

INTER *face*

towards promoting accountability

Vol. VI Issue IV

October - December 2006

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*A Publication of FMSF
(for private circulation only)*

Between Us

Living the Qualities

This is the story about a ring. This ring was no ordinary ring. It had magical powers. Whoever wore the ring became very kind, sweet natured and true in character. All people would love him/her. This magical ring was passed on from generation to generation, from parents to children, to grand children and so on.

As time passed by, this ring came to a father who had three children; two daughters and a son. As he was getting older, he started thinking which of his three children would be the heir of the ring. He had a good idea, he made two other rings precisely the same size, colour and look as the magical ring. They were so similar that nobody could tell the difference. Before he died, he called the three children separately and gave a ring to each, without telling the other. Then he died. When the three children discovered that each one of them had a ring, there was a great dispute as to which one was the original and true ring. The case was taken to a wise Judge. The Judge examined the rings but could not decide which one was the true magic ring.

In the end, the Judge told the three children, "Friends, I cannot tell you which the magic ring is, but you yourselves can prove it." The judge continued "because the true magic ring gives sweetness to its owner, then all people in the city will know who possesses the true ring by the goodness she/he would show. So, go your ways and be kind, be truthful, be good and the person who does these things must be the owner of the true ring".



Sanjay Rahn

Right to Information and the Role of Voluntary Organizations

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The Constitution of India declares that India is a sovereign, secular, democratic republic that bestows upon every citizen of the country the rights to live a life of dignity, social-economic & political justice and liberty of faith and worship along with equality of status and opportunity.

The Directive Principles of the State Policy and the Fundamental Rights mentioned in the Constitution also emphasize upon the rights of the citizens that can be accessed through the entitlements of the myriad Acts passed by the government from time to time.

In addition to these Acts, the government of India has formulated multitudes of schemes, policies and programmes for the betterment of the community that have the capacity to exhibit gradual social transformation and bring positive impact on the lives of the people if implemented in the right manner. The relevance of the various provisions in these Acts, lie in their proper utilization through the active participation of the community at every level. Being a democracy, the citizens have a right to participate in the governance process not only at the time of elections but also in the later stages of implementation of the policies and schemes. The involvement of the people in the governance process not only enhances the quality of the development initiatives but also promotes transparency and accountability in the functioning of the government mechanism.

One of the milestones in the history of democratic India with reference to people's participation is the enactment of the Right to Information Act (RTI) 2005 that enables the citizens of the country for an unprecedented right to seek information from the State and aims at establishing transparency in the working of every public authority. The Act has made provisions for the formation of Central Information Commission at the national level and State Information Commissions for the respective states as the appellate authorities. The information talked about in the Act includes any mode of information in any form of records, manuscripts, files, documents, memos, e-mails, opinions, press releases, circulars, orders, logbooks, contracts, reports, papers, samples, models, data which is in electronic form, any material produced by the computer or any other device and even information relating to a private body which a public authority get under an existing Law. The Act covers the right to inspect records & works, get certified copies or extracts of documents or records and also samples of materials or models through written request or request by electronic means with payment of fee, although applicants who are below poverty line (BPL) do not have to pay any fees under the Act. The Act can be used as an effective tool to attain the tenets of good governance through active people's participation by ensuring government's accountability to the citizens of the country at every level.

A well informed and aware citizenry is an important prerequisite for good governance. In this context there is a direct relation between RTI and good governance as it gives the citizens a platform to seek information regarding the various activities of the government and hold it responsible for the same. It is here, that the Voluntary Organizations (VOs) can play a crucial role in the entire process of information dissemination and awareness generation on the related issues at the grassroot level and facilitate the functioning of the RTI Act. Infact, the RTI Act provides a great scope for the participation and involvement of the Voluntary Organizations in governance and social transformation process by using the Act as an instrument to monitor, evaluate and review the government run programmes, policies and schemes. At the local level, the VOs as grassroot organizations can help in the promotion of collective action to improve the accessibility of basic services like health, education etc. through the use of the Act. They can facilitate proper functioning of the Act by creating awareness among the community and mobilizing them to use the Act for their benefit. VOs can represent the common people and voice their interests to negotiate with the state. They can use various social accountability tools such as social audit to assess performance of the public authorities. Also, to facilitate the process of experiential learning, VOs can disseminate important decisions taken by the Central and the State Information Commissions. Most importantly they can encourage the government authorities to voluntarily publish relevant information prior to the request of any citizen to uphold the true spirit of the RTI Act.

Taking heed of this, Church's Auxiliary for Social Action (CASA) has undertaken numerous measures to promote and familiarize the Act in the community and create greater acquaintance on the same to ensure people's participation. Various efforts towards Perspective and Capacity Building along with Networking and Alliance Building have been

initiated by CASA at both micro and macro level to further the cause of the RTI Act. Similarly Voluntary Organizations can take the following steps to cater to the requirements of the RTI Act:

➤ **Forming Strategic Partnership**

Voluntary Organizations can form partnerships with the like-minded groups and other Civil Society Organizations to strengthen the process of collective action and participatory mechanism on the issues related to the right to information. Forums and federations of these partners can act as a multi-stakeholder platform to share relevant information by means of local, regional and national consultations, workshops and seminars. With effective and strategic networking and alliance building VOs can influence the concerned stakeholders specially the media to take up issues of the RTI and work for the cause of the Act.

➤ **Strengthening Participatory Mechanism**

Voluntary Organizations along with government and other stakeholders can facilitate and encourage broad based participation of Community Based Organizations to monitor and evaluate the process of the implementation of the RTI Act. RTI awareness campaigns can be organized by them to generate greater awareness among the general public on their right to information and its implications. Apart from this, VOs can train cadres of socially active people from the community itself to work as change agents, who can speak on behalf of the community and seek accountability and transparency in the government mechanism.

Social audits can also be conducted by Voluntary Organizations with the involvement of the community and other concerned stakeholders to scrutinize the functioning of the different schemes of the government vis-

à-vis its social responsibility towards the community. RTI is one of the most significant law which promotes the scope of social audit of the government programmes along with National Rural Employment Guarantee Act (NREGA), which also legally mandates social audit. An outstanding example of a VO's initiative in social audit is that of Mazdoor Kisan Shakti Sangathan (MKSS) in Rajasthan on NREGA. Similar efforts are also being taken by CASA in Madhya Pradesh where all 18 districts under NREGA are covered and participatory social audit is being conducted.

VOs can also influence government authorities, corporate sector & media and sensitize them towards the Right to Information Act so that they can further implement it in their respective fields.

➤ **Promoting Capacity Enhancement**

The effective implementation of the RTI Act requires strengthening of the Community Based Organizations, local authorities (Panchayats, Health Centers etc) and the local people on their rights in general and the right to information in particular. VOs can undertake Capacity Building programmes in critical areas like advocacy, networking & alliance building, research, social audit, participatory planning

and related processes especially for the groups and organizations that are attached with the people at the grassroots level. Capacity Building is essential as cadres of well trained and equipped resource persons are required at every level to translate the provisions of the Act for the concerned stakeholders and community at large.

Apart from this, the VOs can also ensure that the benefits of the RTI Act are reaped by every section of the society specially the vulnerable, poor and marginalized because the ultimate motive of the Act is to benefit these sections and help them fight for their rights against injustice and corruption in the society. Also the VOs can play a crucial role in ensuring that right and complete information is provided to the people on request.

It would not be inappropriate to mention here that the enactment of the Right to Information Act has ignited the much needed spark in the minds of the people and instilled in them a greater desire to seek justice. Many instances have come to light where the use of the RTI Act by the people has helped them overcome their difficulties on the issues related to the state. In this scenario, it is very important to keep the passion alive and ensure people's participation so that the poor and the marginalized have access to justice and get equal opportunities in the society.

Social Audit & Accounting

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Introduction

Non-Governmental Organisations (NGOs) operate on **Trust Money** entrusted to them by individuals, national / international organisations and various Government departments. There is an unwritten Code of Conduct which expects prudent financial management of the funds so that its deployment will bring greater societal impacts to the most vulnerable at the minimal cost. Hence, there is the need to be more accountable not only to one's own organisation, but also the other players and to the State which allows the NGOs to operate for public good! Naturally in recent times, as a moral principle, the concept of Social Accounting has gained much currency. Furthermore in the NGO sector, it has become more relevant because NGOs are expected to demonstrate their accountability to the public. In simple parlance, Social Auditing / Transparent Accounting is the process whereby an organisation can account for its social performance, report the same and improve that performance.

Social Accounting:

This is a learning process to understand an organisation's relationship with its stakeholders and with all those groups who are affected by the organisation and its activities. It allows an organisation to determine whether it is meeting its social, economic, environmental culture and / or community based objectives. Social Accounting is:

- a way / tool for organisations to be accountable to its partners.
- a management tool to improve the performance in a transparent way.
- an opportunity to improve the financial performance.
- a monitoring tool to establish stakeholders boundaries and responsibilities.

What really sets social auditing off from other management tools is the fact that performance and **impacts are monitored and evaluated in consultation with and from the point of view of stakeholders.**

Time & Duration

There is no rule as to when Social Auditing should be undertaken. Depending upon the nature of activity / programme / investment / client group, the periodicity and time required to complete a project, will be the deciding factors.

- The scope of activities carried out by the NGO.
- The resource availability to undertake the exercise.

- The external pressure on the organization.
- The support for the idea from the stakeholders.

Who Should Do ?

There are different perceptions on this. It requires dialogue and trust building with stakeholders. Therefore, knowledgeable persons from the sector, senior persons from the organisation with the help of an external volunteer / consultant can undertake this task. Organisations can also do it (periodically) with their own staff or with the help of an outsider. The Social Auditor is a **critical friend** who periodically asks probing questions to help the organisation to reflect systematically on the operations as well as its external inputs.

Key Considerations

The organisation which undertakes Social Audit must take into consideration the following :

- Why is the process being undertaken?
- How long will the process take ?
- How much will it cost ?
- How will the process fit with the existing management ethos ?
- What is it trying to do as an organisation (objectives)?
- How it is going to go about it (action plan)?
- How will it measure and record the extent that will benefit the group?

How To Achieve This ?

Is there any standard format / formula that one needs to be aware of while undertaking this ? Some would argue that there is a need for a systematic approach while others would argue that **it is a conscious decision, based on one's value / system**. There is an old epic story, according to which, whichever position one holds, she / he should always carry at the back of her / his mind the thought that she / he is here (holding positions) to do things for others, not on any consideration or as favour **One needs to “involve” rather than “consult”, listen and then arrive at a procedure to “report” to the community as to various decisions the NGO takes with regard to the programmes.**

Micro Level :

Social Auditing in our context at the village level is more applicable at the time of planning, monitoring and then while evaluating the result. It is possible to gather data / disaggregated data / information regarding the issues / activities / programmes which are to be tackled with the target group. This can be done individually or in focus group meetings / in community meetings. Let us consider an activity at the micro level and then consider how to go about on this.

- XXXX hectare of land is to be developed in XXXX villages for XXXX families.
- Rs. XXXX cost per hectare with a total cost of Rs. XXXX for XXXX families.
- The partner NGO provide Rs. XXXX and the balance of Rs. XXXX comes from the community and Rs. XXXX from other Government / Panchayat and other Departments.

- Estimated amount of labour required.
- Estimated quantity of materials required.
- Identify the labour force from within or outside the community.
- Appoint / identify community representatives to source the materials / items with price range. In the Community Representatives Meeting, take the decision for procurement / storage / usage.
- Record the labour force employed, get stages of work progress recorded in a note book which is to be kept in the village.
- Measure the activity achievement against the estimated financial / physical programme or report the programme achievement / failure in stages.

This information and the basic programme acceptance can be evolved in a discussion with the villagers and then **can be engraved in the village in a prominent place or can be specifically written** on the walls of the Community Hall. The target community can also sign this programme document. At the end of the programme execution period, convene a Village Meeting with village representatives, the target group and with Village Government officials. Inform the process adopted and the progress achieved.

At the micro level, **the Right to Information Act would be an effective tool for social auditing** since the beneficiaries would be empowered to check the specific details of all the projects implemented by the local self-reliant institutions.

- Share information on the initiatives to all :
Keep the study team well-informed, use short and frequent meetings in which the

flow of information is updated among the stake holders.

- In the whole process, treat everyone as equal and give respect. When the community feels that you respect them, they will be willing to tell you the truth. More importantly, they will care enough to listen to what you have to say.

In this way, the social audit process can be carried out at the community level. **It is simple and implementable.** Any organisation can easily 'at the micro level' adopt this. In this simple exercise, one should notice that:

- a Social Audit can complement an organisation's financial audit by providing clear and succinct information on performance against social objectives.
- It can increase the accountability of the organisation to its stakeholders and enhance the democratic practice.
- It can also be used for marketing, promotion and advocacy purposes. The methodology of social auditing could be tailored to ensure baseline and comparable data / information.

Process of Social Mobilisation and Auditing

Family visit: Visit to families, which helps us to meet the family members and discuss with them about the project purpose and their role.

Street meetings: This helps to create a platform for the community to come together and share their views.

Street Play: Presenting the project aim and objectives through drama/songs, which helps the illiterate to understand the concept of the project.

Video Show: The successful stories to create awareness and encourage the community to build their confidence and to create an interest in the project.

Village Meetings/Grama Sabhas: To discuss the project and obtain opinion of the villagers. The Grama Sabha / Village Meetings can be organised to solve conflicts in the village. Once in a year, expand will be renewed and representatives may be replaced. This is to give an opportunity for the other members each in their turn.

Participatory Rural Appraisal (PRA) : To get accurate information/data about the village in a short period, PRA tools are the best. The obtained data from this exercise can be verified with available collected secondary data. This helps to organise Community Based Organisation (SHGs-Self Help Groups, AGs-Area Groups etc.,). During this exercise the basic needs of the village can be identified and planning for the implementation can begin.

Micro Level To Macro Level

This is the big challenge. How to take the concept from simple activity at the micro level to the organisation which implements multi sectoral activities with multiple funding with various target / focus groups and different level of hierarchy is a vital question ! **It is here that one needs to take into consideration the stated vision / mission / objectives of the organisation and then to see whether all its programme activities are done as per the social norms and standard.** At the macro level, the process of setting standards and assessing performance involves deciding :

- what one is trying to do as an organisation;
- the value the organisation wants to exhibit;
- the objectives the organisation set for itself;

- the programme initiated by the organisation during the particular year, its target group, mode of implementation and the larger socio-economic impact the programme has created; and
- the appreciation of the critical inputs received from various stakeholders.

Once in a year, a Study Team can be constituted with the specific task of generating a Social Audit Report about the overall performance of the organisation. Social auditing then becomes an unique one, in that, it becomes an internally generated process where the organisation itself shapes its relevance in the society according to its stated objectives. Then at the macro level, social auditing is a process that :

- supports an organisation to monitor, account for, report on and improve its social, ethical and environmental performance;
- contributes to an organisation's efficiency and effectiveness in achieving its social and ethical goals and values in the eyes of its stakeholders;
- allows the organisation to respond with confidence to call for greater transparency and accountability in their relationship with stakeholders and the wider community;
- provides externally verifiable and verified data to substantiate claims on social / economic and ethical performance;
- its a tool to enhance inclusion, partnership participation.

One word of caution. Social Auditing does not replace the financial auditing which aims to verify the financial systems of practices of the organisation.

Issues / Limitations

- While undertaking Social Auditing, one should be able to identify all key parties / players who would be directly / partially affected. The great challenge will be in identifying all concerned and getting the message across to all that their inputs are valued.
- “Rush culture” to do things quickly as a formal process and to show it to the outside world. This will force our workers to skip many of the processes involved.
- Village community, the vulnerable section, local Panchayat and then its related tiers : There will always be marginal groups and vested interests. If one tries to delink them, then the result will be chaos ! If we do not identify all the links in the chain and rope in their point of view / solicit their contributions, the ultimate goal of reporting to the larger society will be lost!
- The next hurdle is your donor. Whether the donor will be in a position to meet all

the “expectations” of the community and whether the donor will adequately participate with the needed funds in time is an important question.

Conclusion:

Critics of NGOs are of the opinion that **NGOs just need to be a little more businesslike.** Similarly, social change makers are increasingly convinced that their **efforts must be well managed and resources must be deployed in a more effective way to create more benefits.** It is here that Social Accounting merits attention. Depending upon the organisation’s mandate / the nature of the organisation, its client’s group (stakeholders), and the kind of programme initiated, an organisation should develop a process / method to show the general public that all the activities are implemented as per the efficiency stand for the good of the public. It is here that we talk about the accountability, transparency, project performance, monitoring and management by the community. It is a democratic process of implementation and management of the project.

A Paper on the Perspectives on Social Accountability, Social Accounting and Social Audit

William Stanley, *Orissa Development Action Forum, Orissa*

Let me share the following ideas in developing social accounting and the social audit systems and the concepts that have been practiced by corporates, agencies and the State. Social accounting is a new avenue and it is difficult to share concretely or even define what social accounting or for that matter what social audit is. Everyone experiments in their own way as they conceive social accounting and social audit unlike standard financial accounting systems.

From our experience, it is important to share with you how change happens at the individual, family, community and at society level. If change happens, what were the efforts and resources, what is that they gain from it positively and how these positive changes are sustained or even transferred as values to be part of a culture, a way of life – that imbibes core values like respect, dignity, care, love and justice. It is also important to define in this context what is accountability and social accountability before we go into understanding social accounting and social audit.

Accountability can be defined as the obligation of power-holders to account for or take responsibility for their actions. “Power-holders” refers to those who hold political, financial or other forms of power and include officials in government, private corporations, international financial institutions and civil society organizations. Government officials and bureaucrats are accountable for their

conduct and performance. In other words, they can and should be held accountable to obey the law and not abuse their powers, and serve the public interest in an efficient, effective and fair manner.

Social accountability can be defined as *an approach towards building accountability that relies on civic engagement, i.e., in which ordinary citizens and/or civil society organizations who participate directly or indirectly in exacting accountability*. There are three main arguments underlying the importance of social accountability – **improved governance, increased development effectiveness and empowerment**.

According to political theory, a core function of **civil society** is to hold government accountable. Social accountability, in fact, refers to this essential role of civil society. Social accountability can also be understood as a particular form of **civic engagement**, one in which citizens engage with the state for the purpose of holding public officials accountable. The concept of social accountability is closely related to evolving notions of **citizenship** that give added emphasis to citizens’ rights, roles and responsibilities and lead to enhanced citizen expectations and engagement. Social accountability is closely related to **rights-based approaches to development**.

The obligation of government officials to be accountable to citizens derives from notion of citizens and information rights, often enshrined in constitution, and the broader set of human rights. Social accountability offers mechanisms to monitor and protect these rights. The concept of social accountability underlines the right of citizens to expect and ensure that government acts in the best interests of the people.

The concept of social accountability is closely linked to that of **participation**. It is the participation of citizens that distinguishes social accountability from conventional mechanisms of accountability. By monitoring government performance, demanding and enhancing **transparency** and exposing government failures and misdeeds, social accountability mechanisms are also powerful tools against **corruption**. Social accountability mechanisms have proved particularly useful in the context of **decentralization**, helping to strengthen links between citizens and local-level governments and assisting local authorities and service-providers to become more responsive and effective.

In a democratic system, public funds ultimately belong to the people. Therefore, any agency must be held accountable for the manner in which it spends. Public funds to be spent **efficiently** i.e., the outcome of the expenditure should clearly show that the money was well spent **economically** i.e., the agency should spend less but show more good results avoiding wastage and **effectively** generating desired outcomes.

Social accounting is not a means of, nor an alternative to impact assessment, rather it is a methodology into which impact assessment fit. However, the benefits of the methodology are numerous, including transparency and accountability, but also organisational learning, organisational development, information systems and the systematic improvement of

the people. It provides a comprehensive and systematic framework for accounting, auditing and reporting against an organisation's declared social objectives. It provides an ideal way to combine participatory methods of indicator setting with ongoing qualitative data collection and strategic planning. It is the process leading to a shift in focus from a need to *prove* the achievements and a desire to *improve*. Social accounting encourages change and improvement within the organisation and leads to ownership. In the absence of a social accounting system social audit cannot be carried out.

Over the centuries, audit functions have grown and evolved starting from the most ancient kind, which may be called vigilance audit, which was concerned mainly with the detection of frauds. Then came, in more or less chronological order, regularity audit, propriety audit, and value for money audit, performance audit and lastly the social audit.

In the Financial Audit system, it only verifies whether the money has been really spent and properly accounted for. It does not look into the qualitative aspect of the work done. In most of the cases, physical verification of the work is also not possible under financial accounting audit but social audit is about **measuring, understanding, reporting and ultimately improving** social and ethical performance. Social audit helps to narrow the gaps between vision/goal and reality, between efficiency and effectiveness. It is a technique to understand, measure, verify, and report on and to improve the social performance of the system.

Social Audit *values the voice of stakeholders, including marginalized / poor groups whose voices are rarely heard.* In India, Social Audit, the way it is being interpreted, is essentially close to Development Audit and People's Audit in spirit, with marginal differences here and there. A definition on social audit is given below:

“Social Audit is a process in which, details of the resource, both financial and non-financial, used by public agencies for development initiatives are shared with the people, often through a public platform. Social Audits allow people to enforce accountability and transparency, providing the ultimate users an opportunity to scrutinize development initiatives.” If, we note the definition, the basic input to the process is **information availability, willingness to provide information and ability of people to ask questions. People can ask questions only when they possess the requisite information regarding the subject.** Therefore the pre-requisite of Social Audit is dissemination of information (Ref: PRI/RTI).

Social Auditing provides an assessment of the impact of an organisation’s non-financial objectives through systematically and regularly monitoring its performance and the views of its potential partners. Social audit is a step-by-step framework for involving different stakeholders in planning, decision making, allocation of resources and assessment of results of a programme. It strengthens the community voice, not only by including user views through surveys, impact studies but through formal mechanisms of participation in interpreting evidence and developing solutions.

Advantages of Social Audit:

- Trains the community on participatory local planning.
- Encourages local democracy.
- Encourages community participation.
- Benefits disadvantaged groups.
- Promotes collective decision-making and sharing responsibilities.

- Develops human resources and social capital.
- Highlights the development concerns and priorities of different stakeholders. Assesses changes that have taken place (impact) in relation to these priorities, including various dimensions (economic, social, gender, cultural, political, institutional, environmental).
- Assesses and monitors financial and other resources involved.
- Helps in formulating plans for future course of action.
- Above all, helps to increase accountability and transparency.

How Social Audit can be done?

The social auditing process requires an intermittent but clear time commitment from a key person within the organisation. You may call this person a Social Auditor. This social auditor liaises with others in the organisation and designs, co-ordinates, analyses and documents the information collected during the process. Information is collected through research methods that include social book-keeping, surveys and case studies. The objectives of the organisation are the starting point from which indicators of impact are determined, stakeholders identified and research tools designed in detail. The three phases of a social audit: *internal data collection and analysis procedures (accounting), an independent audit of the results (auditing) and a mechanism for disseminating the outcome more widely (reporting)*

To begin with, the Social Audit has to gather background information. What survey was made before the programme was drawn up? What was the state of affairs when the programme was taken up? What assumptions

were made and on what basis? How was the quantum of thrust of inputs determined to achieve the necessary effect? In other words, what was the projected cost to social change ratio? What internal monitoring systems and methodology was provided? Was any internal evaluation/review made and if so were any policy changes made? What are the other linked programmes, which could affect the effectiveness of the programme to be audited? How are those programmes improving?

Even a thoroughly competent and honest financial audit may reveal very little about the results of the programme being audited. Only reliable evidence that links a programme's impact and coverage to its costs, can serve the needs of the organisation that seek to manage on the basis of results. At ODAF level after several years of work, it has attempted to develop key robust indicators for all the main activities which are shared below:

Alternative Education:

- No child labour in the villages (those who are not attending schools are child labourers)
- Continuance of girl children in Formal/ Non-formal Schools (6 to 14 years of age)
- Universal Enrollment within the age group of 6-14 age. 80% children (girls and boys) in schools at least for 20 days in a month

Strengthening Panchayati Raj Institutions (PRIs):

- At least one man and one woman voter of each family to participate in the Palli Sabha /Gram Sabha meetings. 100% participation of voters in Palli Sabha.
- Regular village level meetings and upkeep of records.

Networking of Community Based Organisations:

- Community demand & implementation of developmental activities in villages.
- Assertion of people for their rights.
- Minimum fair and equal wages.
- Regional level issues addressed and corruption checked.
- PO/WO/CBOs has the capacity to address local issues.
- Practice democratic values.
- Non-dominant and non-exploitative leadership/organisation.

Information Materials:

People are aware of different schemes of the government. Understand the role and responsibilities of PRI leadership and public servants.

Capacity Building Programme:

- Second line leaders sharing responsibility;
- Visible impact of modules already replicated in villages;
- Positive values, change of attitudes, change of behaviour, informed decisions are taken and conceptual clarity.

Sustainable Livelihood Programmes:

- Food and income security;
- Community managed Forest;
- No loan burden;

- Migration is checked;
- People are able to get fair (govt. rate) price to their produces;
- SHG in every village;
- Income generation activities;
- Self employment;
- Proper functioning of PDSs;
- Utilisation of privileges and rights – BPL, ration, labour, NREGA Cards.

Community Health:

- Reduction in mal-nutrition;
- Immunisation in all villages;
- Supply of Safe drinking water;
- Checking of chronic diseases;
- Decrease in IMR/MMR.

Advocacy programme:

- People (both men & women) Control over /Rights on /Access to Natural Resources and other Entitlements rights – land, house, water and forest;
- People voice on issues without NGO intervention, Men & women articulate their rights;
- Linkages with other networks;
- Capacity to mobilise Government resources. Capacity to resist and encounter the impact of economic globalisation.

Other development measures:

- People resorting to Decentralised energy options;
- Community based disaster preparedness – pre-warning, survival strategies, and collective response.

The above robust indicators guide the monitoring and internal evaluation of the ODAF programmes carried out by member NGOs. Apart from the above, ODAF, through the member NGOs is committed to promote model panchayats - at least one Panchayat by one Member NGO particularly situated in V schedule areas and to activate social audit of panchayats and the use of Right to Information (RTI) for seeking information from the government. The following are some of the areas that requires systematic social accounting documentation and therefore necessary tools to be developed.

Social accountability and social accounting – Empowerment initiatives

- Release of Bonded labourers;
- Landless labourers – low wages to fair and equal wages to women and men;
- Marginal farmers – release of their mortgage of lands;
- Just or fair price for the products they sell;
- Reduced money lending;
- Reduction in the interest rates;
- Collective decision making - participation;

- Women status in the family, community and the society;
- Unity among the poor;
- Good leadership and good governance;
- Property rights to the landless, poor and the women;
- Savings in kind and cash;
- Restoring lost communitarian values;
- Role of elected Panchayat Leaders and the community as a whole are engaged in enlisting many government programmes from loans to formation of SHGs managed by the communities or women groups, plantation, road, school, drinking water, housing, building ponds, check dams and water shed activities and many more. In financial terms, when you quantify, it will be more than the investment of the NGOs in empowering the communities;
- The role of staff and the volunteers are always under valued and we have not yet developed the amount of free labour they provide to the process of development;
- Community health activities such as preventive, promotive and curative have reduced the burden of the poor from succumbing to sickness, therefore, having the increased capacities in the production activities;
- The livelihood activities support to land development, forest regeneration, skills development, value added technologies, water resource development have increased the income of the families as well as brought back sustainability of the ecology, environment, bio-diversity and economy;
- We are still attempting together with communities to do at least in one village a balance sheet. The people in the villages may be economically poor but they have rich values, qualities and resources. They have plenty of common property resources but these resources are under the control of the State for exploitation. It is a paradox and a pain how the people are termed to be poor while they have rich resources and address their poverty by providing meagre development assistance. Very often we never calculate how much of the poor people's resources flows out from centre (rural) to periphery (city). Nothing comes back to the people, even if it did, it is in small piece-meal proportions. Only if we can do a balance sheet like any other corporates, banks, Governments or for that matter even NGOs and funding agencies, that will give the people confidence, pride, honour, self respect and dignity which is part the social accounting process.
- Finally, let us compare a mega development project that is in operation for several years and other similar projects;
- Civil society participation; Advocacy and Lobbying; Campaign against commercial plantation, land alienation, land acquisition, Amendment to V schedule, eviction notification to encroachers of forest land and mining and displacement, R & R policy, campaign for RTI and Adivasi Policy – these campaigns have brought many positive changes in the policy. In some cases, projects were withdrawn and even the Trans-National Corporations (TNCs) were forced to withdraw their engagement and investment. Imagine the financial loss, credibility, of these Trans national corporations. At the community level they are not

displaced. Their culture and values are preserved and their ownership to livelihood resources are protected. They continue to live in dignity which cannot be quantified in terms of money.

One of the member NGOs in ODAF also carried out a study focusing on National Aluminium Limited Company (NALCO), one of the largest mining companies in Asia. The study looked into its operations in totality, taking into account the mining, processing from bauxite to alumina - refinery, alumina to aluminium – smelter unit, water mining, coal mining, coal for thermal captive power, use of hydro power, pollution of water, river, soil and the environment and encompassing displacement, human rights violation and the whole issue of foreign direct investment/IFI loans, interest thereof and *ecological debt* that was assessed by a social audit process. In this case, NALCO goes scot-free and there is no accountability whatsoever it may claim under corporate social responsibility.

Conclusion: Mere measurement of inputs or outputs cannot meet the demands of effective social accounting or audit. A social audit should have a very positive approach. When scrutinizing shortfalls and non-achievements, one has to take into account the efforts of events beyond the boundary of the programme. It should be fair to the society, the implementors of the programme and to its designers. Not all programmes are well designed or based on valid assumptions. Some programmes do not attack the problems at the

first level of symptom cause relationship and so are destined to achieve only moderate success. Others ignore the need for a package of programmes to simultaneously attack a variety of related unsatisfactory social situations. For instance, a programme for the improvement of health must be part of a well designed project containing several individual programmes dealing with the related issues of food security, income, housing, potable water supply, education, nutrition, pollution, skills, trade and industries, non-exploitative systems at place alternate to money-lending, mortgage, high rates of interest, freedom to express freely and clean environment etc. In preparing the social audit report on a programme, one has to consider how the related programmes are equally improving, complementing and supporting the focused programme.

Perhaps the most serious difficulty of a social audit is the absence of a well-conceived information system as part and parcel of a programme. The non-existence of appropriate social accounting and reporting systems or even a rudimentary system of evaluation of the social changes created will make social audit impossible.

Many of them have struggled since their inception to collect information amounting to a social impact assessment in order to legitimise their existence - to donors, if not themselves. The hard work of developing good quality monitoring and evaluation systems remains crucial and the need for periodic impact assessment studies will remain critical and inevitable.

References: The Social Audit: Fostering Accountability to Local Constituencies (article published in Issue 15 of Capacity.org, October 2002), *The Social Audit Training Pack* is available from Anne Molloy at the Social Economy Agency. International Resources for Fairer Trade (IRFT), India. Agenda deliberations and recommendations of Seminar on 'Accountability of DRDAS and Local Bodies', National Academy of Audit & Accounts, Simla, 1999, Dreize J & Sen Amartya, 'India Economic Development & Social Opportunity'. Vision, Foundation documents, Social Accountability, An Introduction to the Concept and Emerging Practice Carmen Malena, with Reiner Forster Janmejy Singh. Evolving Social Accounting Process – 2005, ODAF.

Synopsis of 'FCRA' Annual Report for the Financial Year 2004-05

The Foreign Contribution (Regulation) Act, is an act to regulate the acceptance and utilization of foreign contribution or foreign hospitality. According to this act, any donation made in Indian or foreign currency or transfers made by any foreign source are considered as foreign contribution. This foreign contribution and hospitality are generally accepted and utilised by certain persons or associations whether incorporated or not. The Act ensures those parliamentary institutions, political associations and academic and other voluntary organizations as well as individuals working in the national priority sector functions in consistence with the values of a sovereign republic and for matters connected therewith or incidental thereto. Associations having definite cultural, economic, educational, religious or social programme can accept foreign contribution only after obtaining either prior permission or registration from the Central Government. Basic purpose of this act is to ensure that the foreign contribution that is received for specific tasks is not misused for activities detrimental to national interest.

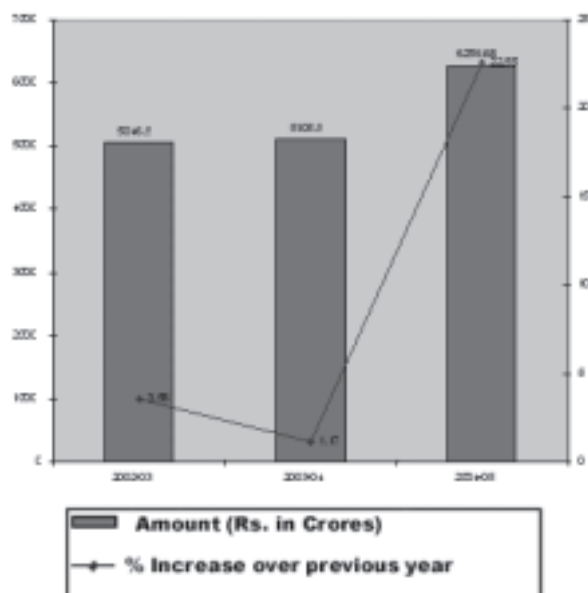
The general policy adopted by the Government of India is not to encourage soliciting of foreign contribution, but if it is intended for genuine activities with a focus on definite cultural, economic, educational, religious or social programme, the same can be accepted either by obtaining prior permission or registration under the act

from the Central Govt. The main purpose behind preparation of FCRA balance sheet seems to regulate the acquisition and disposal of capital assets created out of foreign contribution.

A comparative analysis of receipt of foreign contribution during the last three years

As on 31st March 2005, 30,321 (thirty thousand three hundred and twenty one) associations were registered and 369 were granted prior permission as per the Act during the Financial Year 2004-05. During the year 2004-05, 18,540 associations reported receipt of foreign contribution including those that submitted a NIL return amounting to Rs. 6,256.68 crores which has increased 22.55% over the previous year's contribution which was amounting to Rs. 5105.50 crores. In last three years amount of foreign contribution has increased every year in terms of gross amount received. But in comparative analysis of receipt of foreign contribution during the last three years if we see the percentage of increase/(decrease) over the previous year then in 2002-03 is 3.58%, in 2003-04 it came down to 1.17% and again in 2004-05 it goes up to 22.55%.

RECEIPT OF FOREIGN CONTRIBUTION		
Year	Amount (Rs. in Crores)	% Increase over, previous year
2002-03	5046.50	3.58
2003-04	5105.50	1.17
2004-05	6256.68	22.55

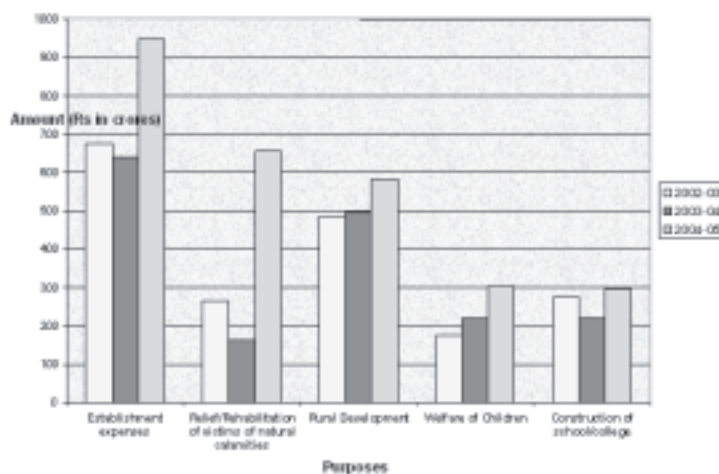


Purpose wise details of receipt of foreign contribution:

To compensate the loss of property and human life caused by tsunami, many foreign charitable organizations expressed their desire to send contributions to voluntary associations in the country. The amount received by way of relief/rehabilitation of victims of natural calamities was Rs 655.65 crores that was almost 403.08% of the last year amount. Similar to last two previous years the highest amount was received for establishment expenses (Rs 948.20 crores) that was followed by relief/rehabilitation of victims of natural calamities (Rs 655.65 crores), rural development (Rs 582.48 crores) and

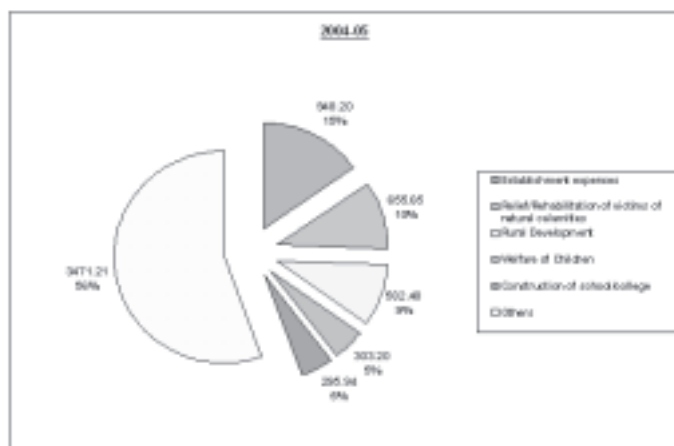
The reason for the sudden significant increase in foreign contribution (in percentage) from its previous year figure is the devastating Tsunami that had hit the coastal areas of Southern States and coastal areas of Andaman & Nicobar Islands, Andhra Pradesh, Tamil Nadu, Pondicherry and Kerala. Because of this natural disaster thousands lost their lives, lakhs of people were rendered homeless and there was massive loss/destruction to property. If the purpose of foreign contribution is properly studied then it will probably be much easier to understand the reason for such rise in the percentage.

TOP FIVE PURPOSES				
Foreign Contribution (Rs in crores)				
PURPOSE	2002-03	2003-04	2004-05	Total
Establishment expenses	673.77	639.31	948.20	2261.28
Relief/Rehabilitation of victims of natural calamities	265.85	162.66	655.65	1084.16
Rural Development	486.50	494.64	582.48	1563.62
Welfare of Children	176.13	221.38	303.20	700.71
Construction of school/college	275.74	221.63	295.94	793.31



Welfare of children (Rs 303.20). As Establishment expenses generally consists of various items like Office administration Cost

Total contribution for the specific purpose's and percentages over the total contribution.



etc. which directly do not contribute to the Development work, so it can be said that the highest amount of contribution for the last three years is under Rural Development head.

Top Recipient Association:

During the year, 70 associations received foreign contribution in excess of Rs 10 crores, 112 associations between Rs 5 and Rs 10 crores, 985 associations between Rs 1 crore and Rs 5 crores, and the remaining 17,373 below Rs 1 crore. Among the reporting associations, World Vision of India in the state of Tamil Nadu (Rs 133.57 crores) received the highest amount of foreign contribution, followed by Rural Development Trust, Andhra Pradesh (Rs 118.75 crores), Sri Sathya Sai Central Trust, Andhra Pradesh (Rs 77.57 crores), Caritas India, Delhi (Rs 65.30 crores) and Foster Parents Plan International Inc., Delhi (Rs 64.91 crores). Except Rural Development Trust in Andhra Pradesh all other four top recipient association has received foreign contribution higher than

its previous year's received amount. This year the organisation received Rs 118.75 crores which has reduced by 5.75% over its last year contribution received amount.

Top Recipient States / Union Territories and Districts:

This year total number of reporting organization is 18,540 out of which 2,990 associations are from Tamil Nadu and this is the highest

number of reporting associations from any state or union territory similarly 2,211 associations from Andhra Pradesh, 1,592 from Kerala, 1,568 from west Bengal and 1,522 from Maharashtra. Among the States and Union Territories, Tamil Nadu (Rs. 1,190.64 crores) reported the highest receipt of foreign contribution followed by Delhi (Rs. 1,075.23 crores), Andhra Pradesh (Rs. 913.17 crores), Maharashtra (Rs 552.41 crores) and Karnataka (Rs. 511.99 crores).

Among the districts in different States, Chennai (Rs 560.40 crores) reported the highest receipt of foreign contribution by its 712 reporting associations, followed by Bangalore (Rs 376.97 crores), Mumbai (Rs 321.82 crores), Ananthapur (Rs 287.70 crores), Kolkata (Rs 206.35 crores) and Hyderabad / Secunderabad (Rs 178.11 crores).

List of Top Donor Agencies with country:

The list of foreign donors is headed by the Foundation Vincent E Ferrer, Spain (Rs 183.31 crores), followed by World Vision International, USA (Rs 123.25 crores), Gospel for Asia, USA (Rs 110.12 crores), Plan International, USA (Rs.65.60 crores), and Compassion International, USA (Rs 60.93 crores). And the list

NAME OF ASSOCIATION	STATE	2003-04	2004-05	Total
World Vision	Tamil Nadu	88.01	183.74	335.32
Rural Development Trust	Andhra Pradesh	84.66	125.99	329.48
Sri Sathya Sai Central Trust	Andhra Pradesh	68.19	49.96	187.72
Caritas India	Delhi	49.49	37.54	152.33
Foster Parents Plan International Inc.	Delhi	53.65	56.8	175.36

TOP RECIPIENT STATES / UNION TERRITORIES				
Foreign contribution (Rs. in crores)				
STATE/UT	2002-03	2003-04	2004-05	Total
Tamil Nadu	774.99	800.22	1190.64	2765.85
Delhi	880.77	857.12	1075.23	2813.01
Andhra Pradesh	629.76	684.20	913.17	2227.13
Maharashtra	505.13	480.61	552.41	1538.15
Karnataka	489.12	528.56	509.75	1527.43

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of donor countries is headed by USA (Rs. 1926.95 crores), followed by Germany (Rs. 930.92 crores), UK (Rs. 764.13 crores), Italy (Rs. 432.88 crores) and the Netherlands (Rs. 353.51 crores).

Conclusion:

By analyzing the last three years data from 2002-2003 to 2004-2005, we may conclude that

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TOP DONOR COUNTRIES				
Foreign Contribution (Rs in crores)				
Country	2002-03	2003-04	2004-05	Total
USA	1679.84	1584.26	1926.95	5191.05
Germany	715.04	757.13	930.92	2403.09
UK	685.38	676.14	764.13	2125.65
Italy	315.82	350.01	432.88	1098.71
Netherlands	261.88	304.04	353.51	919.43

United States of America is the top donor country by contributing a sum of Rs. 5,191.05 crores in the last three years. among individual

contributors Foundation Vincent E Ferrer, Spain contributed the highest amount of foreign contribution of Rs 397.62 crores appx. At the receiving end among the states and district, Delhi and Chennai district are in the top of the list by receiving the highest amount of foreign contribution amounting to Rs

2,813.12 crores and 1,308.38 crores respectively and among the various associations World Vision of India, Tamil Nadu received the highest amount of foreign contribution of Rs 335.32 crores. Though we have already stated earlier the reason for the sudden significant increase in foreign contribution (in percentage) from its previous year figure, is the devastating Tsunami. Due to this natural disaster thousands lost their lives, lakhs of people were rendered homeless and there was massive loss/ destruction to property. The highest amount received for Rural Development purposes was Rs 1,563.62 crores. So lastly it can be said apart from the relief/ rehabilitation work of victims the Development Work is going on in its own speed.

(Compiled by Research Team of FMSF)

Book Review

Taxmann's Taxation of Trusts & NGOs with Foreign Contribution (Regulation) Act & FEMA As amended by Finance Act 2006 & Taxation Laws (Amendment) Act 2006

by Manoj Fogla (Price Rs. 775)

The third edition of the book on taxation of trusts and NGOs is published by the reputed publishing house Taxmann and authored by Mr. Manoj Fogla who is a practicing Chartered Accountant specializing in the finance, legal and governance issues related to Voluntary Organisations.

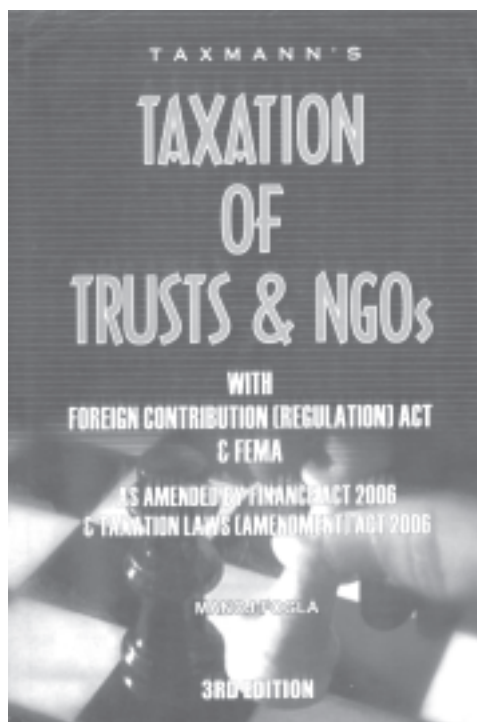
The author has in this book covered in a masterly way the relevant aspects of the laws applicable to Voluntary Organisations, the Income Tax Act 1961 and the Foreign Contribution (Regulation) Act, 1976.

The author makes a detailed analysis of the various complexities of the law and the legal aspects in 5 major divisions.

The First Division deals with the Income, Exemptions, Application / Accumulation of Income and Forfeiture of Exemptions under the Income Tax Act, 1961.

In this division, the author examines the scope of income of a charitable trust for tax purposes with references to various case laws.

Regarding the allowance of depreciation which has remained controversial, the author



exemplarily presents the varying instances regarding charging of depreciation.

The Charitable Purpose and the Purposes held as Charitable in nature under the law have been explained in a simplistic manner.

The registration procedure under the Income Tax Act (Sec. 12A) and the conditions that are

to be fulfilled and the documents that are to be submitted are well articulated.

The book also provides information on the application and accumulation of income permissible under the Income Tax Act.

One of the areas that the voluntary organizations requires clarity is on undertaking the Business Activities and the scope of exemption available under the existing provisions for exemptions. This has been well explained in the book.

The procedure for obtaining the PAN (Permanent Account Number) and the TAN (Tax Deduction Account Number) have been clearly presented along with the mandatory nature of provisions attached to them.

The author also discusses the “donor dimension” under the Income Tax Act. The deductions available (under Section 80 G & Sec. 35 AC) to a donor for making a donation is well pointed out.

The book also discusses about the Corpus and Endowment Funds and the need to build them and emphasizes the importance to maintain a judicious balance between a corpus fund and other funds that are utilized.

The governance aspects are also discussed from the legal angle and the author shares information on the Annual General Body Meeting and the Governing Body Meeting and how they are to be conducted, what should constitute the agenda, the quorum, recording of the meetings proceedings and about resolutions made therein.

In Division Three of the book, the author discusses the Formation and Management of Voluntary Organisations. The options of registering an organization either as a Society, Trust or a Sec.25 company as a non-profit organization are well presented along with various respective statutory obligations.

The significance of this edition is that it provides an overview of the amendments as per the Finance Act, 2006.

The history and provisions of the Foreign Contribution (Regulation) Act, 1976 (FCRA) has been elaborately discussed in 13 chapters under Division Four.

The registration, accounting and compliance aspects under FCRA are well detailed. The common “grey” areas relating to second and subsequent recipient of foreign funds, revolving funds, treatment of sale proceeds of an asset purchased out of foreign funds are well clarified within legal ambit.

The highlight of this Division Four is the compilation of various FAQs by the author on FCRA related aspects that he has come across during his interaction with the Voluntary Sector.

The author has also provided an overview of the proposed Foreign Contribution (Management & Control) Bill, 2005 and the implications of its various provisions.

The book serves as a complete guide and veritable mine of information to be treasured by every Voluntary Organisation.

(S. P. Selvi, FMSF)

Report

National Convention of NGO Accountants Network (NAN) Report for the Financial Year 2004-05

The 1st National Convention of the NGO Accountants Network (NAN) was held on 18th & 19th September, 2006 at Vishwa Yuva Kendra in New Delhi.

Launched in January 2005, the network has about 97 members. The objective of this network is to :

- to build a pool of expertise
- to sensitise on the field realities
- to enable mutual learning
- to capacitate NGO accountants on new methodologies in Financial Management



About 61 members representing various Voluntary Organisations participated in the Convention including members from Bangladesh.

The Convention began with a Welcome Address by Mr. Sanjay Patra, Executive Director of FMSF and Ms. S.P. Selvi gave the Introduction to the Convention. Mr. Sandeep Sharma from FMSF moderated the sessions and proceedings.

The Convention had 4 Technical Sessions in all. The first Technical Session was on “Accountability & Transparency – Idea and Reality”. The speaker of the session was Dr. Shailendra Awale, the Chief Coordinator & Secretary of Synodical Board of Social Services of the Church of North India and is also a qualified medical doctor. He focused on the issues relating to the accountability dimension and the role of accountants. The second Technical Session on “Understanding the Role of Accountants in the Development Sector”. The speaker of the session was Mr. Suresh Kejriwal, a qualified Chartered Accountant who looked at issues relating to the sector and felt that it has dearth of qualified people and

emphasized that the accounting system should be so designed that it achieves functional sustainability both at operational and organizational level. The third Technical Session on “Accrual Basis of Accounting” dealt with practical aspects relating to accrual basis of accounting. The speaker of this session was Mr. K.N.Gupta, an experienced Chartered Accountant having deep knowledge on the sector. The fourth Technical Session on “Legal Aspects-FCRA & Income Tax” provided an overview of the tax provisions and FCRA specifics. The speaker of the session was Mr. Joselyn Martins also an experienced Chartered Accountant . The element of Tax Deduction at Source was presented by the Joint Commissioner of Income Tax Mr. Jasdeep Singh and Additional Commissioner Mr.Sethi who elaborately explained the procedures involved therein.

The Convention concluded with the closing remarks by Mr. Sanjay Patra who informed that the future course of action of NAN will be charted out soon after the formation of a Core Group.

(Reported by FMSF Team)