

Checklists

(2) Budgeting

1. “Sida requires that its partners will find, employ and retain good, full time accountants” (Page: 5)
2. “Such persons should have adequate training in accounts, and preferably a commerce degree. They should also have sufficient experience” (Page: 5)
3. “Sida requires that its partners will retain a good firm of Chartered Accountants for this purpose” (Page: 5)
4. “You should also provide an additional amount in the Budget for Sida audit certificate” (Page: 5)
5. “If the proposed budget is for more than one year, provide for inflation in the second and subsequent year also.” (Page: 5)
6. “Sida suggests that reasonable and proportionate amount of remuneration for a full-time Chief Functionary should be budgeted, where required.” (Page: 6)
7. “Sida requires that all budget items will be broken down to the extent practical. Budgeted costs should correspond as closely to the activities as feasible” (Page: 6)
8. “An attempt should be made to book all relevant expenses under proper account heads” (Page: 6)
9. “Under the Societies Act, it is expected that an office bearer such as a Secretary or Treasurer will not be paid for *duties of a Secretary or Treasurer.*” (Page: 6)

(3) Internal Control

1. "Wherever possible, try to make payments by cheque" (Page: 7)
2. "Keep cash separately in locked drawer or almirah in the office" (Page: 7, 8)
3. "Person keeping extra cash should sign a voucher for receiving the cash" (Page: 8)
4. "It is therefore strongly recommended that where feasible, such an allocation of duties should be made" (Page: 8)
5. "Sida requires that such a chart would be prepared and easily available for reference." (Page: 9)
6. "All cash transactions are meant to be recorded in the cash book" (Page: 9)
7. *Under the Income Tax law, you have to keep old accounting records for at least ten years.* (Page: 11)
8. "Cash books, ledgers, asset and stock registers, cash log (or rough cash book), vouchers, vehicle log books etc. all form part of accounting record and should be kept." (Page: 11)
9. "After the audit is over (or even before that), you can have the vouchers stitched" (Page: 11)

(4) Book Keeping

1. "Another alternative [instead of maintaining multiple cash books or columnar cash book] (recommended) is to use the standard cash book." (Page: 13)
2. "However, a separate cash book should not be kept for Sida funds. These should be reflected in the main FCRA cash book itself." (Page: 14)
3. "For Sida expenses and assets, a separate sub-ledger should be maintained." (Page: 14)
4. "A covering voucher should be used for each entry, including those for which a cash memo is available." (Page: 15)
5. "A simpler alternative [instead of printing different sets of receipt vouchers, cash vouchers, payment vouchers and journal vouchers] is to print a voucher that can take care of all these transactions" (Page: 15)
6. "You can also get rubber stamps to mark different agency names on the vouchers and supports." (Page: 16)
7. "In any case, all Sida vouchers and supports must be marked with a rubber stamp as shown above. Current vouchers must be filed sequentially and not kept loose or in packets.

It is also important that all vouchers should be marked with serial numbers. This number should also be given on the cash book and ledger so that vouchers can be located easily." (Page: 16)
8. Sida recommends that only one company should be opened by an NGO partner for all its funds and projects. Further, groups should be used as illustrate above to keep meaningful account books. (Page: 19)
9. We suggest that you follow the law in all payments, especially transactions related to Sida funds. (Page: 20)
10. "Preparing a trial balance regularly is important for checking that the cash book and ledgers are written properly." (Page: 20)

11. "Sida requires that:

- Cash book entries should not be pending for more than seven days at any point of time.
- Cash book totals must be inked up by the 7th of next month at the latest.
- Unnecessary blank lines or blank pages should not be left in the cash book."

"We also suggest that cuttings and alterations of figures should be avoided."
(Page: 22)

12. "Sida therefore requires that:

- Unnecessary blank lines will not be left in the ledger.
- Ledger balances appearing in the Balance column will be inked up."

"Sida also suggests that cuttings and alterations in the ledger should be minimised." (Page: 22)

(5) Other Records

1. “We suggest that you consider shifting to integrated salary registers [Plain salary register or Analytical salary register] and avoid having a separate register for each agency / project.” (Page: 24)
2. “Not maintaining the minutes book properly can have serious legal implications.” (Page: 24)
3. “Additionally, you can consider recording the following in your Governing Body minutes for better transparency.” (Page: 25)
 - Disclosure of Interest
 - Associated Party
 - Register and payments (Page: 25)
4. “You should verify the assets physically once in a while.” (Page: 28)
5. “Standard [fixed asset] registers in the market are often too complicated for NGO requirements. A simple format is given” [on page 28].
6. “We suggest that proper stock registers may be kept for valuable items or items which are consumed in large value during the year.” (Page: 28)
7. “For [valuable] items, you may also want to keep distribution or usage registers. A date-wise register is usually sufficient – there is no need to open item-wise accounts.” (Page: 29)

(6) Bank Transactions

1. "One possible solution is to have a multi-tier signatory arrangement." (Page: 31)
2. "It would be a good idea to start using this kind of crossing [Account Payee Only, Not Negotiable] whenever you make a payment by cheque." (Page: 33)
3. "There are some other simple precautions you can use to make cheque transactions safer" [as given on page 33]
4. "Sida therefore suggests that cash withdrawals from bank should be made keeping in mind the need, amount of cash in hand and the effort required to make a withdrawal." (Page: 34)
5. "Sida suggests that, wherever practical, payments may be made by crossed cheques or bank drafts. This applies to payments below Rs.20,000 as well." (Page: 34)
6. "Sida requires that the above procedure [of taking a loan and its repayment only by crossed cheque] would be followed whenever a loan is taken or repaid for Sida fund transactions." (Page: 35)
7. "Sida therefore requires that the above procedure would be followed for the external loan as well." (Page: 35)
8. "Under Income Tax Act, loans above Rs.20,000 have to be taken or repaid by crossed account payee cheque or draft." (Page: 35)
9. "Under the Income Tax Act, you should also not make any payment (for expenses or assets) above Rs.20,000 in cash." (Page: 35)
10. "Sida suggests that, wherever practical, salary payments should be made by crossed account payee cheques or by bank transfers." (Page: 36)
11. "Sida suggests that you should reconcile your bank accounts periodically and pass correction entries as necessary." (Page: 40)
12. "You need to deposit and keep Sida funds in the designated FCRA bank account." (Page: 40)
13. "Strictly speaking this [opening of additional bank account in field] is not allowed under the FCRA and it is possible that FCRA authorities may object to this." (Page: 40)
14. Sida suggests that you consult your legal advisers about obtaining a separate FCRA registration for the field office¹ instead of taking such a step. (Page: 40)

¹ You need to file an application in form FC-8 for this and designate a bank account for the purpose. A separate FC-3 will be filed for the field office.

(7) Income Tax

1. “Basic registration means that the NGO will not have to pay income tax on its surplus. This is the most important registration and every NGO should have it.” (Page: 41)
2. “Your NGO also needs to apply for a PAN.” (Page: 42)
3. “Under Income Tax Act¹, loans of Rs.20,000 or more have to be taken or repaid by crossed account payee cheque or draft..” (Page: 42)
4. “Under the Income Tax Act, you should also not make any payment (for expenses or assets) above Rs.20,000 in cash.” (Page: 42)
5. “You are expected to keep the funds of the NGO in bank accounts or in specified investments.” (Page: 44)
6. “You need to keep a separate cash book and ledger for these activities.” (Page: 44)
7. “The section [13 (2)] does not prohibit payments as such – it comes into play when these payments may be unreasonably high.” (Page: 45)
8. “It would be best to avoid such payments [to key persons of your organisation], except where clearly necessary or justifiable (such as salary).” (Page: 46)
9. “Restrictions apply on use of NGO’s assets by key persons” (Page: 46)
10. “All NGOs have to file Income Tax return annually.” (Page: 46)
11. “Last date for filing return in form IIIA is 31st October/ 31st July.” (Page: 47)
12. “For [80G] approval you have to apply in form 10G to the local Income Tax Office.” (Page: 47)
13. “Approval under 35AC is centralised at Delhi. You have to fill up a separate application form.” (Page: 48)

¹ Section 269SS

(8) FCRA Compliance

1. “They [NGOs] cannot receive foreign contribution without registration under FCRA. If they are not registered, they should get prior-permission for each grant of foreign contribution.” (Page: 50)
2. “The Act prescribes severe penalties, including jail, for violation of FCRA provisions.” (Page:50)
3. “[Individual receiving scholarship above Rs.36,000 p.a.] have to give intimation to the FCRA office within 30 days of receipt.” (Page: 50)
4. “Once you are registered, you will have to use this [bank account] exclusively for foreign contribution.” (Page: 50)
5. “You have to maintain a separate set of books (cash book and ledgers) exclusively for such funds [foreign funds].” (Page: 51)
6. “Do not bring the local contribution into FCRA accounts.” (Page: : 51)
7. “If you also receive foreign contribution in kind (materials etc.), you will have to maintain a kind of stock register (FC-6) for this.” (Page: 51)
8. “A summary of this register [FC-6 register] is incorporated each year in the form FC-3.” (Page: : 51)
9. “You have to file this form [FC-3] even if you did not receive any foreign contribution in the year.” (Page: 51)
10. “Do not transfer FCRA funds under any circumstances to an NGO which does not have FCRA registration or prior permission.” (Page: 52)
11. “Interest which you earn on FCRA bank account is treated as foreign contribution.” (Page: 52)
12. Any interest earned on Sida funds should be set off against subsequent instalment or form part of Sida project funds and be used accordingly. Alternatively, Sida may direct you to refund the interest amount to Sida. (Page: 52)

(9) Other Laws

1. "If you are manufacturing one of the [things listed on page 53,] then you may be covered under PF. Remember, you should be employing at least 20 persons." (Page:53)
2. "Some other types of activities are also covered. Once again, you should be employing at least 20 persons." (Page:54)
3. "Once PF becomes applicable, you have to deposit some amount each month. This amount comes both from employee and the employer (NGO)." (Page:54)
4. "After deducting the PF amount, you have to deposit it within 15 days." (Page:55)
5. "The NGO should have ten or more employees. All employees are covered¹." (Page:55)
6. "The concerned NGO should also take out an insurance policy for this. Premiums are paid annually." (Page:56)
7. "An employee becomes entitled to gratuity if he or she has worked with you for 5 years or more. Gratuity is payable when an employee leaves², retires or dies during service. Gratuity must be paid within 30 days of this." (Page:56)
8. "You should pay at least 15 days' salary for each year of service." (Page:56)

¹ Regardless of their post or salary

² Some cases of disablement are also covered.

(10) Sida Reporting

1. "The Budget & Balance Report is required for all Sida grants." (Page: 57)
2. "Give these reasons [of variance] as an Annexure to the Budget & Balance Report." (Page: 61)
3. "The Budget & Balance Report should be prepared according to the terms of your agreement. If the agreement does not specify this, then prepare the report at least once a year." (Page: 61)
4. "The Budget & Balance Report should reach Sida within one month of the last date of reporting period." (Page: 61)
5. "In case [of delay], you should write to Sida before the due date and give reason for the delay. Also mention the likely date when the report will reach Sida." (Page: 62)
6. [Preparing of consolidated accounts] "This is an essential requirement under the law." (Page: 62)
7. "A copy of the consolidated accounts should be sent to Sida by 15th October of each year or earlier." (Page: 62)
8. "Each year you are also required to file form FC-3 with the Ministry of Home Affairs. This form should reach FCRA Department by 31st July." (Page: 62)
9. "A copy of the FC-3 (along with all Annexures, Balance sheet and Receipts & Payments Account) should be sent to Sida office for information. We expect that this form will reach Sida by 10th August or earlier." (Page: 62)
10. "The Audit Certificate should be given on the letterhead of the Chartered Accountant (CA) or firm." (Page: 63)
11. "Sida requires that the above audit certificate will be sent to Sida for each reporting period, within two months from end of reporting period." (Page: 63)
12. "Sida requires its partners to inform Sida of any change in auditors, within fifteen days of the change." (Page: 63)

(11) Special Issues

1. "Keep in mind that FCRA Revolving Funds should always be accounted in FCRA Cash Book and Ledgers" (Page: 65)
2. "Remember that you need to issue individual receipts [of recoveries]. These should be pre-numbered – the numbering should be done by the printing press. These should also have a carbon copy." (Page: 66)
3. "If your Revolving Fund has been created out of Foreign Contribution, then you should keep the following [as enumerated on page 67] in mind." (Page: 67)
"Remember, however, that according to FCRA rules, this money should be re-deposited in the FCRA bank account only". (Page: 67)
"You should not transfer [FCRA-based Revolving] funds to Indian section of the Balance Sheet at any time". (Page 68)
4. "Sida requires that partners will set up suitable accounting and control mechanism for Revolving Loan Funds provided by Sida." (Page: 69)
5. "The Fund itself will be disclosed as 'Sida Revolving Fund' on the liabilities side of the Balance Sheet. The loans given from this fund will be disclosed as shown above on the assets side." (Page: 69)
6. "All network members handling Sida funds should have FCRA registration. If any partner is not registered under FCRA, then they should get prior-permission from FCRA." (Page: 70)
7. "They should show the funds in the column for 'second or subsequent recipient' (column 7).
These items should be recorded in Form FC-6. The approximate value of these items should also be reported in column 8 of the form FC-3." (Page: 71)
8. "In our view, it is not permitted. Rather, it is punishable with fine, confiscation and imprisonment. Sida does not encourage its partners to get involved in such transactions. They should at all times comply with the law of the land." (Page: 71)
9. The first system is more suitable when the network members are small and struggling organisations and do not have fully developed accounting systems. (Page: 72)
The second is more suitable when the network members are bigger and can handle accounting and reporting independently. (Page: 72)

10. "Apparently, such a transfer [to General fund] is in violation of FCRA requirements." (Page: 72)
11. "If such a transfer is made at all, Sida requires that there will be good quality accounting evidence to back up the transaction.
It is also expected that no margins will be added to such recoveries, which would be realistic and based on actual specific facts." (Page: 72)
12. "One should strengthen the system by making some independent checks." (Page: 73)
When same items are purchased frequently, it is common to issue a standing order for a full year's requirements." (Page: 73)
13. "A purchase order should contain all the key items of information." (Page: 73)
14. "You need to set cut-off limits [for purchases that should be made after issuing purchase orders].
You should watch out against splitting of purchases." (Page: 73)
15. "For purchase of fixed assets, the procedure described above is valid. However, people often fix a lower cut-off limit for fixed assets." (Page: 74)
If you are getting the construction done directly, then you should follow the purchase procedures outlined above. (Page: 74)
If you are planning to use a contractor, then you may wish to float a tender. (Page: 74)
The open tender procedure is a complex procedure. It should be considered only for large contract, say for Rs.1 crore or more." (Page: 74)
16. "These are normally used for large purchases only, including contracts. A cut-off limit should be decided for this in advance." (Page: 74)
A committee would normally have persons from various departments. In some cases, outside experts may also be invited." (Page: 74)
17. Sida requires that its NGO partners will set up suitable purchase mechanisms based on the foregoing discussion. These mechanisms should be designed to ensure that they procure appropriate quality and quantity of supplies, at reasonable prices. (Page: 74)

18. "Expenses on local travel (within or around the city / town) are normally called 'conveyance expenses'.

All these should be collected together and accounted through one set of entries." (Page: 74)

19. "In either case, you can debit the concerned person's advance account." (Page: 75)

On coming back, he / she will submit a Travel Expense Report¹. This report will show all expenses related to the trip, including fare as also stay and boarding. All the travelling expenses related to this trip will now be booked into accounts." (Page: 75)

20. "You should attach all the supports to the TER.

A covering voucher is put on top of the TER. Then the whole bunch will be filed normally along with the relevant vouchers." (Page: 76)

21. "The covering voucher should be made in a different way as shown in the page 76)

22. "Fares (rail / road / air) are always reimbursed on the basis of actual expenses." (Page: 77)

In all cases of travel, used tickets or ticket counterfoils should be attached to the Travel Expense Report. 77)

23. "If the organisation is bigger or you are facing problems of overspending, consider laying down some rules." (Page: 77)

24. "The idea behind this scheme is to encourage people to go for option A. This helps reduce overall travelling costs and makes accounting easier. However, people are not allowed to switch A and B during the same trip / location." (Page: 77)

25. "These expenses should be properly detailed. Normally a format given on page 78 is considered useful.

If you hire a taxi or auto-rickshaw for the day or part of the day, then you must get some proof of payment (private taxi bill or driver's signatures against amount paid)." (Page: 78)

¹ See Annexure on page 89.

26. “This would mean that the reimbursement [of expenses] would be deposited in the FCRA bank account and reported in the FC-3.”

“In the Income & Expenditure Account, partners should disclose this as ‘Reimbursement of expense by Sida’ on the Income side. Corresponding expenses should be shown separately on the Expenditure side.” (Page: 79)

27. “Where possible, salaries of such person [multi-purpose worker] should be allocated to each project in a fair manner.” (Page: 79)

28. “If lower salary is paid, the same must be booked” (Page: 79)

29. “Only actual contribution, which is marketable, can be proven and is reasonable, should be accounted.” (Page: 79)

30. “Any local contribution, whether cash or in kind, can not be brought into FCRA account books.” (Page: 79)

31. “Fixed assets acquired from Sida funds should be sold, disposed or transferred with Sida’s agreement only.”

“When these are sold, the entire sale proceeds (including any appreciation or ‘profit’) will have to be deposited into the FCRA bank account. This will also be disclosed as a receipt in the FC-3.

If such assets are transferred to an NGO without any taking any money, then the receiving NGO must either have FCRA registration or prior permission.” (Page: 79)

32. Sida encourages publication of accounts for better transparency and accountability to general public. If you would like to publish your accounts, you may wish to make a provision in the Budget to cover reasonable costs of publication. This cost may be shared by several Agencies proportionately, including Sida. (Page: 80)

Accounts for publication are, therefore, usually summarised. You have to take care in doing this, so that they do not mislead. (Page: 80)