

Financial and Accounting procedures for overseas offices of the Tea Board at London, Moscow and Dubai

Preamble

The Tea Board has offices set up at locations outside India. Currently, offices are set up at the following locations

- London
- Moscow
- Dubai

These offices were set up under various Government of India orders for handling publicity and public relations work for Indian tea. The Tea Act, 1953 (Act 29 of 1953) provides for functional responsibility of market promotion as a function of Tea Board. Accordingly, it has set up offices overseas

The roles and responsibilities of these offices as in the present scenario include a wide spectrum of activities as follows:

- Participation in international fairs and exhibitions, particularly food and beverage events.
- Field sampling at specialty stores/super markets.
- Media publicity.
- Buyer – seller – meets.
- Providing promotional support to Indian exporters of value – added teas in their promotional and marketing efforts.
- P.R. activities to establish closer link between importer and exporter
- Exchange of tea delegations between India and importing countries.

These offices are headed by Director, Tea Promotion.

Backdrop of the London office

Government of India, ministry of Commerce, New Delhi in the letter No.1(39)/Plant(A)/60 dated 23.09.1960 accorded sanction to the setting up of the office of the Director of Tea Promotion, London, for handling Publicity and Public Relations work for Indian tea in The U.K.

The office shall operate under the immediate control of the Director of Tea Promotion who shall be a full time officer of the Tea Board. The jurisdiction of the office extends to the U.K. Republic of Ireland and Scandinavian countries.

In order to facilitate examination and processing of various proposals in the light of the local conditions and for speedy execution of various schemes, it has been decided that an officer of the ambassadorial rank posted in London may be requested through the Administrative ministry of the Tea Board, to discharge certain local supervisory functions over the office of the Director to Tea Promotion, London, in accordance with the policies and directives laid down by the Board from time to time. The Indian High Commissioner in the U.K., has so far been discharging these functions.

Except to the extent provided above, the Director of Tea Promotion, London will be under the full control of the Board and would be directly accountable to the Tea Board. The office of the D.T.P., London, will generally function independently of the control of the Local Mission and shall carry out all the instructions issued by the Tea Board, Calcutta. The Office will, however, operate under administrative control of the Local Mission, for such limited purposes, as may from time to time, be agreed upon by the Tea Board and the Local Mission concerned.

However, vide office order no Accts/B&A/TB/Pro/Arobj dated 22.01.1980 the Indian High Commissioner's office at London was relieved of the responsibility of managing the Finance and Accounts of the London overseas office and the same came under the purview of Tea Board.

Budget

The primary seat of accounting control of Tea Board lies in its Head Office at Kolkata. The overseas offices are located outside this primary accounting control centre. This further enhances the need of budgetary controls.

The following principles are required to be complied with, in respect of budget preparation

- The responsibility of preparation of budget lies with the Director, Tea Promotion (Overseas)
- This budget needs to be sent to The Director, Tea Promotion with copy to Finance Branch of Tea Board, Kolkata
- The timeline for sending the budget is July of the preceding year. Eg. If the budget is for the financial year 2012-13, then the budget needs to be sent by July 2011
- There should be two sets of documents sent:
 - Budget Estimate (BE) for the forthcoming year
 - Revised Estimate (RE) for the current financial year
- BE will need to be sent as per format given in Format A
- RE estimate will need to be sent in Format B

Format – A
(A1)
BEfor the Financial Year _____ (NON PLAN)

Name of Overseas Office	
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Name of Controlling Officer	
Designation	

Head	Particulars	Amount
Establishment	Pay of Officers	
	Foreign Allowance and additional Foreign allowance	
	Children Education Allowance	
	Other Allowance	
	TOTAL	

(A2)
Budget for the Financial Year _____ (PLAN)

Name of Overseas Office	
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Name of Controlling Officer	
Designation	

Head	Particulars	Amount
Other Administrative Expenses (Excl Publicity) *		
Tea Promotion *		
	TOTAL	

Status update of Schemes

Scheme	Brief Description	Utilization against sanction
Scheme 1		
Scheme 2		
Scheme 3		
	TOTAL	

Status update of Schemes

Scheme	Brief Description	Utilization against sanction
Scheme 1		
Scheme 2		
Scheme 3		
	TOTAL	

Format – B
(B1)

Revised Estimate for the Financial Year _____ (NON PLAN)

Name of Overseas Office	
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Name of Controlling Officer	
Designation	

Head	Particulars	Amount inBE	Revised Estimate	%ge variation	Reasons for variation
Establishment	Pay of Officers				
	Foreign Allowance and additional Foreign allowance				
	Children Education Allowance				
	Other Allowance				
	TOTAL				

(B2)
Revised Estimate for the Financial Year _____ (PLAN)

Name of Overseas Office	
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Name of Controlling Officer	
Designation	

Head	Particulars	BE	Revised Estimate	%ge variation	Reasons for variation
Other Administrative Expenses (Excl Publicity) *					
Tea Promotion *					
	TOTAL				

Status update of Schemes

Scheme	Brief Description	Utilization against sanction as on _____
Scheme 1		
Scheme 2		
Scheme 3		
TOTAL		

For both Budget and Revised Estimate, a separate table as indicated above needs to be appended, giving details of the ongoing schemes, for all the ongoing schemes. In the table 3 have been mentioned as indicative only. The list has to be for as many schemes as in vogue.

*Break up needs to be given in the heads of expenses as required, based on the heads mentioned in Schedule 21 of the Common Format, given in a different section of the Manual

Requisition of Funds

Requisition for fund needs to be sent to the Head Office at Kolkata by the Director, Tea Promotion on a quarterly basis. This requisition has to be based on the following parameters:

- Sanctioned budget allocation for the forthcoming quarter
- Actual estimated expenditure for the forthcoming quarter based on sanction
- Opening fund position
- Fund in transit

The requisition needs to be sent before the 15th of the last month of the previous quarter. It needs to be sent in a stipulated format. The proposals should be sent both in Indian Currency as well as in foreign currency. The rate of conversion used will be the prevailing buying rate of the foreign currency from India as on the date of sending the requisition. This conversion will only be for indicative purposes. The requisition needs to be sent to The Finance Advisor and Chief Accounts Officer with a copy endorsed to The Director, Tea Promotion at Head Office. The requisition has to be so drawn up that there is no excess amount drawn.

Finance Advisor and Chief Accounts Officer will recommend approval of remittance of the fund to Chairman, Tea Board. He will have the discretion to change the amount requisitioned before approving remittance, based on his judgment on the amount of fund requisitioned. He will need to record his reasons for modification and inform the Director, Tea Promotion at the respective overseas office as well as the Director, Tea Promotion at Head Office for such deviations

Format for the quarterly requisition of Plan Fund:

1.	Actual expenditure during the quarter _____	***
2.	Estimated gross requirement of fund for the period from _____ to _____ (next quarter)	***
3.	Less: (A) Fund already released during the quarter	***
	(B) Non-receipt on account of payment of Principal and payment of interest by loanee after setting off amount paid/payable to Govt.	***
	(i) Actual up to previous month	***
	(ii) Estimate for the period for which funds are sought	***
	(iii) Any other receipt	***
4.	Net requirement of fund for the period from _____ To _____ for which release is sought	***
5.	Provision yet to be released (approved B.E/R.E)	***
6.	Total sanction for current financial year	***

Net requirement (4) in applicable foreign currency _____

Format for the quarterly requisition of Non -Plan Fund:

1.	Actual expenditure during the quarter _____	***
2.	Estimated gross requirement of fund for the period from _____ to _____ (next quarter)	***
3.	Less: (A) Fund already released during the quarter	***
	(B) Non-receipt on account of payment of Principal and payment of interest by loanee after setting off amount paid/payable to Govt.	***
	(i) Actual up to previous month	***
	(ii) Estimate for the period for which funds are sought	***
	(iii) Any other receipt	***
4.	Net requirement of fund for the period from _____ To _____ for which release is sought	***
5.	Provision yet to be released (approved B.E/R.E)	***
6.	Total sanction for current financial year	***

Net requirement (4) in applicable foreign currency _____

Remittance of Funds

On the fund requisition getting approved by the Chairman, this amount will need to be remitted to the respective overseas office before the start of the quarter, for which the requisition was sent, provided the requisition was sent in a timely manner.

This remittance will be subject to correctness of calculation and submission of requisition but not subject to scrutiny of vouchers of expenditure incurred in the previous quarter. Propriety of spends and genuineness of booking will be subject matter of audit and review, discussed elsewhere in this manual, but will not be the guiding factor in deciding on remittance of funds.

The overseas offices will need to open two accounts with the respective branch of State Bank of India, its subsidiaries or other Nationalised Banks in the location in which they are located. This account will be in the name of "Tea Board India", one in the name of 'Plan' and the other on the name of 'Non plan'. This account will be operated by Director, Tea Promotion of the respective overseas office. In his absence it will be operated by any other officer, duly authorized in this regard by the Chairman, Tea Board.

The actual remittance should take place through the following route.

The remittance is done through the State Bank of India or such other bank as stipulated above, where they are advised to remit the amount to the overseas branch account through their foreign currency remittance function.

In case, such route of remittance is not possible due to statutory reasons, then remittance will need to take place as per rules of Reserve Bank of India in place at that point in time.

In both cases the transaction cost of remittance will be booked as 'Foreign Exchange remittance cost' in Head Office in either 'Plan' or 'Non plan' as the case may be.

Expenditure Recording

After the funds are remitted to the respective overseas office, they need to be expended on legitimate heads. There has to be sufficient degree of record keeping discipline, both in terms of timeliness and accuracy so as to facilitate adequate prudence, transparency and propriety.

For attributing responsibility of record keeping, a Controlling Officer needs to be defined for this purpose. The Director, Tea Promotion will be the Controlling Officer for his respective overseas office. His roles on controllership are elaborated below. However, for expenditure relating to such nature that directly or indirectly benefits him, the Controlling Officer will be the Chairman, Tea Board. The Chairman, Tea Board is the Controlling Officer for all overseas offices by virtue of the Tea Act. The Director, Tea Promotion, will be the controlling officer within the powers delegated to him

The responsibility for maintenance of the books of accounts is that of the Director, Tea Promotion.

All expenditure incurred at the overseas office will take place only with the approval of the Controlling Officer. The Controlling Officer is responsible for ensuring prudence and propriety in incurring expenditure in the overseas office. He is responsible to the effect that all expenditures are as per sanction and in lines with the prescribed government norms in the subject.

Approvals of expenses are subject to the following conditions:

- There should exist a sanction for incurring such expenditure
- There should be provision of funds for such expenditure
- They should not be contrary to the Tea Act or Tea Rules
- The expenditure should be incurred with financial propriety
- For a scheme the Director, Tea Promotion is expected to seek approval for the scheme in totality giving details of individual expense heads. Once approved, expense can be incurred accordingly
- –Re- appropriation cannot be made from one head to another

Subject to the above conditions, the Director, Tea Promotion can sanction individual expenses up to a maximum amount as stipulated in the Delegation of Powers given separately in a different section of the Accounting Manual. **For emergencies and contingencies the head of Indian mission in the respective country can approve an ad-hoc payment up to a limit stipulated by Chairman, Tea Board from time to time.**

As a guiding principle the following are some types of expenditure that can be incurred in an overseas office. The following paragraphs are not exhaustive but only indicative:

1. Public relations work

- a. Entertainment: The Director, Tea Promotion can make certain expenditure in entertaining certain officials as he feels will be necessary in the interest of promotion of Indian Tea, subject to the delegation of power
- b. Other Public Relations Work: Other than entertaining individuals, Director, Tea Promotion may also need to hold functions for members of the tea trade, join clubs for entertaining official guests, and incur expenditure on gifts, cards and other similar items for promotion of Indian tea.

The Director, Tea Promotion can incur expenditure up to an amount per capita as stipulated by Chairman, Tea Board in each such occasion.

2. Salary: Salary will need to be paid by cheque to persons posted at the respective overseas office by the last working day of the current month or as per practice at the local Indian mission. These salaries are taxable in India and hence, Income Tax has to be calculated on this salary as per the prevailing rate of the year in question. Thereafter, such tax will need to be retained and the net amount paid in cheque. Such retention employee wise along with their PAN will need to be communicated to the payroll section in the Head Office by the 25th of the current month, so that this amount can be deposited along with other employees' TDS by the 7th of the next month.

3. Travelling Allowance: Employees of Tea Board are entitled to travelling allowance as per rules framed by Government of India from time to time. Before proceeding on travel an employee can be paid travel advance not exceeding 90% of his estimated travel expenses that he is likely to incur in that trip. ***Travel advance can be paid only if the previous advance has been settled.***

- a. Other purchases of goods and services: The overseas office will need to purchase various goods and services required for ensuring smooth operations and meet the purpose of the overseas office. These could include fixed assets items like furniture and office equipments as well as routine consumables like stationery, crockery and other maintenance items.

4. For procurement of goods and services the Director, Tea Promotion (Overseas) should follow norms, guidelines and methodology as adapted by the Indian embassy in the respective country. However, in addition to this, the following may be followed:

- i. The purchases are properly sanctioned, made economically and in accordance with the rules and orders made for purchase of Stores required for public service

- ii. Where the purchases are made from contractors, the system of competitive tender is adopted and purchases are made from the lowest tenderers unless there are recorded reasons to the contrary
 - iii. The rates paid agree with those shown in the contract or agreement made for the supply of stores
 - iv. Certificates of quality and quantity are recorded by the Directors of Tea Promotions or any other officer of the overseas office authorized on this behalf, before the payment of made
 - v. Purchase orders are not splitted so as to avoid the necessity of obtaining the sanction of the higher authority required with reference to the total amount of the orders
 - vi. Directors of Tea Promotion of the respective Overseas Office will ensure that the items of Stores and Stocks purchased are entered in the stock register before the payment
 - vii. The items of Stores and Stock are physically verified by the Director of Tea promotion of the respective overseas office at least once a financial year, preferably before the 31st of March of the year in question
5. Contingent Expenses: There could be situations where certain unplanned expenses are required to be incurred. The financial powers for incurring such expenditure are mentioned above.
6. Publicity Material: The Director, Tea Promotion of the respective overseas office may need to procure certain publicity materials required for the purpose of promotion of Indian Tea. For this purpose the procurement process will be essentially similar to that followed by the respective Indian mission in the respective country

Please note that these guidelines are indicative only. Actual accounting will take place in the Head Office, treatment of which is mentioned separately elsewhere. Further, the principles of procurement mentioned here are only a summary of the principles.

To ensure proper record keeping as well as simplicity of recording, the following sets of records are recommended:

- Cash Book
- Bank Book
- Stock Register
- Bank Reconciliation Statement
- Report Back to Head Office
- Receipt and Payment account

Cash Book: This will record all expenses incurred in a particular overseas office in cash. As a rule efforts should be made to ensure all expenses are incurred through cheque. ***In any case no expenditure in excess of amount equivalent to Rs.20,000/- should be incurred other than by cheque.*** The standard cash book format used in the head office of Tea Board can be used. Else a format is recommended below

Receipt						Payment					
Date	Particulars	Expense Head	Amount Foreign Currency	Exchange rate	Amount INR	Date	Particulars	Expense Head	Amount Foreign Currency	Exchange rate	Amount INR

Bank Book: Bank Book is used to record transaction of the bank. When a fund is transferred inwards from Head Office, it is to be recorded as receipt in the Bank Book. Thereafter, when cheques are issued locally from the overseas office such issues should be recorded as payments. The standard Bank Book format of Tea Board can be used for this purpose. Else a format is given below. It should be noted that cheques issued and deposited should be recorded in the Bank Book on ‘as and when’ basis. These entries should not wait for the clearance from bank.

Receipt							Payment						
Date	Particulars	Expense Head	Cheque no.	Amount Foreign Currency	Exchange rate	Amount INR	Date	Particulars	Expense Head	Cheque no.	Amount Foreign Currency	Exchange rate	Amount INR

Bank Reconciliation:

There is always a possibility of a difference arising between the bank balance as appearing in the Bank Book and that appearing as per the Bank Statement. This arises due to timing differences between a particular entry being passed on issue of a cheque and the time gap with its clearance. Thus a Bank Reconciliation Statement needs to be prepared every month by the respective overseas office for its Bank Account.

The likely heads under which a Bank Reconciliation statement (brs) is prepared are:

- Cheques issued but not cleared
- Cheques deposited but not credited
- **Other enteries like the followings should not form part of brs**
- Charges debited by bank but not accounted for should not appear in the brs as these are omission of recording and the bank books balance should be recasted by consedring these entries in the bank book.
- Care should be taken that reversal for stale cheque are done so that the brs does not reflect the stale cheques.

Stock Register:

All items that are procured locally needs to be entered in a Stock Register. This register will need to contain full particulars and description of the items procured. Head Office will record Fixed Assets included in this register and charge depreciation thereon as per guidelines given separately in this manual. The overseas office will be responsible for organizing disposal of Fixed Assets. Before disposing an asset, the Director, Tea Promotion will need to obtain information on the written down value of the assets he intends to dispose and the resultant write off thereon from the Finance Advisor and Chief Accounts Officer. On obtaining such information, it will be the responsibility of the Director, Tea Promotion to seek prior approval of Competent Authority for such write off, organize the disposal and then record the same in the register below.

Date procured	Particulars / nature of item	Cost of procurement (Foreign Currency)	Rate of exchange	Amount in INR	Date of disposal	Location where kept

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Report Back:

Report back needs to be done on quarterly basis to Head Office, immediately after the start of the quarter (within 7th of the first month of the quarter) giving the full extract of the following for the quarter that just concluded.

- Cash Book
- Bank Book
- Bank Reconciliation
- Stock Register
- Photocopies of all supporting documents (bills, vouchers etc)
- Receipt and Payment account

Accounting

The overseas offices of Tea Board will have their accounts maintained at Head Office at Kolkata on principles of a 'dependent branch' from accounting angle. To facilitate such accounting, the overseas branch will need to send across necessary information inputs and documents. The above portion of this manual has elaborated thereon.

Information will be recorded initially by the overseas office in foreign currency. Hence, it will be necessary to convert such transactions into Indian currency (INR) before accounting. The report back from overseas offices will capture recording in foreign currency. To understand the rate at which this will be converted, one needs to understand the different types of entries that will be passed. These along with the method in which they will be converted, is elaborated below:

- **Revenue entries:** These are entries of Income (if applicable) and expenditure. Most entries will fall into this category and will be depicted from the Cash Book and the Bank Book. This needs to be converted at the exchange rate stipulated in the corresponding circular/office order. Accordingly, the Head Office accounting team will need to have the average exchange rate available to them from common sources.
- **Fixed Assets:** Fixed Assets, as a term has been explained in a different section of this manual. This will have to be converted at the exchange rate prevailing on the date of acquisition of the Fixed Asset. The stock register sent every quarter will reveal this information. Depreciation on these assets will have to be converted at the rate at which the original cost of the asset was converted.
- **Current assets and liabilities:** These get created in the event there are sales or purchases at credit (ie no cash transaction, deferred payment). Accounting entries in such situations are given below. But the conversion will take place at the rate prevailing on the last date of the quarter.

Once the conversion is done, the Head Office accountant will pass entries in the Head Office's books. Sample entries for the transactions that are expected to take place are given below

Type of transaction	Head Office books	Exchange rate
Branch Expenses paid by HO (eg DTP's salary, if paid by HO)	Salary a/c ..dr To Bank	Rate stipulated in circular/office order
Branch Expenses paid by branch (most common head, all local expenses; Cash book / bank book will reveal these)	Respective Expense head ..dr To Bank / Cash (depending on if it is a Bank or Cash entry)	Rate stipulated in circular/office order
Branch expenses incurred but not paid (eg. Bill for purchase / consumption has come but not paid. In such situation provision will need to be taken. Details on the principle of taking provision will be available in a different manual.)	Respective Expense head ..dr To Creditor (This creditor will be a 'current asset' as described above)	Original entry will be booked at the average rate of the last quarter. Then on the balance in the 'creditor' account will have to be restated at the exchange rate prevailing on the last date of the quarter). See below
Recasting current assets on last date	No entry	Closing rate of the quarter
Purchase of Fixed Asset by Branch (both Cash / Bank book and stock register will reveal this)	Respective Fixed Asset head dr To bank / cash (depending on if it is a Bank or Cash entry)	Rate prevailing on date of purchase
Depreciation on this asset	Depreciation dr To Fixed Asset (Refer to applicable chapter of manual for better understanding)	Rate prevailing on date of purchase
Remittance of fund by HO to Branch	Respective Bank a/c ..dr To Bank	Rate prevailing on date of remittance
Remittance / refund by branch to HO	Bank ..dr To Respective Bank	Rate prevailing on date of remittance

The main accounting manual elaborates accounting principles for most accounting heads. Thus, when it is written as the respective accounting head will have to be debited for the respective expense, elaboration thereon for every type of expense is not warranted in this manual. One can refer to the main manual for guidance, as the principle will not be different.

Internal Audit

The overseas offices of Tea Board will be within the purview of Internal Audit mechanism as instituted by The Head Office of tea Board from time to time. The Director, Tea promotion of the respective overseas office will be the officer responsible for answering this Internal Audit and ensuring its smooth conduct. The internal auditors will check the documents and ask for any explanation they deem fit in their professional judgment as required for conduct of this audit. The Director, Tea Promotion of the respective overseas office will be responsible for such answers and explanations.

As per by-law 34(2) The Financial Advisor and Chief Accounts Officer will be responsible for Internal Audit of all the overseas offices of Tea Board. Since this is the site of primary record keeping, the internal audit has to happen in the overseas offices only. The fact that report back is sent to Head Office, does not exclude the overseas offices from the purview of internal audit.

Statutory Audit

The Director, Tea Promotion of the respective overseas office will be responsible for providing satisfactory answers to statutory auditors. This is in his capacity of Controlling Officer. He is primarily responsible for all the irregularities identified by the statutory auditors and has the responsibility to provide necessary cooperation and information to the statutory auditors to ensure smooth conduct of the audit.

This audit will be conducted by the CAG's office and will be governed by the statutory audit provisions for Indian offices overseas