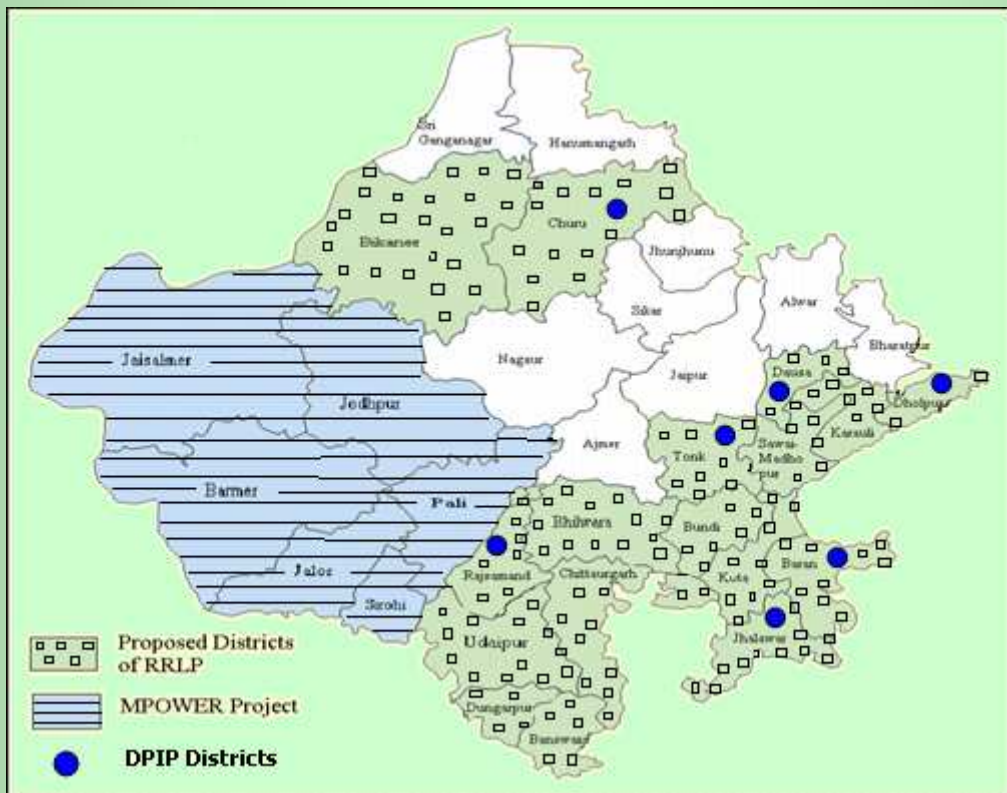


RAJASTHAN RURAL LIVELIHOOD PROJECT (RRLP)



PROJECT IMPLEMENTATION PLAN (PIP) (ANNEX 'C': Finance Manual)



**RURAL DEVELOPMENT & PANCHAYATI RAJ DEPARTMENT
GOVERNMENT OF RAJASTHAN**

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**RAJASTHAN RURAL LIVELIHOOD PROJECT
(RRLP)**

Finance Manual

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State Project Management Unit
RRLP, Jaipur (Rajasthan)

	<u>CONTENT</u>	<u>PAGE NO.</u>
	<u>CHAPTER</u>	
1	Introduction	1
2	Project Management Structure	2-5
3	Project Staffing	6-8
4	Project Components	9-15
5	Annual Budget Estimates	16-18
6	Disbursement And Fund Flow	19-24
7	Accounting System	25-32
8	Reporting	33-35
9	Monitoring And Supervision	36
10	Interim Unaudited Financial Report (IUFRs)	37-39
11	Auditing	40-44
	<u>ANNEXURE</u>	
1	Staff Roles & Responsibilities	45-46
2	Chart of Accounts	47-50
3	Base Register For Release of Funds	51
4	Fixed Assets Register	52
5	Bank Reconciliation Statement	53
6	Check List For Financial Monitoring	54-55
7	TOR For External Auditors	56-61
8	Delegation of Administrative And Financial Powers	62-64
9	Format for Intreim Unaudited Financial Report	64-66

Abbreviations and Acronyms

BPL	Below Poverty Line
CA	Chartered Accountant
CAA&A	Central Aid, Audit and Accounts
CBM	Capacity Building Measures
CBO	Community Based Organization
CDO	Cluster Development Organization
CEO	Chief Executive Officer
CFO	Community financial organization
CMIS	Computerized Management Information System
COM	Community Operational Manual
DGS&D	Director General Stores and Disposal
Dist.	District
DPM	District Project Manager
DPMU	District Project Management Unit
EC	Project Empowered Committee
EC	Environment Coordinator
EFC	Employment Facilitation Centres
EOP	Evaluation of Project
FC	Finance Controller
FDR	Fixed Deposit Receipt
GB	Governing Body
GO	Government Organisation
GoI	Government of India
GoR	Government of Rajasthan
HRD	Human Resource Development
HRF	Health Risk Fund
IDA	International Development Agency
ILP	Integrated Livelihoods Programme
ITI	Industrial Training Institutes
IUFR	Interim Unaudited Financial Reports
JTPA	Job Training and Placement Agencies
KCCS	Kisan Credit Card Scheme
KVIC	Khadi Village and Industries Commission
KVK	Krishi Vigyan Kendra
MFI	Microfinance Institution
MIS	Management Information System
MOU	Memorandum of Understanding
MTR	Mid-Term Review
NABARD	National Bank for Agriculture and Rural Development

NCB	National competitive bidding
NGO	Non Government Organization
NREGA	National Rural Employment Guarantee Act
NREGS	National Rural Employment Guarantee Scheme
PAD	Project Appraisal Document
PFT	Project Facilitation Team
PIP	Project Implementation Plan
PMGSY	Prime Minister Gram Sadak Yojana
PMRY	Pradhan Mantri Rozgar Yojana
PO	Producer Organization
PRD	Panchayat & Rural Development
PRI	Panchayati Raj Institution
RD	Rural Development
RLP	Rural Livelihoods Program
RRB	Regional Rural Bank
RRLP	Rajasthan Rural Livelihood Program
RTI	Right to Information
SGSY	Swarnajayanti Gram Swarozgar Yojana
SHG	Self Help Group
SHG-MCLP	SHG Micro- Credit Livelihoods Plans
SJSRY	Swarna Jayanti Shahri Rozgar Yojana
SOE	Statement of Expenditure
SPD	State Project Director
SPMU	State Project Management Unit
SSO	Sector Support Organization
TDF	Tribal Development Framework
TEG	Technical Environmental Guidelines
TOR	Term of Reference
TRYSEM	Training Rural Youth for Self Employment
Utthan Sansthan	Village Coordination Committee
ZP	Zilla Panchayat

CHAPTER – 1: INTRODUCTION

1.1 BACKGROUND:

The success of earlier Rajasthan District Poverty Initiative Project (RDPIP) that closed on 31 December 2007 has conceptualised the RAJASTHAN RURAL LIVELIHOOD PROJECT (RRLP) to address issues of low household income in target areas and lack of integration with market, as well as devise strategies to take the pressure off land. The project will adopt a strategy which would include investment in processes to build “voice” (empowerment) of the rural poor and simultaneously, access to productive assets and finally provide a platform for scaling up of livelihoods activities. Voice and scale will enable the rural poor to negotiate and bargain with market actors for better economic gains and subsequently, negotiate with service providers (government, private sector, civil society) for better service delivery.

The development objective of the proposed project would be to enhance the economic opportunities and empowerment of the rural poor, with a focus on women and marginalized groups, in the 17 targeted districts of Rajasthan."

1.2 SCOPE OF MANUAL:

- a) The Manual is applicable to State Project Management Unit (SPMU), District Project Management Units (DPMU) and Project Facilitation Teams (PFT). The procedures stated in the Financial Manual are mandatory and any deviations are not allowed
- b) Village Level Financial Management procedure are documented in Community Operational Manual (COM).
- c) Any change in the manual may be carried out by SPMU during project implementation in consultation with the World Bank.

1.3 OTHER RELATED PROJECT DOCUMENT:

Other related key documents which may be referred along with this Finance Manual are:

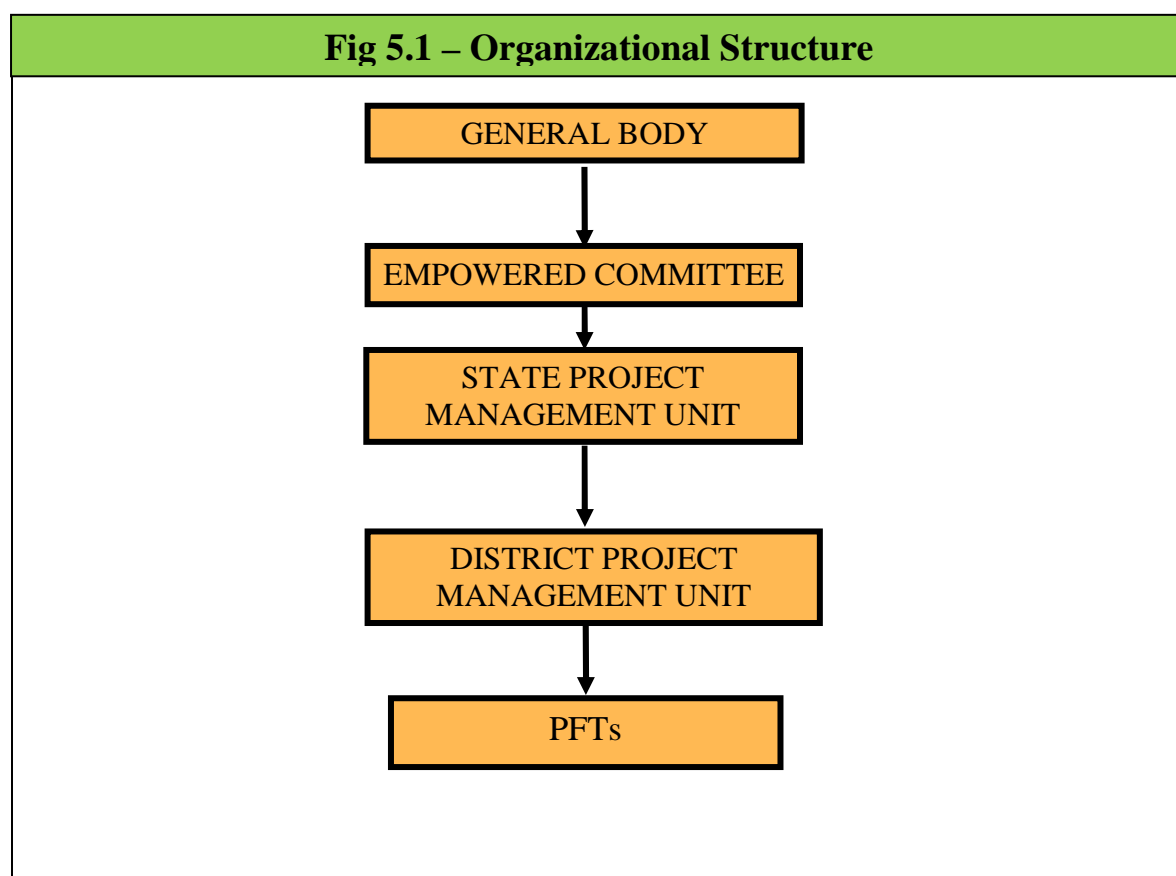
- a) Project Appraisal Document (PAD)
- b) Community Operational Manual (COM)
- c) Guidelines issued for producer organisations
- d) Procurement Manual (PM)
- e) Manual for Computerised Accounting Software (agreed to be finalised by 28 February 2011)
- f) Financing Agreement/Project Agreement

Chapter – 2: Project Management Structure

2.1 THE RAJASTHAN GRAMIN AJIVIKA VIKAS PARISHAD (RGAVP):

A Society registered with the Registrar of Societies under the Rajasthan Society Registration Act, is proposed to form for implementing RRLP, Rajasthan. It will be the apex body responsible for coordinating, implementing and converge for the RAJASTHAN RURAL LIVELIHOOD PROJECT (RRLP). The RGAVP has appropriate governance structure with two bodies- the General Body (GB) and the Project Empowered Committee (PEC) to provide guidance and advice to the project in aspects of planning and implementation. At the village level Utthan Sansthan will be formed, each Sansthan comprising of three SHGs. A cluster of villages having Utthan Sansthan will be represented at the sub district level by the PFTs.

Fig 5.1 – Organizational Structure



2.2 THE GENERAL BODY (GB):

The Honourable Chief Minister of Rajasthan will be the President of the General Body and Honourable Minister of Rural Development & Panchayatiraj will be the Vice-President and the Chief Secretary, the Finance Secretary, Development Commissioner, Secretary Rural Development and Principal Secretaries/Secretaries of other concerned departments of Government of Rajasthan are Members of the General Body of the society. Members of the General Body also include representatives of non-government organizations and representatives of project non-official, nominated by the President of the Society; Secretary (RD) is the Member Secretary of the Society.

2.3 THE EMPOWERED COMMITTEE (EC):

The Chief Secretary of the State chairs the Project Empowered Committee of the Society, with Principal Secretaries from different departments as its members. The Secretary (RD) is the Member Secretary of this Committee.

2.4 STATE PROJECT MANAGEMENT UNIT (SPMU):

State Project Management Unit (SPMU) would be responsible for supervision of project's operational matters, including close monitoring of the project at all levels, imparting professional support to the districts, etc. The SPMU will be headed by the State Project Director. S/he will be the operational and managerial in charge of the project and head the organization structure established at the district and lower levels for implementing the program. The State Project Director will be supported by an expert team of specialists and managers for different functions for supporting and building up the program. The team shall have specialists including a Finance Controller and two Finance Managers and MIS personnel to assist in finance and accounts related matters.

ROLE:-

- a) Compile annual budget of Project based on annual action plan.
- b) Monitoring and developing the mechanism for timely flow of funds to different project implementing agencies.
- c) Develop mechanism for proper accounting and auditing of utilization of project fund.
- d) Maintain accounting information database through the adoption of computerised accounting system.
- e) Submit regular Claims Financial Management Reports to the World Bank.
- f) Submit timely financial reports to the different agencies.
- g) Develop policy and implement a sustainable policy to ensure capacity building at different level.
- h) Appoint internal auditors for the project, to carry out the audit as per the defined scope of work.
- i) Follow-up on internal and external audit reports.
- j) Liaise with statutory auditors for timely completion of audit and place the audit report before the General body of the mission and filing annual returns with the registrar of Societies.

2.5 DISTRICT PROJECT MANAGEMENT UNIT (DPMU):

In all the selected (17) project districts, the task of coordinating, managing, supervising and supporting project implementation would be given over to the District Project Management Unit (DPMU). The DPMU would have two broad functions: 1) an administrative and monitoring function and 2) a program support function. The administrative function in each district would be headed by a District Project Manager (DPM), who will be supported by adequate coordinators including a Finance Manager and Management Information System (MIS) personnel to assist in finance and accounts related matters at DPMU level.

ROLE:-

- a) Compile annual budget procurement plan for the district and submit the same to the SPMU in time.
- b) Review and appraisal of SHG-Returnable support fund Proposal submitted by Village Credit Development Committee, Producer Organisation and Value Chain Proposals by the Manager Appraisal at DPMU level.

- c) Submit request to SPMU for release of funds.
- d) Appraisal and approval of training proposal under Skill Development & Employment Promotion and release of funds to Training Agencies including training of finance staff and training related to finance and accounts under Capacity Building.
- e) Sanction fund for start-up activities institution building strengthening and sustainability activities viz. remuneration to community mobilizes community resource persons etc.
- f) Release of financial assistance to Village Credit Development Committee after signing Memorandum of Understanding with Village Credit Development Committee. This is considered as grant (expenditure) in the books of DPMUs when released to Utthan Sansthan.
- g) Sanction for release of funds to Process Facilitation Teams for operational expenses of Process Facilitation Team, which is considered as advance in DPMU books.
- h) Adjustment of SOE submitted by PFTs as per the norms decided.
- i) Coordinate with PFT to ensure regular and timely audit for district level and PFT level activities.

2.6 PROJECT FACILITATION TEAM (PFT):

At the sub-district level the primary implementation unit within the overall project structure will be the Project Facilitation Teams (PFTs). There will be a total of about 110 PFTs, one in each cluster of about 50 villages. A PFT would consist of four team members each having a specialized function. One of the experts will act as PFT Coordinator and take the overall management and coordination responsibility of the unit. The mandate of the PFTs will be to facilitate the whole project implementation process cycle, including village PRA, social mobilization, and group formation, assisting SHGs in formulation and developing into federations and producer organizations. In addition, the PFTs will assist the groups to establish linkages with banks for financing and input and output marketing. The Staff at these units would either be deputed staff directly within the RRLP structure or recruited from outside. Each PFT will have a Finance Assistant who assists DPMU in pre sanction and post sanction of the projects proposals selected by Utthan Sansthan and forward the proposal to respective DPMU's with comments and duly filled checklists.

ROLE:-

- a) Preparation of annual budget and procurement plans for various activities.
- b) Submit request to DPMU for release of funds for Utthan Sansthan, office and Producer Organisation.
- c) Prepare and forward regular monthly statements of expenditures account to DPMU.
- d) Engage CRP to provide handholding support to SHGs/ Utthan Sansthan to prepare monthly financial statements from primary records maintained at SHG level.
- e) Appraisal of CRP progress and consequently request release of fund to DPMU for his/her remuneration.
- f) Appraisal of Skill Development and Employment Promotion progress and consequently request release of fund to institute / agencies.
- g) Facilitate preparation of SHG-Livelihood Plan.
- h) Ensure and facilitate for submission of expenditure statements and milestone confirmations of Producer organizations; and forward to DPMU.
- i) Ensure Implementation of capacity building activities for building skills in financial management of village/ Gram Panchayat / block level institutions.
- j) Coordinate with Community Institution to ensure regular and timely audit.
- k) Monitor and exercise control over proper and timely submission of Utilisation Certificates.

2.7 SELF HELP GROUPS:

SHG is an informal body having ten to twenty members. These groups will be provided support in developing group norms, financial management capacities, and development of solitary access skill, credit and service from a variety of service providers.

2.8 UTTHAN SANSTHAN:

At village level Utthan Sansthan will be formed. It will be a coordinating body for SHGs within the village. It will be a registered body and shall later become part of Block Federation. The Utthan Sansthan will be the main recipient of the project resources as the intention is to build them in to strong institutions during the life of the project.

ROLE:

Following role is envisaged for Utthan Sansthan

- a) Representation of SHGs at Block Level
- b) Peer pressure on non abiding members and groups
- c) Conflict resolution within group members and amongst the group
- d) Cross learning and experienced sharing forum
- e) Performance monitoring of SHGs
- f) Appraisal and approval of returnable support fund application of the SHG members
- g) Access and delivery of community investment support fund
- h) Identification of activities under village investment fund
- i) Performance appraisal of CRP, book keepers and other support services

2.9 PFT LEVEL FEDERATION:

A federation consists of a network of SHGs (Utthan Sansthan) seeking to further empower the members of SHGs and sustain their economic activities in a specific geographical region. The federation will be a legal body and will frame its own bylaws in consultation with its members. The federation will consist of all Utthan Sansthan's in an Area Federation. The general body will be all the SHGs members. Each Utthan Sansthan will send one representative to the federation which will form Empowered Committee of the federation.

ROLE:

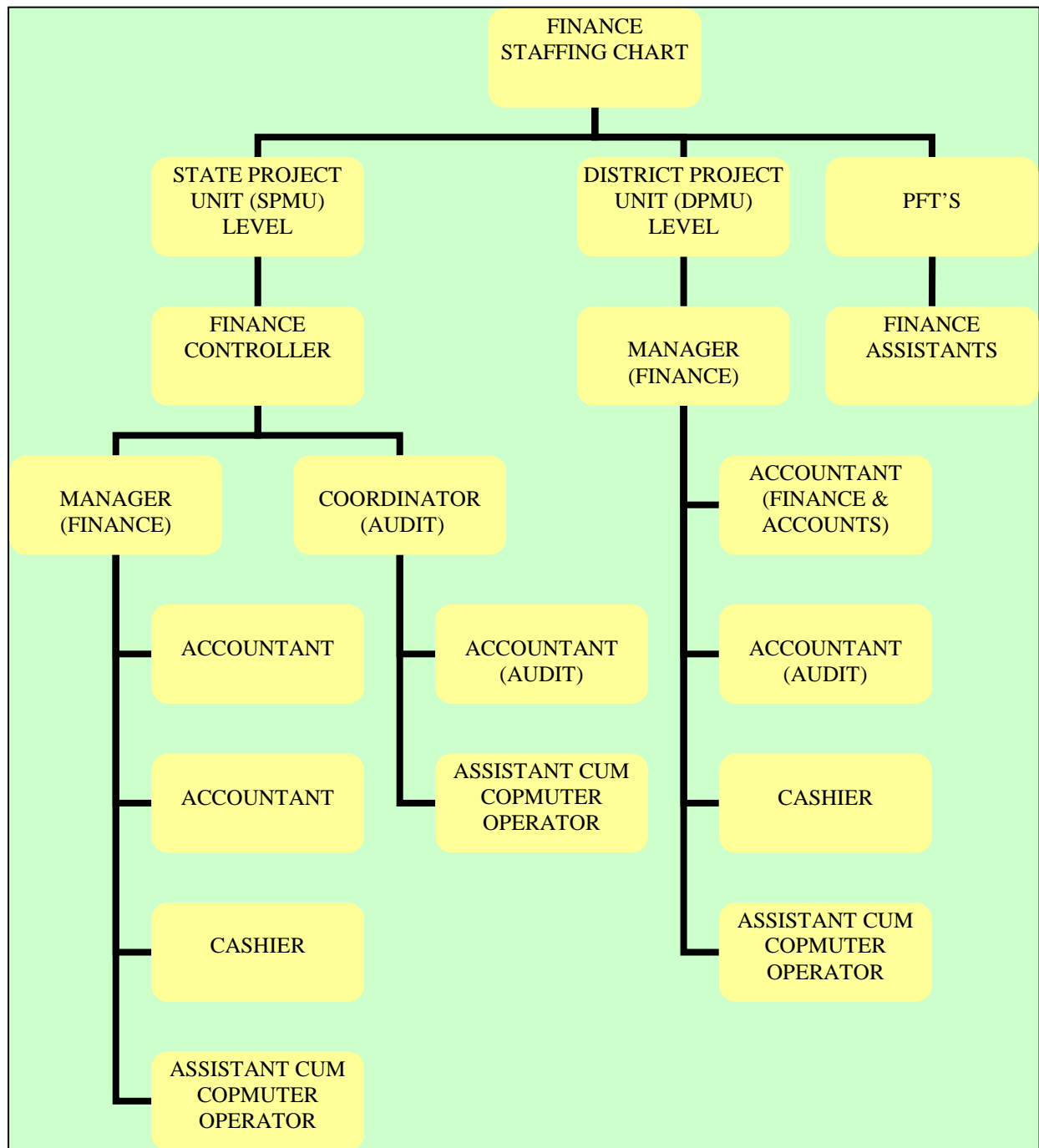
- a) To provide financial services to its members – insurance, remittances, credits etc.
- b) To establish financial linkages with financial institutions
- c) To resolve SHGs conflicts, which cannot be addressed at GPCDC level
- d) To engage in building capacities of SHG members and acquiring of technical know how's for its member, awareness generation on health, education etc.
- e) To scale up the imitative through formation of groups, micro financing.
- f) To audit SHGs and clusters annually and ensure the maintenance of accounts properly.
- g) To ensure women are fairly represented in PRIs
- h) To take the role of promoting institution in long run

2.10 PRODUCER ORGANISATIONS:

The project will promote livelihood based activity groups and federations of members who have similar livelihood in sectors such as dairy, agriculture, handicrafts, handlooms, goat and sheep rearing, carpet and sand stone, mina-kari and other micro enterprise activities. Such producer organisations will essentially be community based entities who will undertake various activities. There will be separate set of guidelines issued for producer organisations.

CHAPTER – 3: PROJECT STAFFING

3.1 STAFFING FOR FINANCIAL MANAGEMENT FUNCTIONS:



3.2 STAFFING AND TRAINING

Staffing:

Adequate finance staff needs to be provided by all implementing agencies from the very beginning, so as to ensure that the project work does not suffer. The staff deputed for work relating to maintenance of project accounts and reports should be well versed with accounting system and preferably acquainted with externally aided projects of the World Bank or some other agency.

The accounting/financial staff should not be changed / transferred at frequent intervals, unless and until required to do so on administrative grounds.

Staff requirement at project is here under:-

S. No.	Name & Number of Post
State Level	
1	Finance Controller (1 post)
2	Manager/ Dy. Director Finance (1 post)
3	Coordinator (Audit) (1 post)
4	Accountant – I (1 post)
5	Accountant- II (1 post)
6	Accountant (Audit) (1 post)
7	Cashier (1 post)
8	Assistant (Computer Operator) (2 posts)
District Level	
1	Finance Manager (1 post)
2	Accountant-I (1 post)
3	Accountant-II (Audit) (1 post)
4	Cashier (1 post)
5	Assistant cum Computer Operator (1 post)
PFT Level	
1	Finance Assistant (110 Post)

The detailed qualification would be as per HR Manual.

3.3 CAPACITY BUILDING OF FINANCIAL & ACCOUNTING STAFF

Capacity Building Measures (CBM) should be adopted and initiated to develop the core strengths of the finance staff as per the project needs. Besides the subjective knowledge in finance staff should also be equipped with supplementary know how to adapt to the project requirements. Capacity Building Measures are objective in nature and should enhance the deliverable skills of the Finance Personnel.

There are a number of means by which CBMs can be implemented in the finance staff.

- a) **Orientation Training:** It should be started at the initial stage to communicate about the project, its mission and objective. An orientation course is a prelude to the project mission where the personnel should be made aware of the broad project objective, the activities undertaken, the phases of implementation, their roles and responsibilities and their accountability to their superiors.
- b) **IUFR, Monitoring, and Reporting & Audit Follow up:** The primary duties of the finance staff at all operational levels is assisting in preparing financial budgets, maintenance of adequate books of records; and preparation of IUFRs. At the PFT level the finance staff should be trained to prepare the SOE and their timely submission. At the DPMU level the SOEs are consolidated in one comprehensive statement and budget estimates are worked out. The process of evaluation is initiated at DPMU level where the finance staff should be

oriented to evaluate and analyse the facts and figures into concrete need base requirement. Emphasis should be laid on correct and timely preparation of IUFRRs. The key information, facts and figures in the IUFRR should be recognised. Such items become bench mark for future reference, analysis and budgetary forecasts. Monitoring of IUFRRs is an important exercise with budget allocation being need based, it is imperative that the expenditure incurred on various planned activities is proper fair and reasonable. Through a process and continuous and comprehensive monitoring it should be ensured that the end uses of funds are as per the mission objective.

- c) **Refresher Training:** As the project is implemented and new activities are developed and undertaken, the need for refreshment courses arise. The refresher course is an attempt to develop specific and subjective skill sets in project implementation. Refresher courses should be carried out in the modular form. Each aspect of project implementation so far as it concern finance should have a separate module to impart training. Lectures, expert speech and training session should be carried out at regular intervals.
- d) **Exposure Visits:** It is imperative that the finance staffs are taken on exposure visits to various locations where projects of similar nature are being implemented. It provides with the requisite know-how and is also an eye opener.

3.4 TRAINING

There will be a separate training wing at SPMU which will be headed by a Finance Controller, assisted by Manager Capacity Building who will be responsible for organizing the training programmes, training schedules, training details and workshops. Entire Financial staff under the project at Institutional Level will be given training on Financial Management, including IUFRRs, accounting procedures etc. The SPMU would be given training on Block basis at DPMU. An elaborate training plan should be developed for the project staff by the SPMU and the training schedules should be modulated for effective implementation. The training plan should be monitored by the Finance Controller at regular interval.

The staff trained in financial management shall be retained till the end of the project. However, in case of need they may be replaced by equally qualified staff, which should also be trained and provided guidelines of the project, e.g. IUFRR & PIP and FM training material.

3.5 ROLES & RESPONSIBILITIES

Role and responsibilities of financial staff are exhibited at **ANNEXURE: 1:**

CHAPTER – 4: PROJECT COMPONENTS

4.1 COMPONENT:

The Project has five components designed to cover every aspect of the project to achieve the objectives: The detailed cost sheet for each component is enclosed in Annexure to Project Implementation Plan.

PROJECT COMPONENTS

S. No.	Components	Sub-Components	Estimated Costs
1	Institution Building & Social Empowerment	1.1: Support to Project Facilitation Teams 1.2: Community Mobilization and Institution Building 1.3: Capacity Building 1.4: Establishment of Federations	
	Sub-Total-1		
2	Community Investment Support	2.1.SHG Fund 2.2.Cluster Development Fund 2.3.Producer Organization Grant 2.4. Area Federation Start-up Fund 2.5.Partnership Development & Sector Support Fund 2.6.Innovation Research & Study Fund	
	Sub-Total-2		
3	Skill development & Employment Promotion	3.1: Skill up grading and Training 3.2: Placement facilitation services.	
	Sub-Total-3		
4	Climate Change Adaptation	4.1: Building knowledge and awareness 4.2: Community based pilot activities	
	Sub-Total 4		
5	Project Implementation Support	5.1: Project Management 5.2: Governance Management 5.3: Monitoring and Evaluation 5.4: Technical Assistance	
	Sub-Total-5		
	Grand Total		

The RRLP has conceived the tasks of sustainable livelihood promotion, broadly divided into five components (please refer PIP for complete details):

Component 1 INSTITUTION BUILDING AND SOCIAL EMPOWERMENT

The objectives of this component are:

- To empower the poor communities to organize themselves and to voice their development demands at various levels.
- To build the capacity of the community to meaningfully engage in the Project.

Component 1 - Sub Component 1 Establishment of Project Facilitation Teams

Project Facilitation Team (PFT) will be the frontline unit of the Project, constituted at 50 villages, comprising a team of professionals and community level workers. The PFT will be responsible for operationalizing all activities and processes in the targeted villages. The key responsibilities of the PFT will be:

Composition of PFT

- PFT Coordinator (PFT-C)
- PFT Members(3)
- Field Workers

Component 1 - Sub Component 2 Community Mobilization

Enthusiasm of the community and their willingness to participate are possibly the most significant factors that will determine the success of RRLP. Differently put, the RRLP must 'mobilize' the community such that they feel enthusiastic about the prospects of the improvement in their livelihoods which in turn will motivate them to participate wholeheartedly in the Project. Given the current context where several organizations and projects are offering development support, the RRLP must establish its distinct identity. It is visualized that the community mobilization will be carried out in 3 stages:

Component 1 - Sub Component 3 Facilitating Community Institutions

For sustainable livelihoods, it is imperative that every identified poor is part of a community institution which is managed well, has adequate resources and ensures equity amongst its members. The Community Mobilisation efforts will be consolidated into Community Institutions. The institutional structure of the RRLP has been designed keeping in view the fact that 'for livelihoods, finance is a necessary but not sufficient condition'. The Project visualizes that the following categories of Community Institutions will be facilitated through the Project:

Self Help Groups

SHG registered with the Project will be the primary unit of 'membership' of the poor in RRLP – any household which is not a member of an SHG will not be able to avail any further support from the Project. An SHG will be able to register with the Project in two ways.

Cluster Development Organisation or Utthan Sansthan

The SHGs will be facilitated to federate into Utthan Sansthan. The purpose of developing Utthan Sansthan is to have a higher level institution which can perform functions that may not be possible for an SHG to do individually, such as fund raising from banks and distribution of the same, dialogue and negotiations with various governmental and private agencies, etc. The Utthan Sansthan will also be the medium to route and monitor the financial support of RRLP to the SHGs. It is envisaged that the Utthan Sansthan will sustain even after RRLP comes to an end, operating like a small, self-sustaining community institutions that will raise funds from banks and other institutions and on-lend the same to its member SHGs. The Utthan Sansthan will be registered under a suitable legal framework that allows the organisations to function independently to meet their objectives.

The ideal membership of an Utthan Sansthan is 15 SHGs in terms of viability. An Utthan Sansthan may be promoted as soon as 3 SHGs are ready and willing and then keep adding SHGs till the ideal size is reached. The SHGs seeking to form/join an Utthan Sansthan may be from the same or adjoining village.

Area Federation

In order to further aggregate the targeted community, the SHGs of all Utthan Sansthan in a PFT will be encouraged and facilitated to form a Federation. It is expected that a Federation will have membership of 300 SHGs from 20 Utthan Sansthan. The process of formation of the Federation may be initiated when the PFT has facilitated at least 100 A Grade SHGs and 10 Utthan Sansthan.

The General Body of the Utthan Sansthan will comprise of all the SHG members. Each Utthan Sansthan will send one representative to the Federation to form the Executive Committee. The Federation will be a legal body and will frame its bye-laws in consultation with its members. Federation can be registered as a Cooperative or Society depending on the functions and need of federation.

Producer Organisations

Members of SHGs that are engaged in same or similar livelihood activity, agriculture, livestock, handloom, etc. will come together to form a Producers' Organisation (PO). A PO may be initiated with a minimum of 20 members and there would not be any limit on the maximum number of members.

Component 1 - Sub Component 4 Capacity Building of Community Institutions

'Capacity Building' refers to all activities that strengthen the abilities of people, organizations and system to make effective use of resources in order to achieve goals on a sustainable basis. These may be in the form of trainings, exposure visits, combined workshop, institutional development, networking, policy support, action research studies etc.

The community institutions and the PFTs will identify their capacity building needs and inform the SPMU through an indent. The SPMU will organize the trainers and other resources requested for in the indent.

Component 2

COMMUNITY INVESTMENT SUPPORT

The Project will facilitate the community through required social engineering to 'invest' both financial and other resources in their own livelihoods. This investment will be partly financial, where community institutions at different levels will be provided revolving fund grants which will be passed on the households as returnable support funds. In addition, the Project will also invest in the training of households, developing linkages with governmental and private agencies, providing support of sectoral specialists and foster innovations; so that the financial investments are utilized well.

The sub-components are described in the following sections:

Component 2 - Sub Component 1

CBO Funds

Cluster Development Organization Fund (Utthan Sansthan Fund)

The project will support Utthan Sansthan with fund of Rs. 1.50 lacs for meeting social security demand and strengthening social infrastructure in the village / cluster. This will help in meeting out the emergencies of households for food, fodder and medical & health support. In addition to household requirement the community social infrastructure viz. school, health centers Aanganbadi centers & Street lights will also be strengthened and can be made more community orientated. The various funds are stated below in details:

Health Risk Fund

Health shocks is one of major livelihoods shocks for the poor household. It is estimated that health expenses accounts for about 15-20 percent of total household yearly expenses. A large number of poor families borrow high cost loan from money lenders for health purposes. To address this, a provision of Health Risk Fund (HRF) has been kept in the project. The HRF of Rs. 0.75 lac would be provided to Utthan Sansthan, only when the members of Utthan Sansthan area SHGs show commitment to save for their health. Once taken returnable support fund for health, the member would be allowed to pay back the returnable support fund to Utthan Sansthan in 24 instalments.

Food Security Fund

It is estimated that food accounts for more than 60 percent consumption expenditures of the poor. To meet out the food availability in the lean season when wage opportunities are limited, the food security programme has been planned so that poor can get the food grains at a reasonable cost and they are able to avoid money lenders for buying the food grains. A budget provision of Rs. 0.50 lac has been made for each Utthan Sansthan for the food security fund. Any member of SHGs, who is willing to avail facility of food grains from Utthan Sansthan, has to pay to concerned SHGs for food security fund. The first instalment has to be returned/repaid after the members lift food grains from Utthan Sansthan/SHG.

Fodder Security

There is shortage of fodder during January to May in the villages due to single rain fed crop in large area of Rajasthan. To meet the requirement of fodder during this period, a provision has been kept to set up fodder bank for fodder security. A budget provision of Rs. 0.25 lac has been made for each Utthan Sansthan for the fodder security. Members of SHGs who are willing to take fodder from Utthan Sansthan will have to pay to concerned SHGs for fodder and SHG leader would deposit the collected amount to the Utthan Sansthan in the scheduled meeting. On

the basis of total demand, the Utthan Sansthan would procure the fodder in bulk with grant from RRLP and money contributed by members. SHGs will give fodder to the members on credit at a reasonable price. The repayment of which could be made. The first instalment would be required to be paid two month after they lift fodder from SHG.

SHG Livelihood investment tranche-1

A Livelihood investment tranche-1 returnable support fund of Rs. 15,000 may be given to the SHGs by Utthan Sansthan that meet specified criteria. This is a returnable support fund to the SHG, to be returned to Utthan Sansthan. The objective of this fund is to incentivize members of SHGs that have made a good beginning. An informal grading will be carried out by the CDO/ PFT based on MIS reports, at least two months after formation of the group. The Livelihood investment tranche-1 will be released with the strength of SHG/ Utthan Sansthan like: Regular Saving, Regular Meeting, Record Keeping, Opening of Bank Account and Preparation of Micro-Plan.

Livelihood Investment Fund

The Livelihood Investment Fund (LIF) will be released for those SHGs that have stabilized and are functioning well as defied in PIP. This will be assessed through a Grading process which will be done after six months of formation of SHG. The basis on sanction and release of this Fund will be a Livelihood Plan of the SHG. This Fund would be released as a grant from the Project to the Utthan Sansthan. The Utthan Sansthan will give this as a returnable support fund to the SHG. It is expected that the release of this Fund for a well performing SHG may happen after 9 months of formation of SHG. In the event, the SHG has been linked to a field Bank before release of LIF; the LIF may be released in two instalments. Else, the entire LIF may be released to SHG in one instalment, subject to the demand expressed in the Livelihood Plan. The maximum LIF available for an SHG is Rs. 1,10,000.

Sectoral Fund

Every Producer Organization will receive Sectoral Fund (SF) up to Rs. 20 Lac, in two instalments, to invest in value chain development for livelihood promotion. The first instalment of SF will be given to the PO within two months of its formation on submission of Activity Identification Report (AIR), an action plan for six months and bank account details. This instalment can be up to Rs. 5 Lac. The action plan will be prepared by the executive committee of the PO with support from Sector Support Organisation (SSO). The SSO will be appointed by RRLP.

PFT Federation Fund

It is envisaged that all the SHGs under one PFT will come together to form an apex Federation. Once the formalities of formation have been completed, RRLP will give a grant of Rs. 50,000/- to the Federation. The Federation will incur establishment's expenses from this fund.

Component 2 - Sub Component 2 Partnership Development

Partnership development, leading to convergence of multiple stakeholders for the benefit of targeted households, is an important strategy of RRLP.

Bank Linkage

Convergence with Line Departments

The Project will aim to improve the delivery of entitlements and welfare schemes of State and Central Government applicable in the respective Project districts. Such linkages will be

especially useful for reaching out to the poorest sections of the targeted blocks. This will be done through the following strategies:

- Collection and collation of information required by line departments
- Support line departments in organizing events and camps
- Monitoring delivery of entitlements

Component 2 - Sub Component 3 Sectoral Support

In order to utilize the opportunity presented by capitalization of community institutions, the Project will support the targeted households in taking their livelihood activities to the next level of sustainable income.

The value-chain development principles will be applied for the purpose. This will be done at two levels:

- providing support to producer organizations; and
- directly working with households involved in the respective value chain.

Component 2 - Sub Component 4 Innovation and Research

It is a well established fact that innovation is crucial for helping the poor break out of the vicious downward spiral of poverty and for enhancing growth. While the poor recognize this as well, they lack the risk taking capacity and other resources that any experiment requires. As such, the poor remain stuck in the downward spiral. Therefore, it is imperative for RRLP to encourage and facilitate innovation at all levels as it is directly related to the achievement of its basic objectives.

Thrust Areas

- Activities which lead to value addition
- Enhance income of the poor
- Lead to creation of assets
- Empower and develop livelihoods of socially disadvantaged
- Creation of Jobs in project areas

Component 3 SKILLS DEVELOPMENT AND EMPLOYMENT PROMOTION

Skill development and employment promotion has emerged as an important strategy for livelihood promotion over the past few years. Both governmental and non-governmental agencies are investing considerable resources and energies in this direction. This strategy is especially being used for the youth segment of the population. The RRLP will also target to train and employ at least 1,000 youth per project district. Total 17000 youths will be trained out reach of 5.8 lacs house holds. The estimated cost per candidate for 4 to 8 weeks long training program is Rs. 15000 -20,000 depending on the sector.

Implementation Arrangement

Partnership arrangements with EIPs shall be take place as per need of the area. The EIP will be responsible for counselling of students, identification of appropriate sectors, training, placement and retention with the jobs.

Component 4 CLIMATE CHANGE ADAPTATION

Given the fragile situation of natural resources in the state, in Rajasthan the impact of climate change is likely to be immediate and more severe compared to other states. Therefore, RRLP offers a significant opportunity to address the vulnerabilities of communities being affected by climate variability and climate change in Rajasthan while deciding the livelihood options by the individual members of SHGs or SHGs as a whole.

Subcomponent (A) Building knowledge and awareness among communities and wider stakeholders on climate change and its likely impacts

Sub Component (B) Undertaking community based pilot activities to develop climate resilience through farm and nonfarm activities

Sub Component: (C) Assessing the state's priorities on adaptation and subsequently develop a scope.

CHAPTER – 5 : ANNUAL BUDGET ESTIMATES

5.1 BUDGET ESTIMATES

The project's planning process will follow a "inverted" approach (refer flow chart) i.e. it will grow out of village level plans and get consolidated into PFT, District and State level annual work plans. The project planning process of each financial year will follow the budgeting cycle of the State and will be completed when the project estimates are included in the State Budget, presented and approved by the State Legislature. The project will be budgeted as a separate line in the State Budget and the budgetary funds will be released to SPMU by GoR according to Annual Work Plan Statement (AWPS) prepare as per project design.

5.2 BUDGET PREPARATION

The Budget Estimate of the RAJASTHAN RURAL LIVELIHOODS PROJECT (RRLP) will be prepared annually for each financial year on the basis of the guidelines of the Project Design & Implementation. The Project shall prepare the Budget for each financial year on realistic basis to avoid the penalty clause of commitment charges imposed by the World Bank on unutilised earmarked fund.

The budget preparation exercise will start from each level. The PFT shall prepare its budget on realistic basis every year based on the information's and evaluation of demand at Utthan Sansthan level and submit the same to the DPMU by 15th October. The DPMU's shall consolidate the budget of PFT and submit with its input to the SPMU by 30th October. The SPMU shall compile the DPMU's budget and SPMU budgets and prepare and submit the budget for evaluation to Project Empowered Committee by 15th November and Project Empowered Committee after evaluation and examination put the budget in Governing Body Meeting for approval by 15th December and submit to the Government of Rajasthan (GoR) by 31st December every year for budget finalization committee meetings.

Deadlines of budget preparation and submission at various project levels:

Prepared By	Submitted to	Timeline	Activity
PFT	DPMU	15 th October	Preparation / submission of budget based on the evaluation and demand at Utthan Sansthan Level
DPMU	SPMU	30 th October	Consolidation of budget estimates of PFTs with its input.
SPMU	Empowered Committee	15 th November	Consolidation of budget estimates of DPMU's, PO's with its input for evaluation and examination for final approval in Governing Body by 15 th December.

5.3 BUDGET STATEMENTS

- i. A statement of Budget proposals at a glance.
- ii. A statement of budgeted receipts for the relevant financial year.
- iii. A statement of budgeted expenditure for the relevant financial management expenses.

a) Receipts:

- i. Budgetary grants-in-aid received from the Department of Rural Development & Panchayatiraj, Government of Rajasthan
- ii. Miscellaneous Receipts if any (Such as – contribution from the community, bank interest, Security Deposits and tender fees etc.).

b) Payments:

Budget will be prepared in the same format as Chart of Accounts. The main items of expenditure shall be classified according to the Project Components

- i. Institution Building and Social Empowerment
- ii. Community Investment Support
- iii. Skill Development & Employment Promotion
- iv. Climate Change Adaptation
- v. Project Implementation Support.

5.4 BUDGET MONITORING

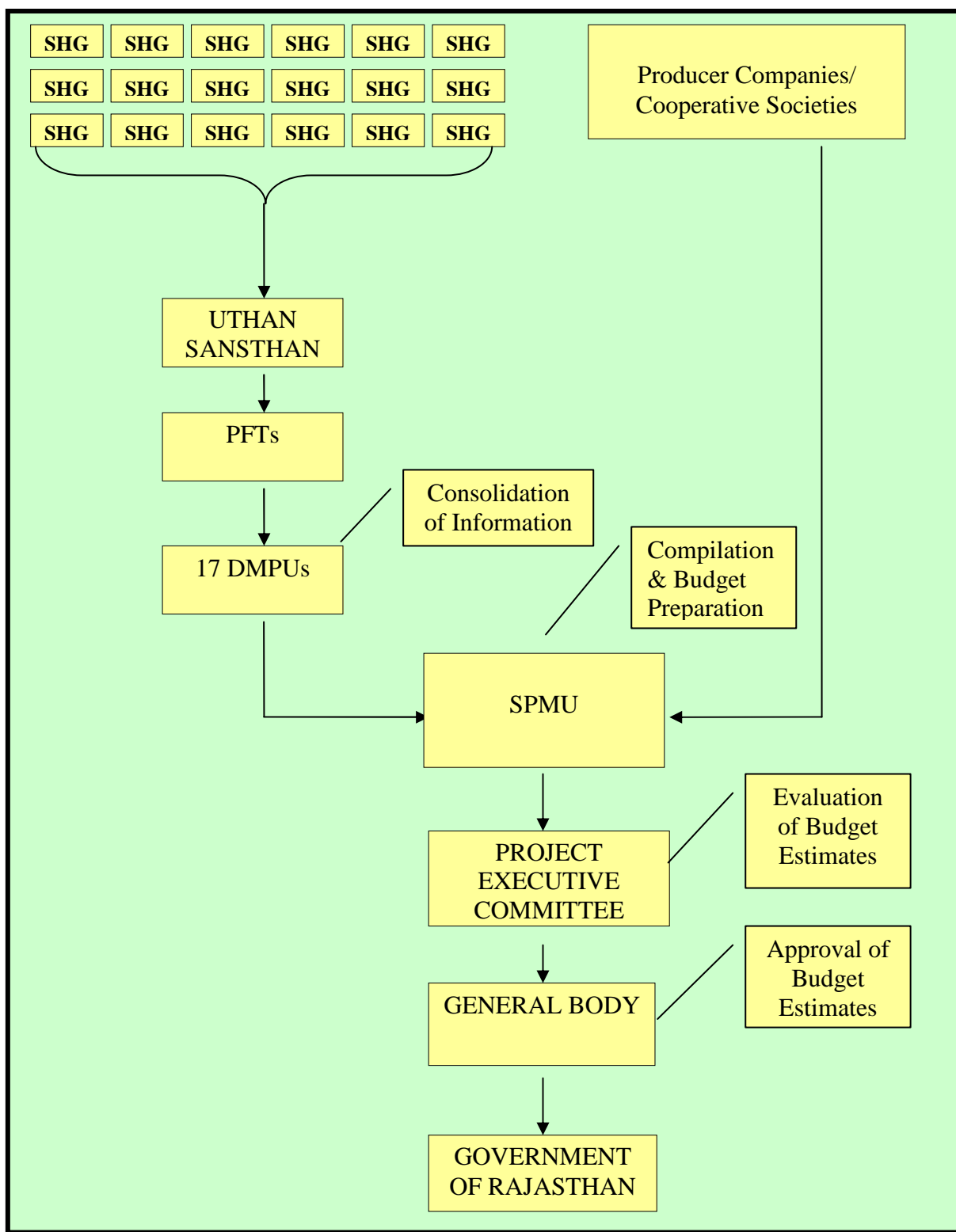
- a. It is essential that the expenditures incurred are continuously monitored with the amounts budgeted. This will be required to ensure that expenditures incurred do not normally exceed amounts budgeted. For this purpose, the main head-wise balance available as per the budget will have to be monitored periodically.
- b. The Manager Finance will prepare the variance report on monthly basis and submit the same to the State Project Management Unit for information and remedial action if required under any component.
- c. The funds of the project shall not be used for the purpose not envisaged in the action plan approved by the competent authority.
- d. If any midterm change is required, proposal should be made in the prescribed format as and when required to GoR before the supplementary budget.
- e. If the actual expenditure exceeds the approved amount; prior administrative approval from higher authority should be obtained.
- f. The maintenance of accounts of the Project should be governed by the Principle that no expenditure is incurred by the project for purposes other than intended under the Project and every item of expenditure which is incurred is in accordance with the prescribed procedures, and principles of sound Financial Propriety. In accordance with these principles of Financial Propriety, it shall be the duty of each official of the Rajasthan Rural Livelihood Project to ensure that
 - i. Every Government servant is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.
 - ii. The expenditure should not be prima-facie more than the occasion demands.

No authority should exercise its powers of sanctioning expenditure to pass an order, which will be directly or indirectly to its own advantage. Public moneys should not be utilized for the benefit of a particular persons or section of the people unless:

- i. a claim for the amount could be enforced in a Court of Law, or
- ii. The expenditure is in pursuance of a recognized policy or custom.
- iii. The amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

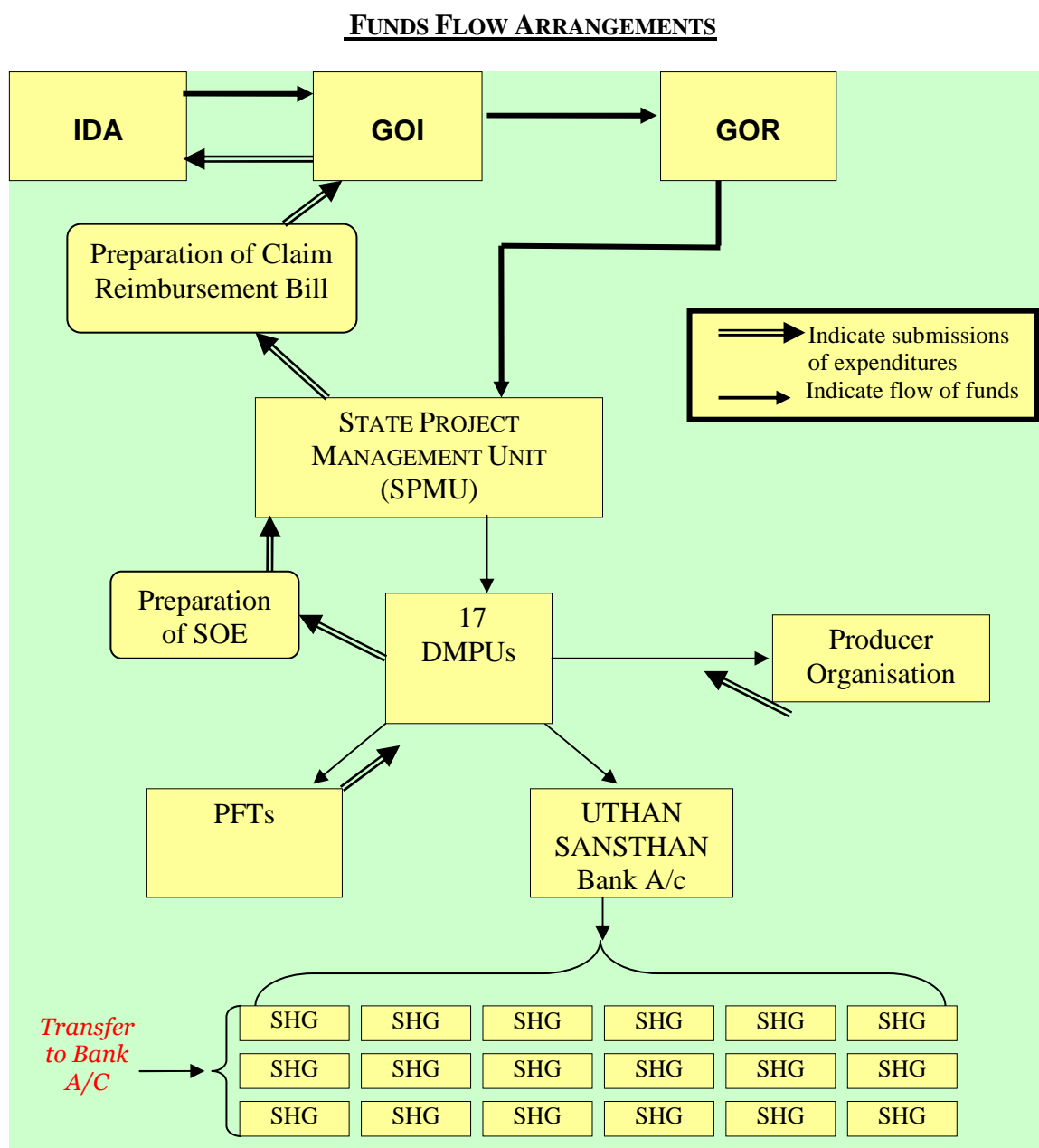
It shall be the duty of the Head of Office to ensure strict observance of these principles.

5.5 BUDGET ESTIMATE FLOW OF INFORMATION RELATED TO BUDGET ESTIMATE



CHAPTER – 6: DISBURSEMENT & FUND FLOW

6.1 THE FUNDS FLOW ARRANGEMENTS OF THE PROJECT IS CAPTURED IN THE FIGURE BELOW:



6.2 DISBURSEMENT PROCEDURES

External Assistance and Disbursement Procedure:

- An initial lump sum advance of USD 5 to 10 million will be drawn from the World Bank through the state government and CAAA. Such advance would be replenished from time to time on submission of IUFs. Interim Unaudited Financial Reports will be prepared on the basis of actual expenditure incurred at various operational levels and consolidated at SPMU level.

- The World Bank will make quarterly disbursement based on IUFRRs which have to be submitted within 45 days at the close of each quarter. Disbursement will be based on expenditure for past quarter. The expenditure reported in IUFRR will be subject to confirmation/ certification as per the Annual Audit Reports submitted for the Project. SPMU will be responsible for consolidation and submission of IUFRR to World Bank/CAAA.

6.3 RELEASE OF FUNDS

FUND FLOW LEVEL	METHODOLOGY
World Bank to GoI	<ul style="list-style-type: none"> i. An initial lump sum advance of USD 5 to 10 million to be adjusted towards the closure of the project. ii. Further disbursements from World Bank (IDA credit) for actual expenditure incurred during a quarter, on the basis of Interim Un-Audited Financial Reports submitted on a quarterly basis.
GoI to GOR	<ul style="list-style-type: none"> i. It will follow Standard back to back mechanism.
Government of Rajasthan to SPMU	<ul style="list-style-type: none"> i. Based on project's Annual Budgets and Work Plans, Government of Rajasthan will include estimates in their budget estimate and obtain sanctions from the State Legislative Assembly. ii. Government of Rajasthan will provide grants –in-aid as per the demand from the SPMU, which will be based on funds received for the project from IDA.
SPMU to DPMU	<ul style="list-style-type: none"> i. SPMU will transfer funds (inter unit transfer) to DPMU on the basis of demand received from DPMU, which will be based on projection of expenditure on monthly basis. ii. DPMU will submit monthly SOE/Trial Balance to SPMU in prescribed formats.
DPMU to PFT	<ul style="list-style-type: none"> i. DPMU will release advances/ imprest on the basis of demand from PFT based on a projection of expenditure on a monthly basis. ii. PFT will submit monthly accounts to DPMU
DPMU to UTTHAN SANSTHAN	<p>(A) UTTHAN SANSTHAN FUND:</p> <p>Health Risk Fund (HRF)</p> <p>The eligibility criteria would be :</p> <ul style="list-style-type: none"> i. At least 75 members of SHGs have taken membership of the corresponding fund. ii. Members of those SHGs, who have availed the credit from bank, would only be entitled to avail CDO fund. iii. Minimum three months old members iv. have deposited minimum three monthly instalments v. application with clear description of health issue vi. returnable support fund assistance is available only for members & family defined in form <p>FOOD SECURITY</p> <p>The eligibility criteria would be :</p> <ul style="list-style-type: none"> i. At least 75 members of SHGs have taken membership of the corresponding fund. ii. Members of those SHGs, who have availed the credit from bank, would only be entitled to avail CDO fund. iii. Minimum three months old members iv. have deposited minimum three monthly instalments

FUND FLOW LEVEL	METHODOLOGY
	<p>v. application with clear description need of returnable support fund</p> <p>FODDER SECURITY The eligibility criteria would be :</p> <ol style="list-style-type: none"> i. At least 75 members of SHGs have taken membership of the corresponding fund. ii. Members of those SHGs, who have availed the credit from bank, would only be entitled to avail CDO fund. iii. Minimum three months old members iv. have deposited minimum three monthly instalments v. application with clear description need of returnable support fund numbers of animals and required quantum of fodder <p>(B) SHG FUND</p> <p>Livelihood investment tranche-1</p> <p>I. DPMU will transfer the Livelihood investment tranche-1 to Utthan Sansthan within fortnight of receiving demand from Utthan Sansthan. It will be released on following basis.</p> <ol style="list-style-type: none"> i. Utthan Sansthan and SHGs should be registered in the project. ii. MOU between Utthan Sansthan and DPMU. iii. Demand for livelihood investment tranche-1 from Utthan Sansthan to DPMU with details of qualified SHGs applied for livelihood investment tranche-1 duly verified by PFT that the Utthan Sansthan has Book Keeper and is in position to operationalize Books of Account namely (Cash Book, Pass Book, and returnable support fund register). iv. A copy of the resolution approved by the Empowered Committee of the Utthan Sansthan. v. MOU between SHG and Utthan Sansthan. vi. Application form for livelihood investment tranche-1 from SHG with repayment schedule duly verified checklist and documents by PFT and only financial appraisal part by the finance deptt. based upon the documents attached with the returnable support fund application proposal before releasing funds. vii. Utthan Sansthan and SHGs should have their bank account. viii. SHG should conduct meetings as per norms with regular saving, regular meeting, record keeping, preparation of Priority Plan. <p>II. The amount released as above will be accounted for as expenditure in the Books of Account of the DPMU.</p> <p>III. Utthan Sansthan shall transfer the money received from DPMU to the SHG, subject to meeting the criteria, as a livelihood investment tranche-1 within one week of its receipt.</p> <p>Livelihood Investment Fund</p> <p>I. DPMU will transfer the Livelihood Investment Fund to Utthan Sansthan within a fortnight of receiving demand from Utthan Sansthan. It will be released on following basis:</p> <ol style="list-style-type: none"> i. Sanctioned SHG- Micro Credit Livelihood Plan by Utthan Sansthan. ii. SHG should qualify the grading required. iii. Application for Livelihood Investment Fund from SHG with repayment schedule duly verified by PFT.

FUND FLOW LEVEL	METHODOLOGY
	<p>iv. Demand for Livelihood Investment Fund from Utthan Sansthan to DPMU with details of qualified SHGs (as per requirement designed in COM) applied for Livelihood Investment Fund duly verified by PFT.</p> <p>v. Resolution from the Empowered Committee of the Utthan Sansthan that the SHG has applied for the Livelihood Investment Fund within its eligible limits and approved SHG-MCLP.</p> <p>II. The SHG may demand part or full amount within their eligibility and repayment capacity. Accordingly the Utthan Sansthan will submit the demand to DPMU. The SHG may also send other demand to Utthan Sansthan with repayment schedule only.</p> <p>III. The amount to be released as above will be accounted for as expenditure in the Books of Account of the DPMU.</p> <p>IV. Utthan Sansthan shall transfer the money received from DPMU to the SHG as a Livelihood Investment Fund within one week of its receipt, subject to meeting the specified criteria.</p> <p>V. The expenditure by SHG & its monitoring is covered in the community operations manual.</p> <p>(C) Remuneration of Field Functionaries Payments</p> <p>A lump-sum advance equivalent to 3 months salary of the each field functionary would be transferred to CDO for the payment of CM/Book Keeper/ Para Professionals. This request will need to send by CDO in the prescribed format to be specified by the project. This advance will be adjusted in the last 3 to 4 months of the project.</p> <p>i. The Coordinator, PFT will inform DPMU about the engagement of CM/Book Keeper/ Para Professionals in prescribed format.</p> <p>ii. The CDO will pay the remuneration to CM/Book Keeper/ Para Professionals (vouchers in duplicate) after completion of the month and submit the original voucher to DPMU for replenishment.</p> <p>iii. The salary voucher would be verified jointly by Chairman/ Secretary, CDO & Coordinator, PFT.</p> <p>iv. The Coordinator, PFT/ CDO- Chairman/ Secretary shall be responsible for the outputs of the CM/Book Keeper/ Para Professionals and put their verification on the payment voucher.</p> <p>(In the initial phase (till the CDO is constituted) the remuneration of field functionaries would be released directly by DPMUs in the bank accounts of field functionaries).</p>
DPMU to Area Federation	<p>Area Federation Fund :</p> <p>Once the formalities of formation have been completed, RRLP will give a grant of Rs. 50,000/- to the Federation for meeting the actual expenditure.</p> <p>The eligibility criteria would be :</p> <p>i. The Area Federation will submit application to DPMU through the PFT.</p> <p>ii. Regular meeting for three months.</p> <p>iii. Membership of 10 UTTHAN SANSTHAN or 100 'A' grade SHGs.</p> <p>iv. Members' contribution (decided by members) has been received.</p>

FUND FLOW LEVEL	METHODOLOGY
	<ul style="list-style-type: none"> v. Bank account of Area Federation has been opened. vi. MOU with Support Functionaries.
<p>DPMU to Producer organizations.</p>	<p>Formation Fund :</p> <p>Formation and registration of the producer organizations (for 1st Year). It includes expenses related to the preparation of the byelaws and MOU, registration fees, stationary, travelling and other miscellaneous expenses.</p> <p>Handholding support to be provided for the hiring of consultants for the federation for initial three (3) years and released on following basis:</p> <ul style="list-style-type: none"> i. List of elected BOD with resolution for formation of PO. ii. Cost estimate duly approved by BOD. iii. Details of Bank A/c with proof of 50% of required expenditure deposited in the bank account for the purpose for the formation and registration of PO. iv. Selection of consultant for handholding support with the WB procurement norms approved by SPMU. v. Agreement by PO with consultant. <p>The producer organizations will submit the account of expenditure to the DPMU in duly agreed expenditure reports duly certified.</p> <p>Operational Support Fund : This fund shall comprise of :</p> <p>Administrative & Operational Support: The administrative support fund is meant for the office expenses and salary for the employees in the producer organizations, as per agreed procedures.</p> <p>The working capital support:</p> <p>I. It will incorporate funds for purchase of raw materials and inputs and released on following basis :</p> <ul style="list-style-type: none"> i. Registration of PO under Producer Company Act. Or; Mutually Aided Cooperative Society Act. ii. Approved Business Plan by the bank. iii. Resolution of Board of Directors. iv. Annual Cost estimate duly approved by BOD. v. Details of Bank Account for release of working capital fund the Bank Statement should show 5% of working capital as margin money deposited in the bank account for the purpose. vi. Approval from SPMU. vii. MOU between PO and DPMU. viii. Expenditure reports for the formation fund. ix. No overdue un-audited quarterly financial reports and annual audited financial statements (if applicable). <p>II. Funds will be transferred as advance which will be adjusted on submission of expenditure reports in the agreed formats.</p> <p>Value Chain Support Fund:</p> <p>I. This fund will provide support to PO to acquire skills, facilities, equipments and other assets/infrastructure required to operate the business and released on</p>

FUND FLOW LEVEL	METHODOLOGY
	<p>following basis:</p> <ol style="list-style-type: none"> i. Registration of PO under Producer Company Act. Or Mutually Aided Cooperative Society Act. ii. Approved Business Plan by the Bank iii. Value chain Analysis with detailed work plan of all the proposed activities with the cost estimates and source of funds. iv. Proposal of the activities on the basis of identified gaps with cost estimate duly approved technically for the project assistance. v. Resolution of Board of Directors vi. Appraisal report of the PFT. vii. Approval from DPMU. viii. Signed MOU between DPMU and PO ix. No overdue un-audited quarterly financial reports and annual audited financial statements (if applicable). <p>II. The PO will submit quarterly progress report of the work. The PO will submit the expenditure reports after completion of work.</p> <p>NOTE:- Detailed guidelines shall be developed separately and Bank's approval will be sought.</p>
<p>SPMU to SSO/ Line Department/ convergence agency</p>	<p>Partnership Development :</p> <ol style="list-style-type: none"> 1. Partnership Development fund will be provided for public private partnership that are expected to provide technical knowhow, market linkages and capacity building to community institutions. It will be released on the following basis : <ol style="list-style-type: none"> a) Selection of partner as per sole source norms of World Bank. b) Approval from SPMU. c) Signed copy of MOU between SPMU and partner. 2. Before making payment, the DPMU will monitor and assess the progress according to the ToR and submit to the SPMU. 3. The partner will submit the quarterly progress report to DPMU/ SPMU duly verified by DPMU, as applicable.

CHAPTER – 7: ACCOUNTING SYSTEM

7.1 ACCOUNTING SYSTEM

The Project Accounts should be maintained on computerised software at SPMU & 17 DPMUs along with hard copy of cash book and other main books of accounts. PFTs should maintain accounts manually and submit expenditure statements in agreed standard formats to DPMUs on a monthly basis. DPMUs will incorporate monthly expenditures of PFTs through journals entries and forward the IUFR on monthly basis to SPMU.

Financial books of the Projects shall be maintained on cash basis at SPMU, DPMUs, PFT and Producer Organization level following double entry system of accounting principle. The books of Utthan Sansthan will not be part of project books of accounts.

Computerised Accounting Software: Detailed procedure for processing of transactions will be documented in the Manual for Computerised Accounting Software, which will be prepared by the project by 28 February 2011.

7.2 ACCOUNTING CENTRES

The accounting centres are the offices where the basic accounting in respect of expenditure on the project activities shall be carried out. These accounting centres shall be responsible for maintaining the relevant books of account and shall account for all the financial transactions entered into by each of them.

The accounting centres for the project shall be as follows:

- a. State Project Management Unit:** One unit at the State level
- b. District Project Management Unit (DPMU):** 17 units, one in each Project District. Each DPMU will submit monthly accounts to the SPMU.
- c. Project Facilitation Team (PFTs):** ___ units at the cluster level spread across 17 districts: Each PFT will submit monthly statement of imprest accounts to the DPMU of their respective districts.
- d. Producer Organisations:** Each Producer Organisation will submit quarterly accounts to the DPMUs of their respective districts

7.3 BANK ACCOUNT

Every accounting centre should open a bank account in the name of the Project. There should be at least two joint signatories for every bank account that is opened for the Project. Bank account at the SPMU, DPMU & PFT levels will be operated by the following officers with joint signatures:

i	STATE LEVEL	State Project Director + Finance Controller	Additional Director + Manager Finance
ii	DISTRICT LEVEL	District Project Manager and Finance Manager	

- iii **PFT LEVEL** PFT Coordinator and PFT member (a Government Employee)

Mode of payment: The preferred mode of payment for the Project is by account payee cheques. No payment exceeding INR 20,000 should be made by cash.

Payment standards: For payments to vendors/suppliers of goods and services under the Project, cheques should be issued no later than one month of the date of issue of invoice/delivery of goods/services as per agreed standards. Every spending unit should maintain a Bill register which should record the date of receipt of bill, date of bill approval for payment and date of issue of cheque/cash. This register should be monitored and signed off by the Head of Office on a fortnightly basis and exceptions looked into and mitigated. Exceptions and mitigation thereof should be documented.

Details regarding operation of bank account of Utthan Suntans, SHGs and Producer Organisations are documented in the Community Operations Manual (COM).

7.4 ACCOUNT HEADS

In order to keep proper financial information on the program activities and ensure uniformity in classification of receipts and expenditures across implementing units and to facilitate easy consolidation of accounts for the project as a whole, the standard ledger heads for each component and sub-ledger heads for all the categories under these components shall be maintained. All expenditure incurred under the project shall be booked under the account heads maintained in respect of various items of expenditure relating to these components. A statement of ledger account heads is indicated in **ANNEXURE: 2:**

The main accounting heads are:

- i. Institution Building and Social Empowerment
- ii. Community Investment Support
- iii. Skill Development & Employment Promotion
- iv. Climate Change Adaptation
- v. Project Implementation Support.

7.5 BOOKS OF ACCOUNTS TO BE MAINTAINED AT SPMU AND DPMUS

The following primary books of accounts and registers shall be prepared on the computerized software and maintained at SPMU and DPMUs:

- i. Cash Book
- ii. General Ledger/Subsidiary ledgers (including subsidiary ledgers relating to advances and contractors)
- iii. Journal Register
- iv. Base Register for release of Funds (ANNEXURE :3)
- v. Fixed Assets Register (ANNEXURE :4)
- vi. Bank Reconciliation Statement (ANNEXURE :5)
- vii. Register of Cheques & Bank drafts received and remitted to Bank
- viii. Cheque issue Register / RTGS / NAFTA (Manual)
- ix. Bank Pass Book
- x. Register of bank drafts dispatched
- xi. Bill Register

- xii. Grant-in-aid Register
- xiii. Audit Observation and compliance Register (Manual)
- xiv. Establishment Register (Details of salary etc.)

Any Other books and accounts, which may be considered for the day-to-day work of the RAJASTHAN RURAL LIVELIHOOD PROJECT (RRLP), shall also be maintained with the approval of the State Project Director.

At SPMU and DPMU, the books of accounts shall be maintained in the standard format as available in computerised software except the books where custody of assets are attached e.g. Cash Book, Fixed Assets Register, Cheque Issue and Receipt Register, Bill Register, File Register etc. PFTs should maintain their manual imprest accounts in uniform formats prescribed by the SPMU.

At the close of each quarter, consolidated Interim un-audited financial statements comprising a Balance sheet with accompanying schedules and a Receipts and Payments Account showing the total receipts and payments during the period under each heads of account with opening and closing balances of cash/bank and Income and Expenditure Account shall be prepared and submitted to the concerned Department of the State Government and Donor Funding Agencies. Accounting formats for SHG and Utthan Sansthan are provided in the Community Operations Manual.

7.6 SIGNIFICANT ACCOUNTING & POLICIES

Funds disbursed from SPMU to DPMUs & DPMU to PFTs will be accounted for as advances in the books of the payer and the payee. DPMU and PFT will submit monthly expenditure statements to SPMU and DPMU respectively within the 10th of next month.

Funds disbursed by DPMU to Utthan Sansthan against demands for livelihood investment tranche-1 and livelihood plan will be accounted for as expenditure in the books of DPMU on release of funds to Utthan Sansthan.

All advances to employees, travel advances, to be accounted for as advances and expenditure to be accounted on submission of statements of expenditure with supporting bills/ vouchers. These payments can be claimed from the Bank only when expenditure is accounted for on receipt of bills/ voucher.

Mobilisation advances paid to contractors according to the terms of contract to be accounted for as advances and expenditure accounted on submission of invoices/receipt of goods services as per agreed standard. However, these can be claimed from the Bank on payment basis and need not be delayed till expenditure is accounted for. However advances other than mobilisation advances should be claimed after expenditure is accounted on submission of invoices/receipt of goods services as per agreed standard.

Fixed Assets should be accounted for under the heads – Goods & Equipment, Furniture and Fixtures, Computer, Electrical Installations according to the category and nature of assets.

Expenditures should be claimed from the Bank net of retention money/security deposits, if any. The retention money/security deposits should be claimed from the Bank after they are actually paid.

7.7 RECEIPTS & PAYMENT VOUCHERS AND SUPPORTING DOCUMENTS

Uniform Receipts and Payment Vouchers as prescribed will be maintained at every accounting unit.

All receipts / invoices/supporting documents pertaining to the Project shall be systematically filed with the relevant standard receipt/expenditure vouchers and made available for inspection to the Auditors, Project authorities, State Government and Government of India and the world Bank by the respective custodian office.

All accounting centres should maintain Register of Assets shall arrange for the physical verification at least once a year which should be appropriately documented.

7.8 CONSOLIDATION OF ACCOUNTS

The consolidation of accounts for the project shall be done:

Firstly, at the DPMU level by consolidating the imprest accounts of the PFTs with the accounts of the DPMU.

Secondly, at the SPMU level by consolidating the consolidated accounts of the DPMU with the accounts of the SPMU.

The accounts shall be consolidated on a monthly basis.

7.9 CONSOLIDATION OF ACCOUNTS AT DPMU:

The accounts of each DPMU shall be generated by consolidating the accounts of the DPMU with the accounts of the PFTs under it. The consolidation of the accounts for the district as a whole shall be carried out at the DPMU as follows:

- i. The DPMU shall generate the accounts for transactions effected by the DPMU.
- ii. The accounting of expenses of the PFTs shall be done as a separate accounting centre and separate computerized accounts shall be generated for each PFT under the DPMU at the DPMU office through monthly journal entries.
- iii. The imprest accounts of the PFTs shall be consolidated with the accounts of the DPMU.
- iv. A copy of the consolidated accounts shall be sent by each DPMU to the SPMU.

7.10 LEDGER OF ACCOUNTS AT DPMUS

All DPMUs under this project shall close their books of account on 31st March of each financial year.

Each DPMU should take a complete printout of its accounts comprising Trial balance, Balance Sheet with schedules, Receipts and Payments Account, Fixed Assets Register, General Ledger and Subsidiary Ledgers, Cash Book and Bank Reconciliation Statement and Budget vs. Actual Statements. A signed copy of the provisional accounts so prepared shall be sent to the SPMU for consolidation latest by April 15 of the succeeding financial year.

After the audit of the accounts, journal voucher shall be passed for any adjustment entry recommended by the auditors and it shall update the trial balance and the annual accounts.

After the finalization of audited accounts, shall be sent to the SPMU for consolidation.

7.11 CLOSURE OF ACCOUNTS AT SPMU

The same procedure that is being followed at the DPMU shall be followed at the SPMU for account closing purposes.

The SPMU shall receive the provisional accounts from DPMUs by April 15 of the succeeding financial year and it shall generate its own provisional accounts and the provisional accounts for the project as a whole by April 30.

As explained in case of DPMUs, the SPMU shall also pass necessary adjustment entries, as recommended by the auditors, for its own activities through journal voucher and shall update its trial balance and annual accounts.

After getting copies of final accounts from the DPMUs, SPMU shall prepare the final accounts for the project as a whole.

7.12 THERE IMPORTANT SAFEGUARD FOR MAINTAINING THE FINANCIAL RECORD

A. CASH BOOK

- i. Cash book must be signed & cash should be physically verified by FC/FM on a fortnightly basis.
- ii. Each voucher should be assigned a serial number and date
- iii. Each voucher should be verified and signed by the authorised signatories as per the delegation of financial powers before a payment is made
- iv. Cash book should be closed daily and total cash balance struck and attested by the FC/FM verification of the totals
- v. All cash / cheques / Demand Drafts etc. received should be deposited into the bank as far as possible on the same day itself or next day so as to avoid cash in transit for long periods. If any cash is retained on hand, the same should be verified physically by the FC/FM and recorded in the cash book and the cash in hand deposited into bank next day itself.
- vi. When cash / cheque / DD are paid into the bank, the counterfoils of the pay-in-slip should be verified with the cashbook by the FC/FM.
- vii. Over writing should be avoided and corrections, if any, should be attested by the FC/FM under his dated initial, use of whitener is strictly prohibited.
- viii. Crossed Account Payee cheque alone should be issued to third parties / firms etc. and issue of bearer cheques should be avoided as far as possible.
- ix. When payments are made through cheque, the number of the cheque should invariably be noted in the cash book for cross checking.
- x. During the absence of FC/FM, the responsibility of attesting the entries in the cash book shall be entrusted to a sub-ordinate officer but on his return the FC/FM should satisfy himself that there is no irregularity and in token of this check, he should sign the cash book immediately on return.

B. CUSTODY OF CASH

- i. Every officer and/or employee who is authorized to receive and disburse money shall keep a cash chest for its security, and for accounting daily cashbook will be maintained.
- ii. Duplicate keys of the cash chest of the State Office shall be kept duly sealed in the custody of the Finance Controller/ DPM.
- iii. If required Indemnity bond of nominal amount should be taken from the cash-in-charge and insurance cover of cash should invariably be taken for all the DPMUs and SPMU.

C. VERIFICATION OF CASH

- i. The Finance Controller, Manager (Finance), District Finance Manager and Finance Assistant must count the contents of the cash chest at least once in a month and the amount compared with the cashbooks balance.
- ii. The result of verification should be recorded in cash book each time as follows; "Cash balance verified by me as on (date) and found to be rupees (in figures) rupees (in words)".
- iii. Whenever on counting the cash balance is not found to be as per the cashbook the position must be recorded on the cashbook and a report shall be submitted to the next higher authority
- iv. Unless an error can be set right at once making the necessary receipt/payment entry, "Cash found excess" should be treated as miscellaneous revenue and accounted for. In case of shortage the recovery will be made from the cashier.

D. VOUCHERS

- i. As a general rule, every payment including repayment of money previously lodged with the Project office for whatever purpose must be supported by a voucher setting forth full and clear particulars of the claim and its classification in accounts including those of deductions made from the bill.
- ii. When it is not possible to support a payment by a voucher or payee's receipt, a certificate of payment prepared in manuscript signed by the FC/DPM/FM explaining the circumstances should always be placed on records giving full particulars of claim amount paid, date of payment, object of payment
- iii. Every voucher must bear a pay order signed and dated by the FC/DPM/FM this order should specify the amount payable both in words and figures all pay orders must be signed by hand and in ink.
- iv. Every voucher should also bear or have attached to it an acknowledgement or receipt of the claimant or payee this receipt should be taken at the time of payment.
- v. Receipts for net payments exceeding Rs. 5000/- must be stamped under the Indian stamps Act unless they are exempted from stamp duty.
- vi. Whenever a single receipt stamped is given by the payee in acknowledgement of several payments, the FC/DPM/FM should in such cases give cross reference on all vouchers to which the receipt relates.
- vii. All paid vouchers and invoices must be stamped "Paid & Cancelled" along with a voucher reference number, so that they cannot be used a second time. Stamps affixed to vouchers must also be cancelled so that they may not be used again.
- viii. Vouchers and associated documents shall be filed and retained carefully in "Accounts Section" as important documents till they are destroyed under the order of competent authority.
- ix. Whenever cash memoranda's are obtained from the dealers or suppliers they are not considered as valid receipts under the provisions of Indian stamp act, unless they

- contain details in prescribed format, acknowledgement of receipt of money from the person named therein.
- x. It is responsibility to the FC/FM to comply with all formalities as per the agreement signed by the concerning authority regarding the payment of vehicle hiring, photocopy charges, office support agencies, rent etc.
 - xi. Individual voucher with detailed description in the prescribed format is prepared by the finance assistant/accountant and approved by FC/DPM/FM. The vouchers are classified as under:
 - xii. Cash Payment Voucher
 - xiii. Bank Payment Voucher
 - xiv. Cash Receipt Voucher
 - xv. Bank Receipt voucher
 - xvi. Transfer Voucher/Journal Voucher

E. REIMBURSEMENT OF BILLS

The following instructions with regard to the preparation of bills and their forms should be observed:

- i. Printed forms of bill should be adopted as far as possible.
- ii. Different forms of bills are prescribed in the regulation for different claims suitable forms of bills appropriate to the types of claims to be prepared and should be used.
- iii. The State Project Director/DPM/PFT Coordinator should attest all corrections and alterations in any part of bills (All corrections and alterations in the total of a bill whether made in words or figures) by dated initials.
- iv. When the bills cover charges incurred under special order or sanctions, copies of orders or sanctions should be attached to the bills as far as possible, otherwise reference of such order or sanctions should be quoted against the specific item in the bill.
- v. The budget provision i.e. sanctioned allotment and the expenditure incurred up to date including the bill and the balance of the provision or budget grant should be mentioned in appropriate columns in each bill.
- vi. Charges against two or more heads of accounts should not be included in one bill.
- vii. Rounding lines should cover any space left blank either in the money column or in the column for particulars of the bill.
- viii. A note to the effect that the amount of the bill is below a specified amount expressed in whole rupees, which is slightly in excess of the total amount of the bill, should be recorded in the body of the bill.
- ix. Rounding: The amount of bill for payment and incorporation in accounts involving a fraction of a rupee should be rounded off nearest full rupee.
- x. Payment vouchers: All bills should be accompanied by with a voucher.

7.13 PRESERVATION & DESTRUCTION OF RECORDS

- i. All financial records shall be preserved for at least 10 years after the closure of RRPL Programme. Their softcopies should also be maintained.
- ii. All vouchers shall be properly bound in chronological order and preferably stored in a record room or a separate cupboard. The bound volumes shall be properly labelled and numbered.

- iii. Access to the record room/cupboard shall be restricted and the Accountant shall keep a logbook, which shall contain details of person accessing the record room/cupboard, the records accessed, time of entry and exit there from for future reference.
- iv. Records from the record room/cupboard shall be issued only with the permission of the Finance Controller. The Finance Manager shall maintain an issue- register for any record, issued from the record room.
- v. The annual accounting records shall also be stored in electronic media and copies of the same shall be kept in the custody of the Accounts Office and the State Project Management Unit.

7.14 DATA SECURITY

It is envisaged that the Offices of the SPMU and the DPMU would maintain computerized books of accounts; hence it is essential that a proper system for data security is followed. This is required in order to ensure that:

- i. The Manager (Finance) does not loose crucial accounting information as a result of any unexpected media corruption or a hardware problem in the computer.
- ii. The accounting information is secured against possible manipulations from hackers, who may have their own ulterior motives to hack into the system and manipulate the data.
- iii. The Manager (Finance) shall procure along with the computer hardware, suitable media for taking back up, such as a CD writer or a back up drive or data cartridge.
- iv. The Manager (Finance) shall take back-up of the accounting data on daily basis. Always the backups shall be taken in sets of two, i.e., in two different CDs or data cartridges. In case, a re-write-able media is being used, 3 sets of backups shall be kept in the fireproof cash safe, in the custody of the Manager (Finance) and SPMU to ensure that the data is not damaged in the unfortunate event of a fire accident in the office.
- v. All accounting information shall be password protected. Only the Manager (Finance) and the SPMU should know the full access password (It is necessary for at least two people to know the password for safety reasons).
- vi. The powers to change the access levels of a particular user shall remain with the State Project Management Unit.
- vii. A hard copy of the Day Book shall be taken on daily basis, as soon as all the data entry for the day is over.
- viii. The Day Book hard copy shall be verified and signed by the Accountant, and the Manager (Finance) and rectification of any data entry, if any shall be carried out immediately. Rectification made shall be marked on the printout of the Day Book. In case of a major rectification, printout shall be taken afresh. However, the original printout shall be retained in the files, with the remark "Modified and cancelled" written across the entire width of the page.
- ix. At the end of every month, the Manager (Finance) shall take hard copy of all the printouts as listed in above. Such printouts shall preferably be taken on ledger quality continuous computer stationery and filed in continuous paper files.
- x. After taking printouts the account for the month shall be frozen in the computer. Thereafter, rectification if any shall be carried out only through a rectification Journal Voucher, which shall be verified by the Manager (Finance) and the SPMU.
- xi. The internal auditors shall verify the hard copies of the printout with the supporting vouchers and base documents.

CHAPTER – 8: REPORTING

8.1 OBJECTIVE OF REPORTING

Reports are aimed at showing compliance with the budget. Nevertheless, transparency and accountability call for wider scope of reporting. A reporting system should provide a means of assessing how well the project is doing. For effective management information system report should be designed and devised in such a way that it should solve the purpose of management as to its completeness, reliability and relevance to the contents, and should be consistently followed in the system without any changes. Frequency of submission should be adhered at all levels and contents shall be comparable.

8.2 MONTHLY REPORTING

- a) **Trial Balance/Statement of Expenditure in prescribed format:** Apart from replenishment of funds by the DPMU to PFT on imprest expense account, PFT have to submit monthly statement of expenditure (SOE) to DPMU for further consolidation at DPMU level. DPMU after compilation of different PFT's SOEs, consolidate the DPMU's expenses into its Trial Balance and submit the same to SPMU for consolidation at SPMU level. Performa of Trial Balance & SOE should be consistent and time schedule be adhered for submission.
- b) **Fund Requirement:** Based on the SOEs submitted at different levels and considering the Budget & IUFR, funds are transferred to respective DPMUs/Utthan Sansthans (on recommendation of PFT).
- c) **Review Meeting:** On receipt of the reports if any major variance is noticed or diversion of funds has seen, the same should be reviewed at different levels by the higher authority.

8.3 QUARTERLY REPORTING

- a) **IUFR:** Financial Management Reporting System is a mechanism by which continuous reporting of deployment and use of project fund is envisaged.
- b) **Budget Variances:** At the SPMU level to evaluate performance, progress under each activity of the component as proposed in quarterly budget and agreed by SPMU/DPMU will be monitored. Any diversion/variance in budgeted V/s Actual shall be discussed during the Quarterly Reviews at different levels. The DPMU/PFT may amend their approved budget so as to have flexibility in inter-component use of fund without affecting the overall outlay approved for the year. In such case SPMU shall be informed.
- c) **Internal Audit & Follow up:** The individual audit reports should be submitted within 30 days of the completion of the audit of a particular unit (i.e. PFT – together with the sample of Community Institutions within the Cluster, District and SPMU. The reports will be directed as under –
 - i. The Project Management Letter to the State Project Director.
 - ii. The individual audit reports to each of the auditable unit to the head of the unit.

In addition the internal auditor should provide an Executive Summary highlighting the critical issues which require the attention of the SPMU and the Project Empowered Committee of the Society and the status of actions on the previous recommendations. A review committee constituted by the Project Empowered Committee, SPMU, DPMU and PFT will review the internal audit report submitted by the internal auditor and take further remedial measures on the discrepancies pointed out in internal audit.

8.4 ANNUAL REPORTING

- a) **Final Accounts:** Final accounts will be prepared at the end of the financial year. It would include SOE at PFT level which is consolidated at DPMU level on a monthly basis through passing journal entries. At the DPMU level annual accounts including Receipt & Payment Account, Income & Expenditure Account and a Statement of Affairs.
- b) **Budget Estimates:** Based on the Utthan Sansthan requirement the PFTs would submit a budget estimate along with the SOEs to the respective DPMUs. DPMUs would consolidate the budget estimates submitted by the different PFTs which are further appraised by them. After incorporating Project Implementation Support expenses budgeted at each of the DPMUs and at SPMU, An Annual Work Plan Statement (AWPS) is prepared and the fund requirement shall be forecast for the project. After evaluating the AWPS by the Empowered Committee the same is put before the General body for final approval.
- c) **Internal/External Audit:** Internal Audit will be carried out by a firm of Chartered Accountants at various operational levels of the project. The Internal Audit shall carry out the audit assignment as per the scope of work defined and approved at the appropriate level. The assignment of internal audit would be elaborate and cover all salient aspects of the project including its implementation progress. The findings of Internal Audit in the form of Observations/Queries will be submitted at the respective levels for rectification and compliance with a copy to Manager (Audit) at SPMU level.

The External Audit will be carried out by a firm of Chartered Accountant appointed in terms of World Bank guidelines and approved by General Body. The External Auditor would be called upon to express his opinion on the accounts audited. The audit observations submitted at SPMU level will be enclosed with the Management letter and the same shall be forwarded to the General Body for discussion, deliberation and rectification. The rectification will be carried out under directives of the SPMU and shall form the basis of the Action Taken Report (ATR).

ROLE & RESPONSIBILITY

- a) **SPMU:** The Finance Controller shall be wholly responsible for the financial management reporting system at project level. He shall ensure timely submission of reports, estimates and compliances to respective authorities through the SPD.
- b) **DPMU:** The Manager (F) shall be wholly responsible for timely submission of consolidated financial management statement (IUFR).

8.5 DISCLOSURE OF INFORMATION

A Objective

To ensure accountability & transparency in all aspects of Financial Management during the Project implementation and achievements, including fiduciary aspects.

B. Scope

SPMU will be responsible to ensure adherence to disclosure management policies.

C. Strategy

SPMU and DPMU will implement the disclosure management framework under the Project to ensure high level of transparency and accountability. The project will also introduce a redressal mechanism procedure. Various details on this are available in the COM. The Project progress in all areas, such as procurement, financial progress, will be made available to the public through website.

Information to be Disclosed on Website by SPMU having direct or indirect relationship with FM

- a. Annual Audited Financial Statements.
- b. Interim Unaudited Financial Reports (IUFRs).
- c. Status of Release of Funds.
- d. Project FM guidelines, including Financial Management Manual as well as Community Operations Manual.
- e. Annual Audited Financial Statements.
- f. Interim Unaudited Financial Reports (IUFRs).
- g. Status of Release of Funds.
- h. Specific information on key Financial Management aspects, like staffing, training etc.
- i. Results of social audit (detailed process of social audit is available in COM)
- j. Summary details of redressal mechanism process

CHAPTER - 9: MONITORING & SUPERVISION

9.1 OBJECTIVE

Monitoring is to see that the project envisaged moves in the desired direction so far as the deployment of funds and its usage in the scheduled activities are as per the PIP.

Visits of officers of SPMU to the DPMU's and visits of officers of the DPMU, especially the officers of Financial at state and district level for spot inspection of accounts and financial management system on random basis will be done on regular basis.

Manager (Finance) shall form a team and chalk out program for field visits and ensure that each DPMU, PFT, Utthan Sansthan, or producer organizations are visited at regular intervals in a financial year.

9.2 MONITORING TOOLS

- i. Random Checking (SPMU/ DPMU/ PFT): Random & unscheduled checks and verifications should be carried out at the aforesaid levels by a team of designated persons at regular intervals. During the course of random checks the focus should be on internal checks built in the system.
- ii. Cross Checking of Reports: The reports submitted by different operational levels can be crossed checks to verify the facts and figures originated and placed therein.
- iii. Audit Reports: Internal & External Audit Reports submitted by Chartered Accountants can be used as a monitoring tool to see that the deviations from the implementation plan are rectified and proactive measures are duly taken. Audit observation raised during the course of audit should be complied with at respective offices and the monitoring of the same should also be undertaken. An in-depth analysis of audit report should also be undertaken and ensure that the compliance of observation is duly entered in the prescribed register.
- iv. Review Meetings: Review meetings consisting of operational & finance staff should be conducted at regular intervals. Such meetings should deliberate upon the findings of random checks, cross checks and audit reports. Review meetings should also discuss the implementation of the corrective measures taken and their effects on the project implementation.
- v. A system of submitting and monitoring the Action Taken Report after field visit should be established.

9.3 ROLE & RESPONSIBILITY

The Finance Controller placed at the SPMU is primarily responsible for implementation of monitoring mechanism, adoption of procedures and the follow up measures for the project. At the SPMU level the Manager (Audit) should ensure that the procedure of monitoring is an ongoing process and all duties delegated to him from the office of the Finance Controller are carried out as per schedule.

At DPMU level Accountant (Audit) is overall responsible for adherence to internal checks introduced in the system. Since, DPMU is the operating level monitoring tools can also be devised for UTTHAN SANSTHAN, PFT, Block Federation and Producer Organisation level to control deviations and ensure the project deadlines are met. Checklist for financial monitoring is exhibit as **ANNEXURE: 6.**

CHAPTER - 10: INTERIM UNAUDITED FINANCIAL REPORTS (IUFRRS)

10.1 INTRODUCTION

The IUFRR is a mechanism by which the project funds are guided in the use of activities planned. It is a reporting mechanism by which the use and deployment of funds in the project components is ascertained on a quarterly basis along with the sources of receipts. Ideally the project reporting mechanism is a concurrent activity to ensure the timely availability of funds to fulfil the project needs.

10.2 OBJECTIVE/ IMPORTANCE

The main objective of IUFRR is that the deliverables of the project so far as the financial aspects are concerned are adequate and in a time bound manner. In the inverted approach of reporting as envisaged in this project the various components of IUFRR should be prepared and documented at the lowest level of activity i.e. Project Facilitation Team (PFT). The reports should be further consolidated at the 17 DPMU level in the prescribed formats and sent to the SPMU so that the pertinent facts and figures of the project activities are analysed for further deployment of funds.

The IUFRR prepared at the DPMU level is of vital importance as it forms the basis of preparation of Consolidated IUFRR at the SPMU level for onward submission to the bank for replenishment of fund. The annual IUFRR is also a form of financial statement, subject to external audit at different levels.

10.3 CONSIDERABLE POINTS FOR PREPARATION OF IUFRR

- i. **Sources and Uses of Funds:** It will contain information on Sources of funds and Uses of Funds. This information will be provided for the current quarter.
- ii. **Expenditure:** It shall contain information on expenditure on various activities. This information will be provided for the current quarter, financial year to date and cumulative to date.

10.4 PREPARATION OF IUFRR

IUFRR formats are generally prepared as per the components of the project. All components are divided in subcomponents which are further subdivided into project activities. IUFRR formats are devised accordingly. Refer ANNEXURE 9 for details.

10.5 REPORTS AND IMPORTANT DATES FOR DISTRICTS

S. No	Report	Date on which to be sent			Remarks
		PFT	DPMU	SPMU	
1	Monthly Financial Report	By 07 th of the following month to DPMU's	By 15 th of the following month to SPMU	NA	The timeliness of submission will be monitored and entered in the evaluation sheet of the District Accounts Manager of Respective DPMU
2	IUFRs 1st Quarter (April-June): 2nd Quarter (July-Sept) : 3rd Quarter (Oct – Dec): 4th Quarter (Jan-March):	NA	NA	15 th August 15 th November 15 th February 15 th May to World Bank	The Consolidated IUFR will be prepared by SPMU by the 45 th day succeeding the quarter. The consolidated IUFR will be prepared on the basis of the monthly financial reports submitted by the respective DPMU's. The timeliness of preparation has to be adhered strictly at the SPMU level as quarterly IUFR has to be submitted within 45 days of the end of quarter for timely reimbursement of fund from the bank. Submission will be monitored and entered in the evaluation sheet of State Accounts Manager by the Finance Controller / PD at SPMU.

10.6 ROLES AND RESPONSIBILITIES OF FINANCE STAFF IN PREPARATION OF IUFR

Based on the monthly financial reports received from all the 17 DPMUs the SPMU will prepare a consolidated IUFR. The report will contain the actual expenditure incurred under various project heads as against the budgeted amount as per PIP / Annual Action Plan. The difference between budgeted and actual expenditure, will manifest itself into the variance that would be analyzed and reported upon. The IUFR has to be prepared and submitted within 45 days from the end of the relevant quarter for further reimbursement of the fund from the bank.

CHAPTER – 11: AUDITING

11.1 STATUTORY AUDIT

The Annual Accounts of the society are to be audited by a private firm of Chartered Accountants appointed by the Society as per the guidelines agreed with the World Bank. The Chartered Accountant conducts annual audits of the project accounts as per approved TOR (**Annexure: 7**) wherein the terms and conditions, required reports formats, along with time periods for initiation and completion of their audit are specified.

The project shall be responsible for the maintenance of proper accounts and other relevant records at SPMU, DPMUs and PFTs well as preparing Annual Financial Statements comprising the Balance Sheet with necessary schedules, Receipts and Payments Accounts and the Income and Expenditure Accounts.

A consolidated Annual Audit Report for the project will have to be submitted to the World Bank by 30th September of the following financial year.

The Finance Controller shall ensure that annual accounts of the Project are prepared immediately after the close of the financial year and after approval by the Project Empowered Committee shall have the accounts audited annually by a Chartered Accountant firm appointed with the approval of General Body.

The audited accounts shall be submitted to the Project Empowered Committee of the project which in turn shall submit a copy of the audit report along with its observations to the Governing Body for approval and onward submission to State Government and World Bank within 15 days from the receipt of the same.

11.2 SELECTION OF AUDITOR:

The selection of auditing firms will be done as per the Bank procurement procedures.

11.3 PURSUANCE OF AUDIT OBJECTIONS

In order to keep a watch over the settlement of audit objections included in the audit report, the Accounts Department headed by Finance Controller and supported by Manager (Audit) at SPMU level and Accountant (Audit) at DPMU level of the project will maintain a Register in the format given in the setting apart separate folios for each DPMUs / PFTs respectively.

The review should be done at SPMU level on the settlement of audit objections outstanding and will be reviewed and appropriate further action taken to ensure speedy settlement.

The concerned auditors should verify the reported compliance with the objections made by the SPMU / DPMUs.

The audit report submitted by the statutory auditor shall be put forth to the General Body of the project. The General Body if required may appoint a sub-committee for the review of the audit observations. Action taken report on the audit observations should be prepared by SPMU and submitted to the General Body within the stipulated time of receipt of the audit Report. A copy of the same should be submitted to the auditor for further action.

11.5 INTERNAL AUDIT

Agreed terms of reference for internal audit of the project is as below:

OBJECTIVES

The overall objectives of Internal Audit is to provide the project management with independent assurance that (i) the internal controls established by management are designed appropriately and (ii) verify whether the overall financial management and arrangements including the system of internal controls as documented in the Project Financial Management Manual (FMM), Community Operations Manual (COM), the Project Implementation Plan (PIP) are in practice working effectively. In addition, it is expected that internal audit should play a role in assisting management in bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

SCOPE

In conducting the audit, special attention should be paid to assessing whether adequate controls have been established and complied with to ensure:

- (a) All project funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided;
- (b) Project assets are adequately safeguarded and used solely for their intended purposes; and
- (c) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions; including expenditures reported via Interim Un-audited Financial Reports (IUFIR).

COVERAGE FOR THE AUDIT

The audit would cover the entire project i.e., covering the implementing units at the **Project level (SPMU, DPMU and PFTs)** and the **Village Institutions (SHGs, CDOs and Producer Organisations)** on a sample basis. The sample selection would be based on an assessment of the risks applicable to the operation. The audit would also cover all consultancies or other contracts that may be entered into by the implementing agencies.

SPECIFIC AREAS OF COVERAGE OF THE AUDIT WILL INCLUDE THE FOLLOWING

A. Project level (SPMU, DPMU and PFT & Producer Organisations)

- a) An assessment of the adequacy of the project financial management systems, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls, and any needs for revision; level of compliance with established policies, plans and procedures; reliability of accounting systems, data and financial reports; methods of remedying weak controls or creating controls in areas where they are lacking; verification of assets.
- b) Efficiency and timeliness of the funds flow mechanism at the SPMU, DPMU and PFT and to the Village Institutions.
- c) whether the fund/ tranche release to the Village Institutions (CDOs, SHGs and Producer Organisations) are properly approved by the appropriate authority and the conditions /triggers for tranche release as provided in the FMM & COM have been complied and are in line with the financing agreement,

- d) Whether the accounting for the advances to DPMUs and PFTs and fund releases are properly recorded in the accounting books; whether systems in place for monitoring the receipt of periodic financial reports from the SHGs/ CDOs/ PFTS/ DPMUs & follow up on overdue reports are adequate. Exceptions should be identified and reported.
- e) Whether the accounts of the DPMU & PFT level expenditures are incorporated in a timely manner at the SPMU level.
- f) An assessment of compliance with provisions of financing agreements (IDA Development Credit Agreement and Project Agreement), especially those relating to procurement, and financial matters.
- g) Whether Goods, works and services financed have been procured in accordance with the World Bank procurement guidelines, procurement manual of the project and financing agreements;
- h) All necessary supporting documents, records, and accounts have been kept in respect of all project activities and that clear linkages exist between accounting records, books of accounts and the periodic financial reports (internal and external i.e. Interim Un-audited Financial Reports)
- i) Bank reconciliations have been carried out on a monthly basis.
- j) That adequate record is maintained for assets created/acquired under the project, including details of cost, quantity and location. Physical verification of the assets is being conducted by the management on a periodic basis and adequate records thereof are being maintained. The management's exercises should aim to ensure that the acquired assets exist and are being used for the right purposes. The auditor may conduct physical verification of assets on test basis as may be deemed necessary under the internal audit standards.
- k) The auditor is expected to obtain and satisfactorily document sufficient audit evidence to support audit conclusions.

B. VILLAGE LEVEL

The audit of Village Institutions (SHG, CDO and PO) will be done according to the provision and norms laid down in the COM with specific consideration will be given to the following –

- a) **SHG Level:** Whether the SHGs have maintained the books/records to account for returnable support funds received and sanctioned to members, if interest workings are correct, passbooks of members are updated and decisions taken by the SHG are appropriately reflected in the minute books?
- b) **Cluster Development Organization (Utthan Sansthan):** check whether (i) the CDOs have adequate systems of tracking returnable support funds given to SHGs, and recoveries of principal and interests from the SHGs. Whether proper books of account, including returnable support fund and interest registers as required in the COM are being maintained by the CDOs; (ii) whether they have adequate controls and maintain proper records evidencing fulfilment of criteria laid down in the FMM and COM for release of funds to SHGs (iii) whether funds have been transferred to the SHGs in a timely manner. The auditors should also see whether proper documentation are being maintained to document the decisions taken for selection of beneficiaries
- c) The reports and other documents submitted by the CDO/PFT to the DPMU that form the basis of providing funds by the Project

- d) Whether the CDO has adequate systems to get assurance that the funds given to SHGs are being utilised for the purposes intended. And that the system is working effectively. Any weaknesses or improvements needed should be brought to the notice of the management
- g) Whether Social accountability, transparency etc. are being adhered to by the CDO and there exists documentation evidencing compliance. (please document the nature of evidence obtained)

PERIOD, TIMING AND SAMPLE COVERAGE OF INTERNAL AUDIT

The Internal Audit will be conducted on a quarterly basis. The auditor will draw up an audit plan for each quarter at the beginning of the financial year in consultation with the management. The audit plan should indicate sample coverage at each level of implementation i.e. SPMU, DPMU, PFTS, CDO, SHGs and POs. The sample coverage at each level should be more at the beginning which could be fine-tuned later based on implementation experience.

REPORTING

Quarterly Reporting: Internal audit reports containing the following elements should be supplied to the State Project Director on a quarterly basis:

- a. The objective and scope of the internal audit
- b. A summary of the internal auditing procedures performed
- c. The internal auditor's opinion as to the overall adequacy of the systems of internal control, indicating unambiguously whether that opinion is unqualified, qualified, or adverse
- d. Key management issues
- e. Detailed internal audit findings, with adequate descriptions of weaknesses identified and the associated business impact and risk
- f. Appropriate and reasonable recommendations (including the PO, CDO and SHGs covered) to address the identified weaknesses; and
- g. Responses to findings and recommendations by authorized persons stating the timeline for remediation and the person responsible

The report should be discussed and agreed with the auditable units and should be structured to list the observations, the implications of the observations, the suggested recommendation and the management comments/agreed actions. The audit observations should be supported by instances and quantified, as far as practicable. Copies of all internal audit reports shall be made available to the World Bank during missions, and to external auditors as requested.

The individual audit reports should be submitted within 30 days of the completion of the audit of a particular unit (i.e. PFT – together with the sample of Community Institutions within the Cluster, District and SPMU). The reports will be directed as under –

- a. The Project Management Letter to the State Project Director.
- b. The individual audit reports to each of the auditable unit to the head of the unit.

In addition the internal auditor should provide an Executive Summary highlighting the critical issues which require the attention of the SPMU and the Empowered Committee and the status of actions on the previous recommendations

11.6 GENERAL

The auditor would be given access to all documents, correspondence, and any other information relating to the Project and deemed necessary by the auditor. The auditor should become familiar with the Project, and with the relevant policies and guidelines of the World Bank (including those relating to disbursements, procurement and financial management and reporting). The auditor would be provided copies of the Project Implementation Plan, Project Appraisal Document (PAD) of the World Bank, Development Credit Agreement and Project Agreement with IDA (including agreed Minutes of negotiations), the Community Operations Manual, Financial Management Manuals, guidelines, policies and procedures issued by Project Management and the relevant World Bank policies and guidelines.

11.7 REVIEW

A review committee constituted by the Empowered Committee will review the internal audit report submitted by the internal auditor and take further remedial measures on the discrepancies pointed out in internal audit.

ANNEXURE: 1:**STAFF ROLE & RESPONSIBILITIES:**

S. No.	Designation	Role & responsibilities
State Level		
1	Finance Controller	Develop satisfactory financial and accounting policies for the project and ensure systematic management & control of Finance and Accounts, coordination with GOI, State Government, World Bank & other Departments, timely approval of budget, be responsible for the internal controls in the project from programmatic as well as financial perspective, ensure internal and external audit arrangements timely submission of reimbursement claims and other reports as per agreements with world bank, Government of India and the state Government.
2	Manager/ Dy. Director Finance	Assist Finance Controller for satisfactory operations of Finance & accounting Functions of the project including management of supporting staff, consolidation of the budget estimates and preparation of financial management reports. Timely submissions of the withdrawal applications & other information to GoI, GoR and ensure timely flow of the fund to the project. Backup support to DPMU for Finance and accounting functions. Development of capability in the finance and accounting staff. Linkage between Physical & Financial progress.
3	Coordinator (Audit)	Responsible for coordinating internal audit to be conducted by an outside agency and external audit to be conducted by AG for the project as per arrangements agreed with the World Bank, GoR, and GoI. Follow up on issues arising out of internal, external audit. Liaise effectively with auditors to ensure timely audit and publication of Financial Statements. Ensure coverage of procurement observations in internal audits and follow-up.
4	Accountant – I	Assist Manager (Finance & Accounts) For Satisfactory operations of Finance & accounting functions of the project viz. preparation of budget estimates, Allocation of budget, information's/ reports to GOI, GoR, AG reconciliation, Payments related to staff, NGO, Service Provides etc. Parliamentary and Assembly information's related to Finance & Accounts section and other work assigned by Finance Controller, Manager (F)
5	Accountant- II	Assist manager Finance for satisfactory operations of Finance & Accounting functions of the project i.e. maintenance of books of accounts, Bank reconciliation, reconciliation with Dumps, operation of accounting software & consolidation of Accounts, Reimbursement Claims, Reconciliation of Financial progress with CMIS, other work assigned by Finance Controller, Mgr (F), Timely deposit of Got ,dues, taxes etc.
6	Accountant (Audit)	Assist Manager Audit for satisfactory timely operations of internal, external and other audits for the project. Follow-up of the audit reports received other work as and when assigned by Finance Controller, Mgr (Audit)
7	Cashier	Responsible for preparation of payments, receipts journal and other related vouchers, writing of Cash/ Bank Book manually till the software reach up-to mark, all payment related records as per the accounting policy of the project. Deposit of Govt. dues, taxes, remittances of CPF, Gratuity etc. related to employees on deputation.
8	Assistant (Computer Operator)	Maintenance & Data Entry work of Software, reconciliation of financial progress with CMIS. All the typing and other work as & when assigned by Finance Controller & Manager (F).

District Level		
1	Finance Manager	Head of Finance & Accounting Team of the DPMU. Satisfactory operation of Finance & Accounting Functions of DPMU including management of supporting staff. Ensure timely preparation of budget estimates, expenditure reports & information related to world Bank, Gobi, GoR and SPMU as per requirements. Smooth Flow of Funds to all level of District. Liaise effectively with internal, external auditors & follow-up thereof. Ensuring training in accounts & audit to the district and PFT staffs. Work assigned by District Project Manager.
2	Accountant-I	Assist Manager Finance for satisfactory operations of Finance & accounting Functions of the Project viz. preparation of budget estimates, Allocation of budget, information's/ reports to Gobi, GoR, Payments related to staff of DPMU and PFT, NGO, Service Providers etc. Parliamentary and Assembly Information's related to Finance & accounts section, satisfactory timely operations of internal, external and other audits for the project. Follow-up for the audit reports received and other work assigned by DPM, Mgr (F)
3	Accountant-II (Audit)	Assist Manager Audit for satisfactory timely operations of internal, external and other audits for the project. Follow-up of the audit reports received other work as and when assigned by Finance Controller, Mgr (Audit)
4	Cashier	Responsible for preparation of payments, receipts journal and other related vouchers, writing of cash/ bank book manually till the software reach up to mark, all payments related records as per the accounting policy of the project. Deposit of Govt. dues taxes, remittances of CPF, Gratuity etc. related to employees on deputation.
5	Assistant cum Computer Operator	Maintenance & Data entry work of Software. All the typing and other work as & when assigned by M (F). Reconciliation of financial progress with CMIS

ANNEXURE: 2:**CHART OF ACCOUNT¹**

S. N.	Major Head	Minor Head	Detailed Head	Subsidy Ledger Head	Cost Head (Component)
I. REVENUE					
1.	Sources of Funds (Receipts)	Grant from Govt. of Rajasthan	IDA Share.		
			Grant from GOR against Counterpart		
		Misc. Income	Interest on Bank Account	Individual Bank	
			Sale of Tender Forms		
			Other Income		
2.	Assets	Advances to	Staff Advances	Individual	
			Advances to Suppliers	Individual	
			Advances to NGOs	PFT/SHG wise	
			Advances to Institutes	Institute wise	
			Other Advances		
		Advances to Community based Organization	Advance against CRP/ CM/ Book Keepers/ Para Workers Remuneration	PFT/UTTHAN SANSTHAN/SHG wise	
		Cash in Hand			
		PD Accounts			
		Bank Accounts		Individual Bank wise	
3.	Liabilities	TDS			
		Payable Accounts	Salary Payable Accounts	Individual	
			Travelling Allowance Payable Accounts	Individual	
			Office Expenses Payable Accounts	Individual	
			Medical Expenses Payable Accounts	Individual	
			Contractual Expenditure Payable Accounts	Individual	
			Ernest Money/ Security Deposit	Individual	
			Advance from IDA		

¹ TO BE FINALIZED ALONG WITH TALLY PACKAGE.

S. N.	Major Head	Minor Head	Detailed Head	Subsidy Ledger Head	Cost Head (Component)
			(Initial Advance)		
			Other Payable Accounts	Individual	
II. EXPENDITURE					
4.	Community Investment Support	SHG Fund	Livelihood investment tranche-1	PFT/UTTHAN SANSTHAN	Community Investment Support
			Livelihood Fund	PFT/UTTHAN SANSTHAN	
		Cluster Development Fund	Health Risk Fund	PFT/UTTHAN SANSTHAN wise	
			Food Security	PFT/UTTHAN SANSTHAN wise	
			Fodder Security	PFT/UTTHAN SANSTHAN wise	
		Producer Organization Grant	Start-up Fund	PFT/ PO wise	
			Business Fund	PFT/ PO wise	
		Area Federation Start-up Fund	Start-up Fund	PFT wise	
		Partnership Development & Sector Support Fund	Grant to sector support organization	PFT wise	
			Value chain development	PFT wise	
			Micro Finance Support Facilitation	PFT wise	
5.	Innovation Research & Study Fund		Pilot Activities		
			Innovative Sub Project		
			Improved Seed Certification		
			Agro processing		
			Agriculture Insurance		
6.	Support to project facilitation team		Remuneration to PFT		Institutional Building & Social Empowerment
			Allowance & Other payments to PFT		
			Office Expenses of PFT		
			Telephone of PFT		
			Vehicle		
			Office Rent		
			Water & Electricity		
			Other misc.		
7.	Community Mobilization		Village Entry/ Meeting		

S. N.	Major Head	Minor Head	Detailed Head	Subsidy Ledger Head	Cost Head (Component)
	and Institution Building		SHG/ UTTHAN SANSTHAN Books		
			Registration of UTTHAN SANSTHAN/ PFT Federation		
8.	Capacity Building		Orientation Training SHG		
			Exposure Visit		
			Training & Workshop IEC Activities		
9.	Skill Upgrading, Training, Placement & facilitation Services	Youth			Skill Development & Employment Promotion
		SHG Members			
10.	Climate Change Adaptation	Building Knowledge and Awareness			Climate Change Adaptation
		Community Based Pilot Activities			
11.	Equipments, Machinery and Vehicles		Furniture & Fixture		Project Implementation Support
			Computer/ Software/ LAN & WAN		
			Electrical Equipment		
			Electronic Equipments		
12.	Project Management		Salary		
			Travelling Allowance		
			Medical		
			Office Expenses		
			Telephone	Individual	
			Mobile	Individual	
			Water/ Electricity		
			Office Rent		
			Repair/Maintenance of Furniture/ Equipments		
			Meetings		

S. N.	Major Head	Minor Head	Detailed Head	Subsidy Ledger Head	Cost Head (Component)
			Newspaper	Individual	Project Implementatio n Support
			Stationery & Printing		
			Vehicle Rent	Individual Contractor	
			Taxes on Vehicle Rent		
			Contractual Staff Salary	Individual Contractor	
			Taxes		
			Audit		
13.	Governance Management				
14.	Monitoring & Evaluation		Software		
			Evaluation		
15.	Technical Assistance				

ANNEXURE: 3:

BASE REGISTER FOR RELAESE OF FUNDS

NAME OF DPMU / PFT _____

S.NO	BLOCK	UTTHAN SANSTHAN	FUND SANCTION LIVELIHOOD INVESTMENT TRANCHE-1					FUND SANCTION LIVELIHOOD FUND					REMARKS	
			DATE	AMOUNT	RELEASED DATE	CHEQUE NO	AMOUNT	DATE	AMOUNT	RELEASED DATE	CHEQUE NO	AMOUNT		

ANNEXURE: 4:

FIXED ASSET REGISTER

NAME OF DPMU / PFT _____

DATE	VOUCHER NO.	ASSET NO	PARTICULARS	ASSET QUANTITY				ASSET COST					
				LOCATION/ UNDER CUSTODY OF	QTY AT THE BEGINNING OF THE YEAR	ADDITION	DELETION	TOTAL QTY	COST AT THE BEGINNING OF THE YEAR	ADDITION	DELETION	TOTAL COST	
		ASSET CODE	ASSET GROUP										
			SUPPLIER NAME										
			ASSET DESCRIPTION										
			INSTALLATION DATE										
			INVOICE NO										

ANNEXURE: 5:**BANK RECONCILIATION STATEMENT****Bank Reconciliation Statement for the Month of _____****Name of the DPMU: _____**

Balance as per Cash Book (as on date)

Add:

- (i) Cheques issued but not encashed :
- (ii) Credit entries made in the bank Pass book but not shown in the cash book

Total**Less:**

- (i) Amount sent to Bank but not credited in the Saving Bank Account
- (ii) Bank charges debited in the bank account but not accounted for in the cash book

Total**Balance as per Pass Book:**

Prepared by: Accounts Clerk/Assistant

Examined by: Manager (Finance)

Date: _____

ANNEXURE: 6:**Checklist for Financial Monitoring**

Name of Society _____ Date of Visit _____ Name of Reviewer _____

Particulars	Yes	No	Remarks
1. Cash book and bank book written up to date (indicate date).			
2. Cash balance reconciles with physical cash in hand. (Do a cash count)			
3. General ledger is written up to date and has the relevant ledger heads (indicate date).			
4. All vouchers are serially numbered and filed properly.			
5. Bank reconciliation's has been done as at the end of the previous month.			
6. Stock register for drugs, consumable and printed materials, if any, is up to date.			
7. Fixed asset register is up to date.			
8. Advances are classified separately and not included in the SOE. Only on the receipt of expenditure report/contractors bill advances are adjusted and the value of work done is included in the SOE.			
9. Are there advances outstanding for long? (greater than 6 months)			
10. Is there a backlog in preparation of SOE, expenditure report or audit report?			
11. Are their any fund flow delays to district societies?			
12. Are there any pre-signed blank cheques or large cash withdrawals.			
13. To see that budget funds are released as per norms laid down and fulfillment of pre conditions if any			

14. To see that the staff strength is adequate as per the requirements and due importance is given to there regular training			
15. To ensure that cash expenses during the course of project implementation is with in the limits laid down in Section 40A of the Income Tax Act, 1961			
16. To check the submission and contents of the report last submitted to find out deviation if any			
17. Any other information			

For adverse observations, what action and timeframe has been decided.

- 1.
- 2.

Note any adverse/serious findings to be reported to _____ at the State Project Director and the Finance Controller

Name of the reviewer & Date

Discussed and agreed with
(Name & Signature of the official of SPMU/DMPU)

ANNEXURE: 7:**TERMS OF REFERENCE FOR THE EXTERNAL AUDIT OF PROJECT FINANCIAL STATEMENTS****BACKGROUND**

[Project Aims, Timelines and Objectives]

OBJECTIVE

The essence of the World Bank audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank loans were used for the purposes intended, that the annual project financial statements are free from material misstatement, and that the terms of the loan agreement were complied with in all material respects.

The objective of the audit of the Project Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether (1) the PFS present fairly, in all material respects, the sources and applications of project funds for the period under audit examination, (2) the funds were utilized for the purposes for which they were provided, and (3) expenditures shown in the PFS are eligible for financing under the relevant loan or credit agreement. In addition, where applicable, the auditor will express a professional opinion as to whether the Financial Management Reports submitted by project management may be relied upon to support any applications for withdrawal, and whether adequate supporting documentation has been maintained to support claims made by project management for reimbursement of expenditures incurred under the Statement of Expenditure method of reimbursement.

The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project and are maintained by the project implementation agency– [_____] Project Implementation Unit and the participating districts.

STANDARDS

The audit will be carried out in accordance with the Auditing Standards promulgated by the Institute of Chartered Accountants of India. The auditor should accordingly consider materiality when planning and performing the audit to reduce audit risk to an acceptable level that is consistent with the objective of the audit. Although the responsibility for preventing irregularity, fraud, or the use of loan proceeds for purposes other than as defined in the legal agreement remains with the borrower, the audit should be planned so as to have a reasonable expectation of detecting material misstatements in the project financial statements.

SCOPE

In conducting the audit, special attention should be paid to the following:

All external funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided. Relevant legal agreements include the Financing Agreement, the Project Agreement, and the Minutes of Negotiations.

Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided.

All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via SOEs/ SAs/ or IUFs where applicable. Clear linkages should exist between the books of account and reports presented to the Bank; and The project accounts have been prepared in accordance with consistently applied Indian Accounting Standards and present fairly, in all material respects, the financial situation of the project at the year end and of resources and expenditures for the year ended on that date.

PROJECT FINANCIAL STATEMENTS

The Project Financial Statements should include -

- A. Statement of Sources and Applications of Funds: The draft format of PFS is enclosed with this TOR. This would be prepared for the project implementing entity.
- B. Reconciliation of Claims to Total Applications of Funds. The PFS would include reconciliation between expenditure reported as per the Statement of Sources and Applications of Funds and expenditure claimed from the World Bank through IUFs. A draft format is enclosed with the TOR.
- C. A summary of cumulative expenditures by component and category of expenditure such as equipment, furniture, vehicles, operating expenditures etc
- D. Management Assertion: Management should sign the project financial statements and provide a written acknowledgement of its responsibility for the preparation and fair presentation of the financial statements and an assertion that project funds have been expended in accordance with the intended purposes as reflected in the financial statements. An example of a Management Assertion Letter is enclosed.

STATEMENTS OF EXPENDITURES AND FINANCIAL MANAGEMENT REPORTS

In addition to the audit of the PFS, the auditor is required to audit all Financial Management Reports (IUFs) for withdrawal applications made during the period under audit examination. The auditor should apply such tests as the auditor considers necessary under the circumstances to satisfy the audit objective. In particular, these expenditures should be carefully examined for project eligibility by reference to the relevant financing agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor.

AUDIT REPORT

An audit report on the project financial statements should be prepared in accordance with the Indian Auditing Standard. Those standards require an audit opinion to be rendered related to the financial statements taken as a whole, indicating “unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion.” In addition, the audit opinion paragraph will specify whether, in the auditor’s opinion, (a) with respect to reimbursement claims, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to the audit report, expenditures are eligible for financing under the Loan/Credit Agreement.

The project financial statements and the audit report should be received by the Bank not later than 6 months after the end of the fiscal year. The auditor should also submit two copies of the audited accounts and audit report to the Implementing Agency.

The audit report is issued without prejudice to CAG's right to do the audit of the project or incorporate the audit observations in the Report of CAG of India for being laid before Parliament/State or UT Legislature.

MANAGEMENT LETTER

In addition to the audit report on the project financial statements, the auditor should prepare a management letter containing recommendations for improvements in internal control and other matters coming to the attention of the auditor during the audit examination. A copy of the management letter will be supplied to the Bank.

GENERAL

The auditor should be given access to any information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. The information made available to the auditor should include, but not be limited to, copies of the Bank's Project Appraisal Document, the relevant Legal Agreements, a copy of these Guidelines, and a copy of the Bank's Financial Management Assessment of the project entity. The auditor should get familiar with the Bank's Disbursement Manual. The necessary documents will be provided by the Project staff to the auditor.

Rajasthan Rural Livelihood Project (RRLP)				
IDA Credit Cr XXXXX (P102329)				
Summary of Sources and Uses of Funds				
For the Period starting 1- APR-XXXX to 31-MAR-XXXX				
				INR
Description	Total Expenditure For the year	Amount Financed by IDA @ 88.5% For the year	Cumulative Expenditure to date for the project	Cumulative Expenditure to date Financed By IDA @ 88.5%
(A) Opening Balance	-	-	-	-
Project Bank Account 1				
Project Bank Account 2				
Cash in Hand				
Advances with DPMUs				
Other advances				
Current Liabilities (minus)				
(B) Sources of Funds	-	-	-	-
Grant from GoR				
Funds in Transit				
Interest received				
Total Fund Available (A+B)	-	-	-	-
(C) Uses of Funds	-	-	-	-
Project expenditures				
1 Institutional Building & Social Empowerment				
2 Community Investment Support				
3 Skill Development & Employment Promotion				
4 Climate Change Adaptation				
5 Project Implementation Support				
(D) Total Net Funds Available (A+B-C):	-	-	-	-
Represented by:				
(E) Closing Balance	-	-	-	-
Project Bank Account 1				
Project Bank Account 2				
Cash in Hand				
Advances with DPMUs				
Other advances				
Current Liabilities (minus)				

Notes:

This financial statement is prepared on a cash basis of accounting as per provisions of the Financial Rules and codes applicable.

Names of accounting units whose financial statements are aggregated to prepare the consolidated accounts.

Any other project specific Note.

Specimen of Reconciliation of Claims to Total Applications of Funds

Name of the Project

Loan / Credit / Grant No.

Reconciliation of Claims to Total Applications of Funds

Report for the year ended –

	Schedules	Current Year	Amt (Rs. '000)	
			Previous Year	Project to date
Bank Funds claimed during the year (A)	I			
Total Expenditure made during the year (B)				
Less:				
Ineligible expenditures (C)	II			
Expenditures not claimed (D)	III			
Total Eligible Expenditures Claimed (E)=(B)-(C)-(D)				
World Bank Share @ x% of (E) above				
Variance if any* (explain the reasons)				

Financial Controller/Project Director

Date

Specimen of a Management Assertion Letter

(Project Letterhead)

(To Auditor) (Date)

This assertion letter is provided in connection with your audit of the financial statements of the _____ Project for the year ended _____. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the cash basis of accounting as agreed for the World Bank project, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

The project financial statements are free of material misstatements, including omissions.

Project funds have been used for the purposes for which they were provided.

Project expenditures are eligible for financing under the Loan/Credit agreement.

There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.

We have made available to you all books of account and supporting documentation relating to the project.

The project has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Project Agreement, the Project Appraisal Document, the Minutes of Negotiations, and the Borrower's Project Implementation Plan.

(Project Director)

(Financial Controller)

ANNEXURE: 8**DELEGATION OF ADMINISTRATIVE AND FINANCIAL POWERS**

(AS DECIDED IN THE PROJECT AGREEMENT AND IMPLEMENTATION PLAN)

DELEGATION OF POWERS

SR. NO.	NATURE OF POWER	GOVERNING BODY	PROJECT EMPOWERED COMMITTEE	SPMU	DPMU
1.	Appointment of staff on deputation.				
2.	Fixation and revision of qualifications and pay scale				
3.	To sanction special pay				
4.	To sanction and withhold annual increment				
5.	To draw salary, wages, advances and other allowances to staff				
6.	Recoveries from pay				
7.	To approve tour programme and to accord approval and sanction for Tour advances				
8.	To sanction claims of employees with regard to travel and medical.				
9.	To sanction leave				
10.	To propose DE, suspension, minor punishment and cash penalties for staff appointed on deputation.				
11.	To appoint staff on contract as approved by cabinet.				
12.	To accord administrative approval and financial sanction to hiring of office support and vehicle hiring				

SR. NO.	NATURE OF POWER	GOVERNING BODY	PROJECT EMPOWERED COMMITTEE	SPMU	DPMU
13.	To accord administrative approval and financial sanction for purchase of goods, equipment including computers hardware and software, furniture and supplies (as defined by World Bank procurement guidelines and as given in the project appraisal document). This does not include vehicles.				
14.	To accord administrative approval and financial sanction for purchasing books, journals and news letters				
15.	To accord administrative approval and financial sanction for petty construction in nature of repairs, and maintenance/repairs of goods, equipment, furniture and supplies, annual maintenance contract etc., (as defined by World Bank procurement guidelines)				
16.	To accord administrative approval and financial sanction for purchase of consumable stores and fuel, oil and lubricants and repairs/maintenance of vehicle.				
17.	To accord administrative approval and financial sanction for field visits and attending trainings / seminars / workshops within the state and outside state				
18.	To accord administrative approval and financial sanction for attending trainings/ seminars/ workshops and study/ exposure tours abroad				
19.	To grade eligibility of experts/ resource persons/ members of Project Empowered Committee for purposes of Society T.A. Rules.				

SR. NO.	NATURE OF POWER	GOVERNING BODY	PROJECT EMPOWERED COMMITTEE	SPMU	DPMU
20.	To accord administrative approval and financial sanction for hosting lunch/ dinner or invitee VIPs, experts and delegates attending meetings.				
21.	To accord administrative approval and financial sanction to undertake expenditures in the Project component 1 & 4- (Social Empowerment and Institution Building, Project Implementation Support. (As defined in the Project Appraisal Document).				
22.	To accord administrative approval and financial sanction to Project Component 2 & 3- (Livelihoods investment support and Employment Promotion Support) (As Defined in the Project Appraisal Document for the Project)				
23.	Act as Controlling Officer Power of Head of office				
24.	Sanction renting of ordinary office accommodation				
25.	To permit travel by air on medical advice in exceptional cases.				
26.	Power to grant permission for presentation of TA bill after one year from the date on which it became due.				
27.	Write off of Unserviceable articles of dead stock.				
28.	Write off of petty losses or irrecoverable value of stores due to theft where the police recommend classification as undetected.				

NOTE: Wherever the limit other than full powers has been mentioned in the above tables it should be interpreted as per case.

ANNEXURE 9

INTERIM UNAUDITED FINANCIAL REPORT						IUFR 1	
Rajasthan Rural Livelihood Project (RRLP)							
IDA Credit Cr XXXXX (P102329)							
Summary of Sources and Uses of Funds							
For the Period starting 1- APR-XXXX to 31-MAR-XXXX							
							INR Amount
Description	Total Expenditure For the quarter XXX to XXX	Amount Financed by IDA @ 88.5% For the Quarter XXX to XXX	Total Cumulative Expenditure For the year XXX to XXX	Total Cumulative Amount Financed by IDA @ 88.5% For the Year XXX to XXX	Cumulative Expenditure to date for the project	Cumulative Expenditure to date Financed By IDA @ 88.5%	
(A) Opening Balance	-	-	-	-	-	-	
Project Bank Account 1							
Project Bank Account 2							
Cash in Hand							
Advances with DPMUs							
Other advances							
Current Liabilities (minus)							
(B) Sources of Funds	-	-	-	-	-	-	
Grant from GoR							
Funds in Transit							
Interest received							
Total Fund Available (A+B)	-	-	-	-	-	-	
(C) Uses of Funds	-	-	-	-	-	-	
Project expenditures							
1 Institutional Building & Social Empowerment							
2 Community Investment Support							
3 Skill Development & Employment Promotion							
4 Climate Change Adaptation							
5 Project Implementation Support							
(D) Total Net Funds Available (A+B-C):	-	-	-	-	-	-	
Represented by:							
(E) Closing Balance	-	-	-	-	-	-	
Project Bank Account 1							
Project Bank Account 2							
Cash in Hand							
Advances with DPMUs							
Other advances							
Current Liabilities (minus)							
Prepared by: _____						Approved by: _____	

INTERIM UNAUDITED FINANCIAL REPORT						IUFR 2
Rajasthan Rural Livelihood Project (RRLP)						
IDA Credit Cr XXXXX (P102329)						
Uses of Funds by project Components/Sub Components						
For the Period starting 1- APR-XXXX to 31-MAR-XXXX						
						INR Amount
Expenditure Reported						
Project Components/Sub Components	Total For the quarter XXX to XXX	Amount Financed by IDA @ 88.5%	Total Cumulative for year XXXX-XX	Amount Financed by IDA @ 88.5%	Total Cumulative to date for the project	Amount Financed by IDA @ 88.5%
1 Institutional Building & Social Empowerment	-	-	-	-	-	-
1.1 Support to Project Facilitation Teams						
1.2 Community Mobilization and Institution Building						
1.3 Capacity Building:Support to community service providers						
1.4 IEC						
2 Community Investment Support	-	-	-	-	-	-
2.1 CBO Funds						
2.2 Producer Organization Fund						
2.3 Partnership Development & Sector Support Fund						
2.4 Innovation Research & Study Fund						
3 Skill Development & Employment Promotion	-	-	-	-	-	-
3.1 Skill up grading and Training						
3.2 Placement facilitation services						
4 Climate Change Adaptation	-	-	-	-	-	-
4.1 Building knowledge and awareness						
4.2 Community based pilot activities						
5 Project Implementation Support	-	-	-	-	-	-
5.1 Project Management						
5.2 Monitoring and Evaluation						
Total	-	-	-	-	-	-