

Sutara Learning Foundation

Finance Policy and Procedures Manual



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1. INTRODUCTION

The contents of this manual were approved as official policy of Sutara by the Board. All Sutara staff, volunteers and Board members are bound by the policies herein and any deviation from established policy must be approved by the Board. Based on our practice since 2007, Sutara has articulated its Finance Policy & Procedures Manual in order to explain financial procedures that enhance accountability and transparency, both internally as well as externally. These guidelines also meet statutory requirements.

Since Sutara believes that programs and finance complement each other's functions, these guidelines support the smooth implementation of programs and activities that contribute to achieve our Goal, Purpose and Vision.

We do not see a Finance Policy as a disconnected set of bureaucratic practices, but as an integral component of our overall organizational culture and core values. Sutara is rather conventional when it comes to money matters.

We do not believe that ideological arguments come into play when fulfilling monetary and accounting obligations. We have never been in awe of the size of our annual budgets without, at the same time, losing a healthy respect for funds and funding. The principle of total and exception-less transparency, especially in money matters has held us in good stead.

We have not only stated that everyone has a right to look into the accounts, but taken concrete steps to invite scrutiny on a continuous and on-going basis. We have simplified financial formats for easy understanding by our semi and illiterate primary stakeholders. Staffs that are overly sensitive to questioning and criticism are immediately relieved of money handling responsibilities.

Constantly bearing in mind that we are mere intermediaries in the business of handling someone else's moneys has kept many possible excesses of arrogance and deceit in check. The distinction between 'spending on ourselves' and 'spending on the people' is clear and unambiguous at Sutara.

In this light, the value premise that guides Sutara in financial matters is:

1. Total and exception-less transparency and answerability in money matters, including our personal finances.
2. Maintain a flat and efficient organisation with minimum hierarchy and no bureaucratisation.
3. Design and implement conscious measures to empower Staff and functionaries and to devolve power to village institutions in a responsible manner.

4. Not accept, route or handle money from or on behalf of any government agency since we believe that these are entitlements of the people themselves and should reach them in the natural course of affair, without any NGO intermediary; moreover we are not social contractors who perform a free or underpaid service to the government's obligatory service provision job.
5. Not take bank loans for ourselves or programs we implement, nor offer any of our holdings or Assets as security or surety.

2. ACCOUNTING BACKGROUND AND POLICIES

2.1. Digitized Financial Accounting System

Sutara follows a computerized accounting system 'QuickBooks' and book-keeping is computerised and used to maintain all the books of accounts with multiple modules for different projects, programs and activities. Financial accounting is integrated to all other program monitoring modules. Vouchers are entered by the respective Accountant and automatically updated in the Day Book. Once authorized and posted, there is no way a Voucher can ever be modified by anyone. In case of genuine errors, a rectification Voucher is physically entered, reversing the original wrong entry. This enables us to track errors and rectifications made.

2.2. Budgets & Realization

Every program or project that Sutara undertakes is planned bottom-up. After long drawn and elaborate consultations with our Primary Stakeholders, Field and Program Staff together prepare a Strategic Plan for a particular program, project or activity. This includes, besides the Goal, Purpose and Objectives, a detailed section on 'Activity Processes'. Each Activity Process is further broken down into tasks and jobs. Costs, if any, are allocated to each such task or job, with the source of funding clearly indicated.

These form the Program or Project Budgets which are compiled separately from finance, programme, and management staff involvement. Program or Projects Budgets are fed into different Sets of Books defined. In the event of a particular Voucher crossing the budgeted amount, a warning is given as a budgetary control mechanism. In addition, the Accountant creates Sub Accounts in order to keep an even tighter track on expenditures. Sutara follows a hybrid system of accounting wherein both accruals as well as cash basis are maintained. The financial year is from 1st April to 31st March. Finance management at Sutara deals with many broad areas of activities. This Finance Policy & Procedures document spells out these guidelines. It also ensures that relevant statutory requirements are met. The Program Coordinator and Accountant oversee the broad finance management, fund flow and budget realization. But they do not do so in any exclusive or in camera manner. Every single Staff is encouraged to realize budget lines pertaining to her/his program or project.

All of them, individually and collectively, also 'police' expenses to ensure that no dubious expenditures are claimed/made. Sutara generally follows the principle that only tax paid bills



and invoices be accepted for payment. All efforts are made to obtain such tax bills and invoices. However, for the purchase of items such as food and local conveyance etc. it is oftentimes difficult to obtain tax bills. Even then, we try to make sure that cheque payments are made.

In exceptional circumstances when all means to obtain tax bills fail, we obtain signatures from the vendor/producer/supplier on a written statement and these are verified by the Community Organizer and Accountant. Furthermore, Sutara strictly follows statute requirements defined for not-for-profit organizations. Specifically, Sutara files annual returns with the Income Tax Authorities and Registrar of Societies.

3. ACCOUNTING SYSTEM

The major areas of finance management at Sutara as documented here are the following:

1. Bank Accounts
2. Asset Management
3. Purchase Procedures
4. Travel Expenses
5. Advances
6. Records, Reporting & Audit

3.1. Bank Accounts

All bank accounts are governed by the Board of Directors of Sutara and managed through resolutions of the Board of Directors; be it for opening, closing, defining signatories, mode of operating or any other.

All bank accounts of Sutara are maintained with RBI recognized banks. All bank withdrawal details are recorded by the designated signatories sign cheques as and when required, after verifying the requisition. No signed blank cheques are kept. Accountants carry out bank reconciliation at regular intervals and ensure that balances as per the books of accounts and Bank Passbooks are tallied.

Sutara in general follows the principle of making cheque payments for payments exceeding Rs. 20,000. Exceptions are allowed for purchase of local items such as groceries, vegetables and also for out-station purchases where the third party does not accept cheques. Exceptions are also made for specific instances such as the booking of bulk travel expenses during the settlement of program advances.



3.2. Asset Management

An Asset is defined as a physical item with a value greater than Rs. 25,000 and/or having a useful life of more than one year, as well as a reasonable resale value. The Program Coordinator authorizes the purchase of all Assets after the Accountant determines the budget line under which they can be booked. On receipt of the authorization for purchase of the Asset, the Accountant and Field/Program Staff strictly follow the below described purchase procedure.

Any sale of asset having a market value exceeding Rs. 5,00,000 is done only after the Board of Directors approves the sale. More often than not, the donor's permission is also sought. The Director makes a recommendation for the sale of such assets giving reasons to the Board of Directors, based on the need and condition of the Asset. On receipt of approval from the Board of Directors, Staff canvas by word of mouth the availability for sale of the Asset and make the sale to the highest bidder.

However, for sale of Assets whose market value and/or book value does not exceed Rs. 5,00,000, the Program Coordinator decides and orders such disposals. The Board of Directors is later informed about the sale. Once again, the respective Staff follows a similar sale procedure as explained in the previous paragraph to identify the highest bidder, taking into account the condition of the Asset market as well as the book value.

No asset is sold based on book value alone. The involvement of Staff in the sale of Assets of whatever value is in order to make the transaction totally overboard and above suspicion. We believe that it is not enough to be honest; we need to be perceived as being squeaky clean. In either procedure, the Accountant ensures that the sale proceeds are immediately, entirely and directly deposited by the purchasers themselves into the respective bank account of the Set of Books where the Asset was recorded. An Asset register is maintained for all purchase and sale of Assets and this forms a part of the audited annual accounts of Sutara.

3.3. Purchase Procedure

A purchase procedure is followed for buying items exceeding Rs. 25,000 be it termed an Asset, inventory or any other. The Accountant determines if it is a revenue or capital purchase, irrespective of the budget line it is provisioned under, following guidelines described in the Asset Management section of this document. Purchase of an Asset is classified as capital purchase while other purchases are classified as revenue. Capital purchases follow the Assets Management guidelines.

After asserting that there is a budgetary provision for the purchase, approval is taken from the Program Coordinator. The Accountant discusses with Field and/or Program Staff on their exact requirement. Program Staff who will eventually use the item are actively involved in scouting and deciding on what is best suited for them, price, delivery, vendor, etc. Sometimes, an advance amount is given to the vendor and settled on receipt of the item. In



some cases, the full amount may have to be paid in advance. In both cases, the specific authorization of the Program Coordinator is obtained, after making a careful risk assessment. 3 quotations are obtained for purchases over Rs 50,000. Sutara does not take this getting of 3 quotations only as a formality, but follows it in letter and spirit.

Extensive web research is done before deciding to buy anything to check for availability, after-sales service, price and customer reviews. Sutara policy of total and exception-free transparency in all financial matters, including personal finances, is followed. E.g. When deciding to sell an old motorcycle, we do not follow the “book value”. Instead, all Sutara Staff are informed and they together scout for the best price. Sometimes there is only a single vendor for the item to be purchased and it is not possible to obtain quotations. After the concerned Program/Field Staff are fully convinced of the item they want, the Accountant independently determine if their judgment is correct. They may, on scouting, find different shops and bargain a better price and quality. After that, the Program Coordinator takes a final call and the purchase is made. For items like vegetables, groceries, small stationery, medicines, etc. for meetings and training sessions, a different procedure is followed.

Based on regular experience, some local shops are identified as reliable suppliers and slips/notebooks are given by the Staff in charge. These slips/notebooks are thoroughly cross-checked by the Accountant once a month during settlement. If the slightest suspicion of foul play is detected, the vendor or shopkeeper is immediately blacklisted.

3.4 Travel

Sutara functions all across India and outside India as well. Our work involves extensive travel and our coverage is far and wide. As a policy, we discourage out-of-project area travel except for evident purposes like purchase, meeting with statutory authorities, receiving/dropping off a visitor, etc.

Travel expenses are reimbursed, against actual bills and expenses to Staff who travels outside the project area. We allow for travel by the most economical and efficient mode, road or train. In certain cases, where air travel is inevitable, Sutara reimburses costs on the authorization of the Program Coordinator. When Staff attend a donor organized conference or workshop where travel is not reimbursed, the ticket cost is taken as program expense. 3.6 Staff Welfare

Sutara believes that parity has to be found between the personal and the political. Family values, especially with regard to caste/community, womenfolk and child socialization practices, display of social status, customs and practices have to match and meet with that of the NGO. The way we development workers live and work has a direct bearing on what we achieve and accomplish. Over the years, we have tried to evolve a woman-friendly environment. It makes living and working a pleasure and enhances everyone’s overall performance.



Several times a year, we jointly celebrate festivals, functions and Staff functions to bring together all Staff and their family members. All Staff and their immediate dependents are covered under Health Insurance. This is renewed annually and the premium paid by Sutara

In case of accidents, emergencies and hospitalization, Sutara bears the expenses and later claims the same from the Insurance Company. In cases where Staff can manage to bear their own costs, they do so and such expenses are reimbursed after the Insurance claim is settled. In certain cases, where the Insurance policy does not cover the claim due to some technical reason, Sutara absorbs the expenses from its Staff Fund.

3.5. Advances

1. Program Advances For the smooth implementation of programs and projects, Sutara Staff take program advances to meet field expenses. These advances are given on the request of concerned Staff, supported by the Program Coordinator or Accountant. Normally, such program advances are taken by Field staff themselves.
2. All such advances taken for program implementation are termed as program advances. Program advances are normally settled within the week. In case of difficulty in doing so for any reason, they are returned and retaken when needed. In the event of a program advance not being settled even by the end of the week, the Accountant immediately enquires and if necessary, treats it as salary advance to deduct from salary.
3. Unless a previous program advance has been settled, a second advance is normally not given. In exceptional cases, due authorization from the Program Coordinator is obtained for subsequent advance while the first advance is outstanding. This is a rare exception.
4. Field staff prepares requests for program advances for their respective Programs and get them authorized by the Accountant. Field staff takes these advances to disburse the payments as per these requisitions. They settle such program advances once or twice a week.

3.6. Staff Advances

Staffs are entitled to interest free advances. Staffs that have completed their three months training period and are construed as permanent have access to such advances. They are entitled to an advance equivalent to one-month salary.



These advances are authorized by Accountant. However, if the advance amount is more than a month's salary, the Program Coordinator authorizes such advances and repayment instalments. Normally, while fixing the repayment schedule, the following rules are followed:

1. The monthly repayment does not exceed 50% of salary
2. The advance should be cleared within the financial year ending on 31st March Salary advances are bare minimum; normally at the start of the school year since the only investment that Staff makes for themselves is a good education for their children. Health related advances are settled by the Insurance Company within a few weeks. No one is given any salary advance to make an investment or start a business. Program Advances and Staff Advances are separately reflected in the Sutara books of accounts.

3.7. Advances brought to Zero

All advances, irrespective of whether they are Staff or Program, are brought to zero on 31st March every year. The few that appear in our Balance Sheet, in spite of this strict and unsparing policy, are contentious ones that could require recovery action.

Sutara does not, as a general practice, write-off outstanding advances unless and until all other avenues are exhausted. This is done on the recommendation of the Auditor to the Board of Directors.

4. RECORDS, REPORTING & AUDIT

4.1. Records

Sutara maintains a number of records and books to fulfil the function of finance management. While most records relating to book keeping, the following records are manually maintained:

1. Fixed Assets Register

The Day Book is generated and maintained for statutory and management reasons, daily print outs are taken and filed after posting is completed. Hard copies of General Ledgers are printed once every 6 months. Accountant generates Vouchers for various types of payments such as Cash Payment, Cash Receipt, Bank Payment, Bank Receipt, Withdrawal from Bank, Deposit into Bank, Journal, etc.

These Vouchers are printed, supporting documents attached, signatures obtained from recipients and filed in designated Voucher Files. Vouchers are filed chronologically and as per the Voucher Number and Type, under separate Sets of Books.



Program Coordinator goes through them before final commitment. All financial records such as Vouchers with supporting documents, Day Books, General Ledgers, Subsidiary Ledgers, Journal Registers, Budget Realizations, Trial Balances, Cash & Bank reconciliation statements, etc. are stored and maintained for a statutory minimum of 7 years.

Audited Financial statements such as Audit Report(s), Receipts & Payments statements, Income & Expenditure statements, Balance Sheets and Assets Register are maintained eternally. Audited Financial reports are immediately uploaded to our website at <https://www.sutara.in>

4.2. Reporting

Sutara prepares many reports for both internal as well as external purposes. Regular finance reports such as Day Book, Ledgers, Subsidiary Ledgers, Sub Account listing, Budget Realizations, Trial Balances etc. are automatically generated in real-time by QuickBooks financial accounting module.

They are available to anyone and everyone, irrespective of permissions. Additionally, the following reports are manually prepared by the Accountant for submission to donors and statutory authorities:

1. Consolidated Receipts and Payments, Income & Expenditure & Balance Sheet with schedules
2. Budget Realizations for each program or project are perused by Field/Program Staff
3. Donor Reports to various Donors in their formats, along with Progress/Activity Reports
4. Fund Transfer requests to Donors
5. Income Tax Reports and formats for annual filing
6. TDS Reports for filing and distributing Forms 16
7. Professional Tax Report if any

Apart from the above, Accountant prepares several need based Excel worksheets used Program/Field Staff to assist them in program monitoring.

4.3. Audit

Sutara has a two-tier audit practice in place – Internal Audit and Statutory Audit.

1. The Accountant and the Program Coordinator carry out the Internal Audit every quarter. Internal Audit function verifies compliance to the Sutara Finance Policy & Procedures.
2. An external Auditor is appointed by the Board of Directors to conduct statutory audit twice a year. Statutory Audit fulfils the statute and donor needs and is carried out annually in April.

The Statutory Audit includes verification of vouchers and supporting documents and all other accounting records as required by audit, as well as preparation of Balance Sheet, Income & Expenditure statement, Receipts & Payments statement, Donor Reports and any other reports that may be deemed necessary from time to time.

Auditors, as part of their contract, also oversee the filing of Income Tax returns, TDS, Service Tax, Donor reports, etc. besides offering financial management advice.

4.4. Management Report

Board of Directors shall have certain responsibilities in the areas of financial reporting, internal control and governance. In the areas of financial reporting and internal control, the Board of Directors shall:

1. Oversee the external audit process, including consultation with the external audit firm on Sutara's audit results.
2. Receive and review any other communications from the external auditors that the external auditors are required to submit to the Board of Directors under currently applicable professional auditing standards.
3. Review and discuss within the Executive Committee, the findings and recommendations communicated by the external auditor.

4. Inquire about the existence and nature of significant audit adjustments proposed by the external auditors and significant estimates made by management.
5. Meet privately with the external auditors to discuss the quality of management, accounting and information technology personnel and to determine whether any restrictions have been placed by management on the scope of their external audit or if there are any other matters that should be discussed with the Committee.
6. Prepare a report, signed by the Director for presentation to the Board of Directors describing the activities and responsibilities and
7. Direct special investigations into significant matters brought to its attention within the scope of its duties.

