

# **FINANCIAL POLICY**

**(w.e.f. 01/04/2022)**



**ASSOCIATION FOR DEVELOPMENT INITIATIVE (ADI)**

**GA-94, GA Colony, Bharatpur, Bhubaneswar, Pin - 751029**

# **Financial Policy**

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### **1. Introduction**

The Financial Policy of Association for Development Initiative (ADI) serves as a guiding framework for all financial planning, management, and control within the organization. It defines the principles and procedures to ensure that funds are utilized responsibly, transparently, and in alignment with ADI's mission of promoting sustainable community development.

This policy establishes a uniform system for budgeting, accounting, expenditure control, reporting, and auditing, ensuring compliance with statutory regulations, donor agreements, and internal governance standards. By clearly outlining roles, responsibilities, and processes, it safeguards the organization's assets, prevents misuse of funds, and builds trust with donors, stakeholders, and beneficiaries.

### **2. Purpose**

The purpose of this Financial Policy is to ensure proper management, accountability, and transparency of all financial transactions of Association for Development Initiative (ADI). It aims to provide clear guidelines for budgeting, expenditure, revenue management, and reporting, ensuring compliance with legal requirements and donor conditions while supporting efficient use of resources to achieve organizational goals.

### **3. Objective**

- To establish a robust financial management framework that ensures responsible utilisation of funds in line with ADI's mission and donor expectations.
- To enhance accountability, transparency, and financial discipline across all levels of the organisation.
- To enable accurate planning, budgeting, monitoring, and reporting of financial resources for informed managerial decisions.
- To safeguard the organisation's assets through strong internal controls and risk mitigation systems.
- To ensure full compliance with statutory laws, accounting standards, and donor-specific guidelines, thereby maintaining credibility and trust with stakeholders.

### **4. Scope of the Manual**

The instructions contained in this manual are to be read in conjunction with the statutory provisions of relevant Acts, Decrees, and Financial Regulations governing the operations of the ADI.

Subject to such Acts, Decrees, Financial Regulations, these instructions, and such other instructions as may be approved by the ADI, the instructions in this manual are under the general management and supervision of the Chief Functionary, but it is also the duty of all

personnel, especially Finance Managers, section heads and all accounting officers to take care that these instructions are observed.

All officers concerned with the collection, disbursement, and safe custody of ADI money or other ADI property are required to observe these financial management policies and the procedures laid down herein which must be strictly followed.

#### **4.1 Accounting System**

ADI follows a double-entry accrual-based accounting system, ensuring every transaction is recorded with equal debit and credit entries. Accounts are maintained using a computerised accounting software (Tally), allowing real-time tracking and reporting of income, expenditure, assets, and liabilities.

Separate project-wise ledgers and cost centres are maintained to track donor funds and grants distinctly. All entries are supported by original vouchers/bills and are classified under standard chart of accounts. Monthly reconciliation of bank, cash, and project balances is carried out to ensure accuracy.

This systematic accounting framework enables transparent, timely, and auditable financial management in line with organisational, statutory, and donor requirements.

#### **4.2 Accountability & Transparency**

ADI upholds strong accountability and transparency by clearly defining financial roles and responsibilities at every level. All financial transactions undergo proper authorisation, verification, and documentation, and are recorded in a manner that is fully traceable and auditable.

Budgets, expenditures, and financial reports are shared regularly with the Executive Council, donors, and stakeholders, ensuring openness in the use of funds. Procurement processes are conducted through competitive and fair procedures, and decisions are recorded formally by committees.

Periodic internal checks, external audits, and public disclosures further reinforce financial integrity and build trust among beneficiaries, partners, and funding agencies.

#### **4.3 Efficiency**

ADI ensures financial efficiency by optimising the use of resources, avoiding unnecessary expenditures, and ensuring cost-effectiveness in all operations. Activities are planned and budgeted carefully, and funds are released in a timely manner to avoid delays in project implementation.

Regular monitoring of expenses against budgets helps in early detection of deviations and promotes corrective action. Simplified procedures, use of digital tools, and timely settlements of advances enable faster workflow and reduce administrative overheads. Overall, the focus remains on achieving maximum programme impact with prudent and economical utilisation of every rupee spent.

#### **4.4 Budgeting and Planning**

ADI prepares annual and project-specific budgets based on planned activities and expected resources. The budgeting process involves careful estimation of income and expenditure in consultation with project teams and management. Budgets are reviewed and approved by the Executive Council before implementation.

Budget planning serves as a financial roadmap, ensuring that funds are allocated efficiently and activities are carried out within available resources. Regular monitoring of actual spending against the budget helps identify variances early and take corrective measures to stay on track.

#### **4.5 Budget Monitoring**

Budget monitoring at ADI involves tracking actual income and expenditure against the approved budget on a monthly and quarterly basis. Finance staff regularly review spending patterns to ensure expenses remain within limits and are aligned with planned activities.

Variance analysis is conducted to identify differences between budgeted and actual figures, and these are reported to project heads and management for timely corrective action. This process ensures financial discipline, prevents overspending, and helps in reallocating resources where necessary to achieve project objectives efficiently.

#### **4.6 Financial Reporting**

ADI produces regular financial reports to ensure clear visibility of the organisation's financial health and to keep management, donors, and stakeholders informed. Monthly and quarterly financial statements include income and expenditure summaries, budget variance reports, balance sheets, and fund utilisation statements.

These reports are reviewed by the project management and presented to the Executive Council for oversight and decision-making. Donor-specific financial reports are prepared as per stipulated formats and timelines. This transparent and timely reporting system ensures accountability, supports audits, and strengthens trust with partners and regulatory bodies.

#### **4.7 Internal Controls**

ADI maintains strong internal control mechanisms to protect its financial resources and prevent misuse or errors. These controls include clear segregation of duties (so that no single person handles an entire financial transaction), mandatory approvals before incurring expenses, and secure handling of cash and bank transactions.

Regular review of vouchers, bank reconciliations, physical verification of assets, and periodic internal checks ensure accuracy and integrity in financial operations. Procurement processes follow transparent and competitive procedures. These controls collectively ensure that funds are used properly, risks are minimized, and all financial activities remain compliant with policies and regulations.

#### **4.8 Authorization & Approval**

ADI ensures that all financial transactions are made only after obtaining proper authorization from designated officers. Each level of expenditure has pre-defined approval limits, and no

payments are processed without written sanction from the responsible authority (such as the Project Coordinator, Finance Manager, or Chief Functionary as per the delegation matrix).

Procurements, contracts, and commitments are made only after comparative quotations and recommendations are vetted and approved. Dual signatories are mandatory for all cheques and bank transfers. This structured approval system safeguards resources, prevents unauthorized spending, and promotes accountability at each stage of financial decision-making.

#### **4.9 Bank Account(s)**

ADI shall maintain bank accounts only in scheduled commercial banks approved by the Executive Council. Separate bank accounts may be opened for different projects/funding sources as required by donors or statutory regulations.

All accounts will operate under a two-signatory system, typically involving any two of the authorised office bearers (e.g., President, Secretary, Treasurer). No cash withdrawal or payment shall be made without proper approval and documentation. Bank accounts will be monitored regularly, with monthly reconciliation carried out to ensure accuracy and control over funds.

#### **4.10 Cash Management**

This document outlines the rules and procedures for the management of cash transactions and reimbursements at ADI. Small transactions of cash payments on a day-to-day basis are a common practice in an organization. For their effective management and implementation, certain procedures have been laid down in the following manner:

- **Electronic Transfers:** ADI uses electronic transfers (NEFT/RTGS/online banking) as the preferred method for disbursing payments such as salaries, vendor bills, and project expenses. This ensures quick, secure, and traceable transactions directly from the organisation's bank account.

All electronic payments are processed only after proper approval and entry in the accounting system, helping maintain transparency and reducing risks associated with cash handling.

- **Cheque Payments:** ADI uses cheque payments for medium-value transactions where electronic transfers are not feasible. Every cheque must be signed jointly by two authorised signatories as per bank mandate, after verifying supporting documents and approvals.

Cheque payments ensure a paper trail for accountability and are recorded in the cashbook and accounting system immediately upon issue.

- **Petty Cash:** ADI operates a petty cash imprest system to meet small routine expenses such as local travel, communication, stationery, and minor repairs, etc. A fixed petty cash limit is maintained (₹10,000), and all payments made from petty cash require supporting vouchers and recipient signatures.

The petty cash custodian is responsible for safe handling, maintaining a cash book, and obtaining approvals before disbursement. Once the petty cash is exhausted, it is replenished upon submission and verification of all vouchers. Regular surprise checks and reconciliations are carried out to ensure accountability and prevent misuse.

- **Cash Transactions:** Cash transactions are to be resorted to only for petty expenses. No claim exceeding ₹10,000/- (Rs Ten Thousand) shall be settled through cash payments. All attempts shall be made to minimize cash transactions across all the departments. A cash register/book shall be made to be maintained from the beginning of the financial year. Every cash receipt transaction shall be entered and the closing balance shall be denominated at the end of the day. The accountant shall be the sole authority to handle cash at the organization and the closing balance of each working day shall be duly signed by him/her. No cash payments above ₹10,000/- (Rs Ten Thousand) shall be permitted. All cash payments above ₹5,000/- (Rs Five Thousand) shall be receipted with a revenue stamp.

For withdrawal of cash from the bank, the Cash Withdrawal Form/Money Indent shall be filled up and duly signed by the accountant. This document shall be put up before the Chief Functionary who shall, after verifying the requirements, sign the form and send it to the Finance Manager for further verification who shall return it to the accountant after countersigning.

The requirement for cash shall be computed by the accountant based on the available cash balance & estimated expenses. Thereafter, the cheque of the approved amount shall be prepared and presented before the Chief Functionary for signature.

As soon as the cash is withdrawn from the bank, the receipt shall be duly entered in the cash register/ cashbook. Every cash payment shall be made only after preparing the Payment Voucher. All the vouchers shall be pre-printed with auto-generated serial numbers. No payment shall be made unless the payment voucher is approved by the Chief Functionary as well as the Finance Manager. The payee shall sign the voucher for having received the payment. Every voucher after payment shall be defaced by marking "PAID" on it with a seal. The Chief Functionary and the Finance Manager together shall physically verify the cash balance occasionally. The Cash Register/Cashbook shall be signed by the Accounts Officer and the Accountant as and when the physical verification of cash is carried out. Cash shall be handled by the accountant only. No one else shall have access to the cash. All cash disbursements shall be done within a week's time after its withdrawal from the bank.

- **Reimbursements:** Every reimbursement of expenses incurred by an employee in the course of official work shall be paid in their bank accounts only by electronic modes of payment. Reimbursement in cash shall be resorted to only when the situation so warrants. Every employee seeking reimbursement shall fill up the Reimbursement Form. The duly filled form along with respective bills/invoices/other relevant evidences (where bills can't be procured) in support of the payment shall be submitted before the Finance Manager, who shall, after verifying the details and upon being satisfied, approve the payments as requested. The reimbursement claim

form shall then be forwarded to the Chief Functionary who shall, after verification, remit such amount electronically in the employee's bank account. Every Reimbursement Form after payment shall be defaced by marking "PAID" on it with a seal.

#### **4.11 Bank Reconciliation**

Bank reconciliation is carried out monthly to ensure that the balances recorded in ADI's accounting books match the bank statements. The Finance Officer compares all deposits, withdrawals, and bank charges with the organisation's cashbook to identify any differences such as unpresented cheques or pending deposits.

Discrepancies, if any, are investigated and rectified immediately to maintain accurate financial records. This regular reconciliation process helps detect errors, prevents fraud, and ensures reliable and up-to-date cash position for effective financial decision-making.

#### **4.12 Financial Records**

All records of financial transactions should be kept and maintained in accordance with the generally accepted Accounting Principles/International Accounting Standards/ International Financial Reporting Standards and should comply with applicable local laws. To ensure transparency, accountability, and compliance, the following financial records must be maintained by ADI:

- Cash Book – Daily record of cash receipts and payments
- Bank Book – Record of bank transactions (cheques issued/received, transfers)
- General Ledger – Summary of all financial transactions under various account heads
- Project-wise Ledgers – Separate records for each project or grant
- Petty Cash Register – For imprest transactions and petty expenditures
- Advance Register – Tracking advances issued and their settlements
- Fixed Asset Register – Details of all organisational assets and inventory
- Voucher Files – Supporting documents such as bills, invoices, receipts, payment vouchers
- Payroll Register – Salary payments, statutory deductions, and benefits
- Budget vs. Actual Statements – To monitor expenditure against approved budgets
- Bank Reconciliation Statements – Monthly reconciliation of bank accounts
- Statutory Returns Files – TDS, GST, PF, FCRA, Income Tax and other compliances

These records should be properly filed, updated regularly, and stored securely for audit and reference.

#### **4.13 Grant Management**

ADI manages grants through a structured system to ensure that funds are utilised strictly for the purposes agreed with donors. Separate ledgers and cost centres are maintained for each grant to track receipts and expenditures transparently.

Activities and spending are carried out in compliance with donor guidelines, budgets, and timelines. Regular financial and programmatic reports are prepared and shared with donors as required. Any deviations or unspent balances are communicated for approval. This

disciplined approach ensures accountability, facilitates smooth audits, and builds long-term trust with funding partners.

#### **4.14 Asset Management**

ADI maintains a proper system for managing all its fixed and movable assets to ensure they are safeguarded and efficiently used. An updated Asset Register records details such as purchase date, cost, location, unique identification number, and condition of each asset.

Physical verification of assets is conducted periodically to check their existence and working status. Any movement, damage, or disposal of assets requires prior approval and is duly documented. Preventive maintenance schedules are followed to prolong asset life. This systematic asset management ensures transparency, accountability, and optimal utilisation of organisational resources.

#### **4.15 Financial Audits**

ADI conducts financial audits to ensure accuracy, transparency, and compliance in all financial transactions. An external statutory audit is carried out annually by an independent Chartered Accountant as required under law, covering all receipts, expenditures, assets, and liabilities.

In addition, internal audits or donor-specific audits may be conducted periodically to review financial systems, documentation, and utilisation of project funds. Audit findings and recommendations are presented to the Executive Council, and corrective actions are implemented promptly. Audits help strengthen internal controls, enhance donor confidence, and ensure continual improvement in financial practices.

#### **4.16 Advance Requisition**

Before incurring project-related expenditures, staff may request advances by submitting a written advance requisition form specifying the purpose, activity, estimated amount, and supporting plan. All advance requests must be approved by the authorised signatory (Project Coordinator/Finance Head/Chief Functionary) based on budget availability.

The cash advance cannot be more than Rupees Fifteen Thousand (₹ 15,000/-) for a single person. Issued advances must be used strictly for the approved purpose and settled within 15 days (or as specified) by submitting original bills, receipts, and a statement of expenses. Unspent balances must be refunded immediately. If advances are not settled within the time frame, no fresh advance will be given unless the old advances are settled. If the advances are pending for more than three (3) months it will be deducted from the team members' salary / fees after giving a maximum of three (3) reminders.

This system ensures timely availability of funds for fieldwork while maintaining financial control and accountability.

#### **4.17 Credit Policy**

ADI may procure goods and services on credit only from registered and approved vendors. All credit purchases must be supported by purchase orders and fall within the approved



budget. Credit periods should generally not exceed 30 days, unless specifically approved by the Chief Functionary or Executive Council.

Proper records of outstanding payables are maintained to ensure timely payment and maintain good relationships with suppliers. Interest-bearing loans or advances from external parties are discouraged unless approved by the Executive Council with clear repayment terms. This policy safeguards financial discipline and avoids unnecessary liabilities.

#### **4.18 Review & Amendment**

This Financial Policy will be reviewed every five years, or earlier if required due to changes in regulatory requirements, donor guidelines, or organisational needs. Recommendations for amendments may be proposed by the Finance Manager or Chief Functionary based on operational feedback or audit observations.

Any changes to the policy must be approved by the Executive Council of ADI before implementation. Once approved, the updated version will be circulated to all staff and applied uniformly across all projects. This review mechanism ensures that the policy remains relevant, effective, and aligned with best practices.

#### **4.19 Policy Implementation**

The responsibility for implementing this Financial Policy lies with the Chief Functionary and Finance Manager, under the oversight of the Executive Council. All finance and project staff are oriented on the procedures, reporting formats, and control mechanisms outlined in the policy.

Compliance is ensured through regular supervision, periodic internal checks, and guidance. Any deviation is reported and corrective actions are taken promptly. This policy becomes effective from the date of approval and is applicable to all projects and financial operations of ADI, with every staff member expected to adhere to its provisions.

The image shows a handwritten signature in blue ink, followed by a circular official stamp. The stamp is purple and contains the text "Association for Development Initiative" around the perimeter, with a central logo featuring a stylized elephant and the acronym "ADI".