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Between Us ...

It gives me great pleasure as we bring out the first issue of 'INTERface'. As per the oxford dictionary 'INTERface' means a point where interaction occurs between two systems, processes, subjects etc., We want this publication to precisely serve this purpose. It should act as a forum for interaction, sharing of ideas, learning from each other and creative synergy.

During the past years, while conducting workshops for our partner organizations and in various other fora, a need has been expressed that FMSF should come out with a periodical newsletter. We also recognize the importance of sharing information in this age of information technology (IT).

Effective financial management is the back bone of all developmental activities. It is very important that right from the grass root level we begin to address the various issues in financial management. There is a need to clarify certain laws governing the NGOs i.e. FCRA, Income Tax laws, Societies Registration Act, Provident Fund, Gratuity etc., 'INTERface' is an effort in that direction.

FMSF has conducted various workshops on financial management in the past years. We have also gained some valuable insights in this regard which we would be sharing through this publication. One of our major initiatives has been the effort to develop a 'Forum of Consultants on legal and financial issues for development organizations.' These consultants would be available to our partner organizations as and when needed. Further, we from FMSF would be available for workshops, trainings and financial management consultancy as and when needed.

'INTERface' is a testimonial of our efforts in promoting overall and wholistic accountability. We need your support, solidarity and good wishes as we make this humble beginning.



In Solidarity

Sanjay Patra
Sanjay Patra

Union Budget 2001 - Changes Proposed in the Finance Bill 2001

The finance bill 2001 has proposed a few changes affecting the charitable / educational institutions. The changes , when passed by the Parliament (likely to be in May, 2001), would be applicable for the financial year 2001 2002, except item no. 1, which is proposed for the current financial year i.e. 2000 -2001 Changes that have a direct an immediate impact are given below with brief remarks.

No.	Changes Proposed	Remarks
1.	Section 139 - Due dates of filing of Income Tax Return: The Due Date for filing of Income Tax return will be 31st July. This is applicable from the current financial year onwards	Till the last year , the date for filing of return for charitable institutions was 31st October. Now the same will be 31st July. This change is proposed from the current year onwards. This is to say, for the financial year ending 31.03.2001. the institutions will be required to close their account, get them audited and file the IT return on or before July 2001
2.	Amendment in Section 11(2): In respect of income accumulated as set apart for future utilization , the period of utilization is reduced from ten to five years, with effect from the financial year 2001-2002	As per the present provisions, if the institutions are unable to apply 75% or more of their income, there is an alternative to utilize the same within ten succeeding years, provided the necessary formalities are adhered to. Now this period is being reduced to five years. That is to say the institution s will be required to spend the accumulation in five years. This is applicable for the financial year 2001 2002 onwards. So far whatever accumulations have been made u/s 11(2) , those will continue to have the period of 10 years or the period for which these have been accumulated.
3.	Amendment to section 12A: Trusts/ Institutions claiming exemption under section 11, where the gross receipts exceeds Rs ten lakhs, are to publish their accounts in a local newspaper before due date for filing of return and to furnish a copy of such newspaper along with the return	This New provision is applicable from financial year 2001 - 2002 . The trust or institution will be actually required to complete their accounts and audit of the same well before 31st July, so that these can be published in time and the copy of news paper attached with the return. The format of the accounts to be published, has not been indicated
4.	Section 10(23C) - sub clauses (iv) or (v) or (vi) or (vii):	Until now, there are no restrictions on the amount or period for which the

- 4.1 Any university, educational institution or any hospital claiming total exemption under this section, in a case , where any income is accumulated on or after 01.04.2001, the period of such accumulation shall in no case exceed five years
- 4.2 Institution / Trusts , claiming exemption under sub section (vi), (vii) etc., where the aggregate annual receipts exceed Rs. 1 crore, shall publish its accounts in a local news paper and furnish the same along with the application for exemption to the prescribed authority (now Chief Commissioner of Income Tax)
- surplus of the institutions claiming exemption under this section . After this amendment the institutions will have to utilize the surplus of each year within five subsequent years.
- Till now, educational or medical institutions having aggregate annual receipt exceeding Rs. 1 crore, can claim exemption u/s 10(23C) (vi) or (vii) , if they are approved by the prescribed authority { director General (income- tax exemptions)} . now for applying for this exemption, publication of accounts in newspaper along the application will become mandatory. This will be applicable from 2001 - 2002 onwards.

Mr. V. Rethinam

CENTRE FOR SCIENCE AND ENVIRONMENT

INTRODUCTION

The Centre for Science and Environment is a leading, highly vocal public interest research organisation in India, which promotes environmentally sound, participatory and equitable sustainable development strategies. It is editorially independent of groups, governments, political parties, international agencies and funding sources and its activities are always conducted in the public interest. Its publications specially its Citizen's report on the state of India's environment, have always been a combination of excellent readability, networking and constituency building and intellectual leadership, because of which they have received national and international acclaim.

CSE's strategy of "knowledge based activism" has won it wide respect and admiration for the quality of its campaigns, research and publications. Its publications like the fortnightly magazine, "Down to Earth", and the children's supplement "Gobar Times" (Cowdung Times) help inculcate concern for the environment across the nation. "Down to Earth" has a subscription base of only 10,000 which is small for a country of the size of India but it reaches out to more nooks and corners - 400 out of about 500 districts of the country.

Financial Systems

In recent years, CSE has developed a new financial software that provides information on critical financial parameters at any given time of the year. The detailed monthly reporting system ensures the timely analysis of the Centre's fund flow, expenditure and income, thus enabling corrective action at early stages. In order to monitor the projectwise expenditures, CSE's system tracks all sources of funds, and expenditures related to the source according to the project /sub unit/ programme for which it is meant. The system also incorporates the budgets for individual units in the Centre as well as for each project and allows the F&A administrator to monitor the expenses against budgets and report it through the monthly and quarterly MIS. Every expenditure is coded for three categories-sources of funds (the primary charge), the programme unit (the secondary charge) and of course for the account head itself. This allows the analysis of expenditure for different sources, for different programme units of the Centre as well as for expenditure heads.

A detail budgeting system has also been put into place. Each programme/unit head in consultation with his/her staff prepares an annual budget. These staff budgets are brought together and matched with donor budgets and fund availability and final budgets are prepared for the different departments. These are then fed into the computer to allow the F&A to track expenditure throughout the year.

The MIS system that is now in place provide the following information:

- ¶ Report on fundwise opening balances , receipts , expenses:
- ¶ Report on budgeted expenses, actuals and variance for the different programme and management units.
- ¶ Report on fund status
- ¶ Report on status of investments.
- ¶ Report on business/sales income.
- ¶ Report on Project/Unit/Programmewise expenditure
- ¶ Report on travel expenditure
- ¶ Report on Management Support Unit (MSU) expenditures and the proportion of MSU to total expenditure.

Example of CSE's work in environmental advocacy

For good environmental management we need governance structures that are accountable and transparent. CSE has developed a unique and innovative programme to conduct an independent environmental rating system for industries. The programme aims to bring about a change in the mind set of the industry, consumers and investors so that the environmental considerations become an integral part of the industrial activity and encourage the Indian corporate sector to make voluntary environmental improvements and disclosure.

The Green Rating Project was launched in May 1997. This project faces a major challenge in conceptualizing an environmental performance rating system. Yet the project has been able to get some leading firms on board It has been able to conceptualize a strategy to calculate emissions , energy and material efficiency from published data in annual reports and thus challenge firms with an alternative database. It has been able to use " Down To Earth" to develop a nation wide volunteer base to survey industrial firms and community perceptions called the " Green Rating Network". It is also interacting with a worldwide network of Green rating NGO's and finds it doing unique work. It, therefore, has the potential to become a model for non - governmental watchdogs on industrial environmental performance in other developing countries.

Contributed by CSE

EZE'S Fund Request Form 1

Once budget is already approved why this procedure of again regularly sending fund requests for meeting requirement of project funds? Why not send funds automatically as per an agreed disbursement schedule? Why not allow partners to request for funds through short messages over fax or phone? Why to fill up the complicated Form-1 again and again?

Why not allow request for transfer of funds for more than a three month period?

No other funding agency expects such a request form, then why EZE is so different?

All these are very natural and valid questions that are a cause of major concern for many EZE project partners, and makes other agencies also wonder.

We, at FMSF have also wondered about these typical procedures during our initial years in EZE. EZE which receives approximately 91% of its total project funds from German Government, is bound to fulfill the administrative regulations and the general and specific conditions of German Government on contributions given from their funds. The specific sections relating to transfer of funds requires EZE to release agreed share of required funds for implementation of approved activities for a maximum of three months period only. This is also subject to the receipt of an expenditure plan as well as evidence/ information regarding utilization of funds previously disbursed.

To ensure fulfillment of above mentioned conditions, after detailed consultations with partner agencies, consultants and professionals, all EZE forms, including form - 1, were finalized some time ago.

Now let us discuss the importance and utility of this form for both EZE and project partners. From the EZE point of view this form is an acceptable evidence for fund release and for the project partners it serves as a tool for financial cum programme planning, monitoring and reporting.

While filling up the request form -1, EZE project partners have an opportunity (though in general any form filling is normally done by all of us rather reluctantly.....), to review financial and programmatic activities and also make short term project implementation/ expenditure plans for future. Most of us will agree that this exercise ensures self discipline for the organization which help in smooth implementation of project. Everyone remains constantly conscious of the short term targets/ plans as agreed. Effectiveness is developed with increased accountability and transparency. Just imagine the impact all this can have as it filters down the grass roots!

All this in certain ways, overweighs the complexities of the form-1, encouraging all of us to instead use this as an effective management and internal control instrument, simultaneously facilitating EZE in fulfilling its legal obligations towards German Government. Since we cannot get rid of it, let us make the best use of it !

Bharat Gupta
FMSF

Reports

A Brief Report on Workshop on Complex Forms of Co- operation organized by FMSF / EZE at Chennai

FMSF has been organizing workshops and consultations since the year 1995 on financial management including accounting and reporting requirements of the development organizations.

Recently FMSF had organized a workshop at Muttukadu, Chennai from 19.02.2001 to 23.02.2001 for the partner organizations of EZE in Southern India co-operating under a package, network or a forum.

The objective of the workshop was to gain greater knowledge and clarity about the concept and praxis of the Complex Forms of Co-operation and to strengthen its scope and operationality. The 5 day was facilitated by Dr. Badal Sengupta of Consultancy Desk of EZE and Mr. Sanjay Patra, FMSF. With inputs from the facilitators and the discussions, the groups went into the rationale for their respective organizational models of intervention. The members were able to list out a variety of reasons for opting for the Complex Forms of Co-operation between themselves and the resource agencies. The context, the factors contributing to the starting of package / network and the programmes planned and executed to address the various issues individually and through network were analysed in detail.

Representatives of each of the participant organization made a presentation on their organization drawing the relevance from the context of formation of the co-operation and relating to the current scenario and practices. Consolidation of the outcome of the various presentations revealed that while the context is still relevant, the prevailing issues called for a collective action and solidarity of the members of the network or the forum for an authentic social transformation.

The module of the workshop also included inputs from Mr.Kandasami, an experienced Chartered Accountant, on the accountability dimensions in Complex Forms of Co - operation from the perspective of different stake holders. Current financial management realities in these forms of co-operation were analysed in the light of the advantages and challenges from the financial management dimension and relating it to the current practices.

The groups also discussed about the democracy in different models, the roles and responsibilities of the various constituencies involved especially in the network model and the level of people's participation in these models. It was realized that the role of the co-ordinating agency and the insights into its activities were of value to the networking process. In summary, the Complex Forms of Co-operation as a concept and a process enhanced the quality of the mission of the community based organizations as members of a network or a forum. The participants could recognize the inherent strengths and opportunities in achieving their goals of development on a partnership basis.

A Brief Report on the Auditors' Consultation organized by FMSF/EZE at Goa

FMSF, in co-operation with the Consultancy Desk, EZE/EED had organised a 3 day consultation from 01.03.2001 to 03.03.2001 for the auditors / finance

consultants. The aim of the consultation was to discuss about issues of mutual concern in the field of accounting and related procedures for the development organisations, to identify the areas where they need enhancement of their capacities, the ultimate aim being to build a forum of consultants who can render consultancies to development organisations to enable them to strengthen accountability and transparency.

The consultation was facilitated primarily by Dr. Badal Sengupta, from EZE, Mr. Sanjay Patra from FMSF along with other resource persons, Mr.K.N. Gupta, Mr. Sanjay Aggarwal and Mr. Manoj Fogla.

Auditors and consultants associated with the development organizations participated in this consultation to discuss on various aspects relating to financial management. The participants discussed regarding desirable norms for appropriate and effective Financial Management vis-à-vis the actual practices in the context of development organizations.

Based on the outcome of the above discussions, a common understanding was reached on the Accounting Policies for NGOs and a list of disclosures by the auditor to be furnished during the periodical audit.

The definition of Financial Management was discussed with its ten main components by Mr. Sanjay Aggarwal. The topic brought out a few critical aspects regarding reasons for the absence of Financial Planning in NGOs.

Inputs from Mr. Manoj Fogla revealed that accounting is possible with a touch of humaneness and not strictly confining to set rules and procedures. In other words it calls for more empathy, understanding and compassion.

An auditors' consultation without a session on FCRA and Income Tax matters is not complete in itself. To prove it right, this consultation also had an intensive session on FCRA and Income Tax matters relating to NGOs wherein various challenges and situations faced by them were discussed.

As the groups articulated on the "Way Forward", the need for an informal forum was agreed upon. The Mission of the Forum, the Role and Strategy and the Organisation were framed on the basis of the 3 day discussion.

The responsibility of concretizing the outcome for the future of the Consultants' Forum has been delegated to FMSF.

FMSF is into the process now.....

S. P. Selvi
FMSF

Visited Us

* Ms. Ursulla Moll , Bread for the World

Ms. Ursula Moll, Co-ordinator, South Asia Desk, Bread for the World (Bftw) visited FMSF on 10.01.2001 to discuss about the co - operation and the functional modalities. She was briefed upon the functions of FMSF and the five major thrust areas by the FMSF team.

The visit was quite fruitful and mutually enriching.

* Ms.Nelleke van der Vleuten, ICCO

Ms. Nelleke van der Vleuten, Desk Officer, Bangladesh & West Bengal, ICCO visited FMSF on 13.02.2001 to discuss about issues of mutual interest like financial monitoring & capacity building. ICCO is co-operating with FMSF on few projects for verification of reports.

* Mr. Gerhard Mohr, EZE

Mr. Gerhard, Finance Officer, South & Middle Asia Desk, EZE was visiting India to participate in the Workshop & Consultation at Chennai and Goa organized by EZE & FMSF, after which he visited FMSF from 05.03.2001 to 08.03.2001 primarily to hold discussions with the FMSF team regarding various projects and about the cash funding situation of EZE.

* Ms. Ulla Sengupta, EZE

Ms.Ulla Sengupta, Head, Internal Control Department, EZE passed through New Delhi after her participation in Goa Consultation. She visited FMSF on 5th and 6th March, 2001. The visit was very useful as she could inform FMSF team regarding few procedural requirements on the closure of a project file. The vital aspects as to the cash flow for the year 2001 was also discussed.

* Ms. Erika Maerke, EZE

Ms. Erika Maerke,Head, South & Middle Asia Desk, EZE visited New Delhi to participate in various meetings from 07.03.2001 to 14.03.2001. During this visit she had meeting with Mr. Sanjay Patra and discussed issues and matters of mutual concern. She later traveled to Nepal along with Mr. Sanjay Patra on 12.03.2001.

* Ms. Kirsten Gade, EZE

Ms. Kirsten Gade, Programme Officer, South & Middle Asia Desk, EZE joined Ms. Erika Maerke and Mr. Sanjay Patra at Nepal. She also visited New Delhi from 17.03.2001 to 24.03.2001. There were joint visits with her to partner organizations in New Delhi. Mr. Sanjay Patra accompanied her to AFPRO and CNI-SBSS. Mr. Bharat Gupta accompanied her to CISRS & AVARD and Ms. Kavita Nathan to CEC.

*** Ms. Edda Kirleis, EZE**

Ms. Edda Kirleis, Programme Officer, South & Middle Asia Desk, EZE was on her visit to North East and Bangladesh. She visited FMSF from 13.02.2001 to 16.02.2001 after her travel in North East India and Bangladesh. She briefed the FMSF team regarding issues discussed during her visit to the partner organizations that could be useful in the process of monitoring of the respective projects.

*** Sabi Consulting, Zimbabwe**

As a follow - up of the consultation on "Transfer of Functions" and "South - outh Exchange Programme" organised by EZE during August, 2000 at Bonn, the Sabi team visited FMSF from 24.03.2001 to 03.04.2001.

EZE is co-operating with Sabi Consulting, an independent consulting firm in Zimbabwe for the verification of reports and request forms from the partner organizations of EZE therein.

The objective of the visit was to learn more about the functional co-operation model of FMSF and EZE in the process of project monitoring. The team comprised of Mr. Herbert Makuwa, Ms. Trish Makuwa and Ms.Sally Mukumba. They also made an exposure visit to Gwalior to one of the projects of VHAJ in a village. Later they visited CNI- SBSS at New Delhi to know about the functional interaction it has, as a partner organisation of EZE, through FMSF.

In addition to the above, representatives from few partner organizations visited FMSF to discuss issues of mutual of interest regarding their respective programmes and projects. These visits were quite useful and informative to sort out matters arising out of regular monitoring of projects by FMSF.