



FINANCIAL AND ACCOUNTING POLICIES AND PROCEDURES MANUAL

FOR



Gramin Vikas Sewa Samiti (GVSS)

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District-Basti (Uttar Pradesh) 272002**

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Table of Contents

Chapter One	:	Introduction
Chapter Two	:	General Guiding Principles
Chapter Three	:	Cash and Treasury Management
Chapter Four	:	Expenditure Control Management
Chapter Five	:	Property, Plant and Equipment
Chapter Six	:	Procurement and Inventory Management
Chapter Seven	:	Payroll Management
Chapter Eight	:	Grants and Sub-Grantee Management
Chapter Nine	:	Chart of Accounts and Operating Software
Chapter Ten	:	Budgeting and Budgetary Control
Chapter Eleven	:	Financial Reporting
Chapter Twelve	:	Audit Framework



Appendices

- Appendix 1: Bank Reconciliation Statement
- Appendix 2: Payment Requisition Form
- Appendix 3: Cheque Payment Voucher
- Appendix 4: Cash Payment Voucher
- Appendix 5: Journal Voucher
- Appendix 6: Certificate of Cash Balance
- Appendix 7: Travel Expense Claim Form
- Appendix 8: Chart of Accounts
- Appendix 9: Illustrative Financial Report
- Appendix 10: Internal Control Questionnaire



Chapter One

Introduction

1.1 Gramin Vikas Sewa Samiti's Financial System

Gramin Vikas Sewa Samiti is a not for profit Organization for the demographic evaluation of populations and their health in developing countries. As a rapidly growing organization, Gramin Vikas Sewa Samiti would like to develop and implement sound financial systems that comply with internationally accepted accounting standards generally applicable to not for profit organizations.

The Gramin Vikas Sewa Samiti financial system encompasses all the personnel, resources, systems and activities that work together to carry out in an effective manner the financial and accounting functions of the (GVSS). This manual seeks to streamline the functions of all the elements within this system to ensure that all the activities of the (GVSS) are carried out in a systematic manner so as to safeguard and add value to assets as well as facilitate and enhance financial reporting.

The implementation of sound financial and accounting systems is therefore designed in such a way as to ensure that:

- a) All transactions are executed only upon proper approval and authorization;
- b) Only valid transactions are recorded accurately to permit preparation of financial statements that conform to generally accepted international accounting standards, and
- c) All assets are safeguarded in a healthy control environment.

1.2 Purpose of this Manual

- a) The key purpose of designing this accounting policies and procedures manual is to provide guidelines to all staff at Gramin Vikas Sewa Samiti , particularly the Finance and Accounting staff for the orderly execution of their respective responsibilities for the purpose of preparing the (GVSS)'s financial statements.
- b) These guidelines provide sets of operating and reporting financial standards and practices which comply with internationally accepted accounting standards, including the International Public Sector Accounting Standards (IPSAS).



- c) They also aim at ensuring that key financial guidelines and requirements as well as those of well managed international organizations within the not-for-profit sector have been taken into account.
- d) The manual aims to set out the basic framework of systems that will provide adequate levels of internal controls including budgetary control.
- e) The manual also aims at ensuring and promoting the principles of accountability and transparency generally referred to as good corporate governance code.

1.3 Authority of the Manual

- a) In developing this manual, consideration was given to all applicable International Accounting Standards, International Public Sector Accounting Standards and the requirements of the Ghana companies code, 1963 (Act 179).
- b) The manual also has the approval of the Executive Director and the full authority of the Board of Trustees. Failure to comply with any policies and procedures contained in this manual may render an employee liable to disciplinary action. A plea of ignorance will not be acceptable as an excuse for non-compliance.
- c) If for any reason a given policy or procedure cannot be implemented, it would be incumbent upon the responsible official to notify the immediate senior in writing detailing the circumstances and submitting an alternative policy or procedure for the approval of the Executive Director, who shall either endorse or reject the exception and the procedure to be valid as a replacement.

1.4 Scope of the Manual

This manual is intended to cover all aspects of the control environment of the financial system of Gramin Vikas Sewa Samiti (GVSS). It seeks to touch on all areas of the system that instills order, direction and focus for efficient and effective performance at all levels of management.

The first chapter introduces the entire work, outlining its purpose and objectives, as well as emphasize the necessity for updates and revision.

Chapter Two sets forth the guiding principles, detailing the relevant concepts and conventions of the financial system.

Chapters three through twelve sets out the policies and procedures framework for all aspects of the system. They establish points of reference for all the areas of the system consisting of cash and treasury management, expenditure control management, plant property and equipment, procurement and inventory management, payroll management, grants and sub grantee management, chart of accounts and operating software, budgeting and budgetary control, financial reporting and audit framework.

1.5 Updates and Revision

- a) This is a living manual which will continuously be adapted and aligned to the environment in which the Network operates. The manual shall therefore be revised annually with the approval of the Executive Director of Gramin Vikas Sewa Samiti advice from the Finance department and the endorsement of the Board of Trustees.
- b) Suggestions and ideas on how the manual could be improved should be forwarded to the Head of Finance who would liaise with the Director of Gramin Vikas Sewa Samiti to effect the necessary identified changes for the endorsement of the Board of Trustees.

1.6 Effective Date

Implementation of this manual shall be effective 1st March 2022 after the Board endorsement.



Chapter Two

General Guiding Principles

2.1 Accounting Method

It is the policy of Gramin Vikas Sewa Samiti to apply the accrual basis of accounting for the entity wide financial statements during the fiscal years. GVSS would adopt the cash basis and Accrual basis for specific reports. This basis recognizes income when earned and expenses when incurred.

2.2 Foreign Currency Transactions

- a) It is the policy of Gramin Vikas Sewa Samiti that all transactions in foreign currency are translated into US dollars at the rate of exchange prevailing on the transaction date.
- b) Year end balances in foreign currency are translated into US Dollars at the year end exchange rate.

2.3 Revenue Recognition

- a) It is the policy of Gramin Vikas Sewa Samiti that grants are recognized as revenue upon receipt of the funds into Gramin Vikas Sewa Samiti Bank account or upon fulfillment of the requirements agreed on in writing with each Donor Agency.
- b) Grants represent support with donor-imposed conditions and could be restricted or unrestricted. Unrestricted grants are received in support of agreed research and development agenda and for general administration.
- c) Restricted grants are received in support of specified projects or activities mutually agreed upon between the Gramin Vikas Sewa Samiti and donors.

2.4 Matching Principle

The matching principle states that revenue is reported when earned and expenses are reported as incurred and should be matched against revenue, even if no cash outflow has occurred. This is the rationale for the accrual basis of accounting.



2.5 Prudence

- i. Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated and liabilities or expenses are not understated.
- ii. The prudence concept states that revenue and income are not anticipated but are recognized by inclusion in the income statements only when realized in the form of cash or other assets or when the ultimate cash realization can be assessed with a reasonable degree of certainty.
- iii. All known liabilities are provided for whether their amounts are known with certainty or are a best estimate in the light of the information available
- iv. Where the matching concept is inconsistent with the prudence concept , the latter would prevail

2.6 Accrual Principle

It is the policy of Gramin Vikas Sewa Samiti to accrue revenue and expenditure at year-end to reflect unrecorded transactions that affect the year then ended. Gramin Vikas Sewa Samiti entity wide financial statements shall be prepared on the accrual basis. This is to ensure that revenue and cost are;

- i. Recognized when earned or incurred, not necessarily when money is received or paid)
- ii. matched with each other so far as their relationship can be established or justifiably estimated, and
- iii. Dealt with in the income statement for the period to which they relate.

2.7 Historical Cost Principle

- a) The financial statements of GVSS would be prepared under the historical cost convention and in accordance with International Public Sector Accounting Standards (IPSAS).
- b) Historical cost implies that the carrying value of assets is based on their purchase price. Where the historical cost convention is departed from, this should be stated in the accounting policies, specifying the nature of departure.



- c) However, grants in kind received by Gramin Vikas Sewa Samiti such as fixed assets or services received from donors should be recorded at the fair values of the asset on the date of the transaction or actual fees paid by donors for such services, respectively.

2.8 Going Concern

- a) The Financial statements shall be prepared on the assumption that Gramin Vikas Sewa Samiti is a going concern and would continue in operation into the foreseeable future.
- b) It is assumed that the institution has neither the intention nor the need to liquidate or curtail materially the scale of its activities unless there is an intention to liquidate the entity.
- c) If the intention to liquidate the entity exists, the financial statements may have to be prepared on different basis and, if so, the basis used shall be disclosed.

2.9 Consistency

The consistency concept explains the fact that there shall be consistency in the methods and bases for the treatment of similar accounting variables:

- a) Within each accounting period and
- b) from one accounting period to the other

2.10 Fair Value Principle

- a) Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties.
- b) Prevailing market prices are also used to determine fair value.

2.11 Disclosure Principle

This requires the presentation of sufficient information to permit the reader to reach an informed understanding of the financial statements.



2.12 Accounting policies

- a) Accounting policies are the specific basis judged by Gramin Vikas Sewa Samiti to be most appropriate to its circumstances and adopted for the purposes of preparing financial statements.
- b) Accounting policies applied would be based on International Public Sector Accounting Standards. In the absence of an International Public Sector Accounting Standard that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is reliable and relevant to the decision-making needs of users, in that the financial statements:
 - i. represent faithfully the financial position, financial performance and cash flows of the entity;
 - ii. reflect the economic substance of transactions, other events and conditions and not merely the legal form;
 - iii. are free from bias;
 - iv. are prudent; and
 - v. Complete in all material respects.
- c) Where circumstances permit more than one accounting basis, the choice of policy can significantly affect Gramin Vikas Sewa Samiti reported results and financial position. Management shall therefore ensure that:
 - i. The view presented can be properly appreciated by clarifying the policies followed in dealing with significant items.
 - ii. The choice and disclosure of accounting policies are carefully made to promote the appreciation by users of the (GVSS)'s financial statements.



Chapter Three

Cash and Treasury Management

3.1 Selecting Bank of Maharastra, Bandhan Bank and Corporation Banks

3.2 Gramin Vikas Sewa Samiti operates both local and foreign bank accounts. It is the policy of Gramin Vikas Sewa Samitito consider the following in selecting the Bank of Maharastra, Bandhan Bank and Corporation Banks's banks

- a) Good local and international reputation and management.
- b) Size of capital base in the country (must meet all Bank of Ghana requirements).
- c) Widespread bank Network in the country.
- d) Adequate links with correspondent banks to facilitate transfer of funds.
- e) Satisfactory rating according to an independent agency.
- f) Quality of services (professional behavior, internet banking, sms banking, etc), cheques and payment facilities.
- g) Competitive COT charges.
- h) Competitive interest charges.
- i) Competitive interest on deposits.



3.3 Authorized Signatories

- a) It is the policy of Gramin Vikas Sewa Samiti to have two authorizing signatories for all payments; Category A and Category B signatories for this purpose.
- b) Category A shall denote transaction approving signatory from the Administration Department; in this case the Executive Director and in his absence the Director.
- c) Category B shall denote financial authorizing signatory from the Finance department; in this case the Head of Finance and in his absence, his Deputy.
- d) Limits on each authorizing signatory as per the approval matrix shall be strictly adhered to.
- e) Whenever the situation arises that an officer is not available to endorse a payment, designated officers may be authorized to endorse payments, provided the Executive Director shall approve such an arrangement by a letter to the bank.
- f) No officer shall issue and sign a payment document such as a cheque in a situation where he is the direct beneficiary. In such circumstances the payment must always be signed by

any other senior officer authorized to do so.

3.4 Managing Bank Accounts

- a) It is the policy of Gramin Vikas Sewa Samiti to operate INR/US Dollar/Cedi bank accounts in accordance with part 3.1 of this manual.
- b) The decision to open or close any bank account shall be authorized by the Head of Finance and approved by the Director. The Head of Finance shall also maintain a log of all bank accounts opened by the (GVSS).
- c) All the bank accounts shall be reconciled monthly by the Accountant or his delegate, reviewed and approved by the Head of Finance of Gramin Vikas Sewa Samiti .
- d) Bank reconciliations should be prepared and reviewed within 10 working days after the end of the month
- e) No Gramin Vikas Sewa Samiti representatives are allowed or authorized to secure loans, overdrafts, nor to incur deficits in their operations.
- f) Gramin Vikas Sewa Samiti bank accounts are specifically intended for official Gramin Vikas Sewa Samiti transactions and should not be used for deposit or payment of personal items.
- g) To reduce the impact of devaluation of the local currency, Gramin Vikas Sewa Samiti will keep funds in hard currency accounts and convert to local currency only when needed to be spent in local currency.
- h) Available funds will be kept in interest bearing accounts, if possible.
- i) If the funds are to remain unspent for a reasonable period of time, Gramin Vikas Sewa Samiti will consider investing such funds in term deposits or similar rate instruments.
- j) Control of Bank Cheques:
 - i. Unused cheque books shall be safeguarded in a safe or otherwise under lock and key by the Head of Finance and a register shall be maintained to record issues.
 - ii. All cheques must be signed for by the receiving officer.
 - iii. The Head of Finance shall check all new cheque books to ensure that all cheque leaves are intact when received from the banks.
 - iv. All cheque books and leaves must be issued in numerical order
 - v. Cheques shall be drawn only after the voucher and the supporting documents have been

properly prepared by the Accountant and duly approved as per the approval matrix

- vi. Signed cheques that have not been distributed will be safeguarded under lock and key.
- vii. Under no circumstances will blank cheques be signed

viii. **Voided Checks**

- It is the policy of Gramin Vikas Sewa Samiti to maintain voided cheques log and document every cheque that has been voided regardless of the reason.
- If voided cheques are physically available, they will be stamped “VOID” and filed with the canceled cheques for that month or stapled to the cheque book counterfoil.

ix. **Outstanding Cheques (Over 3months old)**

- It is the policy of Gramin Vikas Sewa Samiti to call or write to the payee and inquire whether cheque was received or not.
- If the cheque is lost Gramin Vikas Sewa Samiti will issue an immediate stop payment and consider issuing a replacement cheque upon verification by the bank that the cheque has not been cashed.
- If the cheque has been cashed the (GVSS) shall initiate investigation to probe the matter to the bottom and take immediate correcting control measures to prevent recurrence.

3.5 Bank Reconciliation Statements

- a) It is the policy of Gramin Vikas Sewa Samiti to have bank reconciliation statements prepared monthly.
- b) Bank reconciliation statements will be prepared by the Accountant or his assistant.
- c) The completed bank reconciliation statements and documentation of voided cheques shall be reviewed by the Head of Finance.
- d) The reconciled statements shall be approved by the Executive Director.

3.6 Guidelines for Preparing Bank Reconciliation Statements

- a) Bank reconciliation statements shall be prepared within 10 working days after the end of the month.
- b) The ending date of the bank ledger and the bank statement should be the same.
- c) The bank name, account number, and currency should be clearly indicated.
- d) Ideally, the bank reconciliation should be prepared by someone who does not authorize



disbursements.

- e) The Head of Finance should review and endorse the reconciliation. The Executive Director will approve the reconciliation statement.
- f) The bank reconciliation should include a copy of the balance per the accounting records (the ledger balance) and a copy of the bank statement when it is presented to the Head of Finance for review and endorsement.
- g) All cheques not cashed after 3 months (90 days) from the date of issue should be investigated by the Head of Finance. With the consent of the Head of Finance, stale cheques should be written off immediately they become invalid.
- h) Any unexplained difference between the bank statement and the accounting records should be promptly investigated by the Accountant with the express approval of the Executive Director of Gramin Vikas Sewa Samiti .
- i) Where the reconciling item requires an adjustment to the accounting records, a journal voucher should be used, and the reference for the subsequent adjustment should be noted on the reconciliation.
- j) Where the bank has made an error, documentation should be obtained from the bank giving the explanation and the adjusting entry made. Copies of this notice should be attached to the bank reconciliation.
- k) The reconciliation must contain complete descriptions of the reconciling items:
 - i. Copy of the General Ledger page showing the cash book balance
 - ii. Complete list of outstanding cheques, including dates
 - iii. Copy of the summary of deposits and record of all transfers
 - iv. The original bank statements
 - v. Originals of all bank statement enclosures, i.e. debit and credit memos and advices, transfers advices, etc.
 - vi. Any other documentations and working papers
- l) Bank statements covering a financial year should be filed together with the bank reconciliation statement.

3.7 Petty Cash Management



- a) It is the policy of Gramin Vikas Sewa Samiti to operate an imprest system that shall be under the responsibility of the Accountant.
- b) It is the policy that the amount of cash to be held in the office be reduced to the barest minimum in order to reduce the risk of fraud or theft.
- c) The cash float to be held should be determined on the basis of the daily cash requirements at Gramin Vikas Sewa Samiti .
- d) The cash float for the time being shall be Rs.10,000.00 for operations.
- e) In any event, the cash float shall not be exceeded without the express written authority of the Executive Director of Gramin Vikas Sewa Samiti .
- f) The cash float shall not be reimbursement until:
 - i. The balance falls to 15% of its total
 - ii. A reimbursement request and a voucher with the attached valid bills, invoices, receipts and the summary account of expenditure have been submitted to the Accountant
 - iii. The total expenditure has been checked and approved per the approval matrix
 - iv. Reimbursement shall not exceed total vouched expenditure per the summary sheet
- g) All individual petty cash vouchers shall be fully attached with all the source documents creating it and must be properly checked and approved before recording it into the accounting system
- h) Any claimant of petty cash shall endorse the relevant section of the voucher to confirm receipt
- i) Petty cash should be used only for small payments and in cases of larger payments where either bank facilities are inaccessible or inadequate or the payee will not accept a cheque; the main cash book shall be used in consonance with this policy.
- j) No single claim shall exceed Rs.5000.00
- k) Cash receipts should only be deposited into petty cash if the amount does not exceed the individual petty cash transaction limit and the established petty cash limit is not surpassed.
- l) The petty cash box should be locked and stored securely when not in use. Only designated custodians of the petty cash should have access to it. At all times, the petty cash box should be kept in a safe.
- m) Petty cash should be counted regularly. On the last day of the month, petty cash must be

counted so that expenses can be reported within the month they occurred.

- n) Certificate of Cash Balance must be issued after the cash count. See appendix 6.

3.8 Cash in Safe (Main Cash Book)

Due to the nature of Gramin Vikas Sewa Samiti operations and the various research activities the (GVSS) is involved in, it is important to set out the following additional procedures for the Main Cash Book to account for cash in safe.

- a) A maximum amount of Rs.10,000 would be maintained in safe to meet additional disbursement for research, meetings, workshops and other program activities.
- b) All cash obtained for purposes of meetings and workshops will be handled separately from routine petty cash transactions.
- c) The Head of Finance must submit to the Executive Director, activities or programs for which the main cash book could be committed.
- d) The Executive Director must approve all transactions relating to disbursements made out of the main cash book.
- e) Separate cash counts will be done and certificates issued for such counts at the end of the month.
- f) Any cash balance on workshops/meetings will be accounted for in accordance with the policy on accounting for project funds. All fund reimbursed after the activity would be banked immediately after such meetings/workshops are over.
- g) All the control procedures discussed under petty cash regarding authorization and approval of vouchers, etc, shall apply to all main cash book disbursements.

3.9 Receipts

- a) Receipts by the GVSS consist mainly of bank drafts, local cheques and direct transfers from the Donor Agencies' bank accounts into the GVSS's bank account.
- b) All funds received shall be receipted and banked daily.
- c) It is the policy of Gramin Vikas Sewa Samiti to list all cheques and other inward remittances on a Daily Cash/Cheque Receipts Register.
- d) The register with the remittances and supporting documents should be passed to the Accountant who will sign both copies as evidence of receipt.



- e) On receipt of the mail or of any amounts paid into the accounts office, the Accountant shall take the following actions:
 - i. Endorse cheques and other negotiable documents with the (GVSS)'s name and bank account.
 - ii. Ensure that the name, details and date have been entered correctly. Post dated cheques and cheques which have different amounts entered in words and figures will be referred to drawer for amendments.
 - iii. Issue a formal receipt.
 - iv. Prepare bank pay in slip in triplicate. A suitably designed bank pay in slip books will enable the (GVSS) process all receipts including direct transfers using the bank stamped second copy of the pay in slip. The third copy will remain in the deposit book.
 - v. Retain any credit transfer advices on temporary files until they are confirmed by the bank.
 - vi. The Accountant shall input transactions into batches in the cash receipts book and send batch input summaries to the Head of Finance for verification
 - vii. Each cash receipt form will be numbered sequentially, completed in duplicate and contained within a bound receipt book
 - The top copy shall be handed or dispatched to the payer.
 - The second copy shall remain in the receipt book. If for any reason a receipt is cancelled or not usable, the original must be firmly fixed to the receipt book.
 - Unused receipt books shall be held under lock and key by the Head of Finance who will be responsible for issuing them to the Accountant.
 - viii. All receipts issued shall be checked against deposits by the Accountant for completeness of banking of cash receipts.
 - ix. Direct credit transfers to the (GVSS)'s bank accounts should be recorded from the bank statement.
 - f) It is the policy of Gramin Vikas Sewa Samitito bank all cash and cheque receipts intact.
 - g) The daily record and receipted bank deposit slips shall be checked by the accountant to postings into the cash books and filed in a chronological order.
 - h) All donor receipts shall be authorized by the Head of Finance and approved by the Executive Director before posting by the Accountant.

3.10 Investment Management



- a) It is the policy of Gramin Vikas Sewa Samiti to adopt sound investment management principles and practices that seek to ensure that the financial assets of the (GVSS) are prudently invested in risk free securities to bring optimum returns to enhance their values at any point in time.
- b) Realistic and scientific assessment of the financial inflows and commitments should be carefully employed to project the net cash flows from the short to the medium term to prevent any possible shortage of funds that results to operational inefficiencies.

3.11 Prepayments

Prepaid Insurance, Rent, Rates and other utilities shall be classified under receivables. All expired portions of the amount pre-paid shall be expensed by passing a Journal Voucher to the appropriate account. The unexpired portion shall be carried to the Statement of Financial Position and classified under receivables.

3.12 Foreign Exchange Exposure Management

- a) It is the policy of Gramin Vikas Sewa Samiti that significant local currency balances that have no immediate use shall be deposited in stable hard currency accounts to prevent possible exchange losses.
- b) Assets of the (GVSS) should not be invested on speculative grounds. As a policy Gramin Vikas Sewa Samiti shall not engage in hedging and foreign exchange speculative practices of any kind.
- c) Prompt payment of liabilities will generally keep transaction exposure to a minimum
- d) Exposure in excess of Rs.10,000 in a currency other than the Rs. must be reviewed by the Head of Finance.
- e) Translation exposures are defined as currency mismatches of balance sheet assets and liabilities
- f) Gramin Vikas Sewa Samiti will not actively review this mismatch. Efforts to contain and minimize transaction exposure will be adequate to counter any potential translation exposure



3.13 Cash flow statement

The following definitions shall apply in the preparation of the statement of cash flows of Gramin Vikas Sewa Samiti in their annual financial reports:

- a) **Cash and cash equivalents** shall comprise cash on hand, current bank balances and short-term deposits that can be converted to cash within two working days.
- b) **Operating activities** shall include all transactions and other events that are not investing or financing activities. They shall include but not limited to the following:
 - i. Cash receipts from levies and fines;
 - ii. Cash receipts from charges for goods and services provided by the entity;
 - iii. Cash receipts from grants or transfers and other appropriations made by central government or other public sector entities;
 - iv. Cash receipts from fees, commissions and other revenue;
 - v. Cash payments to other entities to finance their operations (not including loans);
 - vi. Cash payments to suppliers for goods and services;
 - vii. Cash payments to and on behalf of employees;
 - viii. Cash receipts from and payments to an insurance entity for premiums and claims, annuities and other policy benefits;
 - ix. Cash payments of local property taxes or income taxes (where appropriate) in relation to operating activities;
 - x. Cash receipts and payments from contracts held
- c) **Investing activities** shall consist of those activities relating to the acquisition, holding, and disposal of fixed assets and investments. Investments shall include securities not falling within the definition of cash.
 - i. Cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalized development costs and self-constructed property, plant and equipment;
 - ii. Cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;
 - iii. Cash advances and loans made to parties other than advances and loans made by a public financial institution where applicable;



- iv. Cash receipts from the repayment of advances and loans made to parties other than advances and loans of a public financial institution where applicable;
- d) **Financing activities** shall consist of those activities that result in changes to the size and composition of Gramin Vikas Sewa Samiti capital structure. This includes both equity and debt not falling within the definition of cash. Examples shall include but not limited to the following:
 - i. Cash proceeds from issuing shares, debentures, loans, notes, bonds, mortgages and other short or long-term borrowings; and
 - ii. Cash repayments of amounts borrowed and share redemptions;
- e) Due to the nature and mandate of Gramin Vikas Sewa Samiti, financing activities would rarely be used or applied in the operations of the organization. Should there be a change by management at any point in time; the Board would notify Finance for the necessary treatment and disclosure.
- f) Disclosure Requirements

To ensure compliance with IPSAS, management would ensure cash flow statements have been presented as an integral part of the entity's financial statements for the period. Management would use the indirect method for the preparation of cash flow statement

The cash flow statement would be classified under the following headings:

- i. Operating activities
- ii. Investing activities
- iii. Financing activities

3.14 Accounting Entries

- a) When Payments are made

Dr: Asset, Expense, supplier's Account Cr: Bank, Main Cash, Petty Cash Account *With the amount paid*

- b) When receipts or deposits are made

Dr: Bank, Main Cash, Petty Cash Account

Cr: Investment Income, Staff debtor or Donor's Account, etc.



With the amount received or deposited

- c) When a reconciliation reveals that a debit on bank statement did not appear in the cash book

Dr: Bank charges, Creditor's Account, etc. Cr: Bank Account

With the debit identified

- d) When a reconciliation reveals that a credit on bank statement did not appear in the cash book

Dr: Bank Account

Cr: Bank Interest, Investment Income, Donor's Account, etc

With the credit identified

- e) When cheques deposited are dishonored Dr: Payer's Account

Cr: Bank Account

With the amount of cheque dishonored

- f) When investments are made Dr: Investments Account

Cr: Bank Account

With the amount invested

- g) When investments are redeemed Dr: Bank Account

Cr: Investments Account

With the investment amount redeemed

- h) Expenses are prepaid Dr Prepayment Account

Cr Bank or Cash Account

With the prepaid amount

- i) When prepaid Expenses occur Dr Expense Account

Cr Prepayment Account



With the prepaid amount

Chapter Four

Expenditure Control Management

This section sets out the procedures for all forms of expenditure by the (GVSS) for the purpose of acquiring fixed assets, procuring items of stock, incurring an expense or engaging in a contract for the benefit of the (GVSS) either in the short or the long term.

4.1 General Expenditure Control Policies and Procedures

It is the policy of Gramin Vikas Sewa Samiti to strictly follow the following procedures for all forms of expenditure.

- a) All procurements shall follow the procurement policies and procedures of Gramin Vikas Sewa Samiti .
- b) A Requisition Form shall be raised for all requests for funds for any expenditure whether capital or revenue.
- c) All Requisition Forms shall be duly requested by a specific responsible official in a needy department, authorized by the head of that department and approved by the Head of Finance after checking all valid bills, invoices, or source documents that shall be attached to the request. See Appendix 2 for sample Requisition Form.
- d) A Payment Voucher shall be raised for all approved Requisition Forms referred to under part (c) above.
- e) The Payment Voucher shall be duly checked by the Accountant, authorized by the Head of Finance and approved by the Executive Director after examining all the attachments and assuring themselves of their relevance, quality, validity, accuracy, completeness, and whether the items in question have been budgeted for and funds are available. See Appendix 3 & 4 for sample payment vouchers.
- f) If vouchers submitted for payment are not approved, they will not be processed and will be returned to the relevant staff for rechecking and approval.
- g) All payment vouchers will possess the following qualities:
 - i. Description of the transaction



- ii. Amount of voucher
- iii. Name of Payee
- iv. Appropriate Account Code
- v. Appropriate Program/Project Number
- vi. Appropriate Donor code
- vii. Appropriate workshop/conference code – in case of major conferences and workshops such as Gramin Vikas Sewa Samiti General Assembly

4.2 Payment by Cheque

- a) Once payment vouchers have been approved, a cheque will be prepared
- b) All cheque payments will comply with all the control procedures outlined under part 4.1 above.
- c) The cheque number will be entered in the appropriate space on the payment voucher form.
- d) All cheque payments shall comply with part 3.3(k) of this manual on cheques under Managing Bank Accounts.
- e) **Paid Stamp**

It is the policy of Gramin Vikas Sewa Samiti to stamp on each paid invoice with the word “PAID” upon payment.

4.3 Payment by Letter of Transfer

The policy of Gramin Vikas Sewa Samiti allows for payments by Letter of Transfer. In such cases,

- a) All Letter of Transfer Payments will comply with all the control procedures outlined under part 4.1 above
- b) the Accountant shall prepare the letter and address it to the respective bank Manager clearly indicating the following details:
 - i. Beneficiary Account Name
 - ii. Beneficiary Account Number
 - iii. Swift Code
 - iv. Correspondent Bank Details
 - v. The Amount to be transferred



- c) The appropriate signatories to the bank account shall sign the letter of transfer and the payment voucher.
- d) The letter shall be in duplicate or the endorsed original letter shall be photocopied to be stamped received by a responsible official at the bank.
- e) The original of the letter together with the duplicate or the photocopy shall be sent to the bank. The original shall be left with the bank and the duplicate or the photocopy (stamped received) shall be attached to the payment voucher for filing.

4.4 Payment by Credit Card

It is the policy of Gramin Vikas Sewa Samiti to allow payments by credit card. The Director shall be responsible for managing the credit card. The following procedures shall be followed in such cases:

- a) All Payments by credit card will comply with all the control procedures outlined under part 4.1 above
- b) The credit limit for all transactions by credit card shall be Rs.5,000.00 or its equivalent

4.5 Payment by Cash

- a) Conventionally, cash payments are not encouraged except for minor payments which are catered for by petty cash.
- b) Where any major payment is required to be made by cash in urgency, an open cheque shall instead be written in the name of the beneficiary.
- c) In cases where a group of people are to be paid in cash, it shall be the policy of Gramin Vikas Sewa Samiti to write an open cheque in the name of the Accountant to effect such payment.
- d) In cases such as under part (c) above, there shall be attached to the payment voucher a detailed list of beneficiaries, the amount per beneficiary and signature acknowledging receipt of payment.
- e) All the above notwithstanding, the (GVSS) shall operate an account for cash in safe. See section 3.7 for details
- f) All Payments by cash will comply with all the control procedures outlined under part 4.1 above



4.6 Expenditure Approval Matrix

For all amounts in excess of Rs. 100,000, the approval of the Board of Trustees would be required. Otherwise, all vouchers and cheques must be approved by the Executive Director of Gramin Vikas Sewa Samiti or any (GVSS) Management Committee member with express delegated authority from the Executive Director.

However in the absence of the Executive Director, the matrix below could be adopted to facilitate operational effectiveness, provided the Executive director would endorse it when next available.

Authorized by	Approved by	Approval Limit (Rs.)
Director	Board of Society	+100,000
Management Committee	Executive Director	20,001-100,000
Head of Finance	Executive Director	5,001-20,000
Head of Finance	Management Committee	+1-5,000

4.7 Accounting Entries

a) Payment by cheque:

DR Supplier/Expense/Asset Account CR Specific Bank Account

With the amount paid

b) Payment by cash

DR Supplier/Expense/Asset Account

CR Cash/Petty Cash

With the amount paid cash or petty cash

c) Payment by letter of transfer:

DR Supplier/Contractor/Expense/Asset Account CR Specific Bank Account

With the amount transferred.

d) Payment by a credit card:

DR Supplier/Contractor/Expense/Asset Account CR Specific Bank Account

With the amount paid with credit card.



Chapter Five

Property, Plant and Equipment

5.1 General Policy Guidelines

- a) This section sets out procedures that seek to ensure that Fixed Assets of Gramin Vikas Sewa Samiti are acquired, recorded, utilized, or disposed of within appropriate levels of authorization and approval. The main focus is to safeguard and account for assets.
- b) Fixed Assets shall include movable and immovable assets.
- c) Capitalization of Assets
It is the policy of Gramin Vikas Sewa Samiti that all its fixed assets are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.
- d) It is the policy to expense assets in the period of purchase if these assets cost Rs.2,000.00 or less individually. Assets costing in excess of Rs.2,000.00 will be capitalized and depreciated in accordance with the organization's depreciation policies.
- e) It is the policy of Gramin Vikas Sewa Samiti to capitalize Repairs and improvements to real property and leasehold improvements if they cost in excess of Rs.1,000.00 individually.

5.2 Acquisition

The (GVSS) shall procure any fixed asset provided that:

- a) It complies with the Procurement Policy of Gramin Vikas Sewa Samiti .
- b) It complies with section 4.1 of this manual.
- c) It falls within the ambit of the (GVSS)'s eligible expenditure
- d) It has been provided for in the Annual Budget
- e) There is availability of funds for the purpose.
- f) The transaction has been approved by the Executive Director.
- g) It is the policy of Gramin Vikas Sewa Samiti to register all acquired fixed assets in the name of Gramin Vikas Sewa Samiti .
- h) It is the policy of Gramin Vikas Sewa Samiti to insure all fixed Assets comprehensively and inspect for roadworthiness on acquisition. Insurance and roadworthy (in the case of



motor vehicles) certificates shall be obtained and securely kept by the (GVSS).

- i) It is the policy of Gramin Vikas Sewa Samiti to assign all fixed assets with special identification numbers. They shall also be clearly labeled as Gramin Vikas Sewa Samiti .

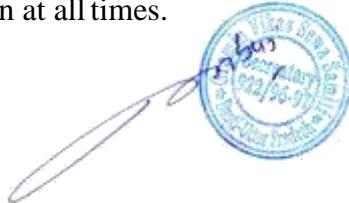
5.3 Recording

- a) All fixed assets acquired by the (GVSS) must be properly recorded in the Ledger Accounts with the approved valid vouchers duly attached.
- b) A Fixed Assets Register shall be maintained to keep track of all properties owned by the (GVSS).
- c) The register shall have columns for the following
 - i. Date of acquisition
 - ii. Name of the Asset
 - iii. Accounting Code of the Asset
 - iv. Identification number of the asset
 - v. Insurance certificate number of the Asset
 - vi. Cost of the Asset
 - vii. Depreciation rate
- viii. Accumulated depreciation
- ix. Depreciation charge for the year
- x. Disposal costs for the year
- xi. Book value of the asset xii. Description or remarks column
- d) Assets shall be grouped into their various categories or classes in the Register

5.4 Custody

It is the policy of Gramin Vikas Sewa Samiti to:

- a) Maintain and keep all of its assets in good physical condition at all times.
- b) Keep all of its assets at secure physical location.
- c) Distinctively identify all of its assets.
- d) Use its Assets only for the benefit of the (GVSS)
- e) As much as possible make the assets available at all times for inspection by all authorized persons.



- f) Conduct physical asset counts on a quarterly basis

5.5 Depreciation of Fixed Assets

- a) It is the policy of Gramin Vikas Sewa Samiti that depreciation of all of its fixed assets is calculated on a straight line basis at rates estimated to write off the cost of each asset over the estimated term of its useful life.
- b) Fully depreciated fixed assets will remain on the organization's statement of financial position until they are disposed off or otherwise deemed worthless.
- c) Assets shall be capitalized in accordance with the organization's capitalization policy.
- d) It is the policy of Gramin Vikas Sewa Samiti to apply the following rates of depreciation on the assets of the (GVSS):

i.	Computers	60%
ii.	Furniture and Fittings	20%
iii.	Motor Vehicles	25%
iv.	Office Equipment	20%

- e) It is the policy of Gramin Vikas Sewa Samiti that a full year's depreciation is charged in the year of acquisition. No depreciation is to be charged in the year of disposal.

5.6 Disposal

It is the policy of Gramin Vikas Sewa Samiti not to dispose of any fixed assets of the (GVSS) unless they have:

- a) To be disposed of as scrap.
- b) Become too costly to maintain.
- c) Become obsolete.
- d) Fully depreciated.
- e) Been approved by the Executive Director in conformity with this policy.
- f) Ratified by the Board of Society for assets with original purchase price in excess of Rs.10,000.



5.7 Reporting

It is the policy of Gramin Vikas Sewa Samiti that the presentation of fixed assets in the financial statement and its notes are in conformity with the International Public Sector Accounting Standards (IPSAS). By the these standards;

- a) The financial statements should disclose, for each class of property, plant and equipment recognized in the financial statements:
 - i. The measurement bases used for determining the gross carrying amount. When more than one basis has been used, the gross carrying amount for that basis in each category should be disclosed;
 - ii. The depreciation methods used;
 - iii. The useful lives or the depreciation rates used;
 - iv. The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and
 - v. A reconciliation of the carrying amount at the beginning and end of the period showing:
 - Additions;
 - Disposals;
 - Acquisitions through business combinations;
 - increases or decreases during the period resulting from revaluations and from impairment losses (if any) recognized or reversed directly in net assets/equity under the appropriate international or national accounting standard adopted;
 - Impairment losses (if any) recognized in the statement of financial performance during the period under the appropriate international or national accounting standard adopted;
 - Depreciation;
 - The net exchange differences arising on the translation of the financial statements of a foreign entity; and
 - Other movements.
- b) The financial statements should also disclose for each class of property, plant and equipment recognized in the financial statements:
 - i. The existence and amounts of restrictions on title for property, plant and equipment pledged as securities for liabilities;



- ii. The accounting policy for the estimated costs of restoring the site of items of property, plant and equipment;
- iii. The amount of expenditures on account of property, plant and equipment in the course of construction; and
- iv. The amount of commitments for the acquisition of property, plant and equipment.

c) The selection of the depreciation method and the estimation of the useful life of the assets are matters of judgment. Therefore, disclosure of the methods adopted and the estimated useful lives or depreciation rates provides users of financial statements with information which allows them to review the policies selected by management and enables comparisons to be made with other entities. For similar reasons, it is necessary to disclose the depreciation allocated in a period and the accumulated depreciation at the end of that period.

d) Gramin Vikas Sewa Samiti would disclose the nature and effect of a change in an accounting estimate that has a material effect in the current period, or which is expected to have a material effect in subsequent periods, in accordance with International Public Sector Accounting Standard IPSAS 3 Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policy. Such disclosure may arise from changes in estimates with respect to:

- i. residual values;
- ii. the estimated costs of dismantling and removing items of property, plant or equipment and restoring the site;
- iii. useful lives; and
- iv. Depreciation method.

e) When a class of property, plant and equipment is stated at revalued amounts the following would be disclosed:

- i. the basis used to revalue the assets within the class;
- ii. the effective date of the revaluation;
- iii. whether an independent valuer was involved;
- iv. the nature of any indices used to determine replacement cost;



- v. the revaluation surplus, indicating the movement for the period and any restrictions on the distribution of the balance to shareholders or other equity holders;
- vi. the sum of all revaluation surpluses for individual items of property, plant and equipment within that class; and
- vii. The sum of all revaluation deficits for individual items of property, plant and equipment within that class.
- f) GVSS would disclose information on impaired property, plant and equipment under the appropriate international or national accounting standard adopted in addition to the information required by paragraph 73(e)(iv) to (vi) of the Standard.
- g) Financial statement users of Gramin Vikas Sewa Samiti also find the following information relevant to their needs to the extent applicable:
 - i. The carrying amount of temporarily idle property, plant and equipment;
 - ii. The gross carrying amount of any fully depreciated property, plant and equipment that is still in use;
 - iii. The carrying amount of property, plant and equipment retired from active use and held for disposal; and
 - iv. When the benchmark treatment is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.

5.8 Accounting Entries

a) When the asset is acquired Dr: Asset Account

Cr: Bank, Supplier, or Donor's account

With amount of acquisition

b) When asset is depreciated

Dr: Depreciation expense Account

Cr: Provision for depreciation Account

With the depreciation charged.



- c) When an asset is disposed of
 - i. Dr: Disposal of Asset Account Cr: Fixed Asset Account
With cost of asset being disposed of
 - ii. Dr: Provision for Depreciation Account Cr: Disposal of Asset Account
With accumulated depreciation to date
 - iii. Dr: Bank/Cash account

Cr: Disposal of Asset account

With the proceeds from sale of the scrap
 - iv. Dr Profit and loss Account Cr Disposal of Asset Account
With the loss on sale of asset
 - v. Dr: Disposal of Asset Account Cr: Profit and loss Account *With gain on disposal of asset*



Chapter Six

Procurement and Inventory Management

6.1 Procurement Policy Guidelines

As the policy of Gramin Vikas Sewa Samiti , no item shall be procured for the (GVSS) unless;

- a) It has the approval of the Executive Director.
- b) It has been provided for in the approved annual budget.
- c) Funds are available for it at the time of the procurement.
- d) It is beneficially required to further the interests of the (GVSS).
- e) It has been made from the most favorable supplier.
- f) It is done with the highest professional, ethical, moral and legal standards within the spirit of the prudent person principle.
- g) It reflects fairness in the spending of the (GVSS) resources.
- h) These procedures shall be reviewed from time to time to take into consideration the changing mode of operations in the (GVSS) and the macro economy as a whole. The following shall currently apply:

6.2 Purchase Requisition Form

- a) A Purchase Requisition Form shall be completed by a staff from a needy department.
- b) The Requisition Book shall be serially arranged and kept in the custody of the Administrative Officer who shall assist staff from needy departments to complete it whenever the need arises.
- c) The request shall be authorized by the head of department and approved by the Administrative Manager and Head of Finance.
- d) The purchase requisition shall be prepared in three copies and distributed as follows:
 - i. The original copy shall be sent to the Finance department to be attached to the Purchase Order.
 - ii. The second copy shall be sent to the requesting department to be filed away.
 - iii. The third copy shall be left in the Purchase Request Book.



6.3 Purchase Committee

- a) On completion of the Purchase Requisition Form, the Administrative Officer shall notify the Purchase Committee to identify sources for the requisitioned materials in Ghana by making use of the various media, suppliers' catalogues and prior knowledge of similar purchases.
- b) They shall make enquiries and solicit for quotations or Pro forma invoices from at least three suppliers.
- c) The Purchase Committee comprising the Head of Finance, Administrative Manager and the head of the requesting department shall evaluate the quotations received and select the most suitable quotation based on quantity, quality, price, discounts, after sales service, terms of delivery and terms of payment.
- d) The purchase committee members may include the finance sub-committee of the Board if the items, equipments or services to be purchased will cost more than Rs.100,000.

Threshold for procurement

Procurement Method	Threshold	Committee
Open tender	Rs.3,000 - Rs.10,000	Admin. Manager/Head of Finance, Head of Requesting department
Open tender	Rs.11,000 – Rs.99,000	ED, Head of Finance, Admin, Manager, Head of requesting department
Open tender	Rs.100,000 and above	Finance Sub-Committee of Board and ED



6.4 Purchase Order

- a) Details of the selected supplier shall be submitted to the Administrative Officer for a purchase order to be raised
- b) The purchase order shall be authorized by the Administrative Manager and approved by the Executive Director.
- c) The purchase Order shall be made out in four copies and distributed as follows.
 - i. The original copy shall be sent to the Supplier for their records.
 - ii. The second copy shall be stamped received by the supplier and returned to the (GVSS) for the documentation of the finance department
 - iii. The third copy shall also be stamped received and retained by the Administration department to be filed away with a copy of the purchase requisition.
 - iv. The forth copy shall be retained in the Purchase Order book.

6.5 Goods Received Note

- a) The goods together with the supplier's Invoice and Delivery Note shall be received at the premises of the (GVSS).
- b) The goods shall be inspected by the Administrative Officer and the Accountant to ensure they match with the order before they are received into stock with a Goods Received Note.

6.6 Payment for Goods and Services

- a) The Accountant shall raise a Payment Voucher based on the terms of payment.
- b) The voucher and the cheque shall be authorized and approved by the Head of Finance and the Executive Director respectively.

6.7 Controls over Acquired Assets

- a) The responsibility of control of assets is vested with the Accountant. The Accountant shall maintain tally cards for all inventory and fixed assets register for all assets acquired by the (GVSS).
- b) He shall keep in safe custody all Fixed Assets and relevant documents regarding the purchase, ownership (registration documents), insurance policies, etc of all fixed assets.
- c) The use of the (GVSS)'s vehicles and other assets should be properly recorded and approved before use.

- d) No staff shall take the (GVSS)'s computers and other similar assets home without the appropriate authority and approval to do so.
- e) Assets shall be adequately maintained at all times.

6.8 Stores and Inventory Management procedures

- a) When goods have been delivered at the Gramin Vikas Sewa Samiti offices, the administrative Officer and the Accountant shall verify and certify the correctness of the goods received with respect to the specifications of the purchase order.
- b) The Accountant shall enter the quantity and value of goods received into the stores ledger and into the fixed assets register.
- c) Tally cards shall be maintained to record all receipts and issues of goods into stock.
- d) All users shall raise a stores requisition form and hand it over to the Accountant for their requisitions.
- e) The Accountant shall issue the goods and the recipient shall sign the tally card as an acknowledgement of receipt of the goods.
- f) The Accountant will then record into the ledger the quantity and value of goods issued. The stores ledger must at any time show the date, recipient; goods received, issued and balance.
- g) Physical stock taking shall be done at least quarterly by the Accountant.
- h) Actual stock count shall be compared and reconciled with the stores ledger records.
- i) All discrepancies shall be thoroughly investigated and corrective action promptly taken.
- j) In any instance, the accounting records shall always bear the correct amounts supported by physical existence.

6.9 Accounting Entries

Accounting entries in this area have been severally dealt with under Expenditure Control Management and Property, Plant and Equipment.



Chapter Seven

Payroll Management

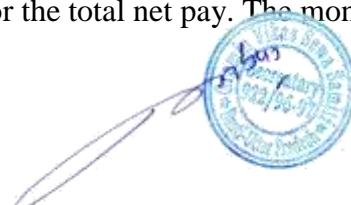
7.1 Preparation of Payroll

- a) The Accountant shall prepare a Payroll on a monthly basis before the 21st of every month, either in Excel or by the use of any payroll software that has been checked by the Accountant, authorized by the Head of Finance and approved by the Executive Director.
- b) The payroll shall be prepared monthly by:
 - i. Multiplying the attendance hours by employee's rates of pay, to give gross pay for hourly paid employees;
 - ii. Using the monthly rates applicable for all other employees;
 - iii. Calculating pay-related statutory deductions from published tables in accordance with regulations contained in Terms and Conditions of Service including advances, loan repayments and other items as shown on individual employee's record;
 - iv. Calculating the relevant allowances as prescribed in the Terms and Conditions of Service and adding overtime where applicable;
- c) Payroll Deductions
 - i. Income tax (PAYE) shall be deducted from staff salaries, where applicable, and shall be paid to Internal Revenue Service not later than 14th of the subsequent month. Current tax rates obtained from the IRS shall be the only applicable rates for PAYE computation.
 - ii. For all applicable Ghanaian employees, 5% and 12.5% of their basic salary shall be deducted as contributions from the employee and the employer respectively and paid to the Social Security and National Insurance Trust (SSNIT) before the 15th of the Subsequent month.
 - iii. A Percentage of the basic salaries of employees for any funds that management and staff have agreed to contribute to such us pension funds or provident funds shall also be deducted for that course.
 - iv. Where a staff has taken a salary advance, there shall be appropriate deductions to that effect before payment of his/her salary.

- d) The payroll shall have columns for the following:
 - i. Staff Name
 - ii. Staff SSNIT Number
 - iii. Staff monthly Basic Salary
 - iv. Staff 5% SSNIT Contribution, where applicable
 - v. Staff monthly PAYE tax
 - vi. X% Pension/Provident Fund Contribution
 - vii. Staff net salary
- viii. Staff 12.5% Employer's SSNIT Contribution
- ix. 20% Employer's Pension/Provident Fund Contribution
- e) Schedules for Income Tax, SSF, staff loans and Pension/Provident Funds shall also be prepared as part of the Excel payroll file.
- f) Any changes in payroll must be done in writing and approved by the Executive Director.
- g) The payroll shall be reviewed by the Head of Finance and approved by the Executive Director.

7.2 Payment of Salaries

- a) Payroll payment vouchers shall be authorized by the Head of Finance and approved by the Executive Director
- b) Staff salaries shall be paid between 21st and the last day of every month except in December of each year where payment may be made earlier than 21st of the month.
- c) Wherever practicable payment of salaries shall be done by direct bank transfers on the basis of the details submitted by members of staff to the Accountant.
- d) The Accountant shall write a covering letter to the respective banks authorizing transfer from the (GVSS)'s bank account to the respective bank accounts of staff. The covering letter shall be signed by the authorized signatories to the Bank Accounts.
- e) Where staff members do not have bank accounts, payments shall be made by open cheques written in the names of the employees concerned.
- f) For all casual employees, a cheque is prepared and cashed for the total net pay. The money shall then be inserted into individual pay packets.



- g) The Accountant shall prepare monthly pay slips for all staff.

7.3 Categories of Staff

The (GVSS) shall have two categories of staff: Internationally-recruited and Nationally-recruited staff.

- a. Payroll for the (GVSS) shall consist of Internationally-recruited staff on one hand and nationally-recruited staff on the other hand.
- b. The Internationally-recruited staff's salaries especially that of the Executive Director shall be determined by GVSS Board of Trustees.
- c. Nationally-recruited staff salary shall be determined by the Executive Director with the support of the Head of Finance.
- d. The nationally-recruited staff salary structure shall be comparable to other related local NGOs salary scales.
- e. All nationally-recruited staff whose salaries are tied to the US Dollar shall be paid in Ghana cedis using the selling rate of exchange on the day of the payment.
- f. Salaries of internationally-recruited staff may be paid in full in INR.

7.4 Salary Advance

- a) The policy of Gramin Vikas Sewa Samiti shall allow for advance payment of 50% staff's net salary before the end of the month.
- b) The policy shall permit staff to apply for salary advance only after they have been in employment for a minimum of one year
- c) Full recovery shall be made as a payroll deduction for the same month in which the advance was given.



- d) The application for salary advance shall be addressed to the Accountant who shall make his recommendations on the matter for the consideration of the Executive Director.
- e) The application shall be attached to a payment voucher that shall be authorized by the Head of Finance and approved by the Executive Director on tangible grounds.

7.5 Staff Loans

- a) It is the policy of Gramin Vikas Sewa Samiti to make available the equivalent of Rs.20,000 in local currency for staff loans per annum.
- b) The policy shall permit Staff to apply for loan only after they have been in employment for a minimum of one year.
- c) Staff loan shall not exceed 1/3 of the staff's net annual salary
- d) Full recovery shall be made by equal monthly payroll deductions for a period not exceeding 12 months. The deductions shall begin from the month following the one in which the loan was granted.
- e) The Director shall consider applications from member Centres of GVSS which require a loan from the Network so long as it is clearly stated that the loan shall be paid by the centre within the current fiscal year. The Director shall consult with Head of Finance to evaluate the default risk for such application and also state the financial status of GVSS and shall approve such a loan where GVSS is in good financial standing.
- f) The application for loan shall be addressed to the Finance Manager who shall make his recommendations on the matter for the consideration of the Executive Director.
- g) The application shall be attached to a payment voucher that shall be authorized by the Head of Finance and approved by the Director on tangible grounds.

7.6 Pension fund



- a) It is the policy of Gramin Vikas Sewa Samiti to set up a Pension Fund for all employees including both nationally-recruited and internationally-recruited staff. It shall be approved by the Director .
- b) The (GVSS) shall contribute 10% of the basic salaries of all employees to the pension fund scheme on their behalf.
- c) The employees shall also contribute 5% of their basic salaries to the pension fund scheme.
- d) The total contribution shall be deposited with the Home Finance Company or any other credible Finance Company as pension fund.
- e) A constitution shall be developed for the fund which shall establish the policies and procedures, rules and regulations, the Board of Trustees, the officers and the signatories of the bank account of the fund.
- f) The fund shall be independently managed by the officers appointed by its Board of Trustees.
- g) The constitution shall be the supreme governing authority of the scheme.

7.7 Leave Commuted to Cash

It is the policy of Gramin Vikas Sewa Samiti to make provisions for unutilized staff leave and other entitlements on a yearly basis and a proportion of the repatriation cost for international staff, based on the percentage of each individual staff member's contracts covered up to the date of the statement of financial position.

7.8 Accounting Entries

- a) Journal voucher for the payroll:

ACCOUNT NAME	DR Rs.	CR Rs.
Wages & salaries	xxxxxx	
12.5% SSF (Employer's Contribution)	xxxx	
X % Pension Fund (Employer's Contribution)	xxx	
Wages & Salaries Control Account		xxxxxx
SSNIT Account (17.5% SSF)		xxxx
Pension Fund X% (Total Contribution)		xxxx
IRS		xxx
Loan Repayment		xxx
	xxxxxxxx	xxxxxxxx

With the payroll totals for the month

b) Payment Vouchers (individual) for the payroll:

ACCOUNT NAME	DR	CR
	Rs.	Rs.
Wages & Salaries Control	XXXXXX	
SSNIT Account	XXXXXX	
Provident Fund Account	XXX	
Internal Revenue Service	XXX	
Bank Accounts		XXXXXXX
TOTAL	XXXXXXX	XXXXXXX

With the transfers into staff bank, Provident fund investment, SSNIT and IRS accounts when they are paid at the end of the month or within the first two weeks of the following month in the case of SSNIT and IRS.

c) For Salary advances,

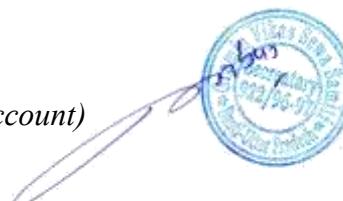
With the payment of the advance (against the staff's salary account)

d) For Staff Loans,

Dr Staff Loan Account

Cr Bank Account

With the payment of the advance (against the staff's Loan Account)



Chapter Eight

Grants and Sub-Grantee Management

8.1 Administration of Grants

- a) Gramin Vikas Sewa Samiti receives funds from various donor/funding organizations to finance various research activities.
- b) The donor/funder funds shall be administered in an economic, efficient and effective manner by the officers in charge of such projects.
- c) The donor/funder funds administrative process shall include timely feedback to the donors of details of projects funded by them.
- d) Donor/funder funds shall only be utilized in accordance with the provisions of the grant agreement.
- e) As part of the annual budget, grants shall be included in the annual estimates in the following manner:
 - i. Donor/funder grants shall be budgeted for, committed in signed agreements and where they can be expected to be received during the year with a high degree of certainty, the Grants Manager / Head of Finance shall review all signed agreements to confirm the existence and the value of the grants included in the budget.
 - ii. In the event that an agreement is unsigned, or in a signed agreement with a high degree of uncertainty of receipts of grants, the Head of Finance will remove the related expenditure from the budget.

8.2 Mode of Receiving Grants

- a) The Funder/Donor transfers the Grant direct to the (GVSS)'s Bank account
- b) The Funder/Donor issues a cheque in the name of the (GVSS).

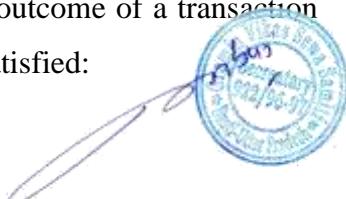


8.3 Contributions Acknowledgment

- a) It is the policy of Gramin Vikas Sewa Samiti to send letters or notes on Gramin Vikas Sewa Samiti letter head acknowledging all contributions, regardless of the amount.
- b) The letters will indicate the dollar amount contributed and the local currency equivalent, where necessary.

8.4 Revenue Recognition

- i. Gramin Vikas Sewa Samiti shall report on two streams of revenue:
- i. Revenue from exchange transaction
- ii. Revenue from non exchange transaction.
- ii. Gramin Vikas Sewa Samiti shall define Exchange and Non Exchange Transactions in accordance with IPSAS as follows:
 - i. Exchange Transactions
A transaction in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.
 - ii. Non-exchange Transactions
Where an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.
- iii. Revenue from Exchange Transaction
 - i. Broadly, revenue under this shall be reported when a service is rendered to a sub-grantee or any other income earned as a result of the normal operations of the organization.
 - ii. Measurement and recognition
Revenue on exchange transaction shall be measured at the fair value of the consideration received or receivable.
- iii. Where the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably where all the following conditions are satisfied:
 - The amount of revenue can be measured reliably;



- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
- Where the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue would be recognized only to the extent of the expenses recognized that are recoverable.

iv. Revenue from non Exchange Transaction

- i. Gramin Vikas Sewa Samiti main source of revenue from non-exchange transaction as defined by IPSAS 23 is grant.
- ii. Gramin Vikas Sewa Samiti would ensure that inflow of resources from a non- exchange transaction, other than services-in-kind, that meets the definition of an asset, shall be recognized as an asset where, and only where:
 - It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
 - The fair value of the asset can be measured reliably.

v. Measurement of Assets on Initial Recognition

An asset acquired through a non-exchange transaction would initially be measured at its fair value as at the date of acquisition.

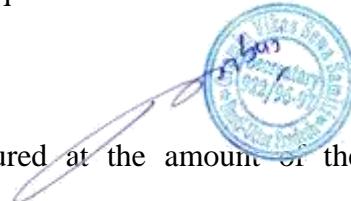
vi. Recognition of Revenue from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction would be recognized as an asset to the extent that revenue has also been recognized.

Where GVSS satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, the carrying amount of the liability would be reduced and an amount of revenue equal to that reduction would be recognized

vii. Measurement of Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions would be measured at the amount of the increase in net assets recognized by the entity.



8.5 Transfers

- a) Gramin Vikas Sewa Samiti shall recognize an asset in respect of transfers where the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset (subject to IPSAS 23 in respect of services-in-kind).
- b) Transfers shall include grants, debt forgiveness, fines, bequests, gifts, donations and goods- and services-in-kind. All these items have the common attribute that they transfer resources from one entity to another without providing approximately equal value in exchange and are not taxes as defined by IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers).
- c) Gramin Vikas Sewa Samiti may, but is not required to, recognize services in-kind as revenue and as an asset.

8.6 Disclosures

The following would be disclosed, either on the face of the financial statements of Gramin Vikas Sewa Samiti or in the notes to the extent applicable:

- a) Indicating the amount of revenue from non-exchange transactions recognized during the period by major classes showing separately:
 - i. the amount of receivables recognized in respect of non-exchange revenue
 - ii. the amount of liabilities recognized in respect of transferred assets subject to conditions
 - iii. the amount of assets recognized that are subject to restrictions and the nature of those restrictions
 - iv. the existence and amounts of any advance or receipts in respect of non- exchange transactions
 - v. the amount of any liabilities forgiven
- b) The following shall be disclosed in the notes:
 - i. The accounting policies adopted for the recognition of revenue from both exchange and non-exchange transactions
 - ii. For major classes of revenue from non-exchange transactions, the basis on which the fair value of inflowing resources have been measured
 - iii. The nature and type of major classes of bequests, gifts, donations showing separately major classes of goods-in-kind received



8.7 Grant Agreements

Ensuring compliance with terms and conditions of donor/grant financing agreements starts with ensuring that a donor/grant financing agreement fully complies with Gramin Vikas Sewa Samiti financial policy and procedures.

- a)** The Director would be ultimately responsible for ensuring that the organization consents to and complies with all financing agreements with donors/funders.
- b)** The grants committee (consisting of the legal expert, Head of Finance, and the Grants Manager) shall review the donor/funder procedures and advise the Director on its acceptability.
- c)** The Director would upon receipt of the advice from the Grants Committee make a decision.
- d)** The Director shall authorize a Grant agreement only after due clearance by the Grants committee and evidence on this clearance retained on file as a control procedure and for audit purposes; and
- e)** Compliance
 - i.** All project coordinators/head of project management units shall ensure that all donor/funder funds are utilized according to the terms and conditions of the grant agreement. This shall include:
 - Application of funds in accordance with the approved budget
 - Compliance with procurement procedures
 - Compliance with disbursement and payment procedures including claims and other retirement of funds
 - Compliance with reporting procedures for donors among others
 - ii.** The Head of Finance shall review compliance of all projects and donor procedures and advise the Director where exceptions are noted.



8.8 Sub-Grantee Management

Gramin Vikas Sewa Samiti would provide the needed support for Sub-grantees.

a) Financial management

Sub-grantees would adhere to the following guidelines;

- i. Request for funding for sub-grantees shall be in accordance of the financing/grant agreement
- ii. Implement disbursement operations in accordance with the grant agreement by ensuring that appropriate documentation is retained
- iii. Produce monthly cash flow forecast for the three following months to ensure that the sub-grantee operations does not run short of cash disbursements. The monthly cash flow shall be authorized by the project officer
- iv. Safeguards funds and other resources of the sub-grantee
- v. Operate special accounts in accordance with the requirements of opening bank accounts as detailed in the manual.
- vi. Maintain cash book and provide timely report.

b) Procurements

All procurement activities such as planning, preparation of standard bidding documents, procurements of goods and services would be handled by the (GVSS) unless otherwise authorized.

c) Monitoring and Evaluation Reports

Each Sub-grantee will be responsible for reporting on the project. The following minimum project monitoring, physical and financial reports will be produced by the Sub-grantee, unless otherwise specified in the sub-grant contract;

- i. Quarterly Reports
 - Discussion of Project Progress
 - Physical monitorable indicators progress report against planned outputs
 - Financial results against approved budgets
 - Procurement progress reports against planned procurements
 - Outlook/prospects for the next quarter
- ii. Annual Project Progress report



The PMU would complete an annual substantive project progress report which will comprise the following;

- Discussion of project progress
- Physical monitorable indicators progress report against planned outputs
- Financial results against approved budgets (use of funds by project activities)
- Procurement progress reports against planned procurements
- Annual work plan schedule of the following financial year;

○ The detailed work plan will be attached to the annual progress reportThe work schedule shall include the procurement plan

8.9 Accounting Entries

- i. When an advice is received from our bankers, the following entries shall be made:

Dr: Bank Account and Cr: Name of Grant

With the amount of funds granted

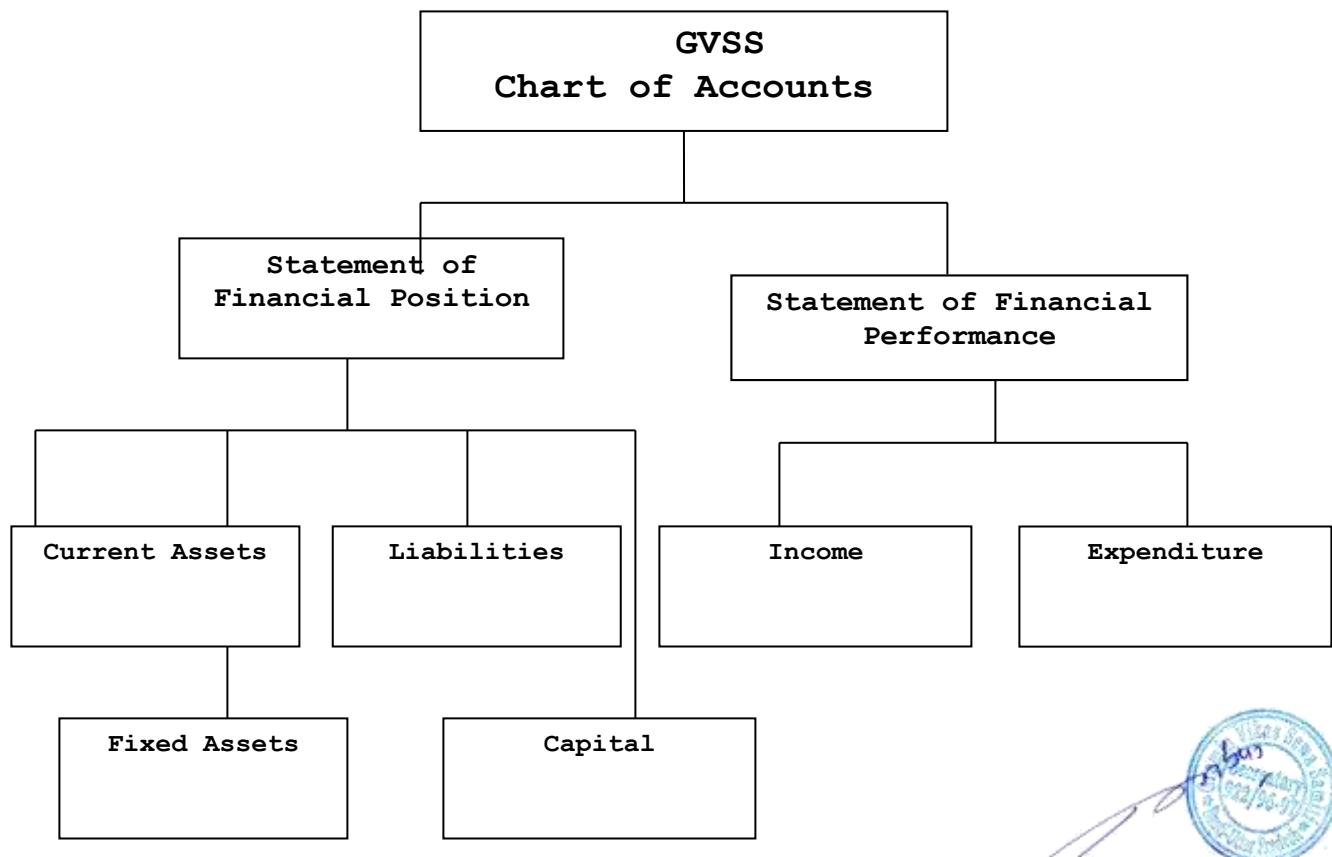


Chapter Nine

Chart of Accounts and Operating Software

9.1 Chart of Accounts

- a) Gramin Vikas Sewa Samiti shall maintain consistency of its financial reporting structure by utilizing a professionally developed chart of accounts structured alongside the sun accounting software.
- b) In the event that new accounts are required to be added to enhance financial reporting or meet specific donor requests, the Head of Finance would notify the Director for approval on the additions/modification.
- c) Below is a diagrammatic representation of GVSS's Chart of Accounts that would be updated with additions and modifications whenever it becomes necessary to do so:



A more realistic detailed list of the chart of accounts shall be developed with the sun accounting software training program.



9.2 Implementation of the Chart of Accounts

- a) Every three years the Head of Finance shall initiate a comprehensive review of the adequacy of the chart of accounts and appropriateness of its format
- b) He would communicate any updates on the chart of accounts to the rest of the finance team
- c) He would also ensure that the approved budget appropriations are correctly processed and budget reports are produced to provide adequate information for compliance with IPSAS 24 - Presentation of budget information.

9.3 Computerized Accounting System

- a) The Head of Finance in consultation with the Director shall evaluate, recommend, purchase and implement a computerized accounting package which is best suited for the (GVSS)'s financial recording and reporting requirements.
- b) The accounting package shall :
 - i. Be able to accommodate the coding system set out in the chart of accounts.
 - ii. Incorporate approved budget appropriations to produce activity based financial reports with variances.
 - iii. Be capable of processing periodic management accounts in the format prescribed by management.
 - iv. Produce annual financial statements in the format consistent with the relevant IPSASs.
 - v. Be user friendly and have an effective on-line after sales support including post installation training.
 - vi. Operate on the network to facilitate information sharing.
 - vii. Have adequate data security and back up routines and a highly reliable audit trail and password access at different levels.
 - viii. Flexible reporting formats to enable Gramin Vikas Sewa Samiti to generate various reports on an ad hoc basis and revise reporting formats to accommodate any changes including the following;
- Multi currency reporting.



- Multi user capability.
- Efficient data entry system.
- Automatic period end processing procedures where necessary.
- Ability to import or export data (subject to password security) to popular spreadsheet and database programs.
- Designed and supported by a reputable software company.

c) The computerized accounting software shall at the very minimum consist of the following modules and subsidiary ledgers:

- i) General ledger
- ii) Inventory
- iii) Accounts payable
- iv) Cashbook
- v) Fixed asset module
- vi) Accounts receivable
- vii) Payroll module which can be integrated with the general ledger

d) The computerized accounting package currently in use by GVSS (GVSS) is the Sun System. All financial and accounting data at GVSS (GVSS) will be processed using the latest version of Sun Systems.

e) Management would review on an annual basis the use of the accounting software to ensure it meets the reporting requirements of the (GVSS). Any Changes to the accounting software would be documented and the reasons approved by the Director and the Board.

9.4 Data security and Backups

Regular backups of the sun system shall be made to ensure maximum security of the software and information contained therein.

Backup copies of the software shall be kept off-site by the Director on a weekly basis.

9.5 Objectives of the accounting system

The objectives of the accounting system are to:

- a. record the assets, liabilities, income and expenditure of Gramin Vikas Sewa Samiti and the sub-grantees
- b. provide information to management to assist them in monitoring the institution's activities on a day to day basis

- c. assist the preparation of annual budgets
- d. assist the Head of Finances in managing implementation of approved interventions within the approved appropriations under their control
- e. facilitate treasury management
- f. provide objective yardsticks for performance evaluation of business units, departments and employees
- g. enable management to identify reasons for adverse variance to facilitate remedial measures

9.6 Basic recording and books of accounts

- a) Each individual transaction shall be processed in a double entry accounting system through one of the following computerized modules;
 - i. Accounts payable module
 - ii. Cashbook module
 - iii. General ledger module
 - iv. Fixed asset module
 - v. Accounts receivable module
- b) The general ledger is the principal book of account of the (GVSS). It is where all transactions are recorded either in detail or in summary totals.
- c) The general ledger contains accounts which show the totals of transactions that are recorded in detail in the subsidiary ledgers.
- d) All postings to the general ledger are made from journal vouchers. These are either standard journal vouchers, for items which occur regularly by month; or non standard journal vouchers for items that are exceptional or of infrequent occurrence.
- e) Postings may also be carried out from totals derived from the computerized cash book module, accounts payable module and fixed asset register module.



Chapter Ten

Budgeting and Budgetary Control

10.1 Introduction

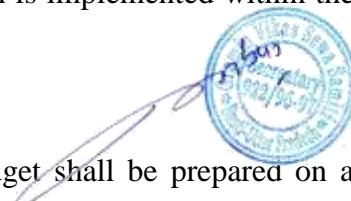
- a. Budgetary control is the practice of regularly comparing actual results against expected results.
- b. The most important method of budgetary control is variance analysis, which involves comparison of actual results achieved during a period with the budget.
- c. The difference between actual results and expected results are called variances and these are used to provide a guideline for control action by management.
- d. Effective budgetary control requires robust, reliable and relevant financial management reporting systems, which should be able to communicate the results of management action on a timely basis.

10.2 Responsibilities

- a) The administration of budgetary control shall be the responsibility of the Director .
- b) However the detailed work of communicating variance information and co- coordinating control efforts shall be the responsibility of the Head of Finance.
- c) The Head of Finance shall be responsible for generating from the Sun accounting system or any other accounting system as approved by the Board, monthly reports, analyzing between actual and budget to date, not later than 14 days after the end of the relevant month.
- d) The Head of Finance shall receive comments from the Director on the variances within 7 days of receiving the reports from the Head of Finance.
- e) The Director shall endorse appropriately agreed control action on the variances.
- f) The Head of Finance shall ensure that approved control action is implemented within the agreed timeframe.

10.3 Budgets, a Tool for Budgetary Control

- a) For the purpose of budgetary control, the annual master budget shall be prepared on a monthly /quarterly basis
- b) All operational overheads expenses shall be apportioned equally, unless particular items of



expenditure are known with certainty for specific periods.

- c) Direct operational expenses shall be apportioned between monthly and quarterly periods based on timing of each activity in accordance with the approved work plan.
- d) Capital expenditure budget shall also be apportioned between monthly and quarterly periods based on the anticipated time of purchase of the asset.
- e) Grants, donations, interest and sundry income shall be budgeted for the months in which they are expected to be received.

10.4 Computation and reporting of variances

- a) Computation and reporting of variances shall be carried out in conjunction with the production of monthly management accounts
- b) The reporting format for variances is similar to the budget preparation formats set out in appendix of this manual.
- c) The variances shall be reported in the following manner
 - i. Actual for the month – previous year
 - ii. Approved budget for the month – current year
 - iii. Actual for the month – current
 - iv. Variance amount (ii-iii)
 - v. Variance %
 - vi. Cumulative approved budget – current year
 - vii. Cumulative actual – current year
 - viii. Cumulative actual – previous year
 - ix. To date variance amount (vi-vii)
 - x. To date variance %
- d) In order to ensure uniformity, presentation of periodic management accounts shall follow the annual financial statements reporting format.

10.5 Investigation of variances

- a) All significant variances shall be investigated to enable remedial control measures to be implemented.
- b) Recommended remedial measures which are agreed with the respective heads of departments shall be approved by the Director and form part of the budgetary control process of Gramin Vikas Sewa Samiti .



10.6 Disclosure of Budget Information in Accordance with IPSAS

Gramin Vikas Sewa Samiti has adopted IPSAS 24 – Preparation of budget information.

To ensure compliance with the standard the following disclosures would be made:

- a) That a comparison of the budget and the actual amounts presented either as a separate additional financial statement or as an additional budget column in the financial statements for which Gramin Vikas Sewa Samiti is held publicly accountable is currently presented in accordance with the IPSASs.
- b) That where the comparison of the budget and the actual amounts either as a separate additional financial statement or as an additional budget column in the primary financial statements have been presented, the financial statements and the budget would be prepared on a comparable basis.
- c) That a comparison of budget and actual amounts have been separately presented for each level of funding where applicable between
 - i. The actual and final budget amounts
 - ii. The actual and comparable amounts?
- d) An explanation of material differences between the budget and actual amounts would be presented in the notes, except where such explanation has been included in other public documents issued in conjunction with the financial statements and a cross-reference to those documents has been made in the notes.
- e) An explanation of the budgetary basis and classification basis adopted in the approved budget
- f) The period of the approved budget (disclosed in the notes).
- g) The entities included in the approved budget (disclosed in the notes).
- h) Where the financial statements and the budget are not prepared on a comparable basis, a reconciliation of the actual amounts presented on a comparable basis to the budget and the actual amounts presented in the financial statements shall be disclosed in the notes.



Chapter Eleven

Financial Reporting

11.1 Fair Presentation and Compliance with IPSASs

To comply with the provisions of IPSAS, Gramin Vikas Sewa Samiti would ensure that;

- a) The financial statements present fairly the financial position, financial performance and cash flows of the entity;
- b) The financial statements comply with all the requirements of each applicable IPSAS
- c) Where the financial statement complies with other Standards such as IFRS in situations where there are no specific IPSAS, management would state this fact.
- d) In the extremely rare circumstances in which management concludes that compliance with a requirement of an IPSAS would be so misleading that it would conflict with the objective of financial statements set out in IPSAS 1, Presentation of Financial Statements, and where the relevant regulatory framework requires, or otherwise does not prohibit such a departure, Gramin Vikas Sewa Samiti would ensure the following have been disclosed:
 - i. That management has concluded that the financial statements fairly present the organization's financial position, financial performance and cash flows;
 - ii. That the organization has complied with applicable IPSASs except that it has departed from a particular requirement in order to achieve a fair presentation;
 - iii. That the title of the IPSAS from which the organization has departed, the nature of the departure, including the treatment that the IPSAS would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in IPSAS 1 Presentation of Financial Statements, and the treatment adopted;
 - iv. That the financial impact of the departure on each item in the financial statements that would have been reported in complying with the requirement for each period has been adequately presented.
- e) IPSAS Issued but not yet Effective

Where Gramin Vikas Sewa Samiti has not applied a new IPSAS that has been issued but is yet to be effective, the following would be disclosed:



- (i) This statement of fact would be expressly stated in the financial statements;
- (ii) Known or reasonably estimable information relevant to assessing the possible impact that application of the new IPSAS will have on the entity's financial statements in the period of initial application;
- (iii) To further ensure compliance with IPSAS 3, GVSS would consider disclosing:
 - The title of the new IPSAS;
 - The nature of the impending change or changes in accounting policy;
 - The date by which application of the IPSAS is required;
 - The date at which it plans to apply the IPSAS initially; and
 - Either:
 - A statement of the impact that initial application of the IPSAS is expected to have on the entity's financial statements; or
 - If that impact is not known or reasonably estimable, a statement to that effect.

f) Early Application of IPSASs

Where Gramin Vikas Sewa Samiti applies an IPSAS for a period before the effective date of the IPSAS (early application of the IPSAS) that fact would be disclosed.

- g) IPSAS in issue;**
 - i) The following revised IPSASs have an effective date of application to annual financial statements covering periods beginning on or after January 1, 2008.
 - IPSAS 1 Presentation of Financial Statements
 - IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors
 - IPSAS 4 The Effects of Changes in Foreign Exchange Rates



- IPSAS 6 Consolidated and Separate Financial Statements
- IPSAS 7 Investments in Associates
- IPSAS 8 Interests in Joint Ventures
- IPSAS 12 Inventories
- IPSAS 13 Leases
- IPSAS 14 Events After the Reporting Date
- IPSAS 16 Investment Property
- IPSAS 17 Property, Plant and Equipment

i) The following new IPSAS has an effective date of application to annual financial statements covering periods beginning on or after January 1, 2008. Earlier application is encouraged:

IPSAS 22 Disclosure of Financial Information About the General Government Sector

ii) The following new IPSAS has an effective date of application to annual financial statements covering periods beginning on or after June 30, 2008. Earlier application is encouraged:

IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)

v) The following new IPSAS has an effective date of application to annual financial statements covering periods beginning on or after January 1, 2009. Earlier application is encouraged:

IPSAS 24 Presentation of Budget Information in Financial Statements

v) The following standards have also been issued in 2008

- IPSAS 25 – Employee Benefits (effective application date: January 1, 2019)
- IPSAS 26—Impairment of Cash-Generating Assets
(effective application date: April 1, 2019)



11.2 Qualitative Characteristics of IPSAS Financial Statements

These are the attributes that make the information provided in the financial statements useful to users. The principal qualitative characteristics are;

- a) Objectivity – Financial accounting system must be based on actual, verifiable events and should be reported in an unbiased manner.
- b) Relevance - financial accounting statements must provide relevant information, which is responsive to the audience's information needs.
- c) Reliability – In order for financial accounting statements to be reliable, some assurance must exist that the statements do in fact represent what they purport to represent
- d) Comparability – The conduct of comparative analyses between accounting periods constitutes one of the major characteristics assumed for the audience of financial accounting. Comparability calls for like events to be reported in the same manner.
When a change is made, its nature, effect and justification must be explained
- e) Entity concept – Financial accounting statements and records pertain to specifically defined business entity. The entity concept directs that the accounting records reflect only the activities of the business.
- f) Unit of measurement – The common denominator is money. The reporting currency is the USRs. dollar and subject to management review.
- g) Materiality – The concept states that any amount or transaction that has significant effect on the financial statements should be recorded and reported correctly.
- h) Accounting period – The financial accounting process provides information about the economic activities of Gramin Vikas Sewa Samiti for the specified time periods. Eg month, quarter or year.

11.3 Notes and Supplementary Schedules

- a) The financial statements shall contain notes and supplementary schedules and other information to make them meaningful to the end-users.
- b) For example, they shall contain additional information that is relevant to the needs of users about the material risks and uncertainties affecting the institution and any obligations not recognized in the balance sheet (such as contingent liabilities)



11.4 True and Fair View

- a)** The monthly and annual financial statements of INDETH Network shall give a true and fair view of the state of the (GVSS)'s affairs and the income and expenditure for each financial period.
- b)** The Head of Finance is responsible for ensuring that the monthly and annual financial statements are prepared in this manner. Gramin Vikas Sewa Samiti shall apply the accounting assumptions and concepts described in this section on the appropriate IPSAS, which would then result in a true and fair view of the financial statements prepared.
- c)** Any material non-compliance (including any deviations from an IPSAS) and the effect of any such non-compliance shall be disclosed in the financial statements as notes and reported to the Board.

11.5 Communication of Standard Accounting Guidelines

The Head of Finance of Gramin Vikas Sewa Samiti in consultation with other Head of Finances of other Sites and Institutions supported by Gramin Vikas Sewa Samiti shall issue standard accounting guidelines from time to time in order to classify and standardize accounting policies and procedures which are specific to Gramin Vikas Sewa Samiti operations

11.6 Common Information in Financial Statements

The Head of Finance is responsible for the preparation of the annual financial statements. This must be reviewed by the Director and approved by the Board of Trustees.

A complete set of financial statements according to IPSAS 1 comprise:

- (a)** A statement of financial position;
- (b)** A statement of financial performance;
- (c)** A statement of changes in net assets/equity;
- (d)** A cash flow statement;
- (e)** A statement of comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; and



(f) Notes, comprising a summary of significant accounting policies and other explanatory notes.

(g) Format Used

The uniform formats for the preparation of the statements of financial performance, statements of financial position, cash flow and notes is set out in appendix 9 of this manual.

11.7 Monthly and Annual Reporting Procedures

a) Monthly Procedures and Time Table

The following procedures would be followed in the preparation of monthly reports:

- i) The Head of Finance will use tools aimed at ensuring that monthly reports are circulated not later than 10th of the month following the end of the relevant month. A timetable would be circulated every month by the Head of Finance as required. When each step of the task is completed, the Head of Finance will mark a cross (x) in the column under the working day when it is achieved to enable him review progress and to take hastening action where necessary.
- ii) For each month a complete set of management information reports, which include the following listed below, are required by the 10th of the following month:
 - monthly management accounts;
 - budgetary variances;
 - Donors report; and
 - Notes and supporting schedules.
- iii) As far as the financial statements are concerned it is a standard requirement that these shall be completed by the tenth working day after each monthend.
- iv) The Head of Finance shall issue a timetable each month showing the actual dates by which the various stages of work must be completed.
- v) The timetable shall indicate the officers responsible for the task and list date of
 - Completion of cashbook postings and bank reconciliations.



- Completion of subsidiary ledger postings and reconciliations
- The various standard journal vouchers to be prepared
- Completion of postings to the general ledger and extracting the preliminary trial balance
- Completion of final trial balance after review and necessary adjustments
- Completion of balance sheet and income statement
- Preparation of supporting schedules
- Receipts of variance analyses explanations

vi) Against each item, the required completion date will be indicated in the column under the required working day.

vii) The Head of Finance will circulate other guidance notes as they become necessary for the preparation of the monthly accounts and reports.

b) End of Year Reporting

i) Prior to the end of the financial year, the Head of Finance will prepare instructions setting out the timetable for the submission of accounting returns and the names of the officers responsible for their completion.

iii) The creditor's ledger and accruals and prepayments register will be kept open until the end of the fifth week after the year end, to ensure that all relevant items are included as accurately as possible.

iv) After those records are closed, any further adjustments will be made only on non-standard journal vouchers authorized by the Head of Finance.

v) The annual accounts must be completed within one month (by 30 January) following the financial year. The audit report together with the management letter from the auditors and management responses shall then be made available to the Board of Trustees in February after the Director's approval.

c) Year End Accounting Routines

i. Most of the year end accounting routines would be the same as those performed each month. However there are specific tasks to be completed at the end of year which include:-

- the provisions for slow-moving or obsolete or deteriorated stock where applicable;
- the write-off of unusable or obsolete property, plant and equipment;
- the certification of cash in hand;



- the provision for bad or doubtful debts;
- the assessment of prepayments and accruals and
- certificates of bank balances and investment

ii. At the end of the year, all officers will be required to certify a statement of the balances held by them. All sundry revenue will be paid into the bank on or before the last working day of the financial year.

iii. The Head of Finance will prepare an age analysis of all GVSS'S sundry debtors. On the basis of this analysis, a provision will be made for any bad or doubtful sundry debts where applicable

iv. The Head of Finance will review the nominal ledger to identify those expenses which have been prepaid. Also he will assess the nature and value of those accruals for which provisions will be made.

v. All source documents during the first two months of the new financial year will be scrutinized carefully at the time of approval; any transactions relating to the previous year's accounts will be marked clearly.

vi. Once the trial balance has been extracted correctly, the Head of Finance will prepare the statutory accounts in accordance with International Public Sector Accounting Standards. He shall ensure that the statutory accounts are completed and are ready for audit by the (GVSS)'s external auditors. In addition, he shall prepare a report to the Director /Board which analyses and explains the results for the year.

11.8 Financial Control

Gramin Vikas Sewa Samiti shall maintain the highest levels of financial control both at the (GVSS) and for Sub-grantees. In order to ensure the high levels of financial control, the finance department will conduct a self-review through the use of the following:

a) Internal control questionnaire

The Head of Finance or his designate will ensure the finance regulations, policies and procedures detailed in this manual are operating effectively by performing self audits twice a year as follows:

i) An internal control questionnaire shall be developed to provide a tool for self-auditing of the control and operating procedures defined in this manual;



- ii) Schedule officers shall ensure the checklists are completed by the 20th day following each half – year end;
- iii) The internal control questionnaire is a tool to ensure the institution or operation is in compliance with provisions in the manual. This helps to determine the training needs of employees;
- iv) The Head of Finance shall summarize the key outcome from the checklist and follow up the action necessary to ensure compliance.

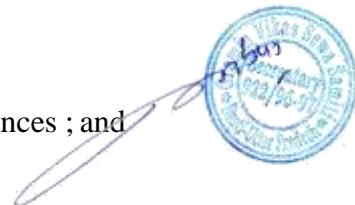
b) Balance Sheet Review

- i) The Head of Finance or his designate shall conduct balance sheet reviews of the (GVSS).
- ii) The reconciliation folders will include the following;
 - Bank reconciliations
 - Petty cash float count confirmation (including cash in safe)
 - Accounts receivables
 - Provisions for bad and doubtful debts
 - Prepayments schedules
 - Deposits/investments accounts
 - Accounts payable
 - Accruals schedule

Any follow up actions will be agreed after the review and agreed with the finance or schedule officer.

11.9 Specific Donor/Funder Financial Reporting

- a) As mentioned in this manual, Gramin Vikas Sewa Samitihas adopted accrual IPSAS for the preparation of the entity wide financial statements. However, to enable Gramin Vikas Sewa Samiti comply with specific donor reporting guidelines which are principally on cash basis, it would adopt cash basis IPSAS for the preparation of all specific donor reports. GVSS would prepare and present the cash basis financial statements to include the following components:
 - i) A statement of cash receipts and payments which:
 - Recognizes all cash receipts, cash payments and cash balances ; and



- Separately identifies payments made by third parties on behalf of Gramin Vikas Sewa Samiti in accordance with the Standard;
- ii) Accounting policies and explanatory notes; and
- iii) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments would be presented

b) Information to be presented in the Statement of Cash Receipts and Payments.

The statement of cash receipts and payments should present the following amounts for the reporting period:

- i) Total cash receipts of the entity showing separately a sub-classification of total cash receipts using a classification basis appropriate to the entity's operations;
- ii) Total cash payments of the entity showing separately a sub classification of total cash payments using a classification basis appropriate to the entity's operations; and
- iii) Beginning and closing cash balances.

Total cash receipts and total cash payments, and cash receipts and cash payments for each sub-classification of cash receipt and payment, would be reported on a gross basis.

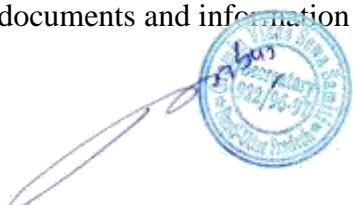


Chapter Twelve

Audit Framework

12.1 Audit of Grants

- a)** At the end of the grant period a financial statement shall be prepared and submitted to the Funders/Donors based on the Funders/Donors Financial Statement format after an independent external audit.
- b)** The (GVSS)'s financial statements shall be audited annually by an independent external Auditor appointed by the (GVSS), approved by the Board.
- c)** The appointed auditor shall examine the internal controls of the (GVSS) as set by the (GVSS) management to assure themselves of the accuracy and reliability of the records in safeguarding the assets of the (GVSS).
- d)** Following this examination the Auditor shall issue a report that shall draw the attention of Gramin Vikas Sewa Samiti to the weakness, if any, that have come to their notice. The auditor shall also make recommendations as to how to rectify the weakness detected.
- e)** The main objective of the audit shall be to provide an independent opinion as to whether or not the (GVSS)'s financial statements show a true and fair view of the state of affairs of the (GVSS).
- f)** It shall be the duty of the Accountant to prepare the financial statement necessary for audit.
- g)** He shall also be responsible for making available all documents and information requested by the Auditor for the purpose of the Audit.



- h) The (GVSS) shall ensure that the auditors audit the (GVSS) accounts at the end of each fiscal year.
- i) The auditors shall be required to submit to the (GVSS) certified true copies of the following audited reports.
 - Audited reports for all grants received in INR/US Dollars.
 - Consolidated audited report for all grants in INR/US Dollars.
 - Audit report of the financial statement as a whole.
 - Management letter.
- j) The signed audited accounts shall be attached with management's responses to all issues raised in the letter of weakness before any report could be submitted to interested parties

i. After the audit of grants, the (GVSS) shall keep all documents pertaining to all audited grants for at least 5 years.



Appendices

Appendix 1: Bank Reconciliation Statement

GRAMIN VIKAS SEWA SAMITI(GVSS)

BANK RECONCILIATION STATEMENT FOR THE MONTH ENDING.....

Bank Account Name:

Bank Account No.:

Bank Account Currency:

General Ledger Ref. No.:

Rs.

Balance per Cash Book

XXX

Add: Unpresented (Outstanding) Cheques

XX

XXXXXX

Deduct: Uncredited Cheques

XX

Adjusted Cash Book Balance

XXXX

Add: Credits (Deposits) in Bank not yet in Cash Book

XX

XXXXXX

Deduct: Debits in Bank Statement not yet in Cash Book

XX

Balance as per Bank Statement

XXXXXX

Prepared by:..... Date:.....

Reviewed by:..... Date:.....

Approved by:..... Date:.....



Appendix 2: Payment Requisition Form

GRAMIN VIKAS SEWA SAMITI(GVSS)

PAYMENT REQUISITION FORM

STAFF NAME.....

POSITION.....

ACCOUNT NAME.....

AMOUNT.....

PAYEE/SUPPLIER.....

QUANTITY.....

REASON FOR PAYMENT/PURCHASE.....

REQUESTED BY

DATE.....

AUTHORISED BY (HEAD OF DEPARTMENT)

DATE.....

APPROVED BY (HEAD OF FINANCE)

DATE.....



Appendix 3: Cheque Payment Voucher

GRAMIN VIKAS SEWA SAMITI(GVSS)

CHEQUE PAYMENT VOUCHER

PAYEE..... DATE.....

ADDRESS:..... PV No.

CHEQUE No.

ACCOUNT

NAME:.....

PARTICULARS	CO DE	C	AMOUNT
		OST	
		CEN	
		TRE	
			Rs.
TOTAL			

AMOUNT IN WORDS.....

PRAPIRED BY:..... DATE.....

AUTHORIZED BY:..... DATE.....

APPROVED BY:..... DATE.....

RECEIVED BY: NAME:..... Phone#.....

SIGNATURE:.....

DATE:.....

Appendix 4: Cash Payment Voucher

GRAMIN VIKAS SEWA SAMITI(GVSS)			
CASH PAYMENT VOUCHER			
		DATE.....	
PAYEE.....		...	
ADDRESS:.....		PV No.....	
ACCOUNT NAME:.....			
PARTICULARS	CODE	COST CENTRE	AMOUNT
			Rs.
TOTAL			
AMOUNT IN WORDS.....			
PRAPARED BY:..... DATE.....			
AUTHORIZED BY:..... DATE.....			
APPROVED			
BY:..... DATE.....			
RECEIVED BY: NAME:..... Phone #.....			
SIGNATURE:.....			
DATE:.....			

Appendix 5: Journal Voucher

GRAMIN VIKAS SEWA SAMITI(GVSS)
JOURNAL VOUCHER

JV

No.....

Date.....

Account Name	Account Code	Cost Centre	DR Amou nt	CR Amou nt
			Rs.	Rs.
Total				

Prepared By:.....Date.....

Approved By:.....Date.....

Posted By:.....Date.....