



Finance Manual 2014

Finance Manual of DFY 2014

This finance Manual includes sections on:

- Financial accounting routines
- The Chart of Accounts and cost centre codes
- Delegated authority rules (ie who can do what)
- The budget planning and management process
- Procurement procedures
- Bank and cash handling procedures
- Financial reporting routines and deadlines
- Management and control of fixed assets
- Staff benefits and allowances
- Annual audit arrangements
- How to deal with fraud and other irregularities
- Code of Conduct for staff and board members.
- Procurement Policies

This Finance Manual also includes some Finance Manual materials such as:

- Organisation Chart
- Job Descriptions
- Standard forms.

TABLE OF CONTENTS

1	Introduction	6
1.1	Introduction	6
1.2	Abbreviations	7
2	Section 1 : Finance	8
2.1	<i>Introduction</i>	8
2.1.1	Definitions	8
2.1.2	Financial Principles.....	8
2.1.3	Practices and Procedures.....	9
2.1.4	Periodic Routines	9
2.2	Definitions	9
2.3	<i>Financial Principles</i>	11
2.3.1	Standard of accounting	11
2.3.2	Taxation.....	11
2.3.3	Currency	11
2.3.4	Efficient and Effective Stewardship	11
2.3.5	Bribery.....	11
2.4	Practices and Procedures.....	12
2.4.1	Financial Reports and Lines of Responsibility	12
2.4.2	Financial Reports.....	14
2.4.3	Assets or Stock Quantity Check Counts	14
2.4.4	Debtors and Prepayments	15
2.4.5	Bank and Cash	16
2.4.6	Creditors and Accruals	20
2.4.7	Currencies and Exchange Rates	22
2.4.8	Income Transactions	22
2.4.9	Expenditure Transactions	23
2.4.10	Period End Procedures.....	24
2.4.11	Other Matters	27
2.5	Periodic Routines	30
2.5.1	Programme Knowledge.....	31
2.5.2	Funds Management Procedures	32
2.5.3	Checklist	34
3	Section - 2 Internal Control	35
3.1	Introduction	35

3.2	“Basics” of Financial Internal Control	35
3.2.1	Minimum Internal Control Processes	35
3.3	Annual Report to the Board	37
3.4	Audit.....	38
3.4.1	External audit.....	38
3.4.2	Internal audit.....	38
4	Section - 3	39
	Board Policy Statements – Chief Executive	39
	Empowerment Policies	39
4.1	Introduction	39
4.2	DFY Board Policy Statements - Chief Executive Empowerment	40
4.2.1	Policy 1: Finance.....	40
4.2.2	Policy 2: Operational and Financial Planning.....	40
4.2.3	Policy 3: Financial Condition – Operational Funds.....	40
4.2.4	Policy 4: Asset Protection.....	41
4.2.5	Policy 6: Capital Expenditure	41
4.2.6	Policy 7: Activities & Investment Policy	41
4.2.7	Policy 8: Restricted Funds	42
4.2.8	Policy 9: Tax Laws.....	43
	<i>A. Tax Exemption</i>	<i>43</i>
	<i>B. Value Added Tax.....</i>	<i>44</i>
	<i>C. Tax Deduction for Donors.....</i>	<i>44</i>
	<i>D. Reporting foreign contributions.....</i>	<i>46</i>
	<i>E. Custom Duty.....</i>	<i>46</i>
	<i>F. Double Tax Duty</i>	<i>47</i>
4.2.9	Policy 10: Internal Financial Control	46
4.2.10	Policy 11: Operation of Bank Accounts.....	47
4.2.11	Policy 12: Internal Borrowing.....	47
4.2.12	Policy 13: Risk Management and Control	47
4.3	Chief Executive Empowerment Monitoring Timetable	48
5	Section - 5 General Insurance	49
5.1	Introduction	49
5.2	Motor	49
5.2.1	Liability Insurance	49
5.2.2	Loss or Damage Insurance	49

5.3	Premises.....	50
5.3.1	DFY owned Premises.....	50
5.3.2	Premises rented to DFY.....	50
5.4	Contents.....	50
5.5	Cash.....	51
5.6	Employment.....	51
5.7	International Staff (IS).....	51
5.8	Annual Report	Error! Bookmark not defined.
6	Section – 6 Legal	52
6.1	Introduction	52
6.2	Local Registration.....	52
6.3	Contracts and Agreements	52
6.3.1	Under which law should contracts be written? (Jurisdiction)	53
6.3.2	Limitations in contracts.....	53
6.3.3	Who should sign on behalf of DFY?	53
6.3.4	Safe-keeping.....	53

Doctors For You (DFY) Finance Manual

1 INTRODUCTION

1.1 INTRODUCTION

The purpose of the **Finance Finance Manual** is to set out DFY's principles, policies and practices on those matters, which affect the "business" of the organisation. It includes the "how to do it" as well as the "why we do it".

- The principles are the concepts which DFY has adopted for undertaking its various activities;
- The policies are the reason why we do things the way in which we do; and
- The practices are how we do things on a day-to-day basis.

The over-riding purpose of the DFY Finance Department is **to monitor and**

protect the financial and legal health of DFY

Similarly the over-riding purpose of each Programme Finance Department must be **to monitor and protect the financial and legal health of the programme in conjunction with the Programme Manager.**

The financial health of DFY or a programme is protected if:

- It is “living within its means” – i.e. at all stages the financial reports indicate at least a break-even result for the year (for programmes and departments, taking into account the “grant” from DFY central funds);
- It complies with DFY income and expenditure policies in respect of all capital and revenue transactions; Its internal control is documented and control procedures evidenced;
- Its debtors are within the limits set by the Empowerment Policies;
- Its inventory is within the limits set by the Empowerment Policies;
- Its cash and bank balances are within the limits set by the Empowerment Policies;
- Its creditors are paid by the due dates;
- Its accruals and prepayments are accurately calculated;
- The financial reports are prepared to reflect the current and future impact of all known factors, are clearly explained in the narrative pages and are submitted on a timely basis;
- All agreements and contracts are documented, recorded and regularly reviewed;
- Its local registration is relevant and correct and it complies with local business, currency and employment legislation.
- All other DFY Board Policies are complied with – asset protection, investment and treasury and fund accounting.

This Finance Manual sets out how we can achieve these over-riding aims.

1.2 ABBREVIATIONS

DFY	Doctors For You
Board	The Board Members of DFY.

ET	Executive Team
SMT	Senior Management Team
CEO	Chief Executive Officer
PFD	Programme Finance Department

2 SECTION 1 : FINANCE

2.1 INTRODUCTION

The Finance section of this Finance Manual book sets out the principles and practices used within DFY for handling money, recording transactions, exercising control over financial matters and reporting.

2.1.1 Definitions

Definitions of the main terms used in the Finance Manual are set out below.

2.1.2 Financial Principles

The financial principles are the financial framework within which DFY operates

2.1.3 Practices and Procedures

The financial practices and procedures are the methods by which DFY programmes and departments operate financially. Although there is some flexibility each programme and department **must** operate these practices and procedures. They have been developed from experience and in discussion with finance managers. They are designed to keep DFY systems as simple as possible.

2.1.4 Periodic Routines

The periodic routines are established as a part of the DFY internal control system. They are designed to ensure that DFY operates financially and legally as efficiently and effectively as possible.

Internal control checks are required for the protection of DFY and for the protection of staff who work in those departments where money is handled. Where systems are seen to be working and where checks are seen to be exercised, staff are protected from suspicion should things go wrong.

The stated systems and internal control checks are mandatory.

2.2 DEFINITIONS

Capital Fund (The)	<i>A designated fund made up of the fixed assets and the funds for the replacement of depreciating assets.</i>
Depreciating Assets	<i>Fixed assets, which are assumed to depreciate with use. These include vehicles and equipment, but exclude land and buildings.</i>
Designated Funds	<i>Unrestricted funds, which have been allocated for a specific purpose by the board or by management. Such funds can be re-allocated – examples are the Capital Fund and the Self-insurance Fund.</i>
Fixed Assets	Assets, which are held for and used by DFY and are expected to last for more than one year. Pragmatically, assets costing less than a minimum level are not treated as fixed assets. At the date of this issue assets costing less than \$200 (INR 12000) are treated as <i>revenue expenditure</i> .
Operational Funds	Funds received for and used to fund DFY Operations.
Restricted Funds	Funds given for a specific purpose. Only the donor can change that purpose. DFY is thus restricted in its use of them and technically holds them in trust on behalf of the donor. Such funds include <i>fixed</i> But not yet spent. DFY is required to keep separate records of restricted funds and of any <i>fixed assets</i> bought with them. Funds given for a project will usually be restricted funds.
Revenue Expenditure	Expenditure on consumables and on assets which

Self-Insurance Fund	<p>cost less than the <i>fixed assets</i> minimum level.</p> <p>A <i>designated fund</i> set up to cover the deductible amount from any claim under DFY insurance, loss or damage to DFY owned vehicles and some locally employed staff matters.</p>
Tactical Investment Fund	<p>A <i>designated fund</i> set up to allow the purchase of a fixed asset for which no funds are otherwise Available, or to start a project prior to specific funding being available.</p> <p>Funds which the board and management are free to use in support of DFY's <i>charitable purpose</i>, without any restriction by the donor</p>
Unrestricted Funds Project Funds	<p>Restricted or unrestricted funds to meet the cost of a project. These funds are managed at DFY head quarter under the authority of the ET.</p>
Programme	<p>A division of DFY delivering mission services in a state or country</p>
Department	<p>A support department acting as part of the central function of DFY</p>
Budget holder	<p>An individual staff member who is responsible for the financial management of a department.</p>

Note: Other more specific definitions may be found in relevant sections of this Finance Manual book.

2.3 FINANCIAL PRINCIPLES

2.3.1 Standard of accounting

DFY is incorporated as registered society in Maharashtra state under society registration Act 1860 (Registration No-1695/GBBSD/2007). Its standards of book-keeping and reporting are legally prescribed.

“The board members of a charity shall ensure that accounting records are kept in respect of the charity which are sufficient to show and explain all of the charity’s transactions and which are such as to: disclose at any time, with reasonable accuracy, the financial position of the charity at that time”.

It is a principle of DFY therefore that its transactions recording and reporting will meet the legal requirements of Indian law and that the same principle will apply to any relevant financial recording and reporting requirements of the countries in which DFY operates.

2.3.2 Taxation

It is a principle that DFY its programmes and staff will pay correctly assessed tax and duty in the countries in which it operates.

The financial affairs of DFY and each individual member of staff can, of course, be arranged so as to minimise any tax assessments. DFY will not, however, evade tax.

2.3.3 Currency

It is a principle that DFY and every individual staff member abide by local exchange control regulations and that DFY does not speculate in currency dealings.

2.3.4 Efficient and Effective Stewardship

It is a principle that DFY and its programmes will operate financially as efficiently and effectively as possible, making use of relevant financial and business methods and equipment, thereby exercising the best stewardship.

2.3.5 Bribery

Under The Anti-terrorism, Crime and Security Acts of India it is an offence for an Indian national or for any company incorporated under an Indian law to bribe.

It is a policy that neither DFY nor any of its employees will make a bribe or try to make a bribe. Similarly it is policy that no person may receive a bribe, or what can be construed as a bribe, on behalf of DFY.

2.4 PRACTICES AND PROCEDURES

2.4.1 Financial Reports and Lines of Responsibility

2.4.1.1 Annual Planning Process

DFY must balance the cost of its plans with its expected income. The planning process is as follows:

- In March each year, each programme and department makes its Project plans for the following year;
- The Project plans are translated into financial plans which are passed to the Finance Department;
- All programme and department financial plans are collated by the Finance Department to provide an overall view of the forecast finances for DFY in respect of the coming year;
- The Executive Team (ET) compares the total net costs needed with the expected donations, grants, income and makes requests for changes to the individual programme and department financial plans such that anticipated income matches anticipated costs;
- The revised financial plan for the coming year is submitted to the Board of DFY for consideration and approval;
- The financial plan for the year is accepted by the Board.

The approved financial plan for each programme and department is referred to as its “Original Plan” for the year.

2.4.1.2 Programme Finances

Each programme is expected to manage its own finances. In the original financial plan for the year after the planned income is netted off from the planned expenditure the resultant deficit is matched by a “grant” from central funds. In this way a programme will financially “break even”. The Programme Manager is expected to manage the programme activity such that the result for the year will be at least a break-even position.

As a minimum, the Programme Manager, Finance Manager and one core committee / board member will form the programme finance management team but other members of the management staff may be invited by the Programme Manager to join the team. This team is responsible for ensuring that all required information is made available to the Finance Manager in a timely manner in order that the Financial Report is produced after the end of each month and passed to the Finance Department. The format for the main part of each Financial Report is defined by the Finance Department but Finance Managers may extend the reporting documents to suit the particular needs of each programme.

Each member of the programme finance management team **must** review the monthly programme Financial Reports including reports of the financial activity to date and the

forecasts to the end of the financial year. If the forecast result for the calendar year is a deficit, the programme finance management team is expected to consider revisions to the forecast for the future months. Revisions to donation / grant income, other income, direct expenses and overhead expenditure may bring the forecast back to breakeven.

If a Programme Manager is unable to revise the forecast in order that the deficit is eliminated then he should refer the problem to the Executive Team / Board members, who may be able to help in the planning or may be able to identify other funding with which to cover the deficit.

2.4.1.3 Windfall Surpluses

In the approved DFY financial plan for each calendar year every programme and department is allocated central unrestricted funds such that its total income matches its total expenditure (described here as a “break-even” position).

It is accepted that the original plans for each programme and department are an estimate of what might happen financially during the year, but the DFY consolidated plan (all Programmes and Departments added together) will show that there ought to be sufficient funds to meet the costs of planned activity during for the year.

The main reasons that may cause a deficit (i.e. where the allocated central unrestricted funds are insufficient to meet the net expenditure) to arise are:

- Any major disaster across India requiring huge funding for response
- increased operational costs;
- Overspent /under-funded projects;
- increased overhead expenditure.
- Less fund raising than expected

The main reasons that may cause a surplus (i.e. where the allocated central unrestricted funds are in excess of those needed to meet the net expenditure) to arise are:

- reduced operational costs;
- Partners cross subsidising the cost of project
- Any new Partners assistance given in kind or man power for the projects
- reduced overheads.

If a surplus is forecast the Programme Manager and the board members will analyse the source of the surplus and agree the use to which it may be put.

A surplus arising from increased income from Partners assistance or any other form and from reduced operational costs could be considered a “windfall” and would normally be used across DFY in general (for example, to meet another programme’s deficit).

A surplus arising from lower than forecast expenditure would normally be available for use within the programme. The Programme Manager & board members may decide to provide additional services within the programme.

2.4.2 Financial Reports

The following pages are **mandatory** in programme Financial Reports:

- A **narrative report commenting on the results achieved in the period to the date of the report** explaining significant variances from forecast, providing reasons for revising the original forecast for income and expenditure for the period to the end of the financial year and explaining any breach of financial constraints disclosed in the Balance Sheet.
- A report of the **results achieved for the month compared to the original plan** for the month.
- A **report of the activity** for the period from the starting month to the current month end compared to the original plan or revised forecast for that period.
- An **analysis of the actual monthly income and expenditure for the year** to date and forecasts to the end of the financial year, revised from the original plan to reflect the latest known facts, and totalled to give a revised forecast of the income and expenditure for the year and the result anticipated;
- A Balance Sheet.

2.4.2.1 Timing of Reports

The following timetable is important because it means that the Programme Manager and management team receives the financial management data in good time and that the work undertaken by the Finance Department for DFY-wide financial management is not held up:

- Each **program head / manager should submit monthly** forecasts to finance department **within 5 working days of the end of each month** at the latest.
- Each **state office should submit the all the bills & receipts with the cost centre** details for the project **latest by 1st week of every month.**

2.4.3 Assets or Stock Quantity Check Counts

DFY policy is that all the assets or stock mentioned in the assets / stock register should be physically counted and the stock record adjusted to the actual count number at least once in each calendar year. If require it can be done once every six monthly depend on the project site and nature of the project.

The **DFY financial year ends on 31 March**. Ideally those assets or stock lines that are used the most during a financial year should be counted more often.

The Programme Manager and senior admin / field officers are required to decide on the method to be used to achieve the check count of assets or stock items and two methods are suggested:

- A **regular monthly count of all assets or stock lines** such that all lines are counted once each year and the faster moving lines are counted more often; or
- A full count of all assets or stock lines undertaken **towards the end of the DFY financial year.**

Should a Programme Manager and senior admin / field staffs decided to undertake a full assets count or stock count on one date, the count does not need to be undertaken on 31 March.

The Programme Manager and senior admin staff may decide that assets or stocks are to be counted using a regular monthly count. Provided these counts are completed, documented and the documents retained for examination by the auditors, it may not be necessary to undertake a full stock count at the end of the financial year.

The assets or stocks of logistics and other items are to be recorded as close to the end of the financial year as is possible and corrected for stock received and usage between the date of the count and the end of the financial year in order to provide an accurate record of the physical stocks held at the end of the financial year.

2.4.4 Debtors and Prepayments

2.4.4.1 Debtors

Where money is owed to DFY a statement **must** be given to the concern party or partner agency or donor agency (by post, hand or email), **every month** and the client, partner, donors contacted to enquire about the date when payment may be expected.

Debtors in excess of 3 months old **must** be reviewed by the Programme Manager and Finance Manager each month and the action to be taken agreed between them.

2.4.4.2 Credit given to International Staff

Apart from vehicle loans, DFY is not able to loan money to International Staff, but pragmatically staff may be given an account with their programme to be maintained as part of the debtors ledger. This account is to be used for processing personal expenses paid initially by the programme (e.g. a telephone bill, utilities bills) or for recharging personal use of DFY vehicles and similar transactions.

International Staff **must** settle their accounts with the programme within two weeks of the month end, but larger personal expenses (e.g. personal air travel) should be settled as soon as DFY has made the commitment. Settlement of accounts should not wait until a statement has been issued.

2.4.4.3 Loans to Locally Employed Staff

It is accepted that locally employed staff (with minimum service of 2 years), may **draw a loan of up to 10% of their annual remuneration, which is to be repaid in equal instalments over the following 12 months.** The number of instalments may be reduced by a Programme Manager.

Written confirmation of the loan arrangements, signed by both the Finance Manager and the Board member, must be given to the employee and a signed copy must be held in the relevant personnel file.

Each member of local staff is entitled to receive only one loan each calendar year unless, in exceptional circumstances, additional loans are approved by the Programme Manager or Board Members. The authority for such additional loans is to be documented on the signed copy of the loan agreement filed in the personnel file.

A note of the outstanding balance should be given to the employee monthly.

2.4.4.4 Bad or "Doubtful" Debts

Outstanding balances on every debtor's ledger should be reviewed at the end of each month by the programme Finance Manager. Allocations, exchange differences, incorrect invoices, amended invoices, and other such amendments should be corrected, in order that the ledger balances reflect sums that are correctly collectible. This process must be completed every month.

Amounts unpaid which are over 3 months old should be reviewed every month by the Programme Manager and a provision created for those debts over 6 months old. The Provision for Bad and Doubtful Debts must be updated each month.

Where a debt is older than 9 months and provided the Programme Manager agrees that it cannot be collected, the Finance Manager may write it out of the debtors ledger and set it against the provision.

2.4.4.5 Prepayments

Programme monthly Finance Reports **must** be adjusted to reflect expenditure paid in advance. Such payments in advance usually relate to property rental payments, membership fees, vehicle insurance payments and other such similar expenses & contracts.

Exceptional expenditure on stationery and brochures that are printed for a specific future purpose may be treated as a prepayment in the Financial Report.

2.4.5 Bank and Cash

2.4.5.1 Bank and Cash Transactions

Each transaction into or out of any bank account, cash till or cash float must be separately recorded in the transaction records and no set off if to be undertaken.

The programme Finance Manager is responsible for ensuring that adequate controls are established over bank and cash transactions and for undertaking a periodic test count of each cash till and cash float.

A control record is to be maintained in the programme finance department of all bank accounts, cash tills and cash floats that are used. Details should be recorded of the value of each float, its holder, and the reason why each float is needed.

A **cash till** is a cash balance held in the programme finance department or another department which is established to both receive cash from sales and to pay authorised expenses.

A **cash float** is a cash balance held by a programme staff member which is established **solely for the purpose of paying authorised expenses**.

The continued existence of each float and that it remains at the recorded total value **must** be checked by the Finance Manager every three months or more often.

The amount of and purpose for each float should be reviewed every 3 months or more often to ensure that it is still necessary, adequate for the purpose intended and not excessive.

Programmes that operate in a cash-based society may not be able to use petty cash procedures for the main cash till that is usually kept in the Programme Finance Department as it will be used to receive cash from sales transactions.

2.4.5.2 *Payment Instructions to a Bank*

This section covers the signing of cheques, and other instructions issued to a bank, including approval of electronic transfers.

For DFY's security and for the protection of accounts staff all instructions to our banks **must** be signed by two people**, one of whom should be the Finance Manager/ Board member or the Programme Manager.

***Board member may decide that it is permissible for a cheque for less than \$500 (INR 30000 or currency equivalent) or a lower sum to be signed by just one person. The Board Member & /or Programme Manager may decide who is eligible to act as a cheque signatory.*

Due to the wording of the mandates given to banks in the India for the change of a cheque signatory, all such changes must be confirmed by the DFY board for Indian bank accounts.

For programme bank accounts changes to signatories must be reported to Finance Department, as required by the DFY Board.

2.4.5.3 *Cash Tills*

The main cash till used in a programme will usually be maintained in the programme finance department.

The Finance Manager (or where the Finance Manager maintains the main cash float, the Programme Manager) **must** physically count the cash:

- At the end of a day when cash has been drawn from the bank;
- On the last day of each month;
- At an unscheduled time at least once each month.

The above is the minimum requirement. Checks may be made more frequently.

The Finance Manager (or Programme Manager, see above) must check that

- all amounts drawn from the bank are included in the Telly records;
- no balancing entries have been included in the records;
- the physical cash agrees with the written record.

The reviewing manager must sign the cash count record sheet to confirm that this action has been completed. The cash count record sheet must be retained for examination by the auditors.

2.4.5.4 Cash Floats

Cash floats are specific sums issued to an individual or to a department to enable them to undertake purchase transactions under the authority of the budget holder without the need to refer to the programme finance department. Receipts of cash from sales transactions are not to be accepted in a Float. These transactions should be passed to the Programme Finance Department together with a copy of the receipt issued to the customer or client.

Floats should be kept on an “imprest or petty cash” basis:

- The value shown on vouchers for each item of expenditure and the remaining cash will always equal the amount of the float;
- At the end of each month and whenever additional cash is required, the value of the expense vouchers (signed by the budget holder with nominal codes noted on each) and the balance of the float must be checked by the Programme Finance Department. The float should be made back up to the original amount on each such occasion and the expense vouchers processed in Telly.

The holder of the float and the member of the Programme Finance Department checking the float value must sign the cash count record sheet to confirm that this action has been completed. The cash count record sheet must be retained for examination by the auditors.

The number of floats should be kept to a minimum.

A cash float should be operated only by the person to whom the float has been issued.

Holders of individual cash floats must sign an acknowledgement that they are holding and are responsible for the amount of the float at least every three months. A programme Finance Manager or Programme Manager may require this to be undertaken more frequently.

2.4.5.5 Cash in transit from the Bank

DFY operates mainly in difficult to reach terrain during emergencies and cash-based societies and it is necessary for cash to be collected from a bank to enable the payment of expenses and wages and any surplus cash may need to be taken to the bank to pay in.

Great care must be taken to observe security measures for the protection of DFY staff and the funds.

Usual security measures include:

- Staff members carrying cash not travelling on their own, having a colleague and a driver if necessary;
- Vary the route to the bank;

- Vary the time and day of trips to the bank;
- Instruct staff not to put themselves at risk to protect DFY cash.

2.4.5.6 Bank Reconciliations

DFY finance departments **must** receive a statement of transactions in each bank account every month.

The transactions on the statement **must** be reconciled with the programme finance records every month and the reconciliation documented and filed for examination by the auditors.

Any differences noted during the reconciliation process should be reviewed and the programme finance records brought into line with the bank statement where appropriate.

The reconciliation must be documented to show details of:

- Amounts banked and not shown on the statement (including the date when it was banked);
- Payments made not shown on the statement (including the date when the cheque [for example] was sent).

*Note: transactions identified from the statement (such as bank charges and interest) **must** be processed into Telly during the reconciliation process and therefore will not need to be shown on the reconciliation.*

Note: if the bank statement is received more than a day or two after the end of the month there is no need to delay the other month end procedures. Additional entries identified can be processed in the following month. There is no need to wait.

The monthly bank reconciliation for each bank account must be reviewed every month and signed by the Finance Manager (or by the Programme Manager where the Finance Manager has prepared the reconciliation).

The review must check that the:

- Bank balance shown agrees with the original bank statement issued by the bank;
- Reasons why any amounts banked have not appeared on the bank statement;
- Reasons why any cheques written have not been cleared (and consider cancelling them if necessary).

The reviewing manager must sign the bank reconciliation record sheet to confirm that this action has been completed.

2.4.5.7 Cash Flow Forecasts

The Board's Empowerment Policies limit the amount of cash/bank balance that a programme may hold. Funds not immediately needed in a programme are to be held in Central account rather than in a program account and a transfer of surplus funds is to be considered by the Finance Manager each month.

Each month the programme Finance Manager is required to prepare a cash flow forecast for the 3 months ahead. This forecast is to be presented to Finance Department together with the programme financial reports. The cash-flow forecast should include an indication of when funds transfers to or from Finance Department are anticipated.

When a transfer is sought from the Finance Department the programme Finance Manager should use the DFY Intranet Payment Request system where possible and giving 7 working days notice of the requested transfer of funds.

2.4.6 Creditors and Accruals

2.4.6.1 Purchases Ledger

Credit balances (positive balances) on the creditors' ledger represent sums payable by DFY and debit balances (negative balances) may represent deposits held by third parties on behalf of DFY or sums due to DFY.

A creditors' ledger **must** be kept when a significant number of items or services are acquired on credit.

The creditor's ledger account structure is to be set up as follows:

- Each account is to have an alpha/ numeric code (AAANN)
- The three alpha characters represent the name of the individual or organisation (probably the first three characters of an individual's surname or initials where that is the usual form of abbreviation for an organisation); and
- The two numeric characters can be used to define the type of account (01 to 49 for medical suppliers, 50 to 79 for logistics suppliers).

The balances on the creditors' ledger **must** be meaningful and relate to actual amounts owing by or to DFY. This means that:

Deposits given by DFY to a customer should be debited to a different account to the supplier's working account. The aged creditors list should include only sufficient of the deposit to cover the amount owing.

Any deposit or the balance of a deposit that cannot be so allocated should be shown within debtors on the balance sheet.

If a creditors' ledger account is kept for "one-off" supplier invoices, the balance on this account **must** be reconciled every month, with allocations and adjustments being made as necessary at the time.

2.4.6.2 Debit Balances on Creditors' Ledger

Every month the Finance Manager **must** review debit balances in a creditors' ledger.

Debit balances in a purchase ledger may mean that money is owed to DFY. Money owed to DFY should be collected!

The creditors shown in the monthly balance sheet must be “grossed up” and creditors are not netted off with amounts collectable.

2.4.6.3 Accruals

Programme monthly Finance Reports **must** be adjusted to reflect expenditure incurred on goods and services received during a month but which have not been paid for at the end of the month and for which no liability has been included in the creditors ledger should this be used as part of the programme accounting records.

Such expenditure may either have been invoiced but not paid or has not been invoiced or paid. Such liabilities usually relate to medical supplies delivered, flight or train ticket charges, utility bills, telephone and internet charges, property rent, and similar costs.

Where no information is available as to the costs incurred on any item, an estimate of the liability **must** be included in the Financial Report.

Where the Finance Department acts as bureau for the preparation of Financial Reports, it is essential that full details of all accrued expenses, including the nature of the expense and the period to which it relates, are provided each month in order that the adjustments may be calculated.

2.4.6.4 Transferring Funds to DFY

Donors & partners are requested to pay by electronic transfer to DFY bank in the India where accounts are held in INR.

Wherever possible, programme staff should encourage Donors & partners to make payments electronically, however, cheques drawn on an Indian bank received by a programme can be sent to the Finance Department for banking in India. This will reduce bank charges for the drawer.

Non-local currency cash sums can be hand carried to the India for banking in the India. Each programme Finance Manager has a duty to ensure that all transfers of funds are permitted under local exchange control regulations.

2.4.6.5 Requesting Payments to be made by the DFY Finance Department

Where instructions are given to the Finance Department to undertake a purchasing transaction on behalf of a programme, the approval of the relevant budget holder in the instructing programme is required together with the budget code to which the cost is to be allocated in the programme.

The instructing Programme Finance Manager should use the DFY Intranet payment request facility to request the payment and details of the nominal code to which the transaction is to be posted in the programme should be provided in the instruction.

Where the internet connection does not allow the programme Finance Manager to access the DFY Intranet payment request facility, payments can be requested by email addressed to the Finance Department. The email from the Finance manager **must** provide details of the authorisation by the budget holder and the nominal code to which the cost is to be allocated in the programme.

2.4.7 Currencies and Exchange Rates

2.4.7.1 Exchange Rates

The main reporting currency of DFY is INR. To give consistency throughout DFY agreed exchange rates are used for all currency transactions. These exchanged rates are issued to programme finance departments from the Finance Department at the beginning of every month and are to be up-dated in the Telly software with effect from the first day of each month.

2.4.8 Income Transactions

2.4.8.1 Receipts to be given when Cash, Cheques or Bankers Drafts are received from Customers or Donors

A receipt **must** be given immediately whenever funds are received by DFY. It may be issued from a receipt book, or it may be generated from an entry in Telly.

Receipts **must** show:

- the amount received;
- the name of the person and organisation from whom the sum was received;
- the date the receipt was issued;
- a sequential number for the receipt document;
- the purpose for the amount received (fares invoice number(s) and name of donor / agency where relevant);
- the name of the DFY staff member receiving the money.

The sequential number on each receipt must be processed into the Telly software when the sum received is processed.

The sequence of receipt numbers processed must be checked each month in order to confirm that all cash received is entered into the system and that there is no missing receipt number.

All copies of any receipt in a receipt book that is spoiled **must** be retained in the receipt book. When a receipt book is used up, it is to be handed back to the programme finance department.

2.4.8.2 Register of receipt books

Unused receipt books must be kept securely in a locked store accessible only to the programme finance personnel. A register **must** be kept of all receipt books including the used receipt book sequences, those receipt book sequences in use and the name of the user, and the un-issued receipt book sequences.

When an unused receipt book is issued, the name of the person to whom it is issued **must** be recorded in the register at the same time confirming the details of the sequence of receipt numbers in that book are correctly recorded.

When a used up receipt book is returned, the name of the person returning the book **must** be recorded in the register.

2.4.9 Expenditure Transactions

2.4.9.1 Authorisation of expenditure

The person responsible for controlling expenditure within a part of the financial plan (the “budget holder”) for each programme or department is required to authorise each expenditure transaction. This authority **must** be evidenced by signature on the invoice provided by the supplier of the item or service.

In circumstances where a supplier does not provide an invoice, a document may be generated within DFY on which the authorisation **must** be evidenced.

Programme or department Finance Managers are required to inform each budget holder of the nominal codes relating to that part of the plan for which the budget holder is responsible.

Each item of expenditure **must** be charged to a nominal code within the accounting system. Each budget holder is responsible for allocating to each item of expenditure to a nominal code in the range for which they are responsible.

The budget holder **must** check each payment, sign the invoice to evidence authority for the expenditure and write on the invoice the nominal code to which the expenditure is to be allocated.

Where an item of expenditure is acquired on credit, the budget holder is required to note on the invoice the date on which payment is to be made by the Programme Finance Department.

2.4.9.2 Use of a DFY Credit Card

A DFY present policy does not issue credit card for any individual.

Where another DFY employee requests that the card holder undertake a transaction on his behalf it is the responsibility of the card holder to ensure that the relevant budget holder has approved the transaction before it is undertaken. The card holder is to process the transaction using the card and to ensure that the necessary documented authority for the transaction and the nominal code to which it is to be allocated is retained.

It is therefore important to ensure proper authorisation and coding of the payment and the individual amounts involved. The originals of all invoices (and the credit card voucher where possible) must be passed to DFY Finance Department at the end of each month.

- The Finance Department will contact each card holder for confirmation of the expenditure and request the correct nominal code as soon as details are received. The card holder is required to respond by return;
- The card holder is required to forward the authorised and coded invoices and credit card vouchers to Head quarter on 1st day of each month;

For each transaction in excess of INR 10,000 the card holder is required to contact the Finance Department as soon as the expenditure has been incurred with details

of the nominal code to which the transaction is to be allocated in the programme.

It is the named card-holder's responsibility to ensure that the Finance Department receives the information set out above.

2.4.9.3 Payments in Cash

All cash payments **must** have been authorised by the "budget holder" in advance. The authorisation must be evidenced by a signature on a payment voucher. This voucher may be an invoice from the supplier or an internally generated document. The nominal code to which the cost is to be allocated is to be written on the payment voucher.

For payments above USD 250 (INR 15,000) the cash voucher must be countersigned by a second signatory – a bank signatory, the Programme Manager or his nominee.

Where a cash advance is made to an individual on account of costs to be met, the advance must be authorised by the "budget holder". The subsequent invoice and return of the balance of the funds must be dealt with at the earliest opportunity, on the same day if possible.

2.4.10 Period End Procedures

2.4.10.1 Month-End Procedures

The Programme Manager is responsible for controlling the finances of the programme. Some responsibility for this activity may be delegated to the Programme Finance Manager.

The Finance Manager **must** design a checklist to be used at the end of each month to document and evidence the internal control checks that are completed, such as stock checks, debtors account reconciliations, cash counts, bank reconciliations, suppliers statement checks and similar controls.

The checklist is to be completed in respect of the end of month accounting control procedures, signed by the Finance Manager and filed for examination by the auditors.

2.4.10.2 Year-End Procedures

The following information **must** be supplied to the Finance Department as soon after 31 March each year as is possible in order to enable the DFY year-end accounts to be completed and for reports to be prepared for the auditor.

STOCK

- A detailed list of all medical equipments and medicine stocks as per physical check in the month of March every year.

IT IS IMPORTANT THAT the senior admin staffs in each programme is required to retain the records of the physical counts and all records of adjustments that have been made to the inventory records / assets register. These notes must be retained until after examination by the external auditor and until at least 30 April of the following year.

DEBTORS

Amounts owing to DFY

- Debtors - A list of all amounts owing to DFY showing the age analysis and comment on whether the debts older than 6 months are capable of collection.
- Prepayments - A list of all amounts paid by DFY prior to 31 March but which refer to a period after 31 March – please provide details of the amount paid in advance, the period to which it refers (for example rent paid for the 6 months from October 200? to March 200?) and the nature of the transaction (for example rent for house A).

Amounts owed by DFY

- A list of all amounts owed by DFY for which an invoice has been received, but which was not paid at 31 March.
- A list of all amounts owed by DFY for which an invoice has not been received but for which a liability has been incurred at 31 March including estimates of the amount payable where necessary.
- Copies of all statements from suppliers (e.g. equipments or medicine suppliers and others where available) showing the amount owing at 31 March.

BANK AND CASH BALANCES

Cash Floats – including Pilot and Staff Floats and Cash tills

- A copy of a signed note from the holder of each float or till confirming the amount of the float or till held at 31 March.

Note: all cash floats should be physically counted when the signature is obtained.

- A copy of the receipts register listing used, part used and unused receipts books (including date issued, receipt sequence and holder of book).
- Details of where the un-issued receipt books are kept.

Bank Accounts

- A copy of the bank statement showing the balance on each bank account at 31 March.
- A copy of the reconciliation between the balance shown on the bank statement and the balance shown in the PSF records at 31 March.
- A copy of a confirmation from the bank of:
the balance on each account held by them at 31 March;
Details of any securities held by the bank;

Confirmation from the bank that they have listed all of the accounts.

- Send to the Finance Department a copy of the letters received from the bank **AND** retain the original on file in the programme finance office.

In the first week of March each year it is important to send written requests to all banks for this information as at 31 March in order that the information can be sent to the programme shortly after the year-end.

OTHER RECORDS

Fixed Assets

- A list of all assets worth more than INR 12,000.
- A list of vehicles in the possession of the programme, showing the make, model, registration number and the name of the usual driver.
- A list of land and buildings occupied and whether it is rented by DFY or DFY owned.

Telly Database and Excel Cash Book Records

A copy of all of the excel accounting records for the period to 31 March and the Telly dataset at 31 March is to be kept on CD in addition to sending a copy to the Finance Department.

All account details, cash books and/or accounts should be passed to the Finance Department within the usual timetable.

2.4.10.3 Fixed Asset Register

The fixed assets register for each programme is maintained by the Finance Department. A copy of this will be sent to each programme on two occasions in each year and the Programme Manager and Finance Manager are responsible for undertaking the following actions:

- Checking that the items listed in the fixed asset register are still in the possession of the programme;
- Checking that the items listed in the fixed assets register are in working order;
- Assessing the anticipated useful life of each asset and recording this;
- Assessing if the asset needs to be replaced in the coming 2 years and recording this.
- Checking to see if there are any assets which originally cost in excess of \$2,00 that are in the possession of the programme but which are not in the fixed asset register and recording details of these.

The results of these considerations are to be recorded and communicated to the Finance Department as soon as possible after the request is received on both occasions in each calendar year.

2.4.11 Other Matters

2.4.11.1 References for New Employees & Background checks

Written Reference from an unrelated third party or from a authentic source must be obtained and filed on the personnel file of each new employee who may handle cash transactions. Where possible the reference **must** be obtained from a previous employer.

If employee is working since long and transferred to Finance department later his or her reference should be checked by the previous program managers.

2.4.11.2 Money Laundering Regulations

As an entity incorporated under Indian law, DFY must abide by Indian laws on Money Laundering. Basically these say that if DFY:

- Transmits money or cashes a cheque (*Note: that there is no minimum level*) on behalf of a third party; or

accepts a **cash or cheques** in excess of INR 20,000 in payment for any services;

Then DFY **must**:

- obtain satisfactory evidence of identity; and
- be reasonably sure of the source of the funds. Satisfactory evidence of identity for an individual is
- A copy of the PAN card or photo page of a passport / voter ID/ Licences etc; and
- A copy of an invoice etc which shows the usual residential address of the individual or organisation making the payment.

Evidence of identity need only be collected on the first occasion.

The evidence for identity needs to be kept in a file for that purpose and retained.

If there is any doubt over the source of the funds then the transaction must not proceed.

2.4.11.3 Support Department Finances

A support department is allocated central funds to cover the expenditure agreed in the original plan. A support department manager is expected to manage the department such that the costs for the calendar year will be no more than those agreed in the original plan.

Each month, the Finance Department prepares Financial Reports for each support department.

A support department manager **must** review the results achieved and forecast expenditure for each future month. If as a result of this review additional costs are forecast the department manager is expected to arrange the department's plans and expenditure to bring the forecast back to the agreed total planned expenditure for the year.

The support department manager is responsible for revising the forecast for each month to the end of the financial year and for passing that information to the Finance Department in order that these adjustments may be incorporated in the DFY Financial Report for the relevant month.

If a support department manager is unable to plan such that the deficit is eliminated then they should refer the problem to the Executive Team, who may be able to help in the planning or identify other funding with which to cover the deficit.

2.4.11.4 Use of Restricted Funds

Restricted funds (Income which has conditions attached to how used, usually with a requirement to report back to the donor) can be used only for the purpose for which they were given by the donor. DFY is required to maintain a separate record of each restricted fund and how it is used.

If a restricted fund project should be overspent, any costs in excess of the donation will be charged back to the programme. These recharged costs will need to be taken into account when the programme is reviewing its forecast of the end of year result.

2.4.11.5 Back-up of Computer Data

It is essential that all financial computer data is backed up daily using an appropriate system. The method of back-up is to be agreed with the ISD for each dataset for each desktop and laptop in each location.

The back-up medium must be kept securely away from the relevant computer and in a different room or building where possible.

In addition to the daily back-up of the Telly dataset, a security back-up is to be kept at a different location from the Telly dataset.

A periodic check (once each month) is to be undertaken to ensure that the back-up is restorable.

2.4.11.6 Replacement of Assets

2.4.11.6.1 Definitions

Depreciating assets are items of equipment and vehicles that are used by a programme or department, with the expectation that their useful life will be longer than one year. For practical purposes small equipment costing less than \$200 (INR 12000) is excluded from this definition. Their purchase and/or replacement is to be funded by inclusion of appropriate forecast expenditure in the annual financial plans or as a project or part of a project.

Planned expenditure on land and buildings are not included in *depreciating assets*.

Small equipment describes items of equipment, tools, articles etc that individually cost less than \$2,000.

2.4.11.6.2 General

A Programme Manager is responsible for managing the replacement of depreciating assets and of small equipment used in and by his programme. These notes are for guidance.

The planning of replacements for depreciating assets is important to ensure that funds are available when needed and that DFY makes the best use of its resources.

2.4.11.6.3 Depreciating Assets

Funds are available to each programme to cover the cost of replacements and details of these are circulated to Programme Managers each month. The management of these funds is a Programme Manager's responsibility.

It is important that a Programme Manager plans the replacement of his programme's depreciating assets. Funds will be transferred to a programme "Asset replacement fund" based on the plan for replacements over the following 2 years set out in the forecast for the programme prepared annually by the Programme Manager. The replacement cycle for individual items may be longer than 2 years and it is important that a Programme Manager reviews all assets each year in order that the future requirement for funds is considered.

For some items of equipment, especially the larger ones, it is difficult to plan the replacement time specifically. For example, a Programme Manager may plan to replace a generator in a particular year, but its useful life may extend for several years beyond that planned replacement date. In such circumstances a Programme Manager should plan for replacement in the earlier year, in order to ensure that funds will be available when replacement becomes necessary (unless the programme has used them for other replacements!). **Assets should not be replaced merely because funds are available -**

they should be replaced when necessary, even if that is later than the originally anticipated date.

2.4.11.6.4 Vehicles

Vehicles should be replaced when:

- they become uneconomical to repair;
- repairs are no longer effective;
- they become unsafe;
- their “trade-in” value is expected to fall substantially.

These triggers will vary from programme to programme due to road conditions, how the vehicles are driven, availability of spare parts or repair facilities and the local market. It is not possible to set fixed age and/or mileage parameters, but Programme Managers are expected to plan realistically.

2.4.11.6.5 Equipment

Equipment should be replaced when:

- it becomes uneconomical or impossible to repair;
- repairs are no longer effective;
- it becomes unsafe.

2.4.11.6.6 Small Equipment

Planned expenditure on small equipment should be included in the Financial Plans each year (coded under Resources R300). Funds will become available when the Financial Plans for the year are accepted. Planning for such expenditure is essential and items should not be replaced merely because funds are available!

Please note that buying several items costing less than \$200 at the same time does not develop a “depreciating asset” even if the total cost of all items is in excess of \$2,000!

2.4.11.7 Tactical Investments

DFY maintains a designated fund known as the Tactical Investment Fund. This fund is available to the ET to cover the cost of necessary expenditure for which no other funds are available. It may be used where waiting for project funds would be detrimental. This fund may also be utilised in order to allow a start to be made and where project funding is unlikely to be received.

2.5 PERIODIC ROUTINES

The Programme Manager and Finance Manager are responsible for ensuring that certain knowledge and control routines are reviewed and updated periodically. The frequency with which these routines are undertaken is at the discretion of the two managers but **must** be completed at a minimum of every 3 months.

The main aspects of periodic procedures are set out below:

2.5.1 Programme Knowledge

Each programme must keep a document recording the following detailed information in order to ensure that there is a continuity of knowledge.

This information must be reviewed every three months to ensure that it is up-to-date:

- An Organisation Chart for the programme showing lines of responsibility;
- A staff member list giving details of individual job responsibilities;
- Bank account details, for each bank account, showing:
 - Name of Bank;
 - Account numbers and codes;
 - Signatories.
- Cash tills and floats
 - A schedule of who holds cash tills and floats;
 - Details of the amounts in each float and the reasons for each being held.
- Purchases
 - Individuals who are authorised to open credit accounts for DFY with suppliers;
 - Individuals authorised to place orders;
 - Individuals responsible for budgets (and permitted delegation);
 - Schedule on which control checks are performed;
 - Budget Constraints set.
- Stock
 - Details of types of stock owned by the programme;
 - Details of stock holding locations for each type of stock.

- Salaries – staff
 - Names of locally employed staff.
 - Individual pay rates
 - Personnel files
 - Other benefits
 - Overtime
 - Loans
- Asset registers
 - Location where the register is kept;
 - Who is responsible for keeping the register up-to-date.
- Programme financial reports
 - Monthly procedures to prepare the report;
 - Individuals who receive a copy of the report;
 - Review responsibilities;
 - Location where copies of the report are kept.
- Computer security
 - Procedures;
 - Passwords;
 - Backup routines;

Review responsibility.

- Incoming post:

General procedures;
Incoming post / courier procedures.

- Office safe

Access procedures;
Key holder details.

- Insurance

Responsible officials authorised to communicate with the insurance company;
Review procedures;
Scope of cover e.g. analysis cash/ fidelity.

- Schedule of all guarantees issued by the programme.

- Record of individuals and organisations entitled to discounted fares.

- Details of all local agreements and property rental agreements giving details of commitments undertaken in each (such as redecoration responsibilities that may give rise to financial commitments).

- Procedures to be followed when it is necessary to override the documented policies and procedures.

2.5.2 Funds Management Procedures

2.5.2.1 Cash Tills

The Finance Manager (or, where the Finance Manager maintains the main cash float, the Programme Manager) must physically count the cash tills. This independent check **must** be carried out regularly.

The reviewing manager must sign the record sheet to confirm that this action has been completed.

For detailed procedures, see Section 1.4.5 “Bank and Cash”.

2.5.2.2 Individual Cash Floats

Holders of individual cash floats must sign an acknowledgement that they are holding and are responsible for the amount of the float every three months. These signed acknowledgements are to be filed for examination by the auditors. A programme Finance Manager or Programme Manager may require this more frequently.

2.5.2.3 Bank reconciliations

The monthly bank reconciliation for each bank account must be reviewed every month and signed by the Finance Manager (or by the Programme Manager where the Finance Manager has prepared the reconciliation).

2.5.2.4 Stock counts

It is essential that tight control is maintained over stock assets. The Programme Manager or Finance Manager **must** review the stock count and reconciliation situation every 3 months or more frequently where this aspect of control is perceived to be a problem.

Where the senior admin staffs has agreed to undertake a regular monthly count of a selection of stock lines, the documentation of these counts **must** be examined and its adequacy for the purpose confirmed.

Where the senior staffs has agreed to make a complete stock count towards the end of the financial year, the arrangements for and completion of this task **must** be reviewed to ensure that it happens in a controlled manner.

2.5.2.5 Debt collection

It is essential that tight control is maintained over the collection of valid debts. The Programme Manager or Finance Manager **must** review the aged debt situation every month.

2.5.2.6 Completeness of income

It is essential that tight control is maintained over processing income. This may be achieved by checking that the sequence of sales invoice numbers and receipt numbers is complete in the Telly processing and identifying the reason for gaps in the sequences. The Programme Manager or Finance Manager **must** review these number sequences every month to ensure that transactions are being processed. This should be completed more frequently where this aspect of control is perceived to be a problem.

2.5.2.7 Control of Liabilities

It is essential that tight control is maintained over creditors ledger records. The Programme Manager or Finance Manager **must** review the individual supplier accounts every 3 months to ensure that transactions are being allocated and exchange and write off differences cleared. This should be completed more frequently where this aspect of control is perceived to be a problem.

2.5.2.8 Completeness of liabilities

It is essential that tight control is maintained over the reconciliation of creditors ledger balances to suppliers' statements. The Programme Manager or Finance manager **must** review all statements received from suppliers every month.

2.5.3 Checklist

A checklist designed by the Finance Manager including those points set out above, any others that may be relevant, **must** be prepared and completed every month and signed by the Programme Finance Manager.

The completed signed monthly checklists are to be kept in an appropriate file and retained for examination by the auditors.

3 SECTION - 2

INTERNAL CONTROL

3.1 INTRODUCTION

Internal control is the name given to the systems that are operated internally within the organisation in order to ensure that DFY can demonstrate to both its donors, partners and beneficiaries that their property is safe. Internal control procedures can also give comfort to staff as they can provide some protection from suspicion.

DFY has developed a summary of the basics of internal control. The controls set out in this section of the Finance Manual book are mandatory for each programme and department within DFY. They aim to ensure that internal control of all financial activities is as good as it can be in the circumstances that prevail in each location.

3.2 “BASICS” OF FINANCIAL INTERNAL CONTROL

3.2.1 Minimum Internal Control Processes

The minimum processes for the application of DFY internal financial controls are set out below. Programme Managers and Finance Managers may establish more frequent checks or more detailed controls.

- Written confirmation in the form of a receipt is given for cash, cheques and bank drafts received;
- Expenditure is within the financial (and therefore tactical) plan accepted by the DFY Board;
- Expenditure is authorised by the Programme manager
- All bank payments and transfers are authorised by 2 signatories or 1 in case of less than INR 30,000
- All cash payments above a maximum sum of INR 15,000 or local equivalent (this limit may be agreed jointly at a lower sum by the Programme Manager and Finance Manager in each programme) are authorised by 2 signatories;
- Reconciled bank balances are reviewed regularly;
- Cash tills and floats are checked regularly;
- Cash floats are kept on an “imprest or petty cash” basis.

More details of these minimum processes are set out below.

3.2.1.1 Confirmation is given for all Cash, Cheques and Bankers Drafts received

Where funds are received by DFY a sequentially numbered “receipt” **must** be provided to the donor or partner agency. A counterfoil or a copy of the receipt **must** be retained as a part of DFY accounting records.

3.2.1.2 Expenditure is within the agreed financial (and therefore tactical) plan

The tactical plans and the financial plans that are developed from them at the beginning of each year as revised by the DFY programme and department management teams are the basis on which decisions are taken by DFY personnel prior to authorising all expenditure to be undertaken by DFY programmes and departments.

The overall financial aim of each programme is to break-even after carrying its share of central costs and after receiving an allocation of central funds; the overall aim for each support department is to break-even after receiving its share of central funds.

A financial plan for each programme and department is accepted by the DFY Board prior to the start of each year within the framework of the consolidated financial plans. Each month the income and expenditure for the month and cumulative for the year to date are to be reviewed, compared with the plan. Any material variances reported and the reasons they arose **must** be identified. Corrective action should be taken where appropriate.

The forecast result for the year for each programme **must** be reviewed and revised as appropriate every month to reflect the latest known facts, with action being taken to bring it back to break-even.

3.2.1.3 Expenditure is authorised by the “budget” holder

In order to control expenditure within a financial plan **the person responsible for each part of the financial plan (called in this Finance Manual book “the budget holder”) must authorise it.**

In this Finance Manual book the term “invoice” means any voucher or other ORIGINAL document, receipt etc. given by the supplier.

In the plan and after expenditure each payment is charged to a nominal code in Telly. The budget holder responsible for control of that nominal code must check the payment and sign the invoice (or attached note) to confirm that it is correct and it is in order for it to be paid and **write the nominal code number to which the payment is to be allocated.**

*3.2.1.4 All bank payments are authorised by 2 signatories**

The term “Bank payment” includes the cheques, transfers and other instructions to a bank.

All cheques must require two signatories if value is more than INR 30,000 or equivalent currency.

All bank electronic transfers must be authorised by two signatories, even though the actual transfer maybe made by “approved” person.

*Please see above for “Payment Instructions to a Bank” for details of other arrangements that may be made where the sum to be paid is below INR 30,000.

3.2.1.5 All cash payments above INR 15000 (to be agreed for each programme) are authorised by 2 signatories

It is recognised that in many locations DFY operates in a cash-based society and it is important that tight control is maintained over DFY cash funds. Members of local national staff may handle what for them are large sums of cash. Procedures **must** be implemented in order to provide some measure of protection for DFY staff.

3.2.1.6 Bank balances are reviewed regularly

“Bank Reconciliations” of this Finance Manual book sets out the processes for reconciling DFY’s records of movements on each bank account and the resultant balance with the bank records (bank statement).

3.2.1.7 Cash balances are reviewed regularly

3.2.1.7.1 Cash Tills

The main cash till used in a programme will usually be maintained in the programme finance department. The cash balances held in each till must be regularly counted and the balance confirmed and agreed to that shown in Telly.

3.2.1.7.2 Cash Floats

Each cash float should be kept on the *interest or petty cash* system of this Finance Manual book. The cash balances held in each float must be regularly counted and the balance confirmed and agreed to that shown in Telly.

Holders of individual cash floats must sign an acknowledgement that they are holding and are responsible for the amount of the float every 3 months.

3.3 ANNUAL REPORT TO THE BOARD

The Board’s Empowerment Policy requires that each programme and DFY must complete its Internal Control Questionnaire annually (Appendix A)

This questionnaire has been developed from the “self help checklist” published by the English Charity Commission in its booklet “Internal Financial controls for Charities”

3.4 AUDIT

3.4.1 External audit

Under Indian law DFY must be audited by an independent professional auditor each year. Part of that external audit process involves visits to some programmes by the auditor.

After such visits the auditor writes a specific report to the board setting out any problems or internal control weaknesses that have been noted. This report is not a part of the formal statutory audit work but the comments arise from situations noted during the audit process. This report is extremely useful to DFY.

Programmes which have a local registration may need to be audited under their local jurisdiction.

3.4.2 Internal audit

The external auditor cannot visit every programme and the audit work is governed by specific schedule and purpose. Such external audit cannot substitute for an audit visit by DFY staff, from the Finance Department or another programme.

It is the intention of the CFO that each programme should receive an internal audit visit annually. The purpose of such internal audit visits will be to:

- work through the Internal Control Questionnaire with the Programme Manager or the programme Finance Manager;
- review the Periodic Controls evidenced in the file of checklists;
- test check that the processes set out in the Finance Section of the Finance Manual book are being complied with;
- clarify any issues raised by the Programme Manager or the Finance Manager;
- review the general insurance annual report prepared by the programme management team.

Means of Verifications & Control checks

Physical verification – cash counts, asset verification and stock counts

Limited access – locks, passwords and bank signatories

Standard documents – standard formats for receipts, payment vouchers, requisitions, local purchase orders, travel allowance sign sheet etc

Segregation of duties – making sure not one person can carry out a transaction from beginning to end, no self review or self authorisation. We see this in action in a procurement process.

Checks and balances – Balancing the manual cashbook, double entry controls over accounting records, reviewing the bank reconciliation

Approval and authorisation – budget holders approval of payments, Board authorisation for asset disposal etc

Reconciliation – Comparing bank statement and cashbook, agreeing a statement from a supplier to your own records

4 SECTION - 3

BOARD POLICY STATEMENTS – CHIEF EXECUTIVE

EMPOWERMENT POLICIES

4.1 INTRODUCTION

The Board of DFY is responsible for monitoring the financial situation of DFY throughout each financial year. It achieves this by setting Empowerment Policies for the Chief executives and monitoring the financial performance of the charity against these criteria.

The Finance Manager / Treasurer are responsible for ensuring that the monthly financial reports produced for DFY demonstrate the performance of the charity within the Empowerment Policies.

The Chief Executive Empowerment Policies are:

1. Finance;
2. Operational and financial planning;
3. Financial condition – operational funds;
4. Asset protection;
5. Capital expenditure;
6. Investment and treasury policy;
7. Restricted funds;
8. Corpus Fund;
9. Internal financial control;
10. Operation of bank accounts;
11. Internal borrowing;
12. Risk management and control.

4.2 DFY BOARD POLICY STATEMENTS - CHIEF EXECUTIVE EMPOWERMENT

4.2.1 Policy 1: Finance

The Chief Executive Empowerment Policies shall be monitored in accordance with the following:

1. A Financial Report including the Statement of Financial Activities and the Balance Sheet, together with an up-to-date cash flow projection of DFY and forecast of the Statement of Financial Activities. A statement showing capital expenditure to date and budget for the year shall also be tabled.
2. A written report using the Financial Condition Empowerment (Policy 3) as a guide.
3. A written report of the salient points relevant to the Financial Report.

Note: If for any reason the above information is not available in time for advance circulation then the report prepared for the latest month available shall be circulated, and the delayed report shall be tabled at the meeting.

4.2.2 Policy 2: Operational and Financial Planning

1. With respect to operational and financial planning the Chief Executive may not jeopardise the financial integrity of the DFY or cause the board members to be in violation of their responsibilities for prudence and ethics in the planning and conduct of operations.
2. Accordingly he may not, without the express approval of the Board or its nominated sub-committee:
Cause or allow an operational or financial plan which:
 - a. deviates from the Board-stated priorities in its allocation;
 - b. plans operational expenditure of more funds than are reasonably projected to be received in that year or subsequent years;
 - c. fails to plan for the replacement of depreciating capital assets;
 - d. contains too little detail to enable the preparation of reasonably accurate projections of income and expenditure, the separation of capital and operational items, cash flow and audit trails;
 - e. reduces net assets below a level to meet the DFY's liabilities;
 - f. Enter into a loan or overdraft agreement on behalf of the DFY.

Allow the DFY to enter into any financial commitment where early termination would result in a financial penalty.

4.2.3 Policy 3: Financial Condition – Operational Funds

With respect to operating the DFY in a sound and prudent financial manner the Chief Executive may not cause or allow the DFY to be put at risk financially, or cause the board members to be in violation of their responsibilities. Accordingly he may not, without the express approval of the Board or its nominated sub-committee:

1. Expend more operational funds than have been received in any financial year, in supporting operations within agreed priorities.
2. In relation to programme working capital allow:
 - a. debtors to exceed 50% of the value of invoiced in the previous 3 months;
 - b. cash and bank balances to exceed the creditors.

Note: Operational Funds are defined as Unrestricted Funds not otherwise designated.

4.2.4 Policy 4: Asset Protection

With respect to proper stewardship of the DFY's assets the Chief Executive may not risk losses beyond those necessary in the normal course of operating the DFY's charitable purpose. Accordingly he may not, without the express approval of the Board or its nominated sub-committee:

1. Fail to provide a prudent level of property and liability insurance.
2. Fail to take all reasonable steps to minimize fraud, losses and liability claims.
3. Make investments other than as provided for in the Treasury Policy (Policy 7).
4. Allow abuse, misuse, damage to or theft of assets.
5. Allow the disposal of assets at less than market value.

4.2.5 Policy 5: Capital Expenditure

With respect to proper control of capital expenditure the Chief Executive, without express approval of the Board of Directors or its nominated sub-committee may not incur capital expenditure:

1. In excess of funds:
 - a. specifically given as restricted funds
 - b. available in the Capital Fund, or which would require a transfer of US\$150,000 into the Capital Fund.
2. For items which are not required for the normal operation of the programme.
3. Which, while otherwise fulfilling #1 and #2 above, exceed US \$150,000 per expenditure.
4. Without reporting all purchases when this policy is monitored.

4.2.6 Policy 6: Activities & Investment Policy

Approved Investments and Deposits –As per Indian Law for Not for Profits (NPOs')

4.2.6.1 Economic Activities

There are no restrictions on Indian NPOs' business/commercial/economic activities. However, the profits must be applied fully towards charitable objects.

If this is not done, then the NPO will lose its income tax exemption and its income will be liable to tax at the maximum marginal rate.

Further the NPO must maintain separate books of account for the Business / commercial /economic activities. [Income Tax Act, 1961 (seventh provision to section 10(23C); section 11, subsection 4 and 4A)].

4.2.6.2 Investment Activities

State and national laws limit the types of investments Indian not-for-profit organizations may make. For example, Indian not-for-profit organizations may not invest in shares of public or private limited companies. Furthermore, not-for-profit organizations registered in India may not invest abroad.

Political Activities

Not-for-profit organizations in India should not engage in political campaign activities or legislative activities. Indian not-for-profit entities may "lobby" for non-political causes, however, provided that such activity promotes the "general public utility" and is incidental to the attainment of the charity's objects.

4.2.6.3 Discrimination

Article 30 of the Constitution of India gives all "minorities," whether based on religion or language, the right to establish and administer educational institutions of their choice. "Minority" is defined as those groups that wish to preserve stable ethnic, religious or linguistic traditions or characteristics markedly different from those of the rest of the population. Accordingly, special inquiry should be made when donors are considering providing grants to educational institutions.

4.2.7 Policy 7: Restricted Funds

With respect to the restricted funds and assets the Chief Executive may not:

1. Spend restricted funds for a purpose other than that for which they were restricted.
2. Fail to add interest earned to the unspent funds.
3. Fail to consult the donor before disposing of or moving restricted assets outside of the restriction before the end of its normal economic life.
4. Fail to report the details of funds held for more than 24 months.

4.2.8 Policy 8: Tax Laws

A. Tax Exemptions

1. General Scheme

The Income Tax Act, 1961, which is a national all-India Act, governs tax exemption of not-for-profit entities. Organizations may qualify for tax-exempt status if the following conditions are met:

The organization must be organized for religious or charitable purposes;

The organization must spend 85% of its income in any financial year (April 1st to March 31st) on the objects of the organization.

The organization has until 12 months following the end of the financial year to comply with this requirement. Surplus income may be accumulated for specific projects for a period ranging from 1 to 5 years;

The funds of the organization must be deposited as specified in section 11(5) of the Income Tax Act;

No part of the income or property of the organization may be used or applied directly or indirectly for the benefit of the founder, trustee, relative of the founder or trustee or a person who has contributed in excess of Rs. 50,000 to the organization in a financial year;

The organization must timely file its annual income return; and

The income must be applied or accumulated in India. However, trust income may be applied outside India to promote international causes in which India has an interest, without being subject to income tax.

2. Corpus Donations

Corpus donations or donations to endowment are capital contributions and should not be included to compute the total income of the organization.

3. Business Income

Under amendments to Section 11(4A) of the Income Tax Act 1961, a not-for-profit organization is not taxed on income from a business that it operates that is incidental to the attainment of the objects of the not-for-profit organization, provided the entity maintains separate books and accounts with respect to the business. Furthermore, certain activities resulting in profit, such as renting out auditoriums, are not treated as income from a business.

4. Disqualification from Exemption

The following groups are ineligible for tax exemption: all private religious trusts; and charitable trusts or organizations created after April 1, 1962, and established for the benefit of any particular religious community or caste. But note that a trust or

organization established for the benefit of "Scheduled Castes, backward classes, Scheduled Tribes or women and children" is an exception; such a trust or organization is not disqualified, and its income is exempt from taxation.

B. Value Added Tax

India subjects certain sales of goods and services to VAT, with a fairly broad range of exempt activities. The rates range from 4 percent to 12 percent, with most goods and services taxed at 8 percent.

An entity (including a public charitable trust) is liable under the VAT Act if its sales/purchase turnover in the previous year exceeded Rs.500,000. The threshold is lower, Rs.100,000, for importers.

Several other tax laws have now merged into VAT, including Sales Tax Act, Motor Spirit Taxation Act, Purchase Tax on Sugarcane Act, and Transfer of Right to Use Act.

C. Tax Deduction for Donors

The Income Tax Act, section 80G, sets forth the types of donations that are tax-deductible. The Act permits donors to deduct contributions to trusts, societies and section 25 companies. Many institutions listed under 80G are government-related; donors are entitled to a 100% deduction for donations to some of these government funds. Donors are generally entitled to a 50% deduction for donations to non-governmental charities. Total deductions taken may not exceed 10% of the donor's total gross income.

The following are examples of governmental charities listed in section 80G, contributions to which entitle the donor to a 100% deduction: the Prime Minister's National Relief Fund; the Africa (Public Contributions – India) Fund; and the National Foundation for Communal Harmony.

As to those entities not specifically enumerated in section 80G, donors may deduct 50% of their contributions to such organizations, provided the following conditions are met: the institution or fund was created for charitable purposes in India; the institution or fund is tax-exempt; the institution's governing documents do not permit the use of income or assets for any purpose other than a charitable purpose; the institution or fund is not expressed to be for the benefit of any particular religious community or caste; and the institution or fund maintains regular accounts of its receipts and expenditure.

Note that donations to institutions or funds "for the benefit of any particular religious community or caste" are not tax-deductible. A not-for-profit organization created exclusively for the benefit of a particular religious community or caste may, however, create a separate fund for the benefit of "Scheduled castes, backward classes, Scheduled Tribes or women and children." Donations to these funds may qualify for deduction under section 80G, even though the organization, as a whole, may be for the exclusive benefit of only a particular religious community or caste. The organization must

maintain a separate account of the monies received and disbursed through such a fund.

In-kind donations are not tax-deductible under Section 80G. Receipts issued to donors by not-for-profit organizations **must bear the number and date of the 80G certificate and indicate the period for which the certificate is valid.**

The Income Tax Act contains a number of other provisions permitting donors to deduct contributions. **Under section 35AC of the Act, donors may deduct 100% of contributions to various projects**, including 1) construction and maintenance of drinking water projects in rural areas and in urban slums; 2) construction of dwelling units for the economically disadvantaged; and 3) construction of school buildings, primarily for economically disadvantaged children.

Furthermore, under section 35CCA of the Act, donors may deduct 100% of their contributions to associations and institutions carrying out rural development programs and, under Section 35CCB of the Act, 100% of their donations to associations and institutions carrying out programs of conservation of natural resources.

A weighted deduction of 125% is also allowed for contributions to organizations approved under section 35(1)(ii) (a scientific research institute or a university, college or other institution) specifically for "scientific research," and for contributions made under section 35(1)(iii) specifically for "research in social science or statistical research."

D. Reporting Foreign Contributions

Under the Foreign Contribution (Regulation) Act, 1976 (FCRA), all not-for-profit organizations in India (e.g., public charitable trusts, societies and section 25 companies) wishing to accept foreign contributions must a) register with the Central Government; and b) agree to accept contributions through designated banks. Furthermore, not-for-profit entities must report to the Central Government regarding foreign contributions received, within 30 days of their receipt, and must file annual reports with the Home Ministry. The entity must report the amount of the foreign contribution, its source, the manner in which it was received, the purpose for which it was intended, and the manner in which it was used. Foreign contributions include currency, securities, and articles, except personal gifts under Rs. 1,000 (approximately \$20). **Funds collected by an Indian citizen in a foreign country on behalf of a not-for-profit entity registered in India are considered foreign contributions.** Moreover, funds received in India, in Indian currency, if from a foreign source, are considered foreign contributions.

According to FC(R)A guidelines if 50% or more of the "office bearers" (not members of the board of management) of a trust/society or section 25 Company change, the

organization must apply to the Home Ministry for approving the change. This approval could take as long as three to four months.

However, in the interim period, the FC(R)A registration granted to the organization would stand “suspended”.

FC(R)A guidelines require that an organization allowed to receive funds from a foreign source, may provide funds from its FC(R)A account to another organization, only if the other organization also has clearance from the Home Ministry to receive funds from a foreign source.

If the foreign donor agency specifies in writing that the whole or part of the grant may be taken to “corpus”, the recipient organization may do so. Such corpus fund may be invested in an approved security.

The “interest” or “dividend” generated should be accounted for as amount received by way of interest on deposit drawn out of funds received from a foreign source. In other words, even the interest/dividend received in India in Indian rupees must be disclosed in the Return Form FC-3.

E. Customs Duty

Not-for-profit organizations involved in relief work and in the distribution of relief supplies to the needy are 100% exempt from customs duty on the import of items such as food, medicine, clothing and blankets. Moreover, other exemptions may be available, such as an exemption from customs duty for scientific/technical equipment and components intended for research institutes. Donors should investigate whether an exemption from customs duty is available before shipping articles to not-for-profit entities in India.

F. Double Tax Treaty

India and the United States signed a double-tax treaty on September 12, 1989. The treaty does not address issues related to charitable giving or not-for-profit entities.

4.2.9 Policy 9: Internal Financial Control

In order that DFY can reflect the best practices on non-profit governance and financial control the Chief Executive may not fail to:

1. Operate within the policies established by the board; and
2. Review annually the "Self Check List"
3. Prepare an annual statement on DFY's internal financial control.

4.2.10 Policy 10: Operation of Bank Accounts

In order that DFY comply with the trustees' responsibility regarding the operation of bank accounts the Chief Executive may not fail to:

1. Invite the board members to pass an appropriate resolution where the account opening process (or the amendment process) requires a copy of a resolution passed by the board members to be presented to the bank prior to the account's being opened.
2. Report to the Business Committee details of bank accounts opened (or amended) by a programme manager or the Chief Executive (in the UK) where a resolution of the trustees is not required by the bank.
3. Have signatories on bank accounts which are not specific roles (eg Company Secretary or Programme Manager)

4.2.11 Policy 11: Internal Borrowing

In order to meet development needs of the DFY capital projects may be financed by temporary borrowing from the funds set aside for future overhauls but the Chief executive may not:

1. Borrow except out of that part of the fund not required for 12 months from the date of borrowing.
2. Borrow without the amount borrowed being repaid within 12 months.
3. Enter into a loan or overdraft agreement on behalf of the DFY, except for short-term loans to National Group members to support their fundraising activities.

4.2.12 Policy 12: Risk Management and Control

In order that DFY can reflect the best practices and risk management and control the Chief Executive may not fail to:

1. Operate within the policies established by the board.
2. Review annually the guidelines as published in the Indian charity Commissioners publication "Charities and Risk Management.
3. Implement a risk management framework for DFY (including its programmes) which allows management and the trustees to:

Identify and assess the major risks that apply to DFY and its programmes;

Evaluate what action needs to be taken;

Make decisions about how to control risks;

Make decisions on periodic monitoring, assessment and reporting; and

Develop an overall risk policy.

4. Prepare reviews of the risk register for the board to consider within its annual planning cycle.

4.3

CHIEF EXECUTIVE EMPOWERMENT MONITORING TIMETABLE

EMPOWERMENT POLICY	MONITORING
Financial Planning - 2	Acceptance of the financial plans for the following year at the February board Meeting
Financial Condition - Operational Funds - 3	Monitoring Report Summary presented in the monthly management financial reports, reviewed by the Finance Advisory Group
Asset Protection - 4	Within the insurance audit and the risk assessment reviews presented at the November board meeting and at other times as requested to the board.
Capital Expenditure - 6	Monitoring Report Summary presented in the monthly management financial reports, reviewed by the Finance Advisory Group
Investment & Treasury Policy - 7	Monitoring Report Summary presented in the monthly management financial reports, reviewed by the Finance Advisory Group
Restricted Funds - 8	Presented annually at the May board Meeting
Reserve Funds - 9	Presented annually at the May board meeting as part of the review of the Trustees Report and audited accounts for the previous year.
Internal Financial Control - 10	Presented annually at the November board meeting
Operation Of Bank Accounts - 11	Presented annually at the May board Meeting
Internal Borrowing - 12	Monitoring Report Summary presented in the monthly management financial reports, reviewed by the Finance Advisory Group

5 SECTION - 5

GENERAL INSURANCE

5.1 INTRODUCTION

All DFY staffs & volunteers involved in the disaster relief work or any high risk work should be insured for accidental death & deformity.

The Programme Manager is responsible for considering the maximum level of insurance cover maintained based on the duration of stay and level of staff. This needs regular careful consideration. The level of insurance held **must** be enough to cover the largest risk assessed.

5.2 MOTOR

5.2.1 Liability Insurance

Each road vehicle owned by DFY **must** be insured for 3rd party risks. This cover **must** include passengers in the vehicle.

The Programme Manager is responsible for ensuring that appropriate cover is maintained and for informing the finance manager of the cover that is in place and the period for which the cover is maintained.

The maximum level of insurance cover maintained needs regular careful consideration. The level of insurance bought must be enough to cover the largest risk assessed – consider the cost of replacing a 4x4 vehicle or of killing/injuring a tourist.

5.2.2 Loss or Damage Insurance

Road vehicles owned by DFY **must** be insured for loss or damage.

DFY owned vehicles can be included in the DFY vehicle self-insurance scheme. In this scheme a programme can “insure” its vehicles for its chosen value.

Each Programme Manager may choose to arrange commercial insurance to cover the vehicles owned by DFY and operated in his/her programme.

5.3 PREMISES

5.3.1 DFY owned Premises

Premises owned by DFY **must** be insured for loss or damage caused by:

- Fire;
- Flood;
- Storm damage;
- Damage caused by intruders;
- Riot damage;
- Malicious damage;
- Accidental damage.

The premises must be insured for their full reinstatement value, as often an insurer will average out a claim (if DFY had only insured a building for ½ its value then the insurer would only pay ½ a claim).

That value needs to include clearing away damaged materials and local taxes as well as the cost of rebuilding.

The Programme Manager is responsible for ensuring that appropriate cover is maintained and for informing the Finance manager of the cover that is in place and the period for which the cover is maintained.

5.3.2 Premises rented to DFY

Premises rented by or leased by DFY **must** be insured in accordance with the rental/lease agreement. If the rental/lease agreement does not include insurance requirements, what is expected in the event of the incidents listed in the section above relating to “DFY owned Premises” should be clarified in writing with the landlord and appropriate cover including “3rd Party” or “public liability” insurance **must** be arranged.

The Programme Manager is responsible for ensuring that appropriate cover is maintained and for informing the Finance manager of the cover that is in place and the period for which the cover is maintained.

5.4 CONTENTS

The contents of premises which DFY occupies **must** be insured against:

- Fire;
- Flood;
- Storm damage;
- Damage caused by intruders;
- Riot damage;
- Malicious damage;

- Accidental damage.

If possible the insurance cover should be for replacing each damaged/stolen item with new equivalents.

The Programme Manager is responsible for ensuring that appropriate cover is maintained and for informing the finance officer of the cover that is in place and the period for which the cover is maintained.

5.5 CASH

Cash owned by DFY **must** be insured to the correct level for:

- Cash in offices during the day;
- Cash in offices overnight;
- Cash in transit.

It is important that the conditions set by the insurer are fulfilled. For example: is there a requirement that cash is to be kept in a safe? Or, is there a requirement as to how cash is transported to and from the bank?

The Programme Manager is responsible for ensuring that appropriate cover is maintained and for informing the finance manager of the cover that is in place and the period for which the cover is maintained.

5.6 EMPLOYMENT

DFY has a real liability for any staff that may be injured or killed through negligence at work by DFY or any member of staff.

DFY must arrange cover for an adequate level of insurance to protect against these risks. The appropriate level of cover will vary but if there is no legal minimum the cover must be a multiple of an employee's annual salary. The legal minimum may be exceeded if it is thought to be too low.

The Programme Manager is responsible for ensuring that appropriate cover is maintained and for informing the finance manager CFO of the cover that is in place and the period for which the cover is maintained.

5.7 INTERNATIONAL STAFF (IS)

DFY sets no requirement that International Staff have defined levels of insurance cover for personal insurances including medical insurance. Such cover is for the IS member and their seconding group to decide. It is, however, essential for a record to be kept of the emergency insurer contact telephone numbers in order that programme staff can assist in an emergency.

If the IS member can provide no insurance details as to who is responsible for arranging emergency help with appropriate contact numbers the Programme Manager is responsible for notifying the finance manager and HR Department..

The insurance cover carried by each programme will be audited annually. This task may be undertaken as a part of an internal audit or other visit, or by email.

6 SECTION - 6

LEGAL

6.1 INTRODUCTION

In addition to all of the regulations relating to charities in India, there are two main areas where DFY must stay legally healthy. These are the areas of local registration and matters relating to any contracts and agreements with International staff and 3rd parties.

6.2 LOCAL REGISTRATION

DFY has a “legal” presence in each of the countries in which we operate:

Registration Number	Area of Operations
1696/GBBSD/2007	All over INDIA

Local registrations usually need to:

- be renewed periodically – such dates must be timetabled and monitored;
- be audited annually – we must ensure that we gain as much value from local audits as possible;
- have accounts filed annually – the latest date must be timetabled and monitored.

The Programme manager is responsible for undertaking an annual review of all aspects of local registration to ensure that it continues to be the most appropriate for the programme.

6.3 CONTRACTS AND AGREEMENTS

A register of contracts and agreements **must** be maintained. This record should record details of current contracts, the parties involved, the subject matter, the relevant dates and the financial commitment involved.

A contract is written proof of an agreement made between those involved. Every contract to which DFY is a party **must** be finalised in writing and the document **must** be

signed by all parties involved. One fully signed copy of every such contract **must** be retained by DFY and kept securely.

An agreement does not need to be in writing to be enforceable – but it is easier if all of the details are set out in writing. All agreements entered into by DFY **must** be set out as written contracts and signed by all parties to avoid confusion and to provide proof of the agreement should this be necessary.

6.3.1 Under which law should contracts be written? (Jurisdiction)

It is usual for the legal system, under which a contract would be enforced if the need should arise, to be stated in the contract. From the DFY point of view it is preferable if contracts are written under Indian law. DFY is an Indian charitable organisation and we have a better understanding of Indian law than the laws of some other countries.

6.3.2 Limitations in contracts

The board's Empowerment Policy does not allow DFY *"to enter into any financial commitment where early termination would result in a financial penalty in excess of INR 10,00,000"*

Each programme must consider therefore each contract or agreement that it makes to ensure that, if board approval is needed, full details are referred to the Finance manager at head quarter, **before** the agreement is finalised.

6.3.3 Who should sign on behalf of DFY?

First, establish which DFY entity is entering into the agreement. If it is a state office then an "official" of the local office (Project Head) must sign all contracts or agreements.

Contracts or agreements made on behalf of DFY must be signed by President of DFY or by DFY's "Secretary". Where such circumstance exists, the Programme Manager / Project Head is responsible for contacting the finance manager at head office **before** the contact or agreement is finalised

It is an increasingly common practice for each page of a contract to be initialled by those signing it.

6.3.4 Safe-keeping

It is important that the signed copies of contracts and agreements are kept securely in DFY premises and that a full copy of the signed document is sent to the finance manager at Head quarter.

It is also important that the register of contracts and agreements is kept securely in DFY premises and that a full copy is sent to the finance manager at DFY head quarter.

Appendix A

Internal Financial Control Questionnaire

Name of Program: _____

Accounts requirements	Yes	No	Comment	Action	By:
Are proper books and records kept of all transactions?					
Organisational structure	Yes	No		Action	By:
Is a plan held showing the programme's organisational structure?					
Are lines of authority and reporting laid down in writing and communicated to all staff?					
Is any delegation policy laid down in writing and communicated to all staff?					
Is there segregation of tasks to provide automatic "double check"?					
Are all staff given proper training?					
Is professional advice taken where appropriate?					
Financial Plan	Yes	No	Comment	Action	By:

Are financial plans prepared and approved by relevant managers to cover both income and expenditure?						
Are actual results measured against plans with the relevant manager at regular intervals?						
Incoming post - outgoing post	Yes	No	Comment		Action	By:
Is incoming post opened in the presence of 2 responsible people?						
Are all incoming cheques and cash recorded immediately?						
Are entries verified by someone other than the person making the entry?						
Is the rotation of post-opening staff carried out?						
Is the security of unopened incoming and outgoing mail ensured?						
Banking and custody procedures	Yes	No	Comment		Action	By:
Are incoming receipts banked promptly and regularly (at least weekly)?						
Is safe custody of all valuables held on premises						

ensured?						
Are keys of safe or cash box signed for?						
Is insurance held to cover contents of safe or cash box?						
Is all incoming money banked and no amounts held over for petty cash "feeding"?						
Is a written statement of banking and custody procedures held for information of staff?						
Are there good security arrangements for transporting cash?						
Do non-finance staff receive cash on behalf of DFY?						
Are receipts issued for all cash received?						
Are there controls over the use of receipts issued by DFY?						

Money held for third parties	Yes	No	Comment	Action	By:
Do you hold or transport cash for third parties?					
Is there a written agreement detailing that DFY is not liable for loss?					

Is money belonging to the charity held separately from that of any individual trustee/staff members?					
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Checks on income records	Yes	No	Comment	Action	By:
Are regular checks made to ensure records are accurate?					
Are regular checks made to ensure no discrepancies between records?					
Are checks made by someone other than the original recording officer?					
Are any restrictions placed on donated income identified and observed?					

Controls over expenditure	Yes	No	Comment	Action	By:
Is all expenditure properly authorised?					
Is supporting documentation (e.g. invoices) required for all expenditure?					
Are cheque books etc kept in secure place with access only by nominated persons?					
Is the preparation of payments undertaken by someone other than the authorising officer?					
Is a written statement of policy and practice on payment procedures					

available to all staff?					
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Controls over purchases	Yes	No	Comment	Action	By:
Are invoices checked against orders made?					
Are records kept of orders placed but not carried out?					
Is the quality and quantity of goods supplied checked against orders/delivery notes?					
Are all items of stock counted physically and the records adjusted as appropriate at least once a year?					
Are authority levels for placing orders documented?					
Are payments only made against original invoices?					

Payment by cheque	Yes	No	Comment	Action	By:
Do all cheques/instructions to the bank for payment require two signatures?					
Are signatories who are related able to sign a cheque together					
Is there a policy that a nominated signatory may not sign a cheque made payable to themselves?					

Is there a policy of not signing blank cheques?					
Are any monetary limits placed on an individual's signing recorded in writing?					
Is every effort made to minimise cash payments?					
Is all cheque expenditure recorded in the cash book and noted with the relevant cheque number?					
Are all stubs completed at time of payment?					
Are cheques signed only with documentary evidence of the nature of the payment?					
Payment by cash	Yes	No	Comment	Action	By:
Are all payments by cash made from an "imprest" cash float?					
Is the cash float drawn from the bank and not from incoming money?					
Do all payments have supporting documentation?					
Is supporting documentation authorised by someone other than the cashier or claimant?					
Are amounts of claim entered on a (petty) cash voucher?					
Are all payments recored in a (petty) cash book at the time of the					

transaction?					
Are all cash receipts recorded in the (petty) cash book at the time of receipt?					
Are regular checks made of (petty) cash records and the balances by someone other than the cashier?					

Wages and salaries	Yes	No	Comment	Action	By:
Are personnel records kept and held separately from wages records?					
Are salary levels properly authorised and recorded?					
Are checks made to verify existence of employees?					
Are cash payments avoided wherever possible?					
If wages are paid in cash are they signed for?					
Are staff employed under a proper contract of employment?					
Are local income tax and social security regulations complied with?					

Control over fixed assets	Yes	No	Comment	Action	By:
Is a list held and updated regularly?					

Are assets checked regularly to ensure still in good repair and of use to DFY?					
Is the use of fixed assets reviewed annually (to ensure put to best use and serving DFY's interest)?					

Bank accounts	Yes	No	Comment	Action	By:
Please attach a list of all bank accounts operated by the programme, showing roles of signatories, and the current name					
Are secure records held of all accounts?					
Are unused cheque books held in a secure place?					
Are regular bank reconciliations carried out?					
Are instructions to open or close accounts properly authorised and/or reported to trustees?					
Are checks made to ensure that there are no dormant accounts?					
Are bank statements regularly inspected by the manager?					
Are cross checks made between bank statements and income and expenditure records?					

