



WIRC WEBINAR:
CA ENABLING COMPANIES
TO ADAPT CSR

by CA Atul Ambavat

July 25th, 2020

Ancient history of CSR in India:

India has one of the richest tradition of CSR
For Eg: In Mauryan era, Kautilya's Arthashastra

Phases of Evolution of CSR:

Phase: 1 (1850-1914)

- corporation is only responsible to owners & managers.

Phase 2 (1914 – 1960)

- corporation is responsible to owners, managers & employees.

Phase 3 (1960 - 1990)

- corporation is responsible to owners, managers & other target environments

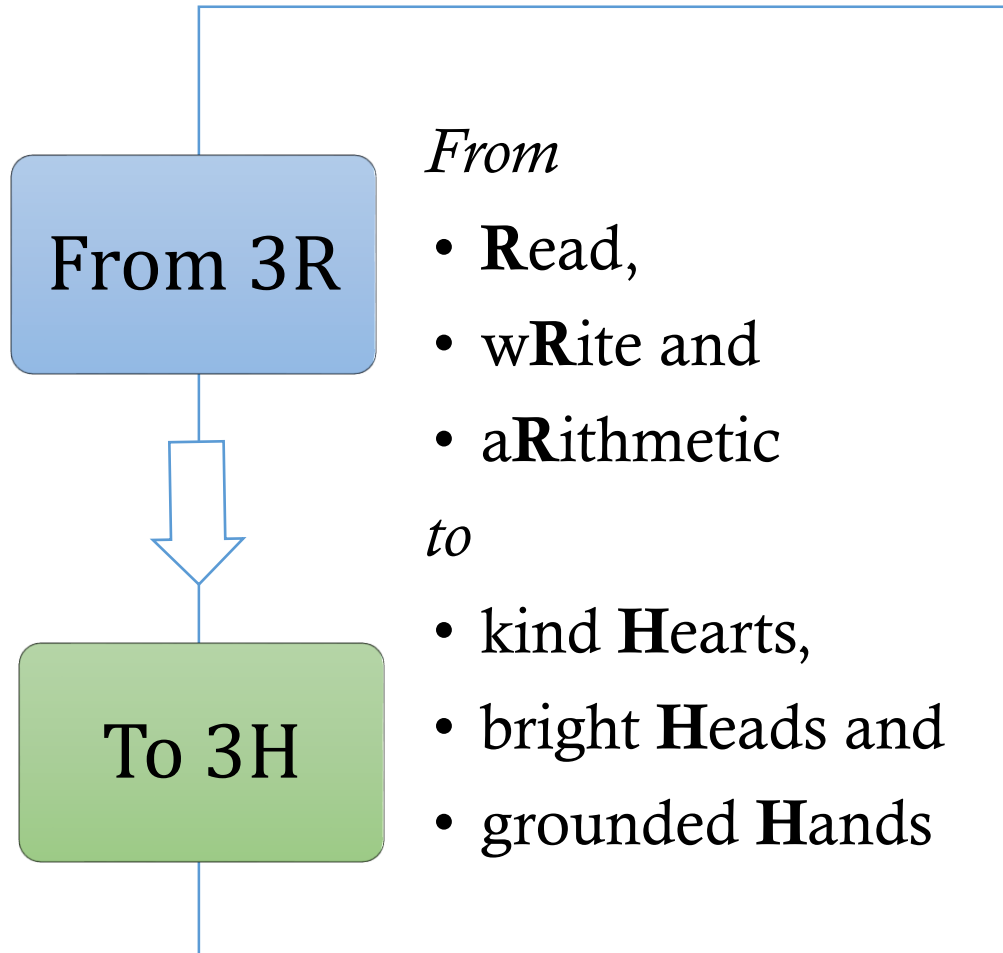
Phase 4 (1990 onwards)

- corporation is responsible to owners, managers, other target environments & the public at large.

My Dream:

Economics and Ecology go hand in hand. What is good for the planet is good for us.
Charles Eisenstein's book "Sacred Economics"

Qualities of the Enabler:



CA an enabler of CSR



CA an enabler of CSR

Charity begins at home

Process Reengineering, SOP writing and Forensic Services

Social Impact Assessment, Capacity Building and Due Diligence

Tax & Regulatory Compliance and Assurance

Advisory & Handholding the Management



Case Study: VSSM's Transformation Journey:

- Thought Inception - Ms. Mittal Patel's visit to Vadia Village
- Founding Trustee of Vicharta Samuday Samarthan Manch (VSSM);
- Journey of VSSM in initial days;
- CA Shri Rashmin Sanghvi met Mittalben in 2009.

Rashmin Bhai's approach:

- **kind Heart:**
Objective of helping social work at heart.
- **grounded Hands:**
multiple times visited the village, met Mittalben and understood her potential.
- **bright Head:**
Using his experience as a CA, he helped Mittalben transform VSSM.



Human Rights: Ration Card, Voting Card etc.

Steps taken by Rashmin Bhai:

- **Diligence:** He assessed her strength and weaknesses and identified Gaps
- **Capacity Building:** Offered help in all aspects of the management.
- **Tax and Regulatory compliance:** Ensured that VSSM is a compliant NPO under all laws like Income-Tax Act, FCRA etc.
- **Process re-engineering:** Helped in adoption of technology. Introduced best in class, accurate and transparent accounting system.
- **Risk Management and SOP drafting:** Helped VSSM set up systems and processes like continuous and ongoing reporting to donors.
- **Handholding Management:** Improvised the drafting skills of VSSM thereby assisting in fund raising.

Result of Rashmin Bhai's efforts for Enabling VSSM:

- Today, VSSM has grown from a one woman NPO to an NPO with 65 strong team members.
- Its annual budget grew from a few lacs of rupees to Rs. 7.5 Cr in the past decade.
- Transformed lives of thousands of nomads through Human Rights programmes, Education, Housing for Nomads, Micro Finance and Water Management programmes.
- VSSM is a chosen CSR implementation partner for many listed entities.
- Mittalben was recently honoured with the prestigious “**Nari Shakti**” award, simultaneously by the President of India and the Chief Minister of Gujarat. She also has been appointed as a **Director of the “National Commission”**.



Nomadic kids from tent schools to reputed schools in Ahmedabad.

Advisory and Handholding to Corporates:



CA Shri Rashmin Sanghvi with a happy Nomad who could buy a tempo with the help of micro loans

- Guiding the management on theme-wise budget allocation;
- Assistance in screening and diligence of NPOs;
- Helping develop a system of regular and transparent flow of information from NPOs to CSR committee of Corporates.
- This is how Rashmin Bhai as a CA is a strong 360 degree Enabler of CSR

If one CA and one girl together can achieve so much, imagine the collective power of CAs as enablers in the CSR activities!

1. CA an enabler of CSR: Charity begins at home

- Volunteering by devoting time or sharing of wealth
- Introducing CSR in our own firm
- Classic case of Employee Social Options (ESOP) of Mahindra group

2. CA an enabler of CSR: Internal Controls, SOP writing, Forensic

- Internal controls are crucial in this space;
- SOPs can help scale up by standardizing repetitive activities.
- Vigilance against fraudulent practices



3. CA an Enabler of CSR: Social impact assessment, Capacity Building and diligence

- Importance of Social or Environmental impact assessment
- Performing Due Diligence for the organizations and Projects that are to be carried out under CSR policy

4. CA an Enabler of CSR: Tax, Regulatory Compliances & Assurance

- Formation of a Trust or section 8 company;
- Application u/s 12A of Income tax Act;
- Approval u/s 80G of Income Tax Act;
- Advising on Accounting and Tax Aspects
- FCRA Approval and compliance
- Assurance services like Statutory Audits and Certification

5. CA an Enabler of CSR: Advisory & Handholding Management

- Advisory on formation of CSR committee
- Assistance in implementing CSR framework
- Assistance in strengthening the governance framework

Decoding the CSR Law...



Section 135: The law is applicable to all companies incorporated in India and having either of the following in any of the three preceding financial years:

- Net worth of INR 500 Cr or more or;
- Turnover of INR 1000 Cr or more or;
- Net profit of INR 5 Cr or more.

Activities approved by CSR Committee of the Board will be undertaken through:

1. Implementing Partner/NPO, which can be:

- A registered trust or
- a registered society or
- Section 8 company

2. Corporate Foundation (can of any of above)

3. Direct delivery by Corporate CSR

If outsourced (bullet 1 above), NPO must be of 3 years working

Annual spending on CSR by companies:

- Every financial year, at least 2% of the average net profits made during the 3 preceding financial years

CSR Activities to be undertaken:

- Should be stated in the CSR policy
- Schedule VII : list of activities that can be undertaken, with liberal interpretation
- Preference to be given to local area of operation

CSR – the Corporate Compliance:

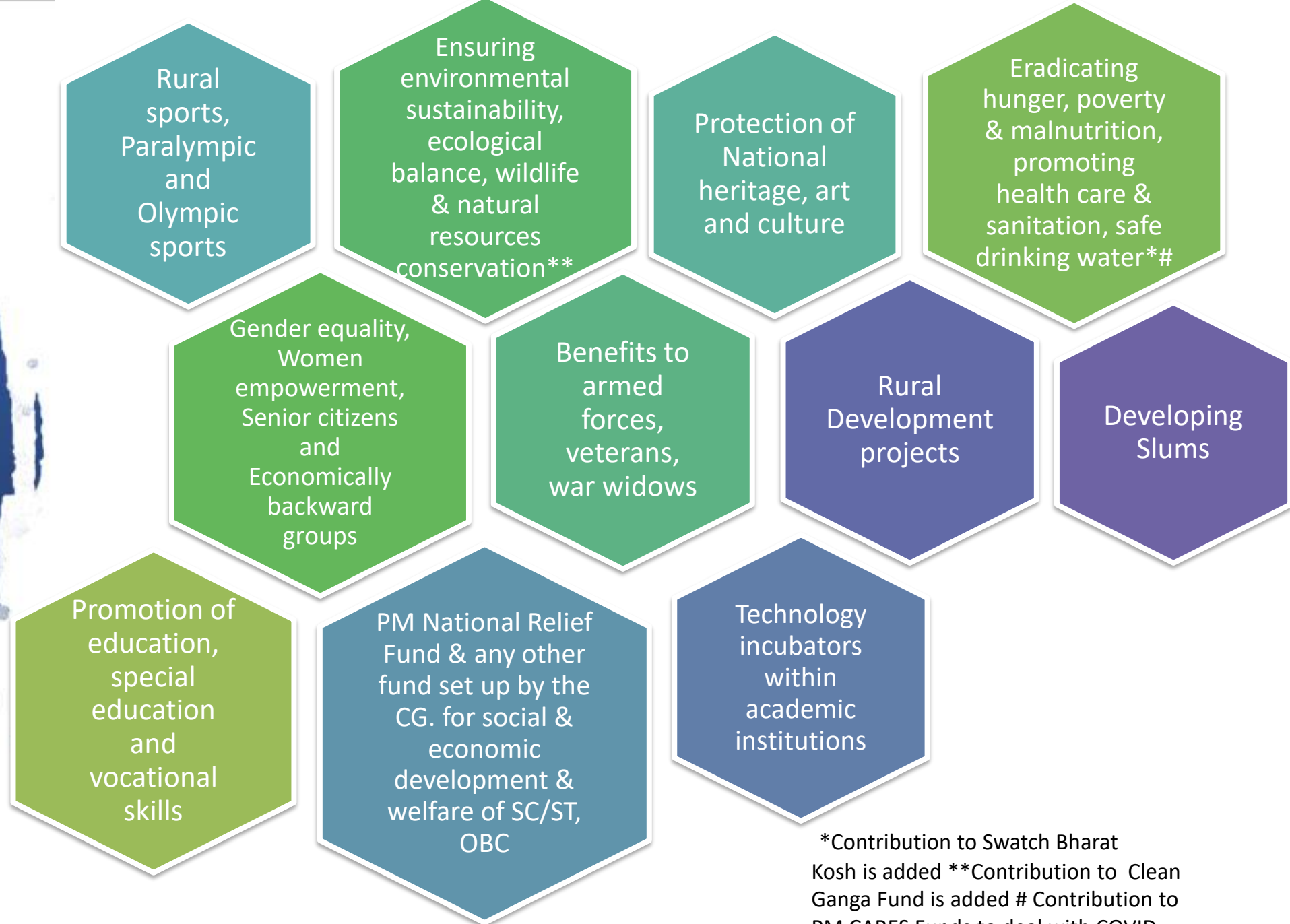
Board level CSR Committee:

- Comprising of 3 or more directors with at least one independent director
- Pvt. Cos can have 2 directors
- Composition to be disclosed in the Annual Board of Directors' Report

Responsibilities of Company's Board:

- Approve and disclose CSR Policy in the Annual Directors' Report and on company website
- Ensure implementation of CSR activities as per the Policy, and Report on actual spending /utilization
- Directors' Report to specify reasons in case the specified amount is not spent

Schedule VII: CSR Thematic Areas



*Contribution to Swachh Bharat Kosh is added **Contribution to Clean Ganga Fund is added # Contribution to PM CARES Funds to deal with COVID-19 is added

Special thanks for
the guidance to:

CA Rashmin Sanghvi,
Partner Rashmin Sanghvi and Associates

Dr. Sarika Kulkarni,
Founder RAAH Foundation and Ex-CSR Head IIFL

Mr. Girish Saive,
CSR Consultant

CA Milan Mody,
Co-speaker

CA Dhruv Shah & Mr. Manmohan Chandak,
Partner & Colleague at AJA LLP

Atul Ambavat

E-mail:

atul.ambavat@ajallp.in



Thank
you!