Mangrove Foundation of India

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MANGROVE FOUNDATION OF INDIA

FINANCIAL MANAGEMENT & INTERNAL CONTROL POLICY

Version	1.0
Effective Date	10/08/2024
Approved By	Board of Trustees / Governing Body
Policy Owner	Finance Head / Treasurer

1. Purpose

The purpose of this Financial Management Policy is to establish a robust framework for:

- Financial accountability.
- Transparency.
- Internal controls.
- Budget management.
- Donor compliance.
- Procurement.
- Payments.
- Banking.
- Payroll.
- Asset management.
- Grant management.
- Financial reporting.
- Audit.
- Fraud prevention.

MFI publicly states its commitment to transparency and makes annual reports, project documentation and financial statements available to donors, partners and the public.

The policy should therefore reinforce this transparency commitment.

2. Scope

This policy applies to:

- Board/Trustees.
- Management.
- Finance personnel.
- Programme personnel.
- Employees.
- Consultants.
- Volunteers handling funds.
- Project teams.
- Procurement personnel.
- Anyone authorised to spend MFI funds.

It covers:

- General funds.
- Donations.
- Grants.
- CSR funding.
- Project funds.
- Restricted funds.
- Government grants.
- International grants.
- Foreign contribution funds, where applicable.
- In-kind contributions.

3. Core Financial Principles

MFI shall follow:

- Transparency.
- Accountability.
- Value for money.
- Segregation of duties.
- Proper authorisation.
- Complete documentation.
- Accurate accounting.

- Donor compliance.
- Timely reporting.
- Prevention of fraud.
- Protection of organisational assets.
- Conflict-of-interest management.

4. Governance and Financial Responsibilities

Board/Governing Body

The Board shall:

- Approve annual budgets.
- Review financial performance.
- Review audited financial statements.
- Monitor financial risks.
- Approve major financial policies.
- Ensure appropriate internal controls.

Head/CEO

Responsible for:

- Overall financial management.
- Budget implementation.
- Authorised expenditure.
- Financial compliance.

Finance Function

Responsible for:

- Accounting.
- Banking.
- Payments.
- Reconciliations.
- Reporting.
- Documentation.
- Tax/statutory compliance.
- Audit coordination.

Programme Team

Responsible for:

- Proper use of programme funds.
- Budget monitoring.
- Supporting documentation.
- Timely submission of expenses.

5. Segregation of Duties

Where organisational size permits, different people should perform:

- Requesting expenditure.
- Approving expenditure.
- Making payment.
- Recording transaction.
- Bank reconciliation.
- Reviewing expenditure.

No single individual should control the entire financial transaction cycle.

6. Annual Budget

MFI shall prepare an annual organisational budget.

The budget should include:

- Programme expenditure.
- Personnel costs.
- Administrative costs.
- Travel.
- Equipment.
- Training.
- Communications.
- Monitoring/evaluation.
- Project-specific costs.
- Fundraising costs.
- Contingency where appropriate.

The Board/authorised governing body should approve the annual budget.

7. Project Budgets

Each funded project should have an approved budget.

Project expenditure should be monitored against:

- Approved budget.
- Actual expenditure.
- Committed expenditure.
- Available balance.

Material budget deviations should require appropriate approval.

8. Donor Restrictions

Restricted funds shall be used only for their intended purpose.

MFI shall comply with:

- Grant agreements.
- CSR agreements.
- Donor budgets.
- Government conditions.
- Applicable laws.
- Reporting requirements.

No employee may reallocate restricted funds without appropriate approval.

9. Bank Accounts

Bank accounts shall be opened in the organisation's legal name.

MFI should:

- Maintain approved signatories.
- Review signatories periodically.
- Avoid personal bank accounts for organisational transactions.
- Conduct regular bank reconciliation.
- Maintain secure banking credentials.

10. Cash Management

Cash transactions should be minimised.

Petty cash may be maintained for small, legitimate expenses.

A petty cash register should record:

- Date.
- Voucher number.
- Description.
- Amount.
- Recipient.
- Supporting documentation.
- Balance.

Petty cash should be periodically counted and reconciled.

11. Payment Controls

Every payment should have:

- Approved payment request.
- Supporting invoice/bill.
- Appropriate authorisation.
- Correct budget/project code.

- Evidence of receipt of goods/services where appropriate.

Electronic payments should preferably be used.

13. Procurement Policy

Procurement shall follow:

- Transparency.
- Competition.
- Value for money.
- Fairness.
- Appropriate documentation.

Depending on value, MFI may require:

- One quotation.
- Two quotations.
- Three quotations.
- Formal tender/RFQ.

Thresholds should be established by management.

14. Vendor Selection

Vendors should be evaluated on:

- Price.
- Quality.
- Reliability.
- Experience.
- Delivery capacity.
- Compliance.
- Conflict of interest.

Where practical, vendors should provide:

- PAN.
- GST details, where applicable.
- Bank details.
- Invoice.
- Registration/business information.

15. Conflict of Interest

Employees, Trustees and representatives must disclose conflicts of interest.

No individual should participate in approving a transaction involving:

- Their own business.

- Family members.
- Close associates.
- An entity in which they have a financial interest.

Related-party transactions should receive appropriate approval and documentation.

16. Advance Management

Advances may be issued for:

- Travel.
- Programme activities.
- Field activities.
- Procurement.
- Emergency relief.

Advances must be settled within a defined period.

> **Suggested period: 7–15 working days after completion of the activity.**

Outstanding advances should be monitored monthly.

17. Expense Reimbursement

Reimbursement claims should contain:

- Purpose.
- Date.
- Amount.
- Project code.
- Supporting bill/receipt.
- Approval.

Claims should be submitted within the prescribed period.

18. Payroll

Payroll shall be:

- Based on approved employment/consultancy terms.
- Reviewed periodically.
- Supported by attendance/engagement records where applicable.
- Subject to applicable statutory deductions.

Applicable statutory requirements relating to:

- Income tax/TDS.
- Provident fund.
- Employee-related laws.
- Professional tax, where applicable.

- Other applicable statutory obligations

should be followed based on MFI's legal status and workforce.

19. Consultants

Consultants should have written agreements specifying:

- Scope of work.
- Deliverables.
- Fees.
- Payment terms.
- Taxes/deductions.
- Confidentiality.
- Intellectual property where applicable.
- Safeguarding obligations where relevant.

Payments must correspond to contractual deliverables.

20. Assets

MFI should maintain an asset register containing:

- Asset description.
- Asset number.
- Purchase date.
- Cost.
- Location.
- Custodian.
- Funding source.
- Useful life/depreciation where applicable.
- Disposal details.

Assets should be physically verified periodically.

21. Procurement of Project Equipment

For project equipment such as:

- Nursery equipment.
- Field tools.
- Computers.
- Cameras.
- Safety equipment.
- Water/environment monitoring equipment.
- Furniture.

MFI should document:

- Need.
- Budget availability.
- Approval.
- Procurement process.
- Receipt.
- Asset allocation.

22. Donations

All donations should be appropriately recorded.

Records should include:

- Donor identity where applicable.
- Date.
- Amount/value.
- Purpose/restriction.
- Mode of receipt.
- Receipt issued where applicable.

Restricted donations must be separately tracked.

23. Foreign Contributions

Where MFI receives foreign contributions, it shall comply with the **Foreign Contribution (Regulation) Act, 2010 (FCRA)** and applicable rules/orders, subject to whether MFI is registered/eligible to receive such contributions.

Foreign contributions should be:

- Received through the prescribed banking arrangements.
- Used only in accordance with applicable approvals and donor/project restrictions.
- Properly accounted for.
- Reported as required.

> **Note:** The final policy should be reviewed against the organisation's current FCRA status.

24. CSR Funding

For CSR-funded programmes:

- Maintain separate project/budget tracking.
- Follow the CSR agreement.
- Maintain utilisation documentation.
- Track outputs and expenditure.
- Submit reports within agreed timelines.
- Maintain evidence for audits/due diligence.

MFI's website indicates active CSR/corporate partnership opportunities, making clear project-level financial controls particularly useful.

25. Grants

For each grant, MFI should maintain a grant file containing:

- Grant agreement.
- Approved budget.
- Amendments.
- Donor correspondence.
- Expenditure reports.
- Utilisation certificates where applicable.
- Progress reports.
- Audit requirements.
- Closure documents.

26. Financial Reporting

Finance should prepare regular reports such as:

Monthly

- Income and expenditure.
- Bank balances.
- Budget vs actual.
- Outstanding advances.
- Payables.
- Receivables.

Quarterly

- Project-wise financial performance.
- Donor utilisation.
- Budget variance.
- Cash flow.
- Key financial risks.

Annually

- Financial statements.
- Audit report.
- Statutory filings.
- Annual budget review.
- Management review.

27. Budget Variance

Material variances should be investigated.

For example:

- Actual expenditure substantially exceeds budget.
- Significant underspending occurs.
- Restricted funds are not being utilised.
- Programme activities are delayed.

Management should document corrective action.

28. Accounting Records

MFI shall maintain accurate records of:

- Receipts.
- Payments.
- Journals.
- Ledgers.
- Bank statements.
- Invoices.
- Payroll.
- Grants.
- Assets.
- Liabilities.
- Donor/project accounts.

Accounting records should be maintained using appropriate accounting software or controlled accounting systems.

29. Bank Reconciliation

Bank accounts should be reconciled regularly, preferably monthly.

Unreconciled items should be investigated and cleared promptly.

30. Fraud Prevention

MFI has **zero tolerance** for:

- Misappropriation.
- Theft.
- Falsification.
- Bribery.
- Kickbacks.
- Duplicate payments.

- Fake invoices.
- Personal use of organisational funds.
- Manipulation of records.

31. Fraud Reporting

Employees and representatives should have a confidential mechanism for reporting suspected:

- Fraud.
- Financial misconduct.
- Corruption.
- Theft.
- Conflict of interest.

MFI should protect good-faith whistleblowers from retaliation.

32. Anti-Bribery and Corruption

MFI representatives must not:

- Offer bribes.
- Accept bribes.
- Make facilitation payments where prohibited.
- Accept inappropriate gifts.
- Influence procurement decisions for personal benefit.

Reasonable, low-value organisational courtesy may be permitted subject to MFI's Code of Conduct.

33. Gifts and Hospitality

Staff should not accept gifts or hospitality that could influence—or reasonably appear to influence—an organisational decision.

Any threshold should be specified by MFI.

Example:

> **Gifts above ₹2,000 in value should be disclosed to the Finance/Administration Head.**

The amount should be finalised by MFI.

34. Petty Cash

A petty cash limit should be fixed.

For example:

Petty Cash Float	**₹25,000**
Maximum individual transaction	**₹5,000**

> **Note:** These are sample limits and should be modified based on MFI's operational needs.

35. Emergency/Relief Expenditure

For emergencies such as:

- Floods.
- Cyclones.
- Coastal disasters.
- Other humanitarian situations,

MFI may implement simplified emergency procurement/payment procedures.

However:

- Expenditure must be documented.
- Approval must be obtained retrospectively where prior approval was genuinely impossible.
- Vendor/payment records must be maintained.
- Emergency expenditure must be reported to management/Board.

This is relevant to MFI's stated relief activities in Pulicat and Assam.

36. Asset Disposal

Assets may be disposed of when:

- Obsolete.
- Damaged.
- Beyond economical repair.
- No longer required.

Disposal should be:

- Authorised.
- Documented.
- Properly valued.
- Recorded in the asset register.

37. Audit

MFI shall arrange statutory audit as required.

Auditors should have access to:

- Accounting records.
- Bank records.
- Grant documentation.
- Asset records.
- Supporting vouchers.
- Contracts.
- Other relevant documents.

Internal reviews may also be undertaken periodically.

38. Donor Audit

Where required by a donor:

- MFI shall facilitate donor audits.
- Relevant project records shall be maintained.
- Findings should be reviewed.
- Corrective actions should be documented.

39. Document Retention

MFI should establish a document-retention schedule covering:

- Financial records.
- Vouchers.
- Invoices.
- Contracts.
- Bank records.
- Payroll.
- Donor records.
- Grant agreements.
- Audit reports.

Retention should comply with applicable legal, tax, donor and grant requirements.

40. Data Security

Financial records should be protected through:

- Password controls.
- Restricted access.
- Backups.
- Secure cloud/server storage.
- Periodic backup testing.
- Controlled access to banking information.

41. Business Continuity

MFI should have arrangements to ensure financial operations continue during:

- Natural disasters.
- Cyber incidents.
- Office closure.
- Loss of key personnel.
- Technology failure.

42. Financial Misconduct

Violation of this policy may result in:

- Recovery of funds.
- Disciplinary action.
- Suspension.
- Termination.
- Legal action where appropriate.

43. Policy Exceptions

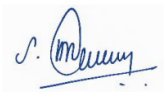
Any exception should:

- Be documented.
- Include reasons.
- Receive appropriate approval.
- Not violate applicable law or donor restrictions.

44. Review

The Finance Policy shall be reviewed annually and whenever there are significant changes in:

- Law.
- Funding arrangements.
- FCRA status.
- Donor requirements.
- Organisational structure.
- Accounting systems.





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