

Accounting and Auditing aspects of Charitable Organisations



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 - Companies Act, 2013
 - Maharashtra Public Trusts Act, 1950
 - Societies Registration Act, 1860
 - Income Tax Act, 1961
 - Foreign Contribution (Regulation) Act, 2010

CHARITABLE ORGANISATIONS



Introduction -

- Charity is an age old activity.
- Over the years, there has been growth in charitable activities.
- India has also witnessed a spurt in such activities and with CSR provisions in Companies Act, 2013, the activities shall be in rise in near future.
- New generation looks at charitable activities as an option in career.
- Government in National Policy framed in 2007 has looked at partnership between NPO and Government for distribution of benefits of government policy reaching lower strata of society

Charitable Trust

- 'Public Trust' means an express or constructive trust for either a public religious or charitable purpose or both and includes a temple, a math, a wakf [church, synagogue, agiary or other place of public religious worship], a dharmada or any other religious or charitable endowment and a society formed either for a religious or charitable purpose or for both and registered under Societies Registration Act, 1860. [S. 2(13)]
- Where according to the custom or usage of any business or trade or agreement between the parties relating to any transaction, any amount is charged to any party to the said transaction or collected under whatever name as being intended to be used for charitable or religious purpose, the amount so charged or collected [in this act called 'dharmada'] shall vest in in the person charging or collecting the same as a trustee. [S. 54(1)]

Accounting Aspects

- Accounting aspect of every organisation largely is common.
- Charitable Organisations however, are governed by different laws as well as different forms of organisations also necessitate different accounting aspects to be complied.
- Projects undertaken by a Charitable Organisation may also necessitate consideration.

Accounting Aspects

- Depending on Forms of Organization:
 - Public Trust
 - Society
 - S. 8 Company (Companies Act, 2013)
 - Autonomous Body functioning with Government Aid

Accounting Aspects

- Depending on regulating laws:
 - Maharashtra Public Trusts Act, 1950
 - Societies Registration Act, 1860
 - Income Tax Act, 1961
 - Foreign Contribution (Regulation) Act, 2010
 - Format of Accounts prescribed by MoF, Gol

Accounting Aspects

- Accounting Standards applicable prescribed by ICAI
- Indian Government Accounting Standards (IGAS)
- Indian Government Financial Reporting Standards (IGFRS)
- International Public Sector Accounting Standards (IPSAS)
- Accounting for Local Bodies

Accounting under Maharashtra Public Trusts Act

- Applicable Provisions –
- Maharashtra Public Trusts Act, 1950
 - S. 31 – Submission of Budget to Charity Commissioner
 - S. 32 – Maintenance of Accounts
 - S. 33 – Balancing and auditing of accounts
 - S. 34 – Auditor's duty to prepare Balance Sheet
 - S. 54 – Dharmada Accounts to be kept
- Bombay Public Trust Rules, 1951
 - Rule 17 – Maintenance of Accounts
 - Rule 18 – Certain powers facilitating audit
 - Rule 19 – Contents of audit report
 - Rule 20 – Fee for Special Audit
 - Rule 21 – Time for audit and submission of audit report
 - Rule 30 – Submission of Dharmada accounts

Accounting under Societies Registration Act

- Applicable provisions –
- Societies Registration Act, 1860
 - S. 12D – Maintenance of Accounts and Balancing and auditing
 - S. 12E – Auditor's duty to prepare Balance Sheet and report irregularities
- Societies Registration (Maharashtra) Rules, 1971
 - Rule 9 – Maintenance of Accountants
 - Rule 10 – Audit
 - Rule 11 – Manner of Audit
 - Rule 12 – Time limit

Accounting under Companies Act, 2013

- Applicable Provisions –
- Companies Act, 2013
 - S. 8 – Formation of Companies with Charitable Objects
 - S. 128 – Books of Accounts etc. to be kept by company
 - S. 129 – Financial statement
 - S. 133 – Central Government to prescribe Accounting Standards
 - S. 134 – Financial Statements, Board report
 - S. 137 – Copy of financial statement to be filed with Registrar
- The Companies (Accounts) Rules, 2014

Accounting under FCRA

- Applicable Provisions –
- Foreign Contribution (Regulation) Act, 2010
 - S. 19 – Maintenance of Accounts
 - S. 20 – Audit of Accounts
 - S. 23 – Inspection of Accounts
 - S. 24 – Seizure of Accounts or records
- Foreign Contribution (Regulation) Rules, 2011
(as amended by Gazette Notification dt. 14.12.2015)
 - Rule 11 – Maintenance of Accounts
 - Forms – Requiring Certification by Chartered Accountant
 - FC-4

Accounting for Autonomous Bodies

- Applicable Provisions –
 - Indian Government Accounting Standards
 - Indian Government Financial Reporting Standards
 - Common Format of Accounting prescribed by Government
- [Refer Government Accounting Standards Advisory Board (GASAB) website for more details]

Accounting depending on Activities

- Applicable Provisions –
- Depends on activities undertaken – e.g.
 - Hospitals
 - Educational Institutions
 - Schools, Colleges
 - Medical Aid Society
 - Hostel
 - Libraries
 - And likes . . .

Audit of Charitable Organisation

- An audit is common for all the organisation with general definition being given in
- It is different for charitable organisations depending upon the registrations obtained by the respective organisation under different laws.
- Specific compliances are necessary apart from general audit compliances.



Background

- Audit of Non Profit Organisation has been the domain of few professionals.
- Less attention given by Professionals
- Non Profit Organisations are regulated by State Laws or Central Laws where there is no state regulatory law.
- Regulators showed lesser dynamism till recent past.
- Application of Accounting Standards to charitable organisations also needs attention of professional accountant.

Background

- Preface to the Statement of Accounting Standards (3.3)-The exact wordings are:
- Accounting Standards are designed to apply to the general purpose financial statements and other financial reporting, which are subject to the attest function of the members of the ICAI. Accounting Standards apply in respect of any enterprise (whether organised in corporate, co-operative¹ or other forms) engaged in commercial, industrial or business activities, irrespective of whether it is profit oriented or it is established for charitable or religious purposes. Accounting Standards will not, however, apply to enterprises only carrying on the activities which are not of commercial, industrial or business nature, (e.g., an activity of collecting donations and giving them to flood affected people). Exclusion of an enterprise from the applicability of the Accounting Standards would be permissible only if no part of the activity of such enterprise is commercial, industrial or business in nature. **Even if a very small proportion of the activities of an enterprise is considered to be commercial, industrial or business in nature, the Accounting Standards would apply to all its activities including those which are not commercial, industrial or business in nature.**

BACKGROUND

- Trusts or societies are not an exception to the applicability of accounting standards, as the Financial Statements prepared by charitable organisations are General Purpose Financial Statements.
- The term 'General Purpose Financial Statements' includes balance sheet, statement of profit and loss, a cash flow statement (wherever applicable) and statements and explanatory notes which form part thereof, issued for the use of various stakeholders, Governments and their agencies and the public.

background

- The financial statements prepared by the trust or society includes balance sheet, statements of profit and loss, statements and explanatory notes which form part of financial statements.
- Thus, it is amply clear that Accounting Standards pronounced by ICAI are squarely applicable to the non profit organisations.
- It is the responsibility of management of such entities to ensure that relevant accounting standards are followed while recording transactions in the books of accounts of the relevant entity and the same is verified by the auditor while furnishing his report thereon.

Role of auditor

- At the time of expressing of opinion on the Financial Statements of the entity, an auditor has to ensure such compliance or report non-compliance thereof in his report.
- Format of Audit Report under SA 700 reads as under:
- 'An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management as well as evaluating the overall presentation of financial statements'.

Applicability of Accounting Standards

- For the purpose of applicability of Accounting Standards, enterprises are classified into three categories, viz., Level I, Level II and Level III.
- Level II and Level III enterprises are considered as SMEs.
- The criteria for different levels are given below.

Level I Enterprises

- **Enterprises which fall in any one or more of the following categories, at any time during the accounting period, are classified as Level I enterprises:**
 - Enterprises whose equity or debt securities are listed whether in India or outside India.
 - Enterprises which are in the process of listing their equity or debt securities as evidenced by the board of directors' resolution in this regard.
 - Banks including co-operative banks.
 - Financial institutions.
 - Enterprises carrying on insurance business.
 - All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 50 crore. Turnover does not include 'other income'.
 - All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs.10 crore at any time during the accounting period.
 - Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

LEVEL II enterprise

- Enterprises which are not Level I enterprises but fall in any one or more of the following categories are classified as Level II enterprises:
 - All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 40 lakhs but does not exceed Rs. 50 crore. Turnover does not include 'other income'.
 - All commercial, industrial and business reporting enterprises having borrowings, including public deposits, in excess of Rs. 1 crore but not in excess of Rs. 10 crore at any time during the accounting period.
 - Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

Level III

- Enterprises which are not covered under Level I and Level II are considered as Level III enterprises.

AS 1: DISCLOSURE OF SIGNIFICANT ACCOUNTING POLICIES

- Accounting Assumptions
 - Going Concern
 - Consistency
 - Accrual
- Cash v Accrual System of Accounting
- Disclosure of Accounting Policies
- Compliance with respective statutes
- Principal of Materiality

AS 2: valuation of inventory

- Where an NPO is carrying on any trading/manufacturing activity and has inventories at the year end that are:
 - Held for sale in the ordinary course of business;
 - In the process of production for such sale;
 - In the form of materials or supplies to be consumed in the production process or in the rendering of services;

The inventories should be valued at lower of cost or net realisable value.

AS 2: Valuation of Inventory

- Issue:
- Where an NPO has manufactured or purchased some goods which are meant to be distributed free of cost or at nominal cost to the beneficiaries, whether provisions of AS2 shall apply? If yes, how?
- Since these goods are not meant for sale, nor inputs for production, the same can not be treated as 'inventory' in terms of AS2. Hence, the same do not attract AS2 and the same can be valued at lower of cost or replacement cost.

AS2: Valuation of Inventory

- Issue:
- Where NPO has received from some donor agency, some items free of cost or at nominal charge for distributing to beneficiaries and as at year end, some of these items have remained undistributed/unsold as at year end, what is the method to be applied?
- It is advised that NPO should market prices or estimated net realisable values of such items, lying as at year end, in the notes to accounts along with quantitative details.

As 4: contingent events & event after balance sheet date

- Events occurring after Balance Sheet Date are also important with a view to assess impact on the financial statements under reporting.
- The reference to the report of Board of Directors made in AS4 may be construed, in the context of NPOs, to a comprehensive periodic report of the governing body of NPO, (more commonly known as 'annual report') during the period.

As 5: prior period items & change in estimates

- Change in an accounting policy v/s Change in Accounting estimates
- Prior period items – error / omission / commission
- Separate disclosure for prior period items
- Disclosure for change in accounting policies/estimates

As 6: depreciation accounting

- The depreciation is a systematic charge of the economic use of the asset over its useful life.
- Determination of useful life and method of depreciation is an issue with many societies
- The co-operative societies act and/or rules are silent on the matter of rates/manner/method of depreciation
- Depreciation is provided in majority cases as per rates and manner under Income Tax Act.
- The disclosure requirement as per AS 6:
- The question is whether professionals as auditors are disclosing depreciation schedule correctly?

AS 9: revenue recognition

- Recognition in the case of sale – Transfer of significant risk and reward of ownership
- No significant uncertainty exists regarding amount of consideration
- Interest is recognised on time proportion basis and no significant uncertainty as to measurability and collectability exists
- RBI prudential norms for recognition of revenue in case of substandard, doubtful and loss assets – Co-operative Bank
- Recognition of revenue from locker rent, overdue interest, bank guarantee commission, etc.

As 10: accounting for fixed assets

- **Determination of Cost for Accounting**
- **Non-monetary Consideration**
 - When a fixed asset is acquired in exchange for another asset, its cost is usually determined by reference to the fair market value of the consideration given. It may be appropriate to consider also the fair market value of the asset acquired if this is more clearly evident.
 - An alternative accounting treatment that is sometimes used for an exchange of assets, particularly when the assets exchanged are similar, is to record the asset acquired at the net book value of the asset given up; in each case an adjustment is made for any balancing receipt or payment of cash or other consideration.
 - Examples: UPS/Computers & its peripherals, Generating Sets etc.

AS 10: accounting for fixed assets

- Revaluation of Fixed Assets:

- An increase in net book value arising on revaluation of fixed assets is normally credited directly to owner's interests under the heading of revaluation reserves and is regarded as not available for distribution of dividend.
- A decrease in net book value arising on revaluation of fixed assets is charged to profit and loss statement except that, to the extent that such a decrease is considered to be related to a previous increase on revaluation that is included in revaluation reserve, it is sometimes charged against that earlier increase. It sometimes happens that an increase to be recorded is a reversal of a previous decrease arising on revaluation which has been charged to profit and loss statement in which case the increase is credited to profit and loss statement to the extent that it offsets the previously recorded decrease.

As 10: accounting for fixed assets

- Disclosure:
- The following information should be disclosed in the financial statements:
 - Gross and net book values of fixed assets at the beginning and end of an accounting period showing additions, disposals, acquisitions and other movements;
 - expenditure incurred on account of fixed assets in the course of construction or acquisition; and
 - revalued amounts substituted for historical costs of fixed assets, the method adopted to compute the revalued amounts, the nature of indices used, the year of any appraisal made and whether an external valuer was involved, in case where fixed assets are stated at revalued amounts.

As 12: accounting for govt. grants

- In this case, the standard prescribes that Grant received for acquisition for specific asset should be deducted from cost of the asset and if need be, the asset may be shown at a nominal value.
- Alternatively, the asset may be recorded at its cost of acquisition and continued to be depreciated in the normal way. The Grant so received should be recorded as Reserve with the amount equivalent to the depreciation charged on the asset to be reduced every year.
- Other grants for reimbursement of revenue expenditures should be treated as 'income'.

AS13: Accounting for Investments

- Investments are assets held by an enterprise for earning income by way of dividends, interest and rentals, for capital appreciation, or for other benefits to the investing enterprise.
- Classification of LONG and CURRENT term investments should be as specified in the statute governing the enterprise.
- The requirements of this Standard should be followed in their entirety by NPOs.

As 14: accounting for amalgamation

- Amalgamations and mergers are not a common feature among NPOs.
- As such, this situation is not likely to be commonly seen and applicability would be limited.
- Only important points to be kept in mind are . . .
- (a) the pooling of interests method:
 - Under the pooling of interests method, the assets, liabilities and reserves of the transferor society are recorded by the transferee society at their existing carrying amounts (after making the adjustments required in paragraph 11).
- Para 11 says. . .
 - If, at the time of the amalgamation, the transferor and the transferee societies have conflicting accounting policies, a uniform set of accounting policies is adopted following the amalgamation. The effects on the financial statements of any changes in accounting policies are reported in accordance with Accounting Standard (AS) 5, 'Prior Period and Extraordinary Items and Changes in Accounting Policies'

As 14: accounting for amalgamation

(b) the purchase method:

- Under the purchase method, the transferee society accounts for the amalgamation either by incorporating the assets and liabilities at their existing carrying amounts or by allocating the consideration to individual identifiable assets and liabilities of the transferor society on the basis of their fair values at the date of amalgamation. The identifiable assets and liabilities may include assets and liabilities not recorded in the financial statements of the transferor society.
- In addition to above the reference to Merger order issued by the appropriate authority will also have to be referred to for stipulations given in the order and its impact on the treatment as suggested in the standard.

As 15: employee benefits

- Employee benefits are all forms of consideration given by an enterprise in exchange for service rendered by employees.
 - Employment benefits includes :
 - Retirement benefits – e.g. . Gratuity and pension
 - Other benefits – e.g. medical care, leave encashment etc.
- Defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods
- Defined benefit plans are post-employment benefit plans other than defined contribution plans.

As 15: employee benefits

- Applicability :
- Level I enterprises
 - Actuarial valuation with discounting factor – for short term benefits, long term benefits and post employment benefits.
- Disclosures as per AS 15.
- Level II and Level III enterprises are exempted from following
 - (average number of persons employed during the period is 50 or more)
 - Recognition and measurement of short term accumulating compensated absences which are not vesting (para 11 to 16).
 - Discounting of amounts that fall due for more than 12 months.
 - Accounting for defined benefit plans – recognition, measurement and disclosure (para 50 to 123).
 - However, such entities should do actuarial valuation to provide for accrued liability by using projected unit credit method and discounting factor. They should also disclosed actuarial assumptions as per para 120(I).

As 15: employee benefits

- Accounting for long term employee benefit plans – recognition, measurement and disclosure (para 129 to 131).
- However, such entities should do actuarial valuation to provide for accrued liability by using projected unit credit method and discounting factor.
- Level II and Level III enterprises are exempted from following (average number of persons employed during the period is 50 or less)
- Recognition and measurement of short term accumulating compensated absences which are not vesting (para 11 to 16).
- Discounting of amounts that fall due for more than 12 months.
- Accounting for defined benefit plans – recognition, measurement and disclosure (para 50 to 123).
- However, such entities should provide for accrued liability by any rational method.
- Accounting for long term employee benefit plans – recognition, measurement and disclosure (para 129 to 131).
- However, such entities should provide for accrued liability by any rational method.

As 16: borrowing costs

- Qualifying Assets
- Nature of Borrowing Cost
- Disclosure of Cost of borrowing
- Different treatment under Accounting Standards and ICDS.

As 17: segment reporting

- Applicability of Segment Reporting to NPOs.
- Business and geographical segment.
- Different programmes/projects carried on by an NPO would normally constitute different business segments for the purpose of this standard, if they meet the definition 'business segment' as per AS17.

As 18: related party transactions

- Disclosure of Related Parties.
 - For the purpose of AS18, trustees of an NPO would be considered as key management personnel and accordingly their relatives would, inter alia, be covered as 'related parties'.
 - Every such person who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise is covered as 'related party'.
- Disclosure of Related Party transactions.
- Giving opening, transactions and closing balance.

As 19: leases

- Lease is defined as an agreement whereby the lessor conveys to the lessee in return for a payment or series of payment the right to use an asset for an agreed period of time.
- The standard classifies leases into :
 - Financial lease
 - Operating lease
- The requirement of this standard should be followed in their entirety by all the NPOs.

AS 21: consolidated financial statement

- This standard applies to the preparation and presentation of consolidated financial statements for a group of enterprises under the control of a parent and to the accounting for investments in subsidiaries in the separate financial statements of a parent.
 - Subsidiary is defined as 'an enterprise that is controlled by another enterprise known as parent'.
 - Parent is defined as 'an enterprise that has one or more subsidiaries'.
- An NPO may control another enterprise (which could be in any form of organisation) either through ownership of more than one-half voting power or through control over governing body of enterprise.
- In case such a control exists, requirements of this standard should be followed in entirety.

As 22: taxes on income

- Provision for Income Tax Liability
- Netting off of provision for tax and Advance Tax / TDS for disclosure.
- Calculation of Differed Tax / Liability and presentation in the financial statement.
- Special reserve created under Income Tax Act and impact in differed tax calculation – EAC opinion of ICAI.
- Identification of temporary / permanent differences.
- Disclosure of components of differed tax.

As 26: intangible assets

- Definition of Intangible assets – Economic recourse with measurable cost.
- Determination of useful life and amortization.
- Treatment of Pre-operative / Business development / Similar expenditure

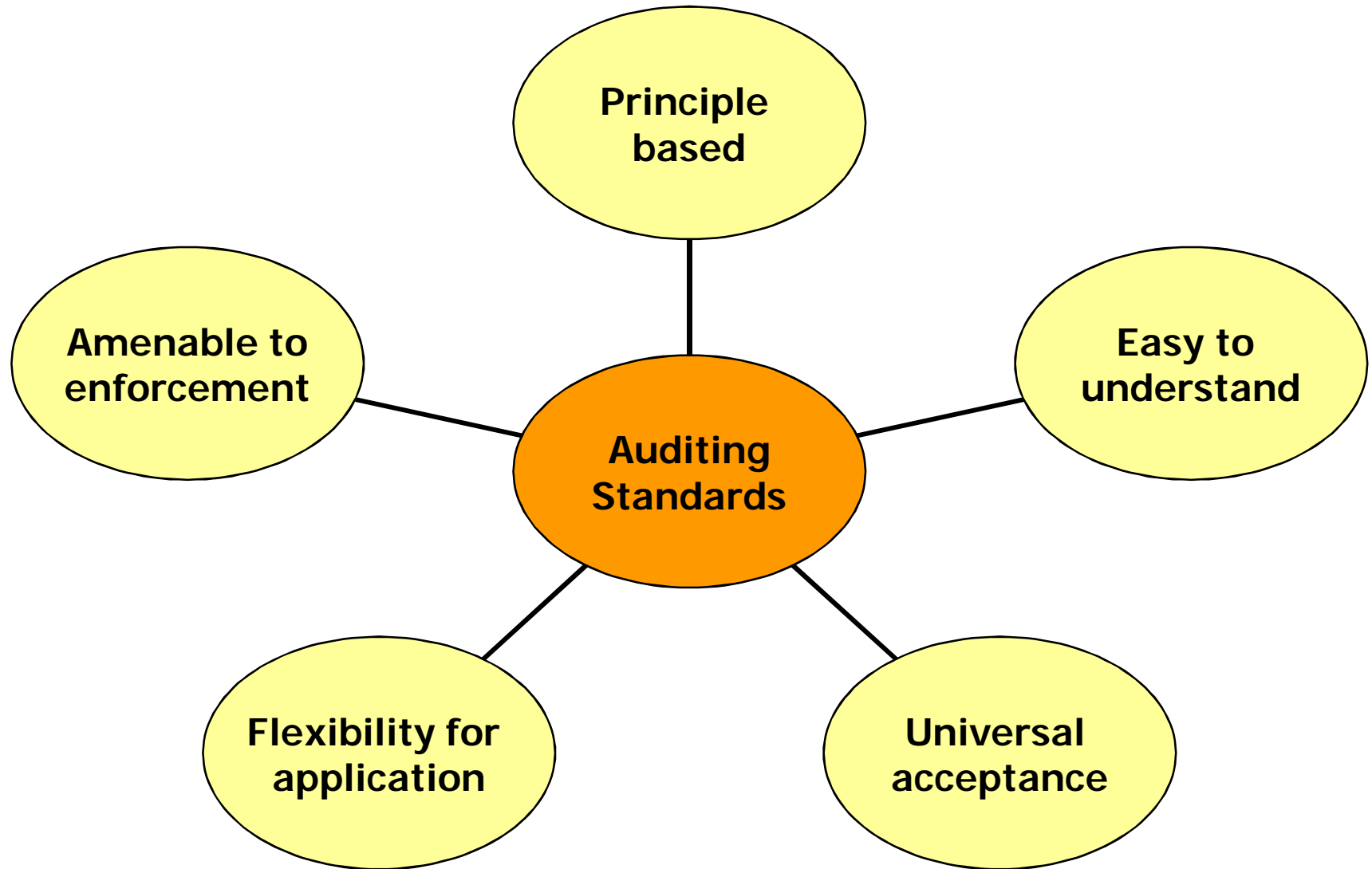
As 28: impairment of assets

- The objective of this Statement is to prescribe the procedures that an enterprise applies to ensure that its assets are carried at no more than their recoverable amount.
- An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset.
- If this is the case, the asset is described as impaired and the NPO is required to recognise an impairment loss.
- It is also essential to know when an NPO should reverse an impairment loss and make certain disclosures for impaired assets.

Why Auditing

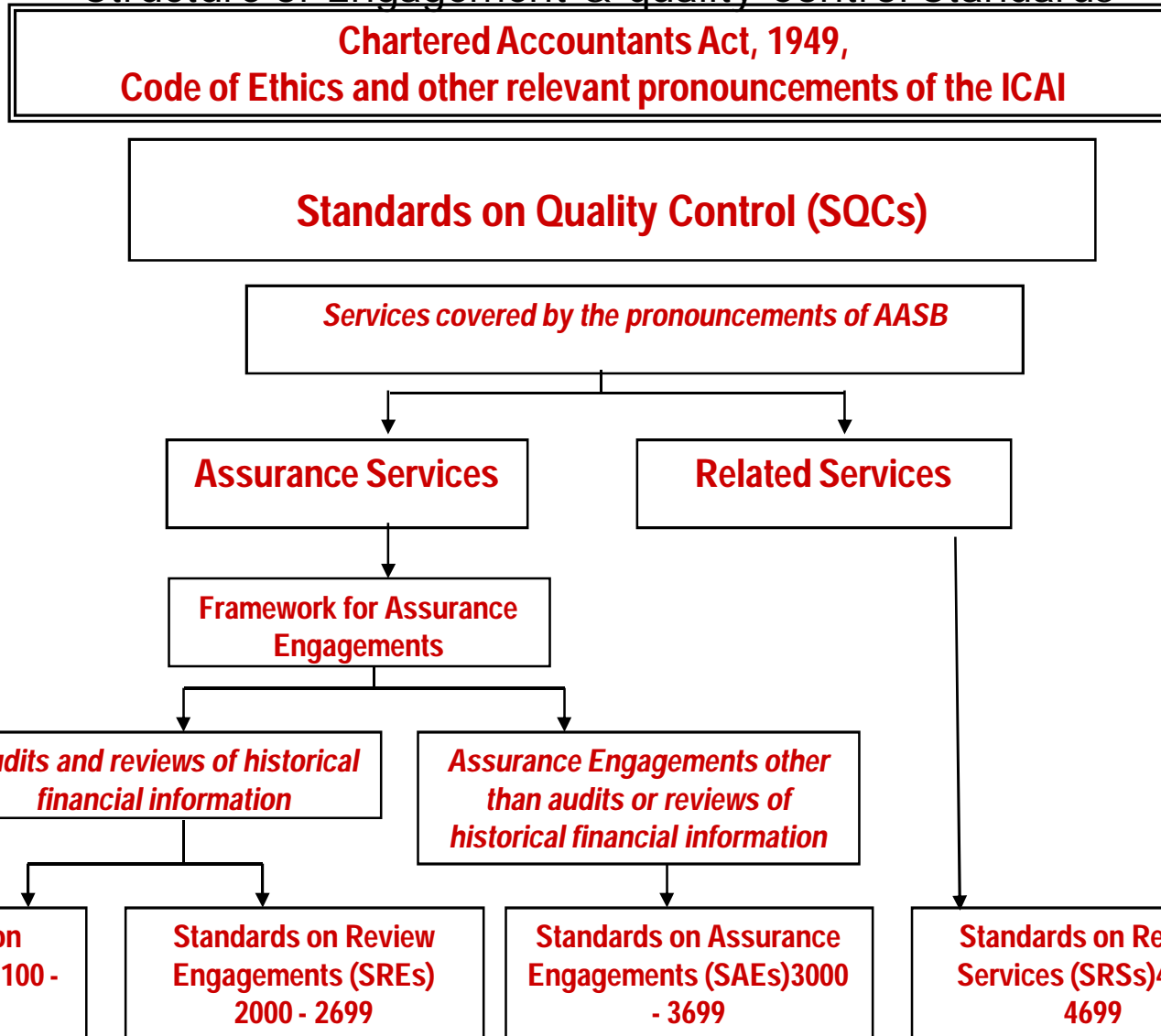
- Economic consequences – Impact of using unreliable information
 - Enhancing credibility of financial information
 - Conflict of interest – Users vs. Preparers
 - Remoteness – Physical, Legal
- (A vital part of Economic Infrastructure)

Effective Auditing Standards - Essentials



A New Framework

Structure of Engagement & quality Control Standards



Compliance with SAs

- Compliance with SAs
 - Mandatory
 - Departure only if alternate audit procedures achieve objective of SAs
 - Document reasons for departure
 - Document alternative procedures
 - Report to draw attention
- SA not applicable if situation outlined in SA is absent.
 - Document alternative procedures performed

Auditing, Review and Other Standards (formerly known as AAS) - Complete Text

Standards on Quality Control (SQC)

- [SQC 1, "Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Engagements"](#)
- [Announcement on Amendment to SQC 1 - Retention Period for Engagement Documentation \(Working Papers\)](#)

Audits and Reviews of Historical Financial Information

New/Revised Standards (Auditing, Review and Others) issued under the Clarity Project

- [100-199 Introductory Matters](#)
- [200-299 General Principles and Responsibilities](#)
 - [SA 200 \(Revised\) issued under the Clarity Project, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing"](#)
 - [SA 210 \(Revised\) under the Clarity Project, "Agreeing the Terms of Audit Engagements"](#)
 - [SA 220 \(Revised\) issued under the Clarity Project, "Quality Control for an Audit of Financial Statements"](#)
 - [SA 230 \(Revised\) under the Clarity Project, "Audit Documentation"](#)
 - [SA 240 \(Revised\) under the Clarity Project, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements"](#)
 - [SA 250 \(Revised\) under the Clarity Project, "Consideration of Laws and Regulations in an Audit of Financial Statements"](#)
 - [SA 260 \(Revised\) under the Clarity Project, "Communication with Those Charged with Governance"](#)
 - [SA 265 issued under the Clarity Project, "Communicating Deficiencies in Internal Control to Those Charged With Governance"](#)
 - [SA 299 \(AAS 12\), "Responsibility of Joint Auditors"](#)
- [300-499 Risk Assessment and Response to Assessed Risks](#)
 - [SA 300 \(Revised\) under the Clarity Project, "Planning an Audit of Financial Statements"](#)
 - [SA 315 under the Clarity Project, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment"](#)
 - [SA 320 \(Revised\) issued under the Clarity Project, "Materiality in Planning and Performing an Audit"](#)
 - [SA 330 under the Clarity Project, "The Auditor's Responses to Assessed Risks"](#)
 - [SA 402 \(Revised\) issued under the Clarity Project, "Audit Considerations Relating to an Entity Using a Service Organisation"](#)
 - [SA 450 issued under the Clarity Project, "Evaluation of Misstatements Identified During the Audit"](#)
- [500-599 Audit Evidence](#)
 - [SA 500 \(Revised\) under the Clarity Project, "Audit Evidence"](#)
 - [SA 501 \(Revised\) issued under the Clarity Project, "Audit Evidence—Specific Considerations for Selected Items"](#)

- SA 450 issued under the Clarity Project, "Evaluation of Misstatements Identified During the Audit"
- 500-599 Audit Evidence
 - SA 500 (Revised) under the Clarity Project, "Audit Evidence"
 - SA 501 (Revised) issued under the Clarity Project, "Audit Evidence—Specific Considerations for Selected Items"
 - SA 505 (Revised) issued under the Clarity Project, "External Confirmations"
 - SA 510 (Revised) under the Clarity Project, "Initial Audit Engagements – Opening Balances"
 - SA 520 (Revised) issued under the Clarity Project, "Analytical Procedures"
 - SA 530 (Revised) under the Clarity Project, "Audit Sampling"
 - SA 540 (Revised) under the Clarity Project, "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Disclosures"
 - SA 550 (Revised) under the Clarity Project, "Related Parties"
 - SA 560 (Revised) under the Clarity Project, "Subsequent Events"
 - SA 570 (Revised) under the Clarity Project, "Going Concern"
 - SA 580 (Revised) under the Clarity Project, "Written Representations"
- 600-699 Using Work of Others
 - SA 600 (AAS 10), "Using the Work of Another Auditor"
 - SA 610 (Revised) issued under the Clarity Project, "Using The Work of Internal Auditors"
 - SA 620 (Revised) issued under the Clarity Project, "Using the Work of an Auditor's Expert"
- 700-799 Audit Conclusions and Reporting
 - SA 700 (Revised) issued under the Clarity Project, "Forming an Opinion and Reporting on Financial Statements"
 - SA 705 issued under the Clarity Project, "Modifications to the Opinion in the Independent Auditor's Report"
 - SA 706 issued under the Clarity Project, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Report"
 - SA 710 (Revised) issued under the Clarity Project, "Comparative Information—Corresponding Figures and Comparative Statements"
 - SA 720 under the Clarity Project, "The Auditor's Responsibility in Relation to Other Information in Documents Containing Financial Statements"
- 800-899 Specialized Areas
 - SA 800 issued under the Clarity Project, "Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks"
 - SA 805 issued under the Clarity Project, "Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement"
 - SA 810 issued under the Clarity Project, "Engagements to Report on Summary Financial Statements"
- 2000-2699 Standards on Review Engagements (SREs)
 - SRE 2400 (Revised), "Engagements to Review Financial Statements"
 - SRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity"

Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

- SA 800 issued under the Clarity Project, "Audits of Financial Statements Prepared in Accordance with Special Purpose Fram
- SA 805 issued under the Clarity Project, "Special Considerations—Audits of Single Financial Statements and Specifi Accounts or Items of a Financial Statement"
- SA 810 issued under the Clarity Project, "Engagements to Report on Summary Financial Statements"
- 2000-2699 Standards on Review Engagements (SREs)
 - SRE 2400 (Revised), "Engagements to Review Financial Statements"
 - SRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity"

Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

- 3000-3699 Standards on Assurance Engagements (SAEs)
- 3000-3399 Applicable to All Assurance Engagements
- 3400-3699 Subject Specific Standards
 - SAE 3400 (AAS 35), "The Examination of Prospective Financial Information"
 - SAE 3402, "Assurance Reports on Controls At a Service Organisation"

Related Services

- 4000-4699 Standards on Related Services (SRSs)
 - SRS 4400 (AAS 32), "Engagements to Perform Agreed-upon Procedures Regarding Financial Information"
 - SRS 4410 (AAS 31), "Engagements to Compile Financial Information"

General Clarifications issued

- General Clarification (GC)-AASB/2/2004 on SA 210
- General Clarification (GC)-AASB/1/2002 on SA 620

Last updated on 22nd 1

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Accounting and Auditing of Charitable Organisations under Different Acts



Audits under Different Acts

- Audit under Companies Act, 2013
- Audit under Maharashtra Public Trusts Act, 1950
- Audit under Societies Registration Act, 1860
- Audit under Income Tax Act, 1961
- Audit under Foreign Contribution (Regulation) Act, 2010

Audit under Companies Act, 2013

- Charitable Organisation formed as Company u/s. 8.
- Principles of Audit as normally applicable to any other limited company are equally applicable with certain exceptions.

Company u/s. 8

- Applicability of Accounting Standards
 - NOT APPLICABLE
 - Unless, any part of activity includes an activity of commercial, industrial or business nature.
- [Refer: Clarification issued by ICAI and published in September 1995 issue of the journal]

Company u/s. 8

- All the other provisions of Company Audit shall be applicable.
- The format of report is given in the 'Technical Guide on Accounting and Auditing of NPO' issued by ICAI.

Audit under Maharashtra Public Trusts Act, 1950

- Any organisation registered under Maharashtra Public Trusts Act, 1950 is governed by Chapter –V of the act covering provisions on 'Budget, Accounts and Audit'.



Audit under Maharashtra Public Trusts Act, 1950

Section 31A, 32, 33(2) and 34(1) and Rules 16A, 17, 19, 20 and 21 deal with accounts and audit of public trusts.

Accounts:

- a) Every trustee of a public trust shall keep regular accounts.
- B) Such accounts shall be kept in such form as may be approved by the charity commissioner and shall contain such particulars as may be prescribed.

S. 31A –Filing of Budget

- Compulsory for every Public Trust to prepare and file with the Charity Commissioner at least 1 month before the commencement of each accounting year, a BUDGET showing probable receipts and disbursements of the Trust during the following year.

Accounts and Audit

- S. 32 – Maintenance of Accounts
- S. 33 – Accounts shall be audited every year by a 'Chartered Accountant' within the meaning of Chartered Accountants Act, 1949

OR

- By such persons authorised by State Government
- Provided that, NO SUCH PERSON is in any way **interested in ; or connected with**, the Public Trust.
- Principles of independence of auditor are important since no more elaboration is available under the act.

Independence of Auditor

- Self interest is described as 'Threat' under Code of Ethics for Professional Accountants.
- Though the law has not elaborated the concept of independence, the same is evident from the language and in the absence of express provisions, one has to look for the regulatory provisions of the profession.
- Examples would be –
 - A financial interest in a client
 - Undue dependence on total fees from a client
 - Having a close business relationship with a client
 - Concern about the possibility of losing a client
 - Potential employment with a client
 - A loan to or from an assurance client or any of its directors or officers

S.34 – Duty of Auditor

- It is the duty of the auditor of a public trust to prepare a balance sheet and income and expenditure account and to forward a copy of the same to the charity commissioner. (1)
- It shall be the duty of the trustee to file a copy of the balance sheet and the income and expenditure account forwarded by the auditor before the charity commissioner. (1A)
- The auditor shall in his report specify all cases of irregular, illegal or improper expenditure, or failure or omission to recover money or other property belonging to the public trust or of loss or waste of money or other property thereof and state whether such expenditure, failure, omission, loss or waste was caused in consequence of breach of trust, or misapplication or any other misconduct on the part of the trustees, or any other person.

Rule 19 – Contents of Audit Report

- whether accounts are maintained regularly and in accordance with the provisions of the Act and the rules;
- whether receipts and disbursements are properly and correctly shown in the accounts;
- whether the cash book and vouchers in the custody of the manager or trustee on the date of audit were in agreement with the books of accounts;
- whether all books, deeds, accounts, vouchers or other documents or records required by the auditor were produced before him;
- whether a register of moveable or immovable properties is properly maintained, the changes therein communicated from time to time to the regional office, and the defects and inaccuracies mentioned in the previous audit report have been duly complied with;

Audit Report under Rule 19

- Report is not in the nature of averments and expressions of the opinion on maintenance of accounts, true and fair view, etc.
- Report is in the form of questionnaire.
- In order to answer these questions properly, an auditor has also to verify certain records and provide comments.
- Pre-printed format is available with stationers but routine filling should be avoided.
- The same should be referred to in the main report under SA 700 in 'Report on Other Legal and Regulatory Requirements'.

Audit Report under Rule 19

- Whether the report under Rule 19 will fall under Audit or Review engagement under new framework of auditing standards?
- Whether the Form in Schedule IX-C, which is Statement of Income liable to contribution for the year requiring signature of Auditor is a part of Audit or Compilation?

Role of Auditor

- Apart from Audit, he is expected to perform additional verifications/certifications and some other duties.
 - Certifying Statement of Contribution
 - Certifying the 'Corpus Donations' u/s. 58
 - Issuing 'Utilisation Certificate' for various grants received
 - Guiding trustees for routine secretarial work

Audit under Societies Registration Act, 1860

- Rule 12D and Rule 12E inserted by Government of Maharashtra in 1968
- Govern maintenance of accounts and audit.
- A society registered under Bombay Public Trusts Act, 1950 is also required to comply with latter act.

Rule 12D - Contents

- Every governing body is entrusted with the duty of maintenance of proper accounts.
- Society Registrar to prescribe the format and contents of such accounts.
- Accounts to be balanced every year on 31st March.
- Accounts to be audited by a Chartered Accountant or such other person as authorised by State Government.

Rule 12E - Contents

- It shall be the duty of the Auditor to prepare a Balance Sheet and Income and Expenditure Account and forward the same to the Registrar.
- Auditor shall specify all cases of irregular, illegal or improper expenditure or failure or omission to recover monies or other property belonging to society or of loss or waste of money or other property thereof.
- He shall also report whether such expenditure or waste was caused in consequence of breach of trust or misapplication or any other misconduct on the part of governing body.

Contents of Report

- Comparison of contents under MPT and SRA –
 - Though broadly contents are intended to cover the same or similar aspects, the differences between them are important to be noted.
 - The differences are intended to be highlighted for noting the scope of reporting under different acts.
 - In case of an entity registered under both the acts, the comprehensive reporting may have to be adhered to.

Comparison – Differences only

- Whether a register of movable or immovable properties is properly maintained, the changes therein are communicated from time to time to the regional office and the defects and inaccuracies mentioned in the previous audit report have been duly complied with;
- Alienations, if any, of the immovable property contrary to the provisions of section 36 which have come to the notice of the auditor ;
- Whether budget has been filed in the form provided by Rule 16-A
- Whether an inventory, certified by the Secretary of the movables of the society has been maintained;
- Whether all expenditure incurred on behalf of the society has been sanctioned from time to time by the governing body or any other person authorised to do so under the rules and regulations of the society;
- Whether minutes of the meetings of the general body, governing body and other bodies or committees, if any, are maintained regularly and properly;
- Whether list of members is maintained and is kept up-to-date

Audit under Income Tax Act, 1961

- In addition to respective acts, an audit under provisions of Income Tax Act, 1961 is also applicable as under –
 - U/s. 12A(b)
 - U/s. 44AB
 - U/s. 35AC

S. 12A(b) of Income Tax Act

- Where the total income of the Trust as computed without giving effect to the provisions of S. 11 and S.12 exceeds the maximum chargeable to tax in any previous year, the accounts of the trust for the year shall be audited by a Chartered Accountant.

Report

- The report shall be in Form 10B as prescribed under Rule 17B of Income Tax Act, 1961.

Contents of Audit Report

- Form 10B is in 2 parts.
- Part 1 – Audit Report expressing opinion on true and fair view in respect of Balance Sheet and Profit and Loss Account.
- Part 2 – Annexure requiring the auditor to state the year's surplus, accumulation of income, utilisation of income (application); and whether any income or property was used for the benefit or specified (excluded categories) persons.

Audit Report in Form 10B

- This report is to be furnished along with the Return.
- It is possible to have the accounts audited by one auditor and to get the report in Form 10B from another auditor.
- Format of Audit Report in Form 10B is different from the one prescribed SA 700 [Old AAS28]

S. 44AB - Audit

- It would apply only if the trust has income chargeable under the Business head.
- However, other view is that section will apply if a trust carries on a business irrespective of the fact that the income there from may continue to enjoy exemption.
- ICAI supports the latter view as per the publication 'Issues on Tax Audit'.

S. 44AB - Audit

- S. 145 as to the Method of Accounting (cash or accrual) also applies to Trust.
- ICAI has recommended specific disclosure in Accounting Policies where cash basis is followed.

S. 35 & Rule 5D – Income Tax

- An institution carrying out scientific research and claiming eligibility for deduction u/s. 35 of Income Tax Act, 1961 is also required under Rule 5D to get its accounts audited from Chartered Accountant.

S. 35 & Rule 5D/5F – Income Tax

- Such institution is also required to maintain a separate statement of donations and amount applied for scientific research and a copy of such statement duly certified by the auditor shall be submitted along with the audit report. Similar provision exists in Rule 5F.

Audit – Foreign Contribution Regulation Act, 2010

- It governs acceptance and utilisation of foreign contributions or foreign hospitality by certain persons or associations.
- This act is a national security legislation.
- The act and its implemental are in the administrative control and domain of the Ministry of Home Affairs, Government of India, New Delhi.
- One should exercise extreme care and caution in dealing with foreign contribution from the time of its receipt to its final utilisation.

Foreign Contribution - FCRA

- Foreign Contribution is the contribution, donation, gift, presentation or transfer of a like nature received from a foreign source – not being an Indian Citizen nor from Indian Association, organisation, society, trust, money (in the form of either Foreign currency or Indian Currency), foreign security or an article given as gift.

Foreign Contribution - FCRA

- The main idea behind this regulation is not to ban or prohibit any foreign contribution for really genuine purposes but only against those meant for influencing our elections, our government or our electoral representatives or any other individual or association in important areas of our national life.

Registration under FCRA

- Once an organisation is registered under the act, there are many things the organisation should do regularly to ensure continuity of registration which include, inter alia, maintenance of proper books of accounts and audit thereof as also filing of prescribed returns periodically.

Accounts & Audit - FCRA

- S. 13 – Maintenance of Accounts by receipt of Foreign Contribution.
- S.14 & 15A – Inspection of Accounts
- Form FC 4 – Account of Foreign Contribution with the Certificate by Chartered Accountant

Form FC – 4

- The form contains a Statement of Foreign Contributions received during the year with the breakup of the same purpose wise as well as donor wise.
- Name and Address of donor, purpose for which the contribution is given, date of receipt and amount of receipt is also required to be given

Form FC – 4

- Country wise break up of the foreign contribution received should be furnished.
- In regard to individual donors, foreign contributions during the financial year received exceeding Rs. 1 Lakh are to be reported.
- Chief Functionary who is an officer bearer should make out the application in his name.
- Chartered Accountant should certify the contents of the Form.



सत्यमेव जयते

FCRA Online FORMS

Intimation of receipt of foreign contribution by way of gift / as Articles / Securities / by candidate for Election (FC -1)

Application for FCRA Hospitality(FC-2)

Application for FCRA registration / prior permission / renewal(FC3)

Intimation - Annual Returns (FC-4)

Application for seeking permission for transfer of foreign contribution to other un-registered persons (FC-5)

Intimation for Change of Association Name / Address/ FC Recipient Bank/ Utilisation Bank Accounts / Key members(FC6)

INFORMATION DESK

[How to fill form](#)

[Sample form](#)

[Required documents](#)

[Track my application](#)

[Feedback & Suggestions](#)

Welcome to the online portal of FCRA Services

This is a good governance initiative by the Ministry of Home Affairs to provide a smart, citizen centric, transparent, efficient and time-bound mechanism for citizens and organisations to avail various services related to FCRA and Foreign Hospitality.

The links for accessing various forms are given towards the left. For checking the status of an already submitted application, please click on the 'Track my Application' tab on the Information Desk. For general queries, please refer to the section on Frequently Asked Questions (FAQs).

Your feedback and suggestions are welcome for improving the service delivery. Please register your feedback/suggestions by clicking on the Feedback and Suggestions tab above.

Foreign Contribution(Regulation) Act, 2010



FCRA Online FORMS

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INFORMATION DESK

How to fill form

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Feedback & Suggestions

Instructions

[FC-2 FCRA Hospitality Instructions](#)

[FC-3 FCRA Registration Instructions](#)

[FC-3 FCRA Prior Permission Instructions](#)

[FC-3 FCRA Renewal Instructions](#)

[FC-4 FCRA Return Instructions](#)

[FC-5 FCRA transfer of foreign contribution Instructions](#)

Notifications on draft amendment to Foreign Contribution(Regulation) Act, 2010

1. FCRA Online-Annual Returns

Go to Ministry of home affairs website by typing in address of web browser, <http://fcraonline.nic.in> the following screen will be displayed.

The screenshot shows the FCRA Online Forms page. At the top, there is the Ministry of Home Affairs logo and name in Hindi and English. Below that is a navigation bar with links for Home, FCRA Act, Rules & Regulation, Annual Reports, FAQ, and CONTACT US. The main content area is divided into two columns: FCRA Online FORMS and INFORMATION DESK. The FCRA Online FORMS column lists several application types, including FC-1, FC-2, FC-3, FC-4, FC-5, and FC-6. A purple callout box with a white arrow points to the FC-4 application link, containing the text "Click here to apply for". The INFORMATION DESK column has a "Welcome" tab selected and displays "Welcome to FCRA".

Click here to apply for

Best Viewed In Chrome At A Resolution Of 1024 X 768 Or Higher



गृह मंत्रालय, भारत सरकार
Ministry of Home Affairs, Govt. of India

सत्यमेव जयते

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FCRA Online FORMS

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INFORMATION DESK

How to fill form

Sample form

Required documents

Track my application

Feedback & Suggestions

FC1-Sample application (filled) or (Un-filled)

FC2-Sample application (filled) or (Un-filled)

FC3-Sample application

- Registration (filled) or (Un-filled)
- Prior Permission (filled) or (Un-filled)
- Renewal (filled) or (Un-filled)

FC4-Sample application (filled) or (Un-filled)

FC5-Sample application (filled) or (Un-filled)

FC6-Sample application (filled) or (Un-filled)

Important notice for filing of annual returns under FCRA,2010

Important Notice on Renewa



गृह मंत्रालय, भारत सरकार
Ministry of Home Affairs, Govt. of India

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FCRA Online FORMS

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INFORMATION DESK

How to fill form

Sample form

Required documents

Track my application

Feedback & Suggestions

[FC1-Required documents for uploading](#)

[FC2-Required documents for uploading](#)

[FC3-Required documents for uploading](#)

[FC4-Required documents for uploading](#)

[FC5-Required documents for uploading](#)

[FC6-Required documents for uploading](#)

NEW Important notice for filing of annual returns under FCRA,2010 **NEW**



गड संजालर श्राउत सुकुत

Close

Please ready with the following documents which are saved in PDF format and available for uploading.

Sl. No	Document Name	Maximum Size Limit of PDF document
1.	Duly signed and seal Chartered Accountant Certificate(with C.A registration number).	1 MB
2.	Declaration Certificate of Chief Functionary.	1 MB
3.	Audited Statement of Accounts(It should contain Payment Account, Income and Expenditure Statement, and Balance Sheet).	50 MB
4.	Statement of Account from Bank duly certified by tge officer of such bank.	10 MB

Please also ready with the images of Chief Functionary signature and Seal of the Association which are saved in JPG/JPEG format and available for uploading

Sl. No	Instruction for Images
1.	Image Dimension of Signature should be 140(Width) * 60(Hight) Pixel only.
2.	Ensure that the size of the scanned signature image is not more than 50 KB.
3.	Image Dimension of Seal of Association should be 140(Width) * 60(Hight) Pixel only.
4.	Ensure that the size of the scanned image of Seal of Association is not more than 100 KB.

Foreign Contribution(Regulation) Act, 2010



गृह मंत्रालय, भारत सरकार
Ministry of Home Affairs, Govt. of India

Home | Act, Rules/Regulations | Information Bank | Orders / Circulars Guidelines | FAQ's | Annual Reports | Contact Us

A+ | A-

FCRA Online FORMS

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INFORMATION DESK

[How to fill form](#)

[Sample form](#)

[Required documents](#)

[Track my application](#)

[Feedback & Suggestions](#)

Track Your Application

Under Construction

on) Act, 2010

Other significant Laws

- By virtue of type or location or any other factor, there are other laws, which are also applicable to the NPO.
- For.eg. Muslim charitable trust falling under Wakf Act, Society in Rajasthan coming under Rajasthan Societies Registration Act, 1958.
- Literary/scientific/charitable society in Kerala falling under The Travancore Cochin Literary Scientific and Charitable Societies Registration Act, 1955.
- Compliances under such relevant laws also needs to be observed.

Issues in accounting and auditing of Charitable Organisations

- In spite of promulgation of various regulations, standards, guidance notes and amendments from time to time, the accounting and auditing of charitable organisations gives rise to certain issues.
- The issues may have been dealt with in a number of ways by various entities but in view of introduction of CSR in Companies Act, 2013, the issues would arise in larger proportion and would certainly deserve application of mind.
- Some of them are dealt with here after.

Issues

- Comparison between Balance Sheet under Maharashtra Public Trust Act, 1950 (Schedule VIII) and Societies Registration Act, 1860 (Schedule III).
- The contents are different since these are under different acts.
- However, in some cases, the Balance Sheets are drawn up in Form given under Schedule IX for an entity registered under Societies Registration Act, 1860.
- Similar is the position in respect of Income and Expenditure under Schedule IX under MPT and Schedule IV under Societies Registration Act.
- Alternatively, an entity registered under both legislations require compliance under both these acts.

Issues

- Similarly, the comparison of provisions of Rule 19 under Maharashtra Public Trust Rules and Rule 11 under Societies Registration (Maharashtra) Rules give out different reporting requirements.
- Thus, for an entity registered under both the legislations necessitate compliance and hence, warrant preparation under both the legislations.
- Similarly, the Audit Report under SA 700 (Revised) necessitates compliance and hence, proper reporting is expected from auditor.

Issues

- Issues in application of Accounting Standards (AS) –
 - AS-1 Accounting Policies
 - AS-3 Cash Flow Statements
 - AS-5 Net Profit or Loss, Prior period items
 - AS-10 Fixed Assets
 - AS-6 Depreciation
 - AS-12 Government Grants
 - AS-17 Segment Reporting
 - AS-18 Related Party Disclosure
 - AS-22 Taxes on Income
 - AS-23 Investment in Associates in Consolidated Fin Stmt
 - AS-24 Discontinuing Operations
 - AS-27 Financial Reporting in JV

Application of Accounting Standards

- Accounting Standards are mandatory for Companies registered u/s. 8 of Companies Act, 2013.
- In respect of non-company NPO, carrying on even a very small proportion of commercial, industrial or business activities are concerned, Accounting Standards issued by ICAI are mandatory.
- Difficulties arise in application in respect of proper appreciation of 'commercial', 'industrial' or 'business' activities.
- Examples –
 - Making greeting cards and selling for raising funds;
 - Stitching clothes, garments with the help of members of weaker sections and raising revenue with a view to provide financial support ;
 - Providing old age homes, day care centers, etc for consideration;
 - Organising functions for raising revenue for charitable objects; and so on...

Issues in application

- Accounting policies are still not disclosed in many cases and insufficiently or improperly disclosed in certain other cases.
- Interest accounting is inconsistent from year to year.
- Depreciation accounting and capitalisation of costs for fixed assets still differ from year to year.
- Cash v Accrual.
- Accounting for Govt. Grants is not in compliance with AS 12.
- Improper disclosure of donations received in kind for distribution to poor segment of society and undistributed stock of such items.
- Valuation of foreign exchange assets as on date of Balance Sheet or surplus/deficit due to fluctuation in currency rates not accounted satisfactorily.

AS-1: Disclosure of Accounting Policies

- ICAI expects disclosure in respect of the following –
 - Method of Depreciation
 - Recognition of revenue
 - Accounting for income from and expenditure on research
 - Foreign currency translation
 - Valuation of inventory
 - Valuation of investments
 - Treatment of retirement benefits
 - Valuation of Fixed Assets
 - Treatment of contingent liabilities
 - And so on . . . Since the list is illustrative.

AS-12: Government Grants

- AS-12 prescribes accounting treatment in respect of government grants which may be specific related to a project or an asset or general.
- A charitable institutions also receives donations and grants from other donor agencies, e.g. individual donors and corporate bodies.
- The principles of accounting enunciated in AS-12 should also be followed in respect of donations and grants received from such donors.
- Non monetary grants should be recognised at nominal value or actual cost to the NPO.
- Monetary grant to meet general expenses should be disclosed separately in Income and Expenditure Account along with relevant expenditure.

AS-12: Government Grants

- Donations or grants received to acquire/construct specific fixed assets should be accounted for as follows:
 - Grant should be shown as a deduction from the Gross Value of the relevant Fixed Asset.
 - Alternatively, the gross value of the fixed asset should be left undisturbed and –
 - Where the grant relates to a non-depreciable asset, e.g. freehold land, it should be credited to Capital Reserve.
 - Where the grant relates to a depreciable asset, it should be treated as deferred income which should be recognised in the Income and Expenditure Account by allocating it over the periods and in proportions in which depreciation on the concerned asset is charged.

Issues

- Application of Standards on Auditing
 - Insufficient documentation
 - Absence of appointment letter for year under audit
 - Insufficient working papers
 - Absence of qualification in cases of non compliance with AS or format of accounts
 - Improperly drafted audit report under SA 700
 - Casual approach in preparation of Financial Statement
 - Audit plan, Check List, Engagement letter, Management Representation letter and such other documents not available
 - Insufficient compliance with regulating laws as regards maintenance of records or other compliances by charitable organisation and casual approach by auditor.
 - In view of applicability of Right To Information Act, 2005 (RTI) to organisations substantially financed by government, auditors' liability increases.

BALANCE SHEET AS AT 31ST MARCH, 2007

FUNDS & LIABILITIES		CURRENT YEAR	PREVIOUS YEAR	INVESTMENTS & ASSETS		CURRENT YEAR	PREVIOUS YEAR
BUILDING FUND		1,015,108.00	754,137.00	BUILDING:-		969,970.00	709,970.00
Balance b/fd.	754,137.00			Tenancy Right in Office Premises.	709,970.00		
Addition during year	250,000.00			F.D.R. in Canara Bank	260,000.00		12,232.00
Add.: Interest for the year (A/c No 23235 Bank Interest)	971.00						
PRIZE & GIFT FUND		23,811.00	23,811.00	FURNITURE:-		7,181.00	7,979.00
				Balance as per last A/Sheet	7,979.00		
				Less:- Dep. For the Year	798.00		
WELFARE FUND		121,180.00 ✓	112,180.00	Prize & Gift Fund		30,000.00 ✓	30,000.00
Bal. B/fd..	112,180.00			[FDR in Canara Bank]			
Addition during year	9,000.00			Welfare Fund		140,000.00 ✓	110,000.00
				[GOI BOND in Canara Bank]	110,000.00		
					40,000.00		
OFFICE MAINTENANCE FUND		50,000.00	50,000.00	Office Maint. Fund		50,000.00 ✓	50,000.00
				[GOI BOND in Canara Bank]			
PATRIKA PRAKASAN FUND		21,000.00	-	Patrika Prakasan Fund		21,000.00	
				[FDR in Canara Bank]			
LIFE MEMBERSHIP FUND		137,442.00	122,420.00	Life Membership		140,000.00 ✓	126,003.00
Balance b/fd..	122,420.00			[FDR in Canara Bank]			
Addition during year	15,022.00			F.D.R. in Canara Bank (Others)			50,000.00
INCOME & EXPENDITURE A/C		79,342.00	68,480.50	Balance in Bank [A/c: 23235]		6,206.00	12,732.00
Balance b/fd..	68,480.50			Balance in Bank [A/c: 26255]	81,529.00	33,896.00	
Add:- Excess of Income over				T.D.S	187.00 ✓		
Expend. during the year	10,861.50			Cash in Hand	1,811.00	948.50	
		1,447,803.00 ✓	1,131,028.50 ✓			1,447,883.00 ✓	1,143,260.50 ✓

AS PER OUR AUDIT REPORT OF EVEN DATE

FOR

SABHA, MUMBAI

FOR
CHARTERED ACCOUNTANTS

PLACE : MUMBAI

[Signature]

[Signature]

[Signature]

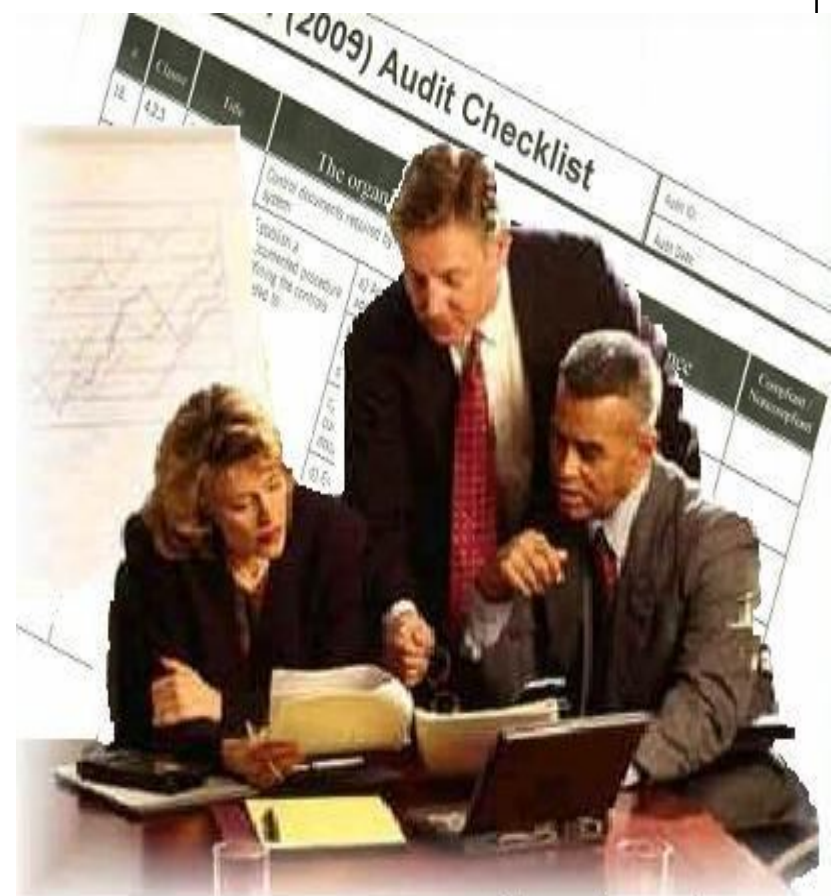
Issues

- Charitable Organisation related issues –
 - Insufficient manpower
 - Casual approach towards objects of the entity
 - Insufficient resources
 - Non awareness in respect of changes in accounting and auditing compliances and government regulations
 - Differences in members of Management
 - Lack of awareness in respect of tax laws and their compliance
 - NPOs may be exempt from tax but not from laws like FCRA, PMLA and MVAT Act as well as in KYC and such matters. Hence, improper accounting may pose problems to management and auditor as well.
 - In view of lack of proper internal control, employees take advantage by resorting to malpractices and organisations face music.
 - The list is growing and issues rising lest timely proper action is taken. . . .

Practice Management-I

Environmental Pressure

- Competition Pressures
 - To acquire and maintain clients
 - Cutting costs where integrity is impaired
 - Provision of non-audit services to clients
- Timing of completion of Audit Work
- Audit Fees Vs Cost of Compliance
- Heighten Regulations



Practice Management-II

- Maintaining Adequate Documentation
- Implementation of Standards
- Time Management



Audit Documentation

- Legal Defence for a practitioner
- Standardisation of working papers –
 - Checklist
 - Specimen letter
- Document profile of client
- Document significant observation
- Cost of Documentation

Implementation of Standards

- Prepare a checklist
- Update checklist regularly
 - Hold group meeting
 - Attend study circle meetings
 - Read literature
- Record compliance in respect of each client

Time Management

- Time Recording
- Matching actual time spent with budgeted time
- Holding meetings with client after completion of audit



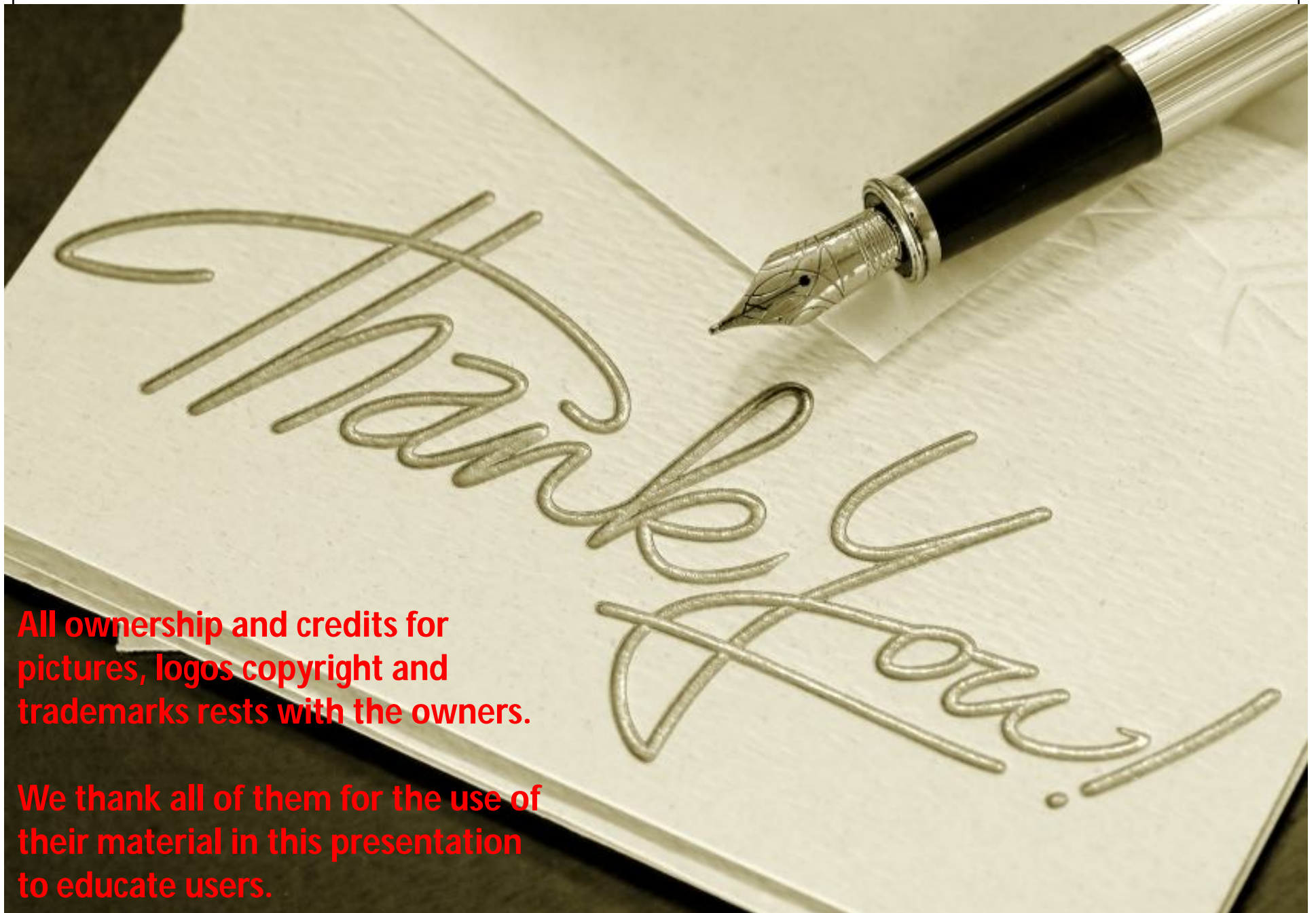
Concluding Observations

- Apply Professional Judgment
- Technical knowledge, skill and experience
- Intuitive skills – To deal with any situation
- Nose for Truth
- Auditor Responds – Auditee reciprocates

It is better to be careful lest it costs you

Final Thoughts....





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