

UNIT- 3

CHECKLIST OF EFFECTIVE GOVERNANCE & FINANCIAL MANAGEMENT

GOVERNANCE

03.01 The Board & Management

- Constitution of the Board (General Body/Executive Committee/Board of Trustees) as per the Memorandum and Articles of Association/Trust Deed
- Representation to the Board by the members (the back-ground; the interest and commitment; community participation; gender balance, versatility etc.)
- Participation of the board members in the meetings
- Involvement of the general members in planning the programmes; preparation of action plans; implementation of programmes; monitoring and assessing the results
- General Body/Governing Body/BOT Meetings organized as per the constitution
- All the bye-laws and regulations are duly taken up as mandated in the constitution
- Minutes prepared and circulated to all the members and special invitees
- Follow up actions taken on the decisions made in the General body/ governing body/BOT meetings
- Sharing of Proposals/Reports/Budgets/Accounts with the members of the Board
- Cheque signatories are determine with adequate checks and balances. It is desirable to have joint signatories.
- Relatives of the board members or functionaries are involved on merit in managing the organization (General Body/Executive Body/BOT/staff)
- Consultations with the communities on programme planning; implementation and Evaluations

- Involvement of communities in the programme planning and implementation
- Contributions made by the communities to the organization/programmes

LEGAL COMPLIANCES

03.02 A) Registrar of Societies:

- Proper Registration as a legal entity .
- Filing of Returns with the Registrar of Societies or the respective authority on an annual basis as required alongwith the Minutes of the General Body/Annual Report/Annual audited statements.
- Amendments made if any in the bye-laws or the constitution are properly documented and filed with the Registrar or the respective authority.

B) Income-tax Act:

- Registration under section 12A & 80-G
- Obtaining PAN from the IT department
- Filing of Annual Returns of Income in due time
- Calculation of funds to be accumulated if any , and take resolutions in the BOT/Executive Committee and file with the Income-tax Authorities
- Tax deduction at sources and returns to be filed as required by the IT Act
- Filing of TDS return on time

C) Foreign Contributions Regulation Act:

- Registration under FCRA
- Filing of returns
- Changes in the governing councils/BOT s to inform properly and get the consent from MHA
- Maintenance of separate bank account exclusively for foreign contributions

- Not to mix foreign contributions and local contributions

D) Donors/Resource Agencies:

- Filing of Reports both financial and activity with the donors
- Following the formats
- Adhering to the contract conditions of various donors

E) Other legal compliances:

- Following the rules and regulations with regard to PF; Gratuity; Professional Tax etc.

03.03 Staff

- Qualifications and experience
- Anybody from the communities/area
- Staff involvement in decision making; programme planning; implementation and evaluation
- Staff participation in various meetings at organization level
- Autonomy in implementation of programmes
- Knowledge on various programmes/budgets
- Staff appointments; procedures; payments; appointment letters
- Implementation of various social security measures as per the laws of the land
- Salaries are being paid by cheque/cash
- Staff capacity building initiatives.

03.04 Policies :

- Staff policies
- Gender policies
- Dalit/Tribal policies
- Structures and systems (both formal and informal)
- Maintenance of assets

03.05 Financial System :

- Presence of relevant planning and budgeting systems.
- Presence of relevant approved budget for the organization and for the specific programmes / projects, if required.
- Presence of respective agreements/contracts with the donors both foreign and local and adherence to the same.
- Relevant Cash Books, Ledgers, Journal Books etc.,
- Vouchers to be adequately approved by the respective authorities.
- Presence of adequate authorization of transactions, both receipts and payments.
- Maintenance of Subsidiary Records such as Fixed Assets Register, Stationery Stock Register, Phone Log Book, Vehicle Log Book, Payroll/ Salary Register, Medical Reimbursement Register etc.,
- Presence of clear policy and rules regards cash and cheque payments.
- Presence of specific rules regarding cash management.
- Clear Policy as to the authorised signatories of cheque payments. To ensure designation of minimum two to three persons as authorised signatories.
- Adequate insurance cover for the fixed assets.
- Maintenance of adequate records regarding Staff Welfare Schemes such as Provident Fund, Gratuity Fund etc., if required.
- Presence of clear policy and procedures regarding settlement of advances given or raised.
- Preparation of Periodical Bank Reconciliation Statement.
- Presence of systematic updating of accounts as to periodical closure & preparation of Trial Balance (preferably monthly), Receipts and Payments Accounts, Income and Expenditure Account, Balance Sheet etc.,
- Existence of periodical variance analysis of budget and the actual income and expenditure.
- Existence of clear policy relating to procurement and sale of assets.
- Proper management of relevant funds like Corpus Fund, Reserve Fund, Revolving Fund etc., with clear investment policy especially for Corpus and Reserve Fund.

- Presence of adequate policy regarding provisions for outstanding income and expenditure, depreciation of assets etc.,
- Existence of audit policy .
- Presence of internal audit system.
- Appointment of statutory auditor .
- Verification of adherence to legal and tax laws (Income Tax, FCRA etc.,) applicable to the organization.
- Verification of recent audit reports and observations and the response of the management to the same.
- Presence of adequate delegation of authority to the finance staff to adhere to the laid down policy and procedures.
- Verification of level of transparency within the organization.
- Maintenance of relevant books of accounts related to community programmes such as IGP , Revolving Fund etc., at the field level to enable periodical consolidation.
- Policy as to the annual closure of accounts (for eg. Accounts of 31st March to be finalized latest by the following 30th April).
- Presence of adequate documentation relating to contract payments, contract staff appointment, clear specification of terms and conditions, renewal and / or termination clause etc.,
- Adherence to deduction of necessary tax at source as per prevailing income tax rules.
- Existing of internal Management Information System prevailing at various levels and its adequacy .

03.06 Financial Systems at the field level :

- Involvement of field staff in the preparation of budget.
- Availability of the approved budget with the field staff for necessary reference.
- Maintenance of relevant and required books of accounts at the field level.
- Prevalence of adequate decision making authority at the field level relating to financial systems.
- Adequate authorization of the vouchers for the transactions made at the field level.

- Policy as to regular submission of accounts by the field staff to the Finance Department of the organization, say once in a month.
- The system in place with regard to assessment and documentation of own means of contributions.

In short, an adequate financial system should enable tracking the flow of funds / or an expenditure right from the source up to the end user / to the beneficiary with relevant details and books of accounts.

03.07 Audits

- Regular audits
- Auditors
- Reporting patterns
- Presentation of reports in a proper form
- Audit reports
- Notes on audited statements
- Following the guidelines set by the Institute of Chartered Accountants of India
- Timely completion of audits
- Certification in appropriate forms for IT & FCRA purposes
- Regular visits by the auditors to the organization
- Occasional visits of the auditors to the field areas