

Grant Management

Accountability & Transparency

- With respect to utilisation of grant funds
- Efficient & Effective use of the grant funds
- Compliance with applicable laws of the land
- Adherence with terms and conditions of Grant Agreement
- Internal controls i.e. financial and accounting systems, budgetary control, funds management
- Timely submission of narrative and financial reports as required under the grant

Principals

Stages of Grant Management: Grant Lifecycle

Grant Management Lifecycle

- Pre-award
 - Identify the need
 - Planning
 - Opportunity
 - Apply for grant
- Awarded
 - Receive grant
 - Share additional information as needed
 - Documentation
- Post-award
 - Develop current year projection
 - Execute all activities
 - Manage and monitor the project
 - Share program and finance report

- Documentation/Reporting
- Close out
- Close grant

Pre-requisites for robust grant management system:

- Policies & Procedures (Finance & HR) - ensuring strong internal control environment
- Accounting - ICAI Technical Guide for accounting of NPOs
 - Fund based accounting for presentation of financial statements
 - Accrual basis of accounting
 - Maintenance of prescribed books of accounts
 - Accounting Standards as framework for recording and reporting
- Statutory laws of land - understanding and compliance
- Donor contacts - expectations and reporting fully understood
- Segregation of duties - checks and balances, dedicated finance staff
- Encourage audit and assurance - risk mitigation

Income of charitable institutions - Types of Funds

- Aggregate Income from property held in trust (Schedule AI)
- Voluntary contribution (Schedule VC)
- Capital Gains

Types of funds (ICAI):

A. Unrestricted funds:

- Corpus: non-refundable, non-reducible, reinvestment obligation
- Designated/earmarked funds: for specific purpose/future, not legally binding
- General funds: neither designated nor restricted, includes I&E surplus/deficit

Income of Trust and Types of Funds 2/1: Corpus:

- Comply with Income Tax provisions - Section 11(5), Section 11(1)(d)
- Donation to another registered entity not considered application
- Application to be considered in year of replenishment
- Should be shown as Capital; income earned shown in I&E

B. Restricted funds:

- Project/program grants: to be used as per terms of award
- Endowment funds: only income used as per terms

Format of financial statements as per ICAI: BALANCE SHEET:

- Sources of Funds:
 - UNRESTRICTED FUNDS: Corpus/General/Designated
 - RESTRICTED FUNDS
 - LOANS/BORROWINGS
 - CURRENT LIABILITIES & PROVISIONS
- Application of Funds:
 - FIXED ASSETS
 - INVESTMENTS
 - CURRENT ASSETS, LOANS, ADVANCES & DEPOSITS

Income and Expenditure Account:

- INCOME: Operations, Grants & Donations, Other
- EXPENDITURE: Materials, Employee Benefits, Admin, Finance Costs, Depreciation, Other
- Surplus/Deficit transfer and carry forward

Cost Principles in grant budgeting:

- Allowable cost
- Allocable cost
- Reasonable cost
- Consistent
- Unallowable cost

Budgeting & Budgetary Control:

- Budget is estimation tool and framework
- Segregates costs: direct, common, indirect

- Supports co-financing/multi-donor grants
- Budgetary control:
 - Track income and expenses
 - Deviation analysis
 - Timely approvals for overspend

Terms and Condition of Grant:

- Understand full contract
- Common clauses:
 - Separate accounts
 - Cash expense limits
 - Interest treatment
 - Procurement rules
 - Fixed assets treatment
 - Reporting timelines
- Compliance Calendar post signing

Robust Grant Monitoring System:

- Performance tracking
- Progress review (physical & financial)
- Risk management
- Key tools:
 - Budget, LFA understanding
 - Variance analysis
 - Course correction
 - Timely narrative and financial reports

Accounting treatment for grants to NGOs:

- Grant is trust money
- Options:
 1. Grant as income
 2. Grant as liability
 3. Hybrid (income = expenditure)

- Follow principle of prudence

General Conditions of a Grant:

- Terms definitions
- Commitments (funder & grantee)
- Rights, reports, assets, termination
- Force majeure, dispute resolution, confidentiality, interest, employment, IP

Interest apportionment:

- With multiple projects in one account: use defined method
- Not applicable for dedicated accounts
- Interest treatment as per grant agreement

Common/Core Cost:

- Shared costs: HR, travel, office, etc.
- Prorated to donor projects
- Must have common cost policy
- Allocation examples: space, staff time, units

Salary Allocation for multiple projects:

- Allocate as per grant and annual budget
- Monthly salary register with allocation, deductions, variances
- Needed for audits
- FC/local funds booking compliance
- Timesheet compliance if required

Recipient, Sub-recipient and Vendor:

- Recipient = Prime = main grant holder
- Sub-recipient = does substantive project work
- Vendor = contractor for goods/services

What is a Contract:

- Binding agreement for goods/services
- Specific outcomes
- Payment based on deliverables

What is a Grant:

- Assistance to achieve result
- No legal requirement to achieve result
- Flexible scope and payments

Closure of Grant:

- Ensure all closure provisions met
- Submit final program & finance reports
- Closure report + fund reconciliation
- Final donor acknowledgment of NO DUES

Tips for effective Grant Management:

- Build trust
- Meet targets without under/overspend
- Spend capital budget early
- Timely donor reports
- Maintain files
- Avoid surprises

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