

# FINANCIAL MANAGEMENT POLICY

# SHREEL FOUNDATION



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## 1. PURPOSE

The Financial Policy of Shreel Foundation is developed based on inputs from sectoral training sessions and best practices in NGO financial management. It is designed to strengthen the organization's financial systems and ensure transparency, accountability, and proper financial governance.

The policy covers:

- Accounting system
- Budget planning and monitoring
- Financial reporting
- Payments and disbursements
- Annual financial statements
- Tax compliance

The policy defines a set of procedures for financial administration and serves as a practical guide for maintaining fiscal accountability.

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## 2. FOCAL POINT

The financial situation of Shreel Foundation is reviewed on a monthly basis, with a focus on the budget, receipts, and expenditures.

The Finance Manager is responsible for ensuring that financial controls are implemented and maintained. Both the Finance Manager and the Secretary are responsible for the following financial functions:

- Financial management
- Payroll management
- Office and administration management
- Budgeting and management reporting
- Management reporting to the Secretary and external auditors
- Cash flow management
- Recording and reconciliation of expenses with monthly financial reporting
- Ensuring all expenditures remain within the approved budget
- Ensuring all expenditures are strictly for the approved purposes
- Collecting and maintaining financial documentation, including quotations, invoices, and receipts, in an organized manner

### Internal Financial Controls

Internal financial control mechanisms are in place to support sound management practices. These controls include standardized procedures to ensure that:

- Financial information is reliable for accurate decision-making
- Assets and records are protected from misuse, loss, or destruction
- The organization's financial policies are consistently followed

The Secretary oversees the regular implementation of these financial policies and procedures. The Finance Manager reviews and ensures compliance with donor-specific financial regulations, reporting requirements, and other contractual obligations related to each funding partner.

### **3. EFFECTIVE DATE AND APPLICABILITY**

This Financial Policy is effective from 1 January 2020 and defines instructions in the context of finance and administration.

### **4. THE ACCOUNTING SYSTEM**

A practical accounting system is maintained at Shreel Foundation, consisting of the following components:

#### **4.1 The Funding Agreement**

Each funding agreement between the donor and Shreel Foundation outlines the full scope of the project and includes:

- Activities to achieve the deliverables
- Total project funding
- Reporting requirements:
  - Narrative report
  - Financial report
  - Periods of reporting
- Management of funds and procurement of goods
- Budget stipulations on fund utilization

#### **4.2 The Budget**

A detailed budget is prepared for every project, listing all planned activities by type. It serves as the financial framework for implementing deliverables.

Each line item specifies the allowed cost for respective activities (e.g., workshops, participants, venue rental, presenter fees). Travel and per diem costs are either listed as separate items or included within relevant activities.

Administrative costs are provisioned under the following heads:

- Bookkeeping fees
- Audit fees
- Telephone expenses
- Rental
- Stationery
- Other office-related expenses

### Office Costs Handling:

- When itemized, actual costs are claimed monthly based on usage.
- When given as a lump sum, overhead funds are transferred to a dedicated account used for monthly disbursements.

### Overhead Account:

A dedicated account (e.g., “own funds”) is maintained for pooling overheads from multiple projects. The transferred amount is recorded as a project expense in the same month. This account is used to cover organization-wide running costs such as rent, phone, insurance, and bridging costs between project cycles.

### 4.3 Bank Account(s)

The organization maintains bank accounts with institutions offering optimal facilities at its operating location.

- All electronic transfers are executed by the Finance Manager, as authorized by the Secretary, and require dual signatory approval
- Transfer documentation is signed by the designated signatories
- Separate sub-accounts are opened for each project to manage donor-specific funds
- Bank reconciliations are performed monthly by the Finance Manager and reviewed by the Finance Director

### 4.4 Petty Cash

Shreel Foundation does not maintain or operate a petty cash system. All payments are processed through banking instruments only (cheques or electronic transfers).

- Even small or miscellaneous expenses are disbursed through formal bank transactions
- No physical cash is held or handled at any time, ensuring maximum financial transparency, auditability, and traceability

## 5. FIXED ASSETS LIST

In the case of general purchases (e.g., stationery, refreshments, fuel, cleaning material), the following procedures are followed:

- A purchase order is completed before the item is procured
- A delivery note, confirming receipt of goods, is signed by designated Shreel Foundation staff receiving the goods
- The invoice is approved by the Secretary and Finance Manager and signed along with the payment request form, indicating the relevant budget line item
- The payment is made through bank cheque or electronic transfer

## **6. RECORDING OF PROJECT ACTIVITIES**

The Finance Manager maintains the books of accounts for all financial transactions of Shreel Foundation, in accordance with standard accounting practices.

Project activities are executed as per the donor agreement, and all records and evidence of implementation are maintained. Reporting is done in two parts:

### **a) Narrative Reporting on Activities**

The Program Manager prepares a summary of the activity, supported by the following documentation. The report includes outcomes, challenges, and measurable results:

- Attendance register signed by participants
- Date, venue, subject, and target group, as recorded in the register
- Evaluation forms filled by participants at the end of the event
- Anonymous feedback on the presentation and content

### **b) Financial Reporting on Activities**

All expenses incurred for the activity are included in a financial report, such as:

- Venue rental
- Presenter/consultant fees
- Travel expenses (per km basis for remote participants or resource persons)
- Stationery and materials used during the session
- Refreshments provided
- Per diems for participants

All expenses are planned and recorded in alignment with the approved project budget.

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## **7. PAYMENTS**

All payments at Shreel Foundation are made through electronic banking or cheque only. The organization does not use petty cash for any disbursements.

The procedure for making payments is as follows:

- Each invoice is authorized by both the Finance Manager and the Secretary, with the relevant budget line item indicated on the invoice
- The Finance Manager completes the budget allocation form, attaches the invoice and the corresponding bank payment receipt
- The invoice number, invoice date, and the project funding the payment are clearly recorded on the budget allocation form to avoid duplication of payment

### **7.1 Bank Transactions – Cash Book**

Bank transactions include electronic fund transfers, cheques issued, and bank charges. Monthly bank statements are obtained from the bank or as per arrangement with Shreel Foundation.

All bank transactions are recorded in a cash book schedule indicating:

- Opening balance at the beginning of the month
- All cheques issued, listed in numerical order
- All e-banking transactions, listed in chronological order
- Debit orders processed by the bank
- Bank charges
- Closing balance at the end of the month

## 7.2 Payment For Goods, Works And Services

- All procurement orders for goods, works, and services are made through official Purchase Orders (POs), regardless of the transaction amount
- All POs are treated as accountable documents
- All payments are made strictly by cheque or bank transfer
- No cheque is signed before it is written and accompanied by required authorization documents
- Payments are made only against invoices that are attached to authorized Purchase Orders and a properly approved payment voucher
- No petty cash is used for any small-value transactions; such transactions are also processed via cheque or bank transfer
- Advance payments for goods or services are not permitted unless explicitly provided for in the contract

## 7.3 Applicable Rates (Per Diem Policy)

Employees and Board Members traveling for official work outside the operational area are entitled to per diem allowances based on officially notified rates.

- Per diem includes expenses for hotel accommodation, meals, and laundry
- Receipts are not required for accounting purposes; however, proof of duty-related stay (day/night) is mandatory
- A day rate applies when the duty period exceeds 10 hours but does not involve an overnight stay

## 8. MONTHLY SUMMARIES OF EXPENSES

All expenses are recorded monthly under their respective budget line items in a structured summary schedule.

- One column reflects the approved budgeted amount as per the funding agreement
- Another column captures the actual expenditures to date, with the variance clearly shown as either over or under budget

This summary acts as a key instrument for Shreel Foundation to monitor financial progress and maintain control over project spending in real-time.

## **9. AUDITED ANNUAL FINANCIAL STATEMENTS (EXTERNAL AUDIT)**

The Finance Manager prepares and closes all accounting records within one month after the end of each financial year. These records are submitted to the designated external auditor for the preparation of the annual audit report.

- The external auditor submits the completed audit report to the Board Members within three months of the financial year-end
- The Finance Manager ensures that all supporting documents and information are provided promptly to the auditor
- Each donor is provided with a copy of the audited financial report

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## **10. REPORTING TO A DONOR**

Reporting intervals are defined in the donor agreement. Reports consist of both:

- A narrative report, covering all completed activities during the reporting period
- A financial report, listing cumulative expenditures for the duration of the project

Reports are customized as per donor-specific formats and requirements.

If any planned activity is found to be non-implementable or ineffective, adjustments may be considered to achieve better results. In such cases:

- Prior written consent is obtained from the donor before making any changes to the project execution
- If changes involve modifications to budget line items, such revisions are discussed and approved by the donor in advance

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## **11. STAFF ADMINISTRATION**

### **11.1 Salary Payments**

Salaries are paid in INR before the close of each calendar month. All applicable taxes and statutory deductions are made in compliance with Indian laws.

A pay slip is issued in duplicate for each employee:

- One copy is handed to the employee
- One copy is retained by Shreel Foundation for records

Each pay slip contains:

- Name of the organisation
- Name of the employee
- Period of payment
- Basic salary
- All deductions, listed item-wise
- Net amount payable

Salary payments are made via cheque and electronic banking on the last working day of the month for which the salary is due.

All statutory deductions such as TDS, PF, ESI, etc., are deposited with the appropriate government authorities in accordance with applicable regulations.

### **11.2 Income Tax Registration of Employees**

All employees are required to be registered with the Income Tax Department of India.

Each employee must obtain a Permanent Account Number (PAN), which is used for TDS deductions and compliance.

A copy of the PAN card is maintained by the Finance Manager for internal records.

### **11.3 Consultants**

When external consultants are engaged for specific project activities, an honorarium agreement is executed between Shreel Foundation and the consultant.

This agreement specifies:

- Honorarium amount
- Consultant's name and address
- Profession of the consultant
- Donor and project under which services are rendered
- Time period for task completion
- Budget line item reference
- Description of services rendered

The agreement is signed by:

- An authorized representative of Shreel Foundation
- The consultant

The date of signing is clearly recorded and a copy is retained in the consultant's file.

### **11.4 Shreel Foundation's Equipment and Facilities**

All organizational equipment is issued with a work ticket, indicating its purpose and source of funding, as certified by an authorized person.

The following records are maintained:

- Purchase Book – records all purchases and returns
- Sales Book – records all sales and any returns (if applicable)
- Cash Receipts Journal – maintains details of all receipts and expenses, linking sales and purchase records
- Bank Statements – along with records of deposits and withdrawals

- Supporting Documents – attached to all entries in books and journals for audit trail
- Goods Registration Record – includes current year's asset receipts
- Employee Register – maintains records of all employees engaged
- Inventory Records – updated through an annual inventory and any interim physical verifications conducted throughout the year

All records are retained in a secure and auditable manner, in line with the organization's documentation standards.

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Approved by  
**Secretary, Shreel Foundation**  
Dated: 04.01.2023