Legal opinion as to the title of the property
- Land Tax receipts, if any
- Patta/katha

In the case leasehold land the lease agreement document will be preserved.

b) Building

- Purchase of Building:
- Original Sale deed
- Parent documents
- Sketch of the land and building legal opinion

- Patta/katha
- Property tax and land tax receipts

c) Constructed Building

- Building plan approved by the Government
- Valuation report from an approved valuer as to the value of the building

Movable Assets:

a) Vehicle

- Invoice
- Registration document of the vehicles
- Road tax
- Insurance

b) Other assets

- Cash bills
- Invoice
- Cash Receipts

4.21. Allocable Interest

All the interest earned/received by the Society on its investments will be collected in a Pool Account called “Allocable Interest Account” and subsequently will be allocated quarterly to different Funds proportionately on the basis of their monthly closing balances.

4.22. Preservation of Financial Records

The financial records will be preserved and made available for verification by the Governing Body, members of the Organization, the funding agencies, auditors and Government authorities.

CHAPTER 5

REPORTING AND MONITORING

5.1. Reporting

Reporting is a process through which MVSS 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 or not activities which had been planned have been carried out. Whether there have been any deviations and whether there are high standards of efficiency and accountability or not.

There are several ways of reporting depending on the different types of organization and the sort of information they need. The following reporting protocol will be in practice at MVSS:

- a) Reporting to the GB/ Donors
- b) Reporting to the Executive Director
- c) Reporting to the Government
- d) Reporting to the public at large e.g. by publishing an Annual report.

5.1.1. Reporting to the Governing Body/Donors

The following will be the common reports submitted to the Board:

- a) Financial Management Information System
- b) Half Yearly Financial Report
- c) Annual Financial Report
- d) Legal Compliance Status Report
- e) Projects Status Report Budget Comparison Report
- g) Investment Status Report
- h) Donor Agency Status Report
- i) Management letter from statutory auditors.

a) Financial Management information System

MVSS will employ certain tools to monitor the improvements made and future plans for further improvement of the MVSS Financial Management. A close monitoring will be done to review and further simplify and ensure compliance of all the necessary activities. This will be prepared and reported periodically.

b) Half Yearly Financial Report

Boards of MVSS will meet at least once in every six months during the fiscal year. In such half yearly meeting the following reports will be prepared and presented by MVSS for the review of the Board

- Receipts & Payments Account
- Income & Expenditure Account
- Balance Sheet
- Legal Compliance Status Report
- Project Status Report Budget Comparison Report
- Investment Status Report

c) Annual Financial Report

As per the legal requirement, MVSS will present its audited financial statement in the Board meeting after the end of the fiscal year and adopt the same before filing it with the appropriate Government Authorities.

The Board will review the following reports:

- Audited Financial Statement including :-
 1. Receipts & Payments Account
 2. Income & Expenditure Account
 3. Balance Sheet
- Utilization Status Report for the purpose of Income Tax (85%)
- Legal Compliance Status Report
- Annual Budget Comparison Report
- Project Status Report
- Investment Status Report

d) Legal Compliance Status Report

This will be a report that informs the Board whether MVSS has complied with the necessary law e.g. filing the Income Tax Returns, reporting to the Ministry of Home Affairs under FRA etc.

If there is any action against MVSS by the Government it will be reported to the Board. Information will not be purposely concealed from them. If there is any violation of the law, then it will have serious implications and will cause immense damage to MVSS.

e) Project Status Report (Project Placement Planning)

In case MVSS operates many programs simultaneously, it will be important for the Chief Functionary as well as Board to understand the status of the stage of each program. This report, therefore, gives clear details about each program at any particular point of time.

Reconciliation between agencies balances will be carried out through a proper system. Further, reports on administrative expenditure in each project or programme will be submitted.

f) Budget Comparison Report

A budget is financial plan and hence it needs to be compared with the actual financial statement periodically (monthly, quarterly, half yearly or annually). A Budget Comparison Report is a tool to assist in the above process, in order to monitor systematically.

g) Investment Status Report

MVSS will make different types of investments. Funds will be invested in a creative manner and then be measured in terms of capital appreciation, safety, liquidity and rate of return, (hereby, improving the resources of MVSS effectively and efficiently).

h) Donor Agency Status Report

Donor agencies prescribe different types of reports. It will be for the Board to ensure that the reports prescribed by the donor agencies are complied with MVSS will

develop a calendar for reporting to donors and incorporate the same with the financial calendar in practice.

Quarterly monitoring will be maintained in order to ensure a regular review of the captivities of MVSS. It will enable MVSS to take the necessary corrective activity for any deviation from the actual plan before it is too late. It will be too late to take nay corrective action at the end of the fiscal year and a review after the end of the fiscal year serves no purposes at all.

i) Management letter from statutory Auditors

The statutory auditors will provide a management letter with advice and give recommendation for improving the financial practices of the organization. The board of MVSS will ensure that the recommendations are discussed and a specific time plan is drawn for implementation.

A recommendation closure document will be prepared as to number of recommendations implemented, which is also intimated to the statutory auditors and the Financial Advisor.

Grant completion Report to Donor Agency

Once the accounting period is over within a period of (months the Completion Report will be sent to the donor agency.

For finalizing the completion report the following documents will be taken into account:

- a) Audited Statement of accounts for the whole programme period or Utilization certificate liar the completed programme.
- h) Completion Report of the programme by the Legal Holder.

5.1.2. Reporting to the Executive Director

While it will be the Board, which frames Board policies, it is the Executive Director who will implement such policies and take care of the day-to-day affairs of MVSS. Therefore, these reports will be required for the Executive Director more frequently than they are required by the Board.

Reporting and monitoring at MVSS will have two important functions, which will be 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 will facilitate taking note of any deviation from what has been planned or budgeted and enable corrective action before it is too late.

5.1.2.1 Monthly Management Reports

The following reports will be submitted to the management to ensure reporting and monitoring effectively.

i) Monthly financial Report

- a) Receipt and payment Account
- b) Income and expenditure account
- c) Balance sheet

ii) Budget comparison report

iii) Investment Status Report

iv) Donor Agency Status Report

v) Bank Reconciliation Statement

It will be the responsibility of the Senior Finance officer to prepare, certify and present the report. The above reports will be submitted on or before the 5th day of the following month.

5.1.2.2. Budget Comparison Statement

This statement will reflect the budgeted income and expenditure (department /region wise) as against the actual for the month and the deviation, if any. It will be an important tool for the management to ensure that the income and expenditure are adhered to the budget planned and approved. This will be made on the basis of cost

centers and expenses heads as approved by the Governing Body, which is reconciled with the total approved budget and actual expenses incurred.

5.1.2.3. Utilization percentage of expenses for the purpose of Income Tax

MVSS will spend 85% of its income during the year towards its various objectives. If the same is not spent by MVSS it will take recourse to other possibilities of obtaining exemptions by accumulating the income to be spent in the next or in the succeeding years. However, it is to track the above information on a monthly basis so that towards the end of the year MVSS does not face a situation of non-compliance of the Tax Laws.

5.1.2.4 Schedules to Balance sheet

This will be the summary of transactions, which have taken place during that financial year in that particular fund. MVSS will prepare Schedules to balance Sheet on monthly basis, half yearly basis and annual basis. This will give us in idea of how transaction in a particular fund has affected the balance of that fund appearing in Balance Sheet in a particular period.

5.1.2.5 Ledgers

Ledgers are the details of the transactions of each account head giving full details of all the transactions with their related effect over the balance of that particular account head.

The print out of ledgers will be taken from the tailor made software programme of MVSS Accounting System on periodical basis (monthly, half yearly, annually).

5.1.3 Annual Financial Statements Separately for Foreign Contribution and Local Contribution and Consolidated Statements

MVSS will prepare a separate set of financial statements for submission to FCRA Department of the Ministry of Home Affairs as follows:

- a. Receipts and Payments Account
- b. Income and Expenditure Account
- c. Balance Sheet

d. Form FC 3

MVSS will also prepare another set of financial statements including the foreign contributions and local contributions as follows:

- a) Receipts and Payments Account
- b) Income and Expenditure Account
- c) Balance Sheet

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

- I. Submission to the Income Tax Department
- 2. for filing returns to the Registrar of the Society
- 3. For obtaining various Income Tax Exemption U/S 80G, 10 (23) © etc.

5.2 Monitoring

There will be various levels of monitoring depending on the relationship of the people connected to MVSS e.g. the board will be the first level of monitoring authority being the legal body which will be accountable and fully responsible for all the good deeds and misdeeds of MVSS. Similarly, the Government, both at the State and Central levels, monitors the activities of MVSS through various laws which cover MVSS e.g. FCRA, taxation etc.

Reporting & Monitoring are the two aspects — to whom we are reporting, he is monitoring through the same tools of reporting. e.g. Finance Department is reporting through monthly financial statements and Executive Director is monitoring through monthly financial statement.

CHAPTER -6

INVESTMENT OF FUNDS

6.1 Introduction

MVSS will deal with funds received for carrying out their various objectives and goals. They receive funds for various purposes:

- a) For operating expenses
- b) For specific or designated funds e.g. Training and Orientation, Rehabilitation etc.
- c) Corpus Funds

6.2 Planning for investments

MVSS will employ a good investment policy in order to ensure that the funds are invested in the most elective and efficient investment options. Interest earned from these investments will be re— allocated to the respective funds at the end of every quarter based on their proportionate average monthly balances.

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

- a) Nature of funds available for investment in short term deposits and long term deposits
- b) Time plan for implementation of the projects for which funds are received.
 - i) MVSS will ensure conformity and stability by developing a healthy economy
 - ii) Avoid financial crisis
 - iii) Avoid high independency and insecurity

6.2.1. Investment Policy

The MVSS Investment Policy will be framed on the guidelines of the following example:

MVSS has investment of Rs.XXX crores/million approximately as on 31.03 .20XX. These are in the form of fixed deposits with the banks for periods ranging from XXX days to one year depending on the nature and the requirements of the funds for disbursement. The investments are with the Nationalized Banks and the reputed Foreign Banks.

Investments of funds will be carefully studied and then invested as regards to the safety and high returns from the banks.

MODALITIES OF INVESTMENTS

1. The terms of investments will be indicated as follows:

Long term - 2 to 6 years

Medium term - 1 to 2 years

Short term - upto 1 year

2. Short-term investments will be kept flexible for liquidity required for working fund. It will be proposed and recommended by the Finance Officer and decided by the Executive Director every month and will be informed to the F&P for their comments.

3. Long term and Medium term investments will be sent to the Society Treasurer for his recommendation based on the following criteria: always subject to compliance with the requirements of law.

a) Safety

b) Liquidity

c) Return on investment

d) Ethics

e) Term in relation to purpose of the fund.

4. The statement of investments will be presented to the Finance Committee with its recommendation to the Governing Body.

7. Period

5. The investments will be in the following modes depending on the safety from time to time:

+ Fixed deposits

+ Bonds

6. Investments will be made properly identifying the funds available for investing in such a manner that it will not cause any delay for program implementation or administrative operations.

6.3 INVESTMENT REPORTS

The finance department will prepare investment Reports (Fund wise and Bank wise) on a monthly basis and present the same to the Executive Director along with the monthly management report. The format will include the following information besides having the name of the fund for which the amount is available for investment:

1. Serial No.

2. Bank's Name

3. FD Number

4. Date of Deposit

5. Date of Maturity

6. Rate of Interest

8. Amount Deposited

9. Interest

10. Amount on Maturity

Annual investment report will be prepared and the same will be presented to the Governing Body after periodic audit.

Chapter 7

LEGAL COMPLIANCE

7. Foreign Contribution (regulation) Act, 1976

MVSS is governed by the provisions of the FCRA 1976. This is an important legislation, which can have far reaching repercussions on MVSS if the provisions are not strictly adhered to.

Among other provisions, this Act requires MVSS to comply with the following:

1) Registration under the Act

MVSS is duly registered under the FCRA. Registration no. is NO. XXXXXXXXXXXX dated XXXXXX

2) Maintenance of Bank Accounts

This Act requires that MVSS maintain only one bank account specified in the Certificate of Registration for Receipt and Utilization of foreign contributions. MVSS maintains the above bank account with the IOB bank, bearing account with IOB for administrative expenses.

3) Disbursement to the Project Holders

While making disbursement to the project holders MVSS will ensure the following:-

- a) The recipients/ project holders are duly registered with the Ministry of Home Affairs under FCRA.
- b) The Recipients/project holders agree to encase the disbursement in approved bank account for receiving the foreign contribution.
- c) The Recipients/project holders agree to provide such returns to MVSS as may be required
- d) The objective for which the recipient is receiving funds from MVSS is not different from the objective of MVSS itself.

The above terms and conditions are agreed upon by MVSS and the project holder in a duly documented contract agreement named Letter of Offer.

7.1. Reporting to Ministry of Home Affairs through Annual Report in Form FC-3

- ✚ The annual Report in the form prescribed by the Government viz Form no. FC-3 will be prepared for the fiscal year ending on 31st Marc of every year and will be filed with the Ministry of Home Affairs on or before 31st of July after the end of the fiscal year.
- ✚ Change of name of the Organization, address, its registration ,its nature , its aim and objective will be informed to the Ministry of Home Affairs within 30 days of the change taking place
- ✚ Change of designated bank account needs prior permission of the Ministry of Home Affairs
- ✚ If at any point of time, 50% or more of the office bearer are changed at a time, the organization will not accept foreign contribution till the permission is granted by the Ministry of Home Affairs for the above change. In the meanwhile if the organization wants to accept foreign contribution, it will do so after obtaining prior permission

The annual report stated above will contain the following:

- Form FC-3 prescribed by the government signed by the Chief Functionary and Certified by the Auditor.
- The Audited Receipts and Payment Account
- Audited Balance Sheet

7.1.1. Respond to any of the queries from the Ministry of Home Affairs

After submitting a timely report to the Ministry of Home Affairs, it is possible that MVSS will receive some communication requiring certain explanation and clarification. In the event of any receipt of such communication, the head of department of finance will immediately take note of issues, promptly respond and after the approval of the executive officer, file the same with the Ministry of Home Affairs before the due dates. Any delay in filing the annual report or responding to the queries shall entail great risk.

7.1.2. Income tax act

MVSS is a charitable and non profitable organization having exemption from the income tax act 1961. MVSS will file an annual return on or before 31 October of the calendar year for the fiscal year of March of each year.

7.1.3 Annual return to the income tax department

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

- A. Form 3A provided by the income tax department
- B. Audited Financial Statements
 - Receipts and payments accounts
 - Income and expenditure accounts
 - Balance sheet
- c. Audit Report in form 10b certified by the auditor
- d. Certificate of Income and Utilization u/s 11
- e. Copy of certificate of registration under section 12a
- f. List of original subscribers to the moa
- g. Latest Governing Body Members List
- h. Copy of PAN certificate

The finance department will be alert in order to do the filling to the Income Tax Department on date otherwise, non-filing of the Income Tax Department returns attracts penalty at the rate of 100/-per day for the period of delay.

7.1.4 Tax deducted at source

From salaries etc.

The income tax act requires MVSS to deducted tax at sources from salaries paid to the staff.

- Such tax deducted at sources will be paid to the central government on or before the 7 of the succeeding month in Challan no. 9
- Annual return for tax deduction from salaries will be filed in form no.24 on or before 31 may
- MVSS will issues a certificate to all concerned staff for deduction /non deduction of the tax in form no.16 within one month from the closure of the financial year.

Tax deduction at source on payments to contactors

Payments to contractors and sub contractors include payments for any work including supply of labor for carrying out any work in pursuance of a contract between the contractor and MVSS. Payments will also include the advances made towards bills and mobilizations advances. Payments to contractors will be from any sources whether local or foreign contributions. However, payments will not include the amounts paid for material like cement, bricks etc. if the bills for the material are in the name of the institutions.

Rate of tax

Tax will be deducted @2% on payments to the contractors and @1% from the payment to the sub contractors.

Tax will be deducted only from payments exceeding Rs.20,000/- on a particular contract. Therefore on contracts whose value is below Rs 20,000/- there is no need to deduct tax at sources.

Tax deduction on payments of fees for professional services /technical's services

Payments of fees to professionals or technical services exceeding RS 20000/- per year are subject to tax deduction at the rate of 55 of the fees paid.

Professional services include professions such as legal, medical, engineering, architecture, accountancy, technical consultancy, interior decoration, advertising and such other profession identified from time to time.

Tax deduction on payments of rent

MVSS will deduct tax at sources on all the rent paid exceeding 120000 /- per year 15, 20%.

After deducting the tax the same will be remitted into a bank through a Challan provided by the income tax department to the credit of the central government.

Therefore, a certificate to the contractor in Form No. 16A will be issued.

Annual returns

The Annual return in Form no. 26 will be filed on or before 30th of June, for the fiscal year ending on 31st of each year in the case of TDS deducted on the payments made to contractor, professional, technical services and rent payments.

7.1.5 Issue of TDS Certificates

MVSS will issue the TDS Certificates to its employees/ contractors/ Sub-contractors/ Professionals/ Other parties etc. for deduction of tax at source in Form 16/16A, as prescribed by the Income Tax Act, 1961.

7.1.6 Notice from the Income Tax Department

Any notice received from the Income Tax Department regarding the income tax hearing by the income tax office, income tax appeals, income tax appellate tribunal or high court or any other tax authority will be taken seriously.

The Head of Finance Department will take charge of any such notice on issue and contact the Auditor or Tax consultant and attend to the issues till the appropriate completion and end result, as any violation or non-response to the Income Tax Department will entail great risk to MVSS.

7.1.7 Societies Act

MVSS being registered under the Societies Regulation Act XXI of 1860, under Society Registration No. _____ of _____, is covered under the Punjab Amendment Act of 1957 and is governed by the provisions of the above Act.

7.1.8 Annual Return

MVSS will furnish the annual return to the Registrar of the Societies on or before 31st of January giving details of the office bearers of the Organization.

7.1.9 Intimation of change in members/ office bearers

This will be the responsibility of the Executive Director's office and not of the Head of Finance.

7.1.10 Maintenance of Minutes Book

This will be the responsibility of the Executive Director's office and not of the Head of Finance.

7.1.11 System for Tracking Legal Compliance

The finance Department will introduce and maintain a register to record the various notice received from the government Department like Income Tax, FCRA and Societies. Provident Fund etc. wherein details for compliance will also be complied by the Finance Department for efficient work and tracking.

CHAPTER 8

AUDIT

8 Definition of an Audit

An audit at MVSS will be a systematic review of the financial transactions. It will involve an examination of the validity of supporting documents and the certification of:

- a. The Financial Statements
- b. The various reports for legal compliance such as FC-3 for FCRA.
- c. Audit Report in Form 10B under the Income Tax Act etc.

The auditor will present 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 audit will safeguard the accountability standards of MVSS and will certify the authentic financial status of MVSS and will point out, if there are any deficiencies, mal practice or frauds. It will thus build confidence in the minds of the people connected with MVSS whether they are Board Members, beneficiaries or the public. It will also be a means for legal compliance.

8.2 Definition of an Auditor

An Auditor is a person who is qualified as a Chartered Accountant within the meaning of the Chartered Accountant Act 1949. Only a person who is approved by the Institute of Chartered Accountants of India as a practicing auditor can certify the financial statement of MVSS.

A person who is qualified but not approved by the Institute of Chartered Accountants to practice cannot be a practicing auditor.

Any certification to the Government or funding agencies has to be obtained only from a qualified and practicing auditor. If it is certified by anyone else it cannot be an audited statement.

8.3 Responsibilities of Auditor towards MVSS

MVSS will ask for the certification of the following from the auditor:

- Certified Financial Statements.
- Receipts & Payment accounts for the financial year ending.

- Income Expenditure Account the financial year ending.
- Balance Sheet as at the end of the year.

8.4 Preparations for Audit

The auditor will be appointed by the General Body as provided in the constitution of MVSS once in every years to audit the accounts of MVSS.

The auditor will be provided with a specific scope of work and the same shall be agreed upon and documented.

Time plan

A proper time plan will be discussed and agreed by the management with the auditor so that the audit work is completed in the most effective manner.

Books, Records and Statements

MVSS is to submit the appropriate books, records and reports for audit.

Among other things, the following must be submitted for audit:

- a) Books of accounts updated and closed
- b) Vouchers and other supporting documents
- c) Talled Trial Balance
- d) Talled Financial Statements- Receipts and Payment Accounts; Income & Expenditure Account; Balance Sheet
- e) Bank Reconciliation Statement

Certificates

MVSS will also provide the following certificates:

- Certificate for cash in hand at the end of the financial year i.e. 31st March
- Certificate for investments like fixed deposit held at the end of the financial year with complete details
- Certificate for enclosing stock, if any, at the end of the financial year with complete details
- A Bankers certificate at the end of the financial year confirming the cash at bank
- A certificate that the fixed assets of MVSS have been physically verified and any discrepancies have been dealt with by MVSS

8.5 Issue of Management Letter

After completion of audit of a particular audit period, Auditors issue a letter to the management of MVSS highlighting main area of focus in which attention of the management is required. In this report, any pending work, non-compliance or any other suggestion by the auditors to the management is given.

8.6 Audit Report

The auditor will provide MVSS the following reports:

- A quarterly, six monthly report as required by MVSS
- An Annual Report as of 31st March of every year
- The Audit Report shall consist of the following: Financial reports including Balance Sheet, Income & Expenditure and Receipts & Payment Account.

8.7 Review of the Audit Report / Management Letter/ Secretariat Comments

The Finance Department will review the Audit Report and prepare such replies/comments to be placed before the F&P/ Governing Body.

Meetings and the Auditor

A. Annual General Meeting/ Governing Body meeting

MVSS will invite the auditor to attend these meetings, present the audit report and clarify any queries raised by the members. This practice will instill confidence in the minds of people connected with MVSS.

B. Half Yearly Board Meetings

It will conduct frequent meetings of the Board, at least on a half yearly basis where half yearly financial statements will be presented. The auditor will be requested to attend as many meetings as necessary.

Above practices will be employed at MVSS so that:-

- ✚ The audit work will be completed in the least time with the highest quality
- ✚ The required returns will be filed with the Government and its agencies within required time limits.

Possession of Original Documents

MVSS will retain in safe custody all original documents including the following:

- Memorandum of association and bye-laws
- Certificate of Registration of Society etc.
- Certificate of Registration u/s 12 A of the Income Tax Act
- Certificate of exemption u/s 80G of the Income Tax Act department along with the statement of income
- Assessment orders issued by the Income Tax Department on completion of assessment
- Certification of Registration under FCRA
- FC-3 certificate along with the acknowledgement of having filed it with the Ministry of Home Affairs
- In the case of different deposits (rent, telephone etc.) or cheque books/pass books of the CC, that will be kept in the safe.

8.9 Change of an Auditor

The procedure to be followed for change of an auditor is as follows:

- a) Identify a new auditor with experience of FCRA, 1976
- b) Pass a resolution at the General Body Meeting / Governing Body Meeting or such other meetings of the appropriate body to appoint a new auditor
- c) Issue an appointment letter with a clear scope of work and the previous auditor's name and address and obtain the acceptance of the new auditor.
- d) Inform the previous auditor for the sake of courtesy though it is not obligatory
- e) It is the responsibility of the newly appointed auditor to inform the previous auditor.

FINANCIAL CALENDER OF MVSS

S.NO	NATURE OF DEADLINE	DATE
