

## **VIKALP – Internal Control System Policy**

This Internal Control System Policy establishes a comprehensive and integrated framework for governance, risk management, and control at VIKALP. The policy is intended for regular organizational use and global application across all programs, projects, and offices.

### **1. Purpose**

The purpose of this policy is to ensure that VIKALP achieves its objectives through effective and efficient operations, reliable financial and non-financial reporting, safeguarding of assets, and compliance with applicable laws, contractual obligations, and internal regulations.

### **2. Scope**

This policy applies to all trustees, Governing Board members, management, employees, consultants, volunteers, and partners acting on behalf of VIKALP. It covers financial, administrative, operational, program, and information management processes.

### **3. Definition of Internal Control**

Internal control refers to the policies, procedures, practices, and organizational structures designed to manage risk and provide reasonable assurance that objectives are achieved. Controls may be preventive or detective and operate at strategic, operational, and transactional levels.



## 4. Internal Control Principles

### 4.1 Principle of Transparency

VIKALP ensures transparency through documented policies, clearly defined procedures, and traceable decision-making processes. Roles, responsibilities, approval levels, and reporting requirements are clearly articulated. Financial and program records are maintained in a manner that allows independent review by management, auditors, donors, and regulatory authorities. VIKALP also publishes all financial statements, audit reports, donor list, project and legal documents on the website as well as yearly activity reports.

### 4.2 Principle of Four-Eyes (Dual Control)

No critical decision or transaction shall be executed by a single individual. Key activities such as procurement approvals, fund disbursements, payroll processing, advances, and contractual payments require review and approval by at least two authorized persons. Banking transactions follow dual signatory arrangements.

### 4.3 Principle of Functional Separation (Segregation of Duties)

VIKALP separates responsibilities for authorization, execution, record-keeping, and review. No individual has control over all stages of a transaction. This separation reduces the risk of error, fraud, and misuse of resources.

### 4.4 Principle of Minimum Information (Need-to-Know)

Access to sensitive information, including salaries, personal data, banking details, contracts, and strategic documents, is restricted to authorized personnel only. Information is shared strictly on a need-to-know basis. Physical and digital safeguards are implemented to protect confidentiality and data integrity.



## 5. Governance and Oversight Structure

### 5.1 Governing Board

Provides strategic direction, approves policies, reviews financial and audit reports, and ensures organizational accountability.

### 5.2 Director / Managing Trustee

Responsible for implementation of the internal control system, approval of major financial and operational decisions, and overall organizational compliance.

### 5.3 Treasurer / Finance Oversight

Reviews financial reports, monitors compliance, and supports strengthening internal controls.

### 5.4 Accountant / Finance Staff

Maintains accounting records, prepares financial statements, manages cash and bank transactions, and ensures documentation and reconciliations.



## 6. Financial Controls

### 6.1 Budgetary Controls

Annual and project budgets are prepared, approved, and monitored. Expenditures are reviewed against approved budgets, and deviations require justification and approval.

### 6.2 Fund Receipt and Utilization

All funds received are recorded accurately, deposited promptly into authorized bank accounts, and utilized only for approved purposes.

### 6.3 Payment Controls

Payments are made through approved banking channels or controlled cash systems. All payments require proper authorization, supporting documentation, and verification.

### 6.4 Payroll and Advances

Payroll is prepared, reviewed, and approved through a multi-level process. Salary and travel advances are governed by clear rules and must be settled within defined timelines.

### 6.5 Petty Cash Management

Petty cash is maintained within approved limits, reconciled regularly, and subject to surprise verification by authorized officials.

## 7. Procurement and Asset Controls

Procurement is conducted in accordance with approved procurement standards. Assets are recorded in asset registers, safeguarded, and periodically verified.



## 8. Information Systems and Data Security

Access to accounting systems and digital records is controlled through user permissions and passwords. Regular data backups are maintained. Confidential information is protected against unauthorized access or loss.

## 9. Monitoring, Compliance, and Audit

VIKALP complies with applicable statutory, regulatory, and contractual requirements. Independent audits are conducted periodically. Audit observations are reviewed and corrective actions are implemented.

## 10. Risk Management

Financial, operational, compliance, and reputational risks are identified, assessed, and mitigated through preventive controls, monitoring mechanisms, and corrective measures.

## 11. Reporting and Accountability

Regular financial and programme reports are prepared for management, the Governing Board, and funders. Transparency and accountability are ensured through timely and accurate reporting.

## 12. Policy Review and Amendment

This policy is reviewed periodically to ensure relevance and effectiveness. Amendments are approved by the Governing Board.

## 13. Policy Adoption

This Internal Control System Policy is approved by the Governing Board of VIKALP and is effective from the date of adoption.

Approved by: S. P. Patel

Designation: M. Trustee

Date: 01/10/2025



Updated policy adopted by  
Board on 80/09/2025