

FINANCIAL MANUAL



Gitanjali Foundation



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Financial Manual

Overview:

The Gitanjali Foundation Financial Manual delineates the comprehensive guidelines and procedures for financial management within the organization. This manual aims to foster transparency, accountability, and efficiency in all financial operations, encompassing budgeting, accounting, financial reporting, internal controls, and auditing.

1. Purpose:

The manual is designed to:

- Establish Clear Policies: Provide clear and consistent financial management policies and procedures.
- Ensure Accurate Reporting: Facilitate the production of accurate and timely financial reports.
- Maintain Internal Controls: Strengthen internal controls to protect assets and prevent fraud.
- Comply with Regulations: Ensure compliance with all relevant legal and regulatory requirements.
- Support Decision-Making: Offer reliable financial information to aid in informed decision-making processes.

2. Scope:

This manual is applicable to:

- Personnel: All employees and volunteers involved in financial activities.
- Transactions: All financial transactions, records, and reports of the Gitanjali Foundation.
- Stakeholders: All stakeholders, including donors, partners, and regulatory bodies.

3. Financial Management Principles:

- Transparency: Financial operations and reporting should be open and clear to stakeholders.
- Accountability: Individuals responsible for financial management must be held accountable for their actions.
- Efficiency: Resources should be utilized optimally to achieve the organization's goals.

- Compliance: Adherence to all relevant legal, regulatory, and donor requirements is mandatory.
- Integrity: Financial practices must uphold the highest standards of honesty and ethics.

4. Budgeting:

4.1 Budget Preparation:

- Annual Budget: The Treasurer, in collaboration with the CEO and program managers, prepares an annual budget for the upcoming financial year.
- Budget Proposals: Program managers submit detailed budget proposals, outlining expected income and expenditures for their areas.
- Consolidation: The Treasurer consolidates all proposals into a comprehensive budget for the Executive Committee's review.

4.2 Budget Approval:

- Review: The Executive Committee reviews the consolidated budget to ensure alignment with strategic objectives and resource availability.
- Approval: The Board of Trustees approves the final budget prior to the start of the financial year.
- Revisions: Any significant budget changes require the Board's review and approval.

4.3 Budget Monitoring:

- Monthly Review: The Treasurer prepares monthly reports comparing actual income and expenditures to the budget.
- Variance Analysis: Significant variances are analyzed, and corrective measures are implemented.
- Reporting: Budget performance reports are presented to the Executive Committee and Board regularly.

5. Accounting:

5.1 Accounting System:

- Software: Reliable accounting software, such as Tally, is used to maintain financial records.
- Chart of Accounts: A chart of accounts is established to categorize and track all transactions.
- Double-Entry System: A double-entry accounting system ensures the accuracy and completeness of records.

5.2 Recording Transactions:

- Documentation: All transactions are supported by documentation such as invoices, receipts, and contracts.
- Entry: Transactions are recorded promptly and accurately.
- Classification: Transactions are classified according to the chart of accounts and relevant project codes.

5.3 Reconciliation:

- Bank Reconciliation: Monthly bank reconciliations ensure consistency between bank statements and accounting records.
- Ledger Reconciliation: Regular reconciliation of ledger accounts verifies the accuracy of recorded transactions.

6. Financial Reporting:

6.1 Monthly Reports:

- Income and Expenditure Statement: A monthly statement details all revenues and expenses.
- Balance Sheet: A monthly balance sheet shows assets, liabilities, and equity.
- Cash Flow Statement: A monthly cash flow statement outlines cash inflows and outflows.

6.2 Quarterly Reports:

- Program Financial Reports: Financial reports detail income, expenditures, and fund balances for each program.
- Consolidated Reports: Consolidated financial reports are reviewed by the Executive Committee and Board.

6.3 Annual Reports:

- Annual Financial Statements: Comprehensive annual statements include income, expenditure, balance sheet, and cash flow.
- Audit Report: An external certified auditor audits the annual financial statements.
- Donor Reports: Financial reports for donors comply with grant agreements.

7. Internal Controls:

7.1 Segregation of Duties:

- Role Separation: Financial responsibilities are divided among individuals to reduce risks of errors and fraud.
- Approval Authority: Defined levels of approval authority are established for different transactions.

7.2 Cash Management:

- Cash Handling: Procedures for handling cash include collection, recording, and depositing.
- Petty Cash: A defined petty cash fund is maintained with proper documentation for all transactions.

7.3 Procurement:

- Policy: A procurement policy outlines procedures for purchasing goods and services.
- Competitive Bidding: Significant purchases require competitive bidding to obtain the best value.
- Approval Process: An approval process is implemented for all procurement activities.

7.4 Asset Management:

- Inventory: An inventory of physical assets, including furniture, equipment, and vehicles, is maintained.
- Depreciation: Appropriate depreciation methods are applied for fixed assets.
- Verification: Regular physical verification ensures the existence and condition of assets.

8. Compliance:

8.1 Legal and Regulatory Compliance:

- FCRA Compliance: Compliance with the Foreign Contribution (Regulation) Act, 2010, includes maintaining FCRA accounts and timely filing of returns.
- Tax Compliance: Compliance with income tax, GST, TDS, and other applicable tax laws is ensured.
- Statutory Audits: Statutory audits are conducted as required, with reports submitted to relevant authorities.

8.2 Donor Compliance:

- Grant Agreements: Financial terms and conditions of grant agreements are strictly adhered to.
- Donor Reporting: Financial reports are prepared and submitted to donors per agreed timelines and formats.

9. Auditing:

9.1 Internal Audit:

- Frequency: Internal audits are conducted quarterly to review financial operations and identify improvement areas.

- Scope: Audits cover transaction accuracy, internal controls, and compliance.
- Reporting: Findings are reported to the Executive Committee and Board.

9.2 External Audit:

- Appointment: An external certified auditor is appointed to conduct an annual audit of financial statements.
- Scope: The audit includes a review of financial records, internal controls, and compliance with legal and donor requirements.
- Reporting: The auditor provides a report with recommendations for improving financial management.

10. Governance and Accountability:

10.1 Roles and Responsibilities:

- Board of Trustees: Oversee effective financial management, approve budgets, and review reports.
- Executive Committee: Implement financial policies, monitor performance, and ensure compliance.
- Treasurer: Oversee the financial management system and prepare reports.
- Program Managers: Prepare budget proposals, monitor expenditures, and report performance.
- Finance Staff: Record transactions, manage cash, perform reconciliations, and support reporting.

10.2 Transparency and Communication:

- Stakeholder Engagement: Engage with stakeholders to communicate financial performance and management practices.
- Public Disclosure: Publish annual financial statements and audit reports on the organization's website.

11. Monitoring and Evaluation:

11.1 Financial Performance Monitoring:

- Indicators: Key financial performance indicators monitor income, expenditures, cash flow, and asset management.
- Regular Reviews: Financial performance is regularly reviewed against the budget and strategic objectives.

11.2 Continuous Improvement:

- Feedback Mechanisms: Implement mechanisms for staff, donor, and stakeholder feedback on financial management practices.
- Policy Review: Regularly review and update the Financial Manual to incorporate best practices and address challenges.

Conclusion:

The Gitanjali Foundation Financial Manual establishes a comprehensive framework for managing financial operations with integrity, transparency, and efficiency. Adherence to these policies and procedures ensures sound financial management, legal and regulatory compliance, and effective resource use. Commitment to continuous improvement and accountability enhances the foundation's financial sustainability and credibility with stakeholders.