

United Nations Development Programme (UNDP)



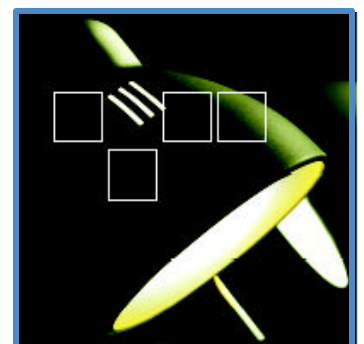
CSO Capacity Assessment of CUTS International, Jaipur

Lochan & Co.
Chartered Accountants

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SECTION – I

1. Introduction

1.1 UN agencies transfer funds to civil society organizations who act as implementing partners for implementation of various project related activities.

In terms of the scope of work identified in Terms of Reference (ToR) attached to United Nations Development Programme (UNDP) contract with Lochan & Co (the firm) dated 26 August 2013, UNDP has assigned the CSO Capacity Assessment of the **CUTS International, Jaipur** and the firm has undertaken the same.

This exercise is only a broad evaluation and not an audit; the firm is not rendering an opinion as to whether the UNDP should initiate funding to the implementing partner.

1.2 Brief Background of CUTS International

CUTS (Consumer Unity Trust Society) International was established in the year 1984 as a society. It began from a rural development initiative through wallpaper “Gram Gadar”. Over the years, it has extended its area operation in India as well as outside India. It has three program centres in Jaipur and one programme centre in Chittorgarh. It has also two resource centres in Delhi and Calcutta and four resources centres based in Kenya, Switzerland, Vietnam and Zambia. It follows research-based advocacy approach in several national and international economic issues.

Vision

The vision of CUTS International is “Consumer Sovereignty”.

Mission

The mission of CUTS International is “Consumer Sovereignty in the Framework of Social Justice and Equality, Within and Across Borders”.

Functional Areas

The organization focuses its programmes on the following five areas:

- Consumer protection
- International Trade and Development
- Competition, Investment and Economic Regulation
- Human Development
- Consumer Safety

1.3 Executive Summary

Based on ‘**Checklist: CSO Capacity Assessment Tool**’ of Capacity Assessment and detailed assessment, **Capacity Assessment of CUTS International** is summarized in below matrix:

Areas for Assessment	Risk Assessment	Risk Mitigation Measures
Part 1		
1.1 Legal Status and History	Low	Not Applicable
1.2 Mandate, policies and governance	Low	Not Applicable
1.3 Constituency and external support	Low	Not Applicable
Part 2		
2.1 Technical Capacity	Low	Not Applicable
2.2 Managerial Capacity	Low	Not Applicable

Areas for Assessment	Risk Assessment	Risk Mitigation Measures
2.3 Administrative Capacity	Low	Not Applicable
2.4 Financial Capacity	Low	Not Applicable
Overall Risk	Low	
*H – High, S – Significant, M – Moderate, L – Low		

SECTION – II

2.0 Detailed Assessment

Our detailed assessment is based on **Checklist: CSO Capacity Assessment Tool'** of Capacity Assessment, which is attached as **section 3.1**.

Overall Assessment

Based on the facts and detailed assessment of Checklist, the overall risk of **CUTS International** is assessed by the firm as "**Low**". The firm has assessed the risk in seven areas as mentioned in checklist and the same has been detailed in the following paragraph:

2.1 Part 1: Assessing CSO Commitment to the UNDP principles of Participatory Human Development and Democratic Governance

2.1.1 Legal Status and history

CUTS International is a society registered under the Rajasthan Societies Registration Act, 1958 as on 11 June 1984. It is registered under section 12A and has been granted an exemption under section 80G of Income Tax Act 1961. Further, it is registered under Foreign Contribution (Regulation) Act, 1976. CUTS International is complying with statutory reporting requirements under various statutes. The purpose behind creation of CUTS International was to provide an institutional voice to consumer grievances by forming a society. It has two resource centres in India based in New Delhi and Calcutta and four resources centres in Zambia, Kenya, Hanoi and Switzerland. Brief overview of programme centres and resources centres is presented in **annexure 3.2.1**.

Risk Assessed: Low

2.1.2 Mandate, policies and governance

CUTS International is a not for profit organization and follows the method of research-based advocacy. Objectives of CUTS International are clearly defined and related to not for profit activities. CUTS International does not discriminate on the basis of race, ethnicity, class, gender or any other attribute. Vision and mission of CUTS International are clearly formulated. CUTS International has a General Body and Executive Committee. List of members of General Body is attached as **annexure 3.2.2** and Executive Committee is attached as **annexure 3.2.3**. **As per rules and regulation of the society, meeting of Executive Committee is required to be held twice a year; however the assessment team has noticed that meeting is held once a year only.** The organizational structure of CUTS International is depicted in **annexure 3.2.4**. **There are no linkages for finance and human resources department in the organizational structure.**

Risk Assessed: Low

2.1.3 Constituency and external support

CUTS International has a clear constituency and base for the membership. Vision document of CUTS international has focus in long term community development. Program staffs of respective centre visits field at regular interval depending on the requirement of each project. CUTS International has good linkage with various organizations at local as well as international level. It has a comprehensive website containing relevant information about different centres and projects under implementation to inform its various stakeholders. CUTS International is accredited by Credibility Alliance and affiliated with the United Nations Conference on Trade and Development (UNCTAD). It has participated in various workshops, conferences and seminars organised by the Government of India, World Bank, World Trade Organization (WTO) and various national and international agencies. CUTS International has received funds from various State Governments, Government of India, UN agencies and various foundations for implementing projects in the past.

Risk Assessed: Low

2.2 Part 2: Assessing CSO capacity for Project Management

2.2.1 Technical capacity

CUTS International has experienced staff to implement the projects. It has experience in the

field of prospective collaboration. It has maintained a database of various CBOs and local partners. It uses local capacities for financial/human/other resources. CUTS International has system of undertaking base line survey about its constituency. CUTS International has requisite knowledge to implement the programme activities. CUTS International has access to various newsletters, journals and websites to update about the latest techniques/competencies/policies/trends. CUTS International has useful contacts and networks. It works closely with various local partners while implementing project activities. Programme staffs visit field areas on regular basis.

Risk Assessed: Low

2.2.2 Managerial capacity

CUTS International produces clear, internally consistent proposals and intervention framework. Strategic planning is translated into operational activities in the form of a detailed Operational Strategic Note. It conducts baseline survey to collect baseline data and develop indicators. It prepares proposal for the project containing clear objectives, outputs and provides monitoring, evaluation and learning system framework. Program developed by the CUTS International includes review of program activities by the advisory committee of the centre implementing project on quarterly basis. The Operational Strategic Note (OSN) prepared by it provides for activities to be conducted, output to be achieved, organizational framework for project management, monitoring and progress evaluation. Financial reports and progress reports of the project activities are submitted to the donor agencies on the basis of respective agreement.

Risk Assessed: Low

2.2.3 Administrative capacity

CUTS International has sufficient office facilities and space, basic equipments and utilities. An asset register is maintained to record assets for the organization. **Physical verification of assets is conducted on annual basis; however, there is no system of generating the report for the same.** Cuts International has its own procurement procedures to procure goods and services and works on a transparent and competitive basis.

Risk Assessed: Low

2.2.4 Financial capacity

Project budgets are prepared by the CUTS International for implementation of project activities. The maximum amount of money that CUTS International has managed for a particular project is approx INR 10 crores. There is adequate system for management and security of advances and cash. Insurance coverage has been obtained for cash security. It has well established policies and procedures for financial management and administration of the funds. Financial records of CUTS International confirm the stability and reliability.

It is using accounting software "Tally ERP 9" for maintaining books of account. **The invoices are properly PAID, checked and approved. However, there is no system of affixing project code on invoices.** Financial reports are prepared in an Excel sheet after extracting data from accounting software for the purpose of submission to donor agencies. As informed to the assessment team, budgets are closely monitored and compared with actual expenditure. **However, there is scope for improvement in documenting comparison of budget with actual expenditure and seeking justification for under/over utilization from the concerned programme staffs.**

Risk Assessed: Low



Rajeev Lochan, Partner

Lochan & Co.
Chartered Accountants

Date : 16 September 2013

Place : Delhi

SECTION – III

3.1 Check-list: CSO Capacity Assessment Tool

Date: 26 August to 28 August 2013

Implementing Partner: CUTS International, Jaipur

Summary of Risks related to the CSO Capacity Assessment of CUTS International, Jaipur					
Areas for Assessment:					
	Risk Assessment				
Part 1	H	S	M	L	Comments
1.1 Legal Status and History				✓	
1.2. Mandate, policies and governance				✓	
1.3. Constituency and external support				✓	
Part 2				✓	
2.1. Technical Capacity				✓	
2.2. Managerial Capacity				✓	
2.3. Administrative Capacity				✓	
2.4. Financial Capacity				✓	
Inherent Risk					
List major specific issues identified in the assessment of the country's public financial management system (macro-assessment), or specific risks related to the nature or operation of the Implementing Partner	Not Applicable				
Overall Risk Assessment	H	S	M	L	Low

H – High

S – Significant

M – Moderate

L –Low

CSO Capacity Assessment Tool

Part 1: Assessing CSO commitment to the UNDP Principles of Participatory Human Development and Democratic Governance		
Areas for Assessment	Yes / No / Review	Remarks / Comments
1.1 Legal status and history		
1.1.1 Legal status		
Is the CSO formally established?	Yes	<ul style="list-style-type: none"> CUTS (Consumer Unity and Trust Society) International is a society registered under the Rajasthan Societies Registration Act, 1958. It is registered under section 12A and has been granted exemption under section 80G of the Income Tax Act 1961. Further, it is registered under Foreign Contribution (Regulation) Act, 1976.
Does the CSO comply with legal requirements such as legal identity and registration?	Yes	<p>CUTS International has statutory reporting requirements under statutes as mentioned below:</p> <ul style="list-style-type: none"> Income Tax Act, 1961 Foreign Contribution Regulation Act, 1976 Employees Provident Fund and Miscellaneous Provisions Act, 1952 <p>CUTS International is complying with the statutory reporting requirements of the above mentioned Acts.</p>
1.1.2 History		
Date of creation and length in existence	Review	CUTS International was formally established on 11 June 1984 under the Rajasthan Societies Registration Act, 1958.
Reasons and circumstances for the creation of the CSO.	Review	<p>In the early decade of 1980's, a group of like-minded people came up with an innovative idea of publishing a monthly wall newspaper in Hindi called "Gram Gadar (Village Revolution)" to provide means through which poor villagers could access what the government was doing for improving their standard of living.</p> <p>The innovators of Gram Gadar decided to provide an institutional voice to consumer grievances by forming a society.</p>
How has the CSO evolved in terms of scope and operational activity?	Review	<p>Over the span of 30 years, CUTS International has created massive awareness about consumer rights to the grass root level and linked the matter of consumer sovereignty to the international level.</p> <p>It has established three programme centres in Jaipur (CUTS Centre for International Trade, Economics and Environment; CUTS Centre for Consumer Action, Research and Training; CUTS Centre Competition, Investment and Economic Regulation) and one centre in Chittorgarh (CUTS Centre for Human Development).</p> <p>It has two resource centres in India based in New Delhi and Calcutta and four resources centres in Zambia,</p>

Part 1: Assessing CSO commitment to the UNDP Principles of Participatory Human Development and Democratic Governance		
Areas for Assessment	Yes / No / Review	Remarks / Comments
		<p>Kenya, Vietnam, and Switzerland.</p> <p>From creating awareness on consumer rights to advocating consumer sovereignty in all levels, it has widened its scope of work within and across borders in the following functional areas:</p> <ul style="list-style-type: none"> • International Trade and Development • Competition, Investment and Economic Regulation • Consumer Safety • Human Development • Consumer Protection and Good Governance <p>Brief overview of programme centres and resources centres is presented in annexure 3.2.1.</p>
Risk Assessment (Legal Status and history)		Risk Assessed: Low
1.2 Mandate, policies and governance		
1.2.1 CSO mandate and policies		
Does the organization have a non profit mandate and nature?	Yes	<p>CUTS International is a non-profit, non-governmental organization working on public interest issues. It has clearly defined objectives in its Memorandum of Association which are in the nature of not for profit mandate.</p> <p>It follows the method of research-based advocacy and connects the grassroots level with the national and international policy making process on various issues like international trade, competition, consumer law reforms, human development etc.</p>
Does the CSO share UNDP principles of human development, particularly the principle of equality and non-discrimination?	Yes	<ul style="list-style-type: none"> • CUTS International is an equal opportunity provider organization and encourages women to be part of organization. • Human resources composition of CUTS International consists of people related to minority communities and physically challenged person. • It does not discriminate on the basis of race, ethnicity, class, gender or any other attribute. • Policies of CUTS International complement the principle of equality and non-discrimination.
Are the CSO's mission and policies/strategies clearly formulated?	Yes	<ul style="list-style-type: none"> • The vision of CUTS International is "Consumer Sovereignty". • The mission of CUTS International is "Consumer Sovereignty in the Framework of Social Justice and Equality, Within and Across Borders". • The mission and policies/strategies of CUTS International are clearly formulated and aligned with

Part 1: Assessing CSO commitment to the UNDP Principles of Participatory Human Development and Democratic Governance		
Areas for Assessment	Yes / No / Review	Remarks / Comments
		the vision of the organization. The organization has formulated policies and procedures so that each process in value chain will contribute to attainment of objectives of organization.
1.2.2 Governance		
Who makes up the governing body and what is it charged with?	Review	<ul style="list-style-type: none"> The General Body of CUTS International consists of all such members who are present in the General Meeting. Executive committee is elected in the General Meeting by the members in present. List of members of General Body is attached as annexure 3.2.2 and Executive Committee is attached as annexure 3.2.3.
How does the independent governing body exert proper oversight?	Review	<ul style="list-style-type: none"> Meetings of General Body and Executive Committee are held once a year. The minutes of meeting are well maintained. Members of Executive Committee are elected after every three years from amongst the members present at the General Meeting. The management and property of the organization is vested in the Executive Committee. The Executive Committee has power to appoint committee or sub-committees and to delegate them any of the power vested in the Executive Committee. Executive Committee's Report, Financial Statements and Auditors' Report are adopted in the meeting of General Body. The General Body and the Executive Committee lay down the policy directives for the organisation. The secretariat implements the broad decisions through a core management committee consisting of the Secretary General, Secretary, Executive Director / Deputy Executive Director, Advisers, Directors, Associate Directors, Assistant Directors and Co-ordinators, Head & Deputy Heads of Centres. As per rules and regulation of the society, meeting of Executive Committee is required to be held twice a year. However, the assessment team has observed that meeting is held only once a year.
Does the CSO have a clear organizational structure?	Yes	<ul style="list-style-type: none"> The organizational structure is based on horizontal linkages of different programme and resource centres. The organizational structure of CUTS International has been attached as annexure 3.2.4. The assessment team has noticed that finance and human resources department are centralised for all centres in India. However, no linkages exist for

Part 1: Assessing CSO commitment to the UNDP Principles of Participatory Human Development and Democratic Governance		
Areas for Assessment	Yes / No / Review	Remarks / Comments
		those departments in the organizational structure of CUTS International.
Risk Assessment (Mandate, policies and governance)		Risk Assessed: Low
1.3 Constituency and external support		
1.3.1 Constituency		
Does the CSO have a clear constituency? Is the organization membership based? If so, is membership based on principles of non-discrimination? This is a requirement to engage with the CSO.	Yes	<ul style="list-style-type: none"> CUTS International has a clear constituency. It is a membership based organization. Every candidate for admission of member in the organization has to be proposed by one existing member. Executive committee is responsible for election of the member. Voluntary organizations, educational or research institutions etc. which are interested in the objectives of research are also admitted as members. CUTS International does not discriminate any candidate on the basis of race, ethnicity, class, gender and any other attribute for membership.
Is there a long-term community development vision?	Yes	<ul style="list-style-type: none"> “CUTS in 2034”, a vision document has emphasized focus in the areas of Trade and Development, Regulatory Reforms and Good Governance. It has a long term goal of expanding network across to different countries. It has also envisioned the need of work with local level partners working at the grassroots and strengthening their capacity. Hence, CUTS International has a long term community development vision.
Does the CSO have regular and participatory links to its constituency?	Yes	<ul style="list-style-type: none"> Program staffs of respective centre visits field at regular interval depending on the requirement of each project. Trainings are also conducted on time to time basis for strengthening capacity of local CBOs and other partners.
Are constituents informed and supportive about the CSO and its activities?	Yes	<ul style="list-style-type: none"> CUTS International has a system of publishing research papers, project progress reports, documents related to monitoring and evaluation of the programme. It has comprehensive website “www.cuts-international.org” containing relevant information about different centres, projects under implementation, media coverage, e-forums for discussion of emerging issues in development, articles, research papers, events etc. which is easily accessible. Further, Gram Gadar, a newspaper is sent to rural areas of Rajasthan on monthly basis. The objective of

Part 1: Assessing CSO commitment to the UNDP Principles of Participatory Human Development and Democratic Governance		
Areas for Assessment	Yes / No / Review	Remarks / Comments
		this newspaper has been to increase the awareness of the poor people of the village and weaker section of the society.
1.3.2 CSO local and global linkages		
Does the CSO belong to other CSO organization and/or CSO networks in its own sector?	Yes	<ul style="list-style-type: none"> CUTS International is accredited by Credibility Alliance and affiliated with the United Nations Conference on Trade and Development (UNCTAD) and several other inter-governmental and non-governmental organizations. It is also accredited by Credibility Alliance Desired Norms and member of the Alliance Against Hunger and Malnutrition which is a global voluntary partnership for rapid eradication of hunger and malnutrition from the world.
Does the CSO have strong links within the CSO community and to other social institutions?	Yes	<ul style="list-style-type: none"> CUTS International has participated in various workshops, conferences and seminars organised by the Government of India, World Bank, World Trade Organization (WTO) and various national and international agencies. CUTS International has strong linkage within its community and other social organization.
1.3.3 Other partnerships, networks and external relations		
Does the CSO have partnerships with government / UN agencies / private sector/ foundations / others?	Yes	<ul style="list-style-type: none"> CUTS International has partnership with various State Governments, Government of India, UN agencies and various foundations in project implementation. As explained to the assessment team, there is no partnership between private corporate houses and CUTS International.
Are these partnerships a source of funding?	Yes	<ul style="list-style-type: none"> CUTS International has received funds from various State Governments, Government of India, UN agencies and various foundations for implementing projects in the past. The funds flow diagram of CUTS International has been attached as annexure 3.2.5. Further, detail of funds received by CUTS Centre for Consumer Action, Research and Training (CUTS-CART), a centre of CUTS International in the past three financial years has been attached as annexure 3.2.6.
Risk Assessment (Constituency and external support)		Risk Assessed: Low

Part 2: Assessing CSO Capacity for Project Management		
Areas for Assessment	Yes / No / Review	Remarks / Comments
2.1 Technical capacity		
2.1.1 Specialization		
Does the CSO have the technical skills?	Yes	<ul style="list-style-type: none"> Over the years, it has implemented many projects in the different areas of consumer rights, international trade and governance. CUTS International has experienced staffs to implement the projects. Projects which are under the scope of each centre are managed by the Directors of respective centre under the overall supervision of Secretary General. All those Directors and staffs of centres have required technical skills.
Does the CSO collect baseline information about its constituency?	Yes	<ul style="list-style-type: none"> CUTS International has system of undertaking base line survey about its constituency. Since the organization is research-based, it has a good system of collecting the data from grass root level.
Does the CSO have the knowledge needed?	Yes	<ul style="list-style-type: none"> Staffs of different centres are well qualified and experienced. CUTS International has requisite knowledge to implement the programme activities.
Does the CSO keep informed about the latest techniques/competencies/policies/trends in its area of expertise?	Yes	<ul style="list-style-type: none"> CUTS International is affiliated with various national and international agencies in its field of operations. It conducts and participates in workshops organized in its area of expertise. CUTS International has access to various newsletters, journals and websites to update about the latest techniques/competencies/policies/trends.
Does the CSO have the skills and competencies that complement those of UNDP?	Yes	<ul style="list-style-type: none"> CUTS International has competencies in the areas of communication, team work, planning and technological awareness. The managerial competencies of CUTS International are clear vision, experienced pool of talents and democratic leadership. Hence, CUTS International has the skills and competencies that complement those of UNDP.
2.1.2 Implementation		
Does the CSO have relevant experience in the field of the prospective collaboration?	Yes	<p>CUTS International has experience in the field of prospective collaboration. It has already implemented many projects in the following areas:</p> <ul style="list-style-type: none"> Consumer empowerment Good governance Sustainable development Competition policy and economic regulation Consumer protection Investment climate

Part 2: Assessing CSO Capacity for Project Management		
Areas for Assessment	Yes / No / Review	Remarks / Comments
		<ul style="list-style-type: none"> WTO issues Regional economic cooperation
Does the CSO have access to relevant information/resources?	Yes	<ul style="list-style-type: none"> CUTS focuses in research and produces training materials, research papers and different publications in the area of its expertise. Similarly, it has access to various publications produced in national and international level for upgrading knowledge. CUTS library has an extensive collection of books, journal, research reports, working papers, briefing papers, pamphlets in the field of economics and economic development, investment, competition, international trade etc.
Does the CSO have useful contacts and networks?	Yes	<ul style="list-style-type: none"> CUTS International is a member of Central Consumer Protection Council of India, National Road Safety Council of India, Alliance against Hunger and Malnutrition, Freedom of Information Advocates Network and other organizations. It has presence in international advisory panel on Consumer Law Reform, Government of South Africa and various committees at national and international level. It has a database maintained for CBOs and local partners.
Does it apply effective approaches to reach its targets (i.e. participatory methods)	Yes	<ul style="list-style-type: none"> CUTS International considers view points of beneficiaries and its partners to implement and review programme. It applies participatory methods to reach its targets.
2.1.3 Human Resources		
Does the CSO staff possess adequate expertise and experience?	Yes	<ul style="list-style-type: none"> CUTS International has staffs having adequate expertise and experience in the field of research and projects implementation.
Does the CSO use local capacities (financial/human/other resources)?	Yes	<ul style="list-style-type: none"> CUTS International uses local capacities. The human resource composition of organization has the representation of local staffs.
Does the CSO have a strong presence in the field?	Yes	<ul style="list-style-type: none"> CUTS International has evolved from the grass root level and linked the international economic issues with rural livelihoods. It has a strong presence in the field areas.
What is the CSO's capacity to coordinate between the field and the office?	Review	<ul style="list-style-type: none"> CUTS International works closely with various local partners while implementing project activities. Programme staffs visit field areas on regular basis. Field visit reports are generated and submitted to the head of respective centres.

Part 2: Assessing CSO Capacity for Project Management		
Areas for Assessment	Yes / No / Review	Remarks / Comments
Risk Assessment (Technical Capacity)		Risk Assessed: Low
2.2 Managerial Capacity		
2.2.1 Planning, monitoring and evaluation		
Does the CSO produce clear, internally consistent proposals and intervention frameworks?	Yes	<ul style="list-style-type: none"> Proposals prepared by the CUTS International are based on facts collected from geographical coverage, specifies clear rational, objectives, outputs and provides monitoring, evaluation and learning system framework for the project.
Does the development of a program include a regular review of the program?	Yes	<ul style="list-style-type: none"> Program developed by the CUTS International includes review of program activities by the advisory committee of the centre implementing project on quarterly basis.
Does the CSO hold annual program or project review meetings?	Yes	<ul style="list-style-type: none"> As informed by the CUTS International, project review meetings are held on regular basis.
Is strategic planning translated into operational activities?	Yes	<ul style="list-style-type: none"> CUTS International has a system of preparing a detailed Operational Strategic Note (OSN) which contains activities to be conducted to achieve output and organizational framework for project management and monitoring and evaluation system.
Does the CSO know how to get baseline data, develop indicators?	Yes	<ul style="list-style-type: none"> CUTS International has experienced staffs which are involved in collecting baseline data and developing indicators. Sometimes it also hires outside agency for conducting baseline survey.
Are there measurable objectives in the operational plan?	Yes	<ul style="list-style-type: none"> Objectives of project developed by CUTS International are defined considering the measurable targets. It has a system of preparing a timeframe diagram to conduct project activities in a timely manner.
2.2.2 Reporting and performance track record		
Does the CSO report on its work to its donors, to its constituency, to CSOs involved in the same kind of work, to the local council, involved government ministries, etc.?	Yes	<ul style="list-style-type: none"> CUTS International submits financial reports as well as project progress reports to the donors based on the agreement for each project. Project activities are briefed to the Executive Committee once in a year and advice is sought for the effective implementation of the project. Further, it has a system of publishing project activities in the website of the organization.

Part 2: Assessing CSO Capacity for Project Management		
Areas for Assessment	Yes / No / Review	Remarks / Comments
Does the CSO monitor progress against indicators and evaluate its program/project achievement?	Yes	<ul style="list-style-type: none"> CUTS International has a system of monitoring project with the help of Monitoring, Evaluation and Learning System tool. Further, It conducts mid-term as well as final evaluation of the project with the help of external consultants.
Does the CSO include the viewpoint of the beneficiaries in the design and review of its programming?	Yes	<ul style="list-style-type: none"> View point of beneficiaries and CSO partner organizations are included in overall design and review of programming. Feedbacks are taken from different stakeholders.
Risk Assessment (Managerial Capacity)		Risk Assessed: Low
2.3 Administrative Capacity		
2.3.1 Facilities and equipment		
Does the CSO possess logistical infrastructure and equipment?	Yes	<ul style="list-style-type: none"> CUTS International has sufficient office facilities and space, basic equipments and utilities. As CSO is a research based organization, it has an extensive collection of books in its library.
Can the CSO manage and maintain equipment?	Yes	<ul style="list-style-type: none"> An asset register is maintained to record overall assets for the organization. Physical verification of assets is conducted on annual basis; however, there is no system of generating the report for the same .
2.3.2 Procurement		
Does the CSO have the ability to procure goods and services and works on a transparent and competitive basis?	Yes	<ul style="list-style-type: none"> CUTS International is following its own principles and procedures for procurement of goods and services. Principles of competitiveness, transparency, accountability and best value for money have been established in the policies. CUTS International has a system of inviting three quotations for procurement having value more than INR 10,000. Different limits are specified for the authority sanctioning the transactions. Any value of procurement of amount more than INR 2,500,000 has to be approved by the Executive Committee. After selection of a competitive vendor, purchase order is issued in writing to the vendor.
Risk Assessment (Administrative Capacity)		Risk Assessed: Low

Part 2: Assessing CSO Capacity for Project Management																							
Areas for Assessment	Yes / No / Review	Remarks / Comments																					
2.4 Financial Capacity																							
2.4.1 Financial management and funding resources																							
Is there a regular budget cycle?	Yes	<ul style="list-style-type: none"> Project budgets are prepared by the CUTS International considering the timeframe to accomplish the project objectives. 																					
Does the CSO produce program and project budgets?	Yes	<ul style="list-style-type: none"> CUTS International prepares project budgets for implementation of various project activities. Budgets are prepared by the programme team of respective centre and approved by the director of the centre. 																					
What is the maximum amount of money the CSO has managed?	Review	<ul style="list-style-type: none"> The maximum amount of money that CUTS International has managed for a particular project is approx INR 10 crores. <p>The assessment team has reviewed the annual receipts of CUTS International for the past five financial years which comprises mainly of Grants in Aid, the detail of annual receipts is mentioned in the table below:</p> <table border="1"> <thead> <tr> <th>S. No.</th> <th>Financial Year</th> <th>Amount in INR</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2007-08</td> <td>81,974,645.55</td> </tr> <tr> <td>2</td> <td>2008-09</td> <td>135,387,771.55</td> </tr> <tr> <td>3</td> <td>2009-10</td> <td>121,117,831.23</td> </tr> <tr> <td>4</td> <td>2010-11</td> <td>104,607,370.79</td> </tr> <tr> <td>5</td> <td>2011-12</td> <td>117,519,052.04</td> </tr> <tr> <td></td> <td>Total</td> <td>560,606,671.16</td> </tr> </tbody> </table>	S. No.	Financial Year	Amount in INR	1	2007-08	81,974,645.55	2	2008-09	135,387,771.55	3	2009-10	121,117,831.23	4	2010-11	104,607,370.79	5	2011-12	117,519,052.04		Total	560,606,671.16
S. No.	Financial Year	Amount in INR																					
1	2007-08	81,974,645.55																					
2	2008-09	135,387,771.55																					
3	2009-10	121,117,831.23																					
4	2010-11	104,607,370.79																					
5	2011-12	117,519,052.04																					
	Total	560,606,671.16																					
Does the CSO ensure physical security of advances, cash and records?	Yes	<ul style="list-style-type: none"> On the basis of advance requisition form duly approved by the centre head, advance is disbursed to staffs which are settled on monthly basis. Cash is reconciled on daily basis and insured by the insurance coverage. Further, verification of cash is included in the scope of internal auditor and undertaken on quarterly basis accordingly. 																					
Does the CSO disburse funds in a timely and effective manner?	Yes	<ul style="list-style-type: none"> CUTS International transfers funds to its resource centres on the basis of monthly funds request. CUTS International also works as nodal agency for local partners to implement the project activities. Funds are disbursed in a timely manner through electronic wire transfer system as well as cheques. 																					
Does the CSO have procedures on authority, responsibility, monitoring and accountability of	Yes	<ul style="list-style-type: none"> CUTS International has an adequate policies and procedures mentioned below: <ul style="list-style-type: none"> Procurement of Goods and Services – Principles and Procedures Human Resource Policy 																					

Part 2: Assessing CSO Capacity for Project Management																							
Areas for Assessment	Yes / No / Review	Remarks / Comments																					
handling funds?		<ul style="list-style-type: none"> - General Accounting Policy • Above mentioned policies have established procedures on authority, responsibility, monitoring and accountability of handling funds. • On the basis of review of procedures of CUTS International, assessment team has developed a chart for approval process of transactions which is attached as annexure 3.2.7. 																					
Does the CSO have a record of financial stability and reliability?	Yes	<ul style="list-style-type: none"> • Financial records of CUTS International provide stability. The assessment team has reviewed surplus/deficit arising from audited financial statements for the past five financial years the detail of which is mentioned in a table below: <table border="1"> <thead> <tr> <th>S. No.</th> <th>Financial Year</th> <th>Surplus / (Deficit) Amount in INR</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2007-08</td> <td>686,511.76</td> </tr> <tr> <td>2</td> <td>2008-09</td> <td>4,483,260.22</td> </tr> <tr> <td>3</td> <td>2009-10</td> <td>703,824.70</td> </tr> <tr> <td>4</td> <td>2010-11</td> <td>206,330.32</td> </tr> <tr> <td>5</td> <td>2011-12</td> <td>(1,044,249.09)</td> </tr> <tr> <td></td> <td>Total</td> <td>5,035,677.91</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Annual financial statements are audited by a firm of Chartered Accountants and laid up before in the meeting of General Body. 	S. No.	Financial Year	Surplus / (Deficit) Amount in INR	1	2007-08	686,511.76	2	2008-09	4,483,260.22	3	2009-10	703,824.70	4	2010-11	206,330.32	5	2011-12	(1,044,249.09)		Total	5,035,677.91
S. No.	Financial Year	Surplus / (Deficit) Amount in INR																					
1	2007-08	686,511.76																					
2	2008-09	4,483,260.22																					
3	2009-10	703,824.70																					
4	2010-11	206,330.32																					
5	2011-12	(1,044,249.09)																					
	Total	5,035,677.91																					
2.4.2 Accounting system																							
Does the CSO keep good, accurate and informative accounts?	Yes	<ul style="list-style-type: none"> • CUTS International maintains its books of account in accounting software "Tally ERP 9", each project is assigned a cost centre. Chart of accounts created are in agreement with the budget heads and sub-heads in the approved budget. • The accounting system allows proper recording of the financial transactions from donor agencies, including the allocation of expenditures in accordance with the respective components disbursement categories and sources of funds. • Invoices are stamped as PAID, checked and approved properly. However, there is no project code on invoices to ensure identification of invoice in reference to the project. 																					
Does the CSO have the ability to ensure proper financial recording and	Yes	<ul style="list-style-type: none"> • Financial reports are prepared in an excel sheet after extracting data from accounting software for the purpose of submission to respective donor agencies. Finance department is centralised and responsible for 																					

Part 2: Assessing CSO Capacity for Project Management		
Areas for Assessment	Yes / No / Review	Remarks / Comments
reporting?		<p>recording the transaction in accounting software and reporting to the funding agencies. Organizational structure of finance department is attached as annexure 3.2.8. Accounting staffs are qualified and experienced; the detail of key accounting staffs has been attached as annexure 3.2.9.</p> <p>As informed to the assessment team, budgets are closely monitored and compared with actual expenditure. However, there is scope for improvement in documenting comparison of budget with actual expenditure and seeking justification for under/over utilization from the concerned staffs.</p>
Risk Assessment (Financial Capacity)		Risk Assessed: Low

3.2 Annexure

Annexure 3.2.1

Brief overview of programme and resource centres of CUTS International

CUTS CITEE

CUTS Centre for International Trade, Economics & Environment (CUTS CITEE), established in 1996 at Jaipur, India aims to be a high-level global standard institution for research and advocacy on multilateral trade and sustainable development issues. Programme areas of CUTS CITEE are WTO issues, Regional Economic Integration and Development Issues. Some of the projects implemented are:

- Enabling Developing Countries to Seize Ecolabel Opportunities
- WTO Doha Negotiations and South Asia; Linking civil society with trade negotiations
- Government procurement – An emerging tool of global integration and good governance in India

CUTS CART

CUTS Centre for Consumer Action, Research & Training (CUTS CART) established in 1996 at Jaipur, India works towards enabling people, especially women and other disadvantaged groups of society to assert their rights so that they can achieve the right to basic needs and sustainable development through a strong consumer movement. Programme areas of CUTS CART are Consumer Education and Protection, Investor Education and Protection, Good Governance and Utilities Reforms etc. Some of the projects implemented are:

- Grassroot Reach out and Networking in Rajasthan through Consumer Action
- Community of Practice on Social Accountability Tools in South Asia Region (COPSA)
- Save to Survive

CUTS CHD

CUTS Centre for Human Development (CUTS CHD), established in 1990 at village Senti, district Chittorgarh, Rajasthan, India seeks to empower rural people, especially women and disadvantaged groups of society through innovative strategies of social action. Programme areas of CUTS CHD are Empowerment, Good Governance, and Natural Resource Management etc. Some of the projects implemented are:

- SHG promotion and bank linkages project
- Community – based rehabilitation

CUTS CCIER

CUTS Centre for Competition, Investment & Economic Regulation (CUTS CCIER) was established in 2003, Jaipur, India to be a centre of excellence on regulatory issues, with focus on competition, Investment and economic regulation. Programme areas of CUTS CCIER are Competition policy and Law, Economic Regulation, Consumer Policy etc. Some of the projects implemented are:

- Consumer protection regimes in the world
- Indian Competition and Regulation Report (ICCR), 2011

CUTS CRC

CUTS Calcutta Resource Centre established in 1987 has a unique feature of working simultaneously on Consumer Safety and Grassroots Economic Development.

CUTS DRC

CUTS Delhi Resource Centre (CUTS DRC) was established in 2003 in New Delhi, India, to act as the focal point for CUTS' advocacy, outreach and external relations. The objective of opening DRC was to feed the work being done at the national level by other centres of CUTS, particularly at Chittorgarh, Kolkata and Jaipur into policy level interventions.

CUTS ARC

CUTS Africa Resource Centres at Lusaka, Zambia and Nairobi, Kenya were established in the year 2000 and 2003, respectively to function as resource, coordination as well as networking centres to promote South-South co-operation on trade and development.

CUTS HRC

CUTS Hanoi Resource Centre (CUTS HRC), established in 2007, functions as a resource coordination and networking centre of CUTS in Vietnam and the Southeast Asian region.

CUTS GRC

CUTS Geneva Resource Centre (CUTS GRC) has been established in Geneva, Switzerland in 2008 with a view to promote a pro-trade, pro-consumer southern NGO voice in the policy making.

Annexure 3.2.2

List of members of General Body

S. No.	Name	Designation
1	Mr. M.L. Mehta	President
2	Mr. P.S. Mehta	Secretary General
3	Mr. Ajit Singh	Secretary Cum Treasurer
4	Mr. Bipul Chatterjee	Deputy Executive Director
5	Mr. S.S. Bhandari	Member
6	Mr. B.N. Sharma	Member
7	Mr. Udai Mehta	Associate Director and Central Head, CCIER
8	Mr. Rijit Sengupta	Associate Director, CCIER
9	Mr. Mahabir Prasad Agarwal	Member
10	Mr. S.K. Parasrampurua	Member
11	Mr. Mahendra R. Saraf	Member
12	Dr. Ashok Jain	Member
13	Mr. Kishore Rungta	Member
14	Mr. Vinay Pardal	Member
15	Mr. Mukund Goyal	Member
16	Ms. Ganga Singh	Member
17	Ms. Asha Bhatnagar	Member
18	Mr. V.V. Singh	Member

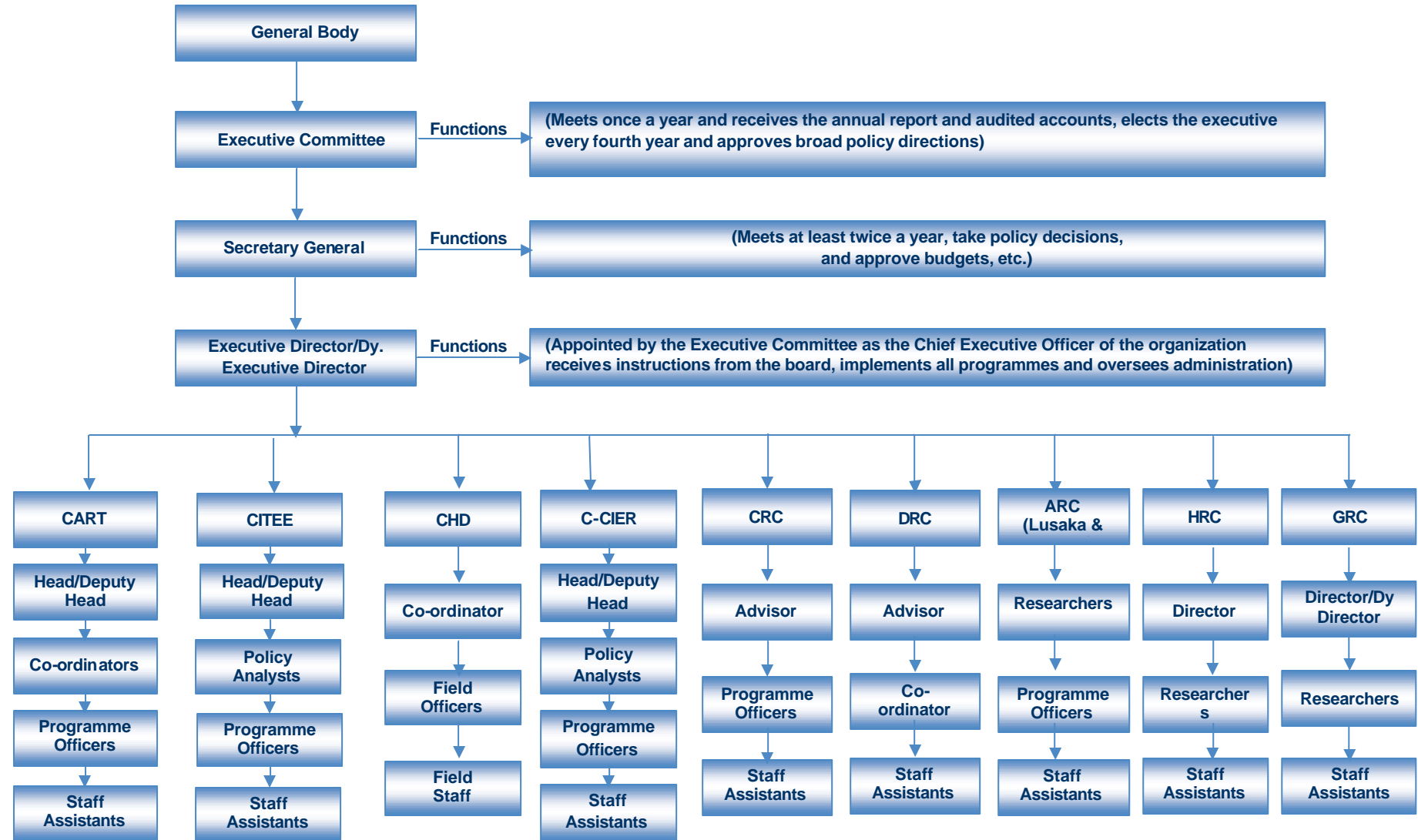
Annexure 3.2.3

List of Members of Executive Committee

S. No.	Name	Designation
1	Mr. M.L. Mehta	President
2	Mr. P.S. Mehta	Secretary General
3	Mr. Ajit Singh	Secretary cum Treasurer
4	Dr. K.B. Singh	Member
5	Ms. Ganga Singh	Member
6	Ms. Asha Bhatnagar	Member
7	Mr. Kishore Rungta	Member
8	Mr. Vijay Vir Singh	Member
9	Mr. Surendra Bhandari	Member

Annexure 3.2.4

Organizational Structure of CUTS International



Annexure 3.2.5

Fund Flow Diagram



Annexure 3.2.6

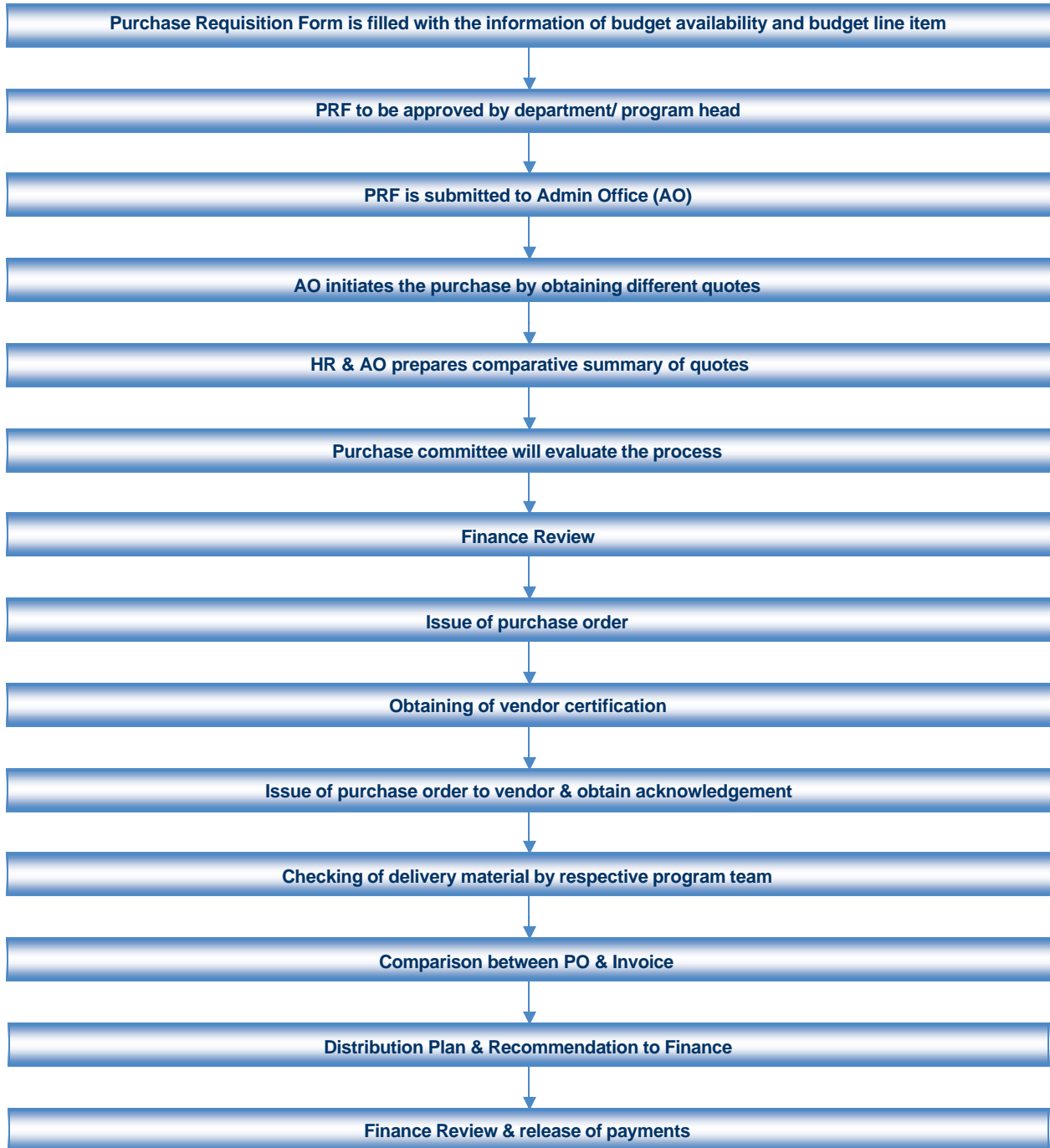
Detail of funds received by CUTS CART in the past three financial years as provided by the CUTS International

S. No.	Project / Donor	Year	Amount received in INR
1	Sight Saver- International Disability Day	2012-13	38,345.00
2	The Asia Foundation	2012-13	813,000.00
3	Partnership for Transparency Fund (PTF) - MGNREGS Scheme	2012-13	1,183,073.70
4	Partnership for Transparency Fund (PTF)- Jaipur Workshop	2012-13	4,200.00
5	Deutsche Gesellschaft for Inter Zusammenarbeit (GIZ)- Law Enforcement	2012-13	573,967.00
6	ANSA Global- BRAC University-Social Accountability Tools	2012-13	556,126.00
7	GOI Ministry of Consumer Affairs – CONSUMER-UP	2012-13	4,500,000.00
8	GOI MOEF-NEAC	2012-13	39,600.00
9	GOI MOEF-NEAC	2012-13	195,500.00
10	GOI MOEF-NEAC	2012-13	2,168,000.00
11	GOI MOEF-NEAC	2012-13	2,492,100.00
12	GOI MOEF-NEAC	2012-13	128,880.00
13	TRAI, New Delhi-CEW (Dausa)	2012-13	33,598.00
14	TRAI, New Delhi-CEW (Churu)	2012-13	27,176.00
15	GOI Ministry of Consumer Affairs – Global Conference	2012-13	100,000.00
16	TRAI, New Delhi-CEW (Dholpur)	2012-13	27,507.00
17	Partnership for Transparency Fund (PTF) - PTF Asia Regional workshop	2011-12	1,264,316.09
18	ASNA Global- BRAC University- Monitoring Evaluation Workshop	2011-12	537,075.55
19	ANSA Global- BRAC University	2011-12	2,827,143.80
20	Consumer International - Green Action Fune	2011-12	140,358.00
21	Consumer International- Holding Broad band service Providers	2011-12	68,960.60
22	BSE – SMAC- I	2011-12	29,405.00
23	BSE – SMAC – III	2011-12	29,725.00
24	SEBI, SMAC (10-11)	2011-12	63,330.00
25	GOI Ministry of Consumer Affairs –CONSUMER-UP	2011-12	4,500,000.00
26	GOI Ministry of Consumer Affairs –GRANIRCA	2011-12	3,815,830.00

S. No.	Project / Donor	Year	Amount received in INR
27	GOI MOEF- NEAC 10-11 RRA Fee & Pre-proposal Workshop	2011-12	249,500.00
28	TRAI, New Delhi-CEW (Chittorgarh)	2011-12	46,157.00
29	TRAI, New Delhi-CEW (Sikar)	2011-12	34,216.00
30	TRAI, New Delhi-CEW (Tonk)	2011-12	29,634.00
31	ANSA Global- BRAC University-Governance & Accountability	2010-11	2,704,172.40
32	Overseas Development Institute (ODI)-Outcome Mapping Training (OM)	2010-11	276,236.96
33	Partnership for Transparency Fund (PTF) –(RTI Act II)	2010-11	451,654.55
34	Result For Dev. Institution -Transparency & Accountability	2010-11	440,601.26
35	BSE-SMAC	2010-11	1,678.00
36	BSE-SMAC	2010-11	52,812.00
37	GOI MOEF-NEAC 10-11	2010-11	3,044,000.00
38	GOI, MOC-PTA	2010-11	207,900.00
39	SEBI, SMAC (09-10)	2010-11	14,955.00
40	TRAI New Delhi- Education Workshop	2010-11	30,004.00
	Total		33,740,738.51

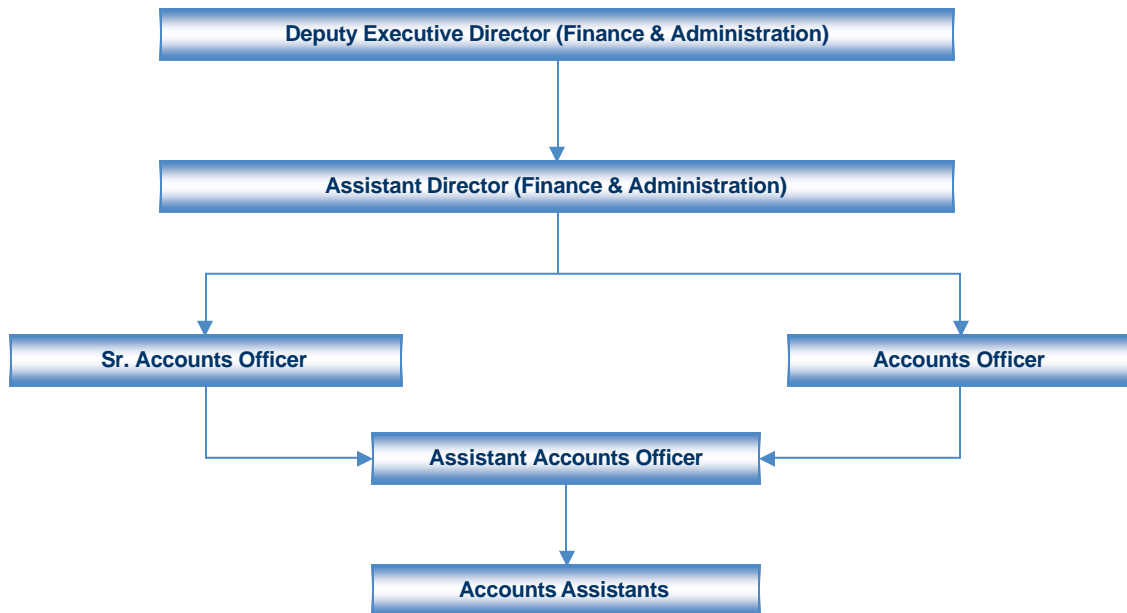
Annexure 3.2.7

Approval procedure for transactions of CUTS International



Annexure 3.2.8

Organization Structure of Finance staffs in CUTS International



Annexure 3.2.9

Details of key accounting staffs of CUTS International

S. No.	1
Name	Mr. Gyan Chand Jain
Designation	Assistant Director (Finance & Administration)
Qualifications	<ul style="list-style-type: none"> • Master in Commerce (Accounts & Business Statistics) from University of Rajasthan, Jaipur • ICWA (Intermediate) from Institute of Cost and Works Accountants of India
Job Profile / Responsibilities	<ul style="list-style-type: none"> • Overall responsible for finance and accounts • control of transactions and accounts • Supervision and coordination with internal and external audit, • Preparation of financial statements • Training to the support staffs • Monitoring of budget • Other works as assigned by the senior management from time to time
Professional Experience	23 years
Since in the organization	Not available

S. No.	2
Name	Mr. Laxmi Narayan Sharma
Designation	Senior Accounts Officer
Qualifications	<ul style="list-style-type: none"> • MBA-Finance from Sikkim Manipal University (SMU) • M.Com from University of Rajasthan, Jaipur • Certificate course in Finance & Management
Job Profile / Responsibilities	<ul style="list-style-type: none"> • Maintenance of account books and preparation of annual financial accounts • Reporting to Ministry of Home affairs FCRA Division. • Dealing with Income tax, TDS and other relevant tax matters and returns. • Internal auditing, budgeting, controlling of accounts, periodic budget analysis, cash flow monitoring, inventory and assets control, etc.
Professional Experience	23 years
Since in the Organization	Since October 1997

SECTION – IV

4.1 Assessment Scope and Methodology

4.1.1 Objectives and Scope of the Assessment

The objectives of the assessment undertaken by Lochan & Co. for the United Nations agencies are:

Capacity Development Objective: The review supports the agencies and government to identify strengths and weaknesses in the implementing partner's capacity for financial management and areas for capacity development by government and others.

Financial Management Objective: The review assists in the establishment of appropriate cash transfer modalities, procedures, and assurance activities to be applied by the agencies.

4.1.2 We have covered and reviewed the following aspects / areas:

- Legal status and history
- Mandate, policies and governance
- Constituency and external support
- Technical capacity
- Managerial capacity
- Administrative capacity
- Financial capacity

4.1.3 Assessment Methodology Adopted

We have adopted the following methodology to undertake the assessment:

- To utilize “**Checklist: Capacity Assessment Tool**” provided by UNDP to us;
- In completing the questionnaire, we have assessed the partner's control system with equal emphasis on
 - (a) The effectiveness of the system in providing the partner's management with useful and timely information for the proper management of the partner;
 - (b) The general effectiveness of the internal control system in protecting the assets and resources of the partner;
- To discuss with the senior management of the organization to assess the financial capability;
- To access records, books of account, legal agreements, minutes of meetings held, bank records and contracts wherever made available;
- To access employees of the implementing partner.

4.2 Scope Limitations

- 4.2.1. We have restricted the work to the Terms of Reference. We understand that the procedure to be performed is considered to be sufficient for UNDP purposes in connection with CUTS International assessed by us.
- 4.2.2. Our review of the documents and other relevant records of CUTS International are limited to those document and records provided to us by CUTS International management and comprise enquiries and observations and limited tests of transactions on a sample basis, covering the detailed assessment objectives described in assessment scope above.
- 4.2.3. We have conducted the assessment in accordance with generally accepted accounting standards in India.
- 4.2.4. Our review of the documents and other relevant records of CUTS International are limited to those documents and records provided to us. While performing the work, we have assumed that all the signatures were genuine and all the original documents were authentic. In general, we have been provided the photocopies of the documents and we have relied upon these documents assuming their genuineness.
- 4.2.5. During the assessment, the firm had reviewed the documents of CUTS International. The photocopies of some documents are not provided to the firm. So our assessment is based on the review of the documents and we cannot have support to our assessment.
- 4.2.6. During the assessment, the firm has discussed with the senior management of CUTS International and in some cases, our assessment is also based on the discussion with senior management of CUTS International.
- 4.2.7. The working papers, prepared while conducting the assessment are the property of Lochan & Co., constitute confidential and proprietary information and will be retained by Lochan & Co. in accordance with their policies and procedures.
- 4.2.8. We have no responsibility to update our report for events and circumstances occurring after the end of our assessment.

4.3 Abbreviations and Acronyms

AO	:	Admin Office
ARC	:	Africa Resource Centres
BRAC	:	Bangladesh Rural Advancement Committee
CART	:	Consumer Action, Research and Training
CBO	:	Community Based Organization
CCIER	:	Centre for Competition, Investment & Economic Regulation
CHD	:	Centre for Human Development
CITEE	:	Centre for International Trade, Economics & Environment
COPSA	:	Community of Practice on Social Accountability
CRC	:	Calcutta Resource Centre
CSO	:	Civil Society Organization
CUTS	:	Consumer Unity Trust Society
DRC	:	Delhi Resource Centre
FCRA	:	Foreign Currency Regulation Act
FY	:	Financial Year
GOI	:	Government of India
GRC	:	Geneva Resource Centre
HRC	:	Hanoi Resource Centre
ICCR	:	Indian Competition and Regulation Report
ICWA	:	Institute of Cost and Works Accountants of India
INR	:	Indian Rupees
MGNREGS	:	Mahatma Gandhi national Rural Employment Guarantee Scheme
MOEF	:	Ministry of Environment and Forests
NGO	:	Non Government Organizations
ODI	:	Overseas Development Institute
OSN	:	Operational Strategic Note
PTF	:	Partnership for Transparency Fund
PRF	:	Purchase Requisition Form
RTI	:	Right to Information
SEBI	:	Securities Exchange Board of India
SMU	:	Sikkim Manipal University
TDS	:	Tax Deduction at Source
ToR	:	Terms of Reference
TRAI	:	Telecom Regulatory Authority of India
WTO	:	World Trade Organization
UN	:	United Nations
UNCTAD	:	United Nations Conference on Trade and Development
UNDP	:	United Nations Development Programme

