



THE WAY FOR A BETTER TOMORROW

GAMANA

FINANCE POLICY MANUAL

(Effective Date: 26th May 2019)

1. INTRODUCTION

The contents of this manual have been approved as the official Finance policy for GAMANA by its Board. All GAMANA staff, volunteers, and its Board members are bound by the policies herein and any deviation from the established policy must be approved by the Board. Based on our practices since 2007, GAMANA has articulated its Finance Policy & Procedures Manual to explain financial procedures that would help enhance accountability and transparency, both internally as well as externally. These guidelines also meet our statutory requirements.

Since GAMANA believes that programs and finance are complementary functions, these guidelines support the smooth implementation of programs and activities that contribute towards achieving our Goals, Purpose, and Vision. We do not see a Finance Policy as a disconnected set of bureaucratic practices but as an integral component of our overall organizational culture and core values. GAMANA is rather conventional when it comes to money matters.

We do not believe that ideological arguments come into play when fulfilling monetary and accounting obligations. We have never been in awe of the size of our annual budgets without, at the same time, losing healthy respect for funds and funding. The principle of total and exception less transparency, especially with regards to money matters has held us in good stead.

We have not only stated that everyone has a right to look into the accounts, but taken concrete steps to invite scrutiny on a continuous and on-going basis. We have simplified financial formats for easy understanding by our semi and illiterate primary stakeholders. Staff that is overly sensitive to questioning and criticism is immediately relieved of money handling responsibilities.

We constantly bear in mind that we are mere intermediaries in the business of handling someone else's money which helps us keep any possible arrogance and deceit in conscious check. The distinction between '**spending on ourselves**' and '**spending on the people**' is unambiguous at GAMANA.

In this light, the value premise that guides GAMANA in financial matters is:

1. Total and exception less transparency and answerability with regards to money, including our personal finances.
2. Maintain a flat and efficient organisation with a minimum hierarchy and no bureaucracy.
3. Design and implement conscious measures to empower Staff and functionaries and to devolve power to village institutions in a responsible manner.
4. Not accept, route, or handle money from or on behalf of any government agency since we believe that these are entitlements of the people themselves and should reach them in the natural course of the affair, without any NGO intermediary; moreover, we are not social contractors who perform a free or underpaid service to the government's obligatory service provision job.
5. Not take bank loans for ourselves or programs we implement, nor offer any of our holdings or Assets as security or surety.

Please see our guiding principles at <http://www.gamana.in>

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2. ACCOUNTING BACKGROUND AND POLICIES

2.1. Legal Status

1. Registered under the Andhra Pradesh Public Societies Registration Act 35 of 2001, vide Registration Number 467/2007 dated 01.11.2007
2. Registered and renewed with Ministry of Home Affairs, Government of India, under Foreign Contribution Regulation Act, vide No. 010190503 valid from 17.06.2020 to 16.06.2025.
3. Registered under Section 12AA of the Income Tax Act 1961 and assigned AAAAG5306L/07/16-17/S-1297 dated 23.06.2016
4. Registered under Section 80 G (5) (VI) of the Income Tax Act, 1961, File No. CIT (E)/Hyd/86(06)/12A & 80G/2016-17 dated 28.11.2016 and
5. Income Tax PAN Number AAAAG5306L
6. NGO Darpan ID: AP/2017/0165226
7. Empanelled with Office of Development Commissioner (Handicrafts) Ministry of Textiles, Government of India, Empanelment No. AP/2017/0165226 valid from 29.06.2021 to 26.06.2024

BANK DETAILS (INDIA)

Name of the Bank
Address

Federal Bank
Siri Towers, Ananthavaram,
Thullur Mandal – 522 236

Name of Account
Account Number
IFSC Code

GAMANA
SB. A/c No. 22780100001537
FDRL0002278

Name of the Bank (FCRA)

Address

State Bank of India
FCRA Cell, 4th Floor, State Bank of India
New Delhi Main Branch,
11, Sansad Marg, New Delhi – 110 001 INDIA

Name of Account
Account Number
IFSC Code
SWIFT
CIF Number
MICR Code

GAMANA
40258299983 (FCRA SAVINGS ACCOUNT)
SBIN0000691
SBININBB104
86516836462
110002087

The final authority, with legal obligations for the proper functioning of the organisation, rests with the Governing Body. Though the Governing Body keeps itself constantly informed on developments, the organisation's day-to-day affairs are left to the discretion of the Project Director, who has directly been appointed by them, and it's Secondary Stakeholders who run the organisation.

2.2. Digitized Financial Accounting System

GAMANA follows a computerized accounting system 'Tally ERP9' and all its book-keeping is computerized and all its books of accounts for the various projects, programs, and activities are maintained via multiple modules, financial accounting is integrated into all other program monitoring modules. Vouchers are entered by the respective Accountant and automatically updated in the Day

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Book. Once authorized and posted, there is no way a Voucher can ever be modified by anyone. In case of genuine errors, a rectification Voucher is physically entered, reversing the original wrong entry. This enables us to track all errors and rectifications made.

2.3. Budgets & Realization

Every program or project that GAMANA undertakes is planned bottom-up. After long-drawn and elaborate consultations with our Primary Stakeholders, Field and Program Staff, together we prepare a Strategic Plan for a particular program, project, or activity. Besides the Goal, Purpose, and Objectives, this includes a detailed section on 'Activity Processes'. Each Activity Process is further broken down into tasks and jobs. Costs, if any, are allocated to each such task or job, with the source of funding indicated.

These form the Program or Project Budgets. Program or Projects Budgets are fed into different Sets of pre-defined Books. In the event of a particular Voucher crossing the budgeted amount, a warning is given as a budgetary control mechanism. In addition, the Accountant creates Sub Accounts in order to keep an even tighter track of the expenditures. GAMANA follows a hybrid system of accounting wherein both accruals, as well as cash basis, are maintained.

The financial year at GAMANA is from 1st April to 31st March. Finance management at GAMANA deals with many broad areas of activities. This Finance Policy & Procedures document spells out these guidelines. It also ensures that relevant statutory requirements are met. The Project Director and Accountant oversee the broad finance management, fund flow, and budget realization. But they do not do so in any exclusive or in-camera manner. Every single Staff is encouraged to realize budget lines pertaining to her/his program or project.

All of them, individually and collectively, also 'police' expenses to ensure that no dubious expenditures are claimed/made. GAMANA generally follows the principle that only tax-paid bills and invoices be accepted for payment. All efforts are made to obtain such tax bills and invoices. However, for the purchase of items such as food and local conveyance, etc., many a time it gets difficult to obtain tax bills. Even then, we try to make sure that cheque payments are made.

In exceptional circumstances when all means to obtain tax bills fail, we obtain a physically signed copy from the vendor/producer/supplier and these are verified by the Community Organizer and Accountant. Furthermore, GAMANA strictly follows statute requirements defined for not-for-profit organizations. GAMANA files their annual returns with the Income Tax Authorities, Registrar of Societies, and Union Home Ministry under the FCRA.

3. ACCOUNTING SYSTEM

The major areas of finance management at GAMANA are as follows:

1. Bank Accounts
2. Asset Management
3. Purchase Procedures
4. Vehicles Management
5. Travel Expenses
6. Staff Welfare
7. Advances
8. Allocation of Common Costs
9. Records, Reporting & Audit

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3.1. Bank Accounts

All bank accounts are governed by the Governing Body of GAMANA and managed through resolutions of the Governing Body; be it for opening, closing, defining signatories, mode of operating, or any other. A minimum of two signatories is compulsory for operating any bank account of GAMANA. As required under the FCRA, all foreign funds are received only into the FCRA designated bank account, which for us is held at State Bank of India, Thullur Branch.

The Foreign Contributions (FC) is then transferred to the respective program accounts for better management and implementation of programs and projects. All FC funds are managed through FC accounts only and are not being mixed with other domestic/local funds. Under no circumstances is the transfer of FC funds to domestic and vice-versa allowed.

All bank accounts of GAMANA, including FCRA and program accounts, are maintained with the State Bank of India, Thullur Branch. As previously mentioned, it is the policy of GAMANA that all income from the FC account is deposited only in the FCRA designated bank account and then transferred to the respective program accounts.

However, in case of need, such as when funds are delayed from one donor, advance can be received from one FC program account to another FC program account and it would normally be reimbursed as early as possible on receiving the remittance unless the donor conditionality specifically bars such transfers. This is done for cash flow management.

All bank withdrawal details are recorded by the designated signatories via signed cheques as and when required, after verifying the requisition. No signed blank cheques are kept. Accountants carry out bank reconciliations at regular intervals and ensure that balances as per the books of accounts and Bank Passbooks are tallied.

GAMANA in general follows the principle of executing only cheque payments for payments exceeding Rs. 20,000. Exceptions are allowed for the purchase of local items such as groceries, vegetables and also for out-station purchases where the third party does not accept cheques. Exceptions are also made for specific instances such as the booking of bulk travel expenses during the settlement of program advances.

3.2. Asset Management

An Asset is defined as a physical item with a value greater than Rs. 25,000 and/or having a useful life of more than one year, as well as a reasonable resale value. The Project Director authorizes the purchase of all Assets after the Accountant determines the budget line under which they can be booked. On receipt of the authorization for the purchase of the Asset, the Accountant and Field/Program Staff strictly follow the below described purchase procedure.

Any sale of an asset having a market value exceeding Rs. 5,00,000 is done only after the Governing Body approves the sale. More often than not, the donor's permission is also sought for the same. The Director makes a recommendation for the sale of such assets giving reasons to the Governing Body, based on the need and condition of the Asset. On receipt of the approval from the Governing Body, Staff canvas by word of mouth the availability for sale of the Asset and make the sale to the highest bidder.



However, for the sale of Assets whose market value and/or book value does not exceed Rs. 5,00,000, the Project Director, decides and orders such disposals. The Governing Body is later informed about the sale. Once again, the respective Staff follows a similar sale procedure as explained in the previous paragraph to identify the highest bidder, taking into account the condition of the Asset, market as well as book value.

No asset is sold based on book value alone. The involvement of Staff in the sale of Assets of whatever value is to make the transaction overboard and above suspicion. We believe that it is not enough, to be honest; we need to be perceived as being squeaky clean. In either procedure, the Accountant ensures that the sale proceeds are immediately, entirely, and directly deposited by the purchasers themselves into the respective bank account of the Set of Books where the Asset was recorded. An asset register is maintained for all purchases and sale of Assets and this forms a part of the audited annual accounts of GAMANA.

3.3. Purchase Procedure

A purchase procedure is followed for buying items exceeding Rs. 25,000 be it termed an Asset, inventory, or any other. The Accountant determines if it is a revenue or capital purchase, irrespective of the budget line it is provisioned under, following guidelines described in the Asset Management section of this document. The purchase of an asset is classified as a capital purchase while other purchases are classified as revenue. Capital purchases follow the Assets Management guidelines.

After asserting that there is a budgetary provision for the purchase, approval is taken from the Project Director. The Accountant discusses with Field and/or Program Staff their exact requirement. The Field/ Program Staff who will eventually use the item are actively involved in scouting and deciding on what is best suited for them, price, delivery, vendor, etc. of the procurement process.

Sometimes, an advance amount is given to the vendor which is settled on receipt of the item. In some cases, the full amount may have to be paid in advance. In both cases, the authorization of the specific Project Director is obtained, after making a careful risk assessment. 3 quotations are obtained for purchases over Rs 25,000. GAMANA does not take the procuring of 3 quotations casually; it is followed in letter and spirit.

Extensive research is done before deciding to buy anything right from checking for availability, after-sales service, price, and customer or user reviews/ feedback. GAMANA's policy of total and exception-free transparency in all financial matters, including personal finances, is followed. Sometimes there is only a single vendor for the item to be purchased and it is not possible to obtain quotations. Even when deciding to sell an old motorcycle, we do not follow the "book value". Instead, all GAMANA Staff are informed and they together scout for the best price.

After the concerned Program/Field Staff are fully convinced of the item they want, the Accountant independently determines if their judgment is correct. They may, on scouting, find different shops and bargain a better price and quality. After that, the Project Director takes a final call and the purchase is made. For items like vegetables, groceries, small stationery, medicines, etc. for meetings and training sessions, a different procedure is followed.

Based on regular experience, some local shops are identified as reliable suppliers and slips/notebooks are given by the Staff in charge. These slips/notebooks are thoroughly cross-checked by the Accountant once a month during settlement. If the slightest suspicion of foul play is detected, the vendor or shopkeeper is immediately blacklisted.



3.4 Vehicle Management

GAMANA owns a few four-wheelers and motorcycles. All vehicles are stationed at GAMANA premises. Four-wheeler is mainly used for field trips, outstation trips, training programs, and for bank visits for heavy withdrawals. In principle, a vehicle and Driver are stationed at the office premises always. Motorcycles are allotted to particular Field Staff to travel to the villages on an everyday basis. All vehicles, be it four-wheelers or motorcycles are registered in the name of the Secretary, GAMANA, as non-commercial vehicles in order to allow ease Inter-State travel and save on road tax. The respective driver of the four-wheeler maintains the logbook and the Accountant monitor's this logbook at the time of settling the fuel bills.

Only actual expenses of the drivers are reimbursed when they make out-station trips. A driver must ensure that their four-wheeler is serviced and maintained in good running condition. Field Staff is allotted motorcycles to go to the villages they look after. They normally leave for the village early in the morning and return anytime between 5 pm to 7 pm.

Field Staff does not maintain logbooks. Instead, they are given a fixed quota of 20 litres of petrol per month. In exceptional cases, when there is a lot of extra travel or for a Field Staff who covers the distant corners of the operational area, the quota is increased based on the discretion of the Project Director.

GAMANA has made it mandatory for all motorcycle users to wear helmets while riding. Drivers and co-drivers of four-wheeler vehicles are required to use their seat belts. The Accountant is responsible for maintaining insurance and fulfilling statutory requirements for all the vehicles associated with GAMANA.

3.5 Travel

GAMANA functions in a geographical area of APCRDA (Andhra Pradesh Capital Region Development Authority) Amaravati, which is spread over Krishna and Guntur districts of Andhra Pradesh State in India. Our work involves extensive travel and our coverage is far and wide. As a policy, we discourage out-of-project area travel except for evident purposes like purchase, meeting with statutory authorities, receiving/dropping off a visitor, etc.

Travel expenses are reimbursed, against actual bills and expenses to Staff who travels outside the project area. We allow for travel by the most economical and efficient mode is it by road or train. In certain cases, where air travel is inevitable, GAMANA reimburses the incurred cost post the authorization of the Project Director. When Staff attends a donor organized conference or workshop where travel is not reimbursed, the ticket cost is taken as a program expense.

3.6 Staff Welfare

GAMANA believes that parity has to be found between personal and social values. Family values, especially concerning caste/community, womenfolk and child socialization practices, display of social status, customs, and practices have to match and meet with that of the NGO. The way we work towards the development of the worker's lives, work tends to have a direct bearing on what we achieve and accomplish. Over the years, we have tried to evolve a woman-friendly environment. It makes living and working a pleasure and enhances everyone's overall performance.



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GAMANA believes that Staff should be comfortable within limits, while they work in trying and difficult circumstances. The caveat is that the living conditions and lifestyles of the Staff should never exceed that of the lower middle class in the towns they live in. Job descriptions are mutually decided, based on the 10-year Strategic Plans drawn up and periodic reviews thereof through Effects Monitoring exercises, both in a participatory manner.

Several times a year, we jointly celebrate festivals, functions, and Staff functions which help us bring together all staff members and their families. All Staff and their immediate dependents are covered under the Health Insurance policy of the organisation. This is renewed annually and the premium is paid by GAMANA. In case of accidents, emergencies, and hospitalization, GAMANA bears the expenses and later claims the same from the Insurance Company. In cases where Staff can manage to bear their costs, they do so and such expenses are reimbursed after the Insurance claim is settled. In certain cases, where the Insurance policy does not cover the claim due to some technical reason, GAMANA absorbs the expenses from its Staff Fund.

GAMANA recognizes that educating children is the greatest asset that development workers can legitimately invest in. We, therefore, meet reasonable schooling needs of Staff children at local schools of fairly good quality, but not in fancy schools outside our area of work. GAMANA also supports these children through college, provided they get free and merit-based seats. GAMANA contributes modestly towards the marriage expenses of their Staff, especially if they are a marriage of choice and inter-caste marriages. In exceptional cases, the Project Director has the discretion to sanction any other Staff welfare measure as may be deemed necessary. Staff salaries are disbursed monthly in cash. When a taxable salary is paid to a specialized Staff, this is done via a cheque and the TDS for the same is deducted and deposited with to the Income Tax authorities.

3.7. Advances

1. Program Advances for the smooth implementation of the programs and projects, GAMANA's staff take program advances to meet field expenses. These advances are given at the request of the concerned staff, supported by the Project Director or Accountant. Normally, such program advances are taken by the Field staff themselves.
2. All such advances taken for program implementation are termed program advances. Program advances are normally settled within a week of its disbursement. In case of difficulty in doing so for any reason, they are returned and retaken when needed. In the event of a program advance not being settled even by the end of the week, the Accountant immediately enquires and if necessary, treats it as a salary advance and deducts the same from the salary of the staff.
3. Unless a previous program advance has been settled, a second advance is normally not given. In exceptional cases, along with due authorization from the Project Director, one can obtain a subsequent advance while the first advance is outstanding. This is a rare exception.
4. Field staff prepares requests for program advances for their respective Programs and gets them authorized by the Accountant. Field staff takes these advances to disburse the payments as per these requisitions. They settle such program advances once or twice a week.

3.8. Inter-Project Advances

As already mentioned, it is the policy of GAMANA that all income from the FCRA account is deposited only in the FC designated bank account and transferred to the respective FC Program or Project accounts. When a cash flow requirement arises due to delayed remittance from a particular sponsor/donor, advances are given from one FC Program Account to another, unless donor conditionality specifically bars such transfers.

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Such advances are reimbursed immediately on receipt of remittance from the donor. To maintain the Foreign Contribution integrity of such cash flows, such advances are always routed through the FCRA recognized Bank Account of GAMANA.

3.9. Staff Advances

All Staff is entitled to interest-free advances. All Staff that has completed their three months training period and are construed as permanent have access to such advances. They are entitled to an advance equivalent to their one-month's salary.

These advances are authorized by the Accountant. However, if the advance amount is more than a month's salary, the Project Director authorizes such advances and along with ascertaining the repayment instalments. Normally, while fixing the repayment schedule, the following rules are followed:

1. The monthly repayment does not exceed 50% of the salary of the staff
2. The advance should be cleared within the financial year ending on 31st March

Salary advances are the bare minimum; normally at the start of the school year since the only investment that Staff makes for themselves is a good education for their children. Health-related advances are settled by the Insurance Company within a few weeks. No one is given any salary advance to make an investment or start a business. Program Advances and Staff Advances are separately reflected in the GAMANA books of accounts.

3.10. Advances brought to Zero

All advances, irrespective of whether they are Staff or Program, are brought to zero on 31st March every year. The few that appear in our Balance Sheet, despite this strict and unsparing policy, are contentious ones that could require recovery action. GAMANA does not, as a general practice, write-off outstanding advances unless and until all other avenues are exhausted. This is done on the recommendation of the Auditor to the Governing Body.

3.11. Allocation of Common Costs

Every major program or project undertaken by GAMANA, even when supported by the same donor partner, has its own budget for staff, administration, office running costs, etc. Expenses pertaining to one program or project are not booked under another. When it comes to salaries, each staff member is allocated only to one single Project/Donor;

Staff salaries are never split between 2 sets of books because they primarily work on just one program or project. No one at GAMANA receives a salary from 2 separate Sets of Books. The same applies to vehicles, vehicle maintenance, office equipment, Media-claim insurance, etc. There is no mix-up.

However, GAMANA will allow this policy to become an obstacle in 2 instances:

1. Functional and statutory performance of duties by the Project Director and Accountant, who will be involved in all and every program and project.
2. Field Staff of whichever program, by whatever title, should address complex, multifarious, and interconnected issues which may be faced by the same primary stakeholder.

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4. RECORDS, REPORTING & AUDIT

4.1. Records

GAMANA maintains a number of records and books to fulfil the function of finance management. While most records relate to bookkeeping, the following records are manually maintained:

1. Fixed Assets Register
2. Vehicles & Title Documents

The Day Book is generated and maintained for statutory and management reasons, daily printouts are taken and filed after the posting is completed. Hard copies of General Ledgers are printed once every 6 months. Accountant generates vouchers for various types of payments such as Cash Payment, Cash Receipt, Bank Payment, Bank Receipt, Withdrawal from Bank, Deposit into Bank, Journal, etc. These vouchers are printed, supporting documents attached, signatures obtained from the recipients, and filed in designated voucher files. Vouchers are filed chronologically and as per the voucher number and type and under separate sets of books.

The Project Director goes through them before the final commitment the made. All financial records such as vouchers with supporting documents, Day Books, General Ledgers, Subsidiary Ledgers, Journal Registers, Budget Realizations, Trial Balances, Cash & Bank reconciliation statements, etc. are stored and maintained as per the statutory compliance for a minimum of 7 years.

Audited Financial statements such as Audit Report(s), Receipts & Payments statements, Income & Expenditure statements, Balance Sheets, and Assets Register are maintained eternally. Audited Financial reports are immediately uploaded to our website at <http://www.gamana.in>

4.2. Reporting

GAMANA prepares many reports for both internal as well as external purposes. Regular finance reports such as Day Book, Ledgers, Subsidiary Ledgers, Sub Account listing, Budget Realizations, Trial Balances, etc. are automatically generated in real-time by Tally ERP 9 financial accounting module.

They are made available to anyone and everyone, irrespective of permissions. Additionally, the following reports are manually prepared by the Accountant for submission to donors and other statutory authorities:

1. Consolidated Receipts and Payments, Income & Expenditure & Balance Sheet with schedules
2. Budget Realizations for each program or project are perused by Field/Program Staff
3. Donor Reports to various Donors in their formats, along with Progress/Activity Reports
4. Fund Transfer requests to Donors
5. Income Tax Reports and formats for annual filing
6. TDS Reports for filing and distributing Forms 16
7. FC-4 form for reporting under FCRA
8. Half-yearly Report to the Central IB
9. Professional Tax Report if any

Apart from the above, the Accountant prepares need-based Excel worksheets which are used by the Program/Field Staff to assist them with program monitoring.



4.3. Audit

GAMANA has a two-tier audit practice in place – Internal Audit and Statutory Audit.

1. The Accountant and the Project Director carry out the Internal Audit every quarter. The internal Audit function verifies compliance to the GAMANA Finance Policy & Procedures.
2. An External Auditor is appointed by the Governing Body to conduct a statutory audit twice a year. Statutory Audit fulfils the statute and donor needs and is carried out bi-annually in October and April.

The Statutory Audit includes verification of vouchers and supporting documents and all other accounting records as required by the auditors, as well as preparation of Balance Sheet, Income & Expenditure statement, Receipts & Payments statement, Donor Reports, and any other reports that may be deemed necessary from time to time. Auditors, as part of their contract, also oversee the filing of Income Tax returns, TDS, Service Tax, FC statements, Donor reports, etc. besides offering financial management advice.

4.4. Management Report

Governing Body shall have certain responsibilities in the areas of financial reporting, internal control, and governance. In the areas of financial reporting and internal control, the Governing Body shall:

1. Oversee the external audit process, including consultation with the external audit firm on GAMANA's audit results.
2. Receive and review any other communications from the external auditors that the external auditors may need to submit to the Governing Body under currently applicable professional auditing standards.
3. Review and discuss within the Executive Committee, the findings, and recommendations communicated by the external auditor.
4. Inquire about the existence and nature of significant audit adjustments proposed by the external auditors and significant estimates made by the management.
5. Meet privately with the external auditors to discuss the quality of management, accounting, and information technology personnel to determine whether any restrictions have been placed by the management on the scope of their external audit or if there are any other matters that should be discussed with the Committee.
6. Prepare a report, signed by the Director for presentation to the Governing Body describing the activities and responsibilities,
7. Direct special investigations into significant matters which are brought to its attention within the scope of its duties.

Last amended on 7th July 2021

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