The ‘mandatory spin’ on Corporate Social Responsibility (CSR) under the Companies Act 2013 (the Act) has changed the dynamics around the subject. An increased emphasis on governance, stricter monitoring and reporting obligations require companies to be more disciplined and strategic in their approach. In this new regime, the role of the CSR Committee and the Board are defined clearly, thereby ensuring accountability right at the top.

Regulatory requirements – For India

- Developing a transparent monitoring mechanism is a specific requirement as per the Companies Act, 2013
- The CSR Committee of the Company is directly responsible for monitoring the implementation of the CSR Policy under Section 135(3)(c)
- The Board is directly responsible to ensure a minimum spend of 2 per cent of profit on CSR activities, report reasons for any unspent amount in the Director’s Report and disclose its content on the company’s website.

Efficiency improvements – Global

- Embed accountability and transparency in CSR project execution
- Ensure that CSR activities lead to desired outcomes
- Undertake midcourse corrections, thereby continuously improving programme implementation
- Ensure reliability and accuracy of CSR disclosures
- Effectively gauge the social returns on CSR investment.

All companies should evaluate its CSR programme through the lens of efficient governance, alignment with its core purpose and values, efficient structure to facilitate implementation, credible partners for delivery on the ground, robust monitoring, evaluation and reporting frameworks. Companies are expected to develop a sustainable CSR road map to help determine both compliance and social relevance with the Act. This can help ensure that the CSR activity is undertaken in a programme mode with an objective to enhance its impact, while ensuring compliance with the Act.
Our approach and methodology

Desk review and internal stakeholder consultation
Conduct desk reviews of CSR policy, CSR committee, governance structure, strategy, projects, partner identification and selection process, monitoring, evaluation and reporting.

Field visit and interaction with external stakeholders
Interact with beneficiary, project team, management and other stakeholders. Review of beneficiary identification and selection process, internal control, governance and financial systems of partner organisation, project team, budget allocation and approval process, outcomes monitoring and reporting, and downstream partner management.

Review of Director’s Report and CSR expenditure
Review of CSR expenditure, project’s direct expenditure, overheads and administrative expenses, traceability and genuineness of expenditure at the last mile, per beneficiary cost, financial over-runs, review of reasons for inability to spend 2 per cent of CSR amount.

Potential benefits of CSR audit

1. Project expenses
2. Technical and financial resources
3. Infrastructure

CSR audit
Economic, social and environmental value from the project to the beneficiaries

Why KPMG

We have worked and advised several clients across sectors and industries on CSR project management and CSR Rules. We have contributed extensively in the CSR space, helping clients articulate their social investment vision and effectively translating it into a thorough and sustainable CSR approach. Our expertise and in-depth understanding of CSR norms have enabled us to advise and deliver quality projects with greater impact.

Our multi-disciplinary team of professionals can conduct CSR review and audit to:

- Ensure compliance with the Act
- Evaluate internal control and governance framework
- Assess the project lifecycle
- Conduct financial review of projects to confirm the utilisation of budgets for achieving desired outcomes.

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