



FOREST DEPARTEMENT  
GOVERNMENT OF ASSAM

ASSAM PROJECT ON FOREST AND  
BIODIVERSITY CONSERVATION SOCIETY  
(APFBCS)

**FINANCIAL MANAGEMENT MANUAL**

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## Abbreviations and acronyms

<b>AA</b>	Annual Assessment
<b>AACP</b>	Assam Agricultural Competitiveness Project
<b>ACA-EAPs</b>	Additional Central Assistance for Externally Aided Projects
<b>ACF</b>	Assistant Conservator of Forest
<b>ACR</b>	Annual Confidential Report
<b>ACs</b>	Accounting Centres
<b>ADA</b>	Additional Dearness Allowance
<b>ADB</b>	Asian Development Bank
<b>AfD</b>	French Development Agency
<b>AFD</b>	Forest Department, Assam
<b>AIP</b>	Annual Implementation Plan
<b>APCCF</b>	Additional Principal Chief Conservator of Forests
<b>APFBC</b>	Assam Project on Forest and Biodiversity Conservation
<b>ARIASP</b>	Assam Rural Infrastructure & Agricultural Services
<b>BPL</b>	Below Poverty Level
<b>CA</b>	Chartered Accountant
<b>CAA&amp;A</b>	Comptroller of Aid, Accounts & Audit
<b>CAG</b>	Comptroller & Auditor General of India
<b>CCF</b>	Chief Conservator of Forests
<b>CDM</b>	Clean Development Mechanism
<b>CF</b>	Conservator of Forests
<b>CFA</b>	Credit Facility Agreement
<b>CD</b>	Component Director
<b>CSO</b>	Civil Society Organization
<b>DC</b>	Deputy Commissioner
<b>DDO</b>	Drawing and Disbursing Officer
<b>DEA</b>	Department of Economic Affairs
<b>DFO</b>	Divisional Forest Officer
<b>DOA</b>	Department of Agriculture
<b>DOEF</b>	Department of Environment and Forests
<b>DRDA</b>	District Rural Development Agency
<b>EC</b>	Executive Committee
<b>EDC</b>	Eco-Development Committee
<b>ESIA</b>	Environmental & Social Impact Assessment
<b>FGD</b>	Focus Group Discussion
<b>FIU</b>	Field Implementation Unit
<b>FMM</b>	Financial Management Manual
<b>FMRs</b>	Financial Monitoring Reports
<b>FUGs</b>	Forest User Group
<b>FYM</b>	Farm Yard Manure
<b>GB</b>	General Body
<b>GIS</b>	Geographic Information System
<b>GoA</b>	Government of Assam
<b>GoI</b>	Government of India
<b>GP</b>	Gram Panchayat
<b>ICB</b>	International Competitive Bidding
<b>ICDS</b>	Integrated Child Development Services
<b>IGA</b>	Income Generation Activities

<b>JFM</b>	Joint Forest Management
<b>JFMC</b>	Joint Forest Management Committee
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MoEF</b>	Ministry of Environment & Forest
<b>MoU</b>	Memorandum of Understanding
<b>MTR</b>	Mid Term Review
<b>NABARD</b>	National Bank for Agriculture and Rural Development
<b>NAEB</b>	National Afforestation and Eco-Development Board
<b>NAP</b>	National Afforestation Programme
<b>NCB</b>	National Competitive Bidding
<b>NGO</b>	Non Government Organization
<b>NREGA</b>	National Rural Employment Guarantee Act
<b>NTFP</b>	Non Timber Forest Produce
<b>NWFP</b>	Non-Wood Forest Produce
<b>OM</b>	Operational Manual
<b>OBC</b>	Other Backward Castes
<b>PA</b>	Project Agreement
<b>PCCF</b>	Principal Chief Conservator of Forests
<b>PCCF&amp;HoFF</b>	Principal Chief Conservator of Forests and head of Forest Force
<b>PD</b>	Project Director
<b>PF</b>	Protected Forest
<b>PFS</b>	Project Financial Statements
<b>PHC</b>	Primary Health Centre
<b>PMU</b>	Project Management Unit
<b>P-NGO</b>	Partner NGO
<b>PRA</b>	Participatory Rural Appraisal
<b>PRI</b>	Panchayati Raj Institutions
<b>RBI</b>	Reserve Bank of India
<b>RF</b>	Reserved Forest
<b>SBD</b>	Standard Bidding Documents
<b>SC</b>	Scheduled Caste
<b>SDC</b>	Sub-Divisional Commissioner
<b>SHG</b>	Self Help Group
<b>ST</b>	Scheduled Tribe
<b>TA</b>	Technical Assistance
<b>VDC</b>	Village Development Committee

## **PART A – REFERENCE GUIDE**

### **Introduction**

The objective of the Financial Management is to optimize financial and economic benefit from an investment. Financial management comprises multiple tasks and processes including management, strategic planning, forecasting, operational planning, financial accounting, budget cost accounting, fund flow, procurement, asset accounting, financial reporting, internal controls, internal audit and external audit providing a report and opinion on the reported financial status and performance. The financial management system is to enable and facilitate the implementation of the APFBC to achieve the desired goals and objectives outlined in the Project Document.

A Financial Management Manual (FMM) covering the above processes is finalised for AFBCP for the disbursement of AFD funds. The APFBC Society will function as Executing Agency for the project and though the Rules and Regulations of the society detail the basic probably explore further improvement in the FMM to enhance efficiency of fund flow, its utilization and accounting.

The FMM is divided into two parts (Part A & Part B). The first part (Part A) is a Reference Guide documenting policies and overall financial management of project that will assist the staff to manage and supervise the project to acceptable financial management standards. The chapter plan for Part A Reference Guide is as follows:

1. Introduction:
2. Policies on Accounting and Financial Management
3. Funds Flow
4. Staffing and Supervision
5. Accounting and Consolidation
6. Auditing Arrangements

The second (Part B) Field Manual will work as a Field Guide to be used by all entities involved in the project including the PMU and the Accounting Centres (ACs) for the day-to-day management of the project. The chapter plan for Part B Field Manual contains the following:

1. Chart of Accounts
2. Books of Accounts
3. Guidance for recording and accounting transactions
4. Banking Arrangements
5. Submission of Periodic Information
6. Reimbursement from the French Development Agency AFD

An Appendix consisting of Formats of Books, Registers and Reports will be annexed to the FMM.

## PART A - REFERENCE GUIDE

### A.1 DEFINITIONS

1.1	Transfer	In this manual "Transfer" denotes release of funds drawn by the Forest Department as grants in aid to the PMU and further release of funds from the PMU to the Accounting Centers.
1.2	Advance	Advance will paid to the employees, contractors and suppliers etc under special circumstances in anticipation of their actual requirements. However advances to contractors will be paid as per the provisions of their contract, (to be based on the standard bidding document of the AfD) and no specific authorization will be required if such advance is paid as per the provisions of the contract. More specifically, civil works contracts have a provision for payment of mobilization and equipment advance against security of an irrevocable bank guarantee for the amount advanced. In all other cases, advances shall be paid only under the orders of the competent authority and after taking full security for summary recovery of the advance in the event of its not being adjusted against work done, goods supplied or services rendered.
1.3	Expenditure	All payment made by Accounting Centers under the Project Implementation arrangements for works done or services rendered shall be termed as expenditure excluding advance payment and payment of Government dues and deductions recovered from the salary bills or from the bills of the contractors / suppliers and other employees.
1.4	Accounting Centre	Each office responsible for incurring expenditure under the project will be declared as an Accounting Centre (AC) under the project. Each AC will be subject to the normal financial supervision under the project including timely reporting, compliance with project financial management guidelines as documented in the Financial Management Manual, audit etc. DDO of each AC shall be the person primarily responsible for implementation of sound FM guidelines and the ACs under him/her. S/He will be assisted in this function through training, capacity building support by the PMU
1.5	Consolidation Centre	PMU is to function as Consolidation Centre for the Project. ACs will record and report project information in books of account which will be maintained manually. They will report expenditure / other information in the form of monthly accounts to the Project Director, PMU in pre-specified formats. These monthly Accounts will be entered in software at PMU for purposes of consolidation of project level information.

## A.2. POLICIES ON ACCOUNTING AND FINANCIAL MANAGEMENT

2.1 Purpose: FMM describes the Accounting and Financial Management policies, procedures of the APFBC financed by the AfD and the Government of Assam. The manual also details controls and specific methods to check the accuracy and reliability of recorded account data and promote efficiency in the accounting and financial management operations. The PMU and the APFBC Society are to closely use accounting data and financial management reports constantly to measure the impact and use of inputs and outputs and adjust inputs and outputs in response to achieve bottom line objectives and built it's capabilities as the implementations proceed.

### 2.2 Basic principles

Non Revenue Earning Public Sector Projects need to ensure good financial management and governance arrangements. The good financial management and governance has two fold intentions: firstly- ascertain the financial viability and sustainability by adequate accounting systems and secondly- appropriate management and use of externally aided AfD financial assistance. Four pillars of a good financial governance<sup>1</sup> are:

<b>Accountability</b>	<b>Participation</b>
By focusing on efficient, transparent and cost effective fund utilization without compromising with parameters of quality, quantity and timeliness.	Involvement of target groups / beneficiaries in development of programs and projects, development of closer interfaces between project and people, bottom up planning process and cooperation with NGOs.
<b>Predictability</b>	<b>Transparency</b>
Enhancement of effective operations of the Society and enforcement of regulatory mechanisms for development and capacity building of the Society / Forest Department	Disclosure of information ranging from state to field level data base to annual financial reporting by the APFBC Society.

The project requires sound financial policies, adequate accounting records, proper system of internal control, timely reporting to management, period bound comprehensive auditing and gradual and steady improvements in financial report with capacity build up.

The following Financial Management and Accounting System Policies are suggested in view of the above considerations.

2.3 The project accounts will be maintained in the double entry system and will follow the cash basis of accounting. However certain receivables and payables, with specific mention and stating reasons in the Notes on Accounts, may be accounted for an accrual basis.

<sup>1</sup> Financial Management and Analysis of Project, ADB June 2005. Refer internet link: [www.adb.org/documents/guidelines/financial](http://www.adb.org/documents/guidelines/financial).

- 2.4 the project being jointly funded by the GoA and the AfD, its accounts reflect the total expenditure incurred by the Project. Therefore, all receipts; payments and expenditure are to be recorded as gross amounts, irrespective of the extent to which these expenses may be reimbursable by the AfD.
- 2.5 No depreciation will be charged on the assets procured under this project.
- 2.6 Funds received from the GoA are to be treated as receipts of Grants by the Project. Release of funds from the PMU to the ACs is to be considered also as transfer of Grant and recorded as expenditure only upon release of expenses by the ACs against works done, goods supplied or services rendered.

2.7 Contractors and Suppliers Payments:

Payments for all works done otherwise by daily labourers and for all supplies received will be made on the basis of measurements recorded in Measurement Books. Advance payment may be made to a works contractor as per provision of the contract only. But in case of supplies, no payment is permissible until the stores have been received, verified and accepted, except where payments are required to be made through Letter of Credit (LC) established in a commercial Bank against irrevocable Bank Guarantee as a security against the amount advanced.

When a sanctioned work is completed, all outstanding liabilities should be discharged as soon as possible and the account of the work should be closed. It may be noted that all payments made to contractors and suppliers, unless in accordance with the above, are to be treated as payments of advances to them and are to be as per provisions of their contracts. Such advances are to be fully secured by irrevocable Bank Guarantees furnished by the party concerned and will be considered as an expenditure only upon completion of the work / supply as detailed above. All the payments will be made through bank cheques only.

2.8 Accounting at Departmental level:

Each office responsible for incurring project related any expenditure will be declared as an Accounting Center (AC) under the project. Each AC will be subject to the normal financial supervision under the project including timely reporting, compliance with project financial management (FM) guidelines as documented in the Financial Management Manual (FMM), audit etc. Project Director shall be primarily responsible for implementation of sound FM guidelines for the ACs under the project. ACs and PMU Officers/staff will be assisted in this function through training, capacity building support by the PMU.

2.9 Consolidation and use of software:

ACs will record and report project expenditure in books of account which will be maintained manually. They will report expenditure/ other information in form of 'Monthly Accounts' to the Project Director in the PMU in pre-specified formats. These monthly accounts will be entered in a software at the PMU for purposes of consolidation and compilation of information on the project as a whole.

2.10 Banking:

All accounting centres (ACs) involved in the project will be instructed to open/maintain accounts with branches of either one or (at the most) two banks selected by the PMU. These bank accounts will be used exclusively for receipts and payments of the project. Using network of the same bank will enable efficient transmission of funds. All bank accounts under the project will be under joint signatures i.e. to be signed jointly by more than one officer.

2.11 NGO Accounting:

Payments to NGOs will be made in accordance with contracts entered into with them which will be drawn within the following framework. Initial payment will be made based upon inception report, this will in no case exceed 10% of contract value. Subsequent periodic payments will be made in two parts; one for reimbursement of administrative expenditure and the second based on specific milestones, as approved by the PMU.

2.12 User groups:

Various user groups e.g. Dairy Development Committees, Beel Development Committees, Self Help Groups etc. may be involved in the project. An advance will be provided for their start-up activities but subsequent payments will be made based only after submission of complete expenditure information by them. Since many of the activities are being tried out for the first time in the project, it is planned to move to a milestone based payment once the systems of planning and control have been tested and found effective and fully satisfactory.

2.13 Planning and Budgeting:

Detailed Project Report (DPR) is to be considered as long term plan document of the Forest Department (FD). The technical and administrative approvals to the DPR by the GOA enable FD to assured budget provisions and state funding. Based on the DPR, the FD would pursue the state Government for annual allocation of funds in the State Budget based on the Annual Work Plan. The Annual Work Plan becomes the Annual Scheme of the AFBCP Society. The responsibility of completing these plans rests with the following stakeholders:

Sr. No.	Task	Responsible stakeholder	Role	Output
02	Annual Work Plan	PMU	Formulation of Annual Work Plan based on inputs from ACs.	Annual Scheme submitted to the AFD
		AFD	Obtaining approval to Annual Scheme	Finance dept allocate funds to Annual scheme
		Finance Dept	Release of funds for Annual Scheme to AFD	AFD place funds with PMU for Annual Scheme

The timetable: Assuming that the process of formulation, approval of Annual Scheme will take three months the PMU will begin process in the month of December every year or even earlier.

#### 2.14 Unit Cost Rates:

Costs are to be treated consistently with approved policies and procedures of the State Government such as Departmental Schedule of Rates of the PWD for Civil works, Forest Department Schedule of Rates for forest management such as plantation etc. The PMU may, based on these as well as actual quotes, prepare and update unit costs for goods and equipments. (Vehicles, computers, equipments, plantations, etc.)

#### 2.15 Inflation rates:

The inflation of 5% per year following IMF forecasts and as agreed by the GoA and the AFD will be applicable for the project budget.

#### 2.16 Taxes, duty or levy of any kind:

In line with the DEA-AFD MoU (signed in September 2008) and with procedures that generally apply to bilateral and multilateral Donor operations in India, taxes, duty or levy of any kind that will apply to the project will be borne by the Indian authorities. Based on information received from the AFD, taxes and duties to the project have been estimated to 5% (approx. 2.5 M€) of the total budget.

2.17 Contribution of GoA to the project budget:

As agreed, the GoA will provide a financial contribution to the project amounting to minimum 10% of the total budget of the project. This 10% ratio will include taxes, duties or levy of any kind, as well as salaries of Officials working with or deputed to the PMU (on part-time or full-time basis). In addition, in-kind contributions to the project by the GoA (such as for instance office rent, office management and maintenance etc.) could also be part of the GOA's 10% contribution to the total budget of the project.

2.18 Wages:

Many project activities to be implemented at field level are labour intensive. In order to anticipate wages fluctuations that could affect the project, AFD anticipates a yearly increase of 10% in the wage cost. This fluctuation has been applied to salaries of enrolled/hired staff in the PMU.

2.19 Recording of Assets and inventories and inventory control:

A statement showing the inventory of fixed assets held by the Society at the end of each financial year shall be sent to the Government of Assam along with annual statement of accounts. No depreciation shall be charged and the value of the assets will be shown at the original cost in books of accounts.

2.20 Utilization Certificate:

In respect of grants received from the Government of India and other sources Utilisation Certificate shall be sent to the Environment and Forest Department, GoA and to the Programme Officers of respective donor / funding agencies along with audited statement of accounts.

2.21 Property, income:

All movable, immovable Property and income if any derived, shall be utilised towards promotions of the objectives thereof the AFBCP Society subject nevertheless to financial discipline in respect of the expenditure of grants imposed by the state Government from time to time.

2.22 Bidding Procedures

It shall be followed as per the Procurement Procedure Manual. The PPM is based on the prevailing WB Procurement Manual.

2.23 Appropriation of surpluses and deficits:

The society may utilize surpluses for activities supporting its objectives. However, the Steering Committee may consider different options and decide on most suitable and appropriate ones. Regarding deficit, the Steering

Committee may forward a proposal for meeting the deficit to the GoA with acceptable justification and recommendation.

2.24 Internal checks:

There are checks and controls at FIU, PMU and the Governing Body of the Society. These checks are integral part of the system. These adequate internal checks and controls would be able to balance financial data frequently and to report project financial results at intervals.

2.25 Internal and External Audit

The Society shall cause regular accounts to be kept of its fund. The principle of commercial accounting will be followed in maintenance of accounts in such forms as may be prescribed as per Project Agreement between the AfD and the GoA.

2.26 Write off:

The Society is not permitted to write off any liability arising under any circumstances. The Steering Committee may consider different options to recover any losses or damages to the Society on account such liability.

2.27 Financial Reporting and Records:

PMU and the FIU will produce financial statements, reports, balance sheets, and records on financial management in the standardized formats on pre-determined timing or frequency. All financial records are to be supported by source documentation. The formats for reporting and records are annexed to the Part B Field Manual. Reports can compare actual expenditure and planned expenditure. The Society accounting system is to ensure fulfilment of the AfD requirement of generation of Statement of Expenditure. The reporting from FIUs to the PMU will be on a monthly basis by 15th of every month where as PMU reporting to GB will be quarterly and PMU/GB reporting to SC will be on a biannual basis.

2.28 Public Disclosure:

The Project Director shall ensure that the Society establishes procedure and processes that ensure regular disclosure of annual work plans, annual reports, budget, actual transfer, bidding documents, evaluation of bids, audit statements and any other information considered to be in the interests of ensuring complete transparency in discharge of the functions of the Society. The Society shall employ any technology and media required to ensure widest possible disclosure.

2.29 Grievance Redressal System:

The Project Director shall ensure that the Society establishes and maintains a transparent, effective and efficient complaints handling system that will make certain that any allegations concerning corruption, collusion, misappropriation or non-adherence to procedures and guidelines of the project are investigated and appropriate follow up action taken. The Society may approach existing vigilance set up at district, state and national level. The Society may utilize services of the Directorate of Financial Inspection as well as technical audit by the Central Vigilance Commission (CVC) if and when required.

2.30 Chart of Accounts:

Individual expenses are coded in a manner to ensure that any expense incurred is charged to the correct budget head approved. The Society will maintain the following accounts and records:

- Format – 1: Statement of Sources and Uses of Funds (Entire Project)
- Format – 2: Statement of Uses of Funds (Entire Project)
- Format – 3: Statement of Expenditure (SOE)
- Format – 4: Statement of Withdrawal of Proceeds
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### **A3. FUND FLOW MECHANISM**

#### **3.1. AfD Finance to APFBC**

As per the “Procedures and Guidelines related to the implementation of Externally Aided Projects in the Government of India” (ODA guidelines) provided by the Department of Economic Affairs (DEA), AfD loan to the Government of India (GoI) is reassigned out of the central budget in the form of an on lending to the beneficiary State, on a loan/grant basis and in the ratio of 10:90% applicable to the 11 Special Category States including state of Assam. According to DEA/AfD MoU, AfD’s loan term will be 20 years, including 5 years grace period at Euribor flat without any commission charge.

3.2 The traditional practice consists in a Credit Facility Agreement (CFA) being signed between the AfD and the GoI (Ministry of Finance, DEA). This Credit Facility Agreement does not give rise to any specific on-lending agreement between GoI and the given beneficiary State.

3.3 Since no on-lending agreement between MoEF/DEA and the final beneficiary of the funds is signed, AfD, as like other donors (KfW, World Bank), will define a legal relationship with the final beneficiary through a "Project Agreement" separate from the "Credit Facility Agreement" but with appropriate cross references between both. The Project Agreement will cover all clauses related to implementation responsibilities.

#### **3.4 APFBC Fund Flow**

The APFBC funding is considered as Plan Budget because the funds will be made available by DEA, Government of India. Therefore the Fund flow mechanism suggested is identical to the Fund Flow for Plan Budget as follows:

The GoI passes on AfD funds to the GoA in accordance with the applicable policies and procedures for transfer of external assistance from GoI to States.

Initial Process Step: In consultation with the PMU and on the basis of approved Annual Work Plan, AFD will assess its funding requirements for the coming financial year, and forward this through the Environment and Forest Department, Planning and Development Department to the Finance Department, GoA for inclusion in the State Budget. Once approved by the State Legislature, this will appear in the Budget as EAP (Externally Aided Project).

As the AFD requires funds, it will request the Finance Department through the Environment and Forest Department to sanction release of fund from the State Treasury for transfer to the PMU account in a commercial bank. Upon receiving the funds, the PMU will be able to finance implementation activities and to release funds locally to designated bank accounts of the Accounting Centres (AC) of each Field Implementation Units (FIU).

At the beginning of each fiscal year, GoA will release the yearly budgetary allocation to the project in one instalment that will be considered as an advance

payment. Starting from the second year, the amount of the instalment to be released shall be made adjusted according to the progress of utilization of funds on the basis of the annual audit report of the project accounts.

No advance and only reimbursement will be accepted from AfD: expenditures incurred by the PMU from GoA resources on the basis of quarterly consolidation of monthly accounts – Statement of Expenditures (SOEs) to CAAA will be claimed for reimbursement from AfD. This will give rise to a disbursement from AfD on the Consolidated Fund of India (in INR, at prevailing exchange rate) through RBI, on a quarterly basis.

In short, the following steps are involved in the fund flow mechanism:

1. Based on approved DPR the PMU under the authority of the PCCF & HoFF will prepare the Annual Work Plan (AWP) including Annual Procurement Plan and submit the same to the Steering Committee of the APFBC Society for approval;
2. Annual Work Plan will be approved by the Steering Committee of the Society and that forms Annual Scheme for a given financial year;
3. This Annual Scheme is then submitted by the PMU to The Environment and Forest Department for administrative approval and is forwarded to the P&D and then to the Finance Department for inclusion of the required amount in the budget proposal of the State Government for the coming fiscal year;
4. The amount is budgeted in the GoA'S annual budget as part of the State Plan under the Externally Aided Project head of service;
5. Based on budget allocation the Forest Department requests the Finance Department through the Environment and Forest Department for release of fund;
6. The fund is released to the Forest Department which will be then placed at the disposal of the society by the forest department;
7. The funds will be further released by the Project Director of the PMU to the FIUs as per requirement;
8. FIUs will release funds to the JFMC accounts;
9. PMU submits re-imburement claim on a quarterly basis to the AfD through the CAAA, DEA;
10. AFD scrutinizes the expenditure and reimburses to the State Government through the DEA.

Fund Flow of AFBCP Budget

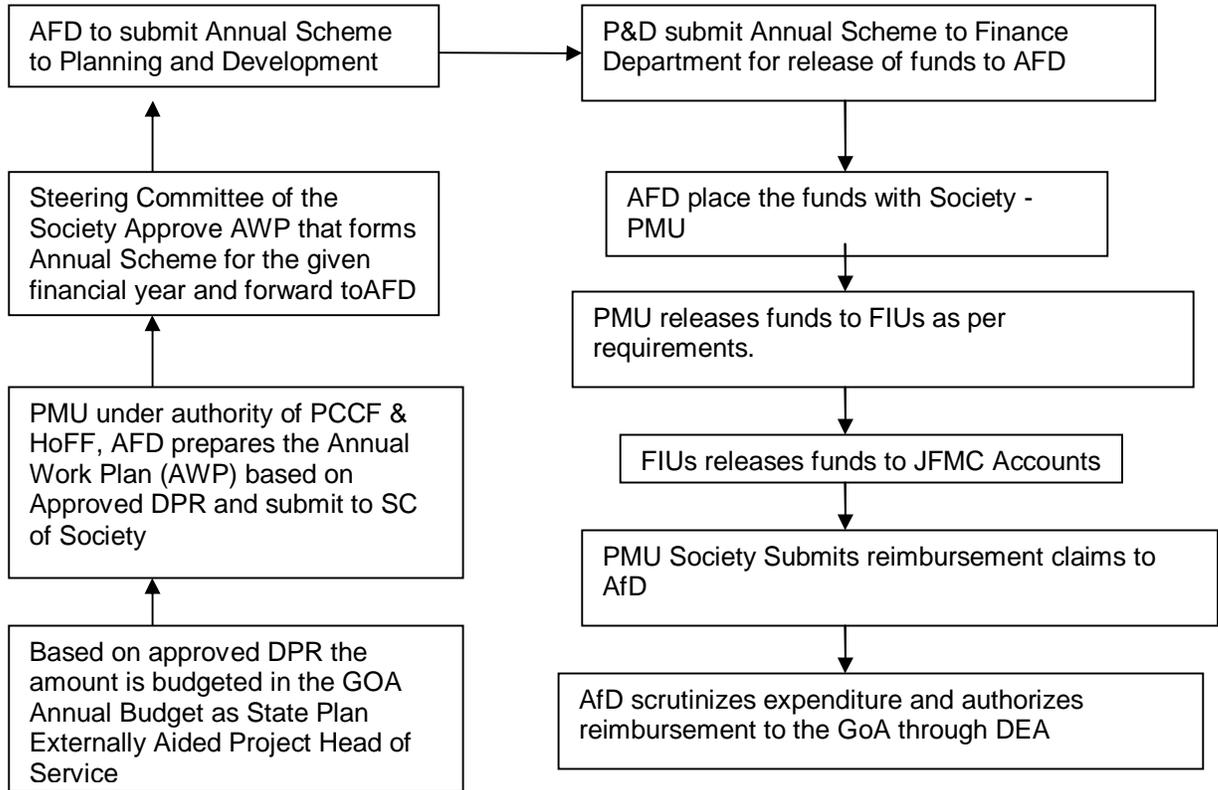


Diagram 1 Fund Flow for APFBC Society

3.5 Funds flow at field level

Flow of funds through the various layers of the project might be critical. By using commercial banking channels, funds flow is expected to be timely. Nevertheless, PMU would explore further improvement in banking arrangements to improve efficiency of fund flow. Also, regular and compulsory report of bank balances will provide an additional check over accounting centres.

Accounts with Nationalised Bank(s) and / or scheduled commercial banks would be maintained at all operating levels in the project (i.e. at the Division and JFMC Level). To ensure efficient and economical transfer of funds, all Accounting Centres will be required to maintain accounts with branches of one of two nominated banks having a widespread network in the state, as determined by the PMU.

Proposals for time bound use of funds will be prepared by accounting centres within the framework of the approved annual budget and the annual work plan and submitted to the PMU with intimation to the PCCF & HoFF. Once verified,

funds for the activities will be released by the PMU directly to bank accounts of the Accounting Centres periodically and as per requirement with intimation to the PCCF & HoFF. There after use of funds will be monitored through review of periodic financial reports.

**NGOs:** As NGOs would be providing support functions therefore, they will be managed directly by the PMU. Funds will be released to NGOs based on specific agreements with them and will include an initial payment based on inception report followed by releases tied to milestones for specific deliverables, and timed releases for administrative expenditure. Adequate evaluation and review mechanisms will be developed to ensure that the funds are utilized as per the agreement and duly accounted for.

Project funds would be made available to large numbers of community groups established for the project. The financial arrangements would emphasize providing local level transparency, social audit, and self-accountability. These measures would include a simple summary of the accounts (amounts received from the members and the project, amount spent and balances in hand) that will be posted in the notice board in the JFMC. In addition, the books/registers, vouchers, and bank pass books would be open for perusal by members.

### 3.6 The disbursement procedures:

The reimbursement procedure has been mentioned to prevail for this project. GoA will disburse a first treasury year advance to the PMU from its own budget to cover project expenditures. Further, AfD will reimburse on a quarterly basis all statements received of the concerned expenditures of the project (based on the audited request of beneficiary).

In order to proceed with the reimbursement, AfD will need to receive regular, timely, and adequate financial statements: The PMU will compile the monthly financial information on project expenditures from all Field Implementation Units and their implementing partners. The financial statement will separate non reimbursable expenditure and reimbursable expenditure from AfD, and will be presented in the requisite formats and according to the guidelines prescribed in the Financial Management Manual. The PMU will submit these requests to the GoA which will be passed to the DEA/CAAA (Controller Aid, Audit & Account) who finally will then forward them to AfD office (in New Delhi) for disbursement via reimbursement from the loan.

As mentioned in the in the GoI guidelines, a Special Account will be maintained in the Reserve Bank of India, and will be operated by the Department of Economic Affairs (DEA - GoI). This Special account will also be operated in accordance with the AfD's operational policies for the foreign exchange operations.

Disbursements from AfD will be performed upon receiving full and complete documents and audited statements of expenditure. AfD disbursement will be credited to the Consolidated Fund of India at the prevailing exchange rate through Reserve Bank of India (RBI), Mumbai. The rupee value of funds provided

by AfD will be released through Plan Finance-I Division (Department of Expenditure) as Additional Central Assistance for Externally Aided Projects (ACA-EAPs) to the GoA.

In consultation with the AfD, the PMU is to prepare a list of items of expenditure eligible for reimbursement under APFBC and also items of expenditure that are not eligible for reimbursements to the APFBC. These lists are to be communicated to all ACs.

### 3.7 Direct payment of suppliers by the AfD

As the project may give rise to international contracts providing for payments to be made in foreign currencies, direct payment by the AfD to a third party on the State Government instructions will be authorised. This procedure will be enforced by means of an official request transmitted from the Society/PMU to the DEA for endorsement from CAAA. Thereafter, according to “Direct Disbursement Procedure”, the line Ministry/DEA will be required to deposit amount equivalent to foreign currency disbursed by the AfD to CAAA’s account at RBI as per provisions contained in rule No.237(2) of GFR.

## **A4. STAFFING & SUPERVISION**

4.1 PMU Level: The PD will be assisted in management of financial affairs of the Society by a Project Financial Officer and the FAO deputed by the GoA to operate financial transactions with appropriate supervision and have necessary personnel trained to operate the system since project start up.

4.1.1 Project Financial Officer The Project Financial Officer in the rank of CCF/CF will be responsible for drawing up the Annual Work Plan integrating the schemes submitted by the FIUs as per financial allocation and instruction and guidelines of the SC/GB, submission of monthly accounts of the ACs through the DFOs and their consolidation, keeping of account of expenditure incurred by PMU and accounting records of the society, audit of accounts, maintenance and superintendence of re-imburement claims as per Schedule to the State Finance Department for onward submission to the Gol, supervision of PIS and adoption and maintenance of proper accounting systems and procedures as enumerated in the FMM.

4.1.2 Project Financial Officer will be assisted by the FAO, the Accountant and an Assistant and coordinate with the PDs in achieving sound financial management.

### 4.2 Accounting Centre (FIU)

4.2.1 FIU will be established at each Forest Division involved and will be headed by the DFO of the Division who will be entrusted with project activities proposed for the FIU. The GoA has designated DFOs as Drawing and Disbursing Officer for their respective forest divisions.

- 4.2.2 The DFO will be assisted by two staff-an Accountant and one Accounts Assistant. The PMU will provide required training and support to accounts staff of all department wings involved, and will monitor closely the agreed norms for staffing levels to ensure adequate staff at all times.

The above listed officers and staff is minimum number of persons entrusted with the FMM and this minimum staffing pattern will be maintained throughout the project period.

### 4.3 Training and Training Modules

- 4.3.1 Accounts staff – Officers and staff of the PMU and the FIUs involved in project activities of the society will be trained in accounts keeping, if necessary, and in financial management in line with the guidelines suggested by the AfD. For this purpose, programme modules will be designed by the Society to impart suitable training in accounts and finance related matters to the concerned employees at the PMU and in the field. The training will be imparted by the Finance and Accounts Officer in the PMU and where necessary, services of some experts such as Chartered Accountants etc., will be obtained. In order to make the training effective proper modules covering different subjects on accounts and related matters as tentatively shown below will be prepared.

- i) Book-keeping and double entry system of accounts
- ii) Maintenance of Books and Records of Accounts in proper / designated forms and schedules viz. Cash Book, Ledger, Register of valuables , Advance Registers , Registers for works / schemes , Asset Registers , Mobilization /Security advance account and accounts of beneficiaries contribution etc.
- iii) Compilation of monthly accounts and submission there of to the Consolidation centers with supporting Schedules and Annexure required.
- iv) Study of Financial Rules relating to incurring of different transactions on purchases, service claims and other miscellaneous expenses etc.
- v) Procurement Policy Prescription and Procedure of the AfD vis-à-vis State Government Rules & Regulations.
- vi) Procedure for submission of reimbursement claims by different implementing agencies, FIUs to the PMU in the formats prescribed by the AfD, lapses on part of the implementing agencies to be noticed, requirement of the society for scrutinizing the reimbursement claims and forwarding the same to the Gol and the AfD;
- vii) Appraisal session and discussion on practical problems.

- 4.3.2 Non Accounts Staff: The list of non accounts staff of the PMU and the FIUs are made as per requirement and in accordance with the guidelines issued by the AfD from time to time. These staffs are also put through requisite work related training with special modules incorporated to impart the basics of accountancy to such staff.

## **A5. ACCOUNTING & CONSOLIDATION**

### 5.1 Introduction:

Accounting entries of the project will be made at Accounting Centers and these will need to be consolidated to get financial information of the project as a whole. In all there will be 33 FIUs in the state. All the FIUs will submit account data to the PMU.

- 5.2 The Society shall hire an Accounting Firm to assist in establishing an accounting system utilizing generally accepted accounting principles that meet audit and reporting requirements. The system is to generate consolidated and aggregate statement of accounts.

Accounting and procurement software: specific software for accounting and procurement will be selected in the first month of the project from existing tried and tested packages available in the market.

- 5.3 Reporting and Monitoring: The Accounting Centers will report expenditure to the PMU with intimation to the Head of AFD. The Department will intimate its comments to the PMU as required. This will be based on reporting formats which will be required to be filled in by all the accounting centers. Each report will capture the account head wise activity and balances for the month being reported on. These will be input at the PMU level for consolidation of information for the project as a whole. This information will be utilized to prepare quarterly Financial Monitoring Reports (FMRs) for the project. The FMRs will report opening and closing bank balances, expenditure incurred during the period and the level of advances, and be submitted to the AfD within 45 days of the close of each quarter as per laid down procedure.

- 5.4 A computerized Project Information System (PIS) will be implemented by the PMU for effective management of the project. This will record and capture information relating to physical progress, and procurement plan vis-à-vis actual procurement. PIS reports will be reviewed along-with the FMRs to obtain a holistic view of the project and monitor progress effectively.

- 5.5 Accounting Information Systems: The Society will use a financial accounting software for maintenance of the PMU accounts. The software will consolidate financial information for all accounting centers. Monthly accounts of accounting centers shall be keyed into the system to obtain a picture of the project financial activities as a whole for the current month and year to date. Licensed copies of the software shall be installed at FIUs.

## A6. AUDITING ARRANGEMENTS

- 6.1 The Society shall cause regular accounts to be kept of its fund. The principle of commercial accounting will be followed in maintenance of accounts in such forms as may be prescribed as per project agreement between the AfD and the GoA. The accounts of the Society shall be audited quarterly by a Firm of Chartered Accountant appointed by the PMU of the Society from approved panel of the CAG following tender.

As an obligation arising from the fact that the Society will use Government funds, the accounts of the Society shall be submitted to the Accountant General Office, Guwahati for their inspection and audit as per procedures set out by the Government. The Accountant General (A&E) Assam will conduct an annual external audit of the Society. This annual audit would give rise to the submission of an audit report within 6 months from closure of fiscal year (i.e. September 30).

- 6.2 The Chartered Accountant or the Auditor shall have access to books, accounts, connected vouchers and other necessary documents and papers. At the close of each 3 (three) months period, a consolidated account showing the total receipts, payments/expenditure during the period under various heads of service with opening and closing balances shall be prepared and submitted to the PMU with observations within 20 days from close of each quarter. The Project Director will present the quarterly audit report along with the observation(s) if any, of the auditor/accountant to the Governing Body for perusal within 10 days of the receipt of audit report.
- 6.3 The Annual accounts and results of the audit shall be presented by the Project Director to the Steering Committee of the Society by a date not later than 30th July each year comprising receipt and payment/expenditure accounts and balance sheets along with observation(s) if any, of the auditing firm. The Project Director will submit a copy of the Audit report along with observation(s) of the Steering Committee if any, to the Finance Department and the Environment and Forest Department, GoA. A copy of such audit report duly signed by the Auditor and the Project Director of the Society shall be furnished to the Government of India not later than 31<sup>st</sup> August of every year.

The Office of the Accountant General (A&E), Assam shall have the same rights, privileges and authority to conduct audit of the accounts of the Society as s/he has in connection with audit of the Government accounts and for this purpose shall have the right to demand production of books of accounts and other relevant records of the Society.

- 6.4 Audit of accounts of the Society will be conducted by a firm of Chartered Accountants appointed from approved panel of the CAG by the PMU following tender. Terms of Reference of the Auditing Firm and the tender report will be subject to verification and “no objection” of the AfD. The followings reports will be monitored as follows:

Implementing Agency	Audit	Auditors
Department of Economic Affairs / GoI	Special Account	Comptroller and Auditor General of India, New Delhi
Society/PMU	Statements of Expenditure, Project Audit	i) A firm of Chartered Accountants ii) Accountant General Assam, Guwahati

The audit will cover all accounting centres and will review transactions on a reasonable sample basis. The cost of this audit would be eligible for financing on the project. Audit shall be organised every 3 months and consolidated audit report shall be submitted to the GB meetings for perusal. The Account of the society shall also be audited by the Accountant General(A&E), Assam/ Comptroller and Auditor General of India.

6.5 The TOR of Chartered Account for the Audit of the Accounts of the Project is as follows:

**I. OBJECTIVE:**

The objective of the audit of the Project Financial Statements (PFS) is to enable the auditor to express a professional opinion on the accuracy of the project financial statements and compliance with financing agreements concerning Assam Project on Forest and Biodiversity Conservation. The audit will cover the entire project activities i.e., including all sources and application of funds for the project. The Auditor will visit the various field offices as considered necessary for the review.

**II. SCOPE:**

The audit will be carried out in accordance with the general principles and standards of audit laid down by the Institute of Chartered Accountants of India and will include such tests and controls, as the auditor considers necessary under the circumstances. In conducting the audit, special attention should be paid to the following:

- a) That the project accounts have been prepared in accordance with consistently applied International Accounting Standards (IAS) and give a true and fair view of the financial situation of the project and of resources and expenditures for a given year.
- b) The audit will be carried out on a regular basis (every 3 months and the Annual Audit will be completed before submission of Society's budget to the Steering Committee meeting).
- c) The interim review will focus on: (i) operation of the financial management system and internal controls; (ii) transactional review of expenditures incurred by all implementing agencies; and (iii) monthly financial reports prepared from the financial records. The annual audit (at the end of the fiscal year) will include, in addition, the review of Project Financial Statements.

**III. STATEMENTS OF EXPENDITURE:**

In addition to audit of the PFS, the auditor will be required to audit all SOEs used as basis for the submission of withdrawal applications. The auditor should apply such tests and controls, as s/he considers necessary under the circumstances. These expenditures should be carefully examined for project eligibility with the relevant financing agreement. Where ineligible

expenditures are identified as having been included in withdrawal applications and reimbursed against; these should be separately noted and listed by the auditor. Annexed to the PFS should be a schedule listing individual SOE withdrawal applications by specific reference number and amount. In consultation with the AfD, the PMU is to prepare a list of items of expenditure eligible for reimbursement under APFBC and also items of expenditure that are not eligible for reimbursements to the APFBC. These lists are to be communicated to all ACs.

#### IV. **AUDIT OPINION:**

Besides a primary opinion on the PFS, the audit reports of the Project accounts will include a separate paragraph commenting on the accuracy and propriety of expenditures withdrawn under SOE procedures and the extent to which AfD can rely on SOEs as a basis for loan disbursement. The annual financial statements, including the annual audit reports, are to be received by AfD not later than six months after the end of the accounting period to which the audit refers.

#### V. **MANAGEMENT LETTER:**

In addition to the audit report, the auditor will prepare a 'management letter', in which s/he will

- a. comment and record observations on the accounting records, systems and controls that were examined during the course of audit;
- b. identify specific deficiencies and areas of weakness in systems and controls; and
- c. make recommendations for their improvement; report on the degree of compliance of each of the financial covenants on the financing agreements and give comments, if any, on internal and external matters affecting such compliance;
- d. communicate matters that have come to attention during the audit which might have a significant impact on the implementation of the Project; and
- e. bring to the Project Director's (PD) attention any other matter that the auditor considers pertinent.

#### VI **REPORTING:**

Reporting on interim and final audits will be done in accordance with the ISA standards as given below:

i. **Interim Reporting:** The Auditor will provide an interim report to project management highlighting findings during the interim audit, to enable project management to take timely action. This will be in the form of a Management Letter which will *inter alia* include:

1. comments and observations on the financial management records, systems and controls that were examined during the course of the audit;

2. deficiencies and areas of weakness in systems and controls and recommendation for their improvement;
3. compliance with covenants in the financing agreement and comments, if any, on internal and external matters affecting such compliance;
4. matters that have come to attention during the audit might have a significant impact on the implementation of the project; and
5. any other matters that the auditor considers pertinent.

The interim report will be submitted on quarterly basis by 20<sup>th</sup> of the month following end of each quarter.

ii. **Annual Reporting:** The Auditor will provide an opinion on: .

1. Project Financial Statement;
2. Expenditure by Project Components;
3. Expenditure by disbursement categories- eligible and reimbursable;
4. List of disbursement claims submitted during the financial year
5. Reconciliation of the claims with the reported and eligible expenditures;
6. for withdrawals from the AfD Credit made on the basis of Statements of Expenditure (SOEs), whether the SOEs submitted during the year, together with the procedures and internal controls involved in their preparation, can be relied on to support the related withdrawals;

The annual Audit Report and Management Letter will be submitted by July 31<sup>st</sup> for the preceding financial year.

The annual Audit Report will be submitted to the project management which in turn would submit it to the Government of India, State Government of Assam. Copies of the audit Report and Management Letter will be provided to the AfD.

## VII. **GENERAL:**

- a) The auditor will be given access to all legal documents, correspondence, monthly financial statements, SOEs and any other information associated with the project and deemed necessary by the auditor.
- b) On selection, an agreement shall be executed with the auditor as per approved format. The auditor shall complete the assignment as per time schedule to be mentioned in the agreement.
- c) Observations made and irregularities noticed (if any) in course of audit must be intimated to the PD in writing. The response of the PD shall be considered by the auditor before finalization of the audit report.
- d) The auditor must have the requisite experience and adequate staff to conduct the audit. A statement showing experience in conducting audit during the last three years and the staff proposed to be engaged for the audit must be submitted along with the offer.

e) The auditor will submit (i) the report for each quarter of a financial year no later than 20 days after the end of that quarter and (ii) the consolidated report for the entire financial year by 31<sup>st</sup> July of the following financial year.

## PART B – FIELD MANUAL

To be used by all entities involved in the Project including PMU and the Accounting Centers (ACs) for the day to day financial and accounts management of the APFBC.

### B1. CHART OF ACCOUNTS (CoA)

- 1.1 For the Financial data to identify the transactions properly and to serve a meaningful purpose, it is essential to classify the transactions into major heads, minor heads and sub head / detailed head and object head. The major heads will be classified as per project components and thereunder there will be minor heads linked to detailed activity expenditure. The Assam Project on Forest and Biodiversity Conservation is organized around four technical components and one project management component. There are several activities under each component. Individual expenses are coded in a manner to ensure that the expense is charged to the correct budget head approved:
- 1.2 The following CoA contains a list of groups and sub groups and head of accounts along with codes. The CoA identifies the flow of each head of account in to the quarterly and the annual financial statements for the purpose of consolidation. It will be noted that the accounting software will automatically consolidate the heads of accounts into sub groups and groups. Thus no separate manual postings to these groups and sub groups of accounts are required. The CoA is explained in the table:

i. Project Component based Account heads

Sr. No.	Component	Account Group	No of A/c Heads	No of A/c Sub Heads
01	FD Institutional Strengthening and legal reforms	FDIS	6	TBD
02	Multi Level Strategic Planning	MLSP	2	TBD
03	Sustainable Forest Management	SFM	6	TBD
04	Adding Value and Opening Market	AVOM	3	TBD
05	Project Management	PM	5	TBD

ii. Non Project Component Based Accounts Heads

Sr. No	Particulars	Account Groups	Account Code
6	<b>Non-Project Component Based Account Heads</b>		
6.1	Cash Account	CASH	---
6.2	Bank Account	BANK	---
6.3	Grant from GoA Account	GGOA	---
6.4	Beneficiaries Contribution Account	BCON	---
6.5	Advances Account	ADVA	---

iii. Account Codes

Chart of Accounts			
Particulars		Account Group	Account Code
<b>Component 1 FD Institutional Strengthening and legal reforms</b>		FDIS	
1.1	Streamline procedures within FD	SP	FDIS_SP
1.2	Capacity Building of Staff	CBS	FDIS_CBS
1.3	Rehabilitates and enhance existing infrastructure / equipment	REIE	FDIS_REIE
1.4	Enhance interaction with other department and partners	EIDP	FDIS_EIPD
1.5	Legal reforms, assess and update disseminate regulation	LR	FDIS_LR
1.6	Research and Development	RD	FDIS_RD
<b>Component 2 Multi level strategic planning</b>		MLSP	
2.1	Assam state level forest strategic planning policy	FSPP	MLSP-FSPP
2.2	Design integrated / master plan approach	DIMP	MLSP-DIMP
<b>Component 3: Sustainable Forest Management</b>		SFM	
3.1	Sustainable Forest Management by FD	SFMFD	SFM_SFMFD
3.2	Participatory forest management	PFM	SFM_PFM
3.3	Biodiversity Conservation and Management	BCM	SFM_BCM
3.4	Implement sustainable fuel wood production strategy and promotion of alternative	FPS	SFM_FPS
3.5	Mitigation of conflicts including wildlife / human and land use	MCWH	SFM_MCWH
3.6	Explore opportunities and support pilot schemes to develop a private forest sector	OSP	SFM_OSP
<b>Component 4: Adding value and opening markets / opportunities</b>		AVOM	
4.1	Support forest product / goods promotion and marketing	SFP	AVOM_SFP
4.2	Support IGA outside forests	SIGA	AVOM_IGA
4.3	Estimate potential value of eco system services including carbon and biodiversity	PVE	AVOM_PVE
<b>Component 5 Project Management</b>		PM	
5.1	Project Running costs (Project Management)	PRC	PM_PRC
5.2	Phasing Workshops	PW	PM_PW
5.3	Communication, documentation	CD	PM_CD
5.4	Monitoring and evaluation	ME	PM_ME
5.5	Technical Assistance	TA	PM_TA
<b>Total</b>			
Miscellaneous Contingencies 6%		MC	PM-MC
<i>Note: Each account head will be mapped to a procurement and disbursement category.</i>			
Head of account will be provided by the Finance Department, GoA Each FIU will be assigned a alphabetical identification code.			

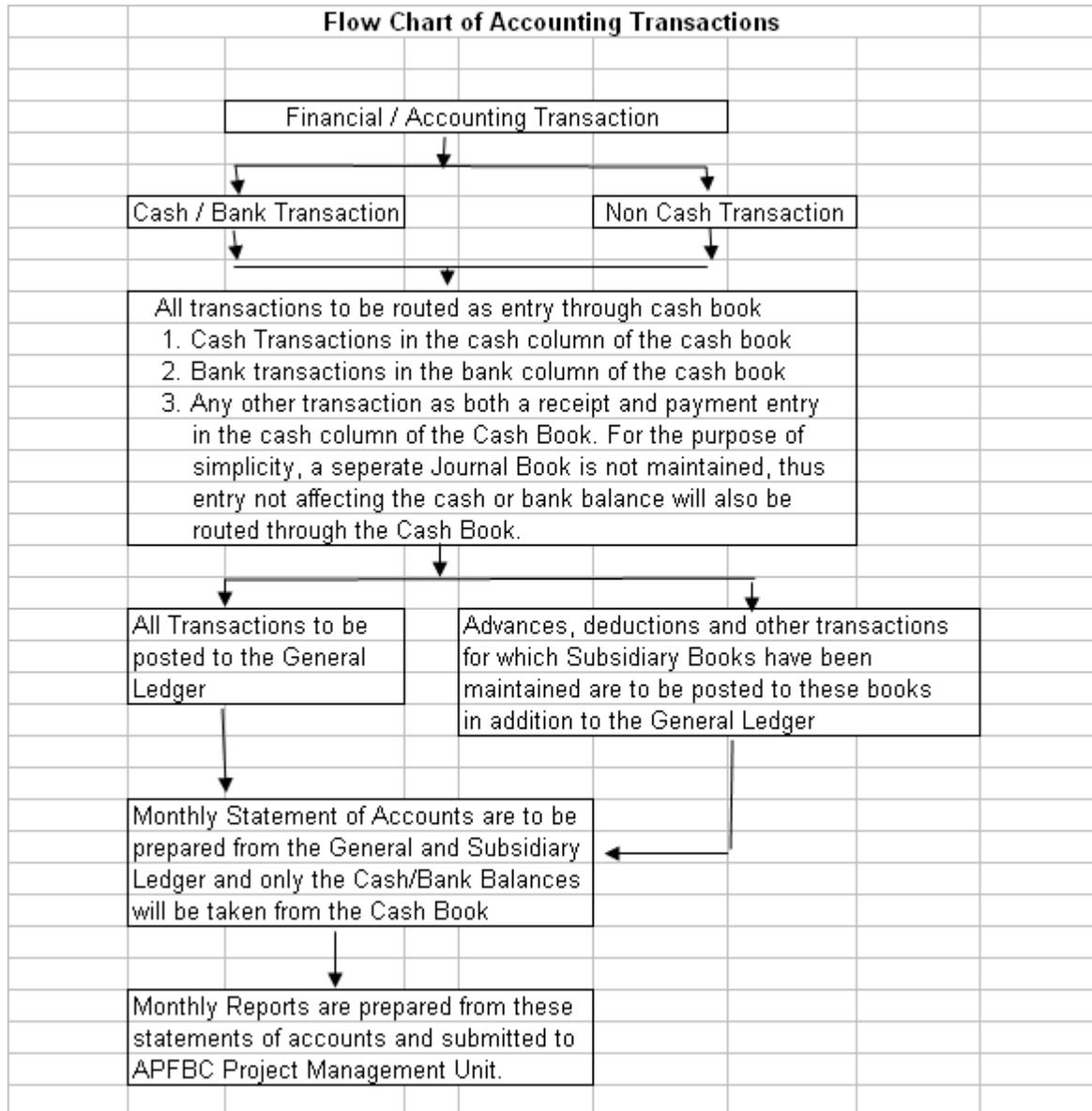
## B2. BOOKS OF ACCOUNT

The project accounting system consists of the following books of accounts, records, reports and documents that are to be maintained to record all transactions of the Project. Each AC will open and maintain these books of account in prescribed formats which are annexed at Appendix 1. These formats are to be pre-tested and corrected or modified as per test results before final acceptance for implementation.

Format No.	Title
1	Statement of Sources and uses of funds (Entire Project)
2	Statement of Uses of Funds Entire Project
3	Statement of Expenditure SOE
4	Statement of Withdrawal of Proceeds
5	Cash Book
6	General Ledger
7	Cheque Book Register
8	Deduction and Deposit Register
9	Advances Register
10	Bank Reconciliation Statement
11	Debit / Credit Voucher
12	Register of Receipts
13	Fixed Asset Register
14	Receipts and Payment Account
15	Reconciliation Claims
16	Summary of Claim
17	List of Vouchers
18	List of ICB / NCB / Local Contracts
19	Statement of Expenditure
20	Reporting Format

## B3. GUIDANCE FOR RECORDING OF ACCOUNTING TRANSACTIONS

- 3.1 The flow chart of accounting transactions is given on next page. The following are guidelines while recording of the accounting transactions:



**Diagram 2:** Flow Chart of Accounting Transactions

a) Maintenance of the Cash Book

The ACs are required to maintain a separate Cash Book for the Project. This Cash Book will have separate columns for Cash and Bank transactions. The transactions relating to other schemes/activities of the department should not be included in these Cash Books. For the uniform classification of account a list of account heads and their codes is given in CoA. New heads of account MAY NOT be opened without prior written consent of the PMU.

- b) **Cash Book**  
All receipts and payments will be posted to the Cash Book on a regular basis. The entries will mention the date, head of account, the account code, the voucher number, cheque number, the General and where applicable Advances Ledger Folio numbers and a short description of the transaction. The Cash Book shall be closed on every transacting day. After balancing the Book, it will be signed by the Accounts Officer, Accountant / Cashier and by the Head of the AC.
- c) **Certification of Cash Books**  
The Cash Book will be certified, summarized, closed and signed on the last working day of the month by the head of AC i.e. for FIU – the DFO and for PMU – the PD. The monthly closing balance will have details of balances available in the Bank Pass Book and details of the Cash-in-Hand.
- d) **Receipts of money**  
All receipts of money will be entered in the Cash Book on the day they are received.
- e) **Journal Book**  
As a separate Journal Book is not required to be maintained, the adjustment of advances and any other journal adjustment will be routed through the Cash Book on the date the related vouchers are made available at the AC.

### 3.2 Maintenance of the General Ledger, Advances Ledger and other Subsidiary Registers.

- a) Each AC will maintain a General Ledger and an Advances Ledger. Different pages of the General Ledger will be for different heads of accounts and different pages of the Advances ledger will be for each entity / individual to whom advances are granted. Each receipt and payment in the Cash Book must be posted to the General Ledger and advances Ledger, as also their adjustment and or / refund, must be posted to the Advances Ledger. The entries will mention the Cash Book folio number, the date, voucher number, cheque number and a short description of the transaction.
- b) At the end of the month a head wise abstract will be prepared showing monthly totals of payment under each head. The summary of the Advances Ledger accounts should tally with the total advances as per the General Ledger.
- c) The AC will also maintain a cheque Issue Register and record details of all cheques issued, including details of stale and or cancelled cheques.
- d) A monthly Trial Balance based on the General Ledger and Cash Book will be prepared. If the Trial Balance does not tally, the error in casting, posting and /

or totaling of the Cash Book and or Ledger should be checked, located and corrected.

### 3.3 Guidance for payments

- a) ACs will release their funds as an advance only in exceptional cases upon written instructions from PMU.
- b) All payments exceeding Rs. 5,000/- (Rupees five thousand only) shall be made by cheque / Demand Draft.
- c) All payments will be supported by documents such as original bills, receipts and cash memos. Each of these bills etc will be crossed and bear reference of entry in accounts. These bills etc are to be pasted in a separate guard file and shall be consecutively numbered in order of payment.
- d) When disbursing the payments, the Cashier / Accountant / Accounts Officer will obtain the signature of the payee acknowledging receipt of the cheque or cash as the case will be at an appropriate space.
- e) All paid vouchers will be retained for the period of 2 years from the date of completion of the project or till the last audit is completed and settled.
- f) A system of debit voucher for each payment (whether by cheque or in cash) will be introduced. The debit vouchers indicate particulars of expenditure, account code and head under which it is classified and mode of the payment (cheque/DD/Cash). The debit voucher will be approved by the Accounts Officer and shall form the basis for posting to the Cash Book.

### 3.4 Recording of Accounting Transactions

In the following paragraphs 1 to 6, a “debit” means an entry in the payment side of the Cash Book and a “Credit” means an entry in the receipt side of the Cash Book.

- a) Payment to Contractors:
  - i) Mobilization Advance: This is recorded as a debit in the bank column (for cheque payments) as an “advance”. Upon submission of running account bills, the advance will be adjusted by making a credit entry in the cash column under the head “advance” and by making a debit entry of same amount in the cash column as an expenditure e.g. “civil works”.
  - ii) Bill payments: this is recorded as a debit in the bank column (for cheque payments) as an expenditure e.g. “civil works” to the extent released to them. The deduction against their bill, on account of taxes, retention money, etc., will be recorded as a payment under the same head by

making a debit entry in the Cash Column. The same amount is then credited in the Cash Column under the head “Contractors’ Deductions and Deposits”.

- iii) Deposit/Release of Deductions etc – any payment of money retained as a deduction is debited in the bank column (for cheque payment) under the head “Contractors’ Deduction and Deposits”.
- b) Payment to NGOs
- i) Payment against Inception Report: No payment is released to the NGOs upon signing of their contracts. The payment will be made against their inception Report as per the percentage provided in the contract and this amount is debited in the bank column (for cheque payment) & will be treated as expenditure under the specified head.
  - ii) Quarterly Payments –these payments will be recorded as debits in the bank column (for cheque payment) and booked as expenditure under the specified head.
- c) An advance will be paid for approved works to JFMCs, SHGs, User Groups. Value of work to be adjusted against amount of advance will be based on the quantum of work completed, recorded and verified and these amounts will be treated as an expenditure under the specified head and recorded as debit in the bank column (for cheque payment). Next advance will be paid to the extent of remaining value of approved work.
- d) Bank Charges: Upon scrutiny of the statement after receipt from the Bank, if any bonafide charges have been deducted from the account, a debit entry is recorded in the bank column as “bank charges”.
- e) Payment of Advances: This is recorded as a debit in the bank column (for cheque payments) under the head “advance” e.g. “traveling advance”. Upon submission of the payment vouchers, the advance will be adjusted by a credit entry of the full amount of the advance in the Cash Column under the head “advance” and by a debit entry of the amount adjusted in the Cash column as an expenditure e.g. “traveling expenses”.
- f) Correction of Mistakes: In the event of a mistake being discovered at a later date, it will be corrected by another entry on the date of discovery and NOT by overwriting or erasing / correcting the wrong entry and any resulting changes to the totaling, casting and posting of the Cash Book. The correcting entry will have the same head of account as the original one.

## **B.4. BANKING ARRANGEMENTS**

4.1 ACs will maintain accounts with the branches of the Bank approved by the PMU for the project. This will be a “current account” maintained exclusively for the Project. In no case should the fund be kept in Fixed Deposits / Term Deposits. In no case are funds to be transferred to Treasuries, or in Personal Ledger Account, Treasury Savings Account, Treasury Public Deposit Account etc.

4.2 Expenditure from the accounts will be made under joint signatures as given in the table below:

Sr. No.	Accounting Centers' Office(s)	Signatory 1	Signatory 2
01	PMU	Project Director	Finance Officer
02	FIUs	DFO	Asst.. C.F.

4.3 Bank Reconciliation:

The ACs will reconcile their bank accounts on a monthly basis. Bank Statements are to be taken from the bank on the last working day of every month. The Bank Reconciliation Statement (BRS) will form a part of the monthly reports to be submitted to PMU.

4.4 Guidelines for Bank Reconciliation:

In the event of any cheque issued during a month remaining uncashed at the close of the month, there will necessarily be a difference. At the end of each month, a summary of the outstanding cheques issued but not presented to Banks will be prepared indicating the date, cheque number, amount and Payee name. There will also be some debits for Bank charges and commission, which will appear in the Bank Statements. These items will be reflected in the Bank Reconciliation (BRs) and subsequently on the date of reconciliation, be recorded in the Cash Book

4.5 Stale Cheques:

Cheques older than 6 months from the date of issue and not presented to the Bank should be investigated by the Accounts Officer and then written back (to the stale cheques Account) in the Cash Book noting the reference number, date of payment voucher and head of account originally debited to.

4.6 Other Guidelines:

It will be ensured that all money remitted to the Bank and all payments made by the Bank on cheques or otherwise on account of the Project are reflected in the Bank Statement. The Bank should update entries of receipt and payment, balance the account and sign the statement. The Head of the AC will examine the Bank's statement each month and shall immediately call the attention of the Bank to any discrepancy that may appear between credits and debits shown in the Pass Book and those shown in the accounts of the society. ACs are not authorized to take overdraft

from Banks. No overdraft at any stage shall be repaid by the Society. Bank also should not entertain any such request as neither the Society nor the GoA will be liable for such payment.

4.7 Guidelines for Issue of Cheques:

Bank payments must be made on Cheque books supplied by the Bank only; no other forms shall be used. The cheque books and the counterfoils/ record slips of used cheques shall be kept in the custody of the Accounts Officer/ AC. No cheque shall be signed unless required for immediate delivery to the person to whom the money is to be paid and not until the bill which it will discharge has been presented in a complete form, examined and passed for payment. In case of lost cheques, on intimation of such loss from the Payee, the drawee bank should be asked to provide “Non Payment Certificate”. The Payee will be asked to execute an Indemnity Bond for an equal amount and only then will a fresh cheque be drawn in favour of the payee. In case of time-barred cheques, fresh cheques are required to be issued on receipt of request and no revalidation shall be resorted to. The time barred cheque will not be destroyed but preserved as a voucher/ sub-voucher and fresh cheque will be issued on this basis. To avoid misuse of cancelled cheque the word “VOID” will be written. Every payment made, either in cash or by cheque, shall be covered by a receipt, stamped if necessary, signed by the person to whom the money is due. Counter foils/ Record Slips of cheques will bear payees name, the date of issue, voucher number and the initials of the signatories. All cheques other than Self Cheques will be crossed. Self cheques or bearer cheques will not exceed an amount of Rs. 10,000/- (Rupees ten thousand only) per withdrawal..

**B. 5. SUBMISSION OF PERIODIC INFORMATION**

5.1. Every AC is to submit the following report by 15th of the following month in the prescribed format:

Report / Name	Format 1: Statement of Sources and Uses of Funds Format 2 Statement of Uses of Funds Format 3 Statement of Expenditure (SOE Claim) Format 4: Withdrawal of Proceeds (DOC) Claim Format 10: Bank Reconciliation Format 14 Receipts and Payment A/c Format 15: Summary of Claims Format 17: List of Vouchers Format 18: List of ICB/NCB/Local Contracts* Format 19 Statement of Expenditure
Periodicity	Monthly * Yearly
<b>Due Date</b>	<b>15<sup>th</sup> of following month</b>
Required supporting documents if any	Photocopy of original bank statement should be sent along with the DOC. Original Bank Statement and Vouchers in case of Details of Claim (DOC) in Format 4 Withdrawal of Proceed Claim will be maintained and kept ready with the ACs for auditing and verification any point of time.

- 5.2 Every AC must ensure that the reports submitted are correct and complete and that the head of account, category and component of expenses are correctly stated. It will be noted that these statements will form the basic building blocks for the consolidated accounts of the Society and any mistakes in these statements will affect the entire Society's accounts.
- 5.3 While preparing the Receipts and Payments Account, care should be taken to ensure that payments of advances are not reported as actual expenditure incurred.
- 5.4 The ACs will submit monthly Receipts and Payment Accounts and a Bank Reconciliation Statements to the PMU of the Society by 15th of every month. The PMU is to examine the receipt and payment accounts in consultation with FAO deputed by the GoA. DFOs will submit the UC to the PD against expenditure incurred by them and PD will submit the UC for funds utilized by the APFBC Society to the concerned authorities in the GoA.

## **B 6. REIMBURSEMENT FROM THE AfD**

- 6.1 The FIUs report the total monthly expenditure to the PMU of the Society showing non reimbursable and reimbursable expenditure separately. Category wise details of monthly expenditure and expenditure eligible for reimbursement are also mentioned in the reports.
- 6.2 The reimbursement claims so received are processed at the PMU in the Format 1 and 2 applying the approved rates of reimbursement and adhering to the guidelines for the purpose and then submitted to the Government of India and the AfD.
- 6.3 Only reimbursement will be accepted from AfD. The expenditures incurred by PMU from GoA resources on the basis of quarterly consolidation of monthly accounts – Statement of Expenditures (SOEs) submitted to the Comptroller of Aid, Accounts and Audit (CAAA) will be claimed for reimbursement from AfD.
- 6.4 AfD will disburse on the Consolidated Fund of India (in INR, at prevailing exchange rate) through RBI, on a quarterly basis.
- 6.5 Special care should be taken to see that the claims are preferred with exact categorization and furnishing complete information along with the documents required for SOE and DOC. In respect of contracts attracting prior review by AfD for which Registration Numbers have been obtained from AfD, there is no need of appending the photocopies of vouchers / bills relating to such expenditure to the claims submitted along with a form containing details of the contract unless it is asked for and such documentary evidence will be retained by the PMU and / or FIU for its easy access and retrieval as and when required for validation.
- 6.6 AfD will not extend any proceeds or funds in the form of any kind of advance.

**Appendix** : Formats of Books, Registers & Reports (Excel Sheets)

- Format – 1: Statement of Sources and Uses of Funds (Entire Project)
- Format – 2: Statement of Uses of Funds (Entire Project)
- Format – 3: Statement of Expenditure (SOE)
- Format – 4: Statement of Withdrawal of Proceeds (Details of Claims -DOC)
- Format – 5: Cash Book
- Format – 6: General Ledger
- Format – 7: Cheque Issue Register
- Format – 8: Deduction & Deposit Register
- Format – 9: Advances Register
- Format – 10: Bank Reconciliation Statement
- Format – 11: Debit / Credit Voucher
- Format – 12: Register of Receipts
- Format – 13: Fixed Asset Register
- Format – 14: Receipts & Payments A/c
- Format – 15: Reconciliation of Claims
- Format – 16: Summary of Claim
- Format – 17: List of Vouchers
- Format – 18: List of ICB/NCB/Local Contracts
- Format – 19: Statement of Expenditure
- Format – 20: Reporting format