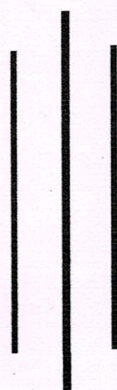
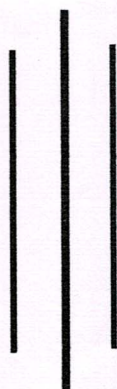




RURAL DEVELOPMENT TRUST



FINANCIAL POLICY



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Financial Policy 2024

1. Preamble

Rural Development Trust (RDT) is a non-profit, non-governmental social development organization founded by a group of passionate people, social activists, and development professionals in 2006. RDT is a leading non-profit organization with a significant presence in the Indian state of Bihar. It is established as a Public Charitable Trust under the Indian Trust Registration Act 1982 based in Madhubani district Bihar, India.

The Financial and Accounting Policy sets forth the guidelines for day-to-day functioning and the efficient and effective utilization of organizational resources and also for transparent financial management. Matters not related to financial management or not covered by this policy shall be under the jurisdiction of the Board of Trustee (BoT) of RDT and such decisions shall be approved by the General Assembly/Body. This policy should be binding on all the employees and vendors unless it contradicts any other laws or the policies of the country initiated from time to time.

The BT may pass the required financial norms from time to time. Such norms should include the following components:

- Maximum limit of spending
- Type of accommodation permitted
- Approval of advance
- Mode of payment and billing requirements
- Distribution of gifts and presents
- Receiving of gifts and presents
- Others

2. Objectives

The objectives of the policy are to establish guidelines for:

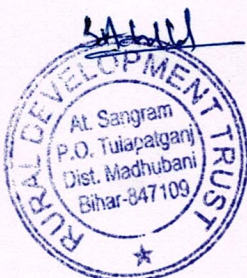
- Developing financial discipline across the organization
- Making financial decisions
- Reporting the financial status of the organization
- Ensuring the optimum utilization of the resources of the organization.

3. Basis of Accounting

The books of accounts shall be maintained on the accrual basis of accounting except for donor-funded projects. The incomes in case of donor-funded projects shall be recognized on a cash basis but the expenses shall be recognized on an accrual basis. The organizational accountant should be maintained in a double-entry bookkeeping system. However, Indian Accounting standards shall be followed wherever necessary.

4. Books of Accounts

RDT shall maintain its books of account electronically using standard software that will generate General and subsidiary ledgers, Trial Balance, Income Statements, Balance Sheet, Budget Vs



Expenditure Analysis, Funds flow statements, bank reconciliation, Donor and Activity wise reports, etc. The books of account shall be based on Generally Accepted Accounting Principles and National Accounting System as applicable to the not-for-profit organizations.

5. Financial Statements and Reporting

In coordination with the Secretarial Head/Chief Patron, the Finance Officer shall be held responsible for maintaining and reporting the financial reports every month to the working committee by the end of the first week of every month.

Monthly reports shall include the following:

- Statement of financial position,
- Statement of operational activities,
- Status of activity-wise budget vs. expenditure,
- Project-wise fund balance,
- Receivables and payable report,
- Store report, and
- Bank reconciliation for each bank account with a copy of bank statement balance as reconciled.

Donor's financial report shall be prepared as prescribed in the agreement with donors and shall be reported accordingly. The Finance Officer/Accountant shall be responsible to maintain the books of account and report regularly.

6. Sources of Income

The following shall be the main sources of income of RDT:

1. Membership fees.
2. Donations, gifts, and grants received from different government and non-government organizations as well as individuals.
3. Funds received for the execution of specific projects received from any Government, non-government, INGOs, any institutions and individuals, and
4. Incomes received under any other arrangements abiding by the laws and regulations for the sustainability of the organization.
 - 4.1 An organization Sustenance Fund shall be created for the sustainability of the organization by collecting contributions from the employees and resource persons.
 - 4.2 From all job confirmed regular employees, 10% of Basic Salary shall be deducted and deposited into a separate bank account.
 - 4.3 The amount so deposited can be borrowed by the staff in case of urgency and availability of funds at a 10% simple interest rate calculated on the amount borrowed.

Sd/-



- 4.4 Following personnel rules and regulations, any employee receiving remuneration up to Rs. 3000/- per day under the short-term assignment agreement with the donor shall contribute 20% of his/her remuneration so received to the Organization Sustenance fund, 30% if daily remuneration is in the range of Rs 3001 to 4500 and 40% if it is over NRs. 4500/- per day. If the employee is appointed on a monthly remuneration basis, 20% of the monthly remuneration shall be deducted and deposited into the fund account.

Donations, funds, grants, and gifts received in kind shall be booked at the current market price or net realizable value of such items in kind at the time of receipt if no specific value is attached with such items.

7. Budgeting

The working committee in consultation with Finance Officer and Chief Patron shall prepare the annual budget by explicitly allocating funds for administrative (core office expenses), and program expenses. All the allocated budgets should be approved by the General Assembly/Body every year.

8. Cash, Bank Accounts, and Operations

- i) The organization shall issue a receipt for all kinds of cash receipts and such receipts shall be deposited into the bank accounts of the organization. Incomes received from all donors shall be deposited in a separate bank account and necessary expenses will be borne from the concerned project's bank account. Bank Account will be operated by the joint signatures of the staff (CEO/FO/MD) and two members of the Board of Trustee. One signatory either Treasurer or Chief Patron or any member as prescribed by the Law will be compulsory.
- ii) The organization shall issue an account payee check for payments exceeding Rs. 10,000.00 in value.
- iii) The organization shall maintain petty cash to meet the petty office expenses and the maximum limit of the petty cash shall not exceed Rs. 10,000.00 in value. The petty cash will be drawn from the major program Bank account. The person in custody of office cash shall not be allowed to make entries in the books of account maintained for the organization.
- iv) It shall be the responsibility of the chief of finance to make sure that all the payments are authorized and within the limit of the approved budget. Any payments exceeding the budget line (general ledger head) shall be duly and timely informed and the higher authority shall take appropriate approval for such payments. A copy of receipt and payment evidence as printed in the prescribed format shall be attached with the vouchers.
- v) At the end of each month, bank statements will be obtained from all the banks, and reconciliation statements will be prepared by the Finance Section. Similarly, a copy of the cash balance prepared in the prescribed format by the person in custody of cash shall be checked and verified by the Chief patron and voucher approving authority as prescribed in the policy. Balance certificates at the end of the fiscal year shall be obtained



from the concerned banks for each bank account maintained in the name of the organization.

9. Salary & Compensation

The Accountant will be responsible for preparing the payroll of the RDT and all of its projects every month. The Finance/Admin Officer will be responsible for ensuring that the administrative and personnel policies and the procedures mentioned in this policy have duly complied.

The following procedures shall be followed:

- i) The salary and benefits of all employees will normally be paid on the last day of the running month. A Salary Sheet will be prepared showing all the details of the salary and benefits of each employee. The salary record shall be confidential and the Finance Officer will ensure that individual employee's salary record is not disclosed among the rest of the employees.
- ii) Administration Section/ Officer will maintain the Attendance Register/Time Sheet records of each employee and shall forward, at the end of each month, the records to the Finance Section showing in detail the leave taken by each employee.
- iii) The statement of overtime worked by each employee will be forwarded to Finance Section by Administration Section so that the allowance for the overtime is paid along with the salary.
- iv) The Finance Officer/ Section will ascertain the net amount payable to each employee after adjusting the deduction/s in respect of working advance, contribution, income tax, leave without pay, etc. and the payment will be made accordingly.
- v) Deductions in respect of salary advance, any contribution to the welfare fund on behalf of the staff/organizations, and others shall be recorded in a statement and entered in the personal account of each employee.
- vi) All employees hired for more than six months shall be insured under group accidental plan and the Board of Trustee shall decide the limit of the sum be insured.
- vii) Amount deducted for organizational sustainability fund shall be kept separately into a bank account and expenses out of this fund should be approved by the General Assembly/Body. Changes in the rate of deduction shall be duly approved and written consent must be sought from employees.
- viii) Communication, Local conveyance/transportation, and other benefits: Local conveyance, communication charges, and transportation (within Madhubani district) cost as prescribed by the personnel (Administration) policy will be paid to all the employees as well as to the Board of Trustee members and others to the extent it seems reasonable while travelling for official works.
- ix) Acting up allowances is paid to the staff for acting up of the post above his/her level and or taking charges of the responsibilities in absence of his/her supervisor and provided percentage of the monthly basic salary of the absence staff. Acting up below a month shall not be compensated.



- x) Festival Salary and Reimbursements: The staff on a regular or permanent basis shall be paid one month's additional salary after completion of six months' services and calculation shall be based on pro-rata if he/she works for less than six months. Payment shall be released 15 days before the festival and for calculation days of service days up to the festival from the beginning of the fiscal year shall be the denominator. The staff as guided by personnel (Administrative) policy shall be reimbursed against education, commute, and personal communications.
- vi) Leave salary: An employee, who has unused annual leave at the end of each fiscal year shall be paid in cash up to a maximum of seven days' salary or the actual days of unused annual leave whichever is less. No such annual leave shall be carried forward.
- vii) Severance pay: An employee who has completed a service period of five years and above shall be paid half a month's salary (basic salary at the time of severance) for each completed period of service. If it is required to calculate daily salary, 365 days/year shall be used as the denominator.
- viii) The monthly salary should be transferred directly to the concerned staff's bank account

10. Advances

The finance department shall make sure that advances are released only under unavoidable circumstances, except in the case of salary advances. Efforts should be made to pay directly to the vendor.

An advance request form should be filed by the concerned staff/person to take an advance mentioning the amount and the purpose of the advance. However, in cases of project implementation, the authority of providing advances will be exercised by the Secretarial Head, subject to delegation of authority by the Executive Committee. Additional advances may only be made once the accountability report of the previous advance has been submitted. In no instance, one person should be allowed to more than two advances at one time?

11. Salary advance

- i) The individual salary advance can be given up to a maximum of three months to the employees on merits need basis. The sole responsibility of accepting or rejecting the advance request application is on the Executive Committee.
- ii) The advances should be cleared within one year. Further advances should not be given until the previous one has been cleared by the respective employee. But, the salary advance practice shall not be encouraged.
- iii) Short-term consultants and staff of projects being implemented for a period less than one year are not eligible for a salary advance.

12. Program advance

- i) The person- receiving advance shall clear all the advances within one week after the completion of the work with all supporting documents. The concerned line manager shall authorize the advance request.



- ii) Without clearance of initial advances, further advances shall not be approved by the same person conducting another program or another person conducting the same program.

13. Field visit advance

- i) Field visit advance shall be cleared within 7 working days of returning from the field visit.
- ii) Advance shall not be given to the same person without clearance of the previous advance for another field visit or, to another person for the same field visit.

14. Purchase advance

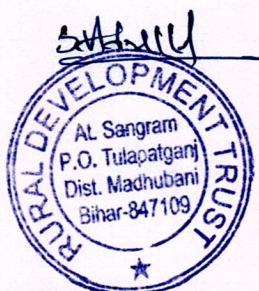
- i) Clearance of advance should be done on the same day when the goods are entered into the storeroom and Store Register.
- ii) The Finance Officer shall examine all the specifications of bills, quotations if any.
- iii) Advances should be settled as soon as possible and no later than one week after the purchase is finalized or as agreed upon in individual cases. Additional advances may only be made once accounts have been submitted. In no instance, one person should be allowed to more than two advances at one time.

The Finance Officer shall ensure that no procurement guidelines and provisions for withholding taxes are violated in all cases of advance as mentioned above.

15. Travel advance

- i) Travel request form shall be duly filled and authorized by the concerned authority and by the Secretarial Head in case of a project funded by the donor. The travel advance shall be cleared within 7 working days from the return and within 15 working days in case of foreign travel in a prescribed format. Daily Substitute Allowance - DSA shall be calculated based on each night stayed in travel and case of travels partially compensated by any other institutions or individuals, the DSA shall be segregated 10% for breakfast, 40% for lunch and dinner, and 50% for lodging. Transportation costs shall be paid on an actual basis. DSA for foreign travel shall be determined by Executive Committee.
- ii) The DSA in case of an officer-level employee shall be Rs. 1000/- per day and Rs. 500 for non-officers. Half-day DSA shall be paid to compensate for the departure and arrival period of the travel.
- iii) In case of travels for conducting training, the senior project coordinator and program coordinator shall receive an additional Rs 500 per day travelling allowance for the period of training.
- iv) Meeting Fees: The board of trustee members or members of the Working Committee, who are not in a full-time job in their capacity, shall be paid at the rate of Rs. 1500.00 (Net of tax) for every meeting.

16. Donor-funded Project Management



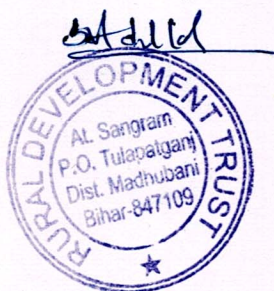
- i) It is the responsibility of the Finance Officer to maintain separate books of account to account for activity-wise and line-item expenditures.
- ii) There will be a separate bank account to deposit the grants received under a specific project execution agreement.
- iii) The Secretarial Head shall be responsible to identify the expenditure under a particular activity line and budget item to facilitate the accounting process.
- iv) The timely reporting of budget vs. expenditure as per the donor agreement and request for funds shall be the responsibilities of the chief of Finance Officer.
- v) The Secretarial Head shall keep track of short-term/project consultants, their terms of reference, and payment authorization on completion of services of such consultants.
- vi) Core employees shall be eligible to receive DSA and other fees as mentioned and agreed with the donor if they are specifically appointed for the implementation of the project in their capacity.
- vii) The Finance Officer shall be responsible to keep expenditures under the approved budget limit. S/He, in cooperation with the coordinator, shall prepare the approval report before making payments exceeding any line item budget limit if such arrangements are provided in the agreement.
- viii) If any regular employee of the institution is deputed in any of the donor-funded projects for a short-term assignment, the respective employees shall be eligible to receive the remuneration and benefits as agreed with the donor. But the employee will not get any of the regular incentives and benefits of the institution as being the regular employee of the institution. However, after the phase-out of the project, the employee will again continue receiving the defined regular incentive and benefits.

17. Fixed Assets

- i) A Fixed Assets Register with the prescribed details shall be maintained by the storekeeper (or any, authorized by BoT). It shall separate and identify the fixed assets purchased under a specific project agreement until the ownership of such assets is transferred to RDT.
- ii) Depreciation on the assets owned by RDT shall be provided as per the written down method and the rates as prescribed in the Income Tax Acts of India shall be applied.
- iii) The BoT shall value the items and capitalize them as in-kind donations and core office assets. All value and quantity changes shall be properly authorized and the storekeeper shall be responsible to ensure that the assets are properly safeguarded and utilized for office use.
- iv) The Working Committee may authorize any employee to prepare the list of assets to be insured considering its value and the risk of loss. Reinsurance should be accomplished with no time lags between the agreed periods.
- v) All the assets shall be physically verified at the end of each fiscal year and the report shall be signed by verifying authorities.

18. Assets Disposal

The Chief Patron or the person authorized by him/her can approve for the write-off of the assets and other office equipment up to worth Rs. 10,000.00 per item, if lost, life-expired, or damaged



during office use. The goods exceeding the worth of Rs. 10,000.00 shall require approval of the BoT/General Assembly/Body.

The BoT shall have the right to authorize the process for the auction of the used items. If the value of such assets exceeds Rs. 5,00,000.00, a notice should be published in a local newspaper which should be done 7 days before the date of auction.

19. Consumables

The Store Keeper or authorized person of the store will maintain the inventories/stocks register. The Storekeeper will be fully responsible for those items under the supervision of the concerned Finance/Admin Officer or Secretariat Head. The assets shall be physically verified at the end of the fiscal year and the report shall be signed by verifying authorities.

20. Audit and Supervision

The donor-funded project shall be audited by the internal auditor of RDT or as appointed by the donors. Similarly, the annual statutory audit shall be conducted by appointing an auditor who shall be an eligible member of ICA India in the general assembly/body. The auditors thus appointed shall have full access to all the relevant books of accounts and documentation necessary to carry out his/her responsibility.

21. Conflict of Interest and Reporting of Fraud and Error

Any parties, staff members, or board of trustee members being able to identify any sort of suspect financial interest in any financial transaction shall disclose the management (Secretariat Head). The reporting should disclose the names of the suspected board of trustee members, key employees, their relatives, and any organization in which such member/s or family member/s has/have financial interests. In such cases, the personal identity of the reporting member should be kept fully confidential.

For this clause "Financial interest in any organization means an organization where the members or key employees or their relatives are in a position to receive any share of money from the payments made by RDT.

To facilitate this process, all employees and Board of Trustee Members shall be required to fill up their personal history during the commencement of their tenure at RDT.

If anyone comes across any instances of error or fraud with evidence, it is his/her responsibility to report the matter immediately to the Secretariat Head or Chairperson or any other member of the board, who could be more trusted. The Secretariat Head and Chief Patron shall be responsible to look into the matter and act accordingly. Based on information truthfulness and amount of loss prevented, the Board may reward the person reporting such matters. But the reason for rewarding may be kept confidential.



22. Amendment

The general assembly/body with the recommendation from the working committee shall have the right to amend this policy.

Annexes

1. Leave request form
2. Local Travel Claim Form
3. Salary payroll sheet
4. Travel Order Form
5. Advance Request Form

सहस्र जेडी

किशोर देवी

Ma. Wasimul-Haque

बैजु मरहो

सहस्र

रेयज अरफ

साल्मी प्रवीन



मेल पत्र

जाहिदा रकतुन