

2021

Finance Manual



ICSF

International Collective in Support of Fishworkers

Contains the policies and procedures relating to Finance planning, budgeting, accounting, auditing and reporting.

Version 1.0

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1. Preamble

Managers and other functionaries of NGO must develop, at the very least, basic skills in financial management. The basic skills start in the critical areas of cash management, procurement and book-keeping, which should be carried out following certain financial controls to ensure integrity in the book-keeping and reporting process. This would ensure reliable and timely information which will facilitate in effective planning and decision making. The NGO personnel should swiftly learn how to generate and analyze the financial statements in order to develop a real understanding of the financial condition of the organization. ICSF therefore, lays down in this manual, the financial policy and procedures of the organization.

Further, this policy has to be read in conjunction with Procurement Policy, HR Manual, and Delegation of Financial Powers cum Waiver matrix (DFP). The DFP matrix shall prevail in all financial matters.

2. Objective

The objective of the manual is to:

- list out processes to facilitate financial management;
- put in place checks and balances and to ensure that the financial information is reliable;
- ensure that the organizations' policies are followed, and government regulations are complied with;
- ensure that the assets and records of the organization are safeguarded;
- facilitate a smooth transition of financial staff when a staff is replaced;
- provide a standard reference for managers and finance personnel in understanding their rights and carrying out their responsibilities and provide direction and authority in the day-to-day administration.

3. Application

The policies are approved by the Board of Directors of ICSF, administered by the Executive Director and Accounts Manager. Financial Management is the responsibility of everyone in the organisation. Every employee must read and know the contents of this Finance Policy. All personnel shall adhere to the requirements while discharging their functions.

4. Files and Amendments

These policies are continuously being developed and updated. The Executive Director and the Manager (Finance and Accounts) will maintain the updated copies with them and shall notify the changes to all the employees.

5. Accounting System, Policy and Procedures

1. Books of Account

Accounts will be maintained in Tally accounting package. The accounting software will be kept current with the latest version by periodic renewal of license.

2. Method of Accounting

The accrual basis of accounting is followed in all material respects. This means that income and expenditure are recognized in the Income and Expenditure Account in the period to which they pertain, rather than the period in which the cash is received or paid.

3. Financial Year

The financial year of ICSF will be from the first of July to thirtieth of June.

4. Chart of Accounts

ICSF uses the standalone Tally accounting package for its accounting and financial statement preparation. The chart of accounts has been kept simple and easy to understand. It is configured considering the requirements such as activity, program, donor, contract and the natural classification. Current list of chart of accounts with explanation is attached in Annexure-1

5. Accounting Policies

The principal accounting policy for ICSF covers the following:

- Reserves/Funds (Categories of Funds)
- Liabilities
- Accrued expenditure
- Fixed assets
- Advances
- Prepayments
- Security deposits
- Income
- Expenditure
- Contributed services

a. Categories of ICSF funds

ICSF receives and administers donations and contributions made in support of its programs. Income shall however be recognised only when they become realisable with reasonable certainty. Funds received are classified as given below, according to the conditionalities if any attached to it.

i. Grants:

Grants are funds provided by the donors for activities undertaken by ICSF. These funds can be further categorised into two viz. specific (**restricted**) and non-specific (**unrestricted**) grants. Specific grants are those whose expenditure is allocable to specific activity of ICSF while non-specific grants could be used across activities. Grants are recognized in the Income and Expenditure Account as the Income of a period to the extent of their utilization in that period. Consequently, grant balances represent portions of grants that are yet to be utilized or yet to be received respectively. Though depicted as restricted funds, they are not the funds of the organization since they are usually returnable to the extent not utilized and are governed by the terms of agreement entered with individual grantors.

ii. Minor income and donations:

Include incomes viz. membership fees, publication subscriptions, research income and honorariums, donations and interest on bank accounts. These are not substantial and not used to fund the ICSF programs. However operational capital has been at times provided by revoking this fund, to smooth cash flows. Any surplus would form part of unrestricted fund.

iii. Capital Fund:

Represents the funds locked in net fixed assets. Those portions of grants, which are utilized for acquiring fixed assets are treated as a permanent contribution to the Capital Fund in the period in which the asset is acquired. This capital is written-in as an Income to the Income and Expenditure Account over the useful life of the asset, parallel to the depreciation charge

b. Liabilities

Liabilities represent the ICSF's financial obligations to outside parties who have provided resources to the organisation and should be reported in the Balance Sheet using the accruals basis of accounting. Liabilities shall be recorded initially in the designated accounts for the accounting period during which the transactions giving rise to them occurred and removed in the period during which they are settled. Amounts recorded as

liabilities shall be supported by sufficient documentation that establishes the basis for their inclusion in the accounts.

Goods/services are procured largely upon payment on delivery basis. However, ICSF will avail credit period offered by suppliers/service providers provided there are no interest charges levied by the suppliers/service providers.

c. Accrued expenditure

Accruals are made where the goods or services have been received prior to the end of the accounting period, but where payment has not been made. Accruing expenditure serves to match the expenditure to the period in which the benefits are received and it helps in periodic reporting. Accruals are not simply made to show expenditure in the period in which it was budgeted, unless the goods or services were actually received in that period.

d. Fixed Assets

Assets represent items of value that ICSF owns or controls. In order to qualify for capitalization as a fixed asset, an asset must fulfil the following criteria;

- must have a useful life of at least 2 years
- must be acquired (purchased or donated) for use in operations. Donated assets will be recorded at its market value/the value indicated by donor (whichever is less) as at the date of acquisition
- must cost euro 1000 or more (cost includes any incidental expenses of acquisition). Assets costing less than euro 1000 are expensed off in the year of acquisition and are not entered in the asset register.

Assets will be depreciated using straight-line method over its useful life as given below:

Asset	Description	Useful Life (Years)
Computers	Desktop, laptop, I pad	3
Audio Visual equipments	Camera, recorder, video player, projector, Speaker, Mic	4
Office equipments	Printer, Copier, fax machine	4
Furniture and Fittings	Table, chairs, cupboard, filing cabinets, electrical fittings and utilities	4

Irrespective of the usage of an asset in a financial year, depreciation will be charged. Pro-rata depreciation will be charged from the date of acquisition or date of disposal, as the case may be.

Fixed assets register shall be maintained as per Annexure 2. It will be updated every month.

All fixed assets shall be verified physically at least once in 12 months. Assets which are held in the personal custody of staffs/associates shall be brought to office and verified. Alternatively, a declaration shall be obtained from the respective custodian to the effect that the assets are held safely and in proper working conditions.

e. Advances

All payments in advance in a period shall be recorded as assets until receipt of the goods or services involved or until recovered or until contract terms are met. Advances are normally given (i) for purchase of goods or services, (ii) to employees (iii) to associates for undertaking specific activities of ICSF. Requests for these advances shall have to be made atleast 5 working days prior to the actual date of travel or activity in order to provide sufficient time to process and make the advances.

- i. Purchase of goods or services: Advances may be given to a supplier or service provider. Requisite acknowledgement shall be obtained from the supplier/service provider. While settling the invoice, advance already given shall be deducted and the balance will be settled.
- ii. Program advances: At times ICSF may have to provide cash advance to a Member or a responsible officer towards implementation of activities viz. workshop, meeting, training or seminar. Such advance will be estimated and approved as per the DFP matrix and the member/officer concerned shall submit statement of accounts with sufficient supporting documents within a week from the completion of activity along with return of balance unspent money.
- iii. Advances to employees: Under special circumstances loans and advance against salary may be given to employees which are governed by the compensation and benefits policy, the recovery of which will be done through monthly payroll disbursements.
- iv. Advance to associates: While implementing various programs, ICSF may have to engage consultants for specific activities. In such cases, ICSF enters into an agreement with individuals or organizations to undertake specific activities such as undertake research on a specified topic or conduct of workshops or audio-visual shooting etc.,

Before settling the final invoice, these advances are adjusted, and final settlement made. In respect these advances, the procedure followed are:

Contracts with counter party (individuals or organisations):

A contract or letter of understanding with terms of reference (ToR) and terms and conditions (TnC) is exchanged between ICSF and the counter party. Progressive payments are given with the final settlement upon receipt of the deliverable as per ToR. Counter party shall refund unspent advance if any. In certain cases, the counter party may be asked to provide project/activity specific financial statement, or a statement of expenditure incurred along with supporting vouchers, bills and documents. In respect of counter party being an organization, the TnC may contain submission of audited financial statements of the organization that reflect ICSF's contribution to the activity and expenditure. The contract is considered closed upon receiving the deliverables as specified in the ToR. The status of contracts and their implementation is monitored against the deliverables and timelines specified in the contract by designated program staff.

At the time of liquidation/settlement of advances, appropriate accounting treatment will be given in the books of accounts.

f. Prepayments

Prepayments are considered a standard business practice for transactions such as Memberships and Subscriptions, Rent, Insurance Premiums, Maintenance contract etc., Other prepayments may be acceptable only if it is cost beneficial. The location, reputation and other characteristics of the vendor should be taken into consideration when making prepayments as it could have a bearing on the ability to recover the payment if the vendor defaults in the delivery of the supply or service. Finance staff should ensure that invoices are verified to identify areas where prepayments may occur.

g. Security deposits

Security deposits may have to be provided while taking a premises on rent or engaging a vendor for standard long-term supply. In such a case, adequate safeguards are taken while making such deposits. The quantum of security deposit shall be within the generally accepted business practice. Amounts recorded as security deposits shall be supported by sufficient documentation that establishes the basis for their inclusion in the accounts.

h. Income

For all its programs and to meet its mission objectives ICSF receives grants from donors. Grants are recognized as income in each period to the extent of their utilization in that period.

i. Expenditure

ICSF shall maintain effective internal control procedures consistent with its size and operational requirements. It shall ensure that all expenditures are:

- authorizes appropriately.
- included in the financial statements in accordance with the accruals concept.
- are consistent with the mission of the organization and intention of the donors

j. Contributed services

Contributed services are the time and resources contributed voluntarily by members and others towards planning and implementation of ICSF's programs. No monetary values shall be attributed to such contributed services. Actual/estimated time and resources spent on ICSF works shall be recognized by way of a note in the annual financial report.

6. Expenses and Invoice booking

Invoices received from suppliers and service providers shall be verified with the agreements or purchase orders wherever applicable and the entries are booked in Tally system by Accounts Manager after the approval from the Programme Manager. They should also be coded with a cost center and account code corresponding to the budget line item so that the information can be correctly recorded in Tally. All these invoices are kept filed in "Unpaid invoices File" until payment is made. While making payment, original invoice(s) together with the payment order shall be presented to the authorized signatory for further action.

7. Banking Operations

- Bank account opening and closure:** Banking accounts shall be opened with recognized banks which are reliable, financially stable and offers convenience in banking operations. Board approval is necessary to open new bank accounts or to close existing accounts; to modify the signatories in the existing accounts and to modify the existing operational limits specified to the signatories. In respect of any changes, the Bank(s) shall be notified in writing within five working days from the date the decisions are approved by the Board.
- Operations:** The accounts will be operated by a member as per the mandate provided by the Board. Irrespective of the type of transaction, the authorized signatory can authorize payment upto a maximum of Euro 25,000 per transaction. The transaction types and the pre-requisites for processing the payment are provided in Table-1 below. Refer to DFP

Matrix for specified delegated powers and limits. The cheque books shall be kept in the safe custody of Accounts Manager and is produced to the authorized signatories as and when need arises. Cancelled cheques should be retained and produced at the time of audit. Online banking username and passwords are held in the personal custody of the authorized signatories only.

Table-1

Transaction Type	Limit in Euro	Pre-requisites
Transfers to another bank account of ICSF	Any amount	Prior information to Executive Director and Accounts Manager
Transfer to ICSF Trust	Euro 25,000 per transaction	Payment order process to be followed
Payments-Capex	Actual asset cost	Procurement of capital item must have been approved by executive director. Payment order process to be followed prior to release of any payment whether advance or full settlement.
Payments-Opex	Actual amount of product or service OR Euro 25,000 whichever is less	Procurement of product/service shall be as per Procurement Policy. Payment Order process shall be followed for release of payment by authorized signatory.

All payments, whether by cheque or bank transfer, must be made based on authorised documentation only. Payment orders shall be prepared by Accounts Manager as per format provided in Annexure-3, verified by Programme Manager and submitted to Executive Director for approval. The payment orders shall be verified and approved for payment by Executive Director. Upon approval, the payment will be made by the authorized signatory. Individual payment order shall be issued for payments to different vendor. Single payment order may be issued for multiple invoices of the same vendor. Invoices, bills or other supporting documents in original shall be kept attached to the payment order.

- iii. Receipts: All receipts whether from Donors or others should be encouraged through bank transfers instead of cheques or cash. Nevertheless, cheques if any received should be banked not later than the next banking day. A pre-numbered receipt book should be

maintained for cheques received and a receipt issued to the payer. Receipts should be signed by the person receiving the cheque or cash and authorized by the Programme Manager.

- iv. Reconciliation: The bank balance must be checked regularly to ensure that sufficient funds are available and that the bank account is not overdrawn. Bank account shall be reconciled with the books of accounts within 3 days from the receipt of bank statement. Reconciliation statement shall be produced every month and the same be signed by the Accounts Manager and the Executive Director.

8. Cash receipts, payments and records

No cash will be accepted from any Donor or from supplier of product/services towards refund/return of any money from them. All these transactions shall be through bank transfers only. Cash transactions shall be limited to petty cash expenses and when the amounts involved are so small that it would not be cost effective to process through other means. Normally cash not exceeding Euro 1,000 shall be held at any time and no payments in excess of Euro 250 shall be made by cash. All cash payments should be supported by receipts/bills/vouchers and to be authorized by Programme Manager.

An exception to this would be when cash expenses are to be incurred for specific activity viz. Workshop, meeting/seminar etc., In such cases estimated amount of cash may be withdrawn with the prior approval of Programme Manager and the Executive Director.

Any cash held at a given point of time shall be kept under the custody of Accounts Manager. All cash transactions shall be updated in the accounting system daily and the relevant records kept in an identifiable manner for ease of verification.

9. Procurement, Employee related costs, travel and other reimbursements

A procurement policy is in place to ensure high level of accountability and transparency in every procedure related to procurement and distribution. Procedure as laid down in the Procurement Policy shall be followed for procurement of any product/services. Similarly, for all employee related costs, travel and other reimbursements policy and procedure as laid down in the HR Manual shall be followed.

6. Planning, Budgeting, Audit and Reporting

ICSF plans its programmes for a quadrennium (three-year programme followed by a review year) based on the broad directions set out by the General Body (GB) of ICSF. The ICSF Secretariat prepares a four-year proposal of activities and corresponding budgets, and then seeks donor support, either as core funding or programme-specific funding.

Upon finalization, hard copies of the programme proposal and the corresponding budget are kept with the Programme Manager.

The Accounts Manager shall prepare Income and Expenditure Statement, Balance Sheet and Donor wise grant utilisation statement every quarter. The same shall be reviewed by the Programme Manager and presented to the Executive Director.

Irrespective of statutory requirement for an audit, annual accounts shall be prepared within 3 months from the end of the financial year and presented to external auditors for their audit and reporting.

External auditors shall be appointed by the Board.

7. Amendments

Amendments may be necessary, among other reasons, to maintain compliance with various regulations and/or organisational changes within ICSF.

Amendments to the policy due to changes in Law, maybe done at the earliest by the Board with ratification in the immediate following General Meeting of Members and any other amendments shall take effect upon confirming by the Members in the General Meeting of Members.

Tally Default Group	Created Ledger
Branchs/Divisions	Will not be used
Capital Account	Free form ledgers
Reserves & Surplus	Free form ledgers
Current Assets	
Bank Accounts	Free form ledgers
Cash in Hand	Free form ledgers
Deposits (Asset)	Free form ledgers
Loans and Advances (Asset)	Free form ledgers
Stock in Hand	Will not be used
Sundry Debtors	Will not be used
Current Liabilities	
Duties & Taxes	Will not be used
Provisions	Free form ledgers
Sundry Creditors	Free form ledgers
Direct Expenses	
10 Salaries and Staff Cost	12 Salary Apportionment
	13 PA/Mediclaim - Insurance
20 Associate and Consultant Fee	21 Remuneration
	22 Audit Fees
30 Travel	31 Outstation Fares
	32 Other Travel Expenses
	33 Local Conveyance
	34 DSA/Perdiem payments
	35 OMP - Premium
40 Communication	41 Telephones
	43 Courier
	44 Postage
	45 Internet Charges
	46 Website Maintenance
50 Documentation	51 Stationery
	52 Consumables
	53 Printing
	54 Photo Copying
	55 Computer Maintenance
	56 Subscriptions & Periodicals
	57 Books
	58 MM Development & Conversion
	59 CD's & Other Storage Media

Tally Default Group	Created Ledger
60 Facilities	61 Rent Apportionment 62 Establishment Apportionment 63 Equipment Rentals 64 Refreshments/Meals 65 Meeting Expenses 66 Sub Staffs Salary
70 Others	73 Miscellaneous
80 Finance Cost	82 Bank Charges 83 Exchange Gains/Loses
Direct Incomes	
Fixed Assets	Computers and Peripherals Multimedia Equipment Office Equipments Furniture and Fitting Vehicles Accu Depn Computers Accu Depn MM Equip Accu Depn Off Equip Accu Depn F and F Accu Depn Vehicles
Indirect Expenses	Depreciation
Indirect Incomes	
Investments	Will not be used
Loans (Liability)	Will not be used
Bank OD A/c	Will not be used
Secured Loans	Will not be used
Unsecured Loans	Will not be used
Misc. Expenses (ASSET)	Will not be used
Purchase Accounts	Will not be used
Sales Accounts	Will not be used
Suspense A/c	Will not be used
<i>Profit & Loss A/c</i>	Will not be used
<p>Red-Tally Default Group</p> <p>Blue-Tally Default sub group</p> <p>Green- Created subgroup under default tally group</p>	

International Collective in Support of Fishworkers		Year	2019-20
Payment Authorisation		Sl.No.	100
Recipient Details			
Pay to	International Collective in Support of Fishworkers (ICSF) Trust		
Amount	Euro 20,000 (Twenty thousand euro only)	Mode (Tick relevant box)	
Towards	Various activities	Transfer	Cheque
Bank details in case of bank transfer			
Name of Bank	ICICI Bank Limited		
Bank Branch	Cenotaph Road Branch		
Bank Address	#1, Cenotaph Road, Chennai, India		
IFSC Code	ICIC0000001		
Routing Ref			
Swift Code	ICICNBBCTS		
Name of Beneficiary	International Collective in Support of Fishworkers (ICSF) Trust		
Beneficiary Address	22 First Floor, Venkatrathinam Nagar, Adyar, Chennai 600 020, India		
Beneficiary A/C No	000101229216 THRU CHASDEFXXXX		
IBAN			
Payment Approval		Payment Release	
Prepared by (AM)		Date of receipt of PO	
Verified by (PM)		Date of Payment	
Approved by (ED)		Payment bank account	
		Bank Reference	
Approval Date		Authorised signatory	