FINANCIAL MANAGEMENT MANUAL

North East Rural Livelihood Project

(NERLP)

North East Livelihood Promotion Society
Ministry of DoNER, Govt. of India
G.S.ROAD, SIX MILE,GUWAHATI-781022

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INDEX

Sl. No.	Description	Page No.
1	SCOPE AND ADMINISTRATION OF THE MANUAL	4
2	PROJECT DESCRIPTION	4
3	DEFINITION	5
4	PROJECT IMPLEMENTATION SETUP	8
5	PROJECT STAFFING	12
6	PROJECT COMPONENT	15
7	FINANCIAL MANAGEMENT	16
8	PLANNING PROCESS AND FINANCIAL PLAN	16
9	BUDGETING	17
10	FUND FLOW ARRANGEMENT	19
11	ACCOUNTING AND FINANCIAL REPORTING	24
12	CONSOLIDATION OF ACCOUNTS	27
13	DELEGATION OF FINANCIAL POWERS	28
14	INTERNAL CONTROL	30
15	AUDIT ARRANGEMENTS	38
16	ANNUAL REPORT	39
17	ANNEXURES (I-XIII)	41-66

GLOSSARY OF TERMS

List of Acronyms

1.	AWP&B	Annual Work Plan & Budget
2.	AC	Accounting Centre
3.	AG	Accountant General
4.	C &AG	Comptroller & Auditor General of India
5.	CA	Chartered Accountant
6.	CAA&A	Controller of Aid, Accounts and Audit
7.	CoA	Chart of Accounts
8.	CDG	Community Development Group
9.	DPMU	District Project Management Unit
10.	DCA	Development Credit Agreement
11.	DEA	Department of Economic Affairs, Ministry of Finance, GOI
12.	EC	Executive Committee
13.	FMM	Financial Management Manual
14.	GOI	Government of India
15.	GB	General Body
16.	IDA	International Development Association
17.	IFR	Interim Financial Report
18.	NEC	North Eastern Council
19.	NERLP	North East Rural Livelihood Project
20.	NELPS	North East Livelihood Promotion Society
21.	NGO	Non Government Organization
22.	PFT	Project Facilitation Team
23.	PAD	Project Appraisal Document
24.	PO	Producer Organization
25.	RPIP	Regional Project Implementation Plan
26.	RPMU	Regional Project Management Unit
27.	SHG	Self Help Group
28.	YG	Youth Group

SCOPE AND ADMINISTRATION OF THE MANUAL

a. This manual shall govern the financial management system for North East Rural Livelihood Project (NERLP) covering the over all accounting and audit arrangement.
b. All amendments to the Manual shall be made only by NELPS and any request for amendment based on implementation experience should be addressed to the Project Director, NERLP.
c. All amendments to the Manual shall:
   - be circulated to all DPMU for onward circulation.
   - clearly state the paragraph(s) and line(s) to be replaced/added.
   - be serially numbered for control and easy reference.
   - mention the date from which the change shall be effective.
   - be annexed to the Manual with a cross reference at appropriate places in the Manual.
d. This Manual shall be maintained by the Head of Finance division in RPMU/DPMU for easy reference and shall be made available to the audit/inspecting agencies for guidance.

PROJECT DESCRIPTION

The primary goal of NERLP is to increase the income and well-being of the poor households in the project areas by improving food security, increased access to livelihood opportunities and improved management of the natural resource base, through participatory and demand driven investment choices.

In line with this objective the key outcome indicators of the project are:

- evidence of an upward trend in livelihood productivity among participating economic groups; and
- evidence of the emergence of viable new market and employment opportunities and new livelihood practices among the residents of the eight selected districts of the four States of Mizoram, Nagaland, Sikkim and Tripura.

The basic thrust of the project is aimed at empowering poor households in rural areas to directly deal with the wide and diverse range of problems and constraints that hamper livelihood development in the region as well as better position them to capture opportunities for livelihoods improvement. These problems express themselves at the household level in terms of food security; at the production level in terms of low productivity; at the community level in terms of poor infrastructure and service delivery; and at the supply chain level in terms of inadequate access to input and output markets, including financial services. These problems are interrelated commonly leading to a vicious cycle of poverty.

In order to break out of the poverty trap, there is a need for a holistic approach that allows for dealing with these interrelated problems in a simultaneous fashion. To make this happen, the Project would provide direct support aimed at building organizations of the poor and putting assets in the hands of the poor as the building blocks to amplify their voice and increase the scale of local economic activity allowing the poor to help themselves in dealing with all kind market failure.

To address the issues of rural poverty and creation of sustainable livelihoods for the rural poor, particularly women, the Government of India (GoI), through its Ministry of Development of the North Eastern Region (DoNER) has undertaken the proposed North East Rural Livelihood Project (NERLP) with financing from the World Bank.

DEFINITIONS

Words and expressions used in this Manual but not defined shall have the meanings respectively assigned thereto.

- **"Rules"** mean the Rules of the North East Livelihood Promotion Society as defined in the Memorandum of Associations and as modified from time to time.
- **"Regulations"** mean the Financial Regulations of the NERLP as approved by the Executive Committee. (Eligibility criteria, norms for fund release at all levels)
- **"Competent Authority"** mean Authority to whom powers to accord approval or sanction expenditure vests or is delegated.
- **Administrative Approval** mean formal acceptance by the authority for incurring expenditure on goods, works and services.
- **"Technical Sanction"** mean sanction given to a properly detailed estimate or the cost of a work of construction or repair proposed or to be carried out for the Project by a Technical officer to whom the power is delegated.
- **"Financial Sanction"** mean sanction accorded by the Competent Authority to an expenditure by a separate order or by signature or counter-signatures on bills or proposals.
- **"Financial Year"** mean the year commencing on 1st April of a calendar year and ending on 31st March of the following calendar year.
- **Accounting Centre (AC)** mean each office responsible for incurring expenditure under the project. Each AC will be subjected to the normal financial supervision under the project including timely reporting and compliance with financial management guidelines as documented in this Manual, audit etc.
- **"Budget"** mean the statement of estimated income and expenditure of the project for any Financial Year as approved by the Competent Authority.

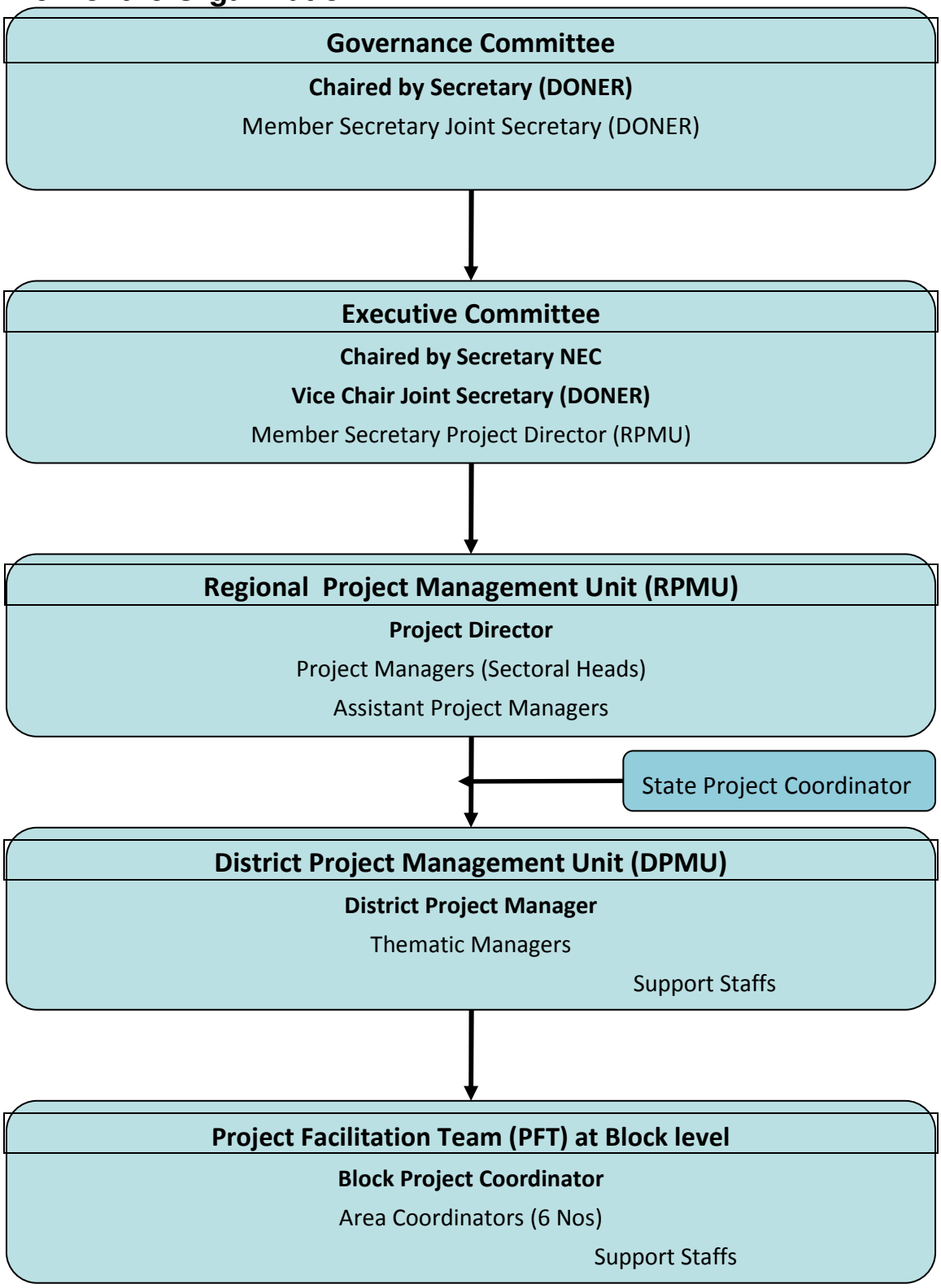
- **"Head of Account"** mean the sector of component project provided in the budget with the object of classifying the income and expenditure of the NERLP.
- **"Sub-Head"** mean a head subordinate to a Head of Account indicating a series of activities.
- **"Detailed head"** means a break-up below a Sub-head. A detailed head indicates the nature of expenditure on a scheme/activity in terms of inputs, such as, "Salaries", "office expenses", etc.
- **"Expenditure"** All payments made by Accounting Centres (AC) of the Project implementing units for works done or services rendered shall be termed as expenditure. Payments of advance and payment of Government dues and deductions recovered from the salary bills or from the bills of the contractors / suppliers and other employees will NOT be treated or termed as expenditure.
- **"Consolidation Centre"** mean using DATA SYNCHRONIZATION. ACs (DPMU) will enter accounts in software on daily basis for purposes of consolidation of district level information at RPMU.
- "**Bank" means:** At the Regional level, a nationalized public sector bank or its subsidiary institution in which the funds of the Project may be kept in Current Account. At District, Block or Cluster levels, the Nationalized Banks or Regional Rural Bank or State Rural Bank.
- **"Transfer"** Transfer mean release of fund by
- Government of India as grants-in-aid to the RPMU
- RPMU to the DPMUs
- DPMUs to CDG, SHG, PFT, etc.
- **"Head of Office"** means the Project Director at the Regional level and the District Project Manager who is declared as such through an office order by the Project Director.
- **"Project Director"** (PD) shall mean the Regional Project Director of the Project appointed by Ministry of DoNER, GOI.
- **Project Manager, Administration and Procurement (PM, A&P)** means an officer of the Project at the Regional Project Management Unit.
- **Project Manager, Finance and Accounts (PM, F&A)** means an officer of the Project at the Regional Project Management Unit.
- **"District Project Manager"** (DPM) means an Officer of the DPMU who is appointed, assigned such duties and responsibilities by the Project Director.
- **"Accounts Officer"** (AO) means an Officer of the DPMU who is appointed, assigned financial duties and responsibilities by the Project Director.
- **Self Help Group (SHG)-**SHG is an informal association of like minded, homogenous persons numbering 10 to 20, with a common objective of socio economic development.
- **SHG Federation (SHGF)-**SHGF means federation of SHG at village level for smooth functioning

and efficient management of the grants/fund.

- **Community Development Group (CDG)-** CDG is one of the first institutions that would be formed preferably consist of entire village for nurturing infrastructure development of its area.
- **Producer Organization (PO)-** PO would be a formal organization. This would be registered as Association (as a mutual benefit Trust), as Co-operative or Producer Company under the Companies Act. PO could be at Block level or at the District level.
- **Youth Group (YG)**- YG is an informal association of young men and women in the age group of 18-35 for developing skills for employability.

PROJECT IMPLEMENTATION SET UP

4.1 Overview of the Organization



As indicated the Project covers two districts each in Mizoram, Nagaland, Sikkim and Tripura. The districts are:

State	District	Blocks
Mizoram	Aizawl	Phullen, Aibawk, Darlawn, Thingsulthliah, Tlangnuam
	Lunglei	Lungsen, Bunghmun, Lunglei, Hnahthial
Nagaland	Peren	Tenning, Peren, Jalukie
	Tuensang	Longkhim, Chare, Noksen, Sangsangyu, Shamator, Chessore, Noklak, Thonoknyu
Sikkim	South	Namchi, Jorethang, Namthang, Ravongla, Yangang, Temi- Tarku, Sumbuk, Sikkip
	West	Gyalshing, Soreng, Yuksom, Dentam, Kaluk, Daramdin
	15 poorest Panchayat wards of East district	Ben, Thasa, Upper Lingtam, Dhanbari, Lower Samlik, Mamring (Amba Mamring Gumpa), Premlakha, Singaneybas, Lower Tarpin, Dokchin, East Machong, Namrang (Tumin Karma Choling Gumpa), Simik (Simik Daduling Gumpa), Kutitar, Namin
Tripura	West	Khatalia, Melaghar, Boxanagar, Bishalgarh, Jampuijala, Dukli, Hezamara, Mohanpur, Jirania, Mandwai, Mungiakami, Teliamura, Kalyanpur, Khowai, Tulashikhar, Padmabill
	North	Kumarghat, Gaurnagar, Kadamtala, Panisagar, Dhamchhara, Pecharthal, Dasda, Jampuihill

Within these districts, the Project will adopt a saturation approach and identify villages and communities initially based on poverty data, including below poverty line (BPL) figures. However, the target population will be finally determined on the basis of participatory wealth ranking, using participatory rural appraisal (PRA) techniques. Governance and oversight is being provided by a **Regional Project Management Unit (RPMU)** set up at Guwahati.

4.2 Regional Project Management Unit (RPMU)

RPMU would have the overall responsibility for management and implementation of the project. It will be headed by the Project Director. He will be the operational and managerial in charge of the project and head the organizational structure established at the district and lower levels for implementing the program. The Project Director will be supported by team of Managers, Assistant

Managers and support staffs for different functions for managing and implementing the Project.

4.3 State Project Co-ordinator

The state Co-ordinator will be located at the state head quarters to provide a link between the RPMU, the State Govt. and the DPMU. His role shall be in respect of monitoring the progress of works in Districts, identifying the gaps and facilitating the process to plug the gaps

4.4 District Project Management Units (DPMU)

DPMU will be set up in 2 selected district Headquarters of Mizoram, Nagaland, Sikkim and Tripura. The unit shall be manned by persons as recruited by the Regional Project Management Unit (RPMU). The staff of this Unit shall become the hub of all project activities and shall report to the RPMU and to the State Project Co-ordinator. The DPMU would receive resources directly from the RPMU.

4.5 Project Facilitation Team (PFT)

Project Facilitation Team (PFT) would be set up at each block headquarter and will work at the cutting edge at the interface of the project and the community. PFT is one of the most important units in the project implementation. All other institutional arrangements would help the PFT to work effectively to achieve the desired outcomes of the project.

4.6 Key Roles and Responsibilities of Project Units **Table 1:1**

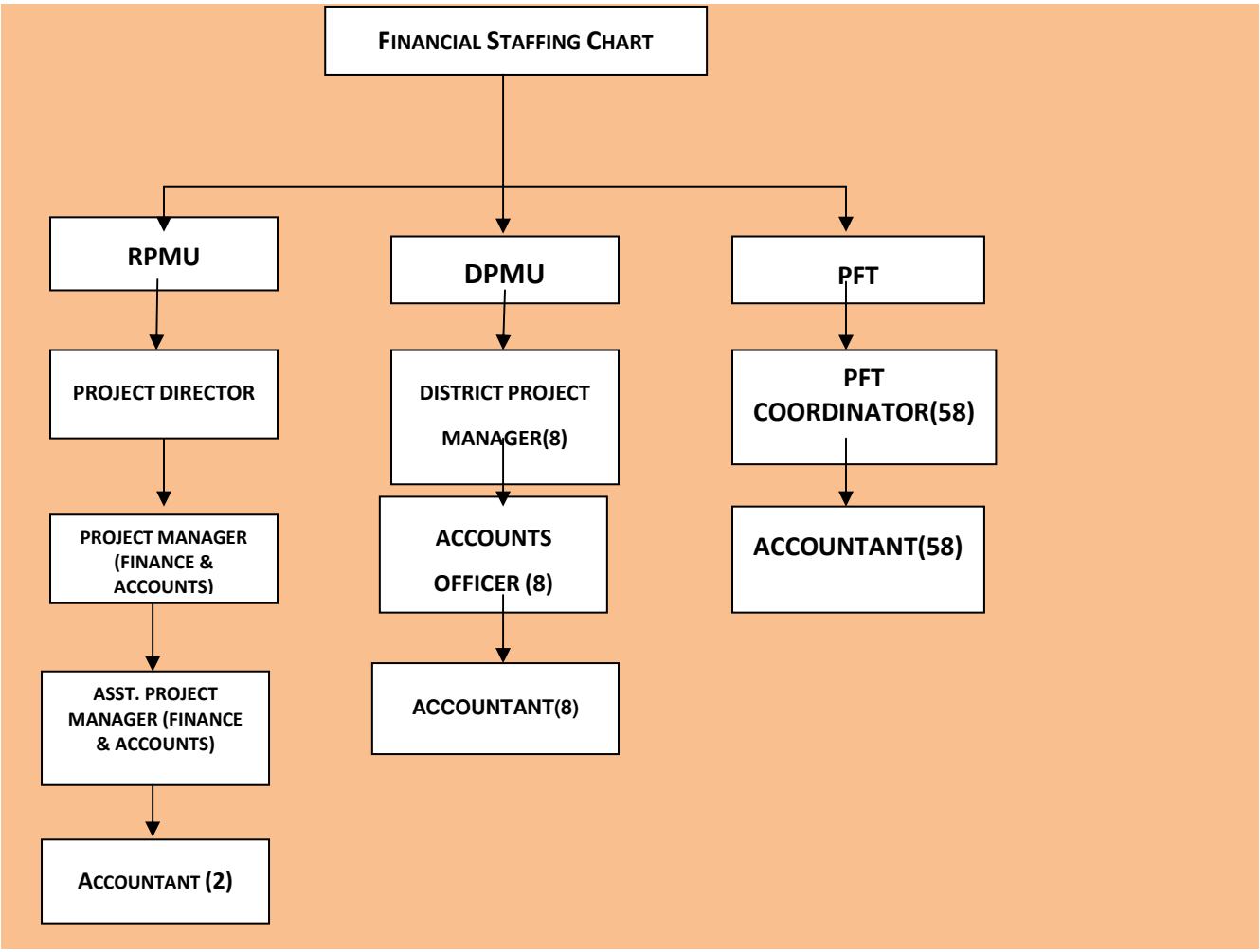
Regional Project Management Unit (RPMU)	• Compile annual budget of Project, based on annual action plan • Monitoring and developing the mechanism for timely flow of funds to different project implementing agencies • Develop mechanism for proper accounting and auditing of utilization of project fund • Maintain accounting information database • Submit quarterly IFR to the Ministry of DoNER and World Bank • Appoint Internal and External Auditor for the project, including sample Internal Audit of community based organization • Follow-up on Internal and External Audit Reports • Timely completion of audit and place the Audit Report before EC and General Body of the Society and filing annual returns with the Registrar of Societies • Timely submission of external Audit Report to the World Bank and Ministry of DoNER

District Project Management Unit (DPMU)	• Compile annual budget & procurement plan for the district and submit the same to the RPMU in time • Review SHG-Livelihood Plan, Village Development Plan, etc. • Submit request to RPMU for release of funds • Release financial assistance to CDG, SHG, etc • Release of advance to PFTs for its own operational expenses • Preparation of monthly, quarterly and annually financial statements and submission thereof to RPMU • Track grant release to CDGs, SHGs, etc. and ensure timely submission of utilization certificate • Maintain database on grant releases and UC submitted by SHG,CDGs,POs, etc.
Project Facilitating Teams (PFTs)	• Facilitate in preparation of annual action plan of the community institutions within the block and its compilation at block level • Submit request to DPMU for release of funds • Submit monthly statement of expenditure (SOE) of its own operation al expenses to the DPMU • Collection of grant releases statements from the DPMU against various grants to the CDG/SHG/POs, etc. • Regular field visit to monitor the proper utilization of grants and to help in writing of various accounts books by the CBOs • Ensure that the utilization certificates are submitted by the SHG/CDG/POs, etc. in time and make compilation thereof • Maintenance of Register of Grants • Submission of compiled UC to the DPMU • Any mis-utilization of grants to be reported as soon as possible to the DPMU

PROJECT STAFFING

5.1 Staffing for Financial Management

The Staffing Structure at State, District and PFT level for performing financial management functions under the project is given below :-



5.2 JOB RESPONSIBILITIES

Project Manager (Finance and Accounts)

The Project Manager (Finance and Accounts) at the RPMU will be the Head of Accounts of the Project and will report to the Project Director (PD). He shall be responsible for drawals, disbursement and deposit of project funds and inter-alia, will also be responsible for-

i. Contributing to the development and maintenance of financial systems and processes.

ii. Give advice/suggestion to the Project Director in discharge of his financial responsibilities.

iii. Prepare budgetary provisions required for implementation of project.
iv. Identify and assess fund requirement under component and sub-components.
v. Timely release of fund to District Project Management Unit for implementing project activities as per Annual Work Plan & Budget.
vi. Controlling Budget.
vii. Timely reconciliation of accounts of project to claim re-imbursement from World Bank.
viii. Provide implementation policy to all accounts personnel for smooth implementation of finance and accounts system.
ix. Submit External Audit Reports to the Executive Committee for acceptance and subsequently submit to the Ministry and World Bank.
x. Ensuring that all financial regulations are adhered to.
xi. Overall responsible for financial management.
xii. Any other works assigned by Project Director.

Assistant Project Manager (Finance & Accounts)

The responsibilities of Assistant Project Manager (Finance & Accounts) include:

i. Ensure timely submission of accounts by District Project Management Unit and compilation thereof.
ii. Periodically suggest actions and call for information from any authority.
iii. Ensuring that all financial regulations are adhered to at District Project Management Unit.
iv. Assist in internal control mechanism at District Project Management Unit.
v. Monitor the maintenance of stores and fixed assets register.
vi. Ensure timely completion of external & internal audit.
vii. Compilation of audit reports and regularization of the observations thereof.
viii. To train & improve the skills of Accounts Officer/Accountants.
ix. Any other works assigned by Project Director and Project Manager (F & A).

Accounts Officer (DPMU)

i. Give advice/suggestion to District Project Manager in discharge of his financial responsibilities.
ii. Prepare budgetary provisions required for implementation of project.
iii. Identify and assess fund requirement under component and sub-components.
iv. Timely release of fund to implementing/executive agencies as per Annual Work Plan & Budget.
v. Controlling Budget.
vi. Ensure timely submission of Accounts and Utilization Certificate by PFTs & CBOs.
vii. Timely reconciliation of accounts and submission of financial progress reports as

prescribed under rules and order.

viii. Monitor the maintenance of stores and fixed assets register.

ix. Inspect the PFTs & CBOs level accounts periodically and ensure the books of records are maintained properly.

x. Ensure timely submission of audit replies against any objections raised by auditor.

xi. Ensuring that all financial regulations are adhered to.

xii. To train & improve the skills of the accountants.

xiii. To ensure regular & proper keeping of accounts and accounts records by the district observing the standard principles of double entry systems of accounting and submission reports to the RPMU in time.

xiv. To undertake field visits at least 5 days a month .

xv. Any other works assigned by Project Director, Project Manager (F&A), Assistant Project Manager (F&A) and DPM**.**

Accountant (RPMU & DPMU)

i. Preparing Pay Rolls.

ii. Bills and claims to put up in time for payment.

iii. Regular writing/entry of Cash Book.

iv. Maintain the books of accounts in the form prescribed under the rules & orders.

v. Ensure timely deposit of govt. dues.

vi. Preparing Accounts.

vii. Preparing Bank Reconciliation.

viii. To undertake field visit on 5 days a month.

ix. Any other works assigned by Project Director, Project Manager (F&A) and Assistant Project Manager (F&A**.**

Accountant (PFT)

x. Preparing Pay Rolls.

xi. Bills and claims to put up in time for payment.

xii. Regular writing of Cash Book.

xiii. Maintain the books of accounts in the form prescribed under the rules & orders.

xiv. Ensure timely deposit of govt. dues.

xv. Preparing Accounts.

xvi. Preparing Bank Reconciliation.

xvii. Collect the list of grants released by the DPMU to community institutions.

xviii. Maintain year-wise register of grants released to community institutions.

xix. Monitoring that the fund released to community institutions are properly utilised and utilization certificates are submitted in time as per prescribed format.

xx. Help in maintenance of community book keeping.

xxi. Timely submission of reports to the DPMU.

xxii. To undertake field visit at least 5 days a month

xxiii. Any other works assigned by Project Director, Project Manager (F&A), Assistant Project Manager (F&A), DPM and AO.

PROJECT COMPONENT

The project will comprise of the following four components:

Components	Sub-Components
A : Social Empowerment	A.1 Support to Project Facilitation Teams (PFT) A.2 Community Mobilization, Capacity and Institution Building
B : Economic Empowerment	B.1 SHG Investment Support B.2 Village Development Fund B.3 Support to Producer Organization B.4 Skill Training and Placement B.5 Innovation Support
C : Partnership Development	C.1 Financial Support Linkage C.2 Technical Support Linkage C.3 Market Support Linkages and Value Chain
D : Project Management	D.1 Project Management D.2 Monitoring and Evaluation.

FINANCIAL MANAGEMENT

Financial management comprises of planning, budgeting, accounting, financial reporting, internal

control, auditing, fund flow including disbursement with the aim of managing project resources properly and achieving the project's objectives. Sound financial management is a very important input for decision making and success of the project. Providing timely and relevant financial information is a basis for good decisions, thus speeding up the progress of the project and the availability of funds which in turn reduces delays and bottlenecks.

The financial management system should produce timely, relevant and reliable financial information that would allow the Projects, the Governments and the World Bank to plan and implement the NERLP smoothly. It would help to monitor compliance with agreed procedures and appraise progress towards its objectives.

7.1 Training and Training Modules

Accounts staff – Officers and Staff of the implementing departments and agencies involved in project activities of the society will be trained in double entry system of accounts keeping and in financial management. For this purpose, training modules will be prepared by the RPMU/DPMU to impart suitable training to the accounts personnel of DPMU/PFT and community institution members' in accounts and finance related matters at the RPMU & in the field.

Training will be imparted by the Project Manager (Finance & Accounts), Assistant Project Manager (Finance & Accounts) and Accounts Officer in the case of community institutions' members. The RPMU can also hire services of experts such as Chartered Accountants etc. for such training.

PLANNING PROCESS AND FINANCIAL PLANNING

At present the planning process is short term i.e. annual plan with detailed targets.. It is recommended that decentralised evidence based **bottom-up approach** with adequate flexibility should be made core of budgeting. Community institutions and stakeholders should be actively associated in planning and preparation of annual plan. It should cover all aspects of preparation of evidence based realistic plans within the broad parameters along with a schedule for processing.
A calendar for the Annual Work Plan & Budget cycle is provided at **Table below** in order to ensure that the Annual Work Plans (AWPs) are prepared, reviewed and approved in a timely manner, it is important that the deadlines mentioned in the **table are adhered to**. This is to ensure that there is adequate time for consultation and review process. It may be mentioned that delays in approval of the AWP&B delays the release of funds, which in turn impacts program implementation and fund utilisation.

8.1 Calendar of Annual Work Plan

The following time table for the preparation of Annual Work Plan and Budget shall be observed: -

(a)	Visioning exercise and planning of activities and requirement of funds at district level	Oct-Nov
(b)	Formulation and development of AWP&B through participatory planning process for Regional and Districts	December
(c)	Consultation with the District project Advisory Committee	January
(d)	Transmission of the district plans to the Regional Project Management Unit	1st Week February
(e)	Revision of the district plans, if any, on the basis of the comments offered by RPMU	3rd Week February
(f)	Finalisation of the AWP&B and approval by the Executive Committee of the Society.	1st Week March
(g)	Transmission of the plans to MoDoNER ,GOI	2nd Week of March

BUDGETING-

9.1 Annual Plan Preparation Process

AWP&B preparation process would follow bottom up approach. There is a continuous learning and development of new strategies in every year under the project. Also there is a need every year to take stock of achievements as well as constraints and then plan ahead. It follows that annual planning is a step in the process of continuous assessment of the situation and identification of appropriate strategies and activities for achieving NERLP goals.

The budget proposals under NERLP would be prepared in the form of AWP&B, covering all the interventions. Item wise budget demands for one year would be taken in the AWP&B. The AWP&B proposals are envisaged in two parts, the plan for the current financial year and the progress overview of the previous year including the **spill over** activities proposed to be carried over to the current year.

The budget heads and budget code used in the plan should be similar to the interventions and the

norm as prescribed in the cost head respectively. Outlays proposed under each intervention are to be supported by relevant data to determine the physical targets. It should therefore be ensured that relevant data in support of the physical targets for each intervention is provided in the plans.

9.2 Bottom-up approach in Budgeting at DPMU level

There should be a bottom-up approach in respect of planning of activities as inputs for the preparation of budgets at the DPMU level. The activity plan should be prepared based on the inputs from various community institutions/implementing units. A budget circular should be given to all community institutions/implementing units so that they communicate their requirements well in time in order to avoid any delays in preparation of budget at DPMU level.

9.3 Pre - budgeting Conference

A pre-budgeting conference may be organized at the beginning of the budget cycle wherein relevant instructions/guidelines should be provided to the staff of budget centres. This would facilitate uniformity in the methods of estimation used by budget centres and reduce the gap between figures of budget proposed and budget approved.
Considering the number of budget centres, the distance between the centres and the availability of PD and FC of budget centres, the option of video conferencing should be explored for the above purpose.

9.4 Re-appropriation of funds following approval of the AWP by RPMU

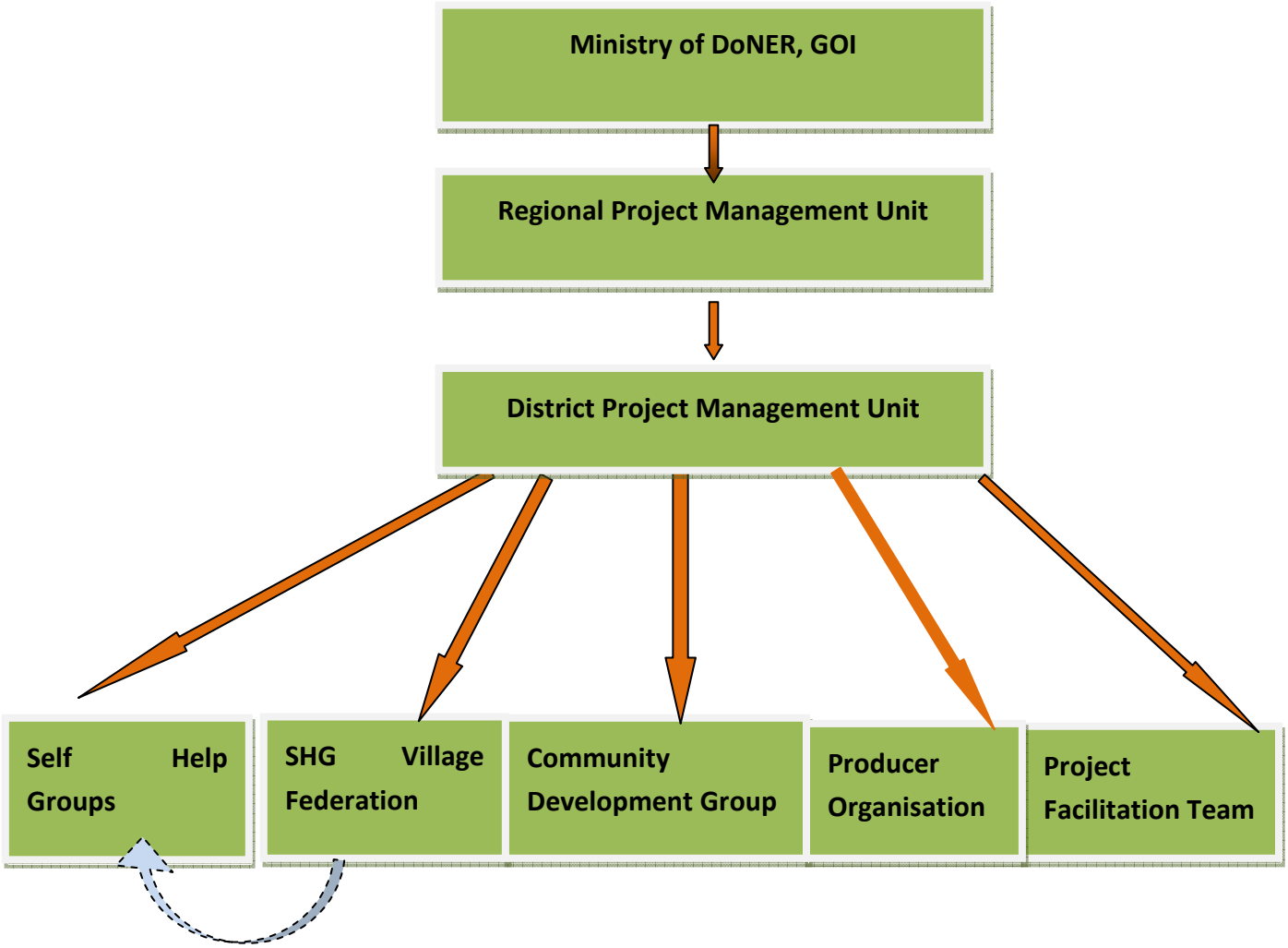
a) DPMUs are empowered to re-appropriate budget within the activities of the components with the approval of the Project Director, while reappropriation of funds from one component to another will require specific approval of Executive Committee.
b) Re-appropriation between items classified under management costs can be done with the approval of the PD, if there is a pressing need. However it should be within the total management costs approved for that year and such reappropriation should be within the same head of account, i.e., one revenue head to another revenue head and one capital head to another capital head. Re-appropriation from a revenue head to capital head and vice versa is not permissible.
c) Fund of the Society shall not be diverted or re-appropriated to meet any expenditure which has not been sanctioned by the competent authority.
d) Fund shall not be diverted or reappropriated for expenditure on any item not provided for or contemplated in sanctioned budget estimates.
e) Re-appropriation of fund shall be made only when it is known or anticipated that funds to be transferred from one sub-head to another sub-head (revenue only) will not be utilized in full and savings under that sub-head of accounts are likely to become available.

9.5 Training to Staff

Training workshops should be organized for all the components officers and accounts and finance

units in respect of budget preparation and compilation process. Training should be imparted in respect of various budgeting aspects, such as, budgeting guidelines, method of estimation, budget heads, budget formats, time lines regarding budget preparation and submission.

FUND FLOW ARRANGEMENTS



The grants to SHG will be released directly till such a time the SHG Federations are formed. Once the Federations are formed, all the grants meant for the SHGs will be released through Federations. The SHG, SHG Federation, CDG and PO will maintain simple Day Book to records the transactions. The books of records to be maintained and detailed reporting format will be elaborated in the Community Operational Manual (COM).

10.1 **BASIS FOR RELEASE OF FUNDS**

Fund Flow	Basis of release
World Bank to GoI	• Designated Account of the Project maintained with the Reserve Bank of India and operated by the Controller of Aid, Accounts and Audit. • Re-imbursement/Disbursement from the World Bank will be on the basis of Interim Financial Reports (IFRs) submitted on a quarterly basis.
GoI to Project	• Funds for the Project will be provided in a separate budget line in the Demand for Grants of the Ministry of DoNER and made available to the Society periodically based on the project's approved action plan. • RPMU has to place a demand supported with provisional UC for the previous fund received.
RPMU to DPMU	• RPMU will release advances on the basis of demand from DPMU based on a projection of expenditure on quarterly basis. • DPMU will submit monthly accounts to RPMU
DPMU to PFT	• DPMU will release advances on the basis of demand from PFT based on a projection of its own expenditure on a **quarterly basis**. • PFT will submit monthly accounts to the DPMU
DPMU to Community Institutions	• As per the conditions of availing/basis of release and eligibility criteria as per detailed table at 1:2 next page. • After signing of Grant Agreement

10.2 Grants to Community Based Organizations

Table 1:2

Sl. No.	Name of fund	Objective	Utilised by	Conditions for availing/Basis for release	Limits	Instalment(s)	Submission of UCs
1	SHG Seed fund	- To support SHGs to have initial capital for urgent requirement of members and experience of managing fund	SHG	– Group having no assistance from any other source – Completed 6 months of savings and inter lending – Passed 1st grading	Rs 10,000/-	100%	Before release of Tranch 1 or at the end of Financial Year
2	SHG Livelihood Plan fund - Tranche1	- To support SHG members in taking up individual level livelihood activities	SHG	– After 6 months of seed capital – Passed the 2nd grading – Preparation of livelihood plan	Rs 40,000/- per group	100%	Before release of Tranch 2 or at the end of Financial Year
3	SHG Livelihood Plan fund - Tranche2	- To support SHG members in taking up individual level livelihood activities	SHG	– After 3months of 1st tranche – Proper utilization of the money (as per agreed action plan/ approved proposal) – Repayment by other members started	Rs 40,000/- per group	100%	At the end of Financial Year
4	Community development plan – 1	- To support the village in filling gaps in the village plan **(infrastructure activities)**– 1st time – year 2	CDG	– Village planning exercise by CDG – Should be able to leverage money from other Govt. schemes in a ratio of 1:1 – Should at least benefit at least 40 HHs – Should be in aligned with the SHG plan	Up to Rs 50,000/-	100%	CDG to provide UC's in respect of full first instalment before i) the last quarter of the financial year or ii) the second instalment funds are released.

Sl. No.	Name of fund	Objective	Utilised by	Conditions for availing/Basis for release	Limits	Instalment(s)	Submission of UCs
5	Community development plan - 2	- To support the village in filling gaps in the village plan **(infrastructure activities)** – year 3 or 4	CDG	– Village planning exercise – Proper Utilization of the 1st village development plan – Should be able to leverage money from other Govt. schemes in a ratio of 1:2 – Should at least benefit at least 60 HHs – Should be in aligned with the SHG plan	Up to Rs 1,00,000/-	100%	CDG to provide UC's in respect of earlier instalments before i) the last quarter of the financial year or ii) the next instalment of funds are released.
6	Producer organization start up support	- To meet the initial start up \expenses	Producer Org.	– Registration with the project – Clear business plan	Rs 1,00,000/-	100%	PO to provide UC in the last quarter of the financial year or before release of fund at Sl.No.7.
7	Producer organization working capital + investment support (block level)	- To leverage working capital and assets from financial institutions	Producer Org.	– Organization should be registered – Upgraded business plan – Acceptance of business plan for financing from the bank – Minimum 50 nos members	Rs 2,00,000/-	1st=50% 2nd=50%	PO to provide UC's in respect of earlier instalments before i) the last quarter of the financial year or ii) the next instalment of funds are released.
8	Youth group member	- To support the young people to acquire employable skills and provide them gainful engagement	Trg. Org.	– Recommended by Youth Group for particular training – Youth depositing 20% of the fees upfront in	80% of training cost or maximum of Rs 6,000 per training	100%	Trg. Org. has to submit a brief report in the Last quarter of the financial year or at the end of course which ever is

Sl. No.	Name of fund	Objective	Utilised by	Conditions for availing/Basis for release	Limits	Instalment(s)	Submission of UCs
				the training institute.	whichever is less.		earlier.

Utilization Certificates are to be submitted in the format given in **Annexure- XVII**

The above grants will be treated as expenditure for reporting purpose. However, DPMU and PFT have to maintain separate year-wise Register for these grants.

Grant Agreement

After fulfilling of Conditions for availing/Basis for release as per Table 1.2 above, the Community Based Organizations are required to have an agreement with the Project for release of grant. The Grant Agreement format has been given in the COM.

ACCOUNTING AND FINANCIAL REPORTING

11.1 Accounting System

Complete accounts in respect of all transactions of the NERLP in the RPMU as well as at the DPMUs shall be maintained in the same manner.

The project accounts will be maintained on Tally-ERP Accounting Software at RPMU and all DPMUs. The DPMUs would prepare financial statement every month & quarter and should submit to the RPMU. Maintenance of accounts in tally software will bring cent percent accuracy and reliable accounting system for efficient fund management as opposed to the manual system. Thus it is expected to give complete control over financial operations and also to reduce the time required for preparation of monthly, quarterly and annual reports. All the accounts staff of RPMU and DPMUs would be given training on "Tally Software".

11.2 SIGNIFICANT ACCOUNTING POLICIES

Project Accounts will be maintained on **Cash basis** of accounting, double entry book keeping system on historical cost convention following Accounting Standards generally accepted in India.

Fund disbursed from RPMU to DPMUs & DPMU to PFTs will be accounted for as **advances** in the books of accounts. DPMU would submit monthly expenditure statements to RPMU within the **10th day of next month** and PFT would submit monthly expenditure statements to DPMU within the **5th day of next month.**

Grant-in-Aid received for the Project and remaining unutilized will be shown as a liability in the Balance Sheet. Grant in Aid to the extent utilized will be shown in the Income and Expenditure Account in respect of revenue expenditure and as Capital Reserve in respect of acquisition of fixed assets owned by NELPS.

Funds disbursed by DPMU to Community Institutions against demands for seed grant and livelihood plan etc. against certified milestones will be accounted for **as expenditure** at the time of release of funds.

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

No depreciation shall be charged and the value of assets should be shown at the original cost in the accounts.

11.3 Principles of Maintenance of Accounts

It shall be the duty of each official of the Project to ensure that no expenditure is incurred by the Society which is repugnant to the objectives of the Project and every item of expenditure incurred is in accordance with the prescribed procedures and the following Canons of Financial Propriety.

(i) Every Official 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

(iii) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.

(iv) Public money should not be utilised for the benefit of a particular persons or section of the people unless the expenditure is in pursuance of a recognised policy or custom.

(v) 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.

Any grant or portion thereof given by the Government of India or any other body to the Society for a specific purpose shall not be appropriated without the previous sanction of the granting authority to a purpose other than that for which it was originally approved.

11.4 Accounting Centres

The accounting centres for the project shall be as follows.

- Regional Project Management Unit – One
- District Project Management Unit (DPMU): One in each Project District

11.5 Chart of Accounts

A detailed Chart of Accounts and account heads are provided in the **Annexure-IV**

11.6 Account Heads

The Account Heads are required:

i. To ensure uniformity in classification of receipts and expenditures across implementing units and to facilitate easy consolidation of accounts for the project as a whole.

ii. To confirm that the data captured is in accordance with the AWP&B prepared for the project so as to facilitate project monitoring and comparison of estimates with actual achievements.

The main accounting heads are:

i. Social empowerment
ii. Economic Empowerment
iii. Partnership Development
iv. Project Management

11.7 Books of Account

The following books accounts and registers shall be prepared and maintained in the Accounting Software (Tally-ERP) at each accounting centre.

i. Cash Book
ii. General Ledger/Subsidiary ledgers (including subsidiary ledgers relating to advances and contractors)
iii. Journal Register
iv. Register of Temporary Advances
v. Classification of Accounts
vi. Monthly Accounts of Receipts and Payments

The following books accounts and registers shall be prepared and maintained manually at each accounting centre.

vii. Register of Cheques & Bank drafts received and remitted to Bank
viii. Cheque issue Register
ix. Bank Pass Book
x. Bill Register
xi. Claim Register
xii. Fixed Assets Register
~~xii.~~xiii. Stock Book/Register

11.8 Cash Book

Cash Book is maintained as a primary book of entry the following additional controls are to be exercised:

- Cash book should be maintained on a computerized basis under double entry system.
- Separate cash book should be maintained for each financial year. Each entry of receipt and expenditure should be descriptive but brief in nature.
- Each voucher should be assigned a serial number and ledger folio number, which should be noted against each entry in the cash book.
- Each entry in the cash book should be attested by the Head of Office/ Drawing and Disbursing Officer (DDO) and Finance Controller.
- Cash book should be closed daily.

11.9 Ledger

- The Ledger is a register in which all transactions recorded in the cashbook or Journal shall be classified under different heads of accounts or objects of expenditure or any sub-unit thereof.

- The nomenclature of Ledgers will be based upon the approved heads of Annual Work Plan and Budget and is also detailed in the chart of accounts.
- Ledgers are to be opened for each item of expenditure.
- The Ledger accounts shall be arranged and grouped in such a manner that the desired information is promptly and correctly gathered.

11.10 Journal

Journal is one of the important account books. Its uses are restricted to only recording adjustment entries other than cash transactions. Supporting Vouchers shall support each adjustment entry passed through a Journal. Brief narration of each entry shall be given in the journal voucher and it shall be signed by the Head of Office/Finance Controller.

11.11 Bank Account

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

i. RPMU – Project Director And Project Manager (Finance & Accounts)
ii. District Level – District Project Manager And Accounts Officer
iii. PFT Level – PFT Coordinator And Accountant

11.12 Electronic Transfer of Funds

In view of facility given by major bank branches and for easy transfer of the project fund, the competent authority may release the project fund through electronic transfer from RPMU to DPMU and from DPMU to the executing agencies/community institutions. It must be ensured that **pre-receipt** is to be obtained before electronic transfer of the project fund. Since physical transfer of fund takes considerable time, the process of electronic transfer of funds would result in faster fund transfer and also in quicker compilation of reports at the DPMU and RPMU levels.

CONSOLIDATION OF ACCOUNTS

The consolidation of accounts for the project shall be done:

i. Firstly, at the DPMU level by accounting for all its expenses and the expenses of PFTs in the accounts of the DPMU.
ii. Secondly, at the RPMU level by consolidating the consolidated accounts of the DPMU with the accounts of the RPMU.
iii. The accounts shall be also consolidated on a Quarterly basis.

12.1 Consolidation of Accounts at DPMU

The consolidation of the accounts for the district as a whole shall be carried out at the DPMU as follows:

- The DPMU shall generate the accounts for transactions effected by it.
- The accounting of expenses of the PFTs shall be done at the DPMU level, i.e., disbursements to PFT will be accounted for as advances and will be adjusted by passing journal entry at the DPMU on submission of Monthly Expenditure Statement **(Annexure-XV)** including Receipts and Payment Account duly signed by PFT Co-ordinator and Accountant.
- A copy of the consolidated accounts shall be sent by each DPMU to the RPMU within **10th of next month** from the end of the quarter as per **Annexure-V to VIII**

12.2 Consolidation of Accounts at RPMU

- RPMU shall generate the accounts for transactions effected by it.
- It shall consolidate the accounts of all the DPMUs along with its accounts and would generate a consolidated financial statement.
- While consolidating, special attention will be given to the inter-reconciliation of the balances appearing in the accounts of DPMUs and RPMU.
- A copy of the consolidated accounts (IFR) shall be sent by RPMU to the World Bank and Ministry of DoNER within **next month** from the end of the quarter as per **Annexure-V to VIII**

DELEGATION OF FINANCIAL POWERS

Delegation of financial powers for Executive Committee, Project Director, District Project Manager will be formulated and documented through an internal circulation ratified by the Society and will be broadly in accordance with the rules and regulations of the relevant GFRs and DFPRs. The limits for the expenditure on various activities will be laid out clearly in internal orders of the Society that are approved by the EC.

The Society shall adhere to provisions of the Delegation of Financial Powers given below and shall incur expenditure on project activities only the ratification of these powers by the General Body/Executive Committee. All powers for approval and authorization/sanction for release of funds and incurring expenditure would be vested with the above project functionaries (EC, PD, DPM) The process of sanction should be transparent with financial scrutiny at every stage from administrative approval to expenditure sanction.

The DPMU plan will be prepared in consultation with the District Project Advisory Committee and all DPMU plans will be consolidated by RPMU. The consolidated AWP&B for project as a whole will be approved by the Executive Committee of NELPS which will form the Administrative Approval (AA). The PD will communicate the AA to the respective DPMs. Within the AA, the PD or DPM can incur expenses and release grants to CBOs as per their delegated powers (see table below) and subject to fulfillment of CBO eligibility criteria and other conditions. The PD/DPMs will incur expenditure and make payments only for the activities defined in their (DPMU) plan up to the financial limit approved by the EC as per delegation given below. Under no circumstances, PD/DPMs can incur expenditure which is not provided for in the AWP&B in respect of which AA is not available and which is beyond the delegation of powers. In case any expenditure is required to be incurred over and above this, the

PD can sanction the same after approval from the EC.

Delegation of Financial powers to the EC, PD and DPM for various project activities (Column on Financial limit to be completed by the Project)

13.1 Executive Committee (EC)

Sl. No.	**Purpose of expenditure**	**Financial limit/Power**
A	Approval of Annual Work Plan and Budget	Full Power
B	Re-appropriation of expenditure between components/ sub-components	Full Power
C	Consultancy Services	Full Power above Rs.10 lakhs
D	Any other purchase as per AWP&B	Full Power above Rs.10 lakhs

13.2 Project Director (PD)

Sl. No.	**Purpose of expenditure**	Financial limit/Power
A	Purchase articles and materials including equipments needed for the Society and for carrying out the objectives of the society as per approved AWP&B	Full power as per Approved AWP & B
B	Sanction expenditure for infrastructure which has been provided in the AWP&B	
C	Sanction expenditure for Community Grants which has been provided in the AWP&B	
D	Consultancy Services	Up to Rs.10 Lakhs
E	Sanction expenditure on training activities/meetings/workshops/ exposure visits etc	Full Power as per Approved AWP&B
F	Value chain interventions and market linkages	
G	Office Running Expenditure	
H	AMC of office equipments/insurance etc.	

13.3 District Project Manager (DPM)

Sl. No.	**Purpose of expenditure**	Financial limit/Power
a	Sanction expenditure for infrastructure which has been provided in the AWP&B	Full Power as per Approved AWP&B
b	Sanction expenditure for Community Grants which has been provided in the AWP&B	
c	Expenditure on training activities/meetings/workshops/ exposure visits etc.	Upto Rs.2 Lakh
d	Value chain interventions and market linkages	To seek approval of PD
e	Approval of hiring of vehicles for office/ district units	Full Power as per Approved AWP&B
f	Recurring and Non-recurring cost of PFT	
g	Expenditure on office expenses	
h	Purchase of office equipments/goods	
j	AMC of office equipments/insurance etc.	

INTERNAL CONTROL

It is the responsibility of the management to clarify to all staff that accountability is a collective/responsibility and does not rest solely with RPMU. The maintenance of accounts of the program should be governed by the principle that no expenditure is incurred by the Society which is repugnant to the objectives of the Project and every item of expenditure is incurred in accordance with the prescribed procedures as per the guidelines of NELPS and the canons of Financial Propriety. In accordance with these **canons of Financial Propriety**, it shall be the duty of each official of RPMU, DPMUs, PFTs and Community Institutions to ensure that as per Guidelines of NELPS:

- 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.
- The expenditure should be allocable, allowable and reasonable.
- No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
- 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.

14.1 Record Keeping

A record of all project transactions shall be maintained with:

- Appropriate vouchers (receipt vouchers, cash/bank payment vouchers and journal vouchers) and supporting documentation for the transactions.

- These supporting documents should be cross-referenced so as to link them to each item of expenditure with budget heads, project components, expenditure categories (summary and detailed) and should be compatible with classification of expenditure and sources of funds indicated in the project implementation plan and AWP&B.
- Vouchers must be printed and approval obtained from the concerned authority and serial control over the vouchers must be maintained.
- These books of accounts together with supporting documents and project management reports should be maintained.
- There should be periodic review of district units and community institutions including PFTs by the officers of RPMU/DPMU.

14.2 Vouchers/Invoice

Voucher is a basic document which is prepared to record any transaction that takes place.

- Uniform Receipts and Payment Vouchers as prescribed in the Accounting Software shall be maintained at every accounting centres.
- Serially numbered vouchers should be prepared for all transactions.
- Vouchers shall not be overwritten.
- A "Paid and Cancelled" stamp should be put on all vouchers for which payment has been made.
- Vouchers need to be signed by the person initiating the expenditure
- **No voucher should be passed for payment without supporting documents**.
- **All bills should be in original. Payment should not be made against a quotation, copy/photostate of a bill or a faxed bill.**
- All supporting documents should be authorized by the person initiating the payment.
- It is the responsibility of each person who is responsible for buying goods/ services in the project office to check each bill for its validity i.e. check that the description of items, number of items, cost per unit and total cost, date of the bill and name of payee (i.e. name of project) are accurate. Payments should be made only after checking these details.
- No alteration in the bill by project staff is normally permissible. If at all an alternation is unavoidable e.g., a mistake in the date by supplier which was not corrected, such a bill should be brought to the attention of Head of the project who should change it and initial it and a note should be put on the bill why alteration was necessary. The management should reserve the right to accept such bills or not.
- Invoices/bills should only be in the name of the **PROJECT** and not in the name of the project staff.
- While making payment to contractors/suppliers, consultants, etc., Income Tax shall be deducted at source in accordance with the provisions of Income Tax Act and rules made there under. If there is any specific rule under the State for VAT (Sale Tax) then the same may also be deducted as per rules if any.
- All receipts/invoice/supporting documents pertaining to the project shall be systematically filed with the relevant standard receipt/expenditure vouchers. The same should be made available for inspection by the Auditors, Project Authorities, Government of India and World Bank.

14.3 Correction of Errors

If any item of receipts or cheques belonging to one head has been wrongly classified under another head, the error shall be corrected in the following manner: -

a. If the error is discovered before the close of the day's accounts, necessary correction should be made in the original entry before the accounts of the day are closed.
b. If the error is discovered after the close of the day's accounts but before 31st March, corrections should be made through journal entry.
c. Once the accounts have been finalized for a particular month, any changes pertaining to this "closed" period should be made only in a subsequent month through journal entry
d. If the error is detected after the closure of March accounts, the correction should be carried out through a journal entry in the next financial year.
e. In all such cases, the correcting entry should be supported by a transfer entry memo approved by the Head of the office and a note of correction shall be made against the original entry in red ink.

14.4 Guidelines for Closure of Books of Accounts

- All the accounting centres under this project shall close their books of account on 31st March of each financial year.
- Complete printout of its accounts comprising, Income and Expenditure Account, Balance Sheet with schedules, Receipts and Payments Account, General Ledger and Subsidiary Ledgers, Cash Book and Bank Reconciliation Statement and Budget vs. Actual Statements should be taken. A signed copy of the provisional utilization certificate so prepared shall be sent to the RPMU for consolidation latest by April 15 of the succeeding financial year.
- Wherever there is any correction as suggested by auditors it can be adjusted through journal entry and books of accounts updated accordingly.

14.5 Withdrawal of Cash from Bank

- Authorized persons must verify the requirement before signing the cheque for withdrawal of cash.
- Signature of the person presenting the cheque and receiving the cash should be attested on the back side of the cheque by one of the authorized signatories.
- Cash Receipt (Contra) voucher should be prepared and accounted for by the accountant on the same day.

Cash Account should be updated for receipt of cash on the same day.

14.6 Cash Payments:

- Cash payments should be made only after preparing the payment voucher.
- The voucher has to be approved by the competent authority before payment

- The payee must sign the voucher for having received the payment.
- As per Income Tax Rules, no cash payment of more than Rs. 20,000 is permitted. Internally, project shall maintain this limit to Rs. 5,000 at a time for RPMU and DPMU except re-imbursement of TA/DA, honorarium etc. to participants of training/meeting/workshop etc.
- **The number of cash payments has to be restricted by converting settlements through account payee cheque payments.**
- **All the third party payments are to be made through account payee cheque only.**

14.7 Verification of cash

The contents of the cash chest / cash box should be counted by the PD and DPM or the senior most official in-charge or designated officer at least once in a month and the account compared with the cash book balance. The result of verification should be recorded in cash book each time as under:
"Cash balance verified by me today and found to be Rs. ……. (in figures) (Rupees …… (in words) on actual count as correct".

Date ……

Signature
(Designation of the Officer)
In case the cash balance is not found to be as per Cash Book, the fact should be recorded in the cash book and report submitted to the next higher authority unless the error can be set right at once. The excess or shortage should be rectified by making the necessary receipt or payment entry "cash found excess" as miscellaneous revenue or "cash found short" recovered from the official. Excess or shortage of cash should be brought to the attention of the authority as soon as it is detected.

14.8 Bank Receipts

- All receipts are to be acknowledged by issuing an official receipt. The date of receipt, its accounting and the date of deposit of the cheque/draft to the bank account should be the same. Relaxation can be made only in view of banking hours or bank holidays.
- Bank deposit slip should be attached with the receipt voucher.
- No receipt should be issued on the last day of the month if the instrument cannot be deposited with the bank on the same day.

14.9 Bank Payments

- Cheque should not be prepared if sufficient balance is not available with bank.
- All vouchers have to be verified and approved before payment is released.
- **Payment has to be made only against original bills and claims. Any type of copy/photostate of bill or claim should not be entertained.**
- All supporting documents should be attached with the payment voucher and filed according to serial number.

- Cheques should be written legibly and ensured that the amount in words and figures are the same.
- All cheques have to be crossed. A rubber stamp stating "A/C Payee Only" should be put on every cheque. **Bearer cheques should not be issued** under normal circumstances.
- Post-dated cheques are not to be issued.
- Cheque number should be written on every payment voucher.

14.10 Controls to be exercised

- All letters/instructions to the bank should be signed by the authorized signatories only.
- Cheques should never be signed in advance or in blank.
- **Unclear cheques should be cancelled as soon as validity of the cheque is over with due intimation to the Bank Manager.**
- Specimen signatures should not be left around.
- Cheque books should always be kept under lock and key.
- Only authorized persons should be allowed to handle the cheque.
- A transparent cello tape be affixed on the figures of the cheque to avoid any alterations. This should be done before the cheque is sent for signature.
- **Receipt against each payment is compulsory**.
- Bank Reconciliation Statement has to be prepared on a monthly basis.

14.11 Bank Reconciliation

As indicated, Bank reconciliation should be carried out on a monthly basis as part of the monthly closing of accounts latest by the *10th* of the following month. To enable prompt reconciliation, bank pass book should be sent regularly to the bank for making up-to-date entries of credit and debit in a month and in case bank pass book is not issued, monthly bank statement should be obtained from the bank regularly. Entries shown in the passbook / bank statement should be tallied monthly with the entries in the cashbook. Any discrepancy should be rectified. The BRS shall be prepared as per prescribed format in the Accounting Software.

14.12 Control over Cash / Bank Balances

- The Project Director would be empowered to open joint signatory bank account in any **nationalized bank** and all moneys received by the NELPS under North East Rural Livelihood Project shall be deposited in such account.
- **The interest received should also be utilized for the same activities envisaged under the project and no portion of it should be utilized for other expenses not envisaged in the AWP&B.**
- Cheques, which shall be jointly, signed by two signatories viz. in accordance with the approved financial delegation.

- Cash/ cheque books must be kept in safe custody.
- 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 positively so as to avoid cash in transit for long periods. When cash/cheque/DD is deposited in the bank, counterfoils of the pay-in-slips should be verified with the cashbook by the Head of Office/DDO.
- Over writing should be avoided and correction, if any, should be attested by the Head of Office / DDO under his dated initial.
- Crossed Account Payee cheque should be issued to third parties/firms etc.
- Splitting of amount to bring under cheque signing limit shall not be allowed for issue of cheques.
- The issue of bearer cheques should be avoided as far as possible except for drawing cash from banks for day-to-day petty expenses.
- When payments are made through cheque, the number of the cheque should invariably be noted in the cash book for cross checking.
- Every effort is to be made to keep only bare minimum cash in the cash box/chest

14.13 Staff Advances

Amounts paid to any staff member for meeting official expenses should be treated as general advances to employees. Staff can obtain advances mainly for the following purposes:

- Travel and subsistence
- Training/Workshop/Meeting for petty expenses which cannot be spelt out clearly.
- All such requests should be made only after it is duly approved by the competent authority as per the delegated power of financial limits, after the finance department/accounts section has duly noted, verified and comments thereof in file.
- Requests submitted should complete in all respects and the purpose clearly mentioned. In case of staff travelling, the period and dates and purpose should be specified in the tour programme.
- **The advance amount drawn by staff members should be settled within 15 days after completion of the programme/tour**.
- **It should be ensured that no personal advance is outstanding for more than one month. In case, adjustment claims for personal advances are not submitted in time, necessary steps are to be taken like recovery from monthly pay, penal action including charging of interest.**
- It is mandatory that there are no advances outstanding as on **31st March**, i.e. the end of the financial year.

14.14 Norms for regulating and adjustment of advances

The following norms will be followed for regulating advances which will constitute expenditure only when supported by appropriate utilization certificates/expenditure statements along with supporting vouchers. Advances paid to contractors / suppliers in terms of the agreement for works / supplies shall be treated as expenditure only, when this should be subject to submission of detailed accounts indicating the work done/supplies made. However, advances paid to government departments cannot be treated as expenditure until and unless the expenditure statement/utilisation certificate is

received.

Advance adjustment would be done through journal. All advances should be adjusted on receipt of utilization certificate/expenditure statement with supporting documents (Bills/vouchers). It should be ensured that utilization certificates/ statement of expenditure with supporting documents (Bills/vouchers) on these advances are obtained immediately after the expiry of the prescribed period. Accounts Officers will share status of outstanding advances with the District Project Manager on a monthly basis for information & necessary action.

The PFT has to refund the amount likely to be unused for the financial year within 25th of March keeping minimum balance in the bank to continue the account.

14.15 Supervision and Monitoring

Every accounts personnel are required to visit community based institutions 5-10 days every month and should submit the field visit report to the District Project Manager.

14.16 Asset/Inventory Management

The Society or Implementing Agencies shall not purchase any item of fixed assets unless that item is approved in the annual action plan. Exceptions, in very rare cases may be approved by Project Director/District Project Manager with justification and reason for purchase.
For details of procurement policies and formalities to be observed, please refer the Procurement Manual.
The Society shall not dispose off the items of fixed assets without the prior approval of the Project Director.
The Society shall not write-off the assets without prior approval of the Project Director
Major items are to be insured against normal eventualities and in case of vehicles comprehensive insurance is required.

14. 17 Fixed Assets Register

All items of fixed assets shall be serially numbered in accordance with the group/ nomenclature of the item and shall be entered in the Register of Fixed Assets indicating the following details: Contents of **Register of Fixed Assets {GFR 41 See Rule 190 (2) (ii)} may be seen at Annexure-I**

14.18 Physical verification of Fixed Assets

Annual verification of assets would be carried out by a team of designated officers by PD and DPM and necessary entries would be made in the registers. This would be made available to the audit for verification. The procedure for physical verification would be as follows:

- Generate a list of assets from Asset Register
- Physically verify fixed assets at their location with respect to the physical presence , conditions of the assets, and workability

- In case of assets located at community institutions, the head of community institutions would prepare a list and send to DPMU.
- Any discrepancies noticed shall be enquired into and a statement shall be prepared separately.
- A comparative statement indicating fixed assets, as per record of assets based on physical verification conducted, would be prepared and kept as **annexure** to audited statement of accounts

14.19 BACKUP ARRANGEMENTS AND DISASTER RECOVERY PLAN

- Disasters are disruptions that cause critical information resources to be inoperative for a period of time adversely impacting operations. The disruption could be several hours to several days, depending upon the criticality of the information resource. Most importantly, disasters require action to recover operational status.

- A disaster may be caused by natural calamities, such as earthquakes, floods, thunderstorms and fire, terrorist attacks, attacks by remote perpetrators. A disaster also include and insider attacks, system malfunctions, accidental file deletions, intrusions and viruses.

- These events may require prompt action to recover operational status. Actions may necessitate restoration of hardware, software and/or data files. Therefore, a well-defined, risk-based classification system needs to be in effect.

- The DRP is generally the plan followed by information systems to recover an IT processing facility, or by business units to recover an operational facility.

- To ensure continuous service, a business continuity plan will be established in each of the DPMUs.

- To maintain the integrity and security of data, all the Accounting Centers will ensure:
  i. Physical security—Measures to provide physical security may include the installation of alternate power sources, physical access controls to the systems, etc.
  ii. Contingency plan— If a disaster does occur, the all Accounting Centers must be able to accounts processing in its required time scales.
  iii. Access control—User defined access controls will be used for the making the data entries as well for generation of reports. The Data Owner, Data Administrator and Data Entry Operator should have separate user identification and password for accessing Tally and generating the reports.
  iv. Training and awareness—Accounts and Finance Personnel must be adequately trained in protective and preventive measures.

AUDIT ARRANGEMENTS

15.1 Internal Audit

The Project would have **quarterly** internal audits by a firm of Chartered Accountant engaged by RPMU. The overall objectives of Internal Audit is to provide the project management with independent assurance (i) that the internal controls established by management are designed appropriately and (ii) whether the overall financial management and arrangements including the system of internal controls as documented in the Project Implementation Plan (PIP), Financial Management Manual (FMM), Community Operations Manual (COM) 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.

The Internal Audit of the project shall cover the RPMU, DPMU and a sample of the CBOs (SHGs/SHGFs/CDGs/POs). The internal auditor shall be different from the external auditor. The RPMU will review the observations in the report and take action to ensure compliance with the recommendations.

Scope of Internal Audit:

The scope of audit is given in the Terms of Reference (TOR) in the format in **Annexure-XI**

15.2 External Audit

The external audit of the annual project financial statements (PFS) will be conducted by the CAG of India through their offices in the North Eastern States as per the terms of reference agreed with the Bank and included in the FM Manual. The PFS will comprise the full set of the IFRs for the final quarter of the financial year and this would include: i) statement of sources and uses of funds; ii) statement of uses of funds by project components/sub-components; iii) summery sheet for expenditure by components; and iv) aggregate details of grant funds to beneficiary institutions. The audit report will comprise a management letter and an audit opinion and will be made available to the bank within 6 (six) months of the close of the financial year. The external audit will cover the expenditures at the level of the NELPS/RPMU, the DPMUs, and a sample of beneficiary institutions.

15.2.3 Scope of Audit:

The scope of audit is given in the Terms of Reference (TOR) in the format in **Annexure- XI**

15.2.4 Utilization Certificate

In respect of fund received from the RPMU, the DPMU should submit utilization certificate duly

signed by the DPM and CAG auditors to the RPMU along with the Consolidated utilization certificate at the end of the year as per **Annexure-XIII**.

15.3 Pursuance of Audit Objections

In order to keep a watch over the settlement of audit objections included in the audit report, the Accounts Wing/Audit Cell of the RPMU and DPMU will maintain a Register in the format given **Annexure-XIV** setting apart separate page no. for each year.
The progress made on the settlement of outstanding audit objections will be reviewed by the PD and DPM on a monthly basis and appropriate action taken to ensure their speedy settlement. The Register will also be produced to the auditor for verification of settlement of the objections raised.

Annual Report

NELPS would prepare an Annual Report each year. The Annual Report of the project will also have separate chapters on each state of Mizoram, Nagaland, Sikkim and Tripura. The respective DPMUs have to submit their reports/data to the RPMU within 6 months after close of the financial year.
The Annual Report will be prepared based on the data available at RPMU and inputs received from DPMUs. This report would broadly cover inter-alia of the following:

a. Project Director's Note
b. Executive Summery
c. Introduction-Regional Context, Project Perspectives
d. Project Rational, Objectives and Overall Project Strategies, Targets.
e. Significant Achievement
   -Social Empowerment
   -Economic Empowerment
   -Partnership Development
   -Project Management
f. Financial Report/Status
g. Conclusion

Once the Annual Report is prepared, the same will be sent to the respective State Nodal Officers for tabling it to the State Legislatures.

ANNEXURES

Annexure-I

GFR 40
[See Rule 190 (2) (i)]
Register of Fixed Assets

Name and description of the Fixed Assets"……".

Date	Particulars of Asset	Particulars of supplier		Cost of the Assets	Location of the Asset	Remarks
		Name and Address	Bill No. & Date			

NOTE.- The items of similar nature but ,having significant distinctive features (e.g., study table, office table, computer table, etc.) should be accounted for separately in stock.

Annexure-II

GFR 41
See Rule 190 (2) (ii)
Stock Register of Consumables such as Stationery , Spare Parts, etc

Name of Article——————— Unit of Accounts——————

Date	Particulars	Suppliers invoice no. & date	Receipt	Issue of Voucher No.	Issue	Balance	Unit Price

Note : User's indent in original shall be treated as issue voucher. Issue voucher number shall be in consecutive order, financial year, wise and it should be noted on each indent.

Annexure-III

Maintenance of Transparency (tentative budget is to be submitted in this format)

Maintenance of transparency in all works of the Project, especially on financial matters is one of the most important non-negotiable principles of North East Rural Livelihood Project. The following information will be prominently displayed by the Programme Co-ordinator in all the programme venues. The Programme Co-ordinator may be PMs, APMs, Consultants, DPMs, Co-ordinators, PFT Co-ordinators or any other person engaged by the Project for **conducting the training/workshop/meeting etc**.

a. Name of the Programme
b. No. of invited participants
c. No. of RPs
d. Summery Budget (in Rs.)
   d.1 Food
   d.2 Lodging
   d.3 Material for participants
   d.4 TA
   d.5 DA
   d.6 Contingency (if any)
   d.7 Honorarium (if any)
   d.8 Any other approved item of expenditure (please specify)
   d.9 Total Budget
e. In case the programme is being conducted at PFT & Community Level, amount received as advance for the programme
f. Any other important information (optional)

Annexure-IV

Chart of Accounts

Classifi-cation Code No.	Component	Classifi-cation Code No.	Sub-Component	Group	Account Description
	A : Social Empowerment		A.1 Support to Project Facilitation Teams (PFT)	Cash	-Cash at Bank -Cash in Hand
			A.2 Community Mobilization, Capacity & Institution building	Accounts Receivable	-Govt. of India -Others -Advance to Employees -Advance to Contractor/ Supplier -Advance to PFT
	B: Economic Empowerment		B.1 SHG Investment Support		
			B.2 Village Development Fund		
			B.3 Support to Producer Organization	Accounts Payable	-Supplier -Contractor -Others
			B.4 Skill Training & Placement		
			B.5 Innovation Support		
				Funding Sources	-Govt. of India -Others
	C : Partnership Development		C.1 Financia Support Lingkage		
			C.2 Technical Support Lingkage	Expenses	**<u>Goods</u>** -Equipments -Furniture & Fixtures -Computers & Peripherials -Slide Projectors -Photocopier
			C.3 Market Support Linkages & Value Chain		
	D : Project Management				
			D.1 Project Management		
			D.2 Monitoring & Evaluation		

				Expenses	-Vehicle -Printer -Others **Training/Workshop/Meeting** -Training of Trainers -Induction Training -Orientation Programmes -Sensitisation Programmes -Refresher Training -Need Based Training -Skill Building Prgrammes -Workshop -Meetings -Others **Consultancy** -Studies -Surveys -Development of Software -Others **Grants** -SHG Grants -CDG Grants -PO Grants -YG Grants **Incremental Operating Cost** -Salaries

				Expenses	-Allowances -TA/DA -Office Running Expenses -Advertisement -Exposure Visit -Books & Journal -Electricity -Telephone -Rent -POL & Maintenance of Vehicle -AMC -Bank Charges -Others

Annexure-V

NORTH EAST RURAL LIVELIHOODS PROJECT (IDA Credit xxxx IN)
INTERIM FINANCIAL REPORT (IFR 1)

SOURCES AND USES OF FUNDS
FOR THE QUARTER/PERIOD FROM _ _/_ _/20 _ _ TO _ _/_ _/20 _ _

Amount in INR

	Description	**For the quarter/period _ _/_ _/20 _ _ to _ _/_ _/20 _ _**	**For the year 20 _ _ to 20 _ _ (YTD)**	**Cumulative to Date (CTD)**
	1	**2**	**3**	**4**
(A)	**Opening Balances**			
1	Project Bank Account - RPMU			
2	Project Bank Accounts - DPMUs			
3	Cash in Hand			
4	Advances *less* Liabilities			
	Total Opening Balances (A=1+2+3+4)			
(B)	**Receipt of Funds**			
1	Grant received from Ministry of DoNER			
2	Interest Earned			
3	Other Income			
4	Others (*please specify)*			
	Total Funds Received (B=1+2+3+4)			
	Total Funds Available (A+B)			
(C)	**Project Expenditure**			

1	Social Empowerment			
2	Economic Empowerment			
3	Partnership Development			
4	Project Management			
	Total Project Expenditure (C=1+2+3+4))			
(D)	**Closing Balance (A+B-C)**			
1	Project Bank Account - RPMU			
2	Project Bank Accounts - DPMUs			
3	Cash in Hand			
4	Advances *less* Liabilities			
	Total Closing Balances (D=1+2+3+4)			

Certified that the above statement has been drawn from the Project books of accounts maintained by NELPS and is in conformity therewith. Further certified that all project bank accounts have been duly reconciled as at _ _/_ _/20_ _ .

Project Manager (Finance & Accounts) *Project Director*

Dated:

The same format is to be used by the DPMUs for Quarterly Reporting

NORTH EAST RURAL LIVELIHOODS PROJECT (IDA Credit xxxx IN) **Annexure-VI**

INTERIM FINANCIAL REPORT (IFR 2)

USES OF FUNDS BY PROJECT COMPONENTS/SUB COMPONENTS
FOR THE QUARTER/PERIOD FROM _ _/_ _/20 _ _ TO _ _/_ _/20 _ _

Amount in INR

			Expenditure		
SN	**Project Components/Sub Components**		**For the quarter/period _ _/_ _/20 _ _ to _ _/_ _/20 _ _**	**For the year 20 _ _ to 20 _ _ (YTD)**	**Cumulative to Date (CTD)**
1	**2**	**3**	**4**	**5**	**6**
A	**Social Empowerment** (***sub total A)***				
A.1	Support to Project Facilitation Teams				
A.2	Community Mobilization, Capacity and Institution Building				
B	**Economic Empowerment** ***(sub total B)***				
B.1	SHG and SHG Village Federation - Investment Support				
B.2	Community Development - Investment Support				
B.3	Producer Organization - Investment Support				
B.4	Skills Development and Investment Support				
B.5	Innovation Support				
C	**Partnership Support** ***(sub total C)***				
C.1	Financial Support Linkage				
C.2	Technical Support Linkage				
C.3	Marketing Support Linkage and Value Chain				

D	**Project Management** ***(sub total D)***				
D.1	Project Management				
	Operating Costs of RPMU and DPMUs				
	Remuneration of State Coordinators				
	Goods and Equipment				
	Consultancies				
	Training and Workshops				
D.2	Monitoring and Learning				
	Grand Total (A+B+C+D)				

Project Manager (Finance & Accounts) *Project Director*
Dated:

Notes
1. The sub totals A to D should match with items 1 to 4 under part C of IFR
2. District wise details of items B.1, B.2 and B.3 will be provided in Annex
3. Please atatch a consolidated Trial Balance as at the close fo the reporting period as drawn from TALLY.

The same format is to be used by the DPMUs for Quarterly Reporting

NORTH EAST RURAL LIVELIHOODS PROJECT (IDA Credit xxxx IN) **Annexure-VII**

INTERIM FINANCIAL REPORT - IFR ANNEX 1

SUMMARY SHEET FOR EXPENDITURE BY CATEGORIES

Period: from _ _/_ _/20_ _ to ____/__/20__

Category No.	Category Description	Reimbursable % age	Actual Expenditure for the current period		Actual Expenditure Year to Date	
			Total Expenditure INR	Bank's share INR	Total Expenditure INR	Bank's share INR
1	2	3	4	5=4*3	7	8=7x3
1	Goods, Works, Non-Consulting Services, Consultants' Services, Training, Operating Cost and Investment Support/Grants					
2						
	Total					

Project Manager (Finance & Accounts) *Project Director*

The same format is to be used by the DPMUs for Quarterly Reporting

NORTH EAST RURAL LIVELIHOODS PROJECT (IDA Credit xxxx IN) **Annexure-VIII**

INTERIM FINANCIAL REPORT - IFR ANNEX 2

AGGREGATE DETAILS OF GRANT FUNDS TO COMMUNITY BASED ORGANIZATIONS/PRODUCER ORGANIZATIONS

Period: from _ _/_ _/20_ _ to ____/__/20__

Particulars of Funds	Mizoram		Nagaland		Sikkim			Tripura		Grand Total
	Aizawl	Lunglei	Peren	Tuensang	South	West	East	West	North	
1. SHG Seed Fund										
a. Grant disbusred till the beginning of the period										
b. Grant disbursed during the period										
c. Total Grants disbursed till date (a+b)										
d. Grants for which UCs received										
e. Grants for which UCs to be received at the close of the period (c-d)										
2. SHG Livelihood Plan Fund										
a. Grant disbusred till the beginning of the period										
b. Grant disbursed during the period										
c. Total Grants disbursed till date (a+b)										
d. Grants for which UCs received										
e. Grants for which UCs to be received at the close of the period (c-d)										
3. Community Development Plan Fund										
a. Grant disbusred till the beginning of the period										
b. Grant disbursed during the period										
c. Total Grants disbursed till date (a+b)										
d. Grants for which UCs received										
e. Grants for which UCs to be received at the close of										

the period (c-d)										
4. Youth Group Support Fund										
a. Grant disbusred till the beginning of the period										
b. Grant disbursed during the period										
c. Total Grants disbursed till date (a+b)										
d. Grants for which UCs received										
e. Grants for which UCs to be received at the close of the period (c-d)										
5. Producer Organization Start Up Support Fund										
a. Grant disbusred till the beginning of the period										
b. Grant disbursed during the period										
c. Total Grants disbursed till date (a+b)										
d. Grants for which UCs received										
e. Grants for which UCs to be received at the close of the period (c-d)										
5. Producer Organization Working Capital and Investment Fund										
a. Grant disbusred till the beginning of the period										
b. Grant disbursed during the period										
c. Total Grants disbursed till date (a+b)										
d. Grants for which UCs received										
e. Grants for which UCs to be received at the close of the period (c-d)										

Certified that the Grants have been disbursed based on compliance with eligibility criteria and achievement of milestones as defined in the PIP and verified by the DPMUs/PFTs. Further certified that the Utilization Certificates received from the Beneficiary Institutions have been reviewed and verified by the DPMUs/PFTs.

Project Manger (Finance & Accounts) Project Director

The same format is to be used by the DPMUs for Quarterly Reporting

Annexure-IX

NORTH EAST RURAL LIVELIHOOD PROJECT

TERMS OF REFERRENCE FOR APPOINTMENT OF A CHARTERED ACCOUNTANT FIRM FOR THE INTERNAL AUDIT OF THE NORTH EAST RURAL LIVELIHOOD PROJECT (NERLP) FOR THE YEAR

BACKGROUND

The North East Livelihood Promotion Society (NELPS) is a registered Society which is implementing the World Bank Funded North East Rural Livelihood Project (NERLP) improve rural livelihoods, especially that of women, unemployed youth and the most disadvantaged, in eight districts of four North Eastern States (Sikkim, Tripura, Mizoram and Nagaland) by providing access to economic opportunities, improving adoption of sustainable agricultural and natural resource management through establishing participatory and accountable community based institutions.

The Project is under the overall governance of the Department of North Eastern Region (DoNER). A Project Governance Committee would review the project, take up policy issues and advise on convergence activities with other projects. A Regional Project Management Unit (RPMU) has been created within NELPS in Guwahati for management and implementation of the project. The RPMU would be supported by District Project Management Units (DPMU) in each of the eight selected districts and Project Facilitation Teams (PFT) at the block level. At the community level, Beneficiary Institutions (SHGs, SHGFs, CDGs, POs etc) would implement the project.

Statement of Interest

NELPS intends to appoint an independent firm of Chartered Accountants to conduct the **six monthly** internal audit of NERLP. Internal audit would cover the NELPS/RPMU and all the DPMUs and a sample of Beneficiary Institutions in each quarter.

OBJECTIVES OF INTERNAL AUDIT

The key objectives of **internal audit** are to (a) obtain an independent professional opinion on the continuing implementation and effectiveness of the internal control procedures and the financial management & procurement systems prescribed under the Project and adequacy thereof; and (b) internal audit of Project accounts. Based on this the auditor will give suggestions for improvement. The report of the internal auditors will form the basis for Management action.

The overall objectives of Internal Audit is to provide the project management with independent assurance (i) that the internal controls established by management are designed appropriately and (ii) 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

Expenditure is incurred against various activities approved in the Annual Work Plan & Budget (AWP&B) from funds released by the Government of India covering the Project cost. A quarterly Interim Financial Report (IFR) based on actual amounts spent under various interventions is sent to Government of India and to the World Bank. The internal auditor is required to exercise tests of accounting records, internal checks and control and other necessary internal audit of the accounts as per general principles. The internal audit function shall be carried out **six monthly**. In conducting the Audit, specific attention should be given to the following:

(a) The internal audit activities should include payment audit as well as independent appraisals of the financial, operational and control activities of the Project.

(b) The responsibilities of the internal auditor should include reporting on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with NERLP financial norms and procedures.

(c) All funds have been used in accordance with the condition of the relevant financial norms and financial regulations with due attention to economy and efficiency, and only for the purpose for which the financing was provided.

(d) The Internal Auditors would verify the actual expenditures incurred by the DPMUs and verify that the Grants released to the Beneficiary Institutions (which are included in the IFRs as eligible expenditure) are in accordance with the eligibility criteria and milestones as per the project design.

(e) The Internal Auditors would also verify the Utilization Certificates (UC) submitted by the Beneficiary Institutions to the DPMUs and confirm that the UCs are available for the entire amount of grant provided by the NELPS/DPMU to the Beneficiary Institutions, and that the expenditure stated in the UCs have been correctly incorporated in the books of NELPS/DPMU and the UCs have been duly signed and authorized by the office bearers as prescribed in the FM Manual. The auditors will visit an appropriate/representative sample of Beneficiary Institutions[1] in each project district every quarter and verify the UC with the book of account maintained by these Institutions and also confirm that the activities in respect of which the expenditure was incurred as reflected in the UC have actually been undertaken by the beneficiary Institution.

Based on this verification, the internal auditor would provide an assurance on whether i) the expenditures incurred by the Beneficiary Institutions have been for the purpose for

[1] As and when the Producer Organizations (PO) are incorporated and start functioning, the internal auditors will cover all the POs in its audit plan.

***which the funds were provided as per the Grant Agreements (ii) that the financial management arrangements and internal controls established by management are working effectively*.**

(f) Prescribed procedures are followed by all entities who are authorized to incur expenditure under NERLP under the approved delegation of powers.

(g) Goods, works and services financed have been procured in accordance with relevant provisions of the Procurement Procedure prescribed for the purpose. Proper documents, namely, purchase orders, tender documents, invoices, vouchers, receipts, pay bills, TA bills etc. are maintained and linked to the transactions and retained till the end of the Project.

(h) All necessary supporting documents, records and accounts have been kept in respect of all Project expenditure including expenditure covered by Statement of Expenditure. Clear linkages should exist between the books of accounts and reports presented to the Government of India and the World Bank.

(i) Expenditure incurred under NERLP is strictly in accordance with the financial norms prescribed in the NERLP framework or any other clarifications issued from time to time. The expenditure statements / financial statements included in the statement of expenditure of the relevant period represent a true and fair view or implementation and operations of the Project at the end of the financial year and of resources and expenditure for the year ended on that date.

(j) Expenditure is incurred with reference to the budget allocation approved. In case the budget allocation is exceeded proper re-appropriation duly approved by the competent authority has been obtained.

(k) NERLP funds are used efficiently and economically to the purpose for which they are intended.

(l) Reconciliation of Bank Statements and accounts is regularly carried out on a monthly basis.

OUTPUTS THAT WILL BE REQUIRED OF THE INTERNAL AUDITOR

The auditor should submit his report indicating the results of his review in accordance with the term of reference above within 45 days from the close of the quarter.

GENERAL

The auditor should be given access to all legal documents, books of accounts, procurement documents, correspondence, and any other information associated with the Project and deemed necessary by the auditor.

REVIEW

A review committee consisting of PD, Project Manager (Finance & Accounts) at the NELPS/ RPMU and Assistant Project Manager (Finance and Accounts) of NELPS will review the internal audit report. They will also take necessary action on the observations and put in further remedial measures to address discrepancies pointed out in internal audit. The internal audit report will also be reviewed by the Executive Committee of the NELPS. The Bank will be informed of the key observations of the auditors and the steps taken by the project to address these.

Annexure-X

Expression of Interest for short listing Chartered Accountant Firms for Internal Audit of the accounts of NERLP

Part-A

Status of the Firm Partnership ☐ Sole Proprietorship ☐

1. (a) Name of the Firm (in Capital Letters) _____

   (b) Address of the Head Office _____

   (Please also give Telephone No. and _____

   Email address) _____

2. ICAI Registration No._____ Region Name_____

   Region Code No. _____

3. Empanelment number with C&AG:-

4. (a) Date of constitution of the firm:

   (b) Date since when the firm has a full time FCA

5. Full-time Partners/Sole Proprietor of the firm as on 1st January, _____

S. No.	Continuous association with the firm	Number of FCA	Number of ACA
a)	Less than one year		
b)	One year or more but less than 5 years		
c)	5 years or more but less than 10 years		
d)	10 years or more but less than 15 years		
e)	15 years or more		

Note: please attach the copy of firm's Constitution Certificate issued by ICAI as on 01.01.20 .

6. Number of Part Time Partners, if any, as on 1st January, _____

7. Number of Full Time Chartered Accountant as on 1st January,_____

8. Number of audit Staff employed full-time with the Firm

   (a) Articles/Audit Clerks _____

   (b) Other Audit Staff (with Knowledge _____ of book

Keeping and Accountancy)

(c) Other personal Staff (please specify) _____

(List to be attached for Sl. No. 5 to 8)

9. Number of Branches if any (please mention _____

Place and locations)

10. Whether the firm is engaged in any internal or providing any other services to any Govt. Company/ Corporation or co-operative institution etc. Yes/No

(If 'yes' details may be given on a separate sheet.)

11. Whether the firm is implementing quality control Policies and procedures designed to ensure that all audit are conducted in accordance with Statements on Standard Auditing Practices. Yes/No

(If yes, a brief note on the procedure adopted is enclosed)

12. Are there are any court/arbitration/legal cases against the firm. Yes/No

(if yes, give a brief note of the cases including its present status)

13. Fees earned by the firm for last 5 years

Type of Audit	PSU/Autonomous Body	Companies in private Sector	Banks
Statutory/Branch Audit			
6-monthly Audit Review			
Internal/Concurrent Audit			
Total of the above			

Part-B
Undertaking

I/We the sole proprietor/partners of M/S_____ chartered accountants do hereby jointly and severely verify and declare:-

a) that the particulars given are complete and correct and that if any of the statements made or the information so furnished in the application form is later found not correct or false or there had been suppression of material information, the firm would not only stand disqualified from the allotment, but would be liable for disciplinary action under the Chartered Accountant Act, 1949 and the regulation s framed there under;
b) that the firm proprietor or partners have not been debarred or cautioned by ICAI during the last five years(if cautioned give details);
c) that individually we are engaged in practice otherwise or in any other activity which would be deemed to be a practice under section 2(2) of the Chartered Accountant Act, 1949;
d) that the constitution of the firm as on 1st January of the relevant year shown in the Expression of interest is the same as that in the Constitution Certificate issued by the ICAI.

Sl. No.	Name of the Partner /Sole proprietor	Membership Registration number	PAN No.	Dates of payment of fees for the relevant year____ A/B*	Signature of Partner/Sole Proprietor

*A for membership

B for issue of Certificate of practice

Place (Seal of the Firm)

Date

Encl_____ pages

Signature of Proprietor/Sole Partner

Annexure-XI

TERMS OF REFERRENCE FOR EXTERNAL AUDIT OF PROJECT FINANCIAL STATEMENTS OF THE NORTH EAST RURAL LIVELIHOODS PROJECT (NERLP)
FOR THE YEAR ……

BACKGROUND

1. The North East Livelihood Promotion Society (NELPS) is a registered Society which is implementing the World Bank Funded North East Rural Livelihood Project (NERLP) improve rural livelihoods, especially that of women, unemployed youth and the most disadvantaged, in eight districts of four North Eastern States (Sikkim, Tripua, Mizoram and Nagaland) by providing access to economic opportunities, improving adoption of sustainable agricultural and natural resource management through establishing participatory and accountable community based institutions.

2. The Project is under the overall governance of the Department of North Eastern Region (DoNER). A Project Governance Committee would review the project, take up policy issues and advise on convergence activities with other projects. A Regional Project Management Unit (RPMU) has been created within NELPS in Guwahati for management and implementation of the project. The RPMU would be supported by District Project Management Units (DPMU) in each of the eight selected districts and Project Facilitation Teams (PFT) at the block level.

3. NELPS desires to appoint an independent as External Auditors to conduct the audit of the project including audit of the PFS under the following Terms of Reference.

OBJECTIVES

4. The essence of World Bank's audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of the Credit were used for the purposes intended, that the PFS are free from material misstatement, and the terms of the legal agreements were complied with in all material respects.

5. The key objectives of the Project external audit are to obtain a professional opinion from independent auditors whether -

a) the PFS give a true and fair view of the financial position of the Project at the end of the period under audit examination, and of the sources and applications of project funds for that period;

b) the Project funds were utilized for the purposes for which they were provided;

c) expenditures are eligible for financing under the Project legal agreements and these were exclusively financed through the Project funds and no other sources of funds have been received by NERLP for incurring these expenditures;

d) expenditure reported in the Interim Financial Reports (IFRs) are in agreement with the books of account and the IFRs can be relied upon to support applications for withdrawal of Credit, and adequate documentation has been maintained to support these claims;

e) Procurement has been carried by NERLP in line with the agreed procedures as detailed in the Project legal agreements and the Procurement Manual; and

f) the Project has an adequate internal control system (including its continuing implementation and effectiveness) and adheres to the provisions of the project legal agreements, the Financial Management, Procurement and Operations Manual in all material aspects.

6. The Project accounts (books of accounts) provide the basis for preparation of the PFS and are established to reflect the financial transactions in respect of the project as maintained by the project implementing agency RPMU.

STANDARDS

7. The audit will be carried out in accordance with the Standards of Auditing promulgated by the -C & AG. The auditor should accordingly consider materiality when planning and performing the audit to reduce risk to an acceptable level that is consistent with the objectives of the audit. Although the primary responsibility for preventing irregularity and fraud or ensuring that the project funds are used for purposes as required in the legal agreements remains with the Management, the auditor should specifically consider the risk of material misstatement in the financial statements resulting from fraud , while planning and performing audit procedures and evaluating and reporting results thereof.

SCOPE AND COVERAGE OF THE AUDIT

8. The audit will cover all the Project sources and applications of funds and cover the following auditable units.

   - The REGIONAL Project Management Unit (RPMU) at Guwahati; and
   - District Project Management Units (DPMU) of NERLP located in the project states of Mizoram, Nagaland, Sikkim and Tripura.

Expenditure is incurred against various activities in the Annual Work Plan & Budget from funds released by the Government of India and the World Bank covering the Project cost. A quarterly Interim Financial Report (IFR) based on actual amounts spent under various interventions is sent to Government of India and to the World Bank. The auditor is required to exercise such tests of accounting records, internal checks and control and other necessary audit of the accounts as per general principles and standard of audits of the C & AG. In conducting the Audit, attention should be given to the following:

(a) All funds have been used in accordance with the condition of the relevant financial norms and financial regulations with due attention to economy and efficiency, and only for the purpose for which the financing was provided.

(b) Generally accepted accounting principles are followed by all entities who are authorized to incur expenditure under NERLP.

(c) Goods, works and services financed have been procured in accordance with relevant provisions of the Procurement Procedure prescribed for the purpose. Proper documents, namely, purchase orders, tender documents, invoices, vouchers, receipts, pay bills, TA bills etc. are maintained and linked to the transactions and retained till the end of the Project.

(d) All necessary supporting documents, records and accounts have been kept in respect of all Project transactions reported through the IFR. Clear linkages exist between the books of accounts and reports presented to the Government of India and the World Bank.

(e) The expenditures claimed through IFRs and withdrawal application**s** are eligible within the legal agreements and the extent to which the IFRs can be relied upon as a basis for reimbursement. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be specifically reported by the auditor.

(f) Expenditure incurred under NERLP is strictly in accordance with the financial norms or any other clarifications issued from time to time. The expenditure statements / financial statements included in the statement of expenditure of the relevant period represent a true and fair view or implementation and operations of the Project at the end of the financial year and of resources and expenditure for the year ended on that date.

(g) Expenditure is incurred with reference to the budget allocation approved. In case the budget allocation is exceeded proper re-appropriation duly approved by the competent authority has been obtained.

(h) 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 need for revision; level of compliance with established policies, plans and procedures; reliability of accounting systems, data and financial reports; physical verification and reconciliation procedures; methods of remedying weak control or creating controls in areas in where they are lacking.

(i) The auditor will review the project internal audit reports for the year under audit and assess the impact of the observations of the true and fair view of project financial statements and on other aspects on which the auditor is required to provide his opinion.

(j) Reconciliation of all Bank Statements and accounts is regularly carried out on a monthly basis.

(k) Status of audit compliance of previous audit observations raise, if any.

(l) The external auditor would be required to give Audit Certificate, Utilization Certificate and any other certificate required from time to time.

(m) The external auditor should be required to give Procurement Note, whether the procurement is as per agreed guidelines with the World Bank.

AUDITED PROJECT FINANCIAL STATEMENTS

9. The audited Project Financial Statements should include:

(a) A Balance Sheet showing accumulated funds of the Project, Bank Balances other Assets of the Project and Liabilities, if any.

(b) An Income and Expenditure account containing summary of income and, expenditure shown as per the approved AWP&B both for the current fiscal year and accumulated to date;

(c) A Receipts and Payments Account.

(d) Quarterly IFRs submitted during the period under audit

(e) Utilization Certificate

(f) Procurement Certificate

(g) Accounting Policies and Notes on Account

10. NELPS Management should sign the PFS and provide, to the auditors, 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. Format of the Management Representation Letter is suggested at ***Annexure-XII*.**

AUDIT OPINION

11. The **Annual Audit Report** on the PFS will be in the form recommended by the CAG , including a primary opinion on whether the PFS show a true and fair view. In addition, the auditor will provide opinion on the matters specified in para. Those standards require a clear written expression of opinion on whether the financial statements give a true and fair view. An unqualified opinion will indicate the auditor's satisfaction in all material respects that the financial statements give a true and fair view, they have been prepared using consistently applied generally accepted accounting principles, comply with the relevant project's legal documents and

adequate disclosure of all material matters have been made. When a qualified opinion, adverse opinion or disclaimer of opinion or reservation of opinion on any matter is made due to limitation of scope or disagreement with management etc., the audit report should clearly state the reasons thereof (preferably in a separate paragraph) and, as far as practicable, quantify the effect on the financial position. The auditor should submit the report to Project Director of the Society well in advance who will take further action to have two copies of the Audit of Accounts and report forwarded to Government of India and World Bank within six months from the close of the financial year.

MANAGEMENT LETTER

12. In addition to the audit report, the auditor will prepare a "Management Letter" and submit it along with the Audit Report. The Management Letter will elaborate the findings of the audit and contain recommendations for improvements in internal control and other matters coming to the attention of the auditor during the audit examination. The Management Letter would include matters such as the following:

(a) Give comments and observations on the accounting records, systems, and internal controls that were examined during the course of the audit;

(b) Identify specific deficiencies and areas of weakness in systems and internal controls and make recommendations for their improvement;

(c) Report on the degree of compliance of each of the financial covenants of the financing agreement and give comments, if any, on internal and external matters affecting such compliance;

(d) Elaboration of the audit qualifications, if any, made in the audit report;

(e) Major observations arising out of the internal audit reports and the status of their compliance

(f) Adequacy of compliance with previous audit findings/recommendations in the Audit Report/Management Letter and status of any issues which remain to be addressed and any issues which recurred;

(g) Communicate matters that have come to the attention during the audit which might have a significant impact on the implementation of the Project and

(h) Bring to the Implementing Agencies' attention any other matters that the auditor considers pertinent.

GENERAL

13. The auditor will be given full access to all documents, correspondence, and any other information relating to the programs and deemed necessary by the auditor. The Project Manager (Finance & Accounts) of NELPS will be the Nodal Officer for audit. 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 and auditing).The auditor would be provided copies of the Financing Agreement, Project Agreement, Minutes of Negotiations, Disbursement Letter, Project Appraisal Document, Operations Manual, Financial Management Manual, Procurement Manual, and other relevant guidelines, policies and procedures issued by the Project.

14.

Format of a Management Representation Letter **Annexure-XII**

(NELPS's Letterhead)

(To Auditor) (Date)

This representation letter is provided in connection with your audit of the Project Financial Statements of the North East Rural Livelihoods Project under Credit No. _____ (the Project) for the year ended on _____ for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Project as of ..... and of the sources and uses of funds for the year then ended. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the basis of accounting followed by the NELPS, 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.
- Assets shown on the project balance sheet exist, are owned by the project, and are used solely for project purposes.
- Project funds have been used for the purposes for which they were provided.
- Project expenditures are eligible for financing under the 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.
- Procurement has been done as per the agreed procedures.
- We have made available to you all books of account and supporting documentation relating to the project.
- We have made available to you all procurement documents relating to the project.
- All complaints received and subsequent correspondence thereof has been made available.
- 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 NELPS ***Project Manager (Finance & Accounts) NELPS***

Dated: _____

Annexure-XIII

Utilisation Certificate

S.No.	Sanction Letter No. and Date	Amount
Total		

1. Certified that out of Rs. …… (Rupees…….) of Grant-in-Aid sanctioned during the year ……. in favour of NERLP vide Ministry of _____ letter Nos. noted against each and Rs. ……. (Rupees……) on account of interest earned and Rs. ……. (Rupees……) on account of Other Income during the period ……. and Rs. …… (Rupees ……) on account of unspent balance of the previous year, a sum of Rs. …….. (Rupees ……) has been utilized for the purpose for which it was sanctioned and that the balance of Rs. …….. (Rupees .....) remaining unutilized at the end of the year will be adjusted towards the Grants-in-Aid payable during the next year …….

2. Certified that I have satisfied myself that the conditions on which the Grants-in-Aid was sanctioned have been fully fulfilled and that I have exercised the following checks to see that the money was actually utilised for the purpose for which it was sanctioned.

Kinds of checks exercised

1.
2.
3.
4.

Signature (Project Director)

Dated:

AUDITORS CERTIFICATE

We have verified the above statement with the books and records produced before us for our verification and certify that the funds have been expended for the purposes they have been given.

Dated: Auditor (CAG)

Balance Sheet as at 31st March _ _ _ _ (Amount in Rs.)

Previous Year	***Liabilities***	***Current Year***	***Previous Year***	***Assets***	***Current Year***
	Grant from Ministry of DoNER			**Fixed Assets** *(Schedule 3)*	
	Unutilized Grant at the beginning of the Year			**Current Assets, Loans & Advances**	
	Add: Grant received during the year			Cash in Hand	
	Less: Project Revenue Expenditure during the year *(Schedule 1)*			Balance with Bank/s in Current/Savings Account *(Schedule 4)*	
	Less: Project Capital Expenditure during the year			Balance with Bank/s in Fixed Deposits	
	Unutilized Grant at the close of the Year			Cheques in Hand/ Funds in Transit	
				Advances & Other Current Assets *(Schedule 5)*	
	Capital Fund				
	Current Liabilities *(Schedule 2)*				
	Total			**Total**	
Significant Account Policies – *Schedule 6*					
Notes to Accounts – *Schedule 7*					

The schedules referred to above form an integral part of the Balance Sheet.

Income and Expenditure Account
For the period……

Previous Years Figure	Expenditure	Current Year Figure	Previous Years Figure	Income	Current Year Figure
	A: SOCIAL EMPOWERMENT: A.1 Support to Project Facilitation Team A.2 Community Mobilization, Capacity & Institution Building			-Grants-in-Aid Received from Govt. of India (to the extent of expenditure)	
	B: ECONOMIC EMPOWERMENT: B.1 SHG Investment Support B.2 Village Development Fund B.3 Support to Producer Organizations B.4 Skill Training & Placement B.5 Innovation Support			-Bank Interest -Sale Proceeds of	
	C: PARTNERSHIP DEVELOPMENT: C.1 Financia Support Lingakge (Micro Finance) C.2 Technical Training C.3 Market Support Linkages & Value Chain			Tender Form -Misc. Income	
	PROJECT MANAGEMENT: D.1 Project Management D.2 Monitoring & Evaluation				

Receipt and Payments Account
For the period……

Head of Account	Particulars	Amount	Head of Accounts/Activities	Particulars	Advances given to training/program coordinators/PFT	Actual Expenditure	Total
	Opening Balance: Cash in Hand Cash at Bank						
				Opening Balance: Cash in Hand Cash at Bank			

Annexure-XIV

REGISTER OF OUTSTANDING AUDIT OBJECTIONS
Name of the DPMU/RPMU

S. No.	Period of accounts covered by audit	Audit Para No.	Date of issue	Brief details of the audit objection	Action Taken	Date of settlement	Remarks

Annexure-XV

Monthly Reporting Format of PFT

Sl. No.	Fund Received from DPMU	Activity Head	Activity/Sub-activity	Cumulative Expenditure	Current Month Expenditure	Total Expenditure	Variance

The reporting expenditure is in agreement with the books of records.

This format is to be sent along with monthly Receipts & Payments Account within 5 days of next month.

Date:

Signature of Accountant **Signature of PFT Co-ordinator**

Annexure-XVI

Checklist Format for PFT

Sl. No.	Particulars	Yes	No
1	All the proposal for grants to the Community Institutions are routed through PFT		
2	UC for the first trench or instalment must be received before process of second trench or instalment		
3	Monthly Receipts and Payments Account is prepared & submitted to DPMU regularly		
4	Monthly Expenditure Statement is submitted to DPMU		
5	Expenditure is incurred as per approved activity		
6	Bank Reconciliation Statement is prepared month-wise		
7	List/Sanction order of Grant released to Community Institutions are received from DPMU		
8	Register for Community Grant Release maintain		
9	Regular field visit		
10	UCs received from Community Institutions		
11	UCs received from Community Institutions is to be reported to the DPMU regularly		

Annexure-XVil

Utilization Certificate*

Name of PFT/Block :
Name of SHG/SHGF/CDG/PO :
Name of Grants :
Activity/ purpose for which grant given
Instalment :
Amount Received :
Date of Received :
Financial Year :

Sl. No.	Details (purpose of expenditure incurred/utilization)	Amount

Certified that the above mentioned amount was spent for the purpose for which it was sanctioned. The books of record are up to date and kept ready for inspection. At the time of inspection, if it is found that any of the above amounts have been mis-utilized, we will be held jointly responsible.

Signature (Member Secretary of SHG/SHGF/CDG/PO)

Signature (President of SHG/SHGF/CDG/PO)

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* Expenditure/Utilization is to be approved in the meeting of **SHG/SHGF/CDG/PO** and Photocopy of Minutes of Meeting is to be attached with this UC.