

Example of a good practice with regard to signing of cheques?

Speaker: There are certain clauses in the bylaws which need to be amended in order to make it possible for other people to sign the cheques. Basically there are two things that happen when cheques are signed – one is approval of expenditure and the other is disbursement of expenditure. Normally both of these happen together. In an organization it is not necessary that only the treasurer signs the cheques. After payments are approved, the only question that remains is the disbursement. The person or persons who sign the cheques only check that the payments are approved before signing for the disbursement. If we segregate these two responsibilities the entire process will become easier. It also enables the four eyes principle, where one person's work is checked by another. There are organizations where a single signatory is authorised, for example, for regular expenditures of upto Rs. 20,000 the CEO is empowered to sign. Beyond Rs. 20,000 another designated person is authorised. Policies should be made in such a way that they can be implemented. If the treasurer lives in Gujarat and your office is in Mumbai, you cannot expect him to come here once a week for signing.

Audience: We have a large institute, with 7 sections within the main section. We have set levels, up to Rs 20,000 to 50,000 certain people can sign. If it is over Rs 50,000, then it requires approval of a board member. The treasurer is one of the 3 signatories and at the end of the month he gets a statement of all payments made to ensure that he is always on top of it.

Speaker: This is a very important input. A treasurer should have oversight. MIS systems need to be present within the organization to appraise him. He should be fully aware of the payments given. Monthly statement signed by the chief functionaries with details of various payments made should be issued. Budget analysis should be carried out once in a quarter. One has to be innovative for internal controls and how you ensure checks and balances. In a large organization with multi locations it is difficult to keep direct control.

Audience: Incoming cash control. Another important control is accounting trail. To put it simply, whatever happens should happen subsequently and not going backwards to change something. The moment cash is received it should be deposited in the bank and can later be withdrawn and spent, so that the trail is clear. If this cash enters the cash box, then it loses its identity and it becomes difficult to have a trail.

Audience: What happens if the money is entered into the cash ledger? Then you disburse it for running day to day activities