



CSR Compliance and Readiness for NGOs

In association with
Action for Agricultural Renewal in Maharashtra
(AFARM)

3rd February, 2022

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Agenda

#	Topic	Speaker	Duration
1	AFARM and Sattva- Context Setting	Subhash Tamboli (AFARM) Nilay Wankhade (Sattva)	10 minutes
2	CSR Landscape and Overview	Mahesh Chavan	20 minutes
3	Understanding CSR Compliance	Dilip Bhadarge Subhajit Sahoo	60 minutes
4	Questions from the Audience		30 minutes
5	Closing Note	AFARM	

CSR Landscape and Overview



Speaker Profile



MAHESH CHAVAN

Mr. Mahesh understands both CSR & NGO world equally well. He is a CSR specialist and has led CSR projects in the state of Maharashtra during his stint with CTS. He has also had exposure of engaging with 150+ NGOs and currently works with Seva Sahayog Foundation.

Non-Profit Organizations and CSR

- ❖ NGOs raise financial resources through individual and corporate donors, funding is essential for our work
- ❖ Indian Govt passed CSR Bill in April 2014 and “CSR” became a buzzword
- ❖ Many companies were doing social projects even before this act
- ❖ The act made it mandatory for certain companies to donate funding for social cause
- ❖ CSR opened a new door for funding opportunities for NGOs
- ❖ But the fact is that only established NGOs who have presence in metros got major pie of this funding, NGOs working in rural areas are yet to learn and leverage CSR funds
- ❖ Hence it's very important for smaller NGOs to understand this act thoroughly and learn to how to approach companies to raise funds for their cause
- ❖ CSR compliance is the first criteria you need to meet even before your proposal is considered by the CSR, this is absolutely required for entry in CSR space
- ❖ CSR related information is available in public domain – National CSR Portal, India Data Insights (Sattva), CSRBox/NGOBox Portal etc.

Corporate Social Responsibility – Introduction

The companies on whom the provisions of the CSR shall be applicable are contained in Sub Section 1 of Section 135 of the Companies Act, 2013. As per the said section, the companies having Net worth of INR 500 crore or more; or Turnover of INR 1000 crore or more; or Net Profit of INR 5 crore or more during immediately preceding financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board "hereinafter CSR Committee" with effect from 1st April 2014.

On whom are the provisions of CSR applicable?

Qualifying norms:

- Net worth of INR 500 crore or more; or
- Turnover of INR 1000 crore or more
- Net Profit of INR 5 crore or more

What is section 135?

Section 135 of the Companies Act was notified from 1st April 2014. This made CSR mandatory for qualifying companies.

What is Companies Act 2013?

It is an Act, in the constitution of India, that mandates that qualifying companies spend 2% of their average net profits from 3 immediately preceding FY on social activities.

What is Corporate Social Responsibility Committee of the Board?

CSR Committee of the board is a three-member committee, consisting of 3 or more directors with one as independent director (honorary post).

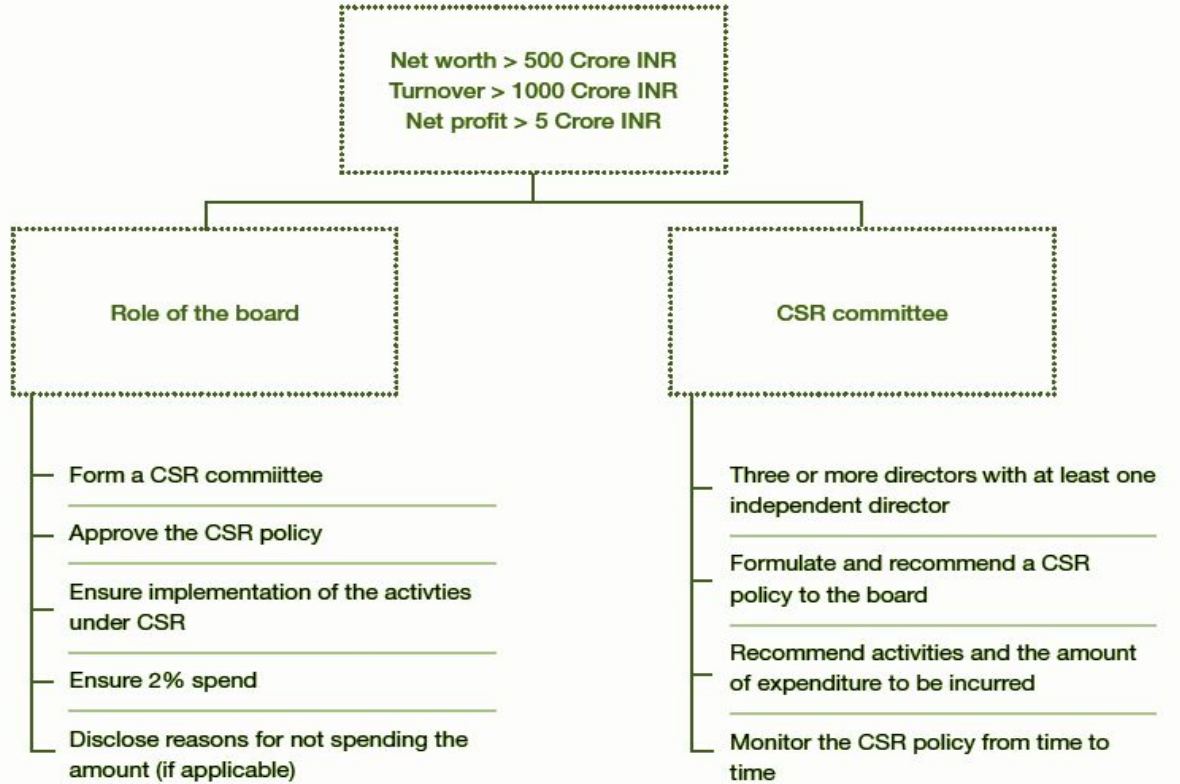
Schedule VII - Thematic Areas for Development

- 1) Eradicating extreme hunger and poverty
- 2) Promotion of education
- 3) Promoting gender equality and empowering women
- 4) Reducing child mortality and improving maternal health
- 5) Environment and biodiversity
- 6) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases
- 7) Ensuring environmental sustainability
- 8) Employment enhancing vocational skills
- 9) Social business projects, shared value
- 10) Contribution to the PM's National Relief Fund or any other fund set up by the Govt.
- 11) Such other matters as may be prescribed

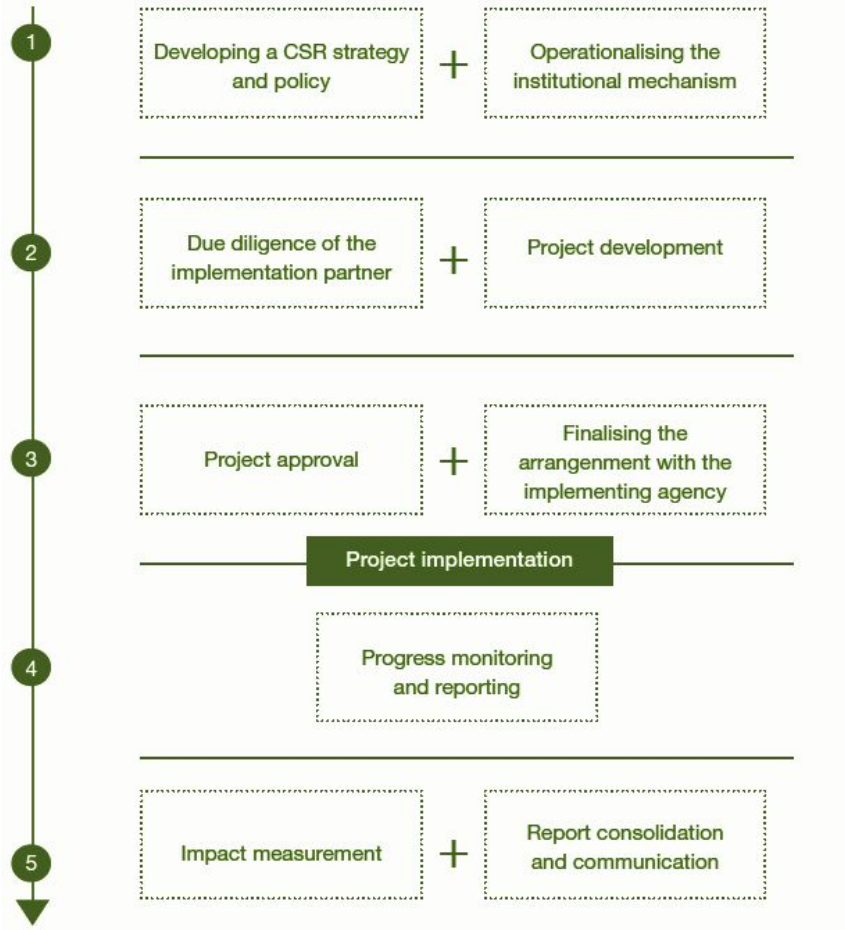


CSR- Board and Committee

Role of the board and the CSR committee



How does CSR work?



National CSR Portal (csr.gov.in)

The screenshot shows the National CSR Portal interface. The 'Explore CSR Data' menu is open, listing options: State-Wise, Development Sector-Wise, Company Specific CSR Data, Dynamic CSR Report, and CSR MIS Report. Below the menu, a table displays the number of companies for each financial year (FY) from 2014-15 to 2020-21, along with a comparative value. The data is as follows:

Year	Number of Companies
FY 2014-15	16548
FY 2015-16	10066
FY 2016-17	36
FY 2017-18	36
FY 2018-19	36
FY 2019-20	9365
FY 2020-21	29
Comparative	29

You can access state-wise / company wise data here.

Data available from FY 2014-15 to 2020-21

CSR Landscape in India

FY 2014-15

FY 2015-16

FY 2016-17

FY 2017-18

FY 2018-19

FY 2019-20

FY 2020-21

10066

14517

14344

17098

20150

24689

8828

Total Amount Spent on CSR
(INR Cr.)

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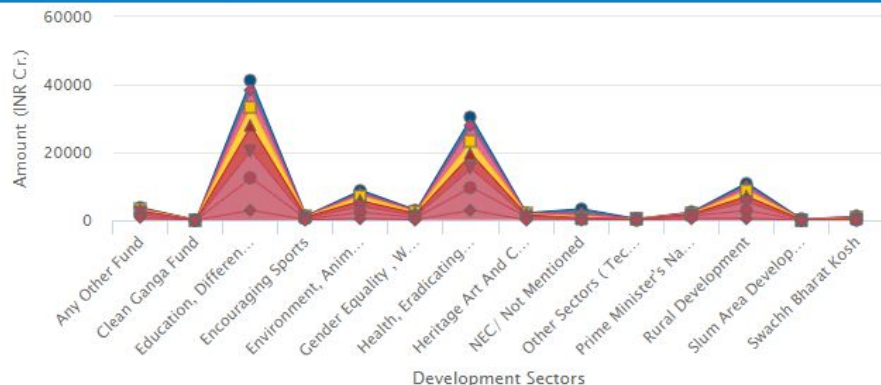
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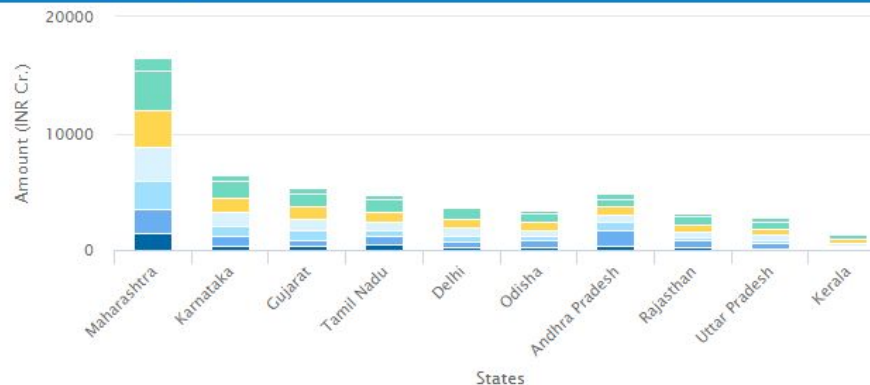
Over 1 Lakh Crores spent till FY 2020-21, Maharashtra has been at the top of CSR spend..

CSR Spent: Development Sector-wise



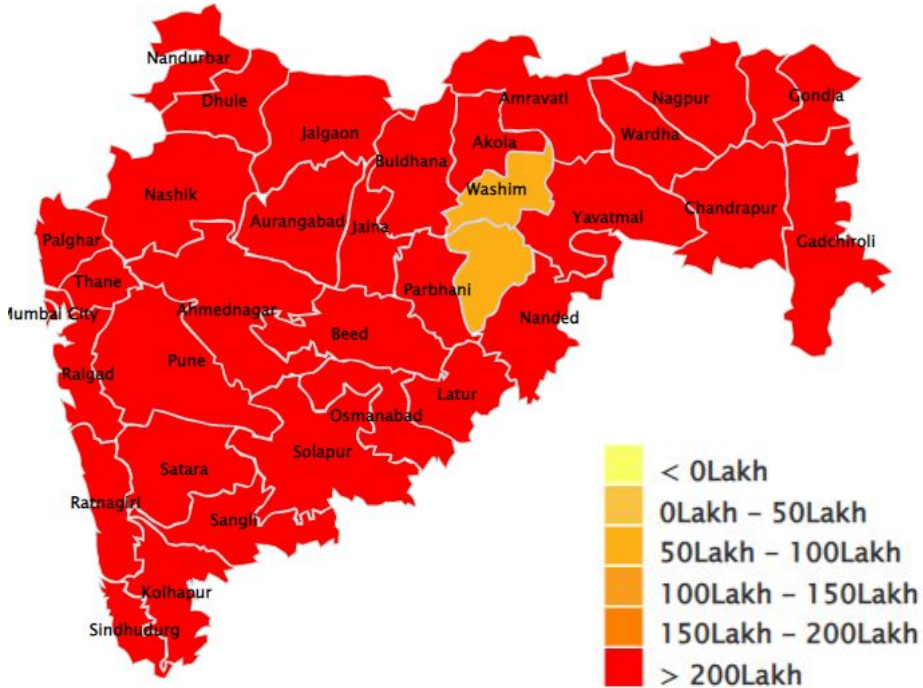
● FY 2014-15 ● FY 2015-16 ● FY 2016-17 ● FY 2017-18 ● FY 2018-19
● FY 2019-20 ● FY 2020-21

CSR Spent: Top 10 States



● FY 2020-21 ● FY 2019-20 ● FY 2018-19 ● FY 2017-18 ● FY 2016-17
● FY 2015-16 ● FY 2014-15

CSR Landscape of Maharashtra



Year	Amount (Cr)
FY 2014-15	1,445.91
FY 2015-16	2,052.23
FY 2016-17	2,492.1
FY 2017-18	2,833.41
FY 2018-19	3,205.17
FY 2019-20	3,400.47
FY 2020-21	1,100.59
Total	15,083.00

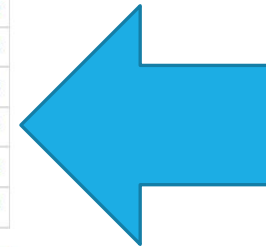
CSR for your District

Pune District | 1,588 Crores | 13 Sectors

Development Sectors		Amount (INR Lakh)
1	Education, Differently Abled, Livelihood	86,686.94
2	Encouraging Sports	1,539.14
3	Environment, Animal Welfare, Conservation Of Resources	7,019.12
4	Gender Equality , Women Empowerment , Old Age Homes , Reducing Inequalities	10,312.32
5	Health, Eradicating Hunger, Poverty And Malnutrition, Safe Drinking Water , Sanitation	35,127.78
6	Heritage Art And Culture	795.18
7	Other Sectors (Technology Incubator And Benefits To Armed Forces And Admin Overheads)	563.14
8	Prime Minister's National Relief Fund	793.56
9	Rural Development	7,351.24
10	Slum Area Development	422.98
11	Swachh Bharat Kosh	115.90
12	Any Other Fund	1,010.52
13	NEC/ Not Mentioned	2,081.29
Grand Total (INR Lakh)		153,819.10

Beed District | 9 Cr | 6 Sectors

Development Sectors		Amount (INR Lakh)
1	Education, Differently Abled, Livelihood	180.13
2	Environment, Animal Welfare, Conservation Of Resources	159.52
3	Gender Equality , Women Empowerment , Old Age Homes , Reducing Inequalities	69.16
4	Health, Eradicating Hunger, Poverty And Malnutrition, Safe Drinking Water , Sanitation	133.70
5	Rural Development	346.59
6	Slum Area Development	88.64
Grand Total (INR Lakh)		977.74



Spend in Pune is 150 times that of Beed, this is the current gap in CSR spend.

CSR for your District- List of Companies

Top Companies

S.No.	Company Name	Amount Spent(INR Lakh)
1	Mazagon Dock Shipbuilders Limited	203.57
2	UPL LIMITED	155.00
3	L&T Infrastructure Finance Company Limited	127.00
4	VOLTAS LIMITED	86.00
5	RENEW WIND ENERGY (VAREKARWADI) PRIVATE LIMITED	58.57
6	UNIQUE ESTATES DEVELOPMENT COMPANY LIMITED	50.00
7	Nanded City Development And Construction Company Limited	50.00
8	Priyanka Communications India Private Limited	40.00
9	KHANDKE WIND ENERGY PRIVATE LIMITED	35.00
10	Parekh Integrated Services Private Limited	20.00
Total (INR Lakh)		825.14

Key areas of recommendations by the recent High Level Committee (HLC) on CSR



Thrust on Budgeted Spending



Annual CSR Survey



Utilization as Spend



Reporting / Disclosure



MCA – DPE
Collaboration



Impact Assessment



CSR Expert in the
Board



SDG alignment



Implementing Agencies
as Partners, not Vendors/Service Providers

Legal Compliance and Supporting Documents

Legal Compliance

- Registration Certificate
- 3 years Annual Reports
- 3 years Audited Accounts
- 80 G and 12 A Certificates
- FCRA (for foreign funding)

Supporting Documents

- Organization Profile
- Names and Brief Profile of Board of Directors
- Success stories and Impact illustrations
- Newspaper articles on NGOs work
- List of partner companies/donors
- Few pictures of key programs and NGO office etc.
- Brochures/ Pamphlets



Understanding CSR Compliance

Speaker Profiles



DILIP BHADARGE

Mr. Dilip is the Chief Financial Officer of Save the Children India and has conducted training programmes on accounting , legal compliances and financial management for many voluntary organization.



SUBHAJIT SAHOO

Mr. Subhajit Sahoo is a Chartered Accountant who is actively engaged in facilitating workshops, evaluations, investigations & forensic audits in various parts of India, Africa & South Asia.

Broad areas of CSR compliance

1 Field Area of N.G.O.

2 Objectives of the N.G.O.

3 Eligibility of N.G.O.

4 Statutory Compliance

5 Compliance with TOR

6 Grant Budget Management

7 Closure of Grant

Eligibility of N.G.O.

- Trust/Societies/Section-8 Company
- Past 3 years Track Record with similar nature of objectives.
- Registered under the MCA (CSR Registration w.e.f 1.4.2021)
- Registered under the provision of Section 12A & 80G.(Renewal)
- Registration under the provision of FCRA,2010 (Renewal)
- Last 3 years ITR-7
- Last 3 year's FC-4
- Registration under various social security measures
- Any other Act as applicable to NGOs

Statutory Compliances

- Societies Registration Act
- Companies Act
- Income Tax Act
- Tax Deducted at Source
- FCRA 2010
- EPF
- ESI
- Minimum Wages Act
- Shops & Establishment Act
- Professional Tax Act

Compliances with the TOR

- Provisions in the Agreement
- Adherences to the conditions of the Grant
- Grant V/S Service Agreement
- TDS From the Grant
- FC V/S Local Grant
- No Furtherance of Business of Funder
- Output/Outcome/Impact under Program

Basics – Grant Accounting & Process

Methodology of Accounting Grants:

Grants received by an organization could be of the following types:

1. **Restricted Grants:** Grants received in support of specified projects or activities mutually agreed upon by the organisation and the donor.
2. **Unrestricted Grants:** Grants received which organisation may freely use for whatever purpose as per its defined objectives of the Organisation.
 - Restricted Project Grants should be recognized as income, based on the **terms** in the grant approval letters received from the donors.(This has changed with amendment.)
 - The **unutilized** portion of the project grants at the year end, if any, should be disclosed separately in the Balance Sheet. (Income Tax Compliances form 10/9) (Has to be refunded to the funder if not utilized)

Best Practices

- a. The organization should have a well-defined Finance Manual to provide the basis of accounting (cash basis or accrual basis).
- b. The organization should have a well-defined chart of accounts to be used by the organisation.
- c. The accounting structure of the organisation should be uniform across all the projects. This is important keeping in view the various requirements of FCRA and Income Tax.
- d. The financial system should ensure donor-wise reporting using cost- centers as all the donors will have the different budget heads.
- e. The organisation should differentiate between the maintenance of books of account as required under the statute and as desired by the funder which requires project wise reporting. The both should not be mixed up.

Common Cost Allocation Policies

- Shared costs are to be apportioned individually to different donors based on certain mechanism. In no case, shall the allocation be based on “availability of funds.” Examples of allocation basis are percentage of space utilized, number of units, total staff utilized or volume of grant.
- Allocation V/S Apportion (**AI-Location V/s Ap- Portion**)
- This is important for all the organization to compile its annual budget based on the different projects approved by multiple donors and identify the most suited basis of allocation of common cost based on the availability of funds to different projects.

Points to be kept in mind while determining the indirect cost and the basis of allocation:

Analysis should be made to ensure that the cost is:

- Indirect Costs
- Allowable
- Allocable
- Reasonable
- Consistent

Best Practices

- a. The organisation should maintain a consolidated salary sheet at organizational level and the salary allocated to all the donors should be mentioned in the same.
- b. This consolidated salary sheet should be signed by authorized personnel. This will help the organisation to demonstrate that there are no excess / double charging of salaries at organisation level.
- c. Further the organisation should make every effort to maintain the **time sheets** to demonstrate the salary allocation done in the monthly salary sheets.

Budget Management

The purpose of the budgeting and budgetary control procedure is to:-

- Prepare annual and project-wise operational budgets
- To record daily income and expenditure by the recipient of grant, budget item-wise: Procurement policy, travel & reimbursement
- To record cumulative expenditure to date, by budget item-wise: Supporting bills, GST
- To compare & monitor cumulative expenditure against budget item to the original or revised budget allocations.

These procedures of budget control should satisfy the requirements of the donors funding the project.

Best Practices

- a. Information from the budget book can be used in the budget-monitoring sheet for reporting and for assisting in controlling expenditure.

- b. Generally, the budget book is maintained on a computer spreadsheet. However, sometimes this becomes a time-consuming process due to large number of projects then efforts should be made to convert this into an automated system in the accounting software itself. (By putting budget amount into software)

- c. This above can be achieved by modifying the accounting system to enable the automated generation of budget deviation reports from system.

Grant Monitoring System

- Grant monitoring is the process by which an organisation reviews and measures the programmatic as well as the financial performance over the grant implementation period.
- Grant monitoring should assess the **progress**, identify **risks** as well as corresponding **mitigation** measures to ensure that the funds are used as intended, and that programs achieve the **impact** expected under the project agreement.

Important Tools and Process:

- Detailed Budget sheet for all finance as well as programme activities
- Regular Monitoring of deviation in the budget for both finance and programme: – This step is critical for all the organizations as most of the organization either focus on the programmatic achievement or the financial numbers but miss to **compare** both the statements together.

Best Practices

- a. The organisation should have a system in place to ensure that these reports (finance as well as programme deviation) are prepared on periodic basis (at least monthly) and discussed in staff meetings involving finance & program staffs for any **deviations**.

- b. Summary reports should be prepared and presented to the management on quarterly basis.

Compliance with Terms and Condition of Grants

- All the grant funds comes with certain terms and conditions, mentioned in the grant agreement or its annexure.
- It is important that these grant agreements are shared with the finance department prior to finalization to list out the expectations of the donors and the changes required in the accounting system to meet that.

Example:

- a. Separate Books of Accounts for the Grant Funds
- b. Separate Bank Account for the Grant Funds
- c. Bills and Vouchers to be defaced with the project stamp.
- d. Limit on Cash Expenditure.
- e. Any other deviation from the existing finance manual of the organization
- f. Periodic Financial and other Reports to be shared with the funder.

Best Practices

- a. This step will help the organisation to negotiate with the donor to amend the terms and condition of the grant, if it is not feasible for the organisation to comply with any specific condition mentioned in the agreement.

- b. Once the grant agreement is signed, there should be a **compliance calendar** of the grant to ensure that the terms and conditions are met (including timely reporting to donor)

Closure of Grant

Like management of Grant, closure of grant is an essential part of a project.

The following processes should be ensured during the closure of a Grant.

- To ensure all the **conditions** as per the MOU with the funder has been agreed with.
- All the **utilisation certificates** have been submitted along with the periodic activity reports duly acknowledged by the funder.
- Closure report from the Finance & Accounts department in the proper format giving therein the reconciliation of Grant received and utilized taking into account the **interest** earned on the said amount.
- The interest earned if any should be properly disclosed in the utilization certificate submitted to the Funder and in the line of provisions in the MOA.
- Acknowledgement from the funder of NO DUES after the submission of final report and total utilization of funds along with the closure report.

FAQ

