

Keeping Things in Right Perspective

This is a story told by a person from Switzerland.

"He turned the corner and there was a cobbler. Sitting at the roadside, he would fix anyone's shoes for just a few coins. Naturally it was an Asian city where wages were considerably lower than those in Switzerland. Therefore he decided to have his shoes fixed here and save a substantial amount on the repair bill.

He looked at his watch. Being on his way to the airport for a flight back to Europe, he would have to carefully weigh the pros & cons. Could he still make it to the airport in time? Sure, he decided, there would be plenty of time to check the luggage in.

He pulled the shoes off and stood there in socks, watching the repair work taking place. Checking watch from time to time, he soon realized that although the work was cheaper here, the speed in getting the job done left a lot to be desired. He urged the repairman to hurry, aware now that he could not run to the airport in these half fixed shoes. The minutes ticked by relentlessly.

Finally the second sole was glued and the last nail hammered into place. Settling the tiny fee with the cobbler, he raced to hail a taxi and proceeded full speed to the airport.

Finally, there was the counter for the flight announced to Europe. Breathlessly he ran up to the counter, only to be told that the flight was closed. The aircraft shut and ready to take off. "Sorry, you are too late ", he heard the ground staff say.

Dejected and angry with himself, he turned around and went back into the city. Since he had a ticket, which was not transferable to any other airline, he would have to purchase a completely new ticket, loosing substantially in the process.

The cheap shoe repair job had turned out to be the most expensive one he ever had. Walking around the city for two days as he waited for the next available flight, he was painfully aware that his priorities had been totally wrong. By concentrating only on a small saving he had lost thousands on the ticket. The small vision had crowded out the big one."

It is said "without vision, people perish". How important it is to have a clear vision! How vital to keep things in the right perspective!

In solidarity
Sanjay Patra

SOCIAL AUDIT ENSURING TRANSPARENCY & PUBLIC ACCOUNTABILITY

Transparency is the medium where by information that is relevant to the people's need is offered to ensure their participation in civic life.

The term audit implies, as it goes lexical, an official examination of the quality, state, efficiency etc of something to see that they are true and correct. Nevertheless, the term with the prefix "social" looses its official/legal status. The phrase "social audit" was first used during 1950s and early work took the form of external investigations to assess the impact of large corporations on their work force, consumers and community. Taking a cue from the same corporate backdrop, NGOs particularly in the late 90s took up the concept to the people to verify and evaluate the programs implemented by them for the welfare of the people.

What is Social Audit

Social Audit is a democratic process of ensuring public accountability through a systematic demand of information by the community in response to the work/program that have already been implemented by the PIA (People's Implementing Agency) or the state or the civil society for the change development of that particular area/community. In particular, it aims to involve all the stakeholders in the process to measure social performance in order to achieve improvement as well as to report accurately on what has been done.

Objectives

Social audit is distinct from evaluation in that it is an internally generated process whereby the organisation itself shapes the process according to the stated objectives.

- It inculcates a habit, particularly among the voiceless, to question and seek to know,
- Builds up a social platform for the marginalised from where they learn to demand their rights
- Prevents corruption by displaying the accounts
- Ensures public accountability and social justice
- Strengthens grass root level democracy especially addressing its socioeconomic domain by creating social pressure groups
- Harness social capital

GUIDING PRINCIPLES:

Multi perspective

Social Audit should reflect the views of all the stakeholders.

Comprehensive

It should embrace all aspects of community benefit and performance along with that

of the organisation.

Comparative

It gives a chance to appraise the organisation performance with that of the government or other NGOs.

Regular

It should be conducted regularly and should not be an occasional or one time program.

Disclosure

The findings of the social audit should be made available to all the stakeholders and the wider community per se the civil society.

How To Conduct a Social Audit:

The process that has been devised and mutually agreed upon by the community after a prolonged discussion with them on its objective and principle, could be put under the following category:

DISCOURSES:

A slightly long term but an important process whereby the community has to accept, internalise and in turn practise the process, content and objective of social auditing. For that matter, the target group in the operation area should have adequate understanding on auditing process and its efficacy. NGOs working in a particular area should take initiatives in this direction. To begin with, discourse is a continuous process.

The term "Discourse" has been used in line with the religious discourses and its utility as done by the disciples or followers of any sect or religion. In fact, it helps them to preach and practise their worldview under set guidelines. Same is in case of social Audit.

DISPLAY:

As per the guiding principle it is the public display of relevant program information that provokes the participants to ask, reply and clarify.

Once the activity or program is done the details of it should be displayed for public scrutiny preferably on the spot where social audit would be held. And the display should include program and finance details. It would be better if the same display chart could be circulated among the stakeholders including beneficiaries/community so that they would go through the information and make their queries ready for clarification in the social audit forum.

DELIBERATION / DISCUSSION

When the gap (between rhetoric & performance) becomes evident, it brings in queries and questions thereof to clarify. Hence this sessions takes a good toll of the total time thereby effusing laughter, annoyance, argument, debate, intermittent tip off, dilemma, dead lock and of course alternative solutions/ mechanisms for the

participants as the process goes on. This is mainly a question answer session whereby different stakeholders (primarily community-the voiceless marginalised section) raise their questions and all these queries are usually answered then and there by others particularly by the implementing agency-the NGO or the government (if government program comes under the purview of social audit).

Thus Social Audit would break this culture of silence by providing them ample chances to question the NGOs or VDC (Village Development Committee) first and to the PRI (Panchayati Raj Institution) and government later on imposing on them (those particularly public servants, privy to information of public interest) an unwritten code of ethics to disclose and unravel. Any disclosure for public domain would itself govern their accountability for the info would be exposed for scrutiny in public milieu. This holds good for PRI (Panchayati Raj Institutions), NGO (Non Government Organisation), government and CBOs (Community Based Organisation) that implement programs meant for community.

FEEDBACK:

Feedback is a post mortem analysis of the entire audit process and its viability in tandem with the concept of community empowerment and caring in a disaster context. It mainly deciphers by trend analysis whether the three components of the audit process i.e. discourses, display and discussion are in sync keeping abreast the idea of asserting the right to information and thus in the long run would ensure community accountability.

Feedback is obtained from all the stakeholders plus outside participants and development thinkers those who occasionally drop in to have a glimpse of the proceeding.

Trend analysis shows on the Efficacy Of Social Audit:

Social audits after being conducted in a particular operation area there should be follow up and trend analysis and it should be done by the NGO along with the facilitator of the audit.

Trend analysis shows that social audit can trigger off monitoring process and steer performance standard by making us to understand the implications including cost-effectiveness of the programs in achieving social, community, cultural and/or environmental impact. It also gives community informed choices about priorities and modifies practices in the light of results.

It permits the stakeholders particularly community to influence future policy of the government and makes the state empathetic towards weaker sections in the long run. It also influence to a great extent the plan and budgeting of the NGO for that particular operation area.

It sharpens reporting and documentation standard of both the community and NGO based on verifiable evidence rather unsubstantiated claims.

It improves social performance and accountability of the community and more importantly NGOs/ over years adhering to the norms of transparency and public

accountability.

The Dos and Don'ts while conducting the program:

- Community will not own the process unless social audit tool is integrated with the planning
- It's a no-cost program and hence should not be reflected in the budget
- Give women and destitute more chance to question and clarify
- Display formats need to be simplified for the understanding of all category particularly illiterate women and uncared aged. Sometimes reading out aloud the charts also does not help the participants to understand and ask.
- It often leads to chaos and tip off along political party line division rather than having a disciplinary question-answer session.
- Program should be conducted in open air and places where poor and marginalized would feel comfortable; for example temple is obviously not a choice for dalits.
- Its been observed that in many social audits though the presence of women participants is 60%, male folks steal the questions silencing the women.
- Presence of powerful or influential people like Sarpanch and ward members often makes people reluctant to question the sensitive issues like probability of corruption
- Time and venue is an important factor; for instance if it starts late in the afternoon the women participation hampers as many leaves for their houses.
- Objective of social audit on not being properly internalised draws halfhearted response. Sometimes we have shared the objectives then and there before we go in for deliberation.
- Do not make it a hastily planned social audit (often dictated by the NGO) as it will give little time to the community/ the govt. officials to prepare.
- Carry original/photocopies of all the program and finance documents on which you expect questions and clarifications. Documentary evidence clarifies the doubts then and there.
- Social Audit often looses its focus as the scenario becomes noisy and prompts smaller group discussion (rather argument). Neither the display could be done properly, nor the read out was audible. Consequently, discussion became polarised in small groups. Hence facilitation of social audit is an important factor and moreover the facilitator should be acceptable to all the stakeholders.

References:

<http://www.eastdevon.net/ceu/Social-Audit.htm> (Source is not available online now)

India Today News December 18,1998

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Own Means Contribution - EED requirements

For a Development Organisation, the various programme activities are conducted with the help of grants received from various funding agencies that may be Indian, Foreign or Governmental agencies. Normally, the funding agency doesn't support the programme activities with the required 100% funds. The implementing organisations receive funds from these agencies only to a certain percentage of the project budget approved and the balance amount of funds which are not funded by the donor agency have to be raised by the organization by its own efforts. For instance, EED will support upto 75% of the total project cost and require the partner organisation to contribute upto 25%. This raising of funds by the implementing organisations' own efforts is known as raising Own Means of Contribution. These funds form part of the approved source of funds of the respective project. In fact, one of the main objectives of Own Means Contribution is to promote and increase the participation of the community in the programme activities and thereby develop the sense of ownership in them.

The own means of contribution can be raised by the implementing organisation in cash or from noncash sources.

The implementing organisation should ensure that the expenditure, which is being committed, to be financed by the funding agency or by the own source should form part of the approved 'Cost and finance Plan'. In instances where the implementing organisation is not able to raise the committed funds from outside sources, then the consent of EED needs to be taken in advance and in exceptional cases well before the accounts are submitted for audit. The external auditor who has to undertake the audit and testify own means should also be consulted in this regard before making the commitment. This will help to avoid the situation wherein the partner during the course of the project is not able to include and report the own means mobilised, especially the non-cash component in the audited financial report due to auditor's inability to testify the same.

For partner organisations that are being supported by EED for their programme activities given below there are few guidelines for the accounting and reporting of the own means contribution.

The sources of Cash Contributions as per EED requirements of own means are:

- Own means contribution by the project partner and beneficiaries.
- Grants received from Indian or other foreign donors agencies towards the project.
- Grants received from Government.
- Loan from banks to be repaid not out of EED grant.
- Cash income from fees for attending seminars and training courses.
- Loans granted by banks directly to beneficiaries.

The sources of Non-Cash Contributions as per EED requirements of own means are donations of land, building, capital equipments, labour, material, and other services.

While taking the non cash contribution on record the partner organization need to consider the following aspects:

Land

- The land donated should be budgeted in the Cost and finance plan
- Total area of land needs to be specified.
- Prevalent market rate per acre /hectare should be considered
- The cost of registration of land should be taken into account
- The legal title of property should be clearly stated.
- The organization should have physical possession of the property
- The partner organisation should obtain an acknowledgement of donation from the donor of the land.
- The registration of the land should be in the name of the organisation.

Building

- The building donated should have been included in the approved 'Cost and Finance plan.'
- The total covered area should be mentioned
- The type of construction should be mentioned
- The PWD rate of the construction per Sq.ft should be mentioned.
- The prevalent rate of the market as per the civil engineers certificate should be stated.
- The legal title of property should be clearly stated.
- The organisation should have physical possession of the property
- The partner organisation should obtain an acknowledgement from the donor of the land.
- The registration of the land should be in the name of the organisation.
- Or the cost which would have been incurred had the building been taken on hire should be taken on account.

Donation of capital equipments

During the project period, there may be instances where for the programme activities, the beneficiaries / inhabitants / farmers may provide or donate capital equipment like tractor, vehicle etc.

To value the capital equipments donated to the project the partner organization should consider the following points:

- The nature of the capital equipment should be considered.
- The donation of the capital equipment should be budgeted in the approved 'Cost and Finance plan'
- The present working condition of the equipment should be looked into
- The estimated realizable value of the equipment in the present market conditions should also be taken into consideration.
- The legal title of the property should be clearly stated
- The organization should have the physical possession of the equipment
- The partner organization should obtain an acknowledgement from the

- donor of the equipment.
- The registration of any vehicle should be in the name of the organisation.

Donation of Labour

During the course of project activities the implementing organisation should also take into account any 'Shramdan' or free labour, which has been given by the beneficiaries, the farmers, labourers for the implementation of the programme activities.

This 'Shramdan' should be evaluated and included in the own means of financing on the following basis:

- There should be a provision in the cost and finance plan
- The actual number of farmers and labourers who have worked should be recorded
- Also the actual hours which have been put in by them should be accounted for appropriately
- The category of workers should be given i.e.. Skilled, Semi Skilled and Unskilled
- The nature of work done should be considered
- The piece rate per day/ hour should be worked out taking into consideration the requirements as per the Minimum Wages Act prevalent in the state of the project area
- A certificate should be obtained from the farmers regarding the 'Shramdaan' given for the project
- The implementing organisation should also make efforts to measure the actual work, which has been done in comparison to the estimated work after the completion of the work.

Donation of materials

Donation of building material, seeds, fertilizers etc. donated by the beneficiaries, farmers etc. can be accounted for as part of Own means of Contribution in the accounts taking into consideration the following aspects:

- Material, seeds, fertilizers etc. should form part of the approved Cost and Finance plan.
- The nature of material used should be taken into consideration.
- The implementing organisation should account for the actual quantity received and utilized for the project activities.
- The standard usage per sq.ft. /acre /hectare as per the PWD standards should be taken into consideration.
- The price of the material / seeds etc. should be the market price.
- The organisation should obtain an acknowledgement from the donor of the material.

Free use of Capital Equipments

For any equipment, which has been given for free use by the beneficiaries, the same should be accounted for on the following basis:

- The nature of the capital equipment
- Number of days and hours the equipment has been utilised for.
- The cost, which has been incurred on the running and maintenance of the equipment. like salary, wages, repairs and maintenance, depreciation, and other direct expenses should be taken into account.
- Or the cost which would have been incurred had the equipment been taken on hire should be taken on account.
- The organisation needs to obtain an acknowledgement from the donor of these equipments.

Procedure of Accounting of Own Means

Cash Contribution

Any cash contribution received from local sources, Governmental sources for the project should be accounted for in the local books of accounts and funds received from the foreign agencies apart from EED should be accounted for in books of accounts meant for the foreign contribution.

Non-Cash Contribution

The sources of non-cash contribution after they have been recognised and mobilised should be taken into the books of accounts after proper vouching, documentation.

The organisation while documenting the non-cash contribution should ensure that the vouchers prepared in support of the non-cash contribution are explanatory enough and should be well acceptable to the auditors for necessary certification.

Reporting to EED

1) The contribution forming part of the approved budget has to be reflected in the respective regular half yearly audited financial report

On Page 1 – Income

Under 'Own means'

On Page 2- Expenditure

Under the respective approved cost items.

2) In cases where the own means contribution has been approved by EED, outside the cost and finance plan, the partner may then prepare a statement of the Sources and Utilisation of such own means which should be duly certified by the auditor along with the audited financial report. This statement should be sent to EED and FMSF along with the respective financial and progress report.

Reporting to Indian Government

Ministry of Home Affairs, Government of India

Any contribution received in the designated foreign contribution bank account, payment from any foreign agency in kind needs to be reported in Form FC 3 in column 1A (i) to the Ministry of Home affairs.

Income Tax Authorities

All receipts from local or foreign agencies are to be reflected in the books of accounts, on the basis of which the balance sheet is prepared and the annual return is to be filed accordingly.

However for Income tax purposes the non-cash contribution will not be included in the books of accounts.

Shortfall in Own Means of Contribution.

In cases where during the course of project implementation period the organisation is not able to raise the required ratio of own means of contribution as per the approved cost and finance plan, the reasons for the same needs to be informed to EED. In case the shortfall is expected to continue till the end of the project period, the same should be specifically communicated to EED to enable them to take appropriate decision in this regard.

The above requirements are also to be followed while forwarding the request form for transfer of EED funds.

Excess Own means raised

The amount of own means mobilised over and above the agreed ratio needs to be intimated to EED for a further decision in the matter.

Pooja Grover
Project Monitoring Officers

Report on Financial Management Workshop for INSAF held at Kalimpong, West Bengal

As a part of the capacity building process for the newly elected functionaries of the East Zone RRMO (Regional Resources Monitoring Organizations) and state units in the area of financial management, INSAF had organised a workshop on Financial Management at Disha Centre, Kalimpong, West Bengal on 19th and 20th of August 2002.

FMSF was invited to facilitate this Financial Management Workshop to acquaint the newly elected functionaries of INSAF – East Zone with the financial and administrative procedures and norms and strengthening of the capacity of the RRMO's and state units of INSAF in the area of financial management. About 29 participants attended this workshop from various states.

The objective of this workshop was to improve and strengthen the co-ordination process involved in the existing structure; thereby the Financial Management System can be made more effective and facilitative.

The topics covered by the FMSF team during the workshop were Financial Management System of NGO's, Relationship/Coordination – Programme and Finance, Budgeting, Existing structure and procedures, Reporting procedures of INSAF (Formats etc.), Legal & Tax matters, FCRA Regulations and Requirements, Accounting / Reporting of Own Funds

Mr. Sanjay Patra, Executive Director of FMSF, Ms. Pooja Grover, Project Monitoring Officer of FMSF and Mr. V. K. Joshi of RCDRC facilitated the workshop.

Report on Workshop on Fund Management and related Governance for Development Organisations held from 17th to 19th September, 2002 at St. Marks Hotel, Bangalore

FMSF is an organisation involved in capacity building of development organisations in the Indian Sub - continent in the area of financial management and related aspects. In its efforts to address the importance of financial management system as a significant component of the organisation system as a whole, FMSF had conducted its first workshop in New Delhi in June 2002 for the development organisations in Northern India. FMSF conducted the next workshop for the organisations based in South India from 17th to 19th September 2002 at St. Marks Hotel, Bangalore.

The workshop was attended by 48 participants representing various organisations from 8 states like Andhra Pradesh, Tamil Nadu, Orissa, Delhi, Goa, Karnataka, Madhya Pradesh, Maharashtra. Mr. J. B. Singh, Managing Trustee of FMSF, a noted Gandhian and a development worker was also present during the workshop.

The workshop module included topics on Fund Management, Budgeting & Cash Flow, various Governance related matters including Internal Control Procedures, Planning Monitoring and Evaluation Systems, Programme Vs. Finance, Concept of Own Means, Income Tax and FC(R)A and also Organizational Effectiveness and Sustainability

The resource persons for the workshop were Mr. K.N. Gupta, Mr. Manoj Fogla, Mr. Sanjay Patra and Ms. S.P. Selvi

Mr Sanjay Patra facilitated the sessions on Fund Management, Need for Preparation and Presentation of Financial Statements, Organisational Effectiveness and Sustainability.

Mr. K.N. Gupta dealt with the topics on Internal Control Procedures, Budgeting and Cash Flow, Own Means Contribution and FC(R)A.

Mr. Manoj Fogla facilitated the sessions on Fund accounting, NGO Governance, and legal issues of Income Tax.

Ms. S.P. Selvi dealt with the session on Programme Vs. Finance and Planning, Monitoring and Evaluation (PME) Systems.

All the sessions involved intense interactive discussions among the participants and the facilitators. With the help of various case studies and group work, the above topics were effectively addressed.

The workshop was concluded by distribution of Certificate of Participation to all the participants by Mr. K. N. Gupta and Mr. Manoj Fogla.

Report on Workshop on Fund Management and related Governance held on 26th and 27th September 2002 in Nepal for UMN Departments and NGOSP/ NOUnit Partner Organisations

The need for capacitating the network partner organisations in the area of financial management and related governance was felt by UMN and the concern was also shared with EED & FMSF. As a response to this, a workshop on Fund Management and Related Governance was organised by UMN for the partners in the Partnership Programme of UMN that was facilitated by FMSF. About 33 people participated in the workshop. The participants were a mixed group of both Hindi and English speaking.

The workshop was started with the devotion. The topics that were covered in the workshop included Introduction to Fund Management and Governance, Budgeting & its Importance, Fund Accounting, Preparation and Presentation of Financial Statements, Own Means Contribution, Internal Control Procedures, Coordination between Programme and Finance as sub-systems in the overall organisational system & NGO Governance.

The topics taken up were discussed at length with the help of case studies on very practical problems related to the day-to-day working. The topic on Fund Accounting was quite new to the Nepal partners. The concept was well appreciated and understood after an indepth and detailed discussion with the help of a case study. Also the topic on own means contribution generated a lot of discussion on the computation of own means taking into consideration the ground realities at the field level that was very well brought about with a simple case study.

The resource persons for the workshop were Mr. Sanjay Patra, Ms. S.P. Selvi & Ms. Lorraine Mathias from FMSF and Mr. Manoj Fogla as the External Consultant. On the whole the workshop was quite successful and well appreciated and the feedback received from the participants was very positive.

Facilitation of Work-shops for other Agencies By FMSF

Besides organising / facilitating the workshops for about 40 organisations at Bangalore, for INSAF forum organisations at Kalimpong & for UMN member organisations at Kathmandu, Nepal, FMSF was also invited to facilitate the Workshop on Financial Management and Related Governance organised by two agencies based in New Delhi, namely, Project Concern International (PCI), a funding organisation of USA and Oxfam India Trust, a funding organisation of U.K. These two workshops were organised during the month of August, 2002.