

**Uttarakhand
Decentralized Watershed Development II Project**

**Financial Management Systems
Manual**



Watershed Management Directorate, Uttarakhand
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CHAPTER 1 - INTRODUCTION

The Uttarakhand Decentralized Watershed Development II Project has been promoted by the Government of Uttarakhand and supported and funded by the World Bank. The primary approach in this Project is to implement its objectives through Gram Panchayats under overall monitoring of the Watershed Management Directorate.

1. The main themes proposed in the Project which converge as its main components are: -
 - Social Mobilization and Participatory Watershed Planning
 - Watershed Treatment and Rain-fed Area Development
 - Enhancing livelihood opportunity
 - Knowledge Management and Project Coordination
2. The success of the project to a great extent depends on the Financial Discipline apart from technical feasibility and its administrative capability. The responsibility of the Project is to ensure effective use of the funds for the intended purpose and reporting of the same to the institutions and the stakeholders. The purpose of the manual is to provide assistance and guidance to the users and stake holders on the relevant accounting policies, budgeting, accounting and reporting requirements. Financial Management Systems are developed and designed in form of two Manuals one for the project procurements and accountings and the other for the Gram Panchayats.
3. Accordingly, the Manual has been prepared to primarily cater to the needs of functions concerning areas of Accounting, audit procedures, policies and reporting for the Project as a whole and Gram Panchayats, in particular.
4. The Financial Management Systems (FMS) Manual has been designed with a view to build on and streamlines the existing systems at Gram Panchayat and Project to meet requirements of Accountability and transparency. The main objectives of the FMS are:

- Proper recording of transactions in the manual mode and yet providing coding systems for ultimate computerization of accounts.
- Budgeting and fund flows mechanism
- Fixation of authority and obligations at critical levels for major players.
- Monitoring and evaluation systems through an effective Management Information System.
- Establish effective internal controls and internal and external audit systems.
- Meet financial reporting requirements of various stakeholders including the State Government and the World Bank.

5. The manual covers the following prominent areas in respect of the Project:

- Project Background
- Organizational set up
- Planning and budgeting system
- Fund flow process
- Financial and accounting policies
- Accounting system including internal controls
- Monitoring system of procurement of material
- Financial Reporting
- Auditing arrangements

This manual by no means intends to change the government accounting system. It intends to meet requirements of efficient accounting and financial management system of the Project within the norms of Government accounting system.

6. The Financial Management Systems in the Manual needs to be implemented in true spirit and intent. However, any amendment desired shall be made effective only on approval of the Chief Project Director with the concurrence of the State Govt. and the World Bank.

CHAPTER 2 - PROJECT BACKGROUND

The area of Uttarakhand is about 54,483 sq km. In terms of geographical area, the state is dominated by the hills, 46,035 sq km compared to 7,448 sq km for the plains. However, the total cultivated area is much more evenly distributed between the hill and plains, much of the hill region is difficult to farm or covered with forests. It is estimated that the total cultivated area in the state is 768,000 ha, of which 54% (415,000) is located in the hill region. The forests occupy almost two-third of land (65%) with only 9% of the total area used for annual crops.

The hill farms are characterized by being very small and fragmented. The average farm size being 0.6 to 0.8 ha, this is often subdivided into a number of plots in different locations. It is estimated that only 10 to 11% of the hill cultivated land is irrigated (or about 42,000ha) and is mostly located at the bottom of the valleys, the rest relies on rainfall. Generally in the hill regions tend not to use inorganic fertilizer. They instead rely on composting and farmyard manure (FYM) to maintain fertility. Access to many of the hill areas is through narrow, poor roads which are sometimes closed due to landslides etc. It is claimed that as much as 30% of land in the hill that was once used to grow crops is no longer in production. About 8.4% of land in the nine hill districts is classed as fallow or cultivatable waste land, almost as much as the 9% of land that is cropped. Attention has been paid to bring gradual changes in the traditional fields of horticulture, agriculture, animal husbandry and dairy development to make them more income and employment oriented.

The population density in Uttarakhand is 159 persons per sq. Km (All India- 324). Low density is attributed to larger forest and uninhabitable snow covered mountain area which, in other words, means that since most of the land in hills is under forest, the spread of population is fairly uneven. For instance the districts of Haridwar, Udham Singh Nagar and Dehradun together accounts for roughly 47% of the State's population whereas district Champawat accounts for only 2.65% followed by Rudraprayg 2.68% and Bageshwar 2.94%. The sex ratio in Uttarakhand stands at 962 female per 1000 males. It is also interesting to

note that in 8 out of the 13 districts, the sex ratio is more than 1000, since a lot of men migrate in search of employment. As per 2011 Census, the ratio of rural to urban population is 69.77:30.236. The Scheduled Castes and Scheduled Tribes constitute 18.76% and 2.89% respectively of the States total population.

Project Objective (PDO)

The PDO is to increase the efficiency of natural resource use and productivity of rain-fed agriculture by participating communities in selected micro watersheds of the State of Uttarakhand.

Project Period

The project will be implemented within seven years period from 2014 to 2021. This period will be divided in three phases: The Preparatory phase, Implementation and Consolidation phase.

Project Area

UDWDP-II is meant for the villages of middle Himalayas, specifically for areas lying between 700m and 2700m about sea level. The focus of his project is on development and enhancing productivity of rain fed areas by adopting a participatory watershed management approach. The project will place special emphasis to enhancement of productivity therefore the areas of state which have maximum problems of erosion, poverty and lack of infrastructure facilities were chosen to select the target Gram Panchayats. Based on these criteria, about 509 GPs have been selected in eight district viz. Almora, Bageshwar, Pithoragarh, Dehradun, Pauri, Rudraprayag, Tehri Garhwal, and Uttarkashi.

CHAPTER 3 - ORGANIZATIONAL SET UP

This chapter details the overall Organizational Structure and enlists the Financial Responsibilities of the Key players.

1. Organizational Structure:

The Project will be managed and administered by the Watershed Management Directorate (WMD) headed by the Chief Project Director (CPD). WMD will have two main components to meet its dual role of implementing World Bank aided Projects attached to it and developing an overall capacity to plan, provide technical advises and monitor all other Watershed projects in the state. To assist the CPD in this role WMD will have one central unit, to plan, technically advice and monitor the Project, and two type of outfits positioned in the field to actually execute the activities through Gram Panchayats .

Field outfits will be two types:

- **Monitoring and supervision of Partner NGO (PNGO) :**

There will be two Partner NGOs for separate areas of the Projects. The PNGO will facilitate the micro watershed planning process for Gram Panchayats falling in these areas and also provide necessary technical support. These NGOs will function directly under the Project Management Unit (PMU) of WMD.

- **Monitoring and supervision of DPD supported by multidisciplinary team:-** WMD headed by CPD will be responsible for overall management of the Project, including control over release of funds to the Project Directors and Deputy Project Director (Fields) on timely basis and procurement for the Project.

Chief Project Director will be assisted by Additional Directors, PDs and DPDs for Project planning and monitoring. In addition, there will be a team of comprising of the technical advisor (of J.D. level) i.e. Agriculture, Horticulture, Animal Husbandry and supported by functionaries in financing and monitoring disciplines.

ESA unit in CPD office will consist of one DPD (Environment specialist), one DPD (Social Specialist) and one Asstt. Director supported by some office staff.

The PMU unit will be responsible for monitoring support functions performed by Partner NGOs and deal directly with the designated GPs for all other matters related to the Project including funds.

Field Unit:

i) Project Director:

There will be two Project Directors, in charge of field operations in the regions of Garhwal and Kumaon . Each P.D. will control divisions, headed by a DPD, under them.

P.D will have office supporting staff and a technical team of Class - II officers from different line departments to advise him on technical matters. This team will comprise of:

- Assistant Conservator of Forests
- Agriculture Officer
- Horticulture Officer
- Veterinary Officer
- Assistant Engineer
- Finance Officer

P.D office will be equipped with Support staff including Accountant.

ii) Deputy Project Director Field (DPD):

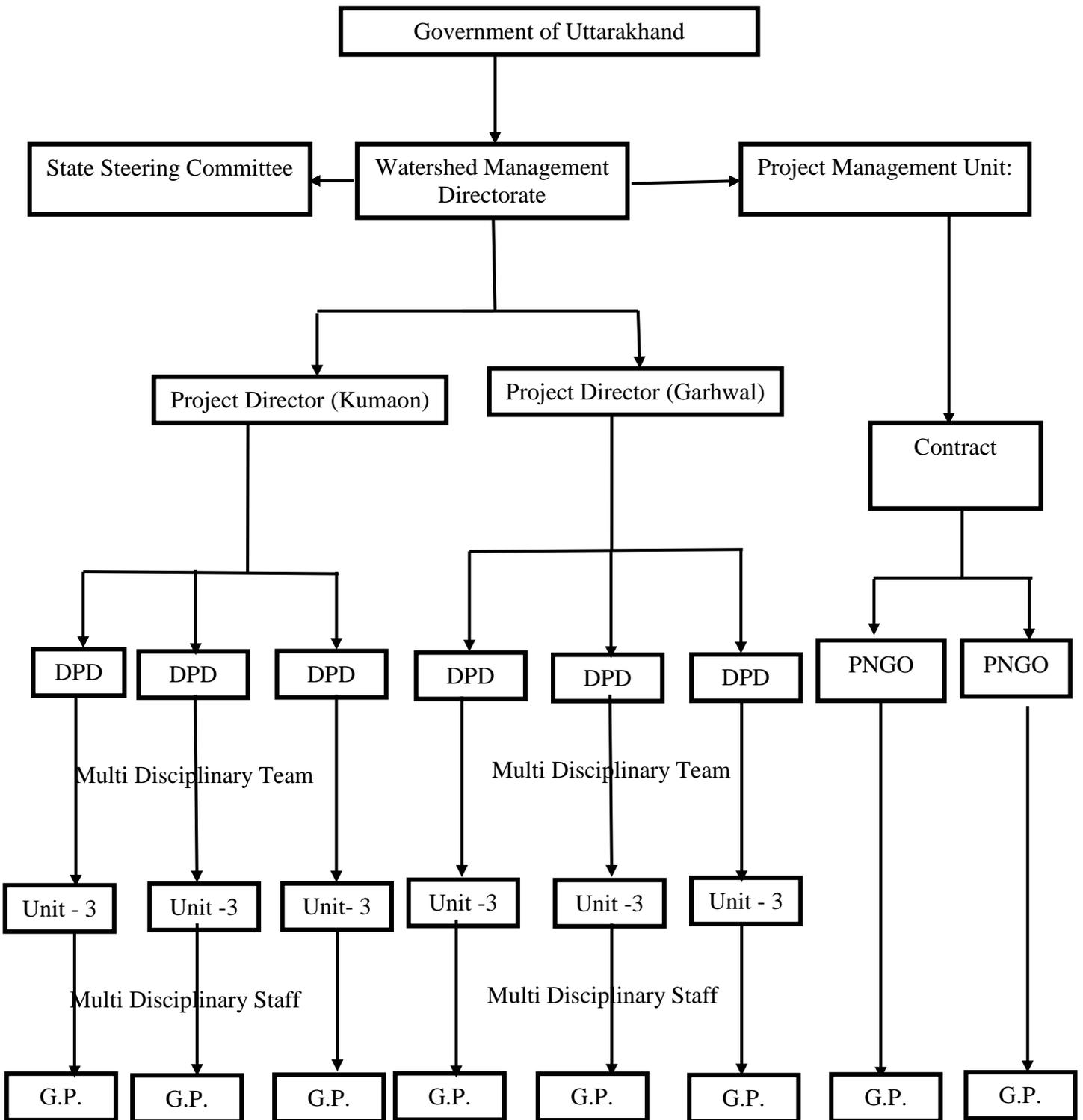
There will be six divisions in the field, each headed by a DPD. Deputy Project Directors will be assisted by multidisciplinary team (MDT) which will comprise of experts, referred as Unit Officers in this Manual, from Forestry, Agriculture, Horticulture, Minor Irrigation / PWD, Animal Husbandry and Community Mobilizers with supporting staffs.

DPD office will have an Accountant and adequate support staff to manage function of accounts and finances.

Organization Chart of the UDWDP -II is enclosed for study at a glance.



Organizational Chart



2. Duties and responsibilities

The Key control centers involved in the Financial Management of the Project are:

- Office of Chief Project Director of Watershed Management Directorate
- DDO at Watershed Management Directorate
- Office of the Project Director
- Office of the Deputy Project Director
- Project Management Unit
- Partner NGOs
- Gram Panchayat

The specific Duties and Responsibilities at each Centre shall be as follows:

2.1 At State Level:

A. Office of Chief Project Director , Watershed Management Directorate:

- To consolidate the annual budget of various PDs and submission to the state for sanction of the Budget.
- To receive the funds from the GoUK as per Budget allocation.
- Distribution of the funds / CCL to the Project Directors and DPDs on timely basis as per the AWP.
- To submit Consolidated IUFR to the World Bank for reimbursement of Claims.
- To monitor the activities and Progress of works in regions covered by Partner NGO's with the assistance of PMU cell.
- To provide necessary co-ordination and ensure proper implementation of the Project.
- To provide overall compliance to audit and other FM issues.

B. DDO at WMD:

- To prepare the overall budget for its activities
- To act as DDO for expenditure incurred at the WMD Level.
- To monitor administrative and other expenses at Head Office including consultancies, staff salaries, civil works etc.

- To prepare monthly Statement of Expenses.

C. Office of Project Management Unit (PMU):

- To approve the budget of GPs under Partner NGOs.
- To consolidate the budget of GP's provided by the Partner NGO.
- Out of CCL received from the WMD; transfer funds to Gram Panchayats.
- To approve the budget under Partner NGO, (including funds for transhumance action plan)
- To facilitate audit of accounts by A G and the Project auditors.
- To collect and consolidate the details of expenditure provided by various GPs.
- To keep an overview of activities being carried out by the Partner NGOs.
- To periodically report on the activities of the Partner NGOs to the Watershed Management Directorate.

2.2 At Regional Level:

Office of Project Directors (Kumaon and Garhwal)

- To consolidate the budget of various DPDs. Further to add their own administrative budget for submission to CPD.
- Receive and account for funds from the WMD on the basis of finalized Budget.
- To sanction Budget to various DPDs.
- To monitor Internal Audit & Financial control.
- To consolidate the activity wise expenditure summaries submitted by DPDs.
- To desk appraise the proposals in consultation with ESA.
- To monitor the Project through Multi Disciplinary Teams.
- Coordinate efforts of FNGO, Community mobiliser, technical staff and GP.
- Organize training/workshop at regional level.

2.3 At District level:

A. Office of Deputy Project Directors:

- Consolidate the Annual Action plans of all the GPs under them to make consolidated budget for GPs.
- To add their own administrative budget in the consolidated budget of GPs for further submission to Project Director.
- To receive the budget envelop from Project Director.
- To allocate budget to various GPs and execute Financing Agreement / MoU with GPs.
- To maintain record for the amounts remitted to GPs.
- To consolidate GP wise - activity wise expense statement with assistance of Unit Officers.
- Provide for coordinating efforts of MDT.
- Field appraisal and to suggest alternatives for action plan.
- Assistance in implementation of Action Plan.
- Assisting GP in procurement of material, wherever required.
- Advise GPs on government-approved suppliers of material and services. Also help in preparation of yellow pages of recommended sources for procurement.

B Partner NGOs:

- To consolidate the Annual Action plan of various GPs for submission to the PMU cell along with consolidated budget of GPs.
- To help GPs in reporting on monthly basis.
- To consolidate reports of various GPs and submit the same to PMU.
- Act as coordinator between the PMU and the GPs.
- Facilitate micro watershed planning in their concerned areas.
- Provide technical services including those of MDT Team.

C. Multi Disciplinary Team (MDT):

- To verify the physical progress of works and certify running bills/final bills and completion certificates.
- To collect and consolidate details regarding expenditure and beneficiary contribution for each GP for submission to DPD.
- Act as a communicator as well as coordinator between the Deputy Project Director and the Gram Panchayat.
- Help in preparation of various Project proposals.
- Identify training needs of GPs.
- Participate in appraisal of need-based assessment at GP level.
- Assistance in Integration of Plans of Revenue Villages with GP.
- Disseminate Project rules.
- Orienting the community on Project ethos.

3 Accounting Organizational Structure:

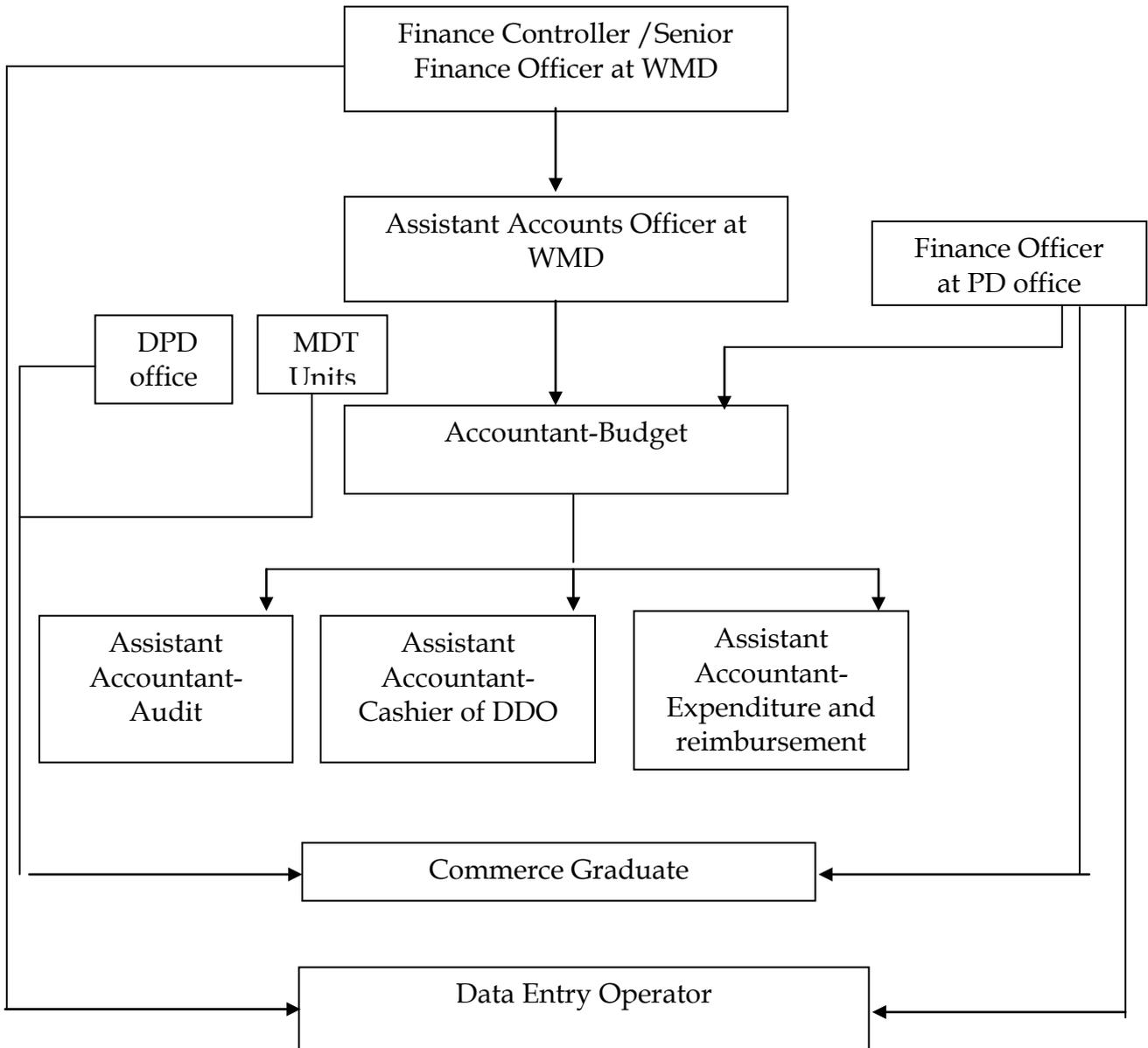
3.1 The positioning of officers responsible for the Accounting and Financial Management are as follows:

Officers	At office of WMD	At office of the Project Director	At office of the Deputy Project Director	Project Management Unit Cell
Finance Controller /Senior Finance Officer	✓			
Assistant Finance/ Accounts Officer	✓		✓	✓
Finance/ Account Officer		✓		
Accountant - Budget	✓	✓	✓	✓
Assistant Accountant - Audit	✓			✓
Assistant Accountant - Cashier at DDO	✓	✓	✓	✓
Assistant Accountant - Expenditure & Reimbursement	✓			
Data Entry Operator cum Computer Operator trained in TALLY	✓	✓	✓	✓
Contractual commerce graduate	✓	✓	✓	✓

A DDO will be available at the Office of WMD. The Regional PDs and field DPDs and PMU - Incharge will be the DDOs. The Unit Officers will assist the Deputy Project Directors.

3.2 Organizational Setup in Finance & Accounts Cell in the Project

The positioning in Finance & Accounts Cell at WMD, PD, PMU cell and DPD offices is given below



3.3 Duties and responsibilities

The Job profiles and responsibilities of officers positioned in the Finance & Accounts Cell at various offices are given below:

A. Finance Controller / Senior Finance Officer (At WMD)

- Consolidation of the Budget submitted by various Project Directors
- Submission of the Budget to the State Steering Committee¹ for approval.
- Allocation of budget to DPDs and PDs.
- Release of CCLs for budgeted Project Expenditure and budgeted limits for administrative expenditure.
- Monthly consolidation of the expenditure, preparation and submission of Interim Unaudited Financial Reports (IUFR) and claim statements to the World Bank through Government of India.
- Ensure timely release of funds to other units.
- Provide recommendation on Finance related matters.
- Ensure proper maintenance of books of accounts at various Project Levels.
- Convene audit committee and ensure that audit reports are discussed and key actions and compliance are being taken

B. Assistant Finance/ Accounts Officer (At WMD)

- Provide assistance to Senior Accounts Officer.
- Assist in CAG as well as Internal audit of the accounts of the Project.

C. Finance/ Accounts officer

- Consolidation of Budget and Expenditure.
- Ensuring completion of proper books of account
- Ensure timely submission of financial report.
- Recommendations on Finance Matters and Sanctions
- Monitoring of Accounting and allied financial aspects in sub-offices.
- Assist in Audit and compliance of audit reports.

¹ The committee is as per Operational Manual

- Prepare the Sanction Register to record each sanction accorded by the DPD / PD. Verify and analyze the monthly statements received and update the sanction register with regard to completed works.
- Verification of Grant-in-aid Control Register.

D. Accountant - Budget

- Consolidation and allocation of Budget.
- Release of CCL as per requirement (At WMD only).
- To direct Assistant Accountants in their day to day work.
- Consolidation of expenditure and preparation of monthly expenditure statement, after receipt of Expenditure statements from Unit Officers.
- Prepare the 'Grant in Aid Control Register' and report to Accounts Officer if the amount outstanding exceeds the specified limit.
- Accountant will be responsible for books of account.

E. Assistant Accountant - Audit

- Support CFO in getting the accounts of the Project audited and to make compliance report of audit observations / objections.
- Track audit reports, compliance and prepare quarterly reports for consideration of CFO and audit committee

F. Assistant Accountant - Cashier at DDO

- To function as a cashier for the DDO and maintain Cash Book.
- Reconcile Bank Accounts on monthly basis.
- Make necessary bills, vouchers, cheques etc.
- Prepare Activity register and Beneficiary contribution register.

G. Assistant Accountant - Expenditure & Reimbursement (At WMD)

- Preparation and consolidation of monthly expenditure.
- Preparation of Statement for Reimbursement claim applications.

H. Commerce Graduate

- Commerce graduate will assist Accountant in offices where they are posted.
- At MDT level Commerce Graduate will maintain the financial records and day to day activities.
- At a later stage, Commerce Graduate will maintain financial records in Tally.

I. Data Entry Operator cum Computer operator

- Compilation of accounting data of the Project
- To help in day to day operation of computer for office work.

CHAPTER 4 - PLANNING AND BUDGETING SYSTEM

1. This chapter sets out the framework for the proposed budgeting system including the various aspects of budgeting process. This system indeed, is an inevitable tool in the hands of the Management to control costs & monitor performance in the implementation of various activities of the Project.

PROPOSED BUDGETING SYSTEM

2. The main objective of an efficient budgeting system is to facilitate budgetary control i.e. monitoring of performance at regular intervals and the accountability for variance. The proposed budgeting system has been developed with this end objective. The main objectives of the proposed budgeting system are as follows:
 - To ensure participation at all levels in the budgeting process from the WMD level to the Revenue Village level.
 - To provide a basis for periodical monitoring of the performance of Project Implementing Agency (both in physical and financial terms for the elapsed period) and that of all the executing agencies under the implementing agency.
 - To meet World Bank's monitoring requirements of the Project funds.
 - To facilitate fixation of accountability for budget variances.
3. Computers shall be used to facilitate the process of preparation of budget estimates, consolidation of the proposed budget and allocations to the DDOs/disbursers.
 - The budgeting shall be carried out at the following levels
 - Watershed Management Directorate
 - Project Directors
 - Deputy Project Directors
 - Gram Panchayats (functioning as an implementing agent).
 - Each of the above levels/centers shall be responsible for budget preparation and shall be accountable/responsible for budgetary control system.

AT GRAM PANCHAYAT LEVEL

4. On the basis of specified criteria of each GP, the Project shall work out the total Budget envelop for each GP for a period of Five Years. After working out the Budget envelop it shall be communicated to Respective GPs. In turn, GPs shall formulate its own priority areas, based on the requirements of its community.
5. **GPWDP:** Within the Budget Envelope provided, a Five-year GPWDP will be prepared (*as per the operation manual*) by each GP with the assistance of MDT representative. The plan so prepared by each GP will be put up first to Women Aam Sabha and then only to its Gram Sabha in 'Open Meetings' for approval & submitted to DPD through the Unit Officer.
6. **Annual Work plan:** After the finalisation of GPWDP, each year's Annual Work plan shall be prepared which shall be broken down further into Quarterly plans.

AT PROJECT LEVEL

7. The approved Annual Work Plan of each GP shall be consolidated at Unit office level and ultimately submitted to the DPD.
8. Each DPD shall consolidate the above estimates received from Unit officers along with its own office's share of Expenditure and submit to PD for review, finalization and consolidation. In case of PNGOs area the consolidation of budget will be done by PNGOs and will be submitted to PMU at WMD level for finalization of the budget.
9. The PD then shall compile the above estimates received from DPDs along with the share of its own expenditure and submit it to WMD. WMD in turn will compile the above estimates received from PDs along with its own office's share of expenditure and prepare an Annual Work Plan (AWP). The Plan thus finally prepared shall be submitted to Steering Committee. After approval of Annual Work Plan from the Steering Committee, the Budget shall be submitted to State Govt. The AWP shall be a support paper of the Expenditure Budget.
10. At DPD, PD, and WMD levels two types of Budgets shall be prepared. One is an Activity Budget and the second is an Expenditure Budget as per Government Head of Accounts. The formats of these budgets at various levels are enclosed vide **annexure 4.01**

11. The budget allocation by the state government is given in the specified account heads under the major head code for the Project.

STEERING COMMITTEE AND ANNUAL ACTION PLAN APPROVAL

12. A state Steering Committee shall be set up by the state government.
13. The state Steering Committee shall review the Annual Work Plan proposed by WMD keeping in view the long term/perspective plans of the UDWDP Phase-II.

ALLOCATION OF APPROVED BUDGET.

14. On the allocation of the budget by the state government, the WMD will re-allocate the Budget to the PDs and PMU (for PNGOs), based on their submitted AWP, after setting aside the budget for its own AWP.
15. The PDs in turn will allocate the budget to DPDs under it after setting aside the budget for its own AWP. In case of PNGOs the PMU will allocate the budget to different GPs.
16. Once the annual budgets (physical and financial) have been allocated to various DPDs, they shall re-allocate the budgets (physical and financial) to various GPs working directly under them after setting aside its own physical and financial budgets.

BUDGET PROCESS - A FLOW CHART

17. An overview of the budget process is provided in **Exhibit 4.01 & 4.02** enclosed.

BUDGET PERIOD AND REVISION OF BUDGETS

18. Budget period shall be the same as the financial year being followed by Project implementing agencies i.e. from April to March.
19. Budget shall be prepared for the financial year and then divided into quarterly budget. This would enable periodical performance review through quarterly variance analysis. The budget at GP level will also be broken down into Quarterly budget based on the Detailed Annual Work Plan prepared at GP level.
20. Normally, budget should be applicable for a full financial year. As the budgeting process involves forecasting on the basis of certain assumptions (e.g. agricultural activities dependent on monsoon), the possible variations should be planned at the time of preparation of the budget. Any significant variations from the original assumptions would necessitate revision of budget within the budget of that financial year itself.

Budget formats

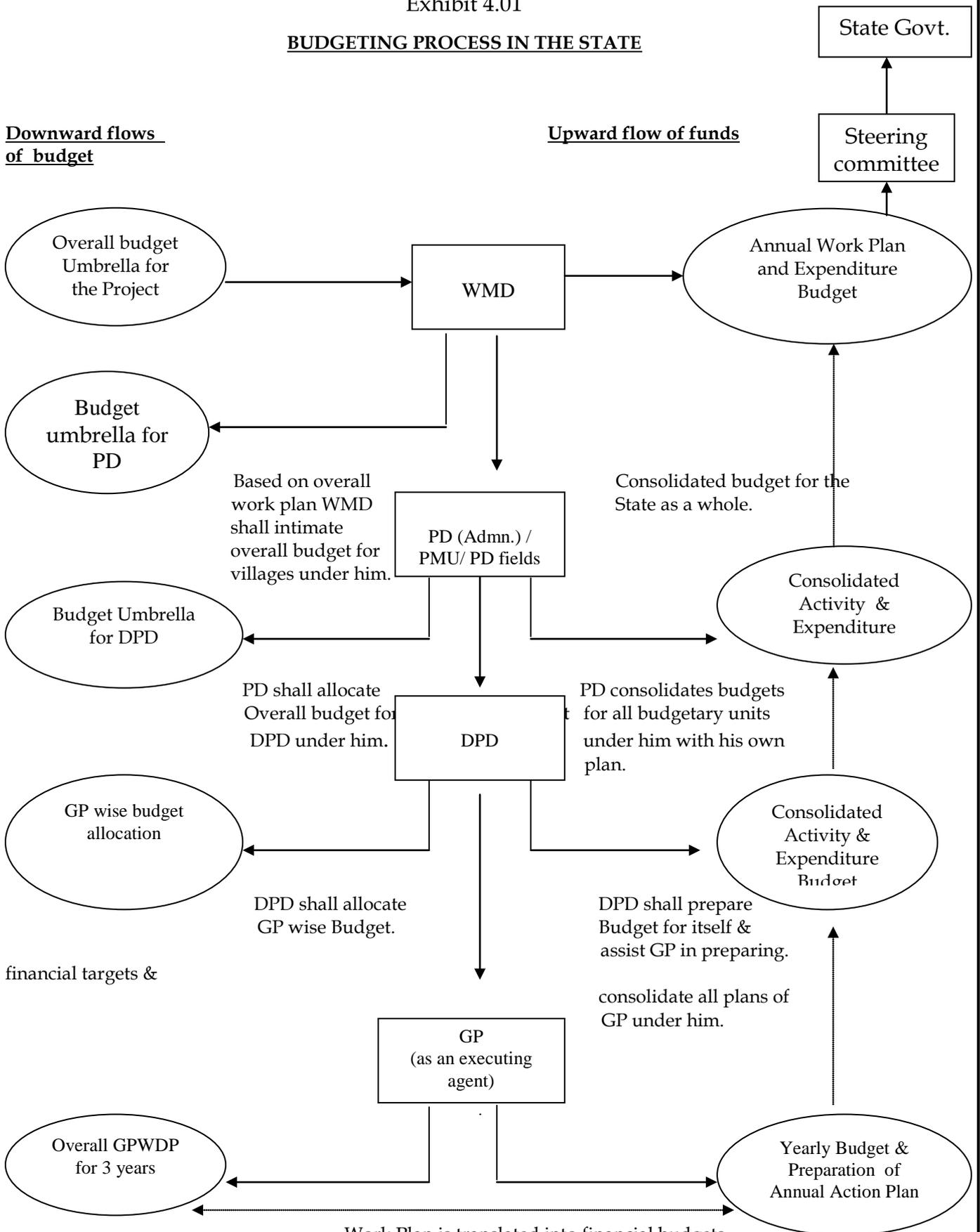
The formats of the various budgets to be prepared alongwith the supporting worksheets are provided in **Annexure 4.01** enclosed.

Exhibit 4.01

BUDGETING PROCESS IN THE STATE

Downward flows of budget

Upward flow of funds



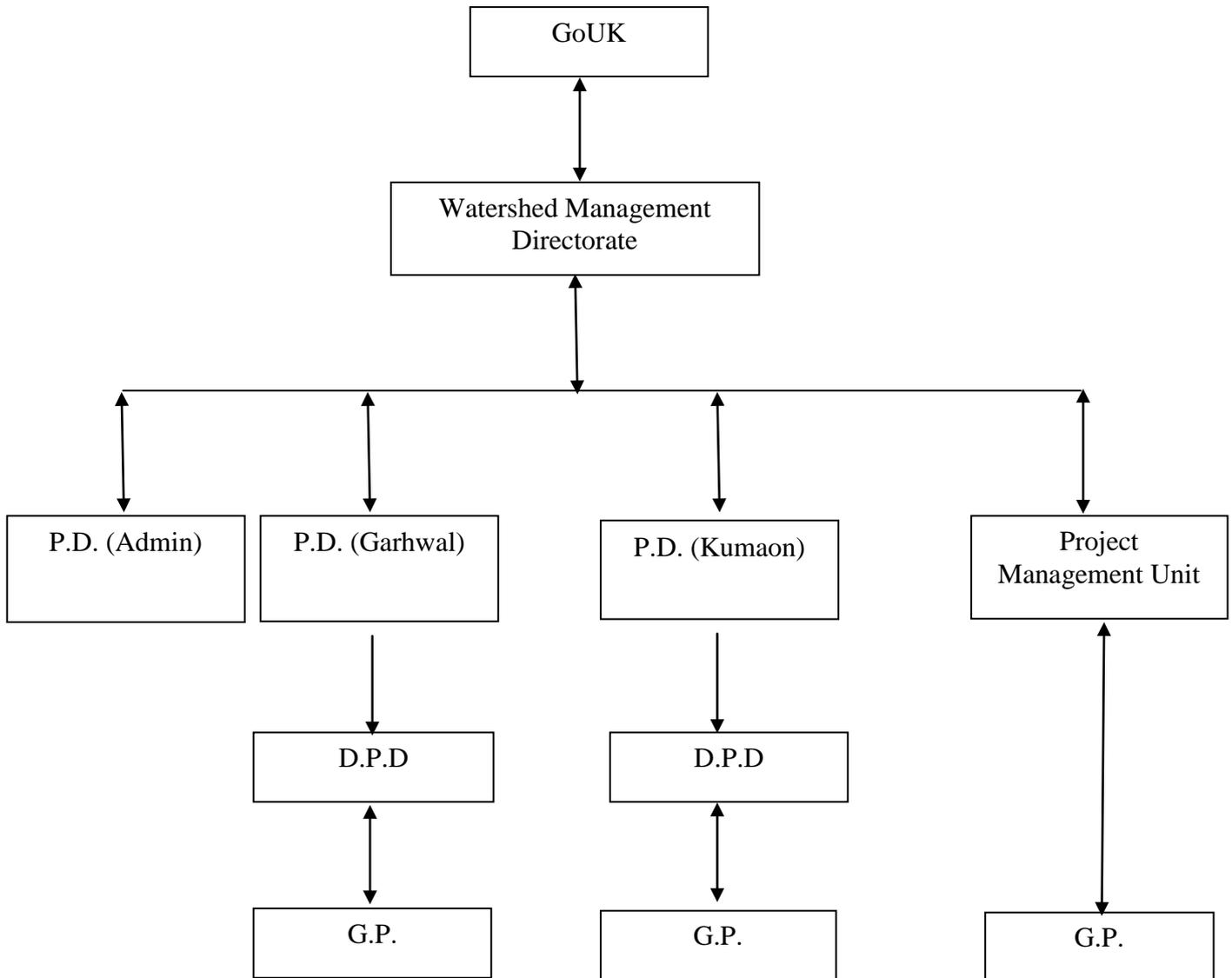
Work Plan is translated into financial budgets.

The Annual Work plan at WMD is sent to Steering Committee for its approval. Subsequently it is sent to the State Govt. as a working paper to Expenditure wise Budget. On passing of the Budget, the WMD shall

intimate the budgetary allocation to PDs, PMU. Similarly PDs & DPDs shall intimate the budgetary allocation to GP.

Exhibit 4.02

OVERALL BUDGET FLOW



Note:

- a) Upward movement indicates that the Budget planning will start at G.P level and move upwards.
- b) Downward arrows indicate that the Budget has been approved by the State Govt., it will flow to requisite accounting center.

Annexure 4.01

List of Formats

At Unit Officer Level

1. Format of Consolidated Activity Budget

At DPD Level

2. Format of Annual Consolidated Financial Activity Budget at DPD
3. Format of Expenditure Budget (Consolidated -As per Govt. head of accounts) at DPD

At PD Level

4. Format of Annual Physical & Financial Activity Budget at PD.
5. Format of Annual Consolidated Financial Activity Budget at PD.
6. Format of Expenditure Budget (Consolidated -As per Govt. head of accounts) at PD

At WMD Level

7. Format of Annual Consolidated Financial Activity Budget at WMD
8. Format of Annual Consolidated Physical & Financial Activity Budget at WMD
9. Format of Expenditure Budget (Consolidated -As per Govt. head of accounts) at WMD

BUDGETS FORMAT

AT UNIT LEVEL

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT PHASE-II

CONSOLIDATED ACTIVITY BUDGET AT UNIT LEVEL

Form B-1

Unit Officer: _____

Financial Year: _____

Code: _____

Sub component		Consolidated for all GramPanchyats under Unit officer															
Code	Description	Qtr 1			Qtr-2			Qtr-3			Qtr-4			Total for the year			
		PS	BC	Total	PS	BC	Total	PS	BC	Total	PS	BC	Total	PS	BC	Total	
1	Social Mobilization and Participatory Watershed Planning																
2	Watershed Treatment and Rain-fed Agriculture Development																
3	Enhancing livelihood opportunity																
4	Knowledge Management and Project Coordination																

Consolidated By:

Date:

Place

- Note
1. Quarter wise segregation is done on the basis of Annual Action plan submitted by the GP
 2. Unit officer will maintain similar sheets for all the GPs under him, as working sheets
 3. PS denotes Project Share and BS denotes Beneficiary contribution.
 4. This budget will be based on the Annual Action plan prepared at GP Level

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT PHASE-II

Expenditure Budget(Consolidated)
 (as per Govt. head of account) (For the DPD)

LOCATION CODE: _____

Financial Year: _____

LOCATION: _____

(In Rs.)

Account Head Code	Head of A/c Description	Financial Target				Total Budget
		Unit officer I	Unit officer II	Unit officer III	DPD	
	Total					

- Note:
1. The total of the statement should be equal to the Activity Budget in format B-2 for each aCcounting Center.
 2. The figures include both Project Share and Beneficiary Contribution.

Prepared By

Checked By

Date:

Place:

CHAPTER 5 - FUND FLOW MECHANISM

This chapter gives the process of flow of funds from the Project funding bodies to its Implementing agencies.

1. Funding Agencies:

The Project will be funded by the following agencies:

- (i) World Bank
- (ii) State Government
- (iii) Beneficiary Contribution

The funds of the World Bank will be routed through the Central Government.

2. Implementing Agencies:

The Project shall be implemented by the following executing agencies:

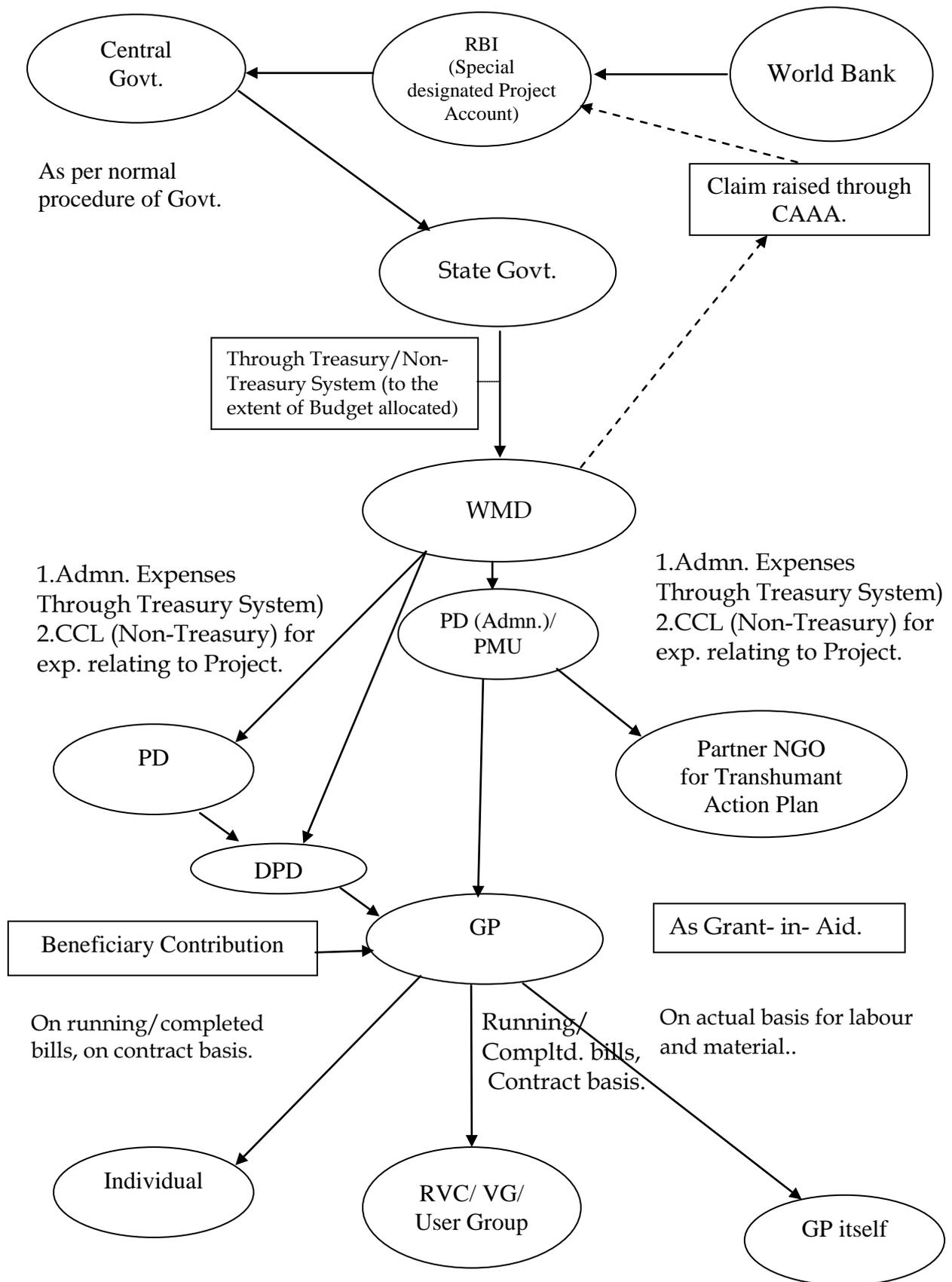
- (i) Watershed Management Directorate
- (ii) Project Directors
- (iii) Deputy Project Directors
- (iv) Project Monitoring Units (PMU)
- (v) Gram Panchayats
- (vi) Partner NGO for transhumance action plan in his area/ Jurisdiction.

3. The Flow of Funds related to the Project is divided into following broad heads:

- (i) Fund Flow from the World Bank to State Government via Central Government.
- (ii) Fund Flow from the State Government to WMD
- (iii) Fund Flow from the WMD to the PD and DPD
- (iv) Fund Flow from DPD to GP.
- (v) Fund flow from WMD to Partner NGO for transhumance action plan in his area.
- (vi) Funding by Community to the G.P (Beneficiary Contribution).

Refer **Exhibit - 5.01** enclosed, for overview presentation of Fund Flows:

Brief Overview of Funds Flow (Exhibit - 5.01)



3.1 FUNDING BY THE WORLD BANK (REIMBURSEMENT)

3.1.1 Under the proposed arrangement of UDWDP-II, the World Bank shall provide loan/credit to the Central Government for financing the developmental activities under this Project. The World Bank shall provide funds to the Project by depositing money in the designated Account in RBI of the Project.

3.1.2 Designated Account (DA)

The DA is a revolving account in which World Bank deposits funds. These funds are to be used exclusively to cover the Bank's share of the eligible expenditure on the Project. The DA is opened by the Government of India with the Reserve Bank of India. This account is maintained separately for each World Bank funded Project in convertible foreign exchange. The DA would be operated in accordance with the Bank's operational policies. The project will submit withdrawal applications to CAAA in DEA for onward disbursement of funds by Bank in designated account.

3.1.3 Operation of the Designated Account

The DA is operated by the Controller of Aid, Accounts and Audit (CAAA), Department of Economic Affairs, Ministry of Finance, Government of India. Based on the amount of claim raised on the World Bank in respect of the expenditure incurred on the Project (as per the reimbursement claim filed by implementing agencies), the CAAA issues an advice to the Reserve Bank of India to transfer the amount so claimed from the DA to the State through ACA releases.

Disbursement Arrangements -

3.1.4 Interim Unaudited Financial Reports (IUFRR) based disbursements

Disbursements from the Bank will be made based on reports (monthly/quarterly Interim unaudited financial reports) submitted by the project. These IUFRRs would reflect the actual expenditure for the project components. Any advances to GPs/PNGOs/FNGOs or others given by the project would be separately shown in the IUFRRs and would not be eligible to be claimed.

The Bank will finance actual expenditure that is made on project components as reported in the IUFRRs. All expenditures reported in the IUFRRS will be subject to confirmation/certification by the annual audit reports. Any discrepancies between the expenditure reported by the annual audited IUFRRs and those reported in the

annual audit reports will be adjusted in subsequent disbursements. Format of IUFR is given in **annexure-5.01**

3.1.5. All payments to the GPs against actual expenditure (except initial advance) will be treated as eligible expenditures for replenishment. Supporting documentation for the replenishment would be in the form of a simple summary statement providing details of the payments to the GPs, i.e., approved value of watershed plans, sanctions made, current payments, cumulative payments and claims made.

The WMD will compile the financial information from all its management constituent agencies and prepare reimbursement claims on a monthly basis. The WMD will also be responsible for submission of the withdrawal applications to GoI/CAA&A for onward submission to the Bank for replenishment of the special account or reimbursement.

3.1.6. Under the system of monthly reimbursement of expenditure, a month-wise IUFR shall be prepared at the DDO level. These statements shall be consolidated for the Project as a whole. The method of preparation of IUFR has been dealt with in detail on Chapter 07 of 'Accounting System including Internal Control'.

3.2 FUNDING BY THE STATE GOVERNMENT:

3.2.1 Initially the expenditure will be met out of the funds disbursed by the State Government which will later be reimbursed by the World Bank. The amount of funds to be disbursed by the State Government will be limited to its budgetary allocation for the Project.

Budgetary Allocation

3.2.2 The State Government shall provide initial funds to the Watershed Management Directorate for the execution of the Project. The funding by the State Government to the Project would be made through allocation of funds in its annual budget under the specific account head. The State Government shall not physically transfer funds to the Project. However, it shall honor the payments relating to the Project to the extent of budgetary allocation. Hence, the budgetary allocation would indicate the State Government funds committed for the Project in that year.

3.3 FUNDING BY WMD TO PD and DPD

- Based on the annual budgetary allocation to the Project, the Watershed Management Directorate (WMD), being the controlling office of the Project in the state, shall make further budgetary allocation to various PDs,DPDs and PMU. The WMD may also reallocate the amounts among the PDs,DPDs and PMU during the year, based on their actual utilization against estimated fund requirements.
- PDs in turn shall make the budgetary allocation to various DPDs under each of them.

3.3.1 System to Release funds

The funds shall be made available to the DDOs(PDs, DPDs & PMU) through the following systems:

- (1) Treasury System
- (2) Non-treasury system.

3.3.2 Treasury System

- Under this system, the payment is made by the concerned Treasury Office in which jurisdiction the office of DDO is located, for expenses incurred by the DDOs. For each payment, the DDO sends a request to the concerned Treasury Office supported by duly approved bills of expenditure. The treasury, after due verification of the bills prepares the cheque and sends it to the respective DDOs.
- Under the treasury system, the DPD/PD does not have any sub disbursers working under it.
- The process of flow of funds under the treasury system is given vide **Exhibit 5.02**.

3.3.3 Non-treasury system (treasury powers to DDOs)

- Under non-treasury system of making payments, the DDOs have the authority to draw amount, through cheques provided by the concerned treasury Office, on behalf of the State Government. The GoUK has a concept

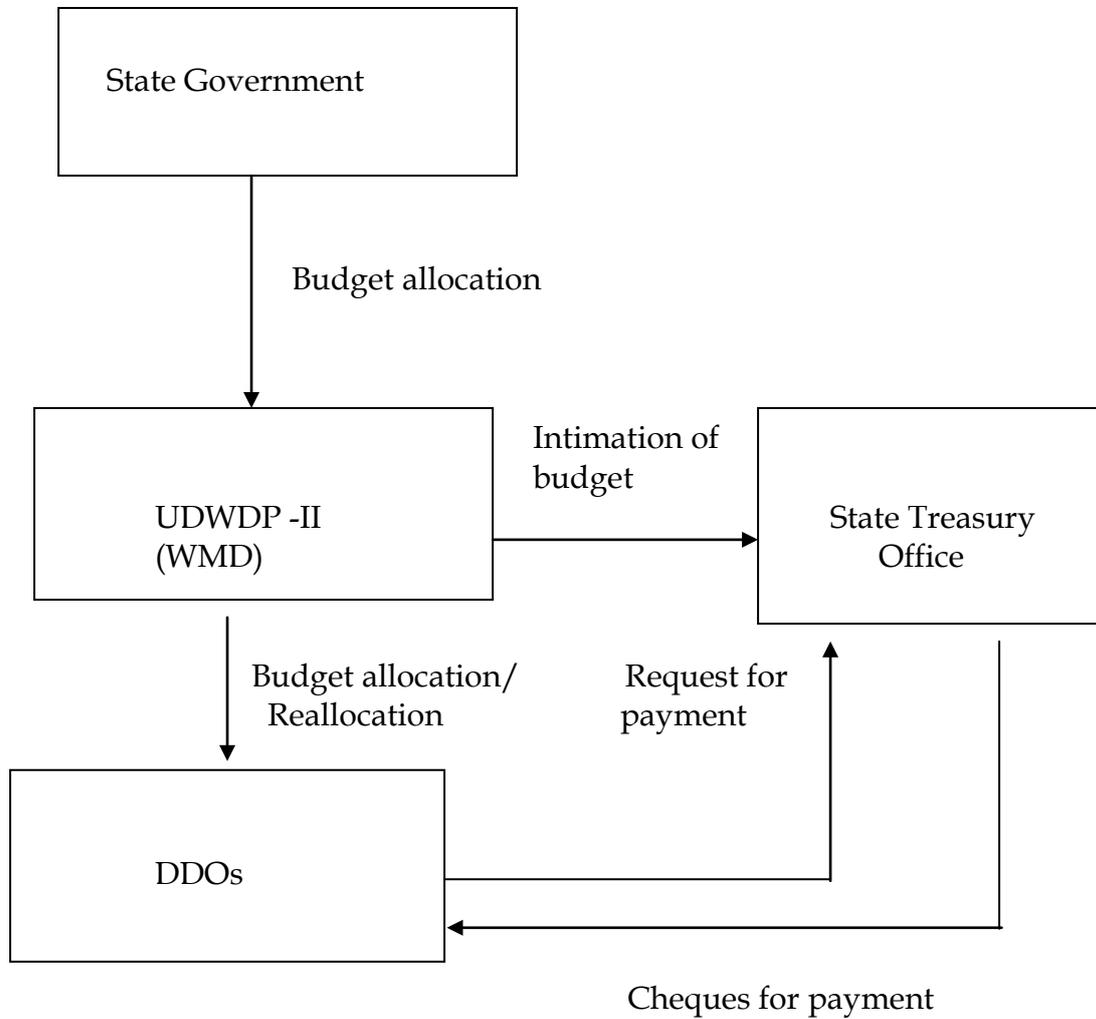
of CCL (Cash Credit Limit) to ensure the cash flow requirements for GoUK as a whole.

- The DDOs have sub-disbursers working under them for Project implementation. Funds are released by the DDOs to various disbursers under them either on the basis of expenses incurred by them or as an advance.
- The process of flow of funds under the non-treasury system is given vide **Exhibit 5.03**

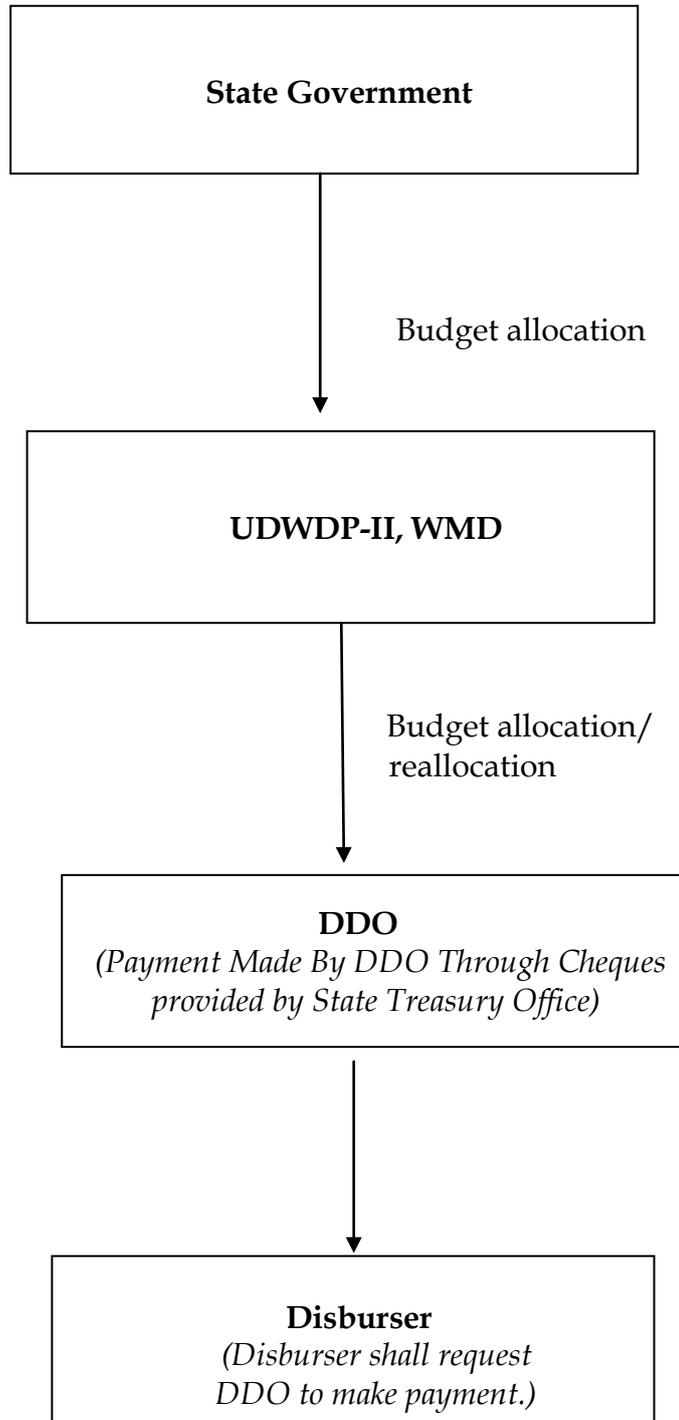
3.3.4 Cash Credit Limit (CCL)

- Under the CCL system, the cheque issuing authority i.e.DDO (PD,DPD, PMU) has the power to issue cheques, up to the CCL limit.
- As a rule the DDO should send their quarterly demand for CCL to the Senior/ Chief Finance Officer (in the CPD's office) on a lump-sum basis, who in turn issues the advice to the treasury to order bankers (State Bank of India) to honour the cheques up to the CCL for each of the cheque issuing authority. Fresh demands for CCL are sent by DDOs as and when the limit is utilized by them.
- In case of CCL the roll-over of limit over the next financial year is not admissible.

FLOW OF FUNDS PROCESS - TREASURY SYSTEM



FLOW OF FUNDS PROCESS- NON-TREASURY SYSTEM



3.3.5 Payment of bills under CCL system:

- The WMD office shall release quarterly CCL to DDOs on the basis of their demand based on Annual Action Plan.
- On release of CCL the DDOs will have the authority to draw cheques on behalf of the State Govt. to meet expenditure incurred by themselves and the Gram Panchayats under the Accounting head (Other Works) & maintenance.
- For all other expenditure DDOs will follow the Treasury System.
- DDOs will issue cheques to various disbursers under its control for the purpose of carrying out field work / on the basis of estimated expenses / actual bills.
- Each DDO has a disburser located at its office for the purpose of making payment for petty expenses. Similarly CPD and PD also have a disburser each for the purpose.
- In few cases, the DDOs may also make centralised purchase for field units under them. In such cases, the DDO will issue the account payee cheques/bank drafts directly in favour of suppliers.

3.4 FLOW OF FUNDS FROM DPD TO GP

Flow of Funds from DPD to GP for Project implementation: Before advancing any payment to a GP, an agreement will be signed on a prescribed format (F3) given in Operation Manual between the DPD and GP, after preparation of the GPWDP of that GP.

Initial On-Account Payment: On-Account payment to the extent of 10% of the each year's Annual Work Plan shall be disbursed by DPD on the beginning of the Financial Year to the G.P. It will however be adjusted at the end of the same Financial Year.

Reimbursement of Cost of Works: During Implementation of the Project, reimbursement will be made by DPD as and when required by GP. If the reimbursement is claimed during the month, Gram Panchayat will have to submit

the perforated copy of the Project cash Book along with summary of receipt and payments till the date of submission as per the following Performa:

Particulars	Amount	Particulars	Amount
Opening Balance			
Receipts from WMD		Payments made	
Beneficiary Contribution - Cash		Closing Balance	

However at the end of month, it is mandatory for the Accounts Assistant to prepare monthly reports discussed in Chapter -07 of this manual (R-1 and R-2) and enclose the Perforated copy of Project Cash Book for the remaining days of the month, for submission to the Unit Officer.

The reports R-1 and R-2 shall reflect the on account payment received by the Gram Panchayat from DPD during the month against the statement of account submitted earlier.

Note: The Partner NGO will be responsible for the entire financial monitoring of the funds made available to the concerned GPs. All the funds will be transferred to the GPs directly by the PMU, although it will be on the recommendation of the Partner NGO.

3.5 BENEFICIARY CONTRIBUTION MADE BY COMMUNITY TO GP

3.5.1 The beneficiaries are the individuals/group of individuals who would benefit from the developmental activities undertaken in the Project.

3.5.2 The beneficiary contribution to the Project (as discussed in the subsequent paragraphs) would be received directly by the body undertaking the developmental activity i.e., Gram Panchayats

3.5.3 The contribution from the beneficiaries can be in any of the following manner:

- (1) Contribution-in-cash
- (2) Contribution-in-kind
 - (a) labour contribution
 - (b) material contribution

3.5.4 The financial policies and accounting concepts governing the beneficiaries' contribution are included in separate chapters of this Manual.

CHAPTER 6 - FINANCIAL AND ACCOUNTING POLICIES

This chapter lays down the Financial and Accounting Policies for the project.

1. Background:

- 1.1 Keeping in view the structure of the project, which involves two separate bodies i.e. WMD as nodal body and Gram Panchayat as an executing agency, separate sets of Financial and Accounting policies have been framed for both. The Financial and Accounting policies regarding Gram Panchayats have been prepared separately under Financial Systems Manual for Gram Panchayats.
- 1.2 It should be noted that the financial & accounting policies contained in this manual shall supplement the policies given in State Financial Rules.

2. At Project Level (For the Nodal Agency):

- **Method of Accounting:** The Accounting should be done on cash basis i.e. a transaction should be accounted at the time of making payments only.
- **Treatment of Payments Made to GP:** The payment made to the Gram Panchayat should be treated as **Grant in Aid** & charged as expenses under head Grant-in-Aid. At the time of receipt of the monthly bill, the Grant in aid will be adjusted to the extent of the completed work. There will be two types of payments to the GPs for the execution of works prescribed in approved GPWDP,
 - Initial on Account Payment, and
 - Payment against running/final billsPayment given as Initial on Account Payment will be limited to the 10% of the AWP of every financial year of a GP, the project will not claim reimbursement from the World Bank against this payment advanced to the GPs while reimbursement will be claimed from the World Bank against the payment made to GPs after submission of running bills/final bills by them.

3 Grant -in-Aid:

All payments made to Gram Panchayat shall be treated as Grant-in-Aid.

- The Grant-in-aid given to GP shall be deemed to be utilized to the extent of completed works.
- The amount of utilization of Grants will be:
 - a. **In case of work executed by Individual farmer/WG/UG/RVC/ VG:-** Based on measurements in MBs & converted to value on basis of estimates prepared.
 - b. **In case the work is executed by GPs itself:-** the actual amount of expenditure incurred (If the actual expenditure is more than the sanctioned expenditure then the expenditure would be limited to the sanctioned expenditure).

4. Treatment of Advances:

Advances are defined as money given in advance, which is to be adjusted against goods/services to be received in future. An advance payment should continue to be treated as an advance until its final/periodic adjustment. At the time of periodic reporting by the Project implementing agency, advances outstanding should be indicated separately.

A Project implementing agency can make advance payment for the following purposes only:

- (a) Advances to suppliers/vendors for procurement of goods and services. These advances shall be made in accordance with the purchase order/contract issued. These should be charged off to the relevant account head at the time of adjustment of advance on actual receipt of the goods / services
- (b) Advances to the project personnel (for the purpose of travel, conveyance etc.). These advances are temporary in nature and are to be settled on submission of bills / statements. The advance amount should be charged off to the relevant account head on passing of the bills only.

No staff advance/ loan (such as salary advance, house loan etc.) should be given out of the project funds.

- (c) Advances to sub-contractors to carry out project activities. These advances should be charged off to the relevant account head on receipt of details of the

expenditure incurred by the sub-contractor and its approval by the concerned project official.

5. Fixed Assets and Depreciation:

1. Assets acquired under the project would be valued at cost including all direct costs (i.e. purchase price, transportation expenses, installation charges and other expenses incurred for bringing the fixed asset in working condition), incurred prior to its first use.
2. Assets created/constructed as part of the project activity should be valued at the direct cost incurred in creating /constructing the asset.
3. Assets both acquired and constructed should be valued at its full cost inclusive of the beneficiary's contribution.
4. No depreciation should be charged on fixed assets in the project financial statements.

6. Valuation of Stocks

1. The material purchased for the project should initially be accounted under stocks in hand and charged as expenditure only on its issue for the project activities.
2. The valuation of the stocks issued for the project activities but still unused and those lying with the project authorities should be valued based on the FIFO (First-in-first-out) method of valuation

7. Beneficiary Contribution

- (i) Beneficiary contribution in cash should be accounted as cash received from beneficiaries. All cash collected from the beneficiaries under the project should be accounted for.
- (ii) Beneficiary contribution received in kind in the form of:
 - a. Labour
 - b. Materialshould be valued on the following basis :

- (a) Beneficiary contribution in the form of labour should be valued as per the State Government wage rates applicable for contractual labour. Beneficiary contribution received in the form of labour should be accounted at the month end.
- (b) Beneficiary contribution in the form of material should be valued as per the rate at which the project would have otherwise purchased those materials. If such rate is not readily available then the valuation should be done at the prevailing market rate. Beneficiary contribution received in the form of material should be accounted for at the time of receipt of the material.

8. Disbursement

8.1 Disbursement Arrangements: A Designated Account (DA) for the project would be maintained in the Reserve Bank of India (RBI) and would be operated by the Controller Aid, Accounts and Audit (CAA&A) in accordance with the Bank's operational policies. There would be a one-time fixed advance to of US\$ 6 million; the advance would be maintained throughout the project and adjusted towards the end of the project implementation. Disbursements would be made based on quarterly IUFs. The project would submit withdrawal applications supported by IUFs to CAA&A in DEA for onward submission to the Bank for DA replenishment or reimbursement. The Bank would replenish the DA in an amount equivalent to the eligible expenditures claimed by the project and as reported in the IUFs. All expenditures reported in the IUFs would be subject to confirmation/certification by the annual audit reports. Any difference between the expenditure reported in the IUFs and those reported in the annual audit reports would be analyzed and those expenditures which are confirmed by the Bank to be ineligible for funding (i.e., refundable to IDA), would be adjusted in the subsequent disbursements.

8.2 Disbursement categories: Two disbursement category one for sub Project and other for other than sub Project are envisaged. CAT-1 : Goods, Works & Services under sub Project and CAT-2 : Goods, Works , non- consulting services, consultants' services, Training and Workshops and Incremental Operating Costs other than sub

Project are proposed for disbursement. The overall disbursement percentage would be 80%, excluding government staff costs.

9. Payments for PNGO consultancy

In case the payments made for PNGO Consultancy:

- (i) the consultant / research or training institute should provide UC in support of the expenses to the project if any ; or
- (ii) The project financial review consultant and auditor should carry out an audit of these costs. (The consultant / research or training institute would be required to provide all the information to the financial review consultant and auditor to facilitate this) ; or
- (iii) the consultant / research or training institute should provide quarterly statement of expenditure (audited) within 15 days at the end of the each quarter and an annual audit certificate issued by a firm of Chartered accountants certifying these expenditures as true and correct within 3 months of the end of each year (ending March 31).

(The terms of reference and qualifications of the firm of chartered accountants should be agreed with the project agencies and the World Bank).

The above financial aspects should be clearly indicated in the contract with the consultant / research or training institute.

CHAPTER 7 - ACCOUNTING AND FINANCIAL SYSTEMS INCLUDING INTERNAL CONTROL

1. Core System of Accounting

- This chapter describes the accounting and financial procedures that should be followed by various accounting centers for accounting of Project transactions. These procedures shall supplement the respective state financial rules.
- The computerization of the Financial Management System is proposed to be carried out at the offices of the WMD, PDs and DPDs. Till then all accounts at various offices of the Project shall be maintained manually and subsequently computerized. However, the proposed accounting and financial management procedures cater the needs of both the manual and computerized systems of book keeping.
- The accounting of various transactions at the accounting centers in the Project shall be done on 'cash basis' of accounting. Thus, the accounting transactions shall mainly comprise of cash receipts and payments.
- The principles of accounting in the proposed project will follow the State Government Accounting systems. As such the overall accounting system in the project is based on the Uttarakhand Forest Rules on Accounting.

2. Determination of accounting centers

The accounting for the project will be done at:

- Gram Panchayat
- DPD Office
- Project Director Office.
- Project Monitoring Unit (PMU)
- Partner NGO
- Chief Project Director Office.

CPD, PD and each DPD are accounting unit and do accounting for the expenditure incurred at their respective offices. At each DPD level, the head of the field unit acts as a disbursing officer to whom an advance is released based on duly approved vouchers or

on estimated expenditure at the field unit, who in turn makes the payment to the parties. The advance is routed through advance register and is adjusted on submission of bills.

Accounting at Gram Panchayats is detailed separately in Financial Systems for Gram Panchayat.

3. Chart of Accounts (to be changed as per cost table)

- The accounting for expenses in the Project will be done on the basis of natural heads of account such as salaries, wages, office expenses, other works etc. These account heads are as per the chart of accounts specified in State Government Accounting.
- The Overall Chart of Accounts consists of General Ledger Accounts as well as the Activity Codes. The methods for assigning codes to both General Ledger Accounts as well as the Activity codes is discussed vide **Appendix I**.
- Detailed chart of Accounting Codes is given vide **Appendix II** and Detailed Chart of Activity codes along with its linkages with the disbursement category are enclosed vide **Appendix III** respectively.
- All expenses relating to field works under taken in the project will be booked under the head - "other works".
- The accounting system at Gram Panchayat level have been separately detailed in the '**Financial Management Systems Manual of Gram Panchayats**'
- All expenses recorded in Cash Book must detail the activity for which it has been incurred.

4. Accounting System

Objective: The system of accounting should assist in generation of the reports and claim statement for the World Bank and also comply with the norms of the State Financial Rules.

Therefore, all the systems of accounting being followed presently under the State Financial Rules will be continued as such. However only minor modifications discussed hereunder will need to be affected.

Changes in the Accounting System

1. **Accounting for Payments made:** The amount disbursed to GP for execution of works by the DPD or the PMU cell will be recorded as '**Grant in Aid**' in the books of accounts. GP wise records should be maintained to track the advances and expenditure. Payment made to GP would be treated as advances and would be adjusted against expenditure.
2. **Accounting for Stocks purchased:** The stocks purchased will be treated as per the policy. The Stock remaining unutilized at the year end will be adjusted while reporting to the World Bank.
3. **Accounting for Beneficiary Contribution:** All the grants transferred from DPD to GP will be net of Beneficiary contribution. However the element of Beneficiary Contribution will be included only while reporting to the World Bank for reimbursement of claims, based on reports received from Gram Panchayat. However, if contribution is received over and above the envisaged contribution percentage in cash, the same could be deposited in a O&M account fund at GP level specially created for sustainable community assets.

The details regarding current system of accounting at accounting centres is appended vide Appendix IV.

5. Books of Accounts

In addition to the books of accounts currently being maintained under the State Financial Rules, detailed **vide Appendix IV**, following registers will be maintained:

- a. **'Grant-in-Aid Control Register'** will be maintained by DPD / PMU for recording the amount disbursed to GPs. The Format of the Control Register is given **vide Annexure - 7.01**.

Adjustment of Grant in aid:

The Grant in Aid disbursed to a Gram Panchayat will be adjusted in the Control register only on receipt of the final bills/completion certificates and for value specified therein.

All the final bills /completion certificates received by the DPD should be filed GP wise.

- b. **'Sanction Index Register'**, to record the details of sanctions given for the execution of the work, will be maintained by all the sanctioning authorities. The format of the Sanction Register is given **vide Annexure- 7.02**. This will be in addition to the existing Sanction Register (E-23).

The Sanction register shall be prepared as follows:

- The sanctions will be recorded in a chronological order.
- The sanction no. will have the prefix <Sanctioning Authority>. The suffix will be Serial No. as per the Sanction Register.
- Register will be maintained Activity wise.

6. Accounting for Beneficiary Contribution

6.1 Beneficiary contribution received by Gram Panchayat should be recorded in the MPR.

6.2 No cash contribution shall be collected by the Project Officials. Beneficiary contribution will be provided by GP directly to the implementers.

6.3 If contribution is received over and above the envisaged contribution percentage in cash, the same could be deposited in an O&M account fund at GP level specially created for sustainable community assets.

7. Consolidation of accounts

- The computerization of accounts is proposed to be done at a later stage in Tally. Till then consolidation at all accounting levels will be done manually. The consolidation of financial data will be done periodically at the following levels

Consolidation Level	Basis of Consolidation
Unit Officer level/FNGO	Data submitted by GPs
D.P.D. Level/PMU	Data submitted by unit offices/FNGO
P.D Level	Data submitted by DPD
CPD Level	Data submitted by PD / PMU

- The financial data required for consolidation relates to activity wise expenditure and beneficiary contribution.
- The consolidation will assist in reporting to the State government and World Bank.

8. Preparation of the Claim Statement.

- At the end of each month, the claim statement in the form enclosed **in chapter on Reporting** shall be prepared manually in the first phase and subsequently through the system when computerization takes place.
- The claims raised by the DDOs shall be consolidated at hierarchy levels taking in account their own share of expenditure. Till such time the computerization takes place consolidation will be done manually.
- The detailed record of claims made shall be recorded in Claim Register the format of which is given in **Annexure 7.03**.

9. INTERNAL CONTROL

This segment deals with the working of internal control system in G.P required to be observed by the Project staff while monitoring the execution of the Project. As the Project is being executed through Gram Panchayats, the Project will require complete details of expenditure incurred on Sub-projects. As such financial data in the following areas shall be required by the Project Staff:

- a. Amount disbursed to Gram Panchayats is being utilized for the execution of the Project activities. The amount is not blocked in the Bank Accounts of the Gram Panchayat.
- b. The activities once initiated have been completed well as per time schedule and there is no time over run.
- c. Beneficiary Contribution is collected, activity wise, as per norms.
- d. Actual amount expended against the activity is not more than the amount sanctioned, and as such there is no cost over run.

As the Project will not be in a position to access above details during the course of execution of works, periodical reports from Gram Panchayats have been designed for the purpose of monitoring by the Project Staff and reporting to the World Bank. The reports to be sent by Gram Panchayats and their objectives have been discussed hereunder:

Report No.	Report Name	Periodicity of the Report	Purpose of the Report
	Perforated Copy of the Project Cash Book	Monthly and during the month if reimbursement is claimed by a GP during the month	The Payment side of the cash book should be supported with the Running bills, Final Bills and other bills. It will serve as the record as well as provide clarifications required during verification of the reports.
R-1	Activity wise Abstract of Expenditure and Beneficiary Contribution	Monthly	Provides details regarding the expenditure incurred and Beneficiary Contribution collected on activities undertaken by Gram Panchayat during each month. It will assist in determination of amounts to be reimbursed to the Gram Panchayat and will also serve as a base document in preparation of Claim statement. Areas of Verification: The beneficiary contribution received should be as per the sanctioned norms.
R-2	Cumulative Activity wise Monthly Progress Reporting.	Monthly	It will reveal the overall positions for each activity against works completed. Position of works in progress shall also be made available. Area of Verification: The amount of works in progress as revealed by the statement and adjusted to the extent of Beneficiary Contribution received in cash should equal the amount outstanding in the Grant in aid control register.

Monthly treasury reconciliation: Every accounting unit should carry out monthly reconciliation of expenditure for all heads and transfers made under **Government Internal Audit (GIA)** with the State Treasury and the AG (A&E). This will help in reducing the issues of expenditure booking at the time of audit.

GP Balance reconciliation: Every accounting unit which provides advances to GP from GIA should maintain a GP wise register to record the advances and expenditure provided to these GPs. The MIS for GP advances and expenditures must be prepared monthly and reviewed quarterly. The quarterly review should be carried out by the Audit committee.

10. Control over Project related advances

- The DDO may, during the course of project activities, release advance to:
 - (1) Disbursers
 - (2) Parties (contractors/ suppliers/ consultants)
 - (3) Employees (for project related travelling/ imprest).
- For releasing any project related advance, a payment voucher shall be prepared. Advance sub-ledger (E-13) shall be maintained to record such advances made.
- The system of advance payments shall be the same as described above for other payments. On posting of the payment voucher, the Advance sub-ledger shall also be updated.
- The grounds, terms of repayment and adjustment etc., shall be governed by the respective financial rules of the state. However advances to Project Staff in the nature of personal loans, e.g., advance salary, house building advance etc., shall not be made out of project funds.

Adjustment of advances

The advances made to a disburser shall be adjusted on receipt of monthly expenditure statement/ vouchers from him. Other advances shall be adjusted on receipt of expenditure statement/ party bills.

11. Accounting for stocks

- This section covers accounting for the materials purchased and consumed for activities carried out at Project level.
- Funding of procurement of material has been decentralized to GP level. However, purchases for activities directly executed by the Project will be recorded as follows:
- **Purchase and recording:** On the basis of the estimates, material will be purchased and will be recorded activity wise in the Cash Book.. Therefore, if material is purchased for more than one activity, it will be recorded in the inner column of cash book and activities indicated in brackets. Simultaneously the amounts so booked will be recorded in the Activity register as well as the Stock register.
- **Adjustment for Closing Stock:** At the year end, the amount of stock -in-hand at the respective accounting centers will be adjusted against expenditure booked for activities in progress, proportionately on the basis of value of incomplete works. This exercise needs to be done only for preparing the Claim Statement. An adjustment for increase / decrease in the stock (disbursement category wise) shall be done in the cash withdrawal for the purpose of claiming disbursement on actual consumption basis from the World Bank.
- The store keeper shall maintain a usual stock register to record each item of material.
- The issue of material shall be against Stores Requisition Slips and the recording thereof shall be made by the store keeper in the Stock Register. Stocks at the end of every month shall be valued on First-in-First-out basis.

Physical verification of stock

The stocks in hand at various accounting centers shall be physically verified at least at the close of every financial year to cover the entire stock over a period of one financial year (i.e. perpetual physical verification shall be followed).

Verification shall be carried out by a responsible officer deputed by the WMD. A report shall be sent to Chief Project Director for discrepancies observed. The stock balance

appearing in the priced stock ledger should be adjusted as per the ground balance only after receiving sanction of Dy. CPD.

12. Accounting for fixed assets

- i. The accounting records of the fixed assets shall be maintained at the respective accounting centers. Accounting of fixed assets shall be done in respect of assets acquired by the project. Various cost components to form part of cost of fixed assets shall be as per the accounting policy on fixed assets.
- ii. An asset register shall be prepared at each DDO, which shall contain the details of cost of assets acquired, specification of the asset, asset number and location of the asset etc.
- iii. In case the asset is transferred from one location to another, the fixed asset register shall be updated.

Physical verification of fixed assets

Physical verification of fixed assets shall be conducted by authorized Project staff at each accounting centre at regular intervals (at least yearly). The Physical Verification shall be done on the basis of Fixed Assets register. Discrepancies observed shall be recorded in the Fixed Asset Register itself and a separate report along with comments of the concerned officer shall be submitted to the Deputy Project Director.

13. Financial Reports:

The Financial Reports sent by Gram Panchayat shall be consolidated by the Project to prepare the claim statement for submission to the World Bank as such. Details of such Reports have been dealt in a separate Chapter of this manual.

CHAPTER 8 - FINANCIAL REPORTING

This chapter discusses the proposed financial reporting system (MIS system) under the following broad heads:

- (1) Objectives of the financial MIS
- (2) Periodicity of Reporting
- (3) Preparation of MIS reports.
- (4) Objective of Each Report Generated

Objectives

The proposed Financial MIS has been designed with the following main objectives:

- (1) To provide project implementing agencies with relevant information that would enable them to plan, monitor and control the various project activities
- (2) To identify and report critical areas of information which are relevant at different levels of project implementing agencies and would facilitate in decision making at those levels.
- (3) To provide a basis for evaluation of various project activities by regular comparison of actuals with the budgets
- (4) To provide a basis for taking remedial actions to correct any adverse trend
- (5) To facilitate 'management by exception' by presenting critical and select information to the top management of WMD, World Bank and State Governments.

TYPES OF REPORTS

a. Internal Reports:

Reports that are generated by the Project, which will assist in preparation of the External Reports, are Internal Reports.

Following are the Internal reports that shall be generated by the Project.

S.NO	TITLE OF REPORT	REPORT NO.	PERIODICITY	BY WHEN	PREPARED BY	SUBMITTED TO
1.	Monthly Progress Report	I M1	Monthly	3 rd of following month	Unit Officer	DPD
2.	Monthly Progress Report	I M2	Monthly	7 th of following month	DPD	WMD
3.	Monthly Progress Report	I M3	Monthly	3 rd of following month	PD	WMD
4.	Cumulative Sub component wise Quarterly Progress Report	I Q1	Quarterly	7 th of the following month	Unit Officer	DPD
5.	Cumulative Gram Panchayat Progress Report	I Q2	Quarterly	15 th of the following month	DPD	WMD
6.	Cumulative Physical and Financial Progress Report	I Q3	Quarterly	10 th of following month	DPD	WMD
7.	Cumulative Physical and Financial Progress Report	I Q4	Quarterly	10 th of following month	PD	WMD
8	Cumulative Stock	I A1	Annual	10 th of the April of	DPD	WMD

	Statement			following financial year		
9	Interim Unaudited Financial Report (IUFR)					
10	Activity wise monthly abstract of expenditure and beneficiary contribution	R-1	Monthly	3 rd of following month	Unit Officer	DPD
11	Cumulative activity wise monthly progress reporting	R-2	Monthly	3 rd of following month	Unit Officer	DPD

b. External Reports:

Reports that are generated for the purpose of submission to the World Bank are the External Reports.

S.NO	TITLE OF REPORT	REPORT NO.	PERIODICITY	BY WHEN
1.	Statement of Sources and utilization of funds for the quarter	IUFR 1	Quarterly	30 th of following month
2.	Statement of Sources and utilization of funds (Cumulative)	IUFR 2	Quarterly	30 th of following month
3	Division wise expenditure statement	IUFR 3	Quarterly	30 th of following month
	Statement of Sources and utilization of funds (Division wise statement)	IUFR 4	Quarterly	30 th of following month
	Claims reconciliation	IUFR 5	Quarterly	30 th of following

	statement			month
	Contract wise payments	IUFR 6	Quarterly	30 th of following month
3.	Cumulative Gram Panchayat Progress report	IUFR 7	Quarterly	30 th of following month

PREPARATION OF MIS REPORTS

The proposed Financial MIS would be generated manually or Tally/ MIS , based on the reports received from Gram Panchayats and in satisfaction of the subject matters covered in Chapters on the Budgeting System and the Financial Accounting procedure .

MIS reports shall be prepared by the respective implementing agencies in respect of activities directly carried out by them. In addition, implementing agencies shall consolidate the MIS reports generated by the units /GP working under them

Note :- In case where GP are being monitored by a Partner NGO all the reports which are being Consolidated at DPD and Unit officer level , will be done by Partner NGO . The Partner NGO will submit the reports to PMU under its signature.

FORMATS OF MIS REPORTS

CHAPTER 9 - AUDIT ARRANGEMENTS

Audit of accounts, statements and reports provides means to ensure accuracy and check in financial system of an organization. To ensure proper functioning of the financial system on prescribed norms in the Manual, the Project requires an systemic auditing arrangement. In this chapter, essential elements involved in the mechanism of conducting financial audit have been highlighted. Two types of audits that would be carried out are as follows:

- a) Statutory Audit by CAG on annual basis. The detailed TOR of CAG has been annexed in **Appendix-6**
- b) Internal Audit by Financial Review Consultants on quarterly basis.

The Details TOR of FRC has been Annexed in **Appendix 7**

Project audit by CAG

The Accounts of the Project would be audited by AG Uttarakhand at WMD and other offices under it. The AG would audit the Project financial statements based the books and records maintained by the project. The AG Audit report would provide details of the amount drawn from the budget and transfers made and expenditure at WMD.

The annual audit report should consist of (i) consolidated annual financial statements; (ii) audit opinion and (iii) management letter highlighting weaknesses, if any, and identifying areas for improvement. The auditors should also provide reconciliation of expenditures reported in the IUFRs with the figures of project financial statements and withdrawal claims submitted during the year and certify the claims.

The auditor would also take into cognizance the internal audit reports and internal control issues at the time of finalizing the audit report. The annual audit report submitted by auditor should consist of (i) annual financial statements (ii) audit opinion (iii) reconciliation of claims sent to CAAA and (iv) Management letter highlighting weaknesses, if any, and identifying areas for improvement.

The annual project financial statements audited by the AG should be submitted within 6 months of the close of financial year to the Bank.

Internal Audit

WMD would appoint a CA firm to carry out the internal audit. The auditors would audit the entire project, including WMD and all its office, PNGO's and sample field GPs which are being funded by this project on a quarterly basis. This is a part of the inherent project design. The auditor would be selected from the panel of empanelled CA firms with the CAG. The auditors will be appointed based on selection criteria agreed with the Bank.

1. Objective

The objective of the 'Financial and Systems Review' audit would be to provide comfort to the Project management and to various stakeholders (Government of India, State governments and World Bank) on the satisfactory working of the financial management systems and internal controls associated with the project.

2. System of Audit

- i) An audit for review of the Financial Statements and internal control measures will be conducted on quarterly basis by an independent firm of Chartered Accountants, appointed for the purpose by the Project with well defined terms of reference (TOR).
- ii) In accordance with the World Bank operational policies, the TOR and the qualification of the Financial Review Consultants (FRCs) have to be reviewed by the World Bank.

3. Coverage

- i) The audit will cover all offices of the Project i.e Chief Project Director to the office of Unit Officer as well as PNGOs.
- ii) The audit includes the verification of expenditure incurred directly by these offices, for the purpose of the Project.
- iii) The audit will include checking of prescribed financial and management Reports generated at various levels periodically.
- iv) The audit would include all contracts.

- v) The audit would be carried out at each of the implementation agencies of the Project in addition to Gram Panchayats. This would include audit of the PNGOs who have been hired by the project.
- vi) The audit would also cover sample GPs as decided by the project and outlined in the TOR. The audit of Gram Panchayats has been separately elaborated in the Financial Manual of Gram Panchayat.

4. Special features relevant to audit of the Project

The Decentralized Watershed Development Project-II is unique to the extent where Gram Panchayat is the main implementation agency of the project. As such primary recording of major costs will be made at the level of Gram Panchayats while the Project Directorate is entrusted to overview progress and channelize funds to the Gram Panchayat. This creates a situation where special features are generated in explicit reporting systems to the Directorate. These reports and statements prepared manually and sent by GP to the Project periodically (discussed in this manual under the appropriate chapter) are subject to in depth verification. The audit of the following aspects should be taken care of in particular:

- i) Correctness of consolidation of the Financial statement sent by GPs periodically at various levels of the project i.e. unit office, DPD, PD and HO. These statements primarily contain financial data concerning activity-wise expenditure and Beneficiary Contribution.
- ii) Recording of disbursement of Funds by DPD to GP and their subsequent adjustment in the 'Grant in Aid Control Register on completion of activities as reported by GPs.

5. Audit Committee

Under UDWDP Phase 2 a high level audit committee to review the audit reports and take the necessary action will be constituted. The composition of the committee and its role and responsibilities are given below.

5.1 Composition:

- | | |
|--|-----------------------|
| • P.D. (Admin.) | Head of the Committee |
| • Finance Controller/S.F.O. (Head Quarter) | Member Secretary |
| • P.D (Garhwal) | Member |
| • P.D (Kumaon) | Member |
| • Deputy Director (Admin.) | Member |

5.2 Role and responsibility:

- PD (Garhwal) and PD (Kumaon) shall review the compliance of audit report monthly of their concerning Division.
- Finance Controller/S.F.O. (H.Q.) will review the compliance of audit reports of HQ level and compile the audit compliance report of all Divisions.
- Deputy Director (Admin.) will review the Audit points regarding policy matter of all Divisions.
- Head of committee will call quarterly meeting to review the overall progress and take necessary action for compliance of audit Reports.
- Committee will also review the GP balance sheet quarterly.
- The compliance of the report and the minutes of the meeting would be drawn up and submitted to the CPD on a regular basis.

5.3 Frequency of audit report review:

Audit Reports compliance review and GP balance review would be done quarterly by the committee.

5.4 Manner of Compliance:

P.D (Admin.), P.D(Garhwal) and P.D(Kumaon) will send the progress report regarding compliance of audit reports of their concerning Divisions monthly to Finance Controller/S.F.O. After compliance Finance Controller/S.F.O. will put the overall progress report in committee meeting and necessary action will be taken head of committee for speedy compliance of Audit Reports.

Monthly Internal Statements

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT-II

Report - IM 1

UNIT OFFICER/PNGO

Monthly Progress Report												
Report for the Month of _____												
(Amount in Rupees)												
S.No.	Activity	Activity Code	GP1			GP2			Grand Total			Disbursement Category
			PS	BC	Total	PS	BC	Total	PS	BC	Total	
1	2	3										
PART A. Expenditure by GP												
Total												
PART B. CASH FLOW												
Opening Balance With Bank/ Cash (a)												
Add: Receipts (b)												
Grants Received												
For Implementation of Works												
For Vulnerable Group Fund												
Ben. Contribution - Cash												
Others												
Less: Expenditure (c)												
For Implementation of Works												
For Vulnerable Group Fund												
Closing Balance with Bank/ Cash (a+b-c)												
PART C Summary of Expenditure (Disbursement Category Wise)												
A INVESTMENT COST												
Civil Works												
Equipment												
Vehicle												
Training												
Consultancies												
NGO												
Sub Project - Watershed												
Sub Project - Incentive Fund												
Sub-Project - Pilot Fund												
Sub-Project - Vulnerable Group Fund												
Office Expenses												
B RECURRENT COSTS												
Office Running Expense												
Vehicle Operating Costs												
Equipment Maintenance												
Allowances												
Government Staff Salaries												
Total												

Note: 1. This report is based on report R1 received from the Gram panchayats
 2. Shaded portions are not to be filled

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT-II

DPD/PMU

Monthly Progress Report						
Report for the Month of _____					Report - IM 2	
(Amount in Rupees)						
S.No.	Activity	Activity Code	Amount (in Rs.)			Disbursement Category
			Eligible	Ineligible	Total	
1	2	3	4	5	6	7
PART A: Expenditure by Project						
Total						
PART B: CASH FLOWS						
Opening Cash Balance (a)						
Add: Receipts:						
State Government (b)						
Ben. Contribution - Cash (c)						
Others (d)						
Less: Payments						
For Implementation of Works (e)						
For Grant in Aid to GPs (f)						
Advance (if any) (g)						
Closing Cash Balance (h)						
Expenditure Reported to AG (i=e+f+g)						
PART C: Total Expenditure by GPs and DPD			DPD Total	GP total	Grand Total	
Summary of Expenditure (Disbursement Category Wise)			8	9	10	
A	INVESTMENT COST					
	Civil Works					
	Equipment					
	Vehicle					
	Training					
	Consultancies					
	NGO					
	Sub Project - Watershed					
	Sub Project - Incentive Fund					
	Sub-Project - Pilot Fund					
	Sub-Project - Vulnerable Group Fund					
	Office Expenses					
B	RECURRENT COSTS					
	Office Running Expense					
	Vehicle Operating Costs					
	Equipment Maintenance					
	Allowances					
	Government Staff Salaries					
C	TOTAL INELIGIBLE EXPENDITURE					
Total						
PART D: Reconciliation						
Difference (10-i)						
On account of Advance (g)						
Other (Specify if any)						

Quarterly Internal Statements

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT-II

Form I Q1

UNIT OFFICER / PNGO

Cumulative Sub Component wise quarterly Progress Report

Report for the Quarter ended _____

S.No.	Sub Component	Code	Total Sanctioned Amount (cumulative) Inclusive of Ben Cont			Completed Works			Total cumulative Exp			
			No. of Units Sanctioned	Amount		No. of Units Completed	Amount		Amount in Rs.			
				PS	BC		Total	PS	BC	Total	PS	BC
Expenses of GP 1												
1	Social Mobilization and Wtershed Planning											
2	Watershed treatment and Rain fed Agriculture Develo											
3	Enhancing livelihood opportunity											
4	Knowledge Management and Project Coordination											
	Sub-Total											
Expenses of GP 2												
1	Social Mobilization and Wtershed Planning											
2	Watershed treatment and Rain fed Agriculture Develo											
3	Enhancing livelihood opportunity											
4	Knowledge Management and Project Coordination											
	Sub-Total											
Summary of Expenses												
1	Social Mobilization and Wtershed Planning											
2	Watershed treatment and Rain fed Agriculture Develo											
3	Enhancing livelihood opportunity											
4	Knowledge Management and Project Coordination											
	Grand Total											

Note: Copy of R-2 report of each GP shall be attached along with this report.

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT-II

DPD / PMU

Form I Q2

Cumulative Gram Panchayat Progress Report										
Report for the Quarter ended _____										
S.No	Activity	Code	Total Sanctioned Amount (cumulative) Inclusive of Ben Cont			Completed Works			Total cumulative Exp	
			No. of Units Sanctioned	Amount		No. of Units Completed	Amount			Amount in Rs.
				PS	BC		Total		PS	
Expenses of UO 1										
1	Social Mobilization and Wtershed Planning									
2	Watershed treatment and Rain fed Agriculture Development									
3	Enhancing livelihood opportunity									
4	Knowledge Management and Project Coordination									
	Sub-Total									
Expenses of UO 2										
1	Social Mobilization and Wtershed Planning									
2	Watershed treatment and Rain fed Agriculture Development									
3	Enhancing livelihood opportunity									
4	Knowledge Management and Project coordination									
	Sub-Total									
Summary of Expenses										
1	Social Mobilization and Wtershed Planning									
2	Watershed treatment and Rain fed Agriculture Development									
3	Enhancing livelihood opportunity									
4	Knowledge Management and Project Coordination									
	Grand Total									

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT-II

Form I Q 3

DPD

Cumulative Physical and Financial Progress Report

Report for the Quarter ended _____

S.No.	Activity	Code	Cumulative to Date planned		Actuals					Variance as a % of planned	
			Unit of output	Total cost	Completed units	Work in progress (In units)	Cost of completed units	Cost of WIP	Total Cost	completed units	Total cost
1	2	3	6	7	8	9	10	11	12=10+11	13=(6-8)/100*6	14=7-12
Expenditure by DPD											
Total											
Summary by sub component wise of expenditure by DPD											
1	Social Mobilization and Wtershed Planning										
2	Watershed treatment and Rain fed Agriculture Development										
3	Enhancing livelihood opportunity										
4	Knowledge Management and Project Coordination										
Total											
Summary											
1	Social Mobilization and Wtershed Planning										
2	Watershed treatment and Rain fed Agriculture Development										
3	Enhancing livelihood opportunity										
4	Knowledge Management and Project Coordination										
Total											

Note Shaded portions are not to be filled

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT-II

Form I Q 4

PD

Cumulative Physical and Financial Progress Report

Report for the Quarter ended _____

S.No.	Activity	Code	Commulative to Date		Actuals					Variance as a % of planned	
			Unit of output	Total cost	Completed units	Work in progress	Cost of completed units	Cost of WIP	Total Cost	completed units	Total cost
1	2	3	6	7	8	9	10	11	12=10+11	13=(6-8)/100*6	14=7-12
Expenditure by PD											
Summary by sub component wise of expenditure by PD											
1	Social Mobilization and Watershed Planning										
2	Watershed treatment and Rain fed Agriculture De										
3	Enhancing livelihood opportunity										
4	Knowledge Management and Project Coordination										
Total											

Monthly Reimbursement Report

UTTRAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT-II

Report E M 1

CONSOLIDATED FOR PROJECT

Monthly Reimbursement Claim Statement														
For the Month of _____														
S.No.	Disbursement Category	% Reimbursement	Project Amount of Expenditure											Amount Claimable
			DPD 1	DPD 2	DPD 3	DPD 4	DPD 5	DPD 6	PD 1	PD 2	PD 3	PMU	Total	
	Civil Works													
	Equipment													
	Vehicle													
	Training													
	Consultancies													
	NGO													
	Sub Project - Watershed													
	Sub Project - Incentive Fund													
	Sub-Project - Pilot Fund													
	Sub-Project - Vulnerable Group Fund													
	Office Expenses													
	Ineligible Expenditure													
TOTAL														

Quarterly External Statements

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT-II

Form

Statement of Sources and utilisation of Funds (INR)
For the Quarter -----

Amount (In Rs..)

Particulars	Opening		For the Quarter		Cumulative for the Year		Cumulative for the Project		PAD: Life of Project
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	
Sources of Funds									
State Govt.									
World Bank Funds									
Beneficiary contribution									
Total (A)									
Utilisation of Funds									
<i>(Sub componentWise)</i>									
Watershed Development									
Farmng System Improvemen									
Value Addition and Marketir									
Income Generating Activities									
Vulnerable Groups									
Total (B)									
Balance represented by Current Assets									
Cash in hand									
Stock in hand - DPD									
Other Advances									
Grants with GP									
Total (C)									

A=B+C

Dy CPD

Accounts officer

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT-II

Form EQ 2

WMD

Cumulative Physical and Financial Progress Report													
Report for the Quarter ended _____													
S.No.	Activity wise	Code	For the project life: As per PAD		Planned to Date		Actuals					Variance as a % of planned	
			Unit of output	Total cost	Unit of output	Total cost	Completed units	Work in progress	Cost of completed units	Cost of WIP	Total Cost	completed units	Total cost
1	2	3	4	5	6	7	8	9	10	11	12=10+11	13=(6-8)/100*6	14=7-12
Expenditure by Project													
Total													
Summary of expenditure by GP													
1	Watershed Development												
2	Farmng System Improvements												
3	Value Addition and Marketing												
4	Income Generating Activities for Vulnerable Groups												
Total													

Note 1. Shaded portions are not to be filled
2. Only activity that are measurable are to be filled. Rest can be aggregated under the head of others.

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT-II

Form E Q3

WMD

Cumulative Gram Panchayat Progress Report

Report for the Quarter ended _____

S.No.	Sub Component	Code	Total Sanctioned Amount (cumulative) Inclusive of Ben Cont			Completed Works			Total cumulative Exp		
			No. of Units Sanctione	Amount		No. of Units Completed	Amount		Amount in Rs.		
				PS	BC		Total	PS		BC	Total
1	2	3	4	5	6	7	8	9	10	11	12
Summary of Expenses of GP											
1	Watershed Development										
2	Farmng System Improvements										
3	Value Addition and Marketing										
4	Income Generating Activities for Vulnerable Groups										
	Grand Total										

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT (UDWDP)-II

Form EQ 4

Procurement Management Report
 For contracts below the prior review threshold of
 USD 100,000 equivalent but above USD 10000
 As at -----

PART - A GOODS AND WORKS

Contract description	Tender No	Bidding process dates (dd/mm/yy)														Name of Supplier/contractor	Payments made	
		Bid documents ready		No objection		Call for bids		Bid open		No objection		Contract signature		Contract end				
		estimated	actual	estimated	actual	estimated	actual	estimated	actual	estimated	actual	estimated	actual	estimated	actual			
Equipment																		
International competitive bidding	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Civil Works																		
National shopping																		
National competitive bidding																		
Direct contracting																		

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT (UDWDP)- II

PART B: CONSULTANCIES

Contract description	Proposal No	Bidding process dates (dd/mm/yy)																				Name of Supplier/contract or	Payments Made		
		Advertising		RFP Final Draft		No objection		Invitation to firms		Proposal receipts		Tech.Eval No. objection		Final. No. objection		Contract No. objection		Contract signature		Contract end					
		estimated	actual	estimate	actual	estimated	actual	estimated	actual	estimated	actual	estimated	actual	estimated	actual	estimated	actual	estimated	actual	estimated	actual				
Quality and cost based selection																									
Quality based selection																									
Fixed budget selection																									
Quality based selection																									
Fixed budget selection																									

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT (UDWDP)-II

Form EQ 5

PROCUREMENT MANAGEMENT REPORT - COMPARATIVE ACTUALS PLANNED & AS PER PAD

Annexure -

Particulars	N C B				NBF				Others				Total			
	As per PAD	As Per Procurement Manual	Actual Purchase for the year	Actual Purchase till date	As per PAD	As Per Procurement Manual	Actual Purchase for the year	Actual Purchase till date	As per PAD	As Per Procurement Manual	Actual Purchase for the year	Actual Purchase till date	As per PAD	As Per Procurement Manual	Actual Purchase for the year	Actual Purchase till date
Civil Works																
Equipment																
Vehicle																
Sub Project - Incentive Fund																
Sub-Project - Pilot Fund																
Sub-Project - Vulnerable Group Fund																
Office Expenses																
Total																

Additional Annual External Statements

UTTARAKHAND DECENTRALISED WATERSHED DEVELOPMENT PROJECT-II

Form E A 1

Reconciliation Of Reimbursements

Expenditure by Disbursement Category	Civil Works	Equipment	Vehicle	Training	Consultancies	NGO	Sub Project - Watershed	Sub Project - Incentive Fund	Sub-Project - Vulnerable Group Fund	Office Expenses	Total
	Sub - Component										
TOTAL (a)											
Disbursement % (b)											
1. Disbursement Amount(c=a*b)											
2. Actual Amount Claimed (d)											
Application No. Date											
TOTAL											
Difference (c-d)*											

* Difference to be adjusted in Future Claims

Method for Allotting Activity Codes

- 1 The objective of the preparation of Chart of Accounts is to capture the data, activity wise, and then to create a link of the same with the categories of the reimbursement claims and the components, sub-components and the Main activity.
- 2 To facilitate the computerization of the accounting system, activity codes are proposed to be introduced so as to enable the Project to determine the expenses by:
 - (1) Main Component
 - (2) Sub component
 - (3) Minor Component
 - (4) Component activity
 - (5) Activity
 - (6) Sub activity
 - (7) Reimbursement Category.
- 3 The activity codes represent the activities as per the cost tables of the project. The activity code for the project shall be a 6 digit numeric code structured as follows:
- 4 The first digit of the activity code shall denote the Main component.

• Social Mobilization and Participatory Watershed Planning	1
• Watershed Treatment and Rain-fed Agriculture Development	2
• Enhancing livelihood opportunity	3
• Knowledge Management and Project Coordination	4

- 5 The Second Digit will denote the sub component. (*Under Component **Social Mobilization and Participatory Watershed Planning***)

Social Mobilization	1.1
Development of GPWDP/MWS Plan	1.2

- 6 The third digit will denote the Minor component (*Under sub component*).

Hiring of Partner NGOs (2 nos.)	1.1.1
Hiring of Field NGOs (2 nos.)	1.1.2
Hiring of village motivators	1.1.3
GPs administrative expenses /a	1.1.4
Salary of Project Field Staff	1.1.5
Incentive Fund for GP works /b	1.1.6

- 7 The forth digit will denote the Component-activity (*Under Minor-component*). For Eg.

Livestock Improvement	2.2.2.01
Veterinary camps	2.2.2.02

- 8 The fifth digit will denote the activity (*Under Component-activity*). For Eg.

Natural Breeding Centres	2.2.2.01.01
Paravet (AI services)	2.2.2.01.02

9 The sixth digit will denote the Sub- activity (Under activity). For Eg.

Advance Soil Work	2.1.1.04.01.01
Plantation	2.1.1.04.01.02

10 Blanks have been provided in chart of accounts at various levels of code so as to provide flexibility for introducing new codes at appropriate levels without disturbing the arrangements of the existing codes.

11 New codes can be introduced after obtaining approval from PD Administration.

12 Existing code provided shall not be deleted

CHART OF ACCOUNTS**UTILIZATION OF FUNDS**

ACCOUNT HEAD	NEW A/C CODE	DESCRIPTION
MINOR HEAD 1- UTTARAKHAND		
Salaries	01	
Wages	02	
Dearness Allowance	03	
Travelling Allowance	04	
Transfer TA	05	
Other allowances	06	
Honorarium	07	
Office Expenses	08	
Electricity Rent	09	
Water Tax	10	
Purchase of Stationery	11	
Office equipment & furniture	12	
Telephone	13	
Purchase of Staff Cars/ Vehicles	14	
Maintenance of vehicles (Petrol & other lubricants)	15	
Payment of Professional Services	16	
Building Rent	17	
Publication	18	
Advertisement & publicity	19	
Grant in Aid	20	
Major Constructions	24	
Minor Constructions	25	
Machinery /Equipment	26	
Medical Reimbursement	27	
Maintenance of buildings	29	
Other expenses	42	
Training expenses	44	
LTC	45	
Purchase of Computers/Hardware/Software	46	
Maintenance of Computers & Purchase of Stationery	47	

As per respective
State Govt.
Heads of Accounts.

CHART OF FUNDS

	Main component		Sub Component		Minor Component		Component Activity		Activity	Disbursement Category					
1	Social Mobilization and Participatory Watershed Planning	1.1	Social Mobilization	1.1.1	Hiring of Partner NGOs (4 nos.)					C 2					
				1.1.2	Hiring of Field NGOs (2 nos.)						C 2				
				1.1.3	Hiring of village motivators							C 2			
				1.1.4	GPs administrative expenses							C 1			
				1.1.5	Salary of Project Field Staff	1.1.5.01	Salary of Project Field Staff (01 Pay)						NR		
						1.1.5.02	Salary of Project Field Staff (03 DA)						NR		
						1.1.5.03	Salary of Project Field Staff (06 Oth. Allow.)							NR	
				1.1.6	Other Office Expenses	1.1.6.01	Office running expenses - Mazdoori						C 2		
						1.1.6.02	Office running expenses - Travel allwanaces							C 2	
						1.1.6.03	Office running expenses - Transfer TA							C 2	
						1.1.6.04	Office running expenses - Honorarium							C 2	
						1.1.6.05	Office running expenses - Office Expenditure							C 2	
						1.1.6.06	Office running expenses - Electricity							C 2	
						1.1.6.07	Office running expenses - Water tax							C 2	
						1.1.6.08	Office running expenses - Stationary							C 2	
						1.1.6.09	Office running expenses - Telephone							C 2	
						1.1.6.10	Office running expenses - Professional Services							C 2	
						1.1.6.11	Office running expenses - Rent							C 2	
						1.1.6.12	Office running expenses - Publication							C 2	
						1.1.6.13	Office running expenses - Advertisement							C 2	
	1.1.6.14	Office running expenses - Medial expenditure									C 2				
	1.1.6.15	Office running expenses - LTc									C 2				
	1.1.6.16	Office running expenses - computer Maintenance & Stationary									C 2				
			1.1.7	Incentive Fund for GP works						C 2					
	1.2	Preparation of GPWDP/MWS Plans (As per ESMF)								C 2					
2	Watershed Treatment and Rainfed Area Development	2.1	Watershed Treatment & Water Source Sustainability	2.1.1	Watershed Treatment (sub projects)	2.1.1.01	All the activities as per GPWDP in various sectors like- Agri., Horti., Animal Husbandry, Source Sustainability measures, Energy conservation, Water, Forestry, Minor Irrigation, Soil conservation etc.			C 1					
				2.1.2	NRM Treatment Support / Tech. innovation & demos	2.1.2.01	Forestry demonstration activities and Non arable treatments.					C 2			
			2.2	Rainfed area development	2.2.1	Agriculture & Horticulture demonstrations	2.2.1.01	Demo. of High Yielding agric. crops (For rainfed ag)				C 2			
							2.2.1.02	Adoption support for High yielding agric. crops (rainfed ag)						C 2	
							2.2.1.03	Demonstration for high yielding vegetable crops							C 2
							2.2.1.04	Orchard Development (250 plants per ha)							C 2
							2.2.1.05	Seeds and Seedlings (High value crop demonstration)							C 2
							2.2.1.06	Polyhouses							C 2

	Main component		Sub Component		Minor Component		Component Activity		Activity	Disbursement Category
						2.2.1.07	Poly tunnels			C 2

Main component		Sub Component		Minor Component		Component Activity		Activity	Disbursement Category
					2.2.1.08	Vermi compost			C 2
					2.2.1.09	Improved agriculture/horticulture implements			C 2
			2.2.2	Animal Husbandry Program	2.2.2.01	Livestock Improvement	2.2.2.01.01	Natural Breeding centres	C 2
							2.2.2.01.02	Paravet (AI services)	C 2
					2.2.2.02	Veterinary camps			C 2
					2.2.2.03	Stall feeding program	2.2.2.03.01	Animal Shelter and Sheds	C 2
							2.2.2.03.02	Mangers	C 2
							2.2.2.03.03	Animal chari	C 2
			2.2.3	Fodder Production Program	2.2.3.01	Fodder Minikit			C 2
					2.2.3.02	Napier crop border plantation			C 2
3	Enhancing Livelihood Opportunities	3.1	Agribusiness Support	3.1.1	Institution Building and capacity development	3.1.1.01	ABSO Support (4 nos.)		C 2
						3.1.1.02	Capacity Building Support	3.1.1.02.01	Training at Unit level & division level
								3.1.1.02.02	Exposure visit - within state
								3.1.1.02.03	Exposure visit - out side state
				3.1.2	Input Support	3.1.2.01	High Yielding Agric/Horti. crops		C 2
						3.1.2.02	Post harvest support	3.2.2.02.01	Small civil works
								3.2.2.02.02	Goods
						3.1.2.03	Pilot Fund Support		C 1
			3.2	Support for Vulnerable Groups	3.2.1	Funds for Vulnerable Groups	3.2.1.01	Individuals	C 1
							3.2.1.02	Groups	C 1
				3.2.2	Funds for Transhumant	3.2.2.01	Activities like- cattle improvement programme, Health programme, Fodder programme, Water programme etc.		C 2
			3.3	Consolidation of Gramya-1 activities	3.3.1	Training and Exposure		Training programme for various stakeholders for consolidation and sustainability.	C 2
					3.3.2	Agri-Business Support		Consolidation of backward linkages with field	C 2
					3.3.3	Post Harvest Support /Pilot Support		Consolidation of forward linkages with market	C 2
					3.3.4	Repair of damaged assets			
4	Knowledge Management and Project coordination	4.1	Knowledge Management	4.1.1	Capacity Building (for all watershed programs.)	4.1.1.01	Training	4.1.1.01.01	Training at Village Level (one day)
								4.1.1.01.02	Training at Division level (3-day trg)
								4.1.1.01.03	Within state/Outside state training
						4.1.1.02	Exposure visits	4.1.1.02.01	Within State
								4.1.1.02.02	Outside State
						4.1.1.03	Capacity Building of Staff	4.1.1.03.01	Training of staff
								4.1.1.03.02	Exposure visit of staff - outside state
								4.1.1.03.03	Exposure visit of staff - within state
								4.1.1.03.04	Overseas Training
						4.1.1.04	Workshops	4.1.1.04.01	National /State Level workshops
								4.1.1.04.02	WMD/PD level workshop/Project Staff
								4.1.1.04.03	Division level workshops
								4.1.1.04.04	Unit level workshop
								4.1.1.04.05	Village level workshop
								4.1.1.04.06	Special workshop at WMD/PD/DPD level

Main component		Sub Component		Minor Component		Component Activity		Activity	Disbursement Category
			4.1.2	Centre for Excellence for Watershed Mgmt	4.1.2.01	Consultancies			C 2
					4.1.2.02	Office Equipment cost			C 2
			4.1.3	Information Education and communication	4.1.3.01	Awareness campaigns			C 2
					4.1.3.02	Communication materials			C 2
					4.1.3.03	Documentaries and Short films			C 2
					4.1.3.04	IEC Consultancy			C 2
			4.1.4	Monitoring, Evaluation and Learning	4.1.4.01	Monitoring and Evaluation consultancy	4.1.4.01.01	Consultancy	C 2
							4.1.4.01.02	Small M&E studies	C 2
							4.1.4.01.03	Various reports	C 2
					4.1.4.02	Establishment of Hydrological Monitoring Stations	4.1.4.02.01	Consultancy	C 2
							4.1.4.02.02	civil works	C 2
					4.1.4.03	Small M&E studies			C 2
	4.2	Project Management	4.2.1	Financial and Procurement Mgmt	4.2.1.01	Financial Review consultancy			C 2
					4.2.1.02	FM Information System			C 2
					4.2.1.03	E-Procurement Services			C 2
					4.2.1.04	Chartered Accountant (CA) Services			C 2
			4.2.2	Strengthening of Watershed Management Directorate	4.2.2.01	Upgrading existing WMD building			C 2
					4.2.2.02	Upgradation of GIS System			C 2
					4.2.2.03	Development of MIS System			C 2
					4.2.2.04	Establishment of MIS Data centre			C 2
					4.2.2.05	Grievance Redressal Mechanism			C 2
					4.2.2.06	Purchase of office equipment	4.2.2.06.01	Photo copier, Fax Machine, A.c. etc.)- Machine Equipments	C 2
							4.2.2.06.02	Purchase of office equipment (computer, Laptop, Printer, Software, UPS & Other	C 2
					4.2.2.07	Purchase of office vehicles			C 2
					4.2.2.08	Office Furniture			C 2
					4.2.2.09	O&M of equipment and vehicles			C 2
					4.2.2.10	Office running expenses	4.2.2.10.01	Office running expenses - Mazdoori	C 2
							4.2.2.10.02	Office running expenses - Travel allwanaces	C 2
							4.2.2.10.03	Office running expenses - Transfer TA	C 2
							4.2.2.10.04	Office running expenses - Honorarium	C 2
							4.2.2.10.05	Office running expenses - Office Expenditure	C 2
							4.2.2.10.06	Office running expenses - Electricity	C 2
							4.2.2.10.07	Office running expenses - Water tax	C 2
							4.2.2.10.08	Office running expenses - Stationary	C 2

Main component	Sub Component	Minor Component	Component Activity	Activity	Disbursement Category
				4.2.2.10.09 Office running expenses - Telephone	C 2
				4.2.2.10.10 Office running expenses - Professional Services	C 2
				4.2.2.10.11 Office running expenses - Rent	C 2
				4.2.2.10.12 Office running expenses - Publication	C 2
				4.2.2.10.13 Office running expenses - Advertisement	C 2
				4.2.2.10.14 Office running expenses-Machine equipment	C 2
				4.2.2.10.15 Office running expenses- Medical Expenditures	C 2
				4.2.2.10.16 Office running expenses - LTc	C 2
				4.2.2.10.17 Office running expenses - computer Maintenance (46)	C 2
				4.2.2.10.18 Office running expenses - computer Maintenance & Stationary (47)	C 2
			4.2.2.11 Other Consultancies		C 2
			4.2.2.12 Project Staff	4.2.2.12.01 Government Staff	
				4.2.2.12.01 (i) Salary of cPD & PD Staff (01 Pay)	NR
				4.2.2.12.01 (ii) Salary of cPD & PD Staff (03 DA)	NR
				4.2.2.12.01 (iii) Salary of cPD & PD Staff (06 Oth. Allow.)	NR
				4.2.2.12.02 contractual Staff	
				4.2.2.12.02 (i) Watershed Specialist	C 2
				4.2.2.12.02 (ii) Agri-business Specialist (2 no.)	C 2
				4.2.2.12.02 (iii) NRM/ Env specialist	C 2
				4.2.2.12.02 (iv) IEc Specialist	C 2
				4.2.2.12.02 (v) Social Dev cum Livelihood Specialist	C 2
				4.2.2.12.02 (vi) MIS/GIS Specialist (2 nos.)	C 2
				4.2.2.12.02 (vii) Investigator/compiler (12 nos.)	C 2
				4.2.2.12.02 (viii) Data entry operators (60 nos.)	C 2
				4.2.2.12.02 (ix) Junior project associates	C 2
				4.2.2.12.02 (x) MIS operators (for 10 divisions)	C 2
			4.2.2.13 Project incentive (for WMD staff)		C 2

C 1 : Goods, Works & non- consulting services under sub Project

C 2 : Goods, Works , non- consulting services, consultants' services, Training and Workshops and Incremental Opreating costs other than sub Project.

NR : Non Reimbursable

CHART OF FUNDS- GPWDP WORKS

Main Component	Sub Component	Minor Component	Component Activity	Activity	Sub Activity	
2 Watershed Treatment and Rainfed Area Development	2.1 Watershed Treatment & Water Source Sustainability	2.1.1 Watershed Treatment (sub projects)	2.1.1.01 Agriculture	2.1.1.01.01 Agriculture minikit	C 1	
				2.1.1.01.02 Agri/Horti. tools	C 1	
				2.1.1.01.03 Terrace repair/Vegetative field boundry	C 1	
				2.1.1.02 Horticulture	2.1.1.02.01 Bio/ vermi- compost	C 1
					2.1.1.02.02 High value crops/seeds	C 1
					2.1.1.03 Livestock	2.1.1.03.01 NBC
			2.1.1.03.03 Animal Shelter/ Sheds	C 1		
			2.1.1.03.04 Mangers	C 1		
			2.1.1.03.05 Animal chari	C 1		
			2.1.1.03.06 Napier Crop Border Plantation	C 1		
			2.1.1.04 Forestry	2.1.1.04.01 Afforestation (1000 plants/ ha.)		2.1.1.04.01.01 Advance soil work
					2.1.1.04.01.02 Plantation	C 1
					2.1.1.04.01.03 Maintenance - 1st Year	C 1
					2.1.1.04.01.04 Maintenance - 2nd Year	C 1
				2.1.1.04.02 Nursery establishment		
				2.1.1.04.03 Assisted Natural Regeneration of Oak Areas	2.1.1.04.03.01 Advance soil work	C 1
					2.1.1.04.03.02 Plantation	C 1
					2.1.1.04.03.03 Maintenance - 1st Year	C 1
					2.1.1.04.03.04 Maintenance - 2nd Year	C 1
				2.1.1.05 Energy conservation	2.1.1.05.01 Bio Gas Plant	C 1
					2.1.1.05.02 Solar lantern	C 1
					2.1.1.05.03 Solar street panel	C 1
			2.1.1.05.04 Pine Briquett machine		C 1	
			2.1.1.05.05 Pine briquett stove		C 1	
			2.1.1.06 Drainage Line Treatment& Soil Conservation		2.1.1.06.01 Construction of vegetative check dam	C 1
					2.1.1.06.02 Vegetative Treatment	C 1
					2.1.1.06.03 Construction of dry stone check dam	C 1
					2.1.1.06.04 Construction of crate wire check dam	C 1
					2.1.1.06.05 Road Side erosion control	C 1
				2.1.1.06.06 Land Slide Treatment	C 1	
				2.1.1.06.07 Retaining Wall	C 1	
				2.1.1.06.08 Construction of spur (river training work)	C 1	
				2.1.1.06.09 Riverbank Protection	C 1	
				2.1.1.06.10 Construction of cross barrier-	C 1	
				2.1.1.06.11 Diversion drain	C 1	
				2.1.1.06.12 1:6 C.C. Mortar work	C 1	
			2.1.1.07 Water Harvesting & Source	2.1.1.07.01 Irrigation Channel	C 1	
				2.1.1.07.02 Irrigation pipe line	C 1	
				2.1.1.07.03 Irrigation Tank	C 1	
				2.1.1.07.04 Roof Water Harvesting Tank	C 1	
2.1.1.07.05 Village Pond	C 1					
2.1.1.07.06 Recharge pit	C 1					
2.1.1.07.07 Digging of trenches	C 1					
2.1.1.07.08 Portable Water supply- Pipeline	C 1					
2.1.1.07.09 Renovation of existing Tal/Naula/Khauila	C 1					
2.1.1.07.10 L.D.P. Tank	C 1					

Main Component	Sub Component	Minor Component	Component Activity	Activity	Sub Activity	
			2.1.1.08	Road Programme	C 1	
				2.1.1.08.01	Rural road improvement	
				2.1.1.08.02	Construction of Bridges	
			2.1.1.09	Natural Resource Management (N.R.M) Activities (Inter GP space)	C 1	
				2.1.1.09.01	Afforestation	
					2.1.1.09.01.01	Advance soil work
					2.1.1.09.01.02	Plantation
					2.1.1.09.01.03	Maintenance - 1st Year
					2.1.1.09.01.04	Maintenance - 2nd Year
				2.1.1.09.02	Assisted Natural Regeneration of Oak Areas	
					2.1.1.09.02.01	Advance soil work-ANR
					2.1.1.09.02.02	Plantation-ANR
					2.1.1.09.02.03	Maintenance ANR - 1st Year
					2.1.1.09.02.04	Maintenance ANR - 2nd Year
				2.1.1.09.03	Forest fire management	
				2.1.1.09.04	Source sustainability	
					2.1.1.09.04.01	Construction of Pond/ Chal Khal
					2.1.1.09.04.02	Recharge pit
					2.1.1.09.04.03	Digging of trenches
					2.1.1.09.04.04	Renovation of existing Tal/ Naula/ Khaula
				2.1.1.09.05	Drainage Line Treatment & Soil Conservation	
					2.1.1.09.05.01	Construction of vegetative check dam
					2.1.1.09.05.02	Construction of dry stone check dam
					2.1.1.09.05.03	Construction of crate wire check dam
					2.1.1.09.05.04	Protection wall
					2.1.1.09.05.05	Diversion drain

C 1 : Goods, Works & Services under sub Project

C 2 : Goods, Works , non- consulting services, consultants' services, Training and Workshops and Incremental Operating Costs other than sub Project.

CHART OF FUNDS - Income Generation Activities

Main Component	Sub Component	Minor Component	Component Activity	Activity	Disbursement Category	
3 Enhancing Livelihood Opportunities	3.2 Income Generation Activities	3.2.1 Funds for Vulnerable Groups	3.2.1.01 Individuals	3.2.1.01.01 Dairy Unit	C 1	
				3.2.1.01.02 Black Smithy	C 1	
				3.2.1.01.03 Carpentry	C 1	
				3.2.1.01.04 Cobbler	C 1	
				3.2.1.01.05 Barber	C 1	
				3.2.1.01.06 Tailoring	C 1	
				3.2.1.01.07 Beekeeping	C 1	
				3.2.1.01.08 Shops (for technical works)	C 1	
				3.2.1.01.09 Poultry	C 1	
				3.2.1.01.10 Artisan	C 1	
				3.2.1.01.11 Atta/ Masala Chakki	C 1	
				3.2.1.01.12 Plumber/ Electrician	C 1	
				3.2.1.01.13 Others		
		3.2.2 Funds for Transhumant	3.2.2.01 Human health camps	3.2.1.02.01 Band Party/Cultural Group	C 1	
				3.2.1.02.02 Tent house	C 1	
				3.2.1.02.03 Fruit preservation/ pickle making	C 1	
				3.2.1.02.04 Fiber Works/ Handicraft	C 1	
				3.2.1.02.05 Mushroom Cultivation	C 1	
				3.2.1.02.06 Goatary	C 1	
				3.2.1.02.07 Dairy Unit	C 1	
				3.2.1.02.08 Pine Briquetting	C 1	
				3.2.1.02.09 Gharat Operation	C 1	
				3.2.1.02.10 Tailoring	C 1	
				3.2.1.02.11 Others		
				3.2.2.02 Veterinary health camps	C 1	
				3.2.2.03 Distribution of utilities to transhumants	3.2.2.04.01 Distribution of tarpaulin sheets/ poly-sheets for young born calves	C 1
					3.2.2.04.02 Distribution of tents for human-beings	C 1
3.2.2.04.03 Distribution of feed tubs	C 1					
3.2.2.04.04 Distribution of Blankets	C 1					
3.2.2.04.05 Distribution of First aid kits for human-beings	C 1					
3.2.2.04.06 Distribution of First aid kits for animals	C 1					
3.2.2.04.07 Distribution of Concentrate Cattle Feed	C 1					
3.2.2.04.08 Distribution of Solar Lantern	C 1					
3.2.2.04 NBC centers	C 1					

C 1 : Goods, Works & Services under sub Project

C 2 : Goods, Works , non- consulting services, consultants' services, Training and Workshops and Incremental Operating Costs other than sub Project.

CHART OF FUNDS - NRM Treatment Support (Model MWS)

	Main Component		Sub Component		Minor Component		Component Activity		Activity	Disbursement Category
2	Watershed Treatment & Rainfed Area Development	2.1	Watershed Treatment & Source Sustainability	2.1.2	NRM Treatment Support	2.1.2.01	Afforestation (1000 plants/ ha.)	2.1.2.01.01	Advance soil work	C 2
								2.1.2.01.02	Plantation	C 2
								2.1.2.01.03	Maintenance - 1st Year	C 2
								2.1.2.01.04	Maintenance - 2nd Year	C 2
						2.1.2.02	Drainage Line Treatment& Soil Conservation	2.1.2.02.01	Construction of vegetative check dam	C 2
								2.1.2.02.02	Vegetative Treatment	C 2
								2.1.2.02.03	Construction of dry stone check dam	C 2
								2.1.2.02.04	Construction of crate wire check dam	C 2
								2.1.2.02.05	Road Side erosion control	C 2
								2.1.2.02.06	Land Slide Treatment	C 2
								2.1.2.02.07	Retaining Wall	C 2
								2.1.2.02.08	Construction of spur (river training work)	C 2
								2.1.2.02.09	Riverbank Protection	C 2
								2.1.2.02.10	Construction of cross barrier-	C 2
								2.1.2.02.11	Diversion drain	C 2
								2.1.2.02.12	1:6 C.C. Mortar work	C 2
						2.1.2.03	Water Harvesting & Source Sustainability	2.1.2.03.01	Roof Water Harvesting Tank	C 2
								2.1.2.03.02	Village Pond	C 2
								2.1.2.03.03	Recharge pit	C 2
								2.1.2.03.04	Digging of trenches	C 2
								2.1.2.03.05	Renovation of existing Tal/ Naula/ Khaula	C 2
								2.1.2.03.06	L.D.P. Tank	C 2

C 1 : Goods, Works & Services under sub Project

C 2 : Goods, Works , non- consulting services, consultants' services, Training and Workshops and Incremental Opreating Costs other than sub Project.

ACCOUNTING AT DDOs LEVEL

1. The accounting at DDOs has been discussed in the subsequent paragraphs:

ACCOUNTING AT DDOs LEVEL

2. DDOs can operate under one of the following systems depending upon the method by which the funds are made available to them :
 - (1) Treasury system
 - (2) Non-treasury system.

Treasury System

3. Under the treasury system, the payment is released by the concerned treasury office, in which jurisdiction office of the DDO is situated, based on the approved payment advices, along with the relevant supporting documents sent to it by DDOs.
4. For the payment advice sent to the treasury, the DDO shall prepare a payment voucher. However, the posting of this voucher in the cash book shall not be made until the cheque for payment is received from the treasury by the DDO. On preparation of the payment voucher an entry shall be made in the 'Memorandum Payment Register'.
5. On entry in this register, a control number shall be allotted to the voucher on the basis of the serial number appearing in this register. The token number allotted by the treasury shall be entered in this register. This register shall monitor the outstanding payment advices.
6. On receipt of cheques, the DDO shall fill in the cheque number and date in the payment voucher before posting the voucher in the cash book and Memorandum payment register.

Non-Treasury System:

7. Under the non-treasury system, the DDOs are given the power to draw cheques on behalf of the state government i.e. through CCL (Cash Credit Limits).

8. All payments made to the Gram Panchayats shall be from CCL. As already mentioned, all such payments shall be recorded as **Grants -in-Aid** made available to the Gram Panchayats.
9. The DDOs operating under the non-treasury system shall prepare the payment voucher at the time of making payment and after authorization; entry shall be made in the cashbook.
10. Under both treasury and non-treasury systems there shall be a contra entry in cashbook for receipt transaction against recording of each payment transaction.

Reconciliation of payments with Treasury by DDOs

11. The payments made by the project under treasury system are disbursed through the concerned Treasury Office. The concerned Treasury Office maintains the record of payments made by it and the accounts of the DDO are periodically reconciled with the State Treasury Office.
12. The record of the payments made by the DDO shall be made in cash book. This cash book shall be reconciled with the total payments made by the concerned treasury office.
13. The difference in the amount between the DDO and as per the treasury may be due to the following reasons :
 - (1) Payment request sent to the Treasury (in case of Treasury system)/ Cheque drawn (in case of non-treasury system) and not recorded by the DDO in its books.
 - (2) Cheque issued by the DDO/Treasury to the party but not presented to bank for payment.
 - (3) Cheque issued by the treasury (in case of treasury system) but not recorded in its books
 - (4) Payment made by the treasury (in case of treasury system) directly to the party without intimation to the DDO
 - (5) Debit by the treasury from a wrong head.

14. The reconciliation statement shall be prepared in Treasury Reconciliation Statement
15. Some of the differences, such as on account of payment request sent to the treasury but not recorded by the DDO, shall require corrections to be made in the books of the DDO. Appropriate corrections for such entries shall be passed in the books of the DDO.

S.No	Nature of difference	Corrective action to be taken
1	Payment request sent to the Treasury (in case of Treasury system)/ cheque drawn (in case of non-treasury system) and not recorded by the DDO in its books.	Prepare a payment voucher for recording payment
2	Cheques issued by the DDO/Treasury to the party but not presented to bank for payment.	No entry For cheques which have become stale, an adjustment voucher shall be passed debiting the state government and crediting the relevant account head (which was debited in the relevant payment voucher)
3	Cheque issued by the treasury (in case of treasury system) not recorded by it in its books	Intimate the treasury for correction
4	Payment made by the treasury (in case of treasury system) directly to the party without intimation to the DDO.	Prepare a payment voucher for recording the direct payment
5	Debit by the treasury from a wrong head	Intimate the treasury for correction

This reconciliation must be carried out every month by each DPD, PD office as well as WMD office.

RECORD KEEPING, FORMATS OF BOOKS AND RECORDS AS PER THE STATE FINANCIAL RULES

1. As the vouchers for all the expenditure exceeding Rs 1000 are to be sent to AG office, two copies of the vouchers are prepared. The Photocopy of the bill is attached for office use while original is sent to AG Office. In case of payment of wages to contractual labour, a muster roll voucher is prepared for each labour and a separate (E-20) voucher is prepared. However, only the voucher is sent to the AG-office and not the muster roll voucher.
2. The WMD office is maintaining books of accounts as prescribed in the 'Financial Handbook Volume-VII'. As such same formats of books of accounts shall be used for accounting and recording. The books of accounts that are being currently used are as under:

Cash Book: The main accounting book shall be Daily Cash Book, maintained by all accounting units in which they record the following transactions:

- All the cheques issued by them (either for salaries, advance payment to disbursers, payment to suppliers etc.)
- The expenditure statement received from the disbursers
- Any recovery made by them either on account of salaries paid to employees (e.g. GPF, income tax etc.) or from contractors
- Any amount paid to treasury/banks on account of recoveries made

The above list is just illustrative and not exhaustive

- *Monthly cash book (E-7)* - A summary of daily cash book which is being sent to AG - Office.
- *Monthly treasury reconciliation should be done and submitted to the WMD.*
- *Cheque register (E-6)* - A record of cheques issued by each office
- *Advance register (E-13)* - To record the advances given to disbursers and the monthly statement of expenditure received from them

- *Classified register (E-II)* - To record the expenses incurred (voucher-wise) under each object code. However in case of object code - "other works", separate ledgers are maintained for expenses incurred under each of the developmental components i.e. forestry, livestock, horticulture, agriculture, minor irrigation, soil conservation, energy conservation, community participation
- *CCL Register* - To record the details of the limit issued and the cheque drawn by each office.
- *Sanction register (E-10 and E-23)* - E-10 register is maintained to record all the sanctions given by the head of the department whereas E-23 register is maintained to record the details of the sanction given and the corresponding expenditure incurred from time to time
- *Budget register (E-4)*- To record the budget estimates and the corresponding monthly expenses incurred under each object code
- *GP Advance register* - To record the advances given and the corresponding monthly expenses incurred under each of the agreed heads.
- *Stock register of consumable article*- A quantitative record to account for the receipt and issue of consumable articles
- *Stock register of permanent article*- Maintained to record the quantity details of each of the permanent articles

**TERMS OF REFERENCE FOR THE AUDIT OF PROJECT FINANCIAL STATEMENTS OF
UTTARAKHAND DECENTRALISED WATERSHED PROJECT**

Background

Government of Uttarakhand through the Watershed Management Directorate (WMD) is initiating the process of preparing the Uttarakhand Decentralized Watershed Development Project Phase-II. The objective of the project is 'to increase the efficiency of natural resource use and productivity of rainfed agriculture by participating communities in selected micro watersheds of the State of Uttarakhand'.

The objective encompasses three themes:

- a. Community participation in watershed development and management aimed at integrating land-water use with the objectives of moisture retention and bio mass production, while simultaneously enhancing incomes and livelihood options;
- b. Strengthening administrative capacity of Panchayats (at district , block and village levels) to manage project financial resources, implement sub projects, deliver legally mandated activities (in the context of natural resource management), and to sustain these services beyond the duration of the project; and
- c. Ensuring equitable participation by all groups- especially the landless and women who rely disproportionately on common- pool resources for fodder, fuel and other forest products.

Project Components: The project has four main components:-

- Social Mobilization and Participatory Watershed Planning
- Watershed Treatment and Rain-fed Agriculture Development
- Enhancing livelihood opportunity
- Knowledge Management and Project Coordination

Project boundaries: The Project will be operational within the state of Uttarakhand. Tentatively the projections are that the Project will be operational in 509 Gram Panchayats within 8 selected districts of the state within 700 mt to 2700 mt. altitude.

Implementation Arrangements

State level: The Watershed Management Directorate (WMD) under the leadership of the Chief Project Director will be responsible for overall implementation of the project. The responsibilities of the WMD would be: overall management of the project; ensure timely release of funds to the Project Directors, Divisional Project Directors and Gram Panchayats. monitoring physical and financial progress ; monitoring of socioeconomic and environmental impact; organizing training of the project staff at various levels; and, implementing the communications strategy for the project.

State Steering Committee: A state level steering committee will be established to provide overall guidance, policy support and to facilitate inter-departmental coordination. The Chief Project Director will be the Secretary of the Committee. Committee will comprise elected representatives of the Gram Panchayats, Zilla Panchayats, Non-Governmental Organizations, academic and technical institutions. The remainder will comprise of representatives from relevant government line departments .

District / Division level: Below the CPD, the WMD has two Project Directors (PDs); one each for Gharwal and Kumaon regions. Below the PD are Deputy Project Directors (DPDs); each with a number of Multi-Disciplinary Teams (MDTs) of 4-6 people. There will be in total eight divisions, out of which six will be run by DPDs of Watershed Management Directorate and the rest two will be implemented by Partner NGOs. For these two divisions, fund will be transferred directly to the concerned GPs on the recommendation of Partner NGOs . The DPD and the team will appraise the GP plans using the guidelines for appraisal provided in the Operations Manual and Transfer the funds into the GP accounts as per Financial Manual for the Gram Panchayat.

The DPD with the assistance of the MDTs will be responsible for dissemination of key messages to the community regarding the project's rules, procedures and terms of participation and to ensure that the key concept of community driven development is conveyed to the stakeholders at the GP and village level.

Gram Panchayats: GPs will be the key institutions in project implementation. GPs will receive all project funds from WMD /DPD allocated for treatment of watersheds, village development and income generation activities. The GP's primary responsibility would be to ensure that planning and execution is inclusive, transparent and efficient.

Funds Flow Mechanism

The Government of India (GOI) will pass on the World Bank funds to the State Governments in accordance with the relevant policies and procedures applicable to passing on funds to the State

governments. GOI would provide funds (Bank funds and counterpart funds) to the WMD through ACA. State Governments would provide funds (World Bank funds and counterpart funds) for the project Watershed Management Directorate through annual budgetary allocations (which would be based on annual work plans). WMD would release funds to their DDOs for own expenditure and Grant in Aid for transfer of funds to GPs. WMD would claim reimbursement from the Bank based on the actual expenditure by submitting IUFR as per agreed timelines.

Objective

The essence of the World Bank¹ audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank loans² were used for the purposes intended,³ that the annual project financial statements are free from material misstatement, and that the terms of the loan agreement were complied with in all material respects.

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

The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project and are maintained by the project implementation agency (UDWDP) at the head office and the respective district offices.

¹ "World Bank" includes the International Development Agency and the International Bank for Reconstruction and Development.

² "Loans" includes credits and grants to which the TORs would apply; and "borrower" includes recipients of such loans.

³ The Bank's charter [Article III Section V(b) of IBRD's Articles of Agreement and Article V Section I(g) of IDA's Articles of Agreement] specify that: "The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations."

Standards

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

Scope

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

- (a) All external funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided. Relevant legal agreements include the Financing Agreement, the Project Agreement, Grant Agreement and the Minutes of Negotiations;
- (b) Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided;
- (c) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via IUFs where applicable. Clear linkages should exist between the books of account and reports presented to the Bank; and
- (d) The project accounts have been prepared in accordance with consistently applied Government Accounting Standards⁴ and present fairly, in all material respects, the financial situation of the project at the year end and of resources and expenditures for the year ended on that date.

Project Financial Statements

The Project Financial Statements should include-

- A. Statement of Sources and Applications of Funds: The formats of PFS are set out in Annexure 1.
- B. Reconciliation of Claims to Total Applications of Funds. The PFS include reconciliation between expenditure reported as per the Statement of Sources and Applications of Funds

⁴ *Until such time as the pronouncements of the Government Accounting Standards Advisory Board are accepted and prescribed by the Ministry of Finance, the accounting standards followed by the Government of India will be defined by the General Financial Rules, PWD codes, Treasury codes and similar financial rules and codes as are in effect and applicable to the operations of the project.*

and expenditure claimed from the World Bank through report based methods of reimbursement. The formats are outline in Annexure 2.

- C. A statement showing appropriate major heads of expenditure.
- D. Management Assertion: Management should sign the project financial statements and provide a written acknowledgement of its responsibility for the preparation and fair presentation of the financial statements and an assertion that project funds have been expended in accordance with the intended purposes as reflected in the financial statements. An example of a Management Assertion Letter is shown at Annexure 3.

Interim Unaudited Financial Reports (IUFRR)

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

Audit Report

An audit report on the Project Financial Statements should be prepared in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those standards require an audit opinion to be rendered related to the financial statements taken as a whole, indicating “unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion.” In addition, the audit opinion paragraph will specify whether, in the auditor’s opinion, (a) with respect to IUFRR, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to the audit report⁵, expenditures are eligible for financing under the Grant Agreement. A sample audit report wording for an unqualified audit opinion is shown at Annexure 4.

⁵ A sample audit report wording for an unqualified audit opinion is shown at Annexure 4.

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

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

Management Letter

In addition to the audit report on the project financial statements, the auditor may prepare a management letter containing suggestions for improvement in internal control and other matters coming to the attention of the auditor during the audit examination.

Where a management letter is prepared by the auditor, a copy of the same will be supplied to the Bank. Else, a written advice may be made that no management letter was prepared together with the audit report on the project financial statements.

General

The auditor should be given access to any information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. The information made available to the auditor should include, but not be limited to, copies of the Bank's Project Appraisal Document, the relevant Legal Agreements, a copy of these Guidelines, and a copy of the Bank's Financial Management Assessment of the project entity. It is highly desirable that the auditor become familiar with other Bank policy documents, such as OP/BP 10.02, the Bank's internal guidelines on Financial Management that include financial reporting and auditing requirements for projects financed by the World Bank. The auditor should also be familiar with the Bank's Disbursement Manual. Both documents will be provided by the Project staff to the auditor.

Annexure 1: Statement of Sources and Application of Funds

Project Financial Statement

IDA No. _____

Project Name _____

Financial statement as on _____

Particulars		Current year	Last year	Cumulative for the project
Source of funds				
<i>World Bank funds</i>	(A)			
<i>Government funds</i>	(B)			
<i>Community Contribution</i>	(C)			
Total sources	(A+B+C)			
Application of funds				
<i>Social Mobilization and Participatory Watershed Planning</i>	(D)			
<i>Watershed Treatment and Rain-fed Agriculture Development</i>	(E)			
<i>Enhancing livelihood opportunity</i>	(F)			
<i>Knowledge Management and Project Coordination</i>	(G)			
<i>Government staff cost</i>	(H)			
Total expenditure	(I)=Sum (D to H)			
Advances	(J)			
Total uses	(I+J)			

Notes:

1. *This financial statement is prepared on a cash basis of accounting as per provisions of the Financial Rules and codes applicable.*
2. *The above figures will be based on monthly/quarterly abstract accounts prepared by the accounts compiling officers, duly reconciled by the respective DDOs, with details of un-reconciled amounts to be furnished.*
3. *Names of accounting units whose financial statements are aggregated to prepare the consolidated accounts.*
4. *Any other project specific Note.*
5. *The amount of community contribution collected as per the project records towards revolving fund for maintenance of assets created is Rs._____ and the cumulative collection of community contribution is Rs._____.*

Reconciliation of Claims to Total Applications of Funds

Name of the Project _____

Loan / Credit / Grant No. _____

Report for the year ended _____

	Schedules	Amt (Rs. Million)		
		Current Year	Previous Year	Project to date
Bank Funds claimed (A)	I			
Withdrawal Claims for 1 st IUFR				
Withdrawal Claims for 2 nd IUFR				
Withdrawal Claims for 3 rd IUFR				
Withdrawal Claims for 4 th IUFR				
Total bank funds claimed				
Total Expenditure made during the year (B)				
Expenditure as per books of account				
Less: Outstanding advances (C)	II			
Ineligible expenditures (D)	III			
Expenditures not claimed (E)	IV			
Total Eligible Expenditures Claimed (F)=(B)-(C)-(D)-(E)				
World Bank Share @xx% of (F) above (G)				
Claims in excess of expenditure (A-G)				

CFAO_____
Chief Project Director_____
Date_____
Date

Notes:

1. Total expenditure made during the year (B above) must be the same as the Total Expenditures shown on the Statement of Sources and Applications of Funds
2. Outstanding Advances (C above) reflect funds drawn but not settled by the end of the year (i.e. unsettled advances).
3. Expenditures not claimed (E above) may reflect timing differences for eligible expenditures incurred during the year but claimed after the year end.

Reconciliation of Claims Component wise

Name of the Project

Loan / Credit / Grant No.

Report for the year ended _____

	Audited Expenditure for Current FY	Audited Expenditure Cumulative till date	Claim percentage	Claims made during current FY	Claims eligible	Cumulative claims made	Cumulative claims eligible
<i>Social Mobilization and Participatory Watershed Planning</i>							
<i>Watershed Treatment and Rain-fed Agriculture Development</i>							
<i>Enhancing livelihood opportunity</i>							
<i>Knowledge Management and Project Coordination</i>							
Government staff cost							
Total							

Example of a Management Assertion Letter⁶

(Project Letterhead)

(To Auditor)

(Date)

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

- The project financial statements are free of material misstatements, including omissions.
- Project funds have been used for the purposes for which they were provided.
- Project expenditures are eligible for financing under the Loan/Credit agreement.
- There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.
- We have made available to you all books of account and supporting documentation relating to the project.
- The project has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Project Agreement, the Project Appraisal Document, the Minutes of Negotiations, and the Borrower's Project Implementation Plan.

(Chief Project Director)

(Chief Financial and Account Officer)

⁶ This sample management assertion letter is based on ISA 580, "Management Representations," Handbook of International Auditing, Assurance and Ethics Pronouncements, International Federation of Accountants, 2007

Sample Audit Report—Unqualified Opinion⁷**Report of the Comptroller and Auditor General of India**Addressee⁸**Report on the Project Financial Statements**

We have audited the accompanying financial statements of the _____ Project financed under World Bank Grant No._____, which comprise the Statement of Sources and Applications of Funds and the Reconciliation of Claims to Total Applications of Funds⁹ for the year ended _____, these statements are the responsibility of the Project's management. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the sources and applications of funds of _____ Project for the year ended _____ in accordance with Government of India accounting standards.¹⁰

In addition, in our opinion, (a) with respect to IUFRs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures

⁷ See relevant portions of Auditing Standards of the Comptroller and Auditor General of India as applicable from time to time for conditions where unqualified, qualified, adverse or disclaimers of opinion may appropriately be rendered.

⁸ The auditor's report should be addressed to the person stipulated in the underlying loan agreement as responsible for providing audited project financial statements.

⁹ Insert titles of other required statements and schedules included in or annexed to the project financial statements, if any.

¹⁰ Until the Ministry of Finance prescribes adoption of the accounting standards pronounced by GASAB or other body such as IPSAS, the accounting standards followed by the Government of India shall be the cash basis of accounting applied with due regard to the General Financial Rules, PWD codes, Treasury codes and similar financial rules and codes as are in effect and applicable to the operations of the project.

incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to this audit report, expenditures are eligible for financing under the Loan/Credit Agreement. During the course of the audit, IUFRs (each application no. and amount to be indicated) and the connected documents were examined and these can be relied upon to support reimbursement under the Loan/Credit Agreement.

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

[Auditor's Signature]

[Auditor's Address]

[Date]

TERMS OF REFERENCE FOR THE INTERNAL AUDIT OF PROJECT FINANCIAL STATEMENTS OF UTTARAKHAND DECENTRALISED WATERSHED PROJECT PHASE-II**I. INTRODUCTION**

Government of Uttarakhand through the Watershed Management Directorate (WMD) is initiating the process of preparing the Uttarakhand Decentralized Watershed Development Project Phase-II. The objective of the project is 'to increase the efficiency of natural resource use and productivity of rainfed agriculture by participating communities in selected micro watersheds of the State of Uttarakhand'.

The objective encompasses three themes:

- a. Community participation in watershed development and management aimed at integrating land-water use with the objectives of moisture retention and bio mass production, while simultaneously enhancing incomes and livelihood options;
- b. Strengthening administrative capacity of Panchayats (at district , block and village levels) to manage project financial resources, implement sub projects, deliver legally mandated activities (in the context of natural resource management), and to sustain these services beyond the duration of the project; and
- c. Ensuring equitable participation by all groups- especially the landless and women who rely disproportionately on common- pool resources for fodder, fuel and other forest products.

Project Components: The project has four main components:-

- Social Mobilization and Participatory Watershed Planning
- Watershed Treatment and Rain-fed Agriculture Development
- Enhancing livelihood opportunity
- Knowledge Management and Project Coordination

Project boundaries: The Project will be operational within the state of Uttarakhand. Tentatively the projections are that the Project will be operational in 509 Gram Panchayats within 8 selected districts of the state within 700 mt to 2700 mt. altitude.

Implementation Arrangements

State level: The Watershed Management Directorate (WMD) under the leadership of the Chief Project Director will be responsible for overall implementation of the project. The responsibilities of the WMD would be: overall management of the project; ensure timely release of funds to the Project Directors, Divisional Project Directors and Gram Panchayats. Monitoring physical and financial progress; monitoring of socioeconomic and environmental impact; organizing training of the project staff at various levels; and, implementing the communications strategy for the project.

State Steering Committee: A state level steering committee will be established to provide overall guidance, policy support and to facilitate inter-departmental coordination. The Chief Project Director will be the Secretary of the Committee. Committee will comprise elected representatives of the Gram Panchayats, Zilla Panchayats, and Non-Governmental Organizations, academic and technical institutions. The remainder will comprise of representatives from relevant government line departments.

District / Division level: Below the CPD, the WMD has two Project Directors (PDs); one each for Gharwal and Kumaon regions. Below the PD are Deputy Project Directors (DPDs); each with a number of Multi-Disciplinary Teams (MDTs) of 4-6 people. There will be in total eight divisions, out of which six will be run by DPDs of Watershed Management Directorate and the rest two will implemented by Partner NGOs. For these two divisions, fund will be transferred directly to the concerned GPs on the recommendation of Partner NGOs. The DPD and the team will appraise the GP plans using the guidelines for appraisal provided in the Operations Manual and Transfer the funds into the GP accounts as per Financial Manual for the Gram Panchayats.

The DPD with the assistance of the MDTs will be responsible for dissemination of key messages to the community regarding the project's rules, procedures and terms of participation and to ensure that the key concept of community driven development is conveyed to the stakeholders at the GP and village level.

Gram Panchayats: GPs will be the key institutions in project implementation. GPs will receive all project funds from WMD /DPD allocated for treatment of watersheds, village development and income generation activities. The GP's primary responsibility would be to ensure that planning and execution is inclusive, transparent and efficient.

Funds Flow Mechanism

The Government of India (GOI) will pass on the World Bank funds to the State Governments in accordance with the relevant policies and procedures applicable to passing on funds to the State governments. GOI would provide funds (Bank funds and counterpart funds) to the WMD

through ACA. State Governments would provide funds (World Bank funds and counterpart funds) for the project Watershed Management Directorate through annual budgetary allocations (which would be based on annual work plans). WMD would release funds to their DDOs for own expenditure and Grant in Aid for transfer of funds to GPs. WMD would claim reimbursement from the Bank based on the actual expenditure by submitting IUFRR as per agreed timelines.

In this context it is felt that an internal audit of the financial statements of the various project constituents is necessary to ensure that project funds are utilized as per the World Bank and GOUA norms. This ToR sets out the suggested terms of that engagement.

Objectives and Scope of the Audit

4. The overall objectives of the audit is twofold: (a) to audit the internal control framework working within the project through internal audit of the offices and divisions and (b) audit the implementing agencies in the field covering the entire transaction cycle.
5. The objectives of the internal audit are to: (i) enable the auditor to express a professional opinion on the effectiveness of the overall financial management, accounting system and procurement arrangements; (ii) whether the overall financial management and arrangements including the system of internal controls as documented in the PAD, Operation Manual, Procurement Manual & Financial Management Manual are in practice, effective and adequate, commensurate to the nature of the operations, and (iii) provide project management with timely information on financial management aspects of the project, including internal controls and compliance with financing agreements, to enable follow-up action.
6. The audit would cover the entire project i.e., covering all sources and application of funds by Head Offices and District/Division offices and Support Organizations (i.e. PNGOs). The audit would also cover all consultancies or contracts that may be entered into by the implementing agencies. The internal audit should be carried out in accordance with the Auditing Standards prescribed by the Institute of Chartered Accountants of India and will include such tests and controls, as the auditor considers necessary under the circumstances. The audit plan for each quarter would be worked out with the WMD. The audit should be planned in such a way that all the offices involved in the project are covered by the auditor at least once in a year. The audit would also cover sample of 20% GPs every year.
7. Specific areas of coverage of the audit will include the following:
 - a) An assessment of the adequacy of the project financial management systems¹, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls, and any needs for revision; level of compliance with established policies, plans and procedures; reliability of accounting systems, books of accounts, data and financial reports; methods of remedying weak controls or creating controls in areas where they are lacking and verification of assets and liabilities.
 - b) Efficiency and timeliness of the funds flow mechanism at the Head Offices and District/Division offices.

¹ The project financial management systems would include methods and records to identify, assemble, analyze, classify, record and report on transactions and to maintain accountability for the assets and liabilities.

- c) Whether the project is monitoring the receipt of periodic reports (including financial reports), IUFs and other documentary evidences against payments.
- d) Whether the accounts of the project are complied in a timely manner at Head Office and Division level
- e) An assessment of compliance with provisions of financing agreements (IDA Financing Agreement and Project Agreement), especially those relating to procurement, accounting and financial matters.
- f) Adherence to Government orders, project principles and procedures prescribed in the Project Appraisal Document, Operation Manual, Procurement manual & Financial Management Manual for the Project and the administrative rules and regulations made under the project from time to time.
- g) All external funds received under the project have been used in accordance with the financing agreements, with due attention to economy, efficiency and effectiveness, and only for the purposes for which the financing was provided;
- h) Funds to GPs are released as per the agreed timelines and expenditures are being complied on a timely basis
- i) Expenditures charged to the project are eligible expenditures and have been correctly classified². This would also include ensuring accuracy of summary statement of expenditures/Trial Balances/Financial Monitoring Reports submitted by Districts/Divisions/Head Office.
- j) Goods, works and services financed have been procured in accordance with the World Bank procurement guidelines, procurement manual of the project and financing agreements;
- k) All necessary supporting documents, records, and accounts have been kept in respect of all project activities and that clear linkages exist between accounting records, accounts books and the periodic financial reports (IUF). Clear linkages should also exist between the books of account and reports presented to Government of Uttarakhand and reports presented to the World Bank; IUF should accurately reflect expenditures and activities on the Project.
- l) Adequate records are maintained regarding the assets created and assets acquired by the project, including details of cost, identification and location of assets and ensuring that there is a system of physical verifications of assets
- m) The auditor is expected to obtain and satisfactorily document sufficient audit evidence to support audit conclusions.
- n) Report any expenditure incurred by the project which should be disallowed.
- o) That the requirements set out in the fiduciary framework, which sets out the controls on project grants and directives with respect to their usage, are appropriately applied.
- p) That all necessary supporting documents and records have been maintained with respect to the Project expenditure and that the expenditures are reflected in the accounts of the Divisions in accordance with the accounting rules in place.
- q) That there are no cases of misappropriations or frauds detected and if there are that these are reported and appropriate action is taken.
- r) The auditor would verify NGO payments and comment on delayed/ pending payments due to NGO's/Consultants / Service Providers, etc.

Period and Timing of Audit

8. The Internal Audit will be for the period from _____ to _____, i. e. the financial year _____.

² these would be determined with reference to consistent practices and internal policies and with reference to documents such as the IDA Development Credit Agreement and Project Agreement, Project Implementation Plan and IDA Project Appraisal Document

9. The audit would be carried out on a concurrent basis in a manner that each Division/District of is covered at least once in a year. The work plan would be worked out in consultation with WMD.
10. Physical verification is required to be carried out by the auditor and the scope will be mutually decided between WMD and the auditor. At least 10% of the assets constructed under the project should be covered by the auditor.

Reporting

11. The auditors would submit quarterly reports and an annual report.
 - a) **Quarterly Reporting:** The Auditors will provide a quarterly report for the units audited during the quarter containing findings and recommendations to enable the Project Management to take timely action. The Report shall contain the records verified, deviations, if any, the adequacy of internal controls and the adherence to Government orders, and rules and regulations made from time to time under the project. The report should be discussed and agreed with the auditee and should be structured in a manner giving the observations, the implications of the observations, the suggested recommendation and the management comments/ agreed actions. In addition the internal auditor should provide an Executive Summary highlighting the critical issues which require the attention of the WMD and the status of actions on the previous recommendations. The audit observations should be supported by instances and quantified, as far as practicable.
 - b) The quarterly audit reports should be submitted within 45 days from the end of the quarter with a management letter, executive summary and the detailed report. The reports will be submitted to the WDD.
 - 1) The auditor will provide a report to Project Management highlighting findings during the period under review. This will be in the form of a Management Letter which will inter-alia include:
 - a) Comments and observations on the financial management records, systems and controls that were examined during the course of the review.
 - b) Deficiencies and areas of weaknesses in systems and controls and recommendation for their improvement.
 - c) Compliance with covenants in the financing agreement and comments, if any, on internal and external matters affecting such compliance.
 - d) Matters that have come to attention during the review and might have a significant impact on the implementation of the Project.
 - e) Any special review procedures required of a compliance nature (for example, compliance of the procurement procedures, procedure for selection of consultants etc. recommended by the World Bank).
 - f) Status of compliance to previous report and
 - g) Any other matters that the auditor considers pertinent.
 - 2) The Executive Summary should normally cover the following items
 - a) Objectives of the audit;
 - b) Methodology of the audit;
 - c) The status of implementation of the financial management system;
 - d) The status of compliance of the previous audit reports, including major audit observations pending compliance;

- e) The key areas of weaknesses that need improvement; classified into following areas
 - Disallowance of expenditure as per bank rules
 - Procedural Lapse
 - Accounting Lapse
 - Accounting books & records not maintained.
 - Difference between cash drawn and expenditure reported.
- f) Recommendations for improvements.

The annual review (at the end of the fiscal year) would include, in addition, the review of project financial statements for the year.

Audit committee / Finance Review Committee:

The Internal Audit Reports would be submitted on a quarterly basis to the project. The Audit Report will be reviewed by the Audit committee. The audit committee would meet on a quarterly basis to review the audit reports, findings and issues and take corrective action on the same. Any long pending issues will be required to be brought to the notice of the Project Director for necessary resolution. The auditor would be called upon by the audit committee to make presentations on the audit findings as and when required.

General

The Internal auditors shall be given access to all documents, correspondence, and any other information relating to the project. The auditors shall be provided with the relevant policies and guidelines, Project Appraisal Document (PAD) of the World Bank and other relevant documents like subject files of the project.

KEY PERSONNEL

1. . The list of key personnel being part of the audit team is as under:

S.No.	Key Professionals	Description of Services to be provided	Experience	No. of persons	Total Man months per year
1	Partner/ Audit Manager	Overall coordination, & planning, team leadership, reporting, liaison with client	Qualified Chartered Accountant with at least 15 years experience as a partner with expertise in the area of internal audit planning, execution and reporting.	1	1
2	Audit Team Leader	Responsibility to lead the audit teams in the field, planning and execution of the audits, discussion with SPMU / PEAs and report writing and finalization.	Qualified Chartered Accountants with at least 5 years experience in internal audit with ability to lead and team and interact with senior level govt officials	1	3
3	Team Member	Field level audit of line departments including community groups and sample physical verifications of activities/ assets.	Qualified Chartered Accountants with experience in internal audit and report writing.	2	8

UTTARAKHAND DECENTRALIZED WATERSHED DEVELOPMENT PROJECT PHASE-II

(IDA Credit No. 5369-IN)

Application No.

Interim Unaudited Financial Report for the quarter ended _____ FY 20_____

IUFR-1

Rs. in Lakhs (Hundred Thousand)

Particulars	Expenditure	Non Eligible for claim	Eligible Expenditure for claim	Reimbursement %	Reimbursable amount	To be reimbursed from IDA	State share of Project
	Current Qtr.	Current Qtr.					
	1	2	(3) = (1) - (2)	4	5=3x4/100	6	7
Expenditure by Component:					0		
<i>Social Mobilization and Participatory Watershed Planning</i>							
<i>Watershed Treatment and Rain-fed Area Development</i>							
<i>Enhancing livelihood opportunity</i>							
<i>Knowledge Management and Project Coordination</i>							
<i>Government staff cost</i>							
TOTAL PROJECT EXPENDITURE							
FINANCED BY:							
GOUK							
IDA-World Bank							
Community							
TOTAL FINANCING							

Financial Controller:

Date:

Notes:

1. This statement is prepared on a cash basis of accounting as per provisions of the Financial Manual for the project.
2. The above figures will be based on monthly consolidation done by HO of the records maintained with the DPDs.

Project Director

Date:

UTTARAKHAND DECENTRALIZED WATERSHED DEVELOPMENT PROJECT PHASE-II
(IDA Credit No. 5369-IN)

Application No.

Interim Unaudited Financial Report for the quarter ended _____ FY 20____

IUFR -2

Rs. in Lakhs (Hundred Thousand)

Particulars	Expenditure	Non claimable	Eligible Expenditure	Reimbursement %	Reimbursable amount	To be reimbursed from IDA	State share of Project
	Cummulative	Cummulative					
	1	2	(3) = (1) - (2)	4	5=3x4/100	6	7
Expenditure by Component:					0		
<i>Social Mobilization and Participatory Watershed Planning</i>							
<i>Watershed Treatment and Rain-fed Area Development</i>							
<i>Enhancing livelihood opportunity</i>							
<i>Knowledge Management and Project Coordination</i>							
<i>Government staff cost</i>							
TOTAL PROJECT EXPENDITURE							
FINANCED BY:							
GoUK							
IDA-World Bank							
Community contribution							
TOTAL FINANCING							

Financial Controller:

Date:

Project Director

Date:

Note:

1. This statement is prepared on a cash basis of accounting as per provisions of the Financial Manual for the project.
2. The above figures will be based on monthly consolidation done by HO of the records maintained with the DWDs.

UTTARAKHAND DECENTRALIZED WATERSHED DEVELOPMENT PROJECT PHASE-II
(IDA Credit No. 5369-IN)

Interim Unaudited Financial Report for the quarter ended _____ 20____

IUFR-3

Rs. in Lakhs (Hundred Thousand)

	Social mobilization and Participatory watershed planning		Watershed Treatment and Rainfed Area Development		Enhancing livelihood Opportunities		Knowledge Management and Project Coordination		Government Staff cost		Sub Total		Other Advances		Grand Total	
	For the	CTD *	For the	CTD	For the	CTD	For the	CTD	For the	CTD	For the	CTD	For the	CTD	For the	CTD
	Quarter		Quarter		Quarter		Quarter		Quarter		Quarter		Quarter		Quarter	
PD Kumaon																
Almora																
Pithoragarh																
Bageshwar																
PD Garhwal																
Dehradun																
Pauri																
Tehri																
PMU																
Rudraprayag																
Uttarkashi																
CPD (Directorate)																
TOTAL																

Financial Controller
Date :

Project Director
Date :

UTTARAKHAND DECENTRALIZED WATERSHED DEVELOPMENT PROJECT PHASE-II
(IDA Credit No. 5369-IN)

Interim Unaudited Financial Report for the quarter ended..... FY 20.....

IUFR-4

Rs. in Lakhs (Hundred Thousand)

Particulars	Almora	Pithorogarh	Bageshwar	Dehradun	Pauri	Tehri	Rudraprayag	Uttarkashi	Model WS*	PD (G)*	PD (K)*	CPD* (Directorate)	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13
Budget received from Government													
Transferred to DDOs													
Total Receipts (A)													
Component Wise Expenditure													
<i>Social Mobilization and Participatory Watershed Planning</i>													
<i>Watershed Treatment and Rain-fed Area Development</i>													
<i>Enhancing livelihood opportunity</i>													
<i>Knowledge Management and Project Coordination</i>													
<i>Government staff cost</i>													
Total Expenditure(B)													

Financial Controller

Date:

Project Director

Date:

- * - Model WS: Model Watershed
- PD (G): Project Director (Garhwal)
- PD (K): Project Director (Kumaun)
- CPD: Chief Project Director

UTTARAKHAND DECENTRALIZED WATERSHED DEVELOPMENT PROJECT PHASE-II

(IDA Credit No. 5369-IN)

Interim Unaudited Financial Report for the quarter ended _____ FY 20_____

IUFR-5

Rs. in Lakhs (Hundred Thousand)

Date	Period	IUFR/Application No.	Expenditure Reported	Claims Requested	Claims Reimbursed	RF/WF No.

Financial Controller

Date:

Project Director

Date:

UTTARAKHAND DECENTRALIZED WATERSHED DEVELOPMENT PROJECT PHASE-II

(IDA Credit No. 5369-IN)

Interim Unaudited Financial Report for the quarter ended _____ FY 20____

Payments made during Reporting Period Against Contracts

IUFR 6

Rs. in Lakhs (Hundred Thousand)

DDO name	Contract Number/ Work order no.	Supplier	Contract Date	Original Contract Amount	Revised contract amount	Payment in this quarter	Total amount paid till date	Payment vs. contract percentage

Financial Controller
Date:

Project Director
Date:

UTTARAKHAND DECENTRALIZED WATERSHED DEVELOPMENT PROJECT PHASE-II
(IDA Credit No. 5369-IN)

Interim Unaudited Financial Report for the quarter ended _____ FY 20__

GP wise balances

IUFR -7

Rs. in Thousand

<i>Location</i>			<i>GP Advance released</i>	<i>Amount spent</i>			<i>Closing Balance</i>
<i>Division Name</i>	<i>Unit Name</i>	<i>GP Name</i>		<i>Water shed Treatment</i>	<i>VGF</i>	<i>Admin exp</i>	

Financial Controller
Date:

Project Director
Date: