

Finance Manual

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Chapter	Particulars	Page No
Chapter-1	<p>Introduction of Finance Manual</p> <p>1.1 Objective & Structure of FM Manual 1.2 Preamble of FM Manual 1.3 Mission Implementation Set up 1.4 Applicability & Administration of Manual 1.5 Organization Structure of ASRLMS 1.6 Implementation Framework 1.7 Table:- FM Roles of State Office and District NRLM 1.8 Project Summary 1.10 Project Objectives 1.11 Guiding Principles 1.12 Project Scope 1.13 Project Components & Sub Components 1.14 Methodology 1.15 Intensive Block Approach 1.16 Non Intensive Block Approach 1.17 Funding & Financing Plan</p>	2-20
Chapter-2	<p>Planning & Budgeting</p> <p>2.1 Objectives of Budget System 2.2 Budget Process 2.2.1 <i>Budget Period</i> 2.2.2 <i>Budget Calendar</i> 2.3. Budget preparation and Approval Process 2.3.1 <i>Basis of Budgeting</i> 2.3.2 <i>Preparation of Budget at Block Level</i> 2.3.3 <i>Preparation of Budget at District Level.</i> 2.3.4 <i>Compilation and updating of budget at SMMU level</i> 2.4 <i>Approval by Governing Body and Allocation of Budget</i> 2.5 Budget Format. 2.6 Budget Variance.</p>	21-24
Chapter -3	<p>Finance of the Mission</p> <p>3.1 Fund Flow to Intensive Districts 3.2 Fund Flow to Non-Intensive Districts 3.3 Transfer of Funds 3.3.1 <i>Fund Flow of Mission</i> 3.3.2 <i>Procedures of Release of Funds to State</i> 3.3.3 <i>MoRD to State – Key Points</i> 3.3.4 <i>Transfer of Fund SMMU to DMMU</i> 3.3.5 <i>Transfer of Fund SMMU to BMMU</i> 3.3.6 <i>Activities for which BMMU will receive funds</i> 3.4 Expenditure and payment of fund 3.5 Sanctioning of Expenditure 3.5.1 <i>General Principles Governing all Expenditure to be incurred in Mission funds.</i> 3.6 Linkage of DRDA with BMMU on Financial and Technical Matters 3.6.1 <i>Relationship on Financial and Technical Matters.</i> 3.6.2 <i>Review of Progress and Performance.</i> 3.6.3 <i>Collaboration for Financial Inclusion.</i></p>	25-33

	<p>3.6.4 Reporting.</p> <p>3.6.5 Members in Banking Committees.</p> <p>3.6.6 Fund Flow.</p> <p>3.6.7 Financial and Technical Appraisal Committee.</p> <p>3.7 Financial and Technical Committee of SMMU</p> <p>3.8 Financial and Technical Committee of DMMU</p> <p>3.9 Linkage of BMMUs with Block Development Administration in Financial Related Matters</p> <p>3.9.1 Relationship with Financial Matters.</p> <p>3.9.2 Review of the Progress and Performance.</p> <p>3.9.3 Collaboration for Financial Inclusion.</p> <p>3.9.4 Reporting.</p> <p>3.9.5 Fund Flow.</p>	
Chapter-4	<p>Accounting Policies and Framework</p> <p>4.1 Core system of Accounting</p> <p>4.2 Method and Concept of Accounting</p> <p>4.3 Accounting Centres</p> <p>4.4 Accounting Policies, Procedures and System at State Level</p> <p>4.5 Chart of Accounts</p> <p>4.6 Bookkeeping and Accounting</p> <p>4.7 Accounting and Financial Procedures at Mission Units</p> <p>4.8 Accounting at SMMU, DMMU and BMMU level</p> <p>4.8.1 Receipt Accounting</p> <p>4.8.2 Payment Accounting</p> <p>4.8.3 Accounting of Payment to BLF/VLF</p> <p>4.8.4 Bank Reconciliation Statement</p> <p>4.8.5 Accounting for Advances</p> <p>4.8.6 Analysis of Advances</p> <p>4.8.7 Accounting of Fixed Assets</p> <p>4.9 Correction of Entries</p> <p>4.10 Closure of Books of Accounts at BMMU, DMMU</p> <p>4.11 Closure of Books of Accounts at SMMU</p> <p>4.12 Bookkeeping and Accounting at Community Level Accounting Centres</p> <p>4.13 CIF Accounting</p> <p>4.13.1 Records and Document to be maintained for CIF Accounting at different Accounting Centres</p> <p>4.14 Types of CIF to be given to Community Level Organization (BLF/VO/SHG)</p>	34-50
Chapter-5	<p>Internal Controls</p> <p>5.1 Need for Internal Controls</p> <p>5.2 Financial Disciplines</p>	51-53
Chapter-6	<p>Financial Reporting</p> <p>6.1 Objectives</p> <p>6.2 Types of Reports</p> <p>6.2.1 Internal Reports</p> <p>6.3 External Reports to be submitted by SMMU to NMMU</p> <p>6.4 Interim Unaudited Financial Report (IUFR) of SMMU</p> <p>6.4.1 Consolidated IUFR of State</p> <p>6.4.2 Utilization Certificates</p> <p>6.5 Financial Management Indicators</p> <p>6.6 Reports from VO/BLF to Mission Unit</p>	54-56

Chapter -7	<p>Audit Arrangements</p> <p>7.1 Statutory Audit</p> <p>7.1.1 <i>Objective of Statutory Audit</i></p> <p>7.1.2 <i>Submission of Annual Audited Reports</i></p> <p>7.1.3 <i>Monitoring of Audit Process by SMMU</i></p> <p>7.1.4 <i>List of Accounts to be audited by Statutory Auditor</i></p> <p>7.2 Statutory Audit Calendar</p> <p>7.3 Addressing of Statutory Audit Observation/Recommendation</p> <p>7.4 Settlement of Audit Queries/Objections</p> <p>7.5 Internal Audit</p> <p>7.6 Objective of Internal Audit</p> <p>7.7 Key Internal Audit Functions</p> <p>7.8 Addressing to Internal Audit Observations</p> <p>7.9 Monitoring of Internal Audit Process</p> <p>7.10 Coverage and Standard for Audit</p> <p>7.11 List of Books of Accounts/Records to be audited by Internal Auditor</p> <p>7.12 Management Letters</p> <p>7.13 Audit by CAG</p> <p>7.14 Submission of Audited Accounts to Higher Authorities</p> <p>7.15 Social Audit</p> <p>7.15.1 Steps in Social Audit</p> <p>7.15.2 Survey method about Social Audit</p>	57-67
Chapter-8	<p>Financial Management Disclosure</p> <p>8.1 Disclosure of Management Framework</p> <p>8.2 Scope</p> <p>8.2.1 <i>Table- Financial Management Disclosure</i></p> <p>8.3 Monitoring of Financial Management Disclosure</p> <p>8.4 Key aspects to be monitored in FM Disclosure</p> <p>8.5 Financial Management Disclosure in Public Domain in SMMU, DMMU, BMMU offices</p>	68-70
Chapter-9	<p>Staffing and Training</p> <p>8.1 Staffing</p> <p>8.2 Qualification of Roles and Responsibilities of Key Finance and Accounts Personnel</p> <p>8.3 Training</p> <p>8.3.1 SMMU, DMMU, BMMU Staff</p> <p>8.3.2 Block Level Federation</p> <p>8.3.3 Village Level Federation</p>	70-77
<u>ANNEXURES</u>	<p>Annexure 1: Format of Annual Work Plan.</p> <p><i>Annexure 1A: Budget Summary for 1 year for 36 Intensive Block.</i></p> <p><i>Annexure 1B: Budget Summary for 1 year for 6 Resource Block.</i></p> <p><i>Annexure 1C: Non Intensive Block Budget for 1 year.</i></p> <p>Annexure 2: List of Consolidated Interim Unaudited Financial reports for State level.</p> <p><i>Annexure 2A: IUFR of Source and Utilization of funds.</i></p> <p><i>Annexure 2B: IUFR of expenditures against annual agreed work plan.</i></p> <p><i>Annexure 2C: IUFR of forecast of expenditure for two six months.</i></p> <p><i>Annexure 2D: IUFR of Summary of payments of prior review contracts.</i></p>	78 82

	Annexure 3: Consolidated Financial Management Indicators for State level	88
	Annexure 4: Form of Utilization Certificates	91
	Annexure 5: Register of Fixed Assets.	92
	Annexure 6: Register of Outstanding Audit Observation.	93
	Annexure 7: Format of Bank Reconciliation Statement.	94
	Annexure 8: Chart of Accounts at State level	95
	Annexure 9: Terms of Reference for Statutory Audit of ASRLMS.	98
	Annexure 10: Terms of Reference for Internal Audit of ASRLMS.	109

Definitions:-

“Accounting Year”, “Year” or “Financial Year” means the year commencing from 1st April and ending with 31st of March succeeding year.

“Bank” means the Schedule bank in which a separate account is opened to operate the Mission funds.

Society - Assam Rural Livelihoods Mission Society.

SMMU - State Mission Management Unit

DMMU - District Mission Management Unit

BMMU - Block Mission Management Unit

SHG - Self Help Group

GP - Gram Panchayat

VO - Village Organisation

BLF - Block level Federation

POP- Poorest of Poor

CBO - Community Based Organisation i.e SHG, VO, BLF, CBLF, CPC

PRI - Panchayati Raj Institution

CPC - Community Producers Company

CIF - Community Investment Fund

Mission Units - SMMU, DMMU and BMMU.

Chapter 1

Introduction of Finance Manual

1.1 Objectives and Structure of Financial Management Manual:

The manual lays down the financial management system for to be followed by all the implementing units ie SMMU, DMMU, BMMU of ASRLMs

The main objectives of Finance Manual shall primarily be:

- a) To achieve better Program management by providing timely information on financial aspects and on key performance indicators to the Program management.
- b) To meet the financial reporting requirements of various stakeholders
- c) To keep track of funds utilization for each program separately
- d) To ensure that all program related activities are reflected in the Program Financial Statements and the same be closely aligned with the Program components as per the Medium Term program.
- e) To enhance transparency and promote accountability at the Village level and Block Level and to promote social audit.
- f) To have proper accounting & reporting structure at the Block Level & Community Level.
- g) To have proper Internal Control issues at the Block level & Community Level.
- h) To throw spotlight on financial aspects and key performance indicators to monitor financial progress against action plan and to facilitate management decision making.
- i) To Promote accountability at different levels,
- j) To Establish satisfactory internal controls to ensure that policies and procedures outlined by Mission management on various operational aspects are adhered to;
- k) To assist in meeting the financial reporting requirements of various stakeholders including the Government of India, Government of Assam and the World Bank.
- l) To reflect component-wise, category-wise and account head wise expenditure
- m) To capture monthly, quarterly and yearly budget information in both physical and financial terms
- n) To produce financial reports to show budget vs actual expenditure for the current period and cumulative to date
- o) To facilitate the forecasting of the estimated expenses for the next 2 quarters
- p) To relate cost data with physical achievements to monitor the Mission progress.

1.2 Preamble of Finance Manual

- a. The Manual would proactively contribute towards achieving the overall goals of State Livelihoods Mission Society, Assam by laying down principles, guidelines, and rules/norms to ensure effective and efficient use of funds.

- b. This Manual will contribute towards proper accounting and reporting structure at all Mission Units including Community level.
- c. This Manual would encourage in building a transparency and accountability in all financial and accounting related matters of the Mission.

Financial Propriety

Every Officer incurring or authorizing expenditure from the Society funds or on behalf of the Society should be guided by the established principles of financial propriety viz.,

- a. To enforce financial order and economy at every step.
- b. To see that financial regulations and directions are observed by his own office and by subordinate offices.
- c. To exercise the same vigilance as a person of ordinary prudence would Exercise in respect of expenditure of his own money.
- d. Not to exercise its power of sanctioning expenditure to pass an order which will be directly or indirectly to his / her advantage.
- e. The expenditure should not be prima-facie more than the occasion demands.
- f. The allowances should not be on the whole a source of profit to the recipient.

1.3 MISSION IMPLEMENTATION SET UP

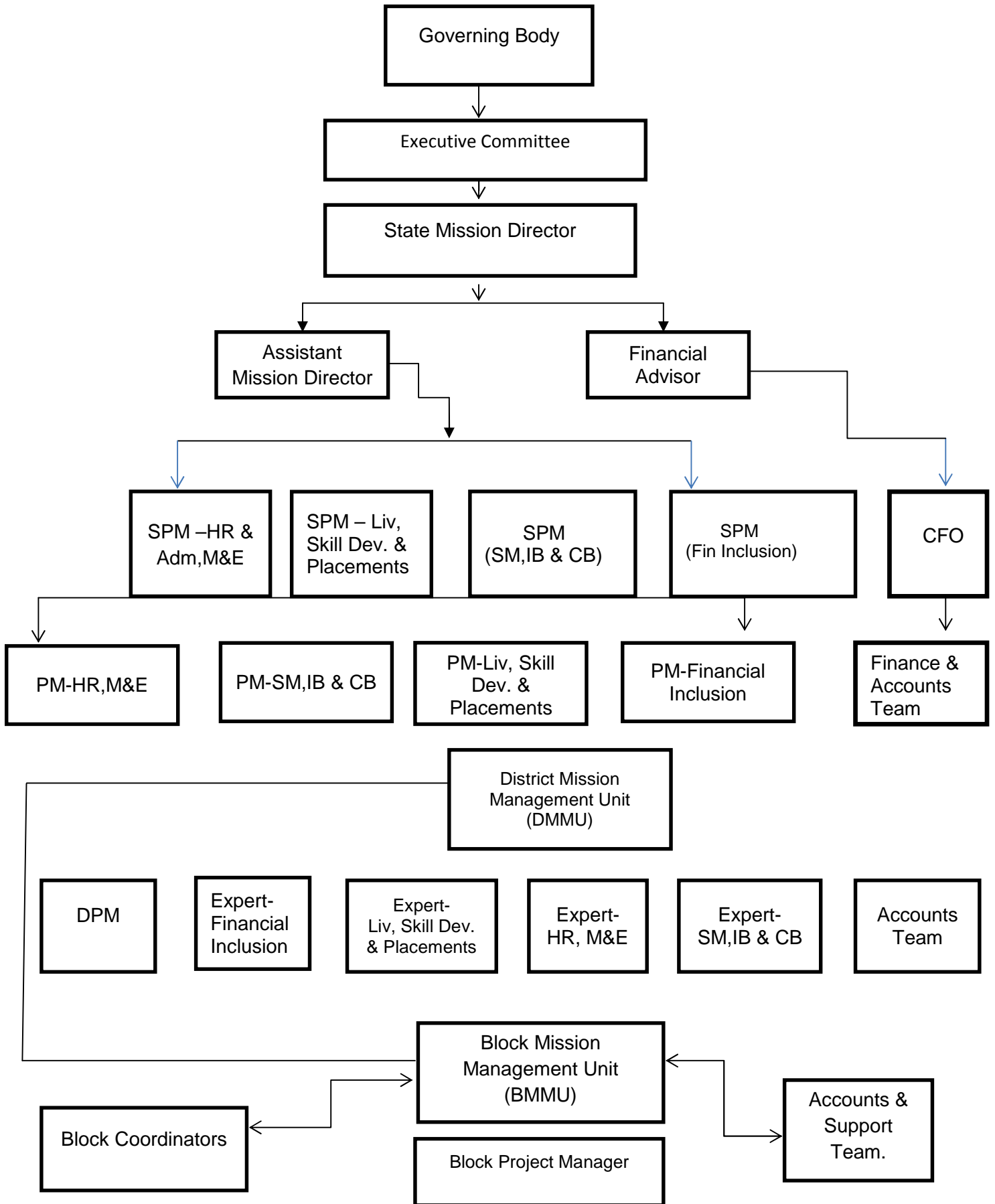
The Mission shall be managed by the **Assam Rural Livelihoods Mission Society (ARLMS)** a registered Society. The proposed Mission implementation set up shall be as per **MOA**.

1.4 Applicability and Administration of the Manual:

This Manual shall be administered in the manner given below:

1. Governing Body of the Society will authorize and approve the manual.
2. The manual is a dynamic document and may be amended by the Executive Committee as and when required and as learning accumulates with in the Mission. All participants in the Program are encouraged to share their learning and experiences of the program implementation so as to improve the proposed arrangements made to attain the program objectives.
3. All amendments made to the Manual shall be:-
 - a) circulated to all the implementing units by SMMU. The circular/notification shall clearly state the paragraph(s) and line(s) to be replaced. All such circulars/notifications shall be serially numbered.
 - b) It will mention the date from which the change shall be effective .
 - c) This manual along with the PIP, AAP, the Community Operations Manual (COM) and the financial and administrative guidelines and procurement Manual provides the overall control framework for the Mission.
 - d) This manual shall govern the Financial Management system of Assam Rural Livelihoods Mission Society and should be maintained by the CFO of the SMMU.

1.5 Organization Structure of Assam State Rural Livelihoods Mission Society.
Society Organogram



1.6 Implementation Arrangements

The Implementation arrangement framework consists of simplified arrangements to ensure transparency and accountability at all levels of the proposed Institutional set up of the Mission. The implementation arrangement is given in the following table.

Level	Institutional Arrangement	Key Financial Arrangements
State Level	Governing Body of Assam State Rural Livelihoods Mission Society.	<ol style="list-style-type: none"> 1.Undertake all activities necessary for the fulfillment of the vision and objectives as laid down in Article 4 of the Memorandum of Articles of Association 2. Expand the strength of its membership provided the expanded strength is filled in the manner prescribed for enlisting the original membership. 3. Add modify or amend the Memorandum of Articles of Association and these bye-laws provided that all such additions, modifications or amendments shall be aimed at promoting the objectives of the State Society. 4. Remove a member on the grounds listed in the rules under clause 5.3. 5. Approve the Annual Report, Annual Action Plan, Balance Sheet and the Annual Audited Accounts of the State Society. 6. Approve the appointment of the auditors of the State Society. 7. Delegate to the Executive Committee or the SMD any of the above powers.
State Level	Executive Committee of Assam Rural Livelihoods Mission Society	<ol style="list-style-type: none"> 1. Develop, Review, revise and approve financial management policies for the Mission. 2. Review financial progress at the State level, District and Block level. 3. Overall oversight of financial management functions. 4. Receive, review and follow up audit reports. 5. Consider the Annual Budget and the Annual Action Plan, its subsequent alterations placed before it by the SMD from time to time and pass it with such modifications as the Executive Committee may think fit; 6.Accept donations and endowment or give grants upon such terms and conditions as it may think fit; 7.Delegate its powers, other than those of making rules, to the Chairperson;

		<p>8.Appoint committees, sub-committees, expert panels, task-force, working or study groups and boards etc. for such purpose and on such terms as it may deem fit and to remove any of them;</p> <p>9. Set HR Policy including staff positions and salary and incentive structure of the State Society;</p> <p>10.Appoint auditors for auditing the accounts of the State Society with the approval of the Governing Body.</p> <p>11.Ensure that the State Society considers any comments made by funding agencies on the progress in the implementation of the Missions sponsored and funded by them;</p> <p>12.Monitor progress ASRLMS to ensure achievement of Mission objectives;</p> <p>13.Monitor the financial position of the State Society in order to ensure smooth income flow and to review annual audited accounts;</p>
<p>State Level</p>	<p>State Mission Management Unit (SMMU) with State Mission Director, Chief Financial Officer, Finance Officer, Accounts Officer.</p>	<ol style="list-style-type: none"> 1. Compile annual Budget of Mission based on annual action plan for SMMU and DMMUs & BMMUs and submit the same to MORD for sanction of the Budget. 2. Receive funds into its bank account from MORD as per the allocated Budget. 3. Distribute funds to DMMUs and BMMUs on a timely basis as per agreed annual work plans. 4. Institute mechanism for proper accounting and auditing of Mission funds at state, district, block and village level. 5. Maintain database on district/block wise, component wise fund releases and expenditure. 6. Compile and forward regular quarterly/annual financial reports to Govt of Assam, Govt of India. 7. Submit regular claims for reimbursement of Mission expenses. 8. Implement Capacity Building measures for financial management for staff at SMMU, DMMU and BMMU. 9. Develop policy and strategy for book keeping capacity building at block & village level and implement the same. 10. Review financial progress at District & Block level.

		<p>11. Appoint auditors for a sample audit of Block level Federations, VO and SHGs.</p> <p>12. Liaise with statutory auditors for the audit on an annual basis and place the audited accounts before the general body of state society and filing of returns with Registrar of Societies.</p>
District Level	District Mission Management Unit: With District Project Manager assisted by Accounts Team.	<p>1. Coordinate with BMMUs to Institute mechanisms for proper accounting and auditing of Mission funds at state, district, block and village level.</p> <p>2. Compile annual Budget for the district and submit the same to the SMMU.</p> <p>3. Receive funds into its Bank Account from the SMMU as per allocated Budget.</p> <p>4. Coordinate and forward regular monthly/quarterly financial monitoring reports to SMMU.</p> <p>5. Coordinate with BMMU to ensure regular and timely audit for district level and block level activities.</p> <p>6. Submission of Quarterly Mission Expenditure reports.</p>
Block Level	Block Mission Management Unit (BMMU): With Block Mission Manager & Block Accountant.	<p>1. Compile & submit annual budget for the Block and submit the same to the SMMU.</p> <p>2. Receive funds into its Bank account from SMMU as per allocated budget.</p> <p>3. Appraise Community Based Livelihoods Business Plans and verify milestone certificates and release payments to Block Level Federations, VO & SHG on a timely basis as per agreed activities and relevant contractual arrangements and utilize funds for its own activities at Block Level.</p> <p>4. Compile, prepare and forward regular monthly/quarterly financial monitoring reports to DMMU/SMMU.</p> <p>5. Ensure implementation of capacity building activities for building skills in Financial management for Village level, Cluster Level and Block level Institutions etc.</p> <p>6. Facilitate linkages for easy flow of funds for community.</p>

		<p>7. Assist the Block Level Federations, Cluster Level Federation & VO in implementing the accountability framework (including public displays and external audits).</p> <p>8. Train and provide handholding support to Master Book Keeper in Book Keeping functions and in preparing monthly and annual reports.</p> <p>9. Monitor the maintenance of Books of Accounts at the Block, Cluster & Village level.</p> <p>10. Submission of quarterly Mission Expenditure reports.</p>
Block Level Federation	BLF General Body.	<p>1. All the members of the VLF will be members of BLF general body. The BLF general body meeting should be held twice in a year. The BLF general body meeting will be convened to review the economic status of VLF and financial progress of BLF and approve formation of various committees.</p>
Block Level Federation	BLF Executive Committee.	<p>1. Two members of VLF will be members of BLF executive Committee.</p> <p>2. Approve Block Level Federation plan for the Block.</p> <p>3. Approve Business Plan Completion reports of Block Level Federation.</p> <p>4. Appoint Sub Committee and call for action taken reports.</p> <p>5. Approve and submit accounts for the fund received from BMMU.</p> <p>6. Sign financing agreements for BLF Fund with State Society.</p> <p>7. Receive funds from BMMU against BLF financing agreements and deposit the same in Bank.</p> <p>8. Plan, implement and supervise activities under Block Level Federation Funds.</p> <p>9. Engage an Accountant and ensure that all Mission expenditures and income are accounted for in the Books of Accounts.</p> <p>10. Request for funds from BMMUs.</p> <p>11. Provide all Books of accounts and other records for Mission audit.</p> <p>12. Appoint Finance and Procurement Sub-Committees with approval of General Body and entrust them with specific financial management</p>

		<p>and procurement functions.</p> <p>13. Ensure that all financial management and procurement decisions are documented in the Minutes Books of the Block Level Federation, Finance and Procurement Sub-Committee meetings.</p> <p>14. Provide all Financial information to Social Audit Committee.</p> <p>15. Submit monthly, quarterly, half yearly and annual financial reports to BMMU.</p>
Block Level Federation	Office Bearer Committee.	<p>Selection of 5 Members of BLF Executive Committee to Office Bearer Committee.</p> <p>Criteria for selection of 5 members in office bearer committee:</p> <p>a.SC, ST, OBC, Minority, general members.</p> <p>b. Senior most/active/social person.</p> <p>c. Treasurer-Book Keeping and record keeping knowledge.</p> <p>The Office bearer committee should consist of President, Vice President, Secretary, Joint Secretary, Treasurer. Office Bearer committee meeting should be held twice in a month.</p>
Block Level Federation	Community Investment Fund (CIF) Committee	<p>1. Members of Executive Committee of BLF will be members of CIF Committee.</p> <p>2. With the assistance of BMMU team, prepare and submit CIF plans to BMMU.</p> <p>3. Appraise the Micro credit plans submitted by villages and recommend for sanction.</p> <p>4. Monitor the administration of CIF funds.</p> <p>5. Prepare the utilization certificates and submit to the BMMU.</p> <p>6. Provide Capacity building support to the groups regarding CIF Fund.</p>
Block Level Federation	Finance & Procurement Sub Committee	<p>1. Members from Executive Committee of BLF will be members of Finance & Procurement subcommittee.</p> <p>2. Guide Block level Federation in their procurement functions.</p> <p>3. Ensure that the Financial & procurement guidelines are complied with,</p> <p>4. Assist the VOs to negotiate for highest quality and best prices.</p>

		<p>5. Ensure that all financial management and procurement decisions are documented in the Minutes Books of BLF/VO, Finance and Procurement sub-committee meetings</p> <p>6. Guide BLF in its financial management functions.</p> <p>7. Ensure that the Financial and accounting Guidelines framed are complied with.</p> <p>8. Facilitate Audit Process.</p> <p>9. Conduct Periodic surprise cash checks.</p> <p>10. Recovery of loan from members.</p> <p>11. Help in Bank Linkages of eligible SHGs after completion of grading.</p>
Block Level Federation	Social Audit Committee (Sub Committee)	<p>1. Members from Executive Committee of BLF are member Social Audit Committee.</p> <p>2. Carry out periodic audits (including financial) of Block level Federation, VO and SHG handled activities.</p> <p>3. Certify all Utilization Certificates and submit regular reports to BMMUs.</p>
Block Level Federation.	Health & Insurance (Sub Committee)	<p>1. Members from Executive Committee of BLF are member Health & Insurance Committee.</p> <p>2. Will promote medical assistance, health & hygiene awareness programme to Community.</p> <p>3. Will promote life and assets security to members.</p>
Block Level Federation.	Education (Sub Committee.)	<p>1. Members from Executive Committee are member of Education Sub Committee.</p> <p>2. Will promote educational support to VLF members families and to the Community.</p>

Level	Institutional Arrangement.	Key Financial Management Arrangements
Village Level Federation.	General Body	All the SHG members should be included in General body. 10 SHG will form 1 VO. The General Body meeting should be held twice in a year to review the financial progress and economic status of its members.
Village Level Federation.	Executive Committee.	2 members from each SHGs will form Executive Committee of VO. Executive body meeting should be held twice in month to know the economic status of SHG members, social awareness, periodic review of financial progress

		<p>among members. The Committee will approve VO Plan, approve Business plan completion Reports of VO, appoint the sub Committees and call for action taken reports, approve and submit accounts for the funds received to BMMUs. Sign Financial agreements for VO fund with State Society through BMMU.</p> <p>The executive will receive funds from BMMU against VO financing agreements and deposit the same in Mission Bank a/c to be operated by two members among the SHG representatives who are members of VO, will be called Secretary and Treasurer. It will Plan, implement and supervise activities under VO fund. Engage an Accountant and ensure that all Mission expenditures and income are accounted for in the books of accounts. Provide all Books of accounts and other records for Mission Audit. It will appoint Finance and Procurement sub-committees with the approval of general body and entrust them with specific financial management and procurement functions.</p>
Village Level Federation	Office Bearer Committee.	<p>Selection of 5 Members of Executive Committee to Office Bearer Committee.</p> <p>Criteria for selection of 5 members in office bearer committee:</p> <ul style="list-style-type: none"> a.SC, ST, OBC, Minority, general members. b.Senior most/active/social person. c.Treasurer-Book Keeping and record keeping knowledge. <p>The Office bearer committee should consist of President, Vice President, Secretary, Joint Secretary, Treasurer. Office Bearer committee meeting should be held twice in a month.</p>
Village Level Federation.	Community Investment Fund (CIF) Committee (Sub Committee)	<ol style="list-style-type: none"> 1. Members from Executive Committee are members of CIF Committee. 2.With the assistance of BMMU team/Block Level Federation, prepare and submit CIF Plans to BMMU. 3. Prepare Micro Credit Plan (MCP) for the VO. 4. Appraise Micro Credit Plans submitted by Groups and recommend for sanction. 5. Monitor the administration of CIF Funds.

		6. Prepare the Utilization certificates and submit the same to BMMU/DMMU/SMMU.
Village Level Federation.	Finance & Procurement Sub Committee	<ol style="list-style-type: none"> 1. Members from Executive Committee are member of Finance & Procurement Sub Committee. 2. Guide VO in their Procurement functions. 3. Ensure that the Procurement guidelines elaborated in the Community Operational Manual are complied with; 4. Assist the VOs to negotiate for highest quality and best Prices. 5. Ensure that all financial management and procurement decisions are documented in the Minutes Books of VO, Finance and Procurement sub-committee meetings 6. Guide VO in its financial management functions. 7. Ensure that the Financial and accounting Guidelines framed are complied with. 8. Facilitate Audit Process. 9. Conduct Periodic surprise cash checks. 10. Recovery of loan from VLF/SHG members. 11. Help in Bank Linkages of eligible SHGs after completion of grading.
Village Level Federation.	Education Committee (Sub Committee)	<ol style="list-style-type: none"> 1. Members from Executive Committee are member of Education Sub Committee. 2. Will promote educational support to VLF members families and to the Community.
Village Level Federation.	Health & Insurance Committee.(Sub Committee)	<ol style="list-style-type: none"> 1. Members from Executive Committee are member Health & Insurance Committee.. 2. Will promote medical assistance, health & hygiene awareness programme to Community. 3. Will promote life and assets security to members.
Village Level Federation.	Social Audit Committee	<ol style="list-style-type: none"> 1. Members from Executive Committee are member of Social Audit Committee.. 2. Carry out Periodic audits (including financial) of VO, Community Producers group handled activities. 3. Certify all milestones certificates and submit regular reports to BMMU.

1.7 Table: FM Roles of State Office and District for NRLM.

	State	District.	
		Project Level	Community Level
FM Manual/Procedures	<ol style="list-style-type: none"> 1. Develop and update state FM Manual. 2. Develop and update community level FM Manual for state. 3. Guide staff at District level about FM procedures. 	<ol style="list-style-type: none"> 1. Implement state FM Manual. 2. Guide staff district level about FM procedures. 	<ol style="list-style-type: none"> 1. Facilitate and monitor implementation of FM Manual for community level.
MOU	<ol style="list-style-type: none"> 1. Sign MOU with MoRD. 2. Implement NRLM in the state as per MOU. 	<ol style="list-style-type: none"> 1. Ensure implementation of NRLM in the district as per provision of MOU with NMMU. 	<ol style="list-style-type: none"> 1. Sign federation grant agreement with SHG federations. 2. Implement NRLM in the district as per federations grants with community organizations. 3. Monitor adherence to agreement by Community level.
Training on Financial Management.	<ol style="list-style-type: none"> 1. Participate in training activities organized by NMMU. 2. Develop State Specific training materials. 3. Prepare and implement training plan for district/sub district level. 4. Monitor training needs ant district, sub-district level on a regular basis. 	<ol style="list-style-type: none"> 1. Participate in training activities organized by NMMU and SMMU. 2. Inputs to providing training at district, sub-district. 	<ol style="list-style-type: none"> 1. Monitor training needs at sub-district/community level on a regular basis. 2. Inputs to training at community level. 3. Develop local level training material, if required.
Planning.	<ol style="list-style-type: none"> 1. Issue guidance for planning to districts. 2. Implement planning system at state level. 3. Review district plans 4. Prepare consolidated plan for state and submit to NMMU. 	<ol style="list-style-type: none"> 1. Prepare and submit district level plans to SMMU. 	<ol style="list-style-type: none"> 1. Implement system for facilitating planning by community organizations.
Budgeting.	<ol style="list-style-type: none"> 1. Issue guidance for budgeting to districts. 2. Scrutinize and approve district budgets. 3. Prepare consolidated budget at state level and submit to NMMU. 	<ol style="list-style-type: none"> 1. Prepare and submit district level budget to SMMU (Project level and community level activities) 	<ol style="list-style-type: none"> 1. Compile Budget for community level activities for NRLM.

Flow of funds.	<ol style="list-style-type: none"> 1. Submit request for funds to NMMU. 2. Provide timely and adequate funds for SMMU activities. 3. Implement system of flow of funds to districts/sub-district levels. 4. Monitor of effectiveness of fund flow system of district/sub-district level. 	<ol style="list-style-type: none"> 1. Submit request for funds to SMMU. 2. Provide timely and adequate funds for district/sub-district level activities. <p>Community:</p> <ol style="list-style-type: none"> 1. Implement system of flow of funds for NRLM to community level. 2. Monitor effectiveness of funds flow system at sub-district/Community level. 	<ol style="list-style-type: none"> 1. Implement system for flow of funds to community organizations.
Accounting.	<ol style="list-style-type: none"> 1. Implement accounting system for NRLM at state and district level. 2. Consolidation of NRLM accounts at state level. 	<ol style="list-style-type: none"> 1. Accounting of project funds at district level. 2. Monitor record keeping at Block level. 3. Monthly closing of district level accounts. 4. Send monthly/quarterly/annual accounts to SMMU. 	<ol style="list-style-type: none"> 1. Implement capacity building activities at community level for maintenance of accounts. 2. Implement system of monitoring community level accounting and record keeping.
Financial Reporting.	<ol style="list-style-type: none"> 1. Implement financial reporting system at state level. 2. Review financial reports submitted by districts/sub-district and prepare state level reports. 3. Regular and timely submission to NMMU/MoRD/World Bank. 	<ol style="list-style-type: none"> 1. Implement financial reporting system at district level. 2. Consolidation and preparation of district level reports to SMMU. 	<ol style="list-style-type: none"> 1. Implement and monitor of system of financial reporting from community organizations.
Statutory Audit.	<ol style="list-style-type: none"> 1. Selection of Auditor. 2. Ensure timely finalization of accounts and audit at state level. 3. Timely audit of SMMU and compliance of audit observations. 4. Ensure timely submission of audit report of State to NMMU. 5. Review compliance by district/sub-districts. 	<ol style="list-style-type: none"> 1. Ensure timely finalization of accounts and facilitate audit at district level. 2. Timely and satisfactory compliance of audit observation in the district. 3. Review compliance by sub-district level. 	<ol style="list-style-type: none"> 1. Facilitate and monitor financial audit and community level for NRLM. 2. Monitor compliance at community level. 3. Ensure that key issues arising from the audit are addressed in capacity Building and monitoring activities of NRLM.

Internal Audit and Internal Controls Community Level audit.	1. Appointment of Internal auditors as per NRLM requirements. 2. Regular internal audit of SMMU and district/sub-district. 3. Monitor compliance by districts. 4. Submit summary of reports for each period and Action taken report to NMMU.	1. Facilitate internal audit at district/sub-district level. 2. Monitor compliance by sub-district level. Submit Action taken report to SMMU.	1. Facilitate and monitor financial audit at community level for NRLM. 2. Monitor compliance at community level. 3. Review of audit observations. 4. Ensure that key issues arising from the audit are addressed in capacity building and monitoring activities of NRLM.
FM Disclosure.	1. FM disclosure at State Level.	1. FM disclosure at district level.	1. Implement system of monitoring disclosure at community level.
FM Monitoring.	1. Regular monitoring of FM at district/sub-district level.	1. Regular monitoring of FM at sub-district level.	1. Regular monitoring of FM at Community level.

1.8 Project Summary:

The State Rural Livelihoods Mission, Assam has been designed to address rural poverty with the aims to enhance social and economic empowerment of rural poor by creating self managed community institutions of the participating households and enhancing income through promoting sustainable livelihoods. The State Rural Livelihood Mission will be implemented by State Rural Livelihoods Mission Society, Assam which is an independent and autonomous institution established by Government of Assam. The society will have a three tier management structure at state, district and block levels. The Rural Livelihood Mission would be implemented in phased manner in all 219 blocks of 27 districts of Assam by the year 2018-2019.

1.9 Project Development Objectives

The Assam State Rural Livelihood Mission Society has been set up with the aim to reduce poverty among rural BPL through building strong grassroots institutions of the poor. ASRLMS will have multi pronged approach to strengthen livelihoods of the rural poor by promoting women SHGs, providing skill development and placement for youth for wage based occupations in different private/business organizations and imparting self employment oriented training through banks.

1.10 Objectives:

- (a) To create enabling pro poor policy environment;
- (b) To contribute to the lives of the rural poor throughout the state through empowerment and fostering strong self managed grass root institution and support investments by the groups of the poor;
- (c) To bring in convergence among various poverty reduction and empowerment Missions;
- (d) To evolve strategies and approaches for the empowerment of the poor through social mobilization and institution building for community participation;

- (e) To build support and service structures for providing social and technical guidance to the poor in their overall social progress and livelihood development;
- (f) To undertake all relevant activities, including implementation of specific Missions funded by government, bilateral, multi-lateral and other funding agencies for elimination of poverty, and livelihoods development of the poor;
- (g) Establish models for participatory social and economic development of the rural poor in conformity with all these objectives and prove their relevance, sustainability and suitability of replication;
- (h) To strengthen and form producer co-operatives/groups around key commodities, non-farm products and services and expanding poor people's participation in existing commodity co-operatives and producer groups;
- (i) To organize a forum for show casing and supporting various innovations and experimentation with new ideas both for social service delivery and livelihoods promotion;
- (j) To promote Micro Finance Institutions in order to deal with the development of rural poor by way of providing financial assistance and in obtaining commercial funding or by way of refinancing under the guidance of state level society with the overall objective of developing the micro finance sector in the State;
- (k) Support Village Governments in becoming more responsive and effective in delivery of services and assisting the rural poor especially women;
- (l) Such other activities as may be necessary in furtherance of aforesaid objectives

1.11 Guiding principles.

- 1) Poor have a strong desire to come out of poverty and have innate capabilities to realise the same.
- 2) Social mobilisation and building strong institutions of the poor are critical for unleashing the innate capabilities of the poor.
- 3) A dedicated and sensitive support mechanism is required to induce the social mobilisation, institution building and the empowerment process, and facilitating knowledge dissemination, skill building, access to credit, access to marketing and access to other livelihoods services would facilitate the upward mobility of the poor.

1.12 Project Scope:

The project is targeting the POPs of the State with the aim to improve rural livelihoods and enhancement of social economic empowerment of the rural poor through developing the organizations of the poor. In the first year it is proposed to implement the Programme in phase manner by covering 42 intensive blocks of the state. Within these Blocks, the beneficiaries would be the below poverty line people, especially the POP. The project emphasis would be on social mobilization, institutional building, financial inclusion, livelihood intervention, capacity building and skill development as a strategy for poverty reduction. The project proposes to integrate bottom-up participatory development of poorest of the poor and low-income households with well coordinated, transparent delivery of public services at the local level.

1.13 Project Components & Sub Components:

❖ Social Mobilization, Institutional Building & Capacity Building:

Formation of the SHGs is the first step in long term institutional building process. Following steps and sequence will be followed in the institutional building process:

1. Formation of new groups for social inclusion.
2. Capacity building of new groups including handholding training.
3. Grading of existing SHGs.
4. Selection of good SHGs for formation of federations (village organisations).
5. Capacity building of weak SHGs for formation of federations (village organisations).
6. Identification and revitalisation of defunct groups.
7. Formation and development of federations (village organisations and their capacity building).
8. Formation of livelihood collectives.
9. Formation of cluster/ Gaon Panchayat, block and district federations subsequently

❖ **Financial Inclusion.**

1. Bank accounts will be opened for all the groups formed.
2. POP and vulnerable groups will be identified and prioritised for providing bank linkages,
3. CIF, skill development and placement services.
4. Capital subsidy will be provided to 50% of total SHGs formed in the first year.
5. Revolving fund will be provided to 70% of the total SHGs formed in the first year.

❖ **Community Investment Fund**

1. Micro credit to 70% of the total SHGs formed in the first year.
2. Healthy Security will be provided to 40% of total SHGs formed in the 1st year
3. Food security fund will be provided to 30% of the total SHGs formed in the 1st year
4. Education fund will be provided to 50% of the total SHGs formed in the 1st year
5. Debt Swapping will be provided to 30% of the total SHGs formed in the 1st year

❖ **Skill Development**

1. Skill Development and Placement of Rural Youth through Project mode for skill linked placement of rural youth through partnerships with reputed placement agencies, accredited agencies, hiring agencies, companies etc
2. Self Employment through RSETI model in partnership with Banks – through entrepreneurship development of local youth to generate in- situ employment through RUDSETI model .

❖ **Livelihood Intervention:**

1. Livelihood enhancement in both farm and non farm sector- in Infrastructure, Marketing, Training, Technological, Exhibition etc.
2. Innovative approaches will be adopted for developing livelihood collectives & producer groups. Infrastructure has been identified for filling up the critical gap required for the growth of livelihood activities –to manage by collectives.
3. In all Intensive blocks agriculture intervention, animal husbandry and non farm sector interventions are included in livelihood component.

1.14 Methodology:

The Rural Livelihood Mission would be implemented in phased manner in all 219 blocks of 27 districts of Assam by the year 2018-2019. The detail phasing plan for scaling up the program in all 219 blocks of Assam is based on two strategies-

- a. Intensive Approach and b. Non Intensive Approach

The blocks that are taken up for implementation of SRLM in the state is 'intensive blocks' and remaining blocks are 'non-intensive blocks'.

1.15 Intensive Approach:

For the ease of implementation seven intensive districts selected from the seven zones of the State. In 1st phase there will be 7 districts selected from the seven zones. 22 intensive blocks has been selected in those 7 districts. Another 20 blocks, one each from remaining districts has also been taken up. The total nos. of intensive blocks in the 1st phased will be 42. The programme will start in these 42 blocks of Assam in the year 2012-13.

1.15.1 Process of selection of Intensive Districts:-

On the basis of socio-economic, agro climatic, cultural and historic factors are taken into consideration as per NRLM framework , initially 7 number of zones have been demarcated.

From each zone one district is selected based on comparison within zones on four variables namely:

HDI- coverage of prosperity and poverty of society

% BPL HH- coverage of weaker section of society

Number of women SHGs- good pre mobilisation status under NRLM

Area and population of districts

While selecting the blocks the variables followed are as follows:

BPL HHS- coverage of weaker sections society

SC HHS/ST HHS-coverage of vulnerable sections of society

No. of SHGs-Availability of readymade platform of strong SHGs for the project to take off immediately

On the basis of these variables the 22 blocks(10% as permissible) are selected from 7 intensive districts & 20 Blocks(as a special dispensation) are identified by the PDs of concerned districts on the basis of Social Capital and poverty available in the Block

In the first year it is proposed to implement the Programme in phase manner by covering 42 intensive blocks of the state.

There will be three Phase:-

Phase I- 6 Resource Blocks & 12 other intensive blocks

Phase II- 12 other intensive blocks -12 BMMU

Phase III-12 other intensive blocks-12 BMMU

1.16 Non intensive Approach:

In Assam 177 nos Block will be non intensive blocks in the 1st year. The Non-Intensive Approach will be as per the existing mode of SGSY under DRDA except that there will be no new SHG group formation and primacy will be given more to women SHG groups and individual beneficiaries (IB) preferably belonging to women, sc/st and disabled category. In non-intensive blocks focus will be on improving quality of the existing mobilization and strengthening linkages with mainstream institutions

1.17 Funding and Financing Plan.

The Estimated funding for various components and sub-components during the project period of the programme is as below:

Budget Summary For 1 Year - 6 Resource Block & 36 Intensive Block & 177 Non Intensive Block			
S. No.		Base Cost (INR Lakh)	% of Total Cost
State Rural Livelihoods Missions			
1	Office set-up- SMMU,DMMU,BMMU	381.31	1.58
2	Exposure visits of Senior Govt.officials & Bank Executives	30.00	0.12
3	Partnership with SIRD , NGO etc, Studies, Consultancies,	91.00	0.38
4	Staff Costs (SMMU and DMMU Only)		
a	Staff costs including allowances, statutory contributions, etc.	214.28	0.89
b	Staff trainings and exposure visits	116.85	0.48
5	Rentals for office space, Stationery, Postage, Telephones,Transport, Field Travel, etc.	235.19	0.97
Sub Total		1,068.62	4.42
6	Stake Holder Workshop (State, Regional, Thematic etc)	170.00	0.70
7	Rentals for BMMU office space, Stationery, Postage, Telephones,Transport, Field Travel, etc.	224.40	0.93
8	Block teams costs including salary allowances, statutory contributions, etc.	366.26	1.51
9	Block teams trainings and exposure visits	109.50	0.45
10	Social Mobilization /Resource Block Strategy	4,238.54	17.52
11	Financial Inclusion Pilots/Financial Literacy/E-book keeping/Bank Mitra	420.00	1.74
12	Revolving fund & Capital Subsidy	2,372.95	9.81
Sub Total		7,901.65	32.65
13	Health Security , Food Security fund, Education security and Debt Swaping fund	1,638.00	6.77
14	Agricultural,Animal Husbandry & Non farm Sector Interventions	2,880.00	11.90
Sub Total		4,518.00	18.67

15	Hiring of agency for scouting, selecting innovations, organizing IF and Partnerships with Innovators	460.00	1.90
Sub Total		460.00	1.90
16. Monitoring and Evaluation & Supervision			
	Monitoring & Evaluation , Supervision ,Baseline Studies	200.00	0.83
17. eNRLMS (States could wait)			
	Consultancy for MIS design, IT Infrastructure, etc.	100.00	0.41
18	Skill Development And Placement		
	Skill Development And Placement	1,500.00	6.20
19	RSETI Training cost	486.00	2.01
20	Non Intensive Block Budget		
	Budget for Non Intensive Block (177 Blocks)	7,965.00	32.91
TOTAL COSTS		24,199.278	100

Funding and Financing Pattern.

GOI share (INR in Crore)	217.79	90
State Share (INR in Crore)	24.20	10
Total AAP Budget	241.99	

Chapter 2

Planning & Budgeting

2.1 OBJECTIVES OF THE BUDGETING SYSTEM

The main objective of an efficient budgeting system is to facilitate timely approval of the annual work plan, draw down of resources from MoRD and Govt of Assam, budgetary control i.e. monitoring of performance at regular intervals and fixing accountability for variances.

2.2 Budget Process:

The function of budgeting shall be carried out by all the accounting centers, i.e., SMMU, DMMU & BMMU.

The proposed budgeting system has been discussed under the following broad heads:

- (1) Budget period
- (2) Budget calendar
- (3) Budget preparation and approval process
- (4) Approval of Executive committee and Allocation of budget

2.2.1 Budget Period:

1. Budget Period to be followed by the Mission Units shall be the financial year i.e. from April to March of each year.
2. Budgets shall be prepared for the budget year and broken up into quarterly budgets. This would enable periodical performance review through quarterly variance analysis and preparation of quarterly financial reports.
3. Normally, budgets would be applicable for a full year. However, if the original assumption made while formulating budgets change of significant variations arise in actual performance or in the environment, it may be necessary to review the budgets during the year also.
4. Mid Year Review: At the time of budget preparation for the next year the budget for the current year should also be reviewed. The review should take into account the actual performance for the nine months and the estimates for the next three months of the current year.

2.2.2 Budget calendar

The process of preparation, review and approval of budget shall normally take around one month. The budgeting process for the budget year shall start after the completion of six months of the current financial year, thereby leaving six months for budget preparation, review, consolidation, revision, approval and allocation of approved budgets to the various Mission

Units. The milestones in the budgeting process along with the target dates are laid down in the following budget calendar.

At the State Level:

The Mission planning process will follow an “Inverted approach” i.e. it will grow out of Village level plans and get consolidated into Block, District and State level annual work plans. The Annual Work plan and Budget will have to be approved by the Governing Body of SRLM, Assam.

Budget Calendar.

AWP for next financial year March-April should be received at MoRD from SMMU by 30st Nov.

SI	Activity	Responsible Agency	Completion Date
1.	Approved District Level plan sent by DMMUs to SMMU.	DMMU	15 st Oct of Previous year.
2.	Preparation of Annual Budget by SMMU for the Expenditure incurred by it.	SMMU	15 st Oct of Previous year.
3.	Consolidation of Estimates in Budget at State level	SMMU	31st Oct of Previous year.
4.	Revision of Estimates in Consolidated Budget by SMMU.	SMMU	15 Nov of Previous year
5.	Submission and approval of annual budget by Governing body and submission to MoRD and State Govt (Finance Department)	SMMU/Governing Body.	30 th Nov of Previous year
6.	Allocation of the annual Budget to DMMU/BMMU based on approval of EC/State Govt.	SMMU	After 15 March of new Financial year.

2.3 Budget Preparation and Approval Process:

1. As part of the budget preparation the SMMU shall (based on the achievements of the previous year, progress made up to the Mission period and the annual targets in the overall work plan, type of requirements emanating from the ground level) prepare an annual action plan for the budget year broadly identifying the focus areas/ activities for the Mission in the budget year. This annual action plan shall be prepared in consultation with the Mission offices at district levels.

2. The SMMU shall issue instructions to the DMMU for budget preparation and shall specify the focus areas/ activities identified in the annual action plan for the district. Based on the annual action plan for each district, DMMU shall in consultation with the Block Mission Management Unit (BMMU) prepare a detailed work plan for each district block-wise/ village-wise taking into

consideration any proposed activities and requirements of the Block level federation, VO/Village Level Federations & Producer Organisations and Collectives.

The budget preparation activity shall be co-coordinated by the account section of the concerned accounting centre at DMMU, BMMU level under the overall supervision of the head of the accounting centre.

2.3.1 Basis for Budgeting

1. The SMMU/DMMUs/BMMUs shall (based on the achievement and actual figures of the previous years, progress made upto the period and the annual targets in the overall work plan) prepare an annual action plan for the budget year broadly identifying the focus areas/ activities for the mission in the budget year.

The responsibility of preparing AAP lies with the SMMU. AAP shall highlight the focus areas/activities for the mission in the budget year. The AAP shall be prepared in consultation with the project Units at district & Block level.

2. The Action plan for the first year shall be based on the Overall Work Plan. Revisions can be made to the annual work plans based on the changed requirements after Quarterly or half yearly review. The formats of Annual Work plan prepared along with supporting worksheets are provided in **Annexure 1**.

2.3.2 Preparation of Budgets at Block Level:

The BMMUs will be the nodal point for preparation of budgets at the Block level. As they shall be in direct contact with the Community Based Organisations, they shall be responsible for assimilating and compiling G.P. wise information as to their needs, future plans both in physical and financial terms. While preparing the budgets, (with quarterly break-up) the BMMUs shall analyse the actual Vs budgeted performance of their blocks for the previous year. *(However in the case of first year of project implementation analysis for the actual Vs budget performance for the previous year shall not be undertaken).*

BMMUs shall forward their budgets to the respective DMMU for review, finalization and consolidation. The BMMUs shall provide explanations, if there are major deviations between the targets as envisaged upon them by DMMU and the budgets proposed by them.

2.3.3 Preparation of Budgets at District Level

The DMMU shall prepare annual physical (only for measurable activities) and financial budget (with quarterly break-up) for their respective offices after taking into consideration the budgets proposed by BMMUs. While preparing the budgets, the DMMUs shall analyse the actual Vs budgeted performance of their offices for the previous year. *(However in the case of first year of project implementation the analysis for the actual Vs budget performance for the previous year shall not be undertaken).*

Initially the budget will be reviewed and vetted by the DMMU at the district level and then it shall forward the budget to the SMMU for review, finalization and consolidation. The DMMU shall provide explanations if there are major deviations between the targets as envisaged upon them by the SMMU and the budgets proposed by them.

2.3.4 Compilation/ Updating of Budget at SMMU Level

1. On receiving the budget from DMMU, SMMU shall verify the budgets to ensure that these are in line with the annual action plan. It shall hold discussions with the DMMU for this purpose.
2. SMMU shall compile the budgets submitted by the DMMU along with its own budget and finalize the consolidated budget for the Mission as a whole. The Budget may be subjected to revision within prescribed period in case if any discrepancy arises. After that it shall then be subsequently submitted to the MoRD/state government after getting it approved from GB.

2.4 Approval by the Governing Body & Allocation of the Budget

1. After the annual budget has been approved by the Governing Body, the SMMU shall allocate the budget to BMMUs & DMMUs after setting aside the financial budgets for SMMU office. The basis of allocation of physical and financial budgets shall be the budget proposals submitted by various BMMUs & DMMUs. Essentially, the process of budget allocation to the Project Units should be completed before the start of the accounting year.

2.5 Budget formats

The formats of the various budgets prepared along with the supporting Worksheets are placed at *Annexure II*.

2.6 Budget Variance

1. Budget Variance Report shall be prepared every quarter and the reasons for variation analyzed and documented.
2. All the stake holders from the Districts and the State shall participate in the Budget Analysis and provide explanations wherever necessary. Any variations due to errors in estimation/assumptions shall be taken into consideration during the preparation of next Budget.
3. CFO, FO at SMMU and DPM and BPM shall be responsible for preparation of Budget variance analysis in their respective units. CFO/FO at SMMU shall be responsible for documentation of explanations and formulation of action plan for corrective measures.

Chapter-3 FINANCE OF THE MISSION.

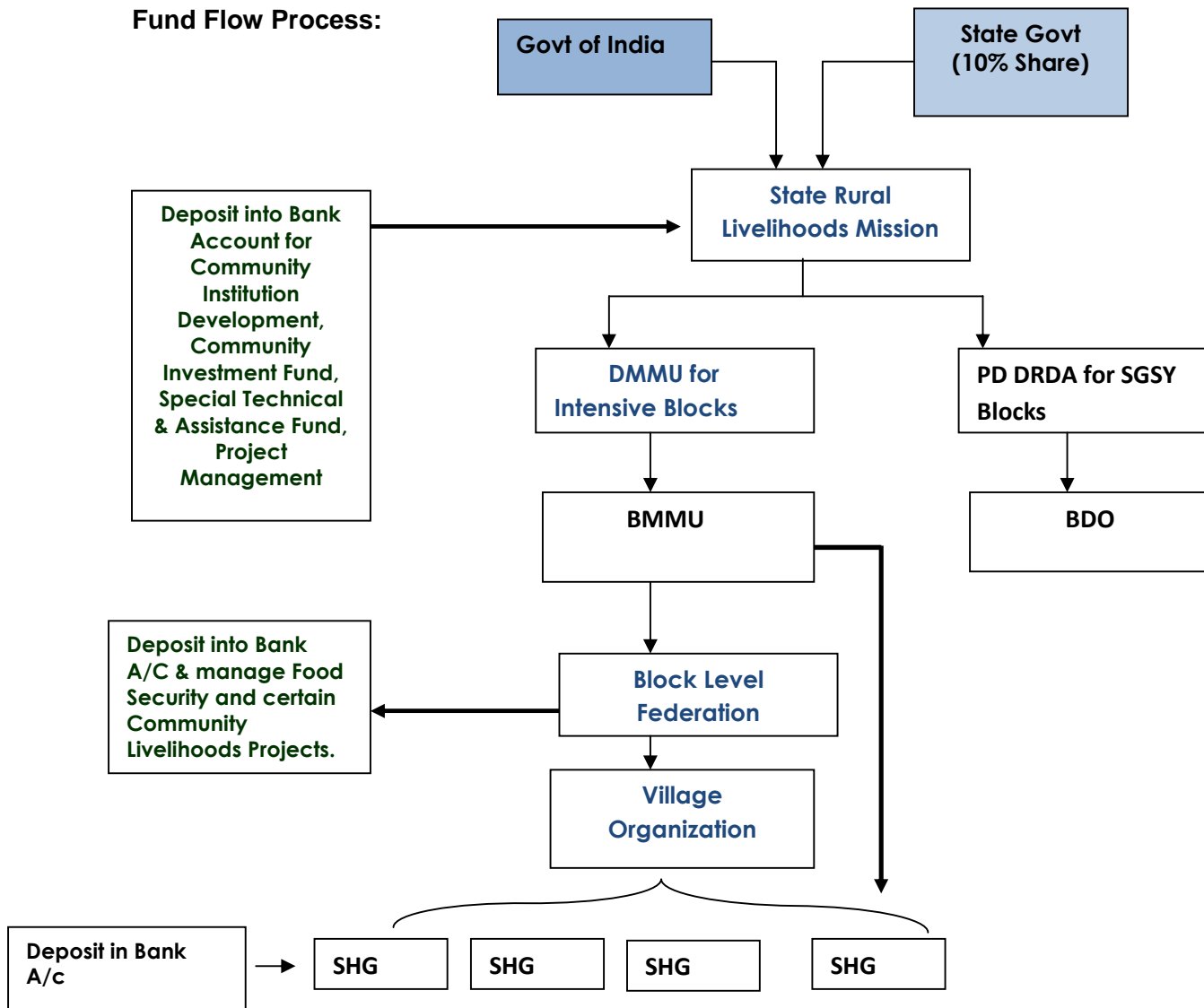
MoRD will release funds to the state against agreed annual work plan, through direct transfer into State Rural Livelihoods Mission Bank accounts.

The Mission is funded by:-

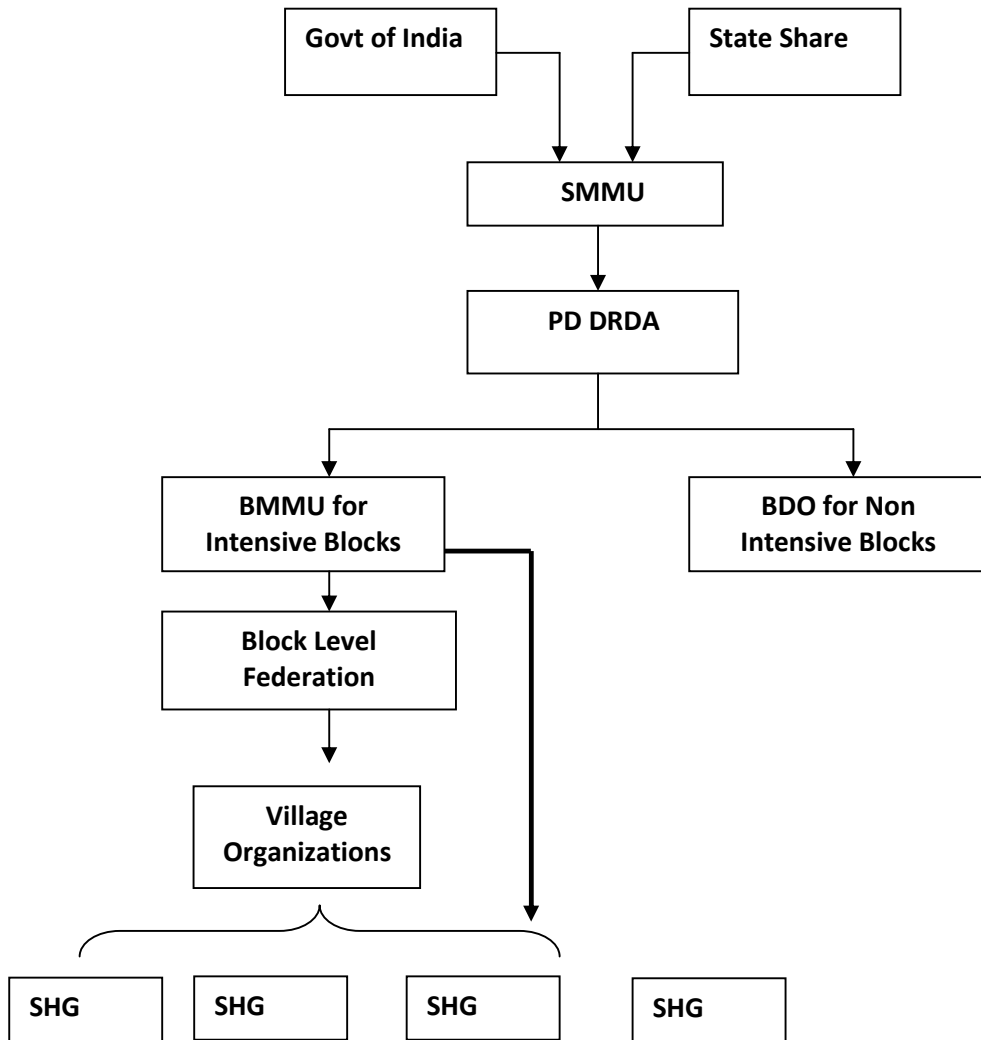
- Government of India.
- State Govt Share (10% in case of NE States)

3.1 Fund Flow to Intensive Districts:

Fund Flow Process:



3.2 Fund Flow to Non Intensive Districts:



3.3 Transfer of Funds:

3.3.1 Fund Flow of Mission :

Opening of Bank A/c:

State Mission Management Unit, Assam will maintain a separate Bank A/c in a Scheduled Bank for the Mission fund and notify the same to MoRD. The transfer of funds from MoRD to states will be through ECS.

3.3.2 Procedure for release of funds to States:

NRLM would fund states against appraised and approved **annual action plans and state perspective and implementation plans** that outline the results and the processes towards these results, and as per FM provisions of MoU which will be signed between MoRD and each participating state.

NMMU would review the performance against these plans half-yearly and annually and funds flow to the states would be based on the revised annual plans. Funds will be released in two tranches each year through direct transfers into SRLM bank accounts. For all fund releases following the first tranche, the states will be required to submit audit reports and utilization certificates, as per established Gol procedures.

Please refer to Table below for details of conditions for each tranche.

TABLE: Tranche Release to States under NRLM.

Tranche	Months	Condition of Release.
First Tranche	April-May	1)Approval of the State Annual Action Plan and 2) Terms and Conditions stipulated from time to time.
Second Tranche	October-December.	On the request of SRLM, Assam in prescribed pro-forma and on fulfilment of the following conditions: 1) Utilization of at least 60% of the available funds including the opening balance. 2) The opening balance of the SRLM should not exceed 10% of the allocation of the previous year (<i>in case, the opening balance exceeds the limit, the Central funds would proportionally reduced</i>). 3) Audit Reports, Utilization Certificates for the previous year furnished. Please refer to format of UC in Annexure III . 4)Achievement with reference to Annual Action Plan; and 5) Other terms and conditions stipulated at the time the previous release should have been met.

3.3.3. MoRD to State:- Key Points

1. The State Govt will contribute 10% (in case of NE states) of State Plan for activities proposed under NRLM.
2. Funding to states to be based on agreed Annual Work Plan and annual budgetary allocation.
3. Fund released to ARLMS, Assam will be through direct transfers into ARLMS Bank Account.

Funding of Mission Offices in the states-Key Points

1. SMMU will incur expenditure for state level activities directly.
2. DMMU: SMMU will transfer funds to DMMUs against annual work plan into a separate Bank A/c opened for the Mission.
3. BMMU: SMMU will transfer funds to BMMUs against annual work plan into a separate Bank A/c opened for the Mission.

3.3.4 Transfer of funds SMMU to DMMU:

1. The State Mission Director will open a joint account with Financial Advisor for management of the mission fund. The State Mission Director is authorized for making sanctioning order and payment order from the Mission fund.
2. SMMU would devolve funds to the Districts in accordance with district-wise allotments indicated in the Annual Action Plan.
3. To the extent feasible, funds flows SRLMs will not entail physical transfer of funds, and instead as **Electronic Fund Transfer system** will be established. Under this system, annual budgetary allocations will be approved by State Mission Management Unit (SMMU) for each Cost centre against specific Budget lines. The Cost Centre will generate sanctions and draw down from a Centralized state level Bank account using the online Banking systems up to budgetary limits and within the agreed delegation of financial powers.
4. All funds released by the state to the District and Block level units will be treated as **inter unit transfers** until expenditures are incurred at these levels.
5. These amounts shall be transferred to the Bank Account called "Mission Fund Account" of the DMMU.
6. Initially in the first two years of the Mission, the DMMU will be a lean and flexible structure due to less number of Blocks in each district. It is envisaged that SMMU will directly interact with the BMMU and greater attention will be given to building the structures at the Block and village levels where actual interactions with the community takes place and District unit will play the role of Coordinator between the SMMU, BMMU and other Mission partners with thin Administrative structure. Depending on the progress horizontally across villages and livelihood thematic areas and increase in number of Blocks, district structure will be strengthened. Hence for initial two years funds only related to district level activities will transferred to the DMMU.

3.3.5 SMMU to BMMU

13. SMMU shall retain part of the funds for activities managed directly by it and pass on the remaining funds on quarterly basis to the BMMU based on the annual budgets submitted by them. These amounts shall be transferred to the Savings Bank Account called "Mission Fund Account" of the BMMU.

**3.3.6 BMMU will received funds from SMMU/DMMU for the following Activities –
*Community Institutional Development Fund which will include-***

- Formation and Nurturing of SHGs, Producer groups & Federations
- Training & Capacity Building
- Salary and Incremental Support to the Block level Offices
- Establishment Cost and running cost of CBOs

Community Investment fund which will include –

- Initial capitalization and Food security Fund,
- Livelihood & asset fund which includes MCP based livelihood Fund and Community Based livelihood Funds.
- Social services and social action fund which includes Social risk Fund.
- Skill development Fund which includes Training Funds for Farm & Non Farm and service Sector.)

3.3.7 BMMU to BLF /CLF/VO/SHG

1. About 60% of the Mission fund are earmarked to be given directly to the community through village, cluster & Block Level Organisation .
2. The fund releases are formalized through signing the MOUs & financing agreement (Between SMMU, BMMU and BLF, Cluster Level Organization VO & SHG) specifying mainly release conditions and the amount of the instalments.

3.4 Expenditure and Payment of Money

- 1.No officers or authority of the Mission Fund shall incur any expenditure or transfer of money from the Mission Fund unless such expenditure or transfer of money has been sanctioned by a general or special order of the authority competent thereof under the regulations.
2. No expenditure from the Mission Fund shall “be made in excess of the limits specified for the purpose in the sanctioning order or the budget, as the case may be.
- 3.Every officers or authority incurring or authorizing or sanctioning any expenditure from the Mission Fund shall be guided by the actual financial priority and shall exercise the same caution in respect of the expenditure which he would have, under the circumstances, exercised had the expenditure been from his own money and the occasion been for his own benefit.
- 4.The Mission Fund shall not be utilized for the benefit or any particular person or a particular section of people unless in accordance with a decree passed by a court of jurisdiction or in pursuance of a policy recognized or accepted by the Mission.

3.5 Sanctioning of Expenditure:

1. All sanction of expenditure shall indicate the details of the provisions under the relevant budget head. A sanction shall unless specially mentioned by the authority passing the order come into effect from the date of its issue.

2. No authority shall exercise his sanctioning power in respect of the expenditure, in which he either directly or indirectly has some interest. In such a case the matter shall invariably be referred to his next higher authority for according the sanction in otherwise.

3.5.1 General principles governing all expenditure to be incurred from the Mission Fund:-

1. That there shall be adequate provision of fund authorized by a competent authority fixing the limits within which the expenditure shall be incurred.
2. That there shall be proper sanction, either general or special, accorded by the authority component therefore authorizing the particular item of expenditure.
3. Each head of officer shall be responsible for enforcing the financial order and strict economy at every step and also for observance for all the relevant financial rules regulations and discipline.
4. All bills presented for payment shall be examined in accordance with the relevant provisions of the rules and these regulations and disbursing officer shall if the claim is admissible and proper, the signature of the claimant is true, the bill is in order and the receipt is a legal acquittance, make an order to pay the bill under his hand seal on the bill. The order shall specify the amount payable both in words and in figures.

3.6 Linkage of DRDA with DMMU on Financial and Technical matters – Roles of Project Directors.

DMMUs will operate as branches of State Society with close coordination and consultation with DRDAs. It will be a subsidiary unit of the State Society. The DMMU will be responsible for implementation of mission Programme in the district in close coordination and overall guidance of DRDA. The DMMUs and DRDAs will maintain linkages in following financial and technical matters.

3.6.1 Relationship on Financial and technical matters.

- a. DMMU will follow the existing financial and technical rules and regulations being followed by Society.
- b. District Project Manager will open a joint account with the Project Director, DRDA for the management of the Society fund.**
- c. As the mission fund will be placed in a joint account between the Project Director, DRDA and the District Mission Manager, the Project Director will have to keep track of the financial flow to the DMMU as well as the expenditure made out of it.
- d. It will be the responsibility of the Project Director, DRDA to ensure that the expenditure by DMMU are incurred as per the rules of the Society.
- e. The Project Director, DRDA will also ensure that expenditure are made on eligible/permissible items as per plan and budget by the DMMU before putting his signature for withdrawal from the joint account along with the District Mission Manager.

- f. As the Project Director, DRDA will handle a joint account with District Mission Manager of DMMU it will be the responsibility of the Project Director to supervise the matters relating to the maintenance of financial discipline in the office of DMMU.

3.6.2 Review of the progress and performance.

A broad based district advisory group / review and coordination committee will be formed under the Chairmanship of the Deputy Commissioner. Project Director, DRDA will also be a member of the committee wherein review of the performance and progress of the DMMU will be undertaken.

3.6.3 Collaboration for financial inclusion.

DMMUs will also have to establish strong linkages with DRDAs to roll out its effort for financial inclusion as there will be many cases to be sorted out jointly at the initial stage at the level of banks and financial institutions for a meaningful financial inclusion.

3.6.4 Reporting.

As per implementation framework, SMMU is supposed to establish linkages between DRDAs and DMMUs. So it has been proposed that DMMUs while submitting report to SMMU will also send copies of the reports to the Project Director, DRDAs as the Project Directors will have to keep track of the progress and performance before signing for withdrawal of fund from the joint accounts. Similarly copies of audit reports will have to be sent by the DMMUs to the Project Directors of DRDAs.

3.6.5 Membership in Bankers Committees.

There are bankers committees at district level wherein the Project Director, DRDA is an important member. Membership of the District Manager, DMMU should also be ensured so that the District Manager, DMMU along with the Project Director can coordinate with bankers for various matters relating to financial inclusion.

3.6.6 Fund flow.

SMMU will keep the Project Director, DRDAs informed about the fund flow mechanism and fund released to DMMUs and BMMUs. This will help the Project Directors to keep track of the fund flowing into DMMUs and BMMUs as he is a joint signatory with District Manager, DMMU.

3.6.7 Finance and Technical Appraisal Committee.

- g. A Technical Appraisal Committee will be constituted at district level to technically scrutinise the plans and projects prepared by DMMUs and BMMUs. Apart from technical members from Line Departments, technical institutes will be invited.

- h. The Technical Appraisal Committee will give an opportunity to the Project Director to go through the plans and projects prepared by BMMUs and DMMU in the light of the development already taken place in the district so far as SGSY is concerned. Project Director, DRDA will supervise the plans and Project reviewed by this committee as he has been implementing SGSY and has already created infrastructures and collectives in the district.

3.7 Finance & Technical Committee of SMMU:

The Finance & Technical Committee in SMMU comprises of following members:

Asst Mission Director	Chair Person.
Chief Finance Officer	Member
State Project Manager	Member
Departmental Heads/Director's of Concerned Line Departments/Technical Institutes.	Member.
Experts (may be co-opted as and when required).	Member.
Sr Financial Advisor, NRLM	Member

3.8 Finance & Technical Committee of DMMU.

DMMU	Position
District Project Manager	Member Secretary
Representatives from SMMU	Member
District Functional Expert (Of Concerned Discipline)	Member
District Heads of various Line Departments/Technical Institutes.	Members.
Executive Engineer, DRDA	Member.
FAO, DRDA	Member.

3.9 Linkages of the BMMUs with Block Development Administration in financial related matter – Role of BDOs.

3.9.1 Relationship on financial matters.

- The Block Project Manager will open a joint account with Block Development Officer for management of the mission fund.
- As the mission fund will be placed in joint account between the BDO and the Block Project Manager, the Block Development Officer will have to keep track of the financial flow to the BMMU as well as the expenditure made out of it.
- It will be the responsibility of the BDO to ensure that the expenditure by BMMU are incurred as per the financial and technical rules and manuals.
- The BDO will also ensure that the expenditure are made on eligible and permissible items as per plan and budget by the BMMU before putting his signature for withdrawal from the joint account along with the Block Project Manager.

- e. It will also be the responsibility of the BDO to supervise the matters relating to the maintenance of financial discipline in the officer of the BMMU.

3.9.2 Review of the progress and performance.

- a. There will be a block review and coordination committee to review of the progress and performance of NRLM at block level.
- b. The BDO will be an important member of this committee wherein plan, performance and progress of BMMU will be reviewed.

3.9.3 Collaboration for financial inclusion.

- a. BMMU will also establish strong linkages with block administration for financial inclusion as there will be many issues to be sorted out jointly at the initial stage at the level of banks and financial institutions for meaningful financial inclusion.

3.9.4 Reporting.

- a. BMMUs while submitting reports to DMMUs & SMMU will also send copies to the BDOs as the BDOs will have to keep track of the progress and performance before signing for withdrawal of fund from the joint account. Similarly copies of audit reports will also have to be sent to the BDOs by BMMUs.

3.9.5 Fund flow.

- a. DMMU will keep the BDOs informed about the fund released to the BMMUs. This will help the BDOs to keep track of the fund flowing into the BMMUs as he is a joint signatory with the Block Project Managers.

Chapter 4

Accounting Policies and Frame-work.

4.1 Core System of Accounting:

This Chapter describes the accounting and financial procedures that should be followed by various accounting center for accounting of program transactions.

The Accounts at various offices/units of the Mission shall be maintained through Accounting package in addition to manual entry. All units/offices will also maintain manual Cash Book, Bank Book and other Books of Accounts.

4.2 Method & Concepts of Accounting:

The Accounts shall be maintained on double entry system adopting cash basis of Accounting. Each transaction must not only be carried out transparently but also be recorded in the respective books of accounts and vouchers/receipts or records stipulated for that purpose.

The accounting aspects in this chapter cover various Mission offices to whom the funds shall be made available for execution of Mission activities.

The proposed accounting system is discussed under the following broad heads:

- I. Accounting centers
- II. Chart of Accounts
- III. Books of Account.
- IV. Accounting and financial procedures (including formats of books and records)
- V. Linkages of financial and physical activities.
- VI. Day books and ledgers
- VII. Accounting Entries

4.3 ACCOUNTING CENTRES

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

The Accounting centers for the Mission shall be as follows:

- I. **State Mission Management Unit (SMMU):** The overall Mission monitoring office.
- II. **District Mission Management Unit (DMMU):** The Mission implementation office at the district level.
- III. **Block Mission Management Unit(BMMU) :** The Mission facilitation office at the block level.

Community Accounting Centers:

- I. Block Level Federation / Cluster Level Federation.
- II. Village Organization/.
- III. Self Help Group.

For initial two years of the Mission, Accounting at Mission Accounting Centers will be done through Accounting Software Package. In addition, all the Books of Accounts of Initial Entries (Cash Book, Vouchers, Cheque issue Register, Fixed Asset Register) shall be maintained manually. The Mission will review the existing system after two years regarding implementation of fully Computerized financial Management system at Mission and Community Level.

4.4 Accounting Policies, procedures and systems at State Level:

A common set of “back office’ rules on financial management, including accounting and financial rules at the State, SHG Federation and SHG level will apply uniformly across all activities and all sources of funds, including NRLM.

Project Offices:

Accounting system.

1. SRLM and its constituent district and block units and SHG Federations will maintain its books of account on a cash basis following the double entry principle of accounting.
2. SMMUs will maintain separate records of NRLM activities. A computerized accounting system will be maintained.
3. SMMU will prepare consolidated state level accounts for NRLM.

Fund Release:

1. Fund Release to Project Offices: All funds released by the state to the district and block level units will be treated as inter unit transfers until expenditures are incurred at these levels.
2. Fund Release to SHG federations for Community Investment Support: All fund releases to SHG Federations made in accordance with Federation Grant Agreement will be considered as eligible expenditures for the purposes of the project and accounted for as grants (expenditures) in the books of accounts of the SRLM. Such fund releases will be based on achievement of certain defined milestones/ triggers. SHG Federation will maintain books of accounts for the receipts and loans provided to SHGs and will prepare regular financial statements. SHGs will in

turn, provide loans to their constituent members to fund economic activities to enhance livelihoods or other consumption needs as described in the SPIP.

3. Fund Release to other Institutions: The accounting for fund releases (grant) to other institutions, including Producer Companies, livelihoods federations, NGOs partnership and other service providers will be guided by the terms & conditions of respective contractual arrangements or financing agreements/MOUs.

Fiduciary Assurance for Community Investment support:

1. The project will obtain fiduciary assurance for the use of Community Investment Support provided to the SHG Federations from a combination of the following two processes:

(a) Periodic assessment of robustness of the loan portfolio at the Federation level and monitored through rigorous processes and use of eligibility indicators of profitability, capital and portfolio quality, acceptable levels of loan collections, appropriate capacity for appraisals and supervision etc.; and

(b) Assessment of the fiduciary oversight arrangements established at the Federation level to monitor and verify the use of funds for intended purposes, including verification mechanisms for assets and other uses of funds, as applicable.

9. The project will invest in (a) developing detailed assessment criteria for grading of SHGs and Federations; and (b) providing handholding accounting technical assistance (book keepers, accounting hubs etc.) to the Federations to help maintain accounting records and prepare monthly/annual financial statements for the Loan portfolio.

B. Community Level.

1. SHG Federations will maintain books of accounts on cash basis following double entry principle of accounting.

2. SHG Federations will maintain books of accounts for the receipts and loans provided to SHGs and will prepare regular financial statements.

3. The federation annual accounts will be subjected to Statutory audits.

Over the medium and long term, a **separate platform will be developed for accounting and financial reporting for SHG Federations (and SHGs)**. This will ensure standardization and consistency in the quality of accounting. This will also provide online access to financial information for community level at the aggregate as well as standalone basis. The accounting system at the SHG/federation level will be automated through e-bookkeeping using different front-end devices.

4.5 Chart of Accounts

The Chart of Accounts have been developed in a manner to facilitate Accounting for the expenditures by Project Components, sub-components and main activities and sub activities/Account Head. This will enable comparison of actual expenditures with annual work plan and PIP costs. The detail chart of accounts is given in **Annexure IV**.

4.6 Book Keeping and Accounting:

Books of account are the basic records which have to be maintained as part of the accounting system. The Books of Account shall be updated and tallied regularly and the balances in the books of accounts shall be taken to the Trial Balance. The books of Accounts shall be maintained in all SMMU, DMMU, BMMU through the Accounting package and in addition to the computerized Accounting, manual Accounting will also be done in the books of initial Entry like Cashbook, Bank Book.

There shall be the following principal books of account, records to be maintained at SMMU/DMMU/BMMU.

- a) Cash and Bank Book
- b) Journal register
- c) General Ledger
- d) Bank Reconciliation Statement.
- e) Trial Balance.
- f) Register of advances.
- g) Register of Cheques and Bank drafts received
- h) Cheque issue register
- i). Register of Cheques and Bank draft dispatched
- j) Bill Register
- h) Establishment Register like Salary Register, Acquittance Register etc.
- i) Stock Register
- j) Fixed Assets Register

- k) Temporary advance Register
 - (i) staff
 - (ii) TA / DA advance
- l) File Register

All the Mission Units must update Cash and Bank Books daily for all receipts and transfers from the Project fund Account. Cash/Bank collections, Cash/Bank payments and withdrawal/ deposit of cash to bank must be accounted in the Cash and Bank Book daily. All receipts, remittances/deposits must be debited in the Cash Book and all payments shall be credited. The Cash Payment Voucher, Bank Payment Voucher, Cash Receipt Voucher, Bank Receipt Voucher, Transfer Voucher must be the basis of recording transactions in these Books of Accounts daily. In addition, the SMMU, DMMU & BMMU may, with permission of SMD of the Society, also maintain petty cash Book to meet the expenses of small amounts and of high frequency such as payments for stationery, postage, telegrams, carriage, conveyance and other petty expenses for which payments may not be made by Cheque but need to be updated daily.

4.7 Accounting and Financial Procedures at Mission Units.

This section outlines the accounting and financial procedures that shall be followed by various accounting centres for accounting project transaction. The fund shall flow to various accounting centres as per the system of flow of fund described the earlier chapter.

4.8 Accounting at SMMU, DMMU & BMMU

The Proposed Accounting procedures at the SMMU, DMMUs, BMMUs are outlined under the following heads:

- I. Receipt Accounting.
- II. Payment Accounting.
- III. Bank Reconciliation.
- IV. Accounting for Contra Entries.
- V. Accounting of Advances.
- VI. Accounting of Fixed Assets.
- VII. Journal Entries.
- VIII. Correction of Entries.

4.8.1 Receipt Accounting:

1. The fund shall be made available to the SMMU through electronic fund transfer.
2. The DMMU, BMMU shall receive funds from SMMU for project activities as advances. The funds shall be received at periodic intervals.
3. There could be other receipt on account of interest on bank accounts, receipt of security deposits, receipts of earnest money deposits, etc.
4. The receipts would generally be in the form of bank receipts. There could be cash receipts also, example settlement of advance by an employee in cash etc. Based on the mode of receipts, the receipts transaction shall be classified as bank and cash receipts.
5. On receipt of funds, a bank /cash receipt voucher shall be prepared. The Bank /cash receipt vouchers shall be allotted a serial number and will be filed sequentially.
6. The vouchers after being approved by the competent authority maintaining accounts in various level shall be posted in cash/bank books.
7. In case of receipt of security deposit/ earnest deposits the entry shall be made into the register of security deposits/earnest money. The register of security deposits/earnest money shall contained voucher wise details of the following.
 - i. Opening balance of deposits
 - ii. Amount received during the period.
 - iii. Amount refunded during the period.
 - iv. Closing balance of the deposits
 - v. Expected date of refund of deposit.
8. The project offices shall periodically review at least once in a month. The register security deposit/earnest money deposit to keep track of deposits nearing date of maturity and deposit overdue for payments.

4.8.2 Payment Accounting

1. The payments shall mainly be in respect of the following:

- I. Release of funds by SMMU to DMMUs/BMMUs
- II. Payments made by DMMU to BMMU
- III. Payments made by BMMU to BLF/VLF, Or BMMU to SHGs
- IV. Other payments both at SMMU, DMMU, BMMUs (such as payment for goods and services, preparation/procurement of training material/publications, payment for operational expenses, refund of security deposit/EMD etc.)

The payments would mainly be made through cheques/ DD/ bank transfers. However there could be cash payments also, e.g. payment of daily wages, repairs and maintenance, etc. The accounting for payments shall be done as per the mode of payment i.e. bank payment or cash payment.

2. All cash / bank payments shall be accounted for through payment voucher.

a). At the time of making the payment, all the details of the payment transaction shall be mentioned on the voucher. The bank /cash payment voucher shall be allotted a running serial number and will be filed sequentially.

b). In order to avoid preparation of cash payment voucher for petty expenses an advance shall be given to an administrative official of the office for the purposes of meeting the office expenses of a routine nature and small amounts (nature and amount to be specified by the competent authority of the project). At regular intervals the official shall submit a statement of expenditure incurred classifying the expenses according to the general ledger code classifications.

c). After authorization of expenses by the competent authority, a Cash payment voucher shall be prepared to account for the expenses as per the statement of expenditure and the amount shall be reimbursed to the concerned official.

4.8.3 Accounting of payment to BLF/VLF

a) The payment to BLF shall be made as per the terms of the MOU entered into between DMMU and BLF/VLF for the project activity. Generally, the payment shall be released in achieving milestones.

4.8.4 Bank Reconciliation Statement.

1) The SMMU, DMMU & BMMU shall reconcile bank balance as per the bank statement and the bank book on a monthly basis and prepare a monthly Bank Reconciliation Statement by 7th of the succeeding month. For this purpose, the accounting staff shall match and compare the bank

statement and bankbook and will generate a list of unmatched transactions. The unmatched transactions would be grouped under the following heads:

- I. **Cheque deposited but not credited**
- II. **Cheque issued but not presented**
- III. **Excess/ less amount debited / credited by bank**
- IV. **Bank interest**
- V. **Bank charges**
- VI. **Debits against standing instructions like payment of telephone bills, electricity bills etc., if any.**

2. The project office shall pass appropriate correction entries wherever necessary for the differences in the bank statement and bankbook.

- a) The Bank reconciliation statement shall be regularly reviewed for cheques issued but not presented for payment for more than 6 months. These cheques shall be treated as stale cheques. The project offices shall prepare a bank receipt voucher crediting stale cheques account to account for stale cheques. No activity shall be credited at the time of passing such entry.
- b) A fresh Cheque shall be issued on demand from the party and necessary entry shall be made in the books of account. The activity shall not be debited / credited on issue of fresh cheque. A stale cheque register providing details of the stale cheques shall be maintained.
- c) If a cheque is reversed by the project authorities and no fresh cheque is issued against it for a period of three years from the date of issue of the original cheque, then the project authorities shall debit the activity account and credit the other income account in the books of account.
- d) In the district units, the District Accounts officer will prepare the Bank Reconciliation Statement (BRS) every month and District Project manager will sign the BRS. In the Block units, Block Accountant will prepare the BRS and signed by Block Project Manager.

4.8.5 Accounting for Advances

1. The project offices shall release advances to Suppliers/ Service Providers (as per terms of the contract/ Purchase Order/ Rate Contract/ Service Contract). The advance shall be recorded in an **Advance register**. The advance to staff shall also be recorded in a separate "staff advance register" that will have a similar format.
2. The advances shall be adjusted on receipt of goods/ services, through journal voucher.

3)The release of advance shall be done through payment voucher. The adjustment of advances shall be done through the journal voucher. The expenditure account head shall be charged only on posting of journal voucher through which the expenditure shall be recorded. On posting of the journal voucher the Journal book and the General Ledger shall be updated regularly.

4)In respect of these advances the main activity and the activity for which the advance has been given shall be mentioned on the payment voucher. (This shall facilitate claiming of these advances for disbursement from World Bank).

4.8.6 Analysis of Advances

The advances outstanding for the project shall be analysed at the end of each month to monitor the advances outstanding for long period. An “Age-wise analysis of advances” shall be prepared and the reasons for advances, which have been outstanding for long periods, should be ascertained and should be reported by DMMUs to SMMU.

4.8.7 Accounting for fixed assets.

The accounting for fixed assets shall be done in all Mission units offices from State to Block level. Accounting of fixed assets shall be done in respect of assets acquired for the project. The various cost components that shall form part of cost of fixed assets shall be as per the accounting policy on fixed assets.

Fixed Assets Register

The fixed assets register shall be maintained by all Mission Units including BLF/VLF, producer groups. The procedure of maintenance of the fixed assets register is as follows:

(1)Whenever a fixed asset is purchased a payment voucher shall be prepared whereby the respective account head is debited and bank/ cash account is credited. The relevant asset code and description is specified in the voucher itself

(2)The fixed asset register shall give details as regards:

- (a) The nature of asset
- (b) Date of purchase
- (c) Location
- (d) Cost
- (e) Asset code
- (f) Voucher reference of purchase

(3)The fixed asset register shall be updated as soon as the Cash/ bank payment voucher is passed for purchase of the fixed asset.

Physical Verification of Fixed Assets

1. The SMMU shall conduct physical verification of the fixed assets (at least half yearly or when incumbent using the fixed assets is transferred). The procedure for physical verification shall be as under:
2. The SMMU shall generate a list of the assets acquired in the project from the fixed asset register.
3. The project office shall physically verify the fixed assets at its location with respect to the physical presence, condition of the asset and its workability (i.e., whether the asset is in running condition or not)
4. Any discrepancies or otherwise noticed during the physical verification shall be noted
5. The SMMU shall explain in detail, the reasons for the discrepancies noticed during physical verification.
6. A certified copy of the fixed asset register shall be sent by each of the DMMU and BMMU.
7. A comparative statement indicating fixed assets as per records and assets as per the physical verification conducted, variation, if any, and reasons thereof shall be appended with the annual audited statements of accounts.

4.9 Correction of entries

Journal voucher shall be passed with the supporting sheet explaining in detail the reason for the correction made, giving reference to the earlier accounting entry. The posting of the voucher shall update the journal book and general ledger.

4.10 Closure of books of accounts at DMMUs/BMMUs

1. All BMMUs /DMMUs under this Mission shall close their books of account by 31st March of the succeeding financial year on a provisional basis. Adjustments subsequent to provisional closure of books shall be made by journal vouchers, which shall update the trial balance. On finalisation of accounts the provisional balances will be adjusted accordingly.
2. For the purposes of closure of accounts on a provisional basis, a provisional trial balance shall be generated and all the ledger accounts shall be taken to the final accounts. A provisional balance sheet, income and expenditure account, receipts and payments account and relevant schedules, which shall form part of the annual accounts, shall be prepared.
3. A copy of the provisional accounts so prepared shall be sent to the SMMU for consolidation latest by April 15 of the succeeding financial year.

4.11 Closure of books of accounts at SMMU

1. The same procedure that is being followed at the DMMU/BMMU shall be followed at the SMMU for account closing purposes.
2. The SMMU shall receive the provisional accounts from DMMUs/BMMUs by April 15 of the succeeding financial year and it shall generate its own provisional accounts and the provisional accounts for the Mission as a whole by April 30.
3. After getting copies of final accounts from the DMMUs, SMMU shall prepare the final accounts for the Mission as a whole in the manner provided in the consolidation of accounts section of this report.

4.12 Book keeping & Accounting at Community Level Accounting Centres.

Books of Account at the Community level will be prepared manually. Accounting shall be done at following levels-

- SHG
- Village Organisation
- Block Level Federation

The Accounting at SHG level shall be done to ensure that savings, Inter loaning among the members, Utilisation of Funds received from the Mission against CIF and from other sources are properly recorded and also to ensure that grant and loan received by the SHGs are properly managed and utilised for the purpose it was intended. .

SHG shall maintain following books of Accounts –

- Cash/ Bank Book
- Minute Book
- Loan Ledger
- Savings Ledger
- Ledgers for Fund received from different sources.
- Monthly receipt and payment Registers/Sheets.
- Vouchers.
- Visitors Register.

The accounting at the offices of the BLF/ Vos shall be done to ensure proper recording of utilisation of funds received from the Mission and from other sources as per the terms and conditions of the agreement. They shall maintain the following books:

- Cash/ Bank Book
- Minute Book
- General Ledger
- Fixed Asset Register
- Stock Register.
- Monthly receipt and payment Registers/Sheets.
- Vouchers.

- CIF Ledger & Other Documents

Apart from above the CBO's can maintain other registers as per the requirement.

4.13 CIF Accounting

SMMU/DMMU / BMMU shall maintain separate sets of the Registers and documents for the fund released against CIF.

4.13.1 Following Records and Documents has to be maintained at different Accounting centers for CIF Management-

SMMU would maintain the following Books & documents:

1. Administrative Sanction
2. District /Block wise Allotment Letters
3. Summary Sheet of CIF Allotted
4. District/Block wise separate Ledgers for the entire sub Components of CIF with control Account.
5. Block wise/District wise consolidated Utilization certificates
6. Separate Bank Account.
7. Audit related file.
8. Monthly financial reports of CIF utilization from DMMU.

- DMMU

For each and every CIF, BMMU would maintain the following Books & documents:

1. Administrative Sanction
2. Block wise Allotment Letters
3. Summary Sheet of CIF allotted
4. District/Block wise separate Ledgers for the entire sub Components of CIF with control Account.
5. Block wise consolidated Utilization certificates.
6. Separate Bank account
7. Audit related file.
8. Monthly financial reports of CIF utilization from BMMU.

BMMU

For each and every CIF, BMMU would maintain the following Books of account & documents in prescribed format:

1. Administrative Sanction
2. Block wise Allotment Letters
3. Summary Sheet of CIF allotted
4. VO (till BLF is formed) wise separate Ledgers for the entire sub Components of CIF with control Account.
5. Separate Bank account
6. CIF Proposals from VO/BLF

7. Appraisal Report
8. Memorandum of Understanding/Agreements
9. Proceeding
10. Utilization certificates from BLF/CLF/VO (till BLF is formed)
11. Audit related file.
12. Monthly financial reports from Community organizations,
13. Management of complaints.

4.14 T

YPES OF CIF TO BE GIVEN TO THE COMMUNITY LEVEL ORGANISATION,(BLF,VLF,SHG)

The Components and definition of the various CIF Sub Components are enumerated below-

	Name of the Sub Components	Definition	Who will be Beneficiary	Who will give the Utilization	Nature of Fund
1.	Livelihood Intervention				
1.1	Agriculture Intervention				
	1.1.1 MCP based Individual Livelihood Fund	MCP based financing to SHG members for household level assetisation ,facilitate access to Credit from banks and other sources, fulfill the financing need for existing agriculture based livelihood activities ,supporting initiatives for mitigation of livelihoods risks including death due to crop failure and natural calamity etc, disability and asset replacement insurance.	SHG members	VLF will submit UC to BLF/BMMU (till BLF starts working) on the basis of Grant given to SHG members and Loan assets created at VLF based on MCP of the Individual SHG	Grant to VLF/BLF,VLF will give loan to SHG . SHG will give it as loan to SHG members. In case initially if BLF is not formed, grant will be given through VO.
	1.1.2 Community based Livelihood Investment Fund	Scaling Up certain key Interventions in Agriculture livelihood like- Development of backward & Forward Linkages ,Agriculture product processing ,developing local resource persons as para-professionals for providing technical support	Group of SHG members of Similar Activity. Livelihood collectives and producer groups.	VLF/BLF/BMMU (till BLF starts working) will give the UC on the basis of Utilization certificate given by the Livelihood collectives/ Producer groups	Grant to BLF/VLF. BLF/VLF will give Loan/Grant to SHG/Livelihood collectives/ Producer groups. In case initially if BLF is not formed, grant will be given through VO.

		and to assist the functioning of the SHGs, Partnerships with value Chain partners , Assetization at Community Level, skill development ,Demonstration on horticulture, multilayer farming, Designing New financial Instruments for poor to enable them to participate in extended value Chain.			
1.2	Animal Husbandry				
1.2.1	MCP based Individual Livelihood Fund	MCP based financing to SHG members for household level assetisation ,facilitate access to Credit from banks and other sources ,fulfill the financing need for existing animal husbandry based livelihood activities like Dairying, poultry farming, pisciculture,goatery, pig breeding and rearing ,supporting initiatives for mitigation of livelihoods risks/failure including due to outbreak, Natural calamity etc, disability and asset replacement insurance	SHG members	VLF will submit UC to BLF/BMMU(till BLF starts working) on the basis of Grant given to SHG members and Loan assets created at VO based on MCP of the Individual SHG	Grant to VLF/BLF.VLF/BLFwill give loan to SHG . SHG will give it as loan to SHG members. . In case initially if BLF is not formed, grant will be given through VO.
1.2.2		Scaling Up certain key Interventions in Animal	Group of SHG members of	VLF/BLF/BMMU(till BLF starts working) will	Grant to BLF/VO.BLF/VLF will give Loan/grant to SHG/Livelihood

	Community based Livelihood Investment Fund	husbandry livelihood like , Dairying, poultry farming,pisciculture, goatery,pig breeding and rearing, Development of backward & Forward Linkages , developing local resource persons as para-professionals for providing technical support and to assist the functioning of the SHGs ,Partnerships with value Chain partners,Skill development, demonstration , Assetization at Community Level, Designing New financial Instruments for poor to enable them to participate in extended value Chain.	Similar Activity. Livelihood collectives and producer groups	give the UC on the basis of Utilization certificate given by the Livelihood collectives/ Producer groups	collectives/ Producer groups. . In case initially if BLF is not formed, grant will be given through VO.
1.3	Non-Farm Sector				
	1.3.1 MCP based Individual Livelihood Fund	MCP based financing to SHG members for household level Assetization , to develop their skills on Non farm sector to increase their existing livelihoods opportunities, facilitate access to Credit from banks and other sources ,fulfil the financing need for existing non farm based livelihood Activities ,supporting initiatives	SHG members	VLF will submit UC to BLF/BMMU (till BLF starts working) on the basis of Grant given to SHG members and Loan assets created at VLF based on MCP of the Individual SHG	Grant to VLF/BLF, VLF will give loan to SHG . SHG will give it as loan to SHG members. . In case initially if BLF is not formed, grant will be given through VO.

		for mitigation of livelihoods risks including death, disability and asset replacement insurance			
	1.3.2 Community based Livelihood Investment Fund	Scaling Up certain key Livelihood Interventions like handloom & sericulture, developing their skills on Non farm Sector to increase their existing livelihoods opportunities, Development of backward & Forward Linkages , developing local resource persons as para-professionals for providing technical support and to assist the functioning of the SHGs,Partnerships with value Chain partners , Assetization at Community Level, common facility center, Designing New financial Instruments for poors to enable them to participate in extended value Chain.	Group of SHG members of Similar Activity. Livelihood collectives and producer groups	VLF/BLF/BMMU (till BLF starts working) will give the UC on the basis of Utilization certificate given by the Livelihood collectives/ Producer groups	Grant to BLF/VLF.BLF/VLF will give Loan/grant to SHG/Livelihood collectives/ Producer groups. In case initially if BLF is not formed, grant will be given through VO.
4.	Health Security Fund	MCP based financing to be extended to members at agreed concessional rates to address critical health risks.	SHG members	BMMU*/BLF/VLF (*Till the BLF Start working) will give the UC on the basis of utilization.	Grant to BLF and sub grant to VLF.VLF will grant to SHG. SHG will give it as loan to SHG members. . In case initially if BLF is not formed, grant will be given through VO.
5	Education Security Fund	MCP based financing to be extended to members at agreed	SHG members	BMMU*/BLF/VO(*Till the BLF Start working)	Grant to BLF and sub grant to VLF.VLF will grant to SHG. SHG will

		concessional rates to address critical health risks		will give the UC on the basis of utilization.	give it as loan to SHG members. . In case initially if BLF is not formed, grant will be given through VO.
4.3	Food Security Fund	MCP based financing extended to the members at agreed concessional rates specifically to address the food requirement of the group members	SHG members	VLF will submit UC to BLF/BMMU (till BLF Starts working) on the basis of the Fund utilized by the VLF on Food Security	Grant to BLF and sub grant to VLF.VLF will grant to SHG. In case initially if BLF is not formed, grant will be given through VO.
4.4	Debt Swapping Fund	MCP based financing to be extended to members at agreed concessional rates to address critical debt .	SHG members	BMMU*/BLF/VLF(*Till the BLF Start working) will give the UC on the basis of utilization	Grant to BLF and sub grant to VLF. VLF will grant to SHG. SHG will give it as loan to SHG members. . In case initially if BLF is not formed, grant will be given through VO.
5.	Revolving Fund	Initial capital to Enhance the creditworthiness of the groups and also to satisfy their initial needs.	SHG members	SHG/VO will submit the UC to BMMU*/BLF(*till BLF starts working) on basis of Loan assets created at SHG/VO based on MCP of the Individual SHG.	Grant to SHG from DMMU/BMMU and SHG will give it as loan to SHG members. . In case initially if BLF is not formed, grant will be directly given to SHGs.
6.	Capital Subsidy	Capital Subsidy will be provided as catalytic capital to the groups for building their credit worthiness to take up full range of activities.	SHG members	SHG/VO will submit the UC to BMMU*/BLF(*till BLF starts working) on basis of Loan assets created at SHG/VO based on MCP of the Individual SHG	Grant to BLF which will give further Grant to VO. VO will give it as Loan to SHG and SHG will give it as loan to SHG members. In case initially if BLF is not formed, grant will be given through VO.

Note: Besides above, any other CIF sub-component which is applicable to the respective project may be added.

CHAPTER - 5

INTERNAL CONTROL

5.1 Need for Internal Controls

Internal Controls are essential to ensure compliance with rules and regulations and applicable local laws, authenticity of financial and operational reporting and effectiveness of operations. Various internal controls are evaluated as to the risks associated with Mission finance management to ensure utilization of funds from the MoRD and to ensure accuracy and reliability of the books of accounts and financial statements.

Internal controls are integral part of any sound financial management system. It needs to be exercised at various levels to ensure the accuracy and reliability of the financial transactions. It will ensure proper use of funds for the purpose for which it is provided and protects the assets of the organisation. The internal control system proposed also detects any arithmetical mistakes, errors, wrong classification and alarms or cautions any abnormal transactions and variations in the budget etc, with checks and balances at various levels. The success, efficiency and the effectiveness of the financial management depend to a great extent on the "Quality" of the Internal Controls and the "Financial Discipline" adopted by the organization.

It is recommended that the internal controls should be incorporated in the accounting system (built-in) and adhered to on a routine basis – as a financial discipline to derive the optimum benefits of the FM system. The following are the select features, which need to be followed as a financial discipline to achieve the objectives of the FMS:

1. Preparation of Bank reconciliation statement on a monthly basis.

- *Reviewing the details of the variations such as reasons for long outstanding bank credits (cheques deposited not yet credited). It may reveal that cheques were not deposited in-time.*
- *Long delay in encashment of cheques issued by the project / its implementing offices. It may reveal that cheques were not physically handed over in-time/ posted as indicated in the books.*
- *Unusual credits and debits in the bank transactions.*
- *Delay or not accounting of bank charges or interest credited by bank etc,*
- *In the district units, the District Accounts officer will prepare the Bank Reconciliation Statement (BRS) every month and District Project manager will sign the BRS. In the Block units, Block Accountant will prepare the BRS and signed by Block Project Manager.*

2. Preparation of monthly Receipts and Payments statements

- *To analyse the utilization of funds provided and raised by the organization*
 - *Preparation of monthly Trail Balance.*
 - *To ensure accuracy and correctness of the books of accounts*
- 3. Submission of “Requisition Form” for seeking grant**
- *To check the requisition for funds after considering the balance available and the projected expenditure.*
- 4. Monthly Reconciliation of Payments with Expenditures**
- *To ensure that proper accounting as all payments are not expenditures.*
- 5. Monthly Review of financial progress against Annual Budget (quarterly target) identifying the variance**
- *To ensure that project is progressing as planned and to plug any deviation or to take necessary steps to set right to achieve the target.*
- 6. Monthly analysis of advances – schedule with aging analysis**
- *To ensure financial discipline and to avoid any blockage of project funds for a longer duration.*
- 7. Monthly analysis of statutory payments – deductions and remittances such as sales tax and income tax etc,**
- *To ensures that legal and statutory deductions and remittances are made in time and avoids any legal action or penalty for the delay.*
- 8. Numbering of assets and its periodic physical verification**
- *To ensure accountability for the assets provided and to ensure its proper utilization.*
- 9. Monthly review of the various insurance policies etc, such as cash insurance etc, and its periodic renewal.**
- *All assets of the projects and its implementing offices are fully protected / secured in case of any eventuality such as accident/ fire/ theft etc.*
- 10 Quarterly / Monthly monitoring of all Works/contracts/partnership agreement with respect of time and Cost Over-runs.**
- *It facilitates that all contracts/Works/agreement of are progressing as per the terms of contract/milestones/benchmarks and to alarm slow progress or stagnation in execution, which enables the Mission to take necessary corrective action for any deviations or slow progress identified.*
- 11. Obtaining monthly confirmation of cash and bank balances / statement of accounts from all the implementing offices.**
- *It provides a check on the accounts personnel to update his books and verify with the Bank balances and detects errors and mistakes if any.*

12. Monthly monitoring of the procurement limits especially the force account and local shopping, etc,

- ***It ensures that project has adhered to the procurement limits and avoids any mis-procurement or ensures control over the procurements.***

5.2 Financial Disciplines

Apart from the above, if necessary the Society will impose any other financial disciplines to ensure quality of the finance and accounting records to generate timely, accurate and reliable financial statements:

1. Update books on daily basis
2. Record transactions legibly
3. Providing full and complete description of the Transaction as narration in the “Vouchers” and books of account.
4. Providing cross reference such as bill no., invoice no., GRN no., cheque no., purchase order no., etc., in the vouchers and books of account and enable audit trail
5. Striking Total and balances on daily basis.
6. Checking opening and closing balances of cash, bank and other ledgers and accounts
7. Surprise Physical verification of cash balance by senior officers.
8. Authentication and marking of details of payments on bills and avoiding duplicate payments – stamping of bills immediately after payment
9. Preparation of monthly summary of transactions and certification by the Finance officer
10. Ensure serial numbering of all type of vouchers – Payment vouchers, Bill Payables, Journal etc,
11. Receipt books to be pre-numbered with duplicate / carbon copy retained
12. Timely issue of receipt for amount received.
13. Timely Deposit of cheques/ Demand Drafts / excess cash into bank preferably on same day or next day.
14. Maintain vouchers and supporting documents of transactions in a separate file
15. Maintain consistency in classification of expenditure
16. Posting transactions to ledgers/sub ledgers regularly
17. Update the latest circulars, orders and implement it without any delay
18. Obtain and update the minutes or proceedings of the meetings or committees of its approvals for any activities and adhere to its decision.
19. Ensure that sundry registers such as Postage registers, telephone registers, logbooks for vehicle, etc., any private use of these need to be recovered from the users.

Internal Audit

SRLM, Assam will engage qualified Chartered Accountant Firm(s) for carrying out internal Audit as per the TOR & Selection Process mentioned in the **Chapter - Audit Arrangement , Part -Internal Audit**. The Internal audit will include payment audit as well as independent appraisal of the financial, operational and control activities of the programme.

Chapter 6

Financial Reporting

6.1 OBJECTIVES

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

- (1) To provide Mission implementing agencies with relevant information that would enable them to plan, monitor and control the various Mission activities.
- (2) To identify and report critical areas of information which are relevant at different levels of Mission implementing agencies and would facilitate in decision making at those levels.
- (3) To provide a basis for evaluation of various Mission activities by regular comparison of actual 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 the program, World Bank and State Governments.
- (6) To assist consolidation at various levels.

6.2 Reports:

These reports can be divided into two parts:

- A. Internal Reports
- B. External Reports

6.2.1 Internal Reports:

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

S.NO	TITLE OF REPORT	REPORT NO.	PERIODICITY	BY WHEN	PREPARED BY	SUBMITTED TO
1	Interim Financial Report by Project Components- Consolidated & Summary by each Block		Monthly	15 th of following month	BMMU/DMMU	SMMU.
2	Statement of CIF Funds released for which UC has not been received.		Quarterly	15 th of following Quarter	BMMU/DMMU	SMMU.
3	Executive summary of internal audit report with actions taken on the findings		Quarterly	15 th of the following Quarter	BMMU/DMMU	SMMU.
4.	Financial Management Indicators		Half Yearly	15 th of the end of each period of 6 Months	BMMU/DMMU	SMMU.

6.3 Reports to be submitted by SMMU to NMMU:

Table: External Reports to be submitted by SMMU to NMMU

Sl No	Report Type	Format	Periodicity	Timeline
1.	Consolidated IUFR of State	Annexure 2	Quarterly	Within 30 days of end of each quarter.
2.	Utilization Certificate.	Annexure 4	As and when due for the tranches as per MoRD guidelines.	As and when due for the tranches as per MoRD guidelines.
3.	Consolidated Audit Report of State.	Annexure	Annually	31 st July of every Financial year of previous financial year.
4.	FM Indicator for states	Annexure 3	Six Monthly.	Within 30 days of end of each period of six months.

6.4 IUFR of SMMU: SMMU prepare quarterly IUFR for its expenditure, which will be signed by the Head of SMMU.

6.4.1 Consolidated IUFR of State:

1)SMMU will further prepare one consolidated quarterly IUFR for the entire State which will be signed by the Head of SMMU and send it to NMMU within 30 days of completion of each quarter.

2)The SRLM financial reports will reflect all sources (GOI and State Share) and uses of funds with detailed statement of NRLM related expenditures.

Table: Description of Consolidated IUFRs

IUFR Number	IUFR Title.	Description of IUFRs
2	Source and uses of Funds-States	The IUFR provides the following information for state: A. Opening Balances. B. Receipts include: i) Grants received from MoRD. ii)State Share ii)Any other Receipts. C.Uses of Funds i)NRLP by Components. ii)NRLM (summary only) iii)Other projects (summary only) D.Closing Balances i) Cash and Bank Balances. ii) Advances.
3A	Expenditures against Annual Work Plans.	Detailed information for state against sub-components for: i)Approved Annual Work Plan. ii)Actual Expenditure Reported: - For quarter. - Cumulative to date.

4.	Forecast of expenditures for two six months period ending.... and.....	Forecast for next 2 six monthly periods of expenditure at state by sub-components.
5.	Summary of payments for prior review contracts.	Summary of payments of prior review contracts for state.

6.4.2 Utilization Certificate: The UC is to be submitted to NMMU for release of funds to State. Please refer to Chapter on Flow of funds for more information on tranches and **Annexure No 4** for format of UC.

6.5 FMI

Financial management indicators is a set of parameters which have been developed to monitor whether financial arrangements are working satisfactorily or not in SMMU This will cover ***FM aspects such as staffing , Training , accounting , financial reporting*** etc . SMMU will submit consolidated Financial Management Indicators on a half yearly basis to NMMU within 30 days of end of each period of 6 months. The detail format of FMI is mentioned in **Annexure 3**.

6.6 REPORTS FROM VO/BLF TO THE MISSION

BLF/VOs shall prepare a report each month and submit it to BMMU which would indicate:

1. Amount received from BMMU, amount spent on various items and balance in the bank account or cash.
2. Fund released to VOs./SHG
3. Recovery made against the loan during the month.
4. Any funds received from other sources
5. Other reports of the CBOs for administration of the funds and activities

Accounting at BMMU would not be based on this statement. BMMU would monitor the regularity of submission of this statement. Upto date submission of these monthly reports would be required before release of subsequent instalments.

This report would not be used at the Block /District either for accounting or for determining the amount of money to be released to the BLF/ VOs. Its main objective would be to inculcate a sense of ownership and responsibility in the VO /BLF for regular updating of accounts.

The BLF/VO shall maintain the books and records to account for the expenditure as per the system of accounting prescribed in the contract. The BLF /VO shall submit Utilisation Certificate on monthly basis to the BMMU to facilitate monitoring of the expenses.

Reports that are generated for the purpose of submission to the BMMU are the Internal Reports. They are further classified into quarterly and annual reports

SI No	Title of Reports	Periodicity	By When
1.	Receipt & Payment Account	Monthly	By 15 th of Next Month
2.	Physical & Financial Statement on CIF release	Monthly	By 15 th of Next Month
3.	Audited Financial Statements.	Annual	30 th June of following year
4.	Utilization Certificates.	As and when required as per ASRLMS guidelines.	

Chapter-7

AUDIT ARRANGEMENTS

7.1 Statutory Audit

7.1.1 Objective of Statutory Audit:

The Objective of Statutory Audit would be to provide confirmation to various stakeholders on the accuracy of project financial statements, compliance with credit agreements and legal obligations and overall effectiveness of financial management system of the NRLM.

Statutory Audit of ASRLMS (SMMU and DMMU) will be conducted by independent Chartered Accountants firms as per terms of reference. A "Draw down" list of CA firms, based on agreed criteria, will be made available for the states for procuring their services by NMMU. However, the accounts of the ASRLMS will be open to audit both by C&AG of India as well as by the Principal Accounts Office of MoRD. SMMU will submit consolidated annual audit report for state to NMMU, MoRD.

SHG Federations:

- i) The SHG Federations/annual accounts will be subjected to Statutory audits as required by State laws. The ASRLMS will enter into draw down contracts with select CA firms at State and district levels and agree on fixed price budgets as well as the audit of ToRs and templates for the annual financial statements.
- ii) SHG Federation audit reports will be monitored at the state level and will not be considered a part of NRLMs audit requirements.

7.1.2 Submission of Annual Audit Reports:

The Consolidated Audit reports of ASRLMS will be submitted to NMMU by 30th July every year for previous financial year.

The Annual Audit report will consist of:

- 1) Audit Opinion, confirming whether the Mission financial statements have been prepared in accordance with consistently applied Accounting Standards and give a true and fair view of the operations of the Mission during the year and that the withdrawals made from MoRD made on the basis of IFRs, procedures and internal controls involved in their preparation, can be relied on to support the related withdrawals.
- 2) Annual Financial Statements.
- 3) Management Letter highlighting significant issues to be reported to the management.

The Audit report with the management letter will be submitted to NMMU/GOI within 5 months of the close of each financial year. TORs for the audit has been prepared and placed in **Annexure 9**.

7.1.3 Monitoring of Audit Process by SMMU:

SMMU will implement a regular system of review of audit process, including quality of audit at state level, district level, audit observations and monitoring compliance of the observations by implementing units.

7.1.4 List of Accounts to be audited by Auditors

1. Pay & Allowance, Honorarium & Remuneration
2. Training/Workshop Programme
3. Procurement of materials & Services
4. Stock Accounts
5. Civil Works
6. Outstanding advances & their adjustment
7. Hiring of Vehicles & POL A/Cs
8. Stamp accounts & imprest A/Cs
9. Receipt & Payment, A/Cs, Income & Expenditure A/C and Balance sheet
10. Activity wise Budget & Expenditure
11. All expenditure vouchers.
12. Checking & verification of Bank Reconciliation Statement (BRS)

7.2 Statutory Audit Calendar

The following time table is prescribed for the external audit arrangements which should be strictly followed.

1.	Date of GB's approval for engagement of auditors	Between Jan and March of every year.
2.	Date of engaging CA firm	By April of every year at the outset.
3.	Completion of Audit of SMMU.	By June of every year.
3.	Review and Analysis of State Audit Reports by SMMU and preparation of Summary of Audit Reports of Mission.	By June of every year
4.	Submission of Consolidated Audit Reports to MoRD/NMMU.	By 31 st July of every year.

7.3 Addressing of Statutory Audit Observations/Recommendations

(1) Any adverse comments of the internal auditors need to be looked into and rectified immediately both by the State, District & Block Units.

(2) Any serious comment shall be thoroughly investigated to see if internal controls exist in the areas reported and if internal controls are missing or lacking, sufficient remedial measures have to be taken immediately to rectify the problem.

(3) In such a case, a critical report shall be submitted by the Auditors to the Executive Committee of State Society immediately.

7.4 Settlement of Audit Queries/Objections

(1) The Chief Finance Officer shall be primarily responsible for proper settlement of audit queries.

(2) The Accounts heads at the respected units shall settle the queries by him or ensure that the respective official gives the proper explanation to the auditors to settle the audit queries.

(3) The audit queries shall be settled promptly to the satisfaction of the auditing authorities. The two aspects of the queries shall be attended to by the units audited:-

i. Quantitative Perspective - it is incumbent upon the units to stick to the schedule prescribed by the Finance Specialist who is responsible for prescribing the time limits for the replies.

ii. Qualitative Perspective – unit shall take actions to improve the quality of accounting and controls

(5) The audit replies shall ensure:-

i. That all the information desired is provided and the query is addressed in its entirety and Corrective actions are taken/initiated wherever required.

ii. The systems and procedures are tuned and revitalized in such a manner as to ensure that such mistakes/errors are not repeated in future and the losses to the Mission are recovered from the guilty, and the Institutional Capacity Building mechanism is geared up to educate the employee on the need for better compliance with rules and regulations.

7.5 Internal Audit

The Mission accounts will also be subjected to quarterly internal audit. Firms of chartered accountants will be engaged by the SMMU to conduct a quarterly audit of the State, District & Block Units and a sample of SHG, VO & BLF and submit management letters to the Management. The TORs of the Internal Audit task have been drafted and attached at **Annexure 10**.

The Key Internal Audit Functions are:

- 1) Ascertain whether the systems of internal checks and controls operating are effective.
- 2) Ascertain reliability of Accounting financial reports.
- 3) Ascertain the extent to which the systems in place prevent misuse of project assets.
- 4) Ascertain whether the financial rules and procedures as laid down in the Manuals are followed.
- 5) Sample verification of SHG, VO and BLF.

7.6 OBJECTIVES

1. Internal Audit is a control that functions by examining and evaluating the adequacy and effectiveness of other controls throughout the organisation.

2. The objective of the current internal audit is to seek a professional opinion on the financial position of the Mission.

3. The internal auditor should also ensure that funds received and expenditure incurred for the accounting period are in accordance with the laid down financial regulations, procurement procedures and other orders issued from time to time and that proper accounts are maintained at all levels.

4. The internal auditors have to visit the Community based Organisations i.e. Block Level, Village Level federations, SHGs, Producer Organisations/Collectives and express their opinion on the functioning of Financial Management System, Funds Flow Mechanism etc. on a quarterly basis. **They also provide on the job support** to such organisations and give suggestions for further improvement in different aspects by taking into consideration the field level realities.

5) The Internal Auditors shall prepare quarterly reports and an annual audit reports.

6) The Internal Audit report shall contain results of a 100% check of the accounts.

7) The Internal Audit shall review project financial management systems and adherence to Government orders, office orders, instructions issued by the State Society, adequacy of internal controls.

8) The Audit shall check the effectiveness of the overall financial management arrangements of the Mission at all levels.

9) It shall provide necessary support to the Project Management with timely information on the following:

- a) Accounting and financial management aspects of the Mission.
- b) Adequacy of internal controls.
- c) Compliance with the various financial arrangements.
- d) It shall provide data for corrective and follow up measures.

7.7 The Key Internal Audit functions are:

- 1) Ascertain whether the systems of Internal Checks and controls are effective.
- 2) Ascertain reliability of Accounting financial reports.
- 3) Ascertain the extent to which the systems in place prevent misuse of project assets.
- 4) Ascertain whether the financial rules and procedures as laid down in the Manuals are followed.
- 5) Sample verification of SHG, VO & BLF.

7.8 Addressing of Internal Audit Observations/Recommendations:

- 1) Any adverse comments of the Internal auditors need to be looked into and rectified immediately by both the State, District and Block Units.
- 2) Any serious comment shall be thoroughly investigated to see if internal controls exist in the areas reported and if the internal controls are missing or lacking, sufficient remedial measures have to be taken immediately.
- 3) In such a case, a critical report shall be submitted by the auditors to the Executive Committee of State Society immediately.

7.9 Monitoring of Internal Audit Process by SMMU:

- 4) SMMU will implement a regular system of review of Internal audit process, including quality of audit (at state level, district level, Blocks and Community level), audit observations and monitoring compliance of the observations by implementing units.

7.10 Coverage and Standards for the Audit

The audit would cover the entire Mission i.e., covering the implementing units at the **Mission level (SMMU, DMMU and BMMU)** and the **Village Institutions (SHG, VO, CLF and BLF)** on a sample basis the audit would also cover all consultancies or other contracts that may be entered into by the implementing agencies. The internal audit should be carried out in accordance with the Auditing & Assurance 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. Specific areas of coverage of the audit will include the following:

7.11 List of Books of Accounts/Records to be audited by Auditors (Internal)

(A) District Office/Block Office

1. Cash Book
2. General Ledger
3. Advance Ledger
4. Bill Register
5. Acquittance Roll
6. Cheque issue Register
7. Assets Register
8. Govt. Deduction Register
9. Training/Workshop Programme Register
10. History of Vehicle & Logbook.
11. Stock Register
12. Fund receipt Register.
13. Fund Issue Register.
14. Audit Objection Register.
15. Honorarium register.

7.12 Management Letter

In addition to the audit report on the Mission financial statements, the auditor may prepare a management letter containing recommendations for improvements in internal control and other matters coming to the attention of the auditor during the audit examination, possibly including matters such as the following:

- a. observations on maintenance of the accounting records, systems, and controls that were examined during the course of the audit.
- b. deficiencies or weakness in systems and controls, together with specific recommendations for improvement
- c. compliance with financial covenants in the financing agreements
- d. matters that might have a significant impact on the implementation of the Mission
- e. the status of recommendations from previous management letters, including any issues which remain to be addressed and any issues which recurred

- f. any other matters that the auditor considers pertinent.

The auditor should supply the Bank with a copy of the management letter together with the audit report on the Mission financial statements. In the event that no management letter is issued, the auditor should supply a written advice to that effect together with the audit report on the Mission financial statements.

7.13 Audit by the Comptroller and Auditor General of India

The accounts of the Society shall also be subject to the provisions of comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act. 1971 as amended from time to time.

7.14 Submission of the Audited Accounts:

On receipt of the audit reports, the Mission Director shall submit the same to the Chairman of EC and the Chairman shall thereupon place the audit reports before the GB for approval.

The Mission shall, after taking such action as it may deem fit and proper up to the audit report, audit objections and audit observation or recommendation etc., shall submit two copies of the audited accounts Mission along with the audit report and observation etc. to the State Govt. with a request to transmit the other copy thereof along with the comments, if any, of the State Govt. to the Central Govt.

7.15 Social Audit:

The Social Audit functions carried out by the Social Audit Committee will also include financial reviews and audits on all aspects of quality, quantity and procurement etc.

The Social Audit will be performed by :-

- (i) Different stakeholders including Social Audit Committee of BLF/VLF.
- (ii) By Community comprising members of SHGs, Federations, BPL families etc.

Linkages of Social Audit and Internal Audit.

The output of Social Audit performed by Social Audit Committee will be input to Internal Audit and the output of internal audit performed will be input to Social audit.

Activities to be covered under Social Audit process :

1. Raising awareness of rights, entitlements and obligations under the project.
2. Specifically , about the right to participate in a Social Audit.
3. Ensuring that all forms and documents are user friendly.
4. Ensuring all relevant information is accessible, displayed and read out.
5. Ensuring that the decision making process is transparent, participatory and as far as possible , carried out in the presence of the affected persons.
6. Ensuring that all decisions, and their rationale are made as soon as they are made.
7. Frequent meeting/ interaction among implementing units, service providers, federations and Self Help Groups.
8. Ensuring that the findings of social audits are immediately acted upon.
9. Also ensuring that these findings result in the required systematic changes.

7.15.1 Steps in Social Audit:

1. Identify the various stages of NRLM
2. Identification of the vulnerabilities in each stage: Vulnerabilities will be identified in terms of what can go wrong, what can be corrected, what distortions can occur and what biases creep in. (An analysis has been explained below)
3. Identify for each stage appropriate measures to be taken to ensure that the identified vulnerabilities are addressed through relevant Social Audit mechanism.
4. Identify the professionals and institutions that will be responsible for ensuring that the Social Audit is organized properly.
5. Call a meeting of the group, federation and other stakeholders to discuss about the principles and methods of Social Audit
6. Public hearing of affected persons
7. Follow-up actions on Social Audit.

7.15.2 Survey Method under Social Audit:

Different methods can be chosen for Social Audit so as to capture both quantitative and qualitative information of the Self Help Group, Federation and other Stakeholders.

Different Methods:

- **Postal survey:** This method of survey is relatively less expensive and found to be more useful when same instrument can be sent to a large number of SHGs and federations.
- **Group administered questionnaire:**
Under this method, a sample of respondent, number of SHGs and Federations is brought together and asked to respond to a structural sequence of questions. This method is ideal for collecting information from the groups who join for village meetings and it is relatively easy to assemble the group in a village setting. This method offers a higher response rate and if the respondents are unclear about the meaning of a question they could ask for clarifications.
- **Household drop-off :**
In this approach, the Social Auditor goes to the houses of the members. This method is expected to increase the percentage of respondents. However, the applicability of this method is geographically limited, slow and expensive.
- **Personal interviews with the members of SHGs, federations and the stakeholders:**
Interviews are a far more personal form of research than questionnaires and is very useful in finding qualitative remarks. This method helps to learn more about the situation in detail, to discuss issues that would be difficult to address in group situations and to reveal their personal perspectives on a particular topic.
- **Interview with key formats from SHGs, Federations and other stakeholders:** The information collection should be at random, covering representatives from SHGs, Federations etc., who can view point with special knowledge so as to gain insights into particular subjects.
- **Group interview with representatives of SHGs and Federations:** This method of information collection allows a focused discussion on particular issues concerning the community. This method requires less resources compared to personal interviews

- **Telephonic interview with SHGs, Federation and other stakeholders:** Telephone interviews enables the Social Auditor to gather information rapidly. Like personal interviews, they help to develop some personal contact between the interviewer and the respondent and this method offers the possibility of probing into details.
- **Semi Structured interview :** Semi structured interview will also be used for listening to the perspective of different stakeholders including members of Self Help Groups and federations.
- **In depth interview:** In depth interview will also be conducted with SHG members, representatives of federations and other stakeholders. In depth interviewing involves asking questions, listening to the answers and then posing additional questions to clarify or expand on a particular issue.

Stage	Vulnerabilities	Steps to ensure transparency and Social Audit
Social Inclusion	<p>Exclusion due to remote place, bad connectivity, poor access etc.</p> <p>Lack of access to mission units, Community Service Providers</p> <p>Physical segregation of primitive tribal groups and lack of access to the services.</p> <p>Exclusion of disadvantaged, marginalized sections.</p> <p>Exclusion of disabled and physically , mentally challenged people of the poorest of the poor category</p> <p>Social exclusion of women because of social and familial proscription.</p> <p>Social Exclusion due to domestic responsibilities</p> <p>Exclusion due to migration</p> <p>Self exclusion for various reasons</p>	<ul style="list-style-type: none"> ▪ Wide publicity and sensitization ▪ Selection of Beneficiaries: Effective targeting is a key way to ensure inclusion. ▪ Some approaches for effective targeting used by various projects are : <ul style="list-style-type: none"> -Spatial or geographical targeting -Social group targeting -Economic or occupation targeting -A focus on women <ul style="list-style-type: none"> ▪ Targeting areas using human development indicators. ▪ Areas with poor infrastructure development ▪ Areas prone to disasters. ▪ Conflict- prone zones ▪ Innovative Approaches to include Remote areas. ▪ Participatory identification of poor. ▪ Landless Labourers. ▪ Other occupational vulnerabilities <p>Focusing on Social Groups and Women:</p> <ul style="list-style-type: none"> ▪ Dalits and Adivasis ▪ Women ▪ Socially invisible groups. <p>Building institutions of and for the poor:</p> <ul style="list-style-type: none"> ▪ Self Help Groups ▪ Homogeneous Groups
Institution Building	<p>Exclusion from the groups because of rigidity in the norms of the groups- particularly in case of vulnerable sections.</p> <p>Dropout due to domestic responsibility, social inhibition, familial proscription.</p> <p>Membership criteria may be tilted for dominant groups.</p> <p>Norms and functioning of the institutions may not be friendly to the poorest of the poor.</p>	<ul style="list-style-type: none"> ▪ Wide publicity and sensitization on the norms of institution building ▪ Proper analysis of the people and the community. ▪ Rapport building with each and every community and their leaders. ▪ Involvement of formal and informal leaders to motivate women to join the Self Help Group movement. ▪ Make them understand the importance and benefits of joining the Self Help Groups. ▪ Involve the excluded women in finding out and analyzing root causes of community problems. ▪ A close relationship with each family and community

	<p>The influence of external forces can lead to exclusion of the poorest of the poor from the groups.</p> <p>Leadership styles may exclude poorest of the poor.</p> <p>The project may focus on women but failed to address gender</p> <p>Membership norms, style of functioning – not pro-poor</p>	<p>by day to day contact.</p> <ul style="list-style-type: none"> ▪ Informal sharing of development concerns and problems. ▪ Proving useful to the community with sound knowledge of the project ▪ Building rapport with the community ▪ Demonstration of concerns for the people's cause without bias of any kind to any member in the community. ▪ Dialogue with village formal leaders , local officials, teachers, respected leaders in different communities and caste groups. ▪ Initiating development process with such activities which can show quick results and establish credibility. ▪ Listening to everybody and then making decision.
Financial Inclusion	<p>Constraints in accessing bank services- poor physical access, affordability and social distance, including discriminating attitude</p> <p>Low quality of services and high transaction costs, in accessing bank services in case of socially marginalized section.</p> <p>Procedure for opening accounts and loan are complicated and time consuming.</p> <p>Formal credit institutions are viewed as inaccessible and unfriendly by the poor.</p> <p>Collateral and security requirements for loans.</p> <p>Poor often do not have clear title to land.</p> <p>Opening of accounts, harrowing experience</p> <p>Inadequacy of loan, rigidity of terms and lack of timeliness.</p>	<ul style="list-style-type: none"> ▪ Interface between rural poor and the bankers ▪ Financial literacy/ counselling services on savings/ credit ▪ Engagement of bank mitras, business facilitators, bank correspondents etc. ▪ Hand holding support to the SHG for financial inclusion ▪ Frequent interaction between bank linkage sub-committees of federations with bankers. ▪ Frequent interaction between project units and bank officials ▪ Transparency in credit disbursement
Livelihood Development	<p>Improper identification of activities</p> <p>Choice and type of livelihoods activities alienate the poor in the groups.</p> <p>Improper preparation of micro credit plan.</p> <p>Lack of participatory selection of activities and members for loan</p>	<ul style="list-style-type: none"> ▪ Participatory identification of income generating activities ▪ Training on selection of activities for livelihoods and selection of micro credit plan. ▪ Convergence of support services ▪ Hand holding support for marketing ▪ Field level technical and managerial guidance ▪ Frequent monitoring on availability of support services for the growth of income generating

	<p>Lack of understanding the vulnerabilities of the poorest.</p> <p>Inadequate access to land and other resources.</p> <p>Poor infrastructure and marketing support</p> <p>Skewed delivery of services.</p> <p>Lack of access to credit</p> <p>Lack of skill and managerial capacity</p>	<p>activities.</p>
<p>Access to institutions/ project units</p>	<p>Accessibility to the project units and other institutions and office may not be adequate or easy due to following reasons:-</p> <ul style="list-style-type: none"> ▪ Poor availability of services. ▪ Poor affordability of services. ▪ Social access. ▪ Poor targeting. ▪ Poor quality of services ▪ Poor infrastructure maintenance and supply. ▪ Poor capacities of staff. ▪ Poor governance and accountability. ▪ Poor supervision and monitoring. ▪ Complex and time consuming procedure. ▪ Lack of mechanism for citizen feedback. ▪ Discrimination. ▪ Elite capture. 	<ul style="list-style-type: none"> ▪ The SMMU, DMMU and BMMUs including community service providers adhere to the values/ norms / principles. ▪ Well-being of the people ▪ Transparency ▪ Participatory approach ▪ Equity ▪ Inclusiveness ▪ Responsiveness ▪ Consensus ▪ Efficiency ▪ Accountability ▪ Quality of performance ▪ Statutory and procedural standards ▪ Timely service delivery ▪ Timely redressal of grievances.

Chapter 8

Financial Management Disclosure

This Chapter summarises Financial Management aspects of the Framework of NRLM.

8.1 Disclosure Management Framework:

NRLM will have a framework for disclosing key information about Mission performance on Mission Websites to demonstrate transparency and accountability towards stakeholders and general public. Disclosure Management framework of the NRLM will be followed by all levels of the Mission units to which the framework is applicable.

8.2 Scope:

SMMU and DMMUs will be responsible for ensuring adherence to disclosure of management policy of NRLM. The Mission progress in all areas, including financial progress, will be made available to the public through Mission website.

Summarise form of financial management information which should be displayed on the Website of Mission at State/District level progress is mentioned in the Table below:

8.2.1 Table: Financial Management Disclosure for NRLM.

SI No	Document	Frequency	Deadline
1	Financial Management Manual (FMM) of the State.	Start of Mission.	
2.	I. Circular issued by SMMU regarding FM issues. II. Any Amendments to FMM of State.	As and When issued.	
3.	I.FM Guidelines. II. FM Training material and other information about FM Training.	As and When Issued.	
4	Annual Approved Estimates for Mission in the State: a) Original Estimates. b) Revised Estimates.	Annual. Annual.	30 April. As and When revised.
5.	Fund Releases to SMMU a)By MoRD b)By State Government.	As and when.	Within 5 days of receipt of funds.
6.	Fund Release by SMMU to a) Districts b) Other Implementing Agencies.	Quarterly.	Within 5 Days of release.
7.	Consolidated IUFR for the State.	Quarterly.	Within 45 days of

			end of each quarter.
8.	Annual Statutory Audit Report for the State.	Annual.	Within 15 days of submission of Audit Report to NMMU.
9.	FM Indicators Summary for State (SMMU and Districts)	Six Monthly.	15 November and 15 May.

DISTRICT MISSION MANAGEMENT UNITS

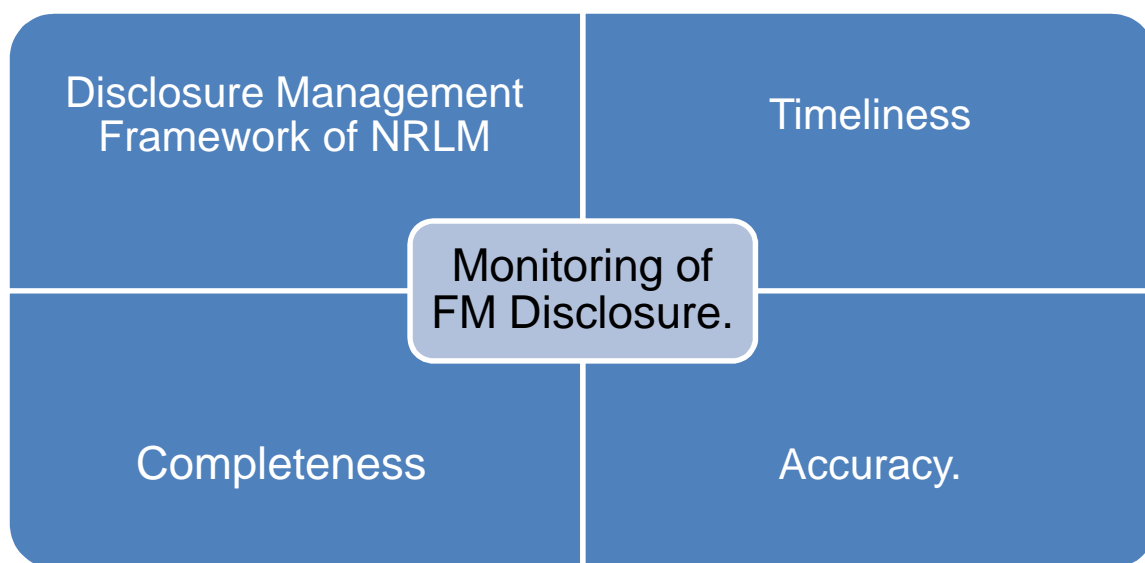
SI No	Document	Frequency	Deadline
1.	Annual Budget.	Annual	30 th April
2.	Funds Received by District a) From SMMU	As and When	Within 10 days of receipt of funds.
3.	Release by Districts to Community Organizations.		Within 5 days of release.
4.	Quarterly IUFR	Quarterly.	Within 45 days of end of each quarter.
5.	FM Indicators Summary for Districts.	Six-Monthly.	15 November and 15 May.

8.3 Monitoring of FM Disclosure.

SMMU is responsible for Monitoring disclosure of FM information by DMMUs.

8.4 Key Aspects to be Monitored:

An indicative list of aspects of FM disclosure which should be monitored by SMMU is mentioned below:



8.4.1 Adherence to Framework

Providing information as per requirements of the Framework.

8.4.2 Timeliness

Adhering to frequency and deadlines of information to be displayed as per the framework.

8.4.3 Completeness:

- a) Information is disclosed for All FM areas covered in the framework e.g. Budget, Flow of funds, audit etc.

- b) For each individual area (e.g. Budget), complete information as per agreed format is displayed.

8.4.4 Accuracy.

Accurate information is displayed in website as per Mission records.

8.5 Financial Management Disclosure in Public domain in SMMU,DMMU and BMMU Offices:

8.5.1 Financial Management Disclosure in SMMU Office in Public Domain

The SMMU should disclosed the following statements in Public Domain in signboards apart from disclosing it in Mission websites.

1. Annual approved estimates for the state
 - a) Original estimates
 - b) Revised estimates
2. Fund released to SMMU from a) MoRD b) By state government
3. Fund released to a) Districts b) Other implementing units
4. Statement of CIF funds released to district and utilization.
5. Statement of utilization of funds in various components like Community Institutional Development, CIF, Skill Development and Placements yearly against budget allotment.

8.5.2 Financial Management Disclosure in DMMU Offices in Public Domain

The DMMUs should disclosed the following statements in Public Domain in signboards apart from disclosing it in Mission websites.

- 1.Funds received by districts.
- 2.Funds released by districts to BMMU, Community Organizations
- 3.Statement of CIF funds released and utilized in districts
- 4.Annual Approved Estimate of the districts
- 5.Funds utilized in various components like Community Institutional Development, CIF, Skill Development and Placements yearly against budget allotment.

8.5.3 Financial Management Disclosure in BMMU Offices in Public Domain.

- 1.Funds received by Blocks.
- 2.Funds released by districts to BMMU, Community Organizations
- 3.Statement of CIF funds released and utilized in Blocks
- 4.Funds utilized in various components like Community Institutional Development, CIF, Skill Development and Placements yearly in the Blocks against allotment made.

Chapter - 8

Staffing & Training

8.1 Staffing

The staffing of the finance and accounts professional for the Mission will be as per the Human Resource Manual for taking care of overall responsibility for all financial and accounting aspects. The ASRLMS, SMMU would have a Chief Financial Officer who would be having experience of minimum ten years in the rank of FAO or senior grade position in accounts from govt. department/ govt. organisations/training institute or equivalence in the cadre of AFS. In case if not from government and hired from open market the CFO should have Post Graduate degree in Commerce/Management/ICWAI/CA with overall upper hierarchical managerial experience of over 10 years in rural development sector project funded by World Bank or Central Govt or have experience in PSUs.

The CFO in the ASRLMS, SMMU with overall responsibility for all financial and accounting aspect of the project, including interaction with the DMMUs and BMMUs. The CFO would be responsible for development updating and operations of the project financing accounting system, financial planning, financial forecasting etc. He will be responsible for both fiduciary governance of the mission funds as well introduction of based business process to ensure timeliness of fund flow to various key implementing units, community organization. The Finance Officer will assist CFO in relation to fiduciary governance of the mission funds he will also coordinate with CFO to oversee the financial and accounting arrangement in the various project implementing unit.

The SMMU, DMMUs and BMMU would have appropriate numbers of Accounts Officers, Account Assistant to carry out the various routine activities under the direction and supervision of CFO. The Finance and Account Staff needs to be quickly familiar and trained on the project and the financial management system. All the Project Managers and other staffs also needs to be sensitize on the important of financial management aspects for effective project management.

8.2 Qualification and roles and responsibility of Finance and Accounts Personnel:

The personnel at various institutional levels of the project directly performing the financial management function are summarized in table below.

Position	Qualification	Key Roles & Responsibility
Financial Advisor	On deputation from govt. department/govt. organisation/training institute or equivalents in the cadre of AFS. Preferably having experience in the rank of Senior Financial Advisor or Senior Grade Position in Finance & Accounts.	1) To assist State Society in the discharge office responsibilities:- (i) For the financial regularity of the transaction under Budget in the respect of which SMD functions as a controlling officer. (ii) For the maintenance of the accounts of transaction correctly and in the form prescribed under rules and orders in

		<p>force.</p> <p>2) The functions of the Financial Advisor are two folds:-</p> <p>i) As Advisor to the State Society in all matter relating to budget estimates, budget control, budget variance and to the operation of the financial rules of the State Society.</p> <p>ii) Exercising supervision over the regular and correct compilation of all the accounts that are required to be compiled and maintained in the State Society.</p> <p>3)The Finance Advisor should be well conversant with all the sanctions and orders passing through the office of the State Society and with order proceedings of the State Society.</p> <p>4)He should advised SMD on the financial effect of all the proposals for expenditure and keep watch as per as possible over all the liabilities as they are incurred against the grants.</p> <p>5) The Finance Advisor is responsible for the arrangement for compilation of correct accounts, consolidated audit report, Interim financial reports which are to be submitted by SMD to higher authorities.</p> <p>6) He should scrutinise over all matters relating to appropriation accounts and disposal of audit objections.</p> <p>7) The Finance Advisor will exercise overall supervision over the Accounting Centres and inspect the Accounting Centres to oversee whether the Accounting and Financial Procedures are complied.</p>
<p>Chief Financial Officer</p>	<p>Chief Financial Officer would be having experience of minimum ten years in the rank of FAO or senior grade position in accounts from government department/government organisations/training institute or equivalence in the cadre of AFS. In case if not from government and hired from open market the CFO should have P.G. Degree Commerce/Management/ICWAI/CA with overall upper hierarchical managerial experience of over 10 years in rural development sector project funded by World Bank or Central Govt or have experience in PSUs.</p>	<p>The CFO will have overall responsibility for all the financial and accounting aspects of the mission and provide leadership and strategic direction on the financial aspects, including development of financial capability in all the implementing agencies at the district block and community institutions he will oversee the finance and accounting functions of all units, budgetary control, monitoring and control of financial management system, internal control functions at the state, district and block level. The procurement arrangements in the various project implementing units will be overseen by him.</p> <p>Some of the core functions to be performed by CFO will be:-</p> <ol style="list-style-type: none"> 1. Compile annual budget of mission based on AAP for SMMU,DMMU and BMMU and submit same to the MoRD for sanction of the budget. 2. Distribute funds to DMMU and BMMUs

		<p>on time basis as per agreed annual worked plans.</p> <ol style="list-style-type: none"> 3. Institute mechanism for proper accounting and auditing of Mission funds at state, district, block and village level. 4. Maintain database on district/block wise, component wise fund releases and expenditure. 5. Compile and forward regular quarterly/annual financial reports to Govt. of Assam, Govt. of India. 6. Submit regular claims for reimbursement of Mission expenses 7. Develop policy and strategy for book keeping capacity building at block & village level and implement the same. 8. Review financial progress at District & Block level. 9. Liaise with statutory auditors for the audit on an annual basis and place the audited accounts before SMD of state society and filing of returns with Regular of Societies. 10. Effective Liason with consultants engaged to work on Finance and accounts aspects. 11. Ensure that the internal audit system is working as per schedule and follow up of issues arising out of internal audit.
<p>Finance Officer</p>	<p>MBA Finance with 2 to 3 years' experience in rural development sector project funded by World Bank or Central Govt. or have experience in PSUs.</p>	<p>The Finance Officer will assist the CFO in relation to fiduciary governance of the mission fund and coordinate with CFO oversee the finance and accounting function of all units, budgetary control, monitoring and control of financial management system, internal control functions at the state, district and block level</p> <p>Some of the core functions to be performed by FO will be:-</p> <ol style="list-style-type: none"> 1. Assist in compilation of annual budget of mission based on AAP for SMMU, DMMU and BMMU and submit same to the MoRD for sanction of the budget. 2. Assist in distribution of funds to DMMU and BMMUs on time basis as per agreed annual worked plans. 3. Institute mechanism for proper accounting and auditing of Mission funds at state, district, block and village level. 4. Maintain database on district/block wise, component wise fund releases and expenditure. 5. Compile and forward regular quarterly/annual financial reports to Govt. of Assam, Govt. of India. 6. Submit regular claims for reimbursement of Mission expenses. 7. Develop policy and strategy for book

		<p>keeping capacity building at block & village level and implement the same.</p> <p>8.Review financial progress at District & Block level.</p> <p>9. Assist to liaise with statutory auditors and internal auditors for the audit on an annual and regular basis.</p> <p>10. Preparing schedule and imparting financial training to staff members of various key implementing units.</p> <p>11. He will be responsible for managing CIF flow in accordance with system laid down and supervise that proper records are maintained at different accounting centres for CIF management.</p> <p>12. He will be responsible for advising various accounting centres in following prudent and financial norms and ensuring fiduciary discipline at accounting centres</p> <p>13.Quarterly Review of financial progress against Annual Budget (quarterly target) identifying the variance to ensure that project is progressing as planned and to plug any deviation or to take necessary steps to set right to achieve the target.</p> <p>14.Monthly Review of financial progress against Annual Budget(quarterly target) identifying the variance to ensure that project is progressing as planned and to plug any deviation or to take necessary steps to set right to achieve the target.</p>
<p>Accounts Officer (SMMU)</p>	<p>P.G. Degree in Commerce/CA/ICWA with 2 to 3 years' experience in managerial level in rural development sector project funded by world bank/Govt. of India or having experience in public sector undertakings.</p>	<p>1. Will be responsible for performing all finance and accounting functions at the SMMU level of State society.</p> <p>Some of the core functions to be performed by Accounts Officer are:-</p> <p>a.Maintaining proper books of accounts and consolidating accounts</p> <p>b.Compilation of accounts in state level</p> <p>c. Preparing interim financial statements to be submitted to MoRD/NMMU.</p> <p>d.Ensure timely and up-to-date upkeep of accounts regularly.</p> <p>e. Maintaining Accounting and Financial Procedures at Mission Units.</p> <p>f. Maintaining and compiling records of CIF from different accounting centres.</p> <p>g. Incorporating internal controls in accounting system at various levels.</p> <p>h. Preparing stock statement and updating Fixed Assets Register after proper physical verification at periodic intervals. .</p> <p>i. Assisting external and internal audit team in audit related matters,</p> <p>j. Monthly analysis of advances and ensure its proper accounting.</p> <p>k. Quarterly Reconciliation of Payments</p>

		with Expenditures to ensure proper accounting. l. Monthly analysis of statutory payments-deductions and remittances such as sales tax, income tax , EPF etc. to ensure that legal and statutory deductions and remittances are made in time.
Accounts Assistant (SMMU)	Minimum BCom, with knowledge in computer application and Tally latest version. Candidate having prior experience will be preferred.	The Accounts Assistant will assist Finance and Account team and will be responsible for performing all finance and accounting functions at State level as per the instructions given.
Accounts Officer (DMMU)	Post-Graduation Degree in Commerce with prior experience will be preferred. Candidate should have knowledge in Tally. Candidate having experience in working in Project/Schemes funded by WB/GOI or rural/community development sector project will be preferred.	<p>1. Will be responsible for all finance and accounting functions at the DMMU level and perform the accounting & finance functions of the State Society. Some of the core functions to be performed by Accounts Officer at district are:-</p> <p>a. Maintaining proper books of accounts and consolidating accounts from Block level. b. Compilation of accounts in District level c. Preparing interim financial statements (Internal reports) to be submitted to SMMU in regular intervals. d. Ensure timely and up-to-date upkeep of accounts regularly. e. Maintaining Accounting and Financial Procedures at Mission Units. f. Maintaining and compiling records of CIF from Blocks. g. Incorporating internal controls in accounting system at District levels. h. Preparing stock statement and updating Fixed Assets Register after proper physical verification at periodic intervals. i. Assisting external and internal audit team in audit related matters, j. Monthly analysis of advances and ensure its proper accounting. k. Quarterly Reconciliation of Payments with Expenditures to ensure proper accounting. l. Monthly analysis of statutory payments-deductions and remittances such as sales tax, income tax , EPF etc. to ensure that legal and statutory deductions and remittances are made in time.</p>
Accounts Assistant (DMMU)	Minimum BCom, with knowledge in computer application and Tally latest version. Candidate having prior experience will be preferred.	The Accounts Assistant will assist District Accounts Officer and will be responsible for performing all finance and accounting functions at District level as per the instructions given.

Block Accountant (BMMU)	Post-Graduation Degree in Commerce with prior experience will be preferred. Candidate should have knowledge in Tally. Candidate having experience in working in Project/Schemes funded by WB/GOI or rural/community development sector project will be preferred.	1. Will be responsible for all finance and accounting functions at the BMMU level and perform the accounting & finance functions of the State Society. Some of the core functions to be performed by Block Accountant are:- <ol style="list-style-type: none"> a. Maintaining proper books of accounts and consolidating accounts and submitting it to DMMU. b. Ensure timely and up-to-date upkeep of accounts regularly. e. Maintaining Accounting and Financial Procedures at Block Mission Units. f. Maintaining and compiling records of CIF at Blocks. g. Incorporating internal controls in accounting system at Block levels. h. Preparing stock statement and updating Fixed Assets Register after proper physical verification at periodic intervals. i. Assisting internal audit team in audit related matters, j. Monthly analysis of advances and ensure its proper accounting. k. Quarterly Reconciliation of Payments with Expenditures to ensure proper accounting. l. Monthly analysis of statutory payments-deductions and remittances such as sales tax, income tax , EPF etc and ensure it proper accounting.
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8.3 Training

8.3.1 SMMU, DMMU & BMMU Staff.

The financial and accounting staff at the State, District & Block level will be trained in the requirements of accounting and reporting under the Mission. Modules will be prepared and training will be included in their annual calendar. As the Mission is implementing computerized financial management & Accounting system, the staff will be trained to operate the computerized systems. The CFO will have the overall responsibility of building capacity of SMMU, DMMU & Block Staffs.

8.3.2 Block Level Federation

As per the Community Operational Manual, Training cell of BMMU will be take care of the financial management aspects at the Block Level Federation. They will be trained to provide regular/day to day training at the Block and village level. Refresher trainings will also be given periodically during the Mission period. The BMMU will have the primary responsibility of building the capacity of the Block village level Bookkeepers and Accountants.

8.3.3 Village Level

The office bearers of the Village Organisation and members of the various sub committees will be trained on how to manage funds, maintaining books of accounts and financial records, financial reporting, financial accountability, maintaining transparency etc. The Block Program manager in the Block will have the key responsibility in coordinating with the Accounts and Monitoring Facilitator in the BLF in building the capacity of the bookkeeper at the village level and also to constantly give handholding support to them. Provision of books of accounts, development of standard training modules, training of trainers etc. will be done in building the financial management and accounting capacity at the village level.

Format of Annual Work Plan.

Annual Work Plan 2012-13 at a glance.

Annual Work Plan 2012-13 at a glance.				
For 1 Year - 6 Resource Block & 36 Intensive Block & 177 Non Intensive Block				
S. No.			Base Cost (INR Lakh)	% of Total Cost
State Rural Livelihoods Missions				
1		Office set-up- SMMU,DMMU,BMMU		
2		Exposure visits of Senior Govt.officials & Bank Executives		
3		Partnership with SIRD , NGO etc, Studies, Consultancies,		
4		Staff Costs (SMMU and DMMU Only)		
a		Staff costs including allowances, statutory contributions, etc.		
b		Staff trainings and exposure visits		
5		Rentals for office space, Stationery, Postage, Telephones,Transport, Field Travel, etc.		
Sub Total				
6		Stake Holder Workshop (State, Regional, Thematic etc)		
7		Rentals for BMMU office space, Stationery, Postage, Telephones,Transport, Field Travel, etc.		
8		Block teams costs including salary allowances, statutory contributions, etc.		
9		Block teams trainings and exposure visits		
10		Social Mobilization /Resource Block Strategy		
11		Financial Inclusion Pilots/Financial Literacy/E-book keeping/Bank Mitra		
12		Revolving fund & Capital Subsidy		
Sub Total				
13		Health Security , Food Security fund, Education security and Debt Swaping fund		
14		Agricultural,Animal Husbandry & Non farm Sector Interventions		
Sub Total				

15	Hiring of agency for scouting, selecting innovations, organizing IF and Partnerships with Innovators		
Sub Total			
16. Monitoring and Evaluation & Supervision			
	Monitoring & Evaluation , Supervision ,Baseline Studies		
17. eNRLMS (States could wait)			
	Consultancy for MIS design, IT Infrastructure, etc.		
18	Skill Development And Placement		
	Skill Development And Placement		
19	RSETI Training cost		
20	Non Intensive Block Budget		
	Budget for Non Intensive Block (177 Blocks)		
TOTAL COSTS			

GOI share (INR in Crore)		
State Share (INR in Crore)		
Total AAP Budget		

Annexure 1A: Budget Summary for 1 year for 36 Intensive Block.

Budget Summary For 1 Year for 36 intensive Block		
S. No.	Components & Activities	Base Cost (INR Lakh)
State Rural Livelihoods Missions		
1	Office set-up(3DMMU & 36 BMMU)	
2	Exposure Visit for Senior Govt. Officials , Bank Executives	
3	Consultancies - HR agency cost	
4	Staff Costs(DMMU Only)	
A	Staff costs including allowances, statutory contributions, etc.	
B	Staff trainings and exposure visits	
5	Rentals for office space, Stationery, Postage, Telephones,Transport, Field Travel, etc.	
Sub Total		
6	Stake Holder Workshop (State, Regional, Thematic etc)	
7	Rentals for BMMU office space, Stationery, Postage, Telephones,Transport, Field Travel, etc.	
8	Block teams costs including salary allowances, statutory contributions, etc.	
9	Block teams trainings and exposure visits	
10	Social Mobilization Pilots/Resource Block Strategy	

11	Revolving Fund & Capital Subsidy	
12	Financial Inclusion Pilots/Financial Literacy/E-book keeping/Bank Mitra	
Sub Total		
13	Health Security ,Food security fund , education fund and Debt swaping fund	
14	Agriculture, animal Husbandry& non Farm Sector interventions	
Sub Total		
15	Hiring of agency for scouting, selecting innovations, organizing IF and Partnerships with Innovators	
Sub Total		
16. Monitoring & Evaluation, Supervision		
	Monitoring & Evaluation , supervision & Baseline Studies	
17. Skill Development and Placement		
	Skill Development and Placement	
18	RSETI Training cost	
TOTAL COSTS		

Annexure – 1B: Budget Summary for 1 year-6 Resource Block.

Budget Summary For 1 Year -6 Resource Block		
S. No.		Base Cost (INR Lakh)
State Rural Livelihoods Missions		
1	Office set-up- SMMU,DMMU,BMMU	
2	Exposure Visit of Senior Gov. officials and Bank Executives	
3	Partnership with SIRD , NGO etc, Studies, Consultancies(HR)	
4	Staff Costs (SMMU and DMMU Only)	
A	Staff costs including allowances, statutory contributions, etc.	
B	Staff trainings and immersion	
5	Rentals for office space, Stationery, Postage, Telephones,Transport, Field Travel, etc.	
Sub Total		
6	Stake Holder Workshops(State, Regional , Thematic)	
7	Rentals for BMMU office space, Stationery, Postage, Telephones,Transport, Field Travel, etc.	
8	Block teams costs including salary allowances, statutory contributions, etc.	

9	Block teams trainings, Immersion and exposure visits	
10	Social Mobilization /Resource Block Strategy	
11	Financial Inclusion Pilots/Financial Literacy/E-book keeping/Bank Mitra	
12	Revolving fund & Capital Subsidy	
Sub Total		
13	Health Security , Food Security fund, Education security and Debt Swaping fund	
14	Agricultural,Animal Husbandry & Non farm Sector Interventions	
Sub Total		
	Hiring of agency for scouting, selecting innovations, organizing IF and Partnerships with Innovators	
Sub Total		
15. Monitoring and Evaluation & Supervision		
	Monitoring & Evaluation , Supervision ,Baseline Studies	
16.eNRLMS.		
	Consultancy for MIS design, IT Infrastructure, etc.	
TOTAL COSTS		

Annexure: 1C Non Intensive Budget Estimate for 1 Year.

Non Intensive Block budget estimated for 1 Year	
Particulars	Amount In Rs
Strengthening of SHG (including basic training) Capacity building& Training to SHG/IB etc.	
Revolving Fund to SHGs @Rs 10000/- IB/Capital Subsidy to SHGs (maximum @ Rs1.00 lakh/SHG)	
SGSY infrastructure fund	
Sub Total Unit cost (In Lakh)	
Total estimated budget for 177 Non - intensive Block(in lakh)	

Annexure: 2**List of Consolidated Interim Unaudited Financial Reports for State Level.**

No of Annexure	IUFR Ref	FMR Descriptions
Annexure 2A	2	Source and Uses of funds-States
Annexure 2 B	3A	Expenditures against Annual Agreed Work Plans-States
Annexure 2C	4	Forecast of Expenditures for two six months periods ending ____ and _____
Annexure 2D	5	Summary of Payments of Prior Review Contracts.

Notes:

1. IUFR (4) and IUFR (5) are required on a Six monthly basis.

Annexure 2A**IUFR- 2**

Interim Unaudited Financial Report (IUFR) for the quarter ended.....

Sources and Uses of Funds for..... (Assam)*(Amount in Lakhs)*

		Total
A.	Opening Balances	
	- Cash and Bank Balances.	
	- Advances.	
B.	Receipts.	
	- Grants received from MoRD-NRLP	
	- Grants received from MoRD-NRLM.	
	- Grants received from State – NRLM.	
	- Other Grants	
	- Other Receipts	
	a) Interest from Banks.	
	b) Other Income.	
	c) Liabilities.	
C.	Uses of Funds.	
	- National Rural Livelihoods Project.	
	a) State Rural Livelihoods Mission.	
	b) Institution Building and Capacity Building.	
	c) Community Investment Support.	
	d) Monitoring & Evaluation.	
	e) Skill Development & Placements	
	f) Special Programs	
	- National Rural Livelihoods Mission (Summary Only)	
	- Other Projects (Summary only)	
D	Closing Balances	
	- Cash and Bank Balances.	
	- Advances.	

IUF- 3A

Annexure 2B

Interim Unaudited Financial Report (IUF) for the quarter ended.....

Expenditures against Annual Agreed Work Plan..... (Name of State)

	Approved Annual Work Plan.	Actual Expenditure Reported	
		This Quarter	Cumulative for the Year
State Rural Livelihoods Mission			
State Mission Management Unit			
- Office Refurbishment.			
- Office furniture, fixtures etc.			
- Office Equipments.			
- Hiring of Vehicles.			
- Staff Costs.			
- Operating Costs			
District Mission Management Units			
- Refurbishment Cost.			
- Office Equipments			
- Staff Costs			
State resource Centres			
- Support to SIRD & others			
- District Resource Centres			
- Community Resource Centres			
- Training of State, District & Block Staff.			
Institutional Building and Capacity Building.			
Institutional Building			
Community Resource Persons.			
Self Help Groups			
Village Organizations			
Block Level Federations			
Other Institutions.			
Block Mission Management Units			
Office Refurbishment.			
Office furniture, fixtures etc.			
Office equipments			
Staff Costs			
Operating Costs			

	Community Investment Support.			
	Livelihoods Interventions, Health & Food Security, Debt Swapping.			
	Agriculture Interventions.			
	Dairy Interventions			
	Non Farming Interventions			
	Special programs			
	Special Initiatives-Health, Nutrition etc			
	Special purpose vehicles.			
	Implementation in difficult areas.			
	GRAND TOTAL			

**Forecast of Expenditures for two Six month periods ending....
and.....**

Annexure 2C

IUFR- 4

Interim Unaudited Financial Report (IUFR) for six months ended.....

	From xx/xx/20.. to xx/xx/20..	From xx/xx/20.. to xx/xx/20..	Total
State Rural Livelihoods Mission			
State Mission Management Unit			
- Office Refurbishment.			
- Office furniture, fixtures etc.			
- Office Equipments.			
- Hiring of Vehicles.			
- Staff Costs.			
- Operating Costs			
District Mission Management Units			
- Refurbishment Cost.			
- Office Equipments			
- Staff Costs			
State resource Centres			
- Support to SIRD & others			
- District Resource Centres			
- Community Resource Centres			
- Training of State, District & Block Staff.			
Institutional Building and Capacity Building.			
Institutional Building			
Community Resource Persons.			
Self Help Groups			
Village Organizations			
Block Level Federations			
Other Institutions.			
Block Mission Management Units			
Office Refurbishment.			
Office furniture, fixtures etc.			
Office equipments			
Staff Costs			
Operating Costs			
Community Investment Support.			
Livelihoods Interventions, Health & Food Security, Debt Swapping.			
Agriculture Interventions.			
Dairy Interventions			
Non Farming Interventions			
Special programs			
Special Initiatives-Health, Nutrition etc			
Special purpose vehicles.			
Implementation in difficult areas.			

	TOTAL FORECAST OF EXPENDITURE			
--	--------------------------------------	--	--	--

Annexure 2 D

IUFR 5

Summary of Payments of Prior Review Contracts for..... (Name of State)

Six- monthly Interim Unaudited Financial Report (IUFR) for Period..... To

S. No	Component/Sub-component	WBR#	Consultants/Contractors	Contract Value	Payment Details		
					Date of payment	Paid this quarter.	Cumulative

Consolidates FM Indicators for State Level

Annexure - 3

For Six Monthly Period for..... for State of (Name of State)

To be sent to NMMU twice in a year along with (Financial Management Report) IUFRR for six month ending 30th September and 31st March.

A. STAFFING: Qualified and Skilled Finance and Accounts Staff in place.

No of DMMUs in State	SMMU (Designation wise)				DMMU (Designation wise)				Remarks
	Optimal Staffing as per PIP	Sanctioned Posts	Post Filled	Post Vacant and Since When.	Optimal Staffing as per PIP	Sanctioned Posts	Post Filled	Post Vacant and Since When.	

B. TRAINING OF FM STAFF

Please provide information on training conducted for FM Staff in last six months

	Level at which training was conducted (National/State/District/Sub-District)	Trainer (If in-house training, mention designation. If External Trainer, mention Consultant)	Number of Staff/ Designation of Staff Trained.	Duration of Training.	Key Topics	Remarks
SMMU						
DMMU						
Community						

C.DELEGATION OF ADEQUATE FINANCIAL AND ADMINISTRATIVE POWERS

Please provide information on delegation of financial powers to Head of SMMU and DMMU along with **monetary limits**.

Delegation of financial powers to Head of SMMU	Delegation of financial powers to Head of DMMU

D. STATUS OF FM MANUALS

Please provide information on FM Manuals (Status of preparation, likely date of finalization, whether circulated to staff, status of translation..etc.)

State Financial Rules	State FM Manual	Community Level FM Manual.	Any other FM Manual (s)

E. STATUS OF SHARE OF STATE FOR NRLM FOR FINANCIAL YEAR.....

State Share due for NRLM to SMMU (Rs in Lakhs)	Actual Funds Received for State Share.		Remarks
	Date of Receipts.	Amount Received (Rs...Lakhs)	

F. ACCOUNTING SOFTWARE

Is Accounting Software being used? Mention Yes or No		If 'Yes" please specify Name of Accounting software.	If "No" please mention likely date for implementation of Software at SMMU and DMMU.
SMMU	DMMU		

G.INTERIM UNAUDITED FINANCIAL REPORTS

Date of submission of IUFR to NMMU for last 2 quarters by the State.		Did last quarterly State IUFR include all districts? (Yes/No) If "no" please mention name of districts not included in the IUFR.
Quarter (... to ...)	Quarter (... to ...)	

I.STATUS OF BANK RECONCILIATION Statement (BRS) As on.... (Mention Date)

BRS completed up to period (Mention date)		Signatory of Bank Account (Designation(s) of Officials)	
SMMU	DMMU	SMMU	DMMU

J.STATUS OF STATUTORY AUDIT OF SRLM FOR FINANCIAL YEAR.....

C. Statutory Audit for Financial Year								D. Compliance of Statutory Audit of Financial Year.	
Name of Firm.	Date of Appointment of Auditor.	Duration of Appointment.	Audit Fees	Schedule of Audit.	Has TOR as per financial Management Manual been provided to Auditor? "Yes" or "No"	Likely date of submission of Audit Certificate to SRLM.	Remarks about the progress of Audit.	Period for which compliance report has been submitted to NMMU	Date of submission of Compliance Report to NMMU

K. STATUS OF INTERNAL AUDIT OF SRLM FOR FINANCIAL YEAR

Name of Firm	Date of Appointment of Auditor.	Duration of Appointment	Audit Fee	Total No of Units.	No of Units covered in Internal Audit.	Period covered	Units not covered	Remarks

FORM GFR 19-A**Form of utilization certificate**

S.No	Letter No.. and Date	Amount
	Total	

1. Certified that out of Rs of grants-in-aid sanctioned during the year In favour of under this Ministry / Department Letter No. given the margin and Rs..... on account of unspent balance of the previous year, a sum of Rs has been utilized for the purpose of For which it was sanctioned and that the balance of Rs remaining unutilized at the end of the year has been surrendered to Government (vide No..... dated.....) will be adjusted towards the grants-in-aid payable during the next year

2. Certified that I have satisfied myself that the conditions on which grants-in-aid was sanctioned have been duly fulfilled / are being fulfilled and that I have exercised the following checks to see that the money was actually utilized for the purpose for which it was sanctioned.

Kinds of Checks exercised.

- 1.
- 2.
- 3.
- 4.
- 5.

Signature.....
 Designation.....
 Date.....

FORM GFR-40**REGISTER OF FIXED ASSETS**

Name and Description of the Fixed Assets _____

Date	Particulars of Supplier Cost	Particulars of Supplier		Cost of the Asset	Location of Asset	Remarks
		Name and Address	Bill No...and Date			
1	2	3	4	5	6	7

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

REGISTER OF OUTSTANDING AUDIT OBSERVATIONS

SI No	Period of Accounts covered by Audit	Audit Para No	Date of Issue	Brief Details of Audit Objection	Action Taken	Date of Settlement	Remarks

FORMAT OF BANK RECONCILIATION STATEMENT**Month****Bank's name:**

Sl No	Particulars	Amount.. Rs	Amount...Rs
A	Balance as per Bank Statement.		
B	ADD: (i) Amount Deposited but not credited by Bank. (ii) Amount debited but not taken to Cash Book.		
C	SUB TOTAL (A+B)		
D	LESS: (i)Cheque issued but not presented in the Bank. (ii)Amount credited by Bank but not taken into Cash Book.		
E	Balance as per Cash Book.(C-D)		
	List of Cheque not presented in the Bank as per D (i)	Amount	Date of Encashment
	Cheque No		
	TOTAL		

Prepared By

(Accounts Assistant)

Checked by

(Account Officer)

Approved By

(Head of SMMU/DMMU)

CHART OF ACCOUNTS AT STATE LEVEL

Components	Sub-Components	Activities
State Rural Livelihoods Mission	Office Set-up	Refurbishment of Office Space, furniture, fixtures, AV facilities.
		Office Furniture, fixtures etc
		Office Equipments
		Website development, etc
	Workshop, training and exposure visits	Staff trainings and exposure visits.
		Exposure visits for senior govt officials, bank executive, others
		Stakeholders workshops (State, regional and thematic)
	Studies, Consultancies	Staff hiring costs like fees for HR Agency, Headhunting firm, advertising etc.
		Study of quality and inclusion in SHG/SHG Federations/Producer Organizations.
		Study on Financial inclusion strategies.
		Feasibility studies of Livelihoods interventions.
	State Resource Centre	Partnership with SIRD, NGO, others etc
		District Resource centres.
	Staff Costs (SMMU and DMMU)	Staff Costs including allowances, statutory contributions etc.
		Staff trainings and exposure visits.
	Operating Costs	Rentals for Office space.
Stationary, postage, Telephones.		
Transport, Field Travels etc.		
Hiring of Vehicles.		
Institutional Building and	Block Team Costs	Staff Costs of Block Teams including Salary allowances, Statutory Contributions.
	Training and Exposure Visits.	Block Teams training and exposure visits.

Capacity Building.	Social Mobilization/Resource Block Strategy.	Community Resource Persons,Self Help Groups,Village organizations,Block level Federations,Other Institutions.
	Financial Inclusion	Financial inclusion will include interventions for financial literacy, credit linkages, e-book keeping, Bank Mitra etc
Community Investment Support	Health Security ,Food Security ,Education and Debt swapping.	
	Livelihoods Promotions	Agriculture Interventions
		Dairy Interventions.
		Non farming Interventions.
Micro Planning Pilots.	Animal Husbandary Interventions.	
		Micro Planning for Livelihoods activities.
Innovations Forum	Innovation and Partnership Fund	Hiring of agency for scouting, selecting innovations, organizing IF and Partnerships with Innovators
Monitoring & Evaluation	M&E	Baseline studies/survey/Process monitoring/workshops/External Audit/Internal Audit/Social Audit
eNRLMS	MIS & IT Infrastructure	Consultancy for MIS design, IT Infrastructure, etc.
Skill Development & Placements	Placements linked skill development fund	Partnership with recruitment and placement agencies, technical training and development institutes.
RSETI	RSETI Training cost.	Workshops, consultancy, training for unemployed BPL youths.

SELECTION CRITERIA FOR SELECTION OF STATUTORY AUDIT

AT

STATE LEVEL

TO BE ADDED

TERMS OF REFERENCE FOR STATUTORY AUDIT AT STATE LEVEL FOR ASRLMS**Background:**

Government of Assam is implementing a project funded by MoRD and World Bank through Assam State Rural Livelihoods Mission Society (ASRLMS). SRLM has been set up by the Government of Assam as part of its strategy to address rural poverty through enhancing the livelihoods of the poor. SRLM is an independent and autonomous institution registered under Societies Act. The strategy highlights building of pro-poor local institutions/groups through nurturing institution of the poor by supporting formation, strengthening and empowering self-managed community organizations and adopting demand responsive and participatory processes.

Objectives of the Project:

- (a) To create enabling pro poor policy environment;
- (b) To contribute to the lives of the rural poor throughout the state through empowerment and fostering strong self managed grass root institution and support investments by the groups of the poor;
- (c) To bring in convergence among various poverty reduction and empowerment Missions;
- (d) To evolve strategies and approaches for the empowerment of the poor through social mobilization and institution building for community participation;
- (e) To build support and service structures for providing social and technical guidance to the poor in their overall social progress and livelihood development;
- (f) To undertake all relevant activities, including implementation of specific Missions funded by government, bilateral, multi-lateral and other funding agencies for elimination of poverty, and livelihoods development of the poor;
- (g) Establish models for participatory social and economic development of the rural poor in conformity with all these objectives and prove their relevance, sustainability and suitability of replication;
- (h) To strengthen and form producer co-operatives/groups around key commodities, non-farm products and services and expanding poor people's participation in existing commodity co-operatives and producer groups;
- (i) To organize a forum for show casing and supporting various innovations and experimentation with new ideas both for social service delivery and livelihoods promotion;
- (j) To promote Micro Finance Institutions in order to deal with the development of rural poor by way of providing financial assistance and in obtaining commercial funding or by way of refinancing under the guidance of state level society with the overall objective of developing the micro finance sector in the State;
- (k) Support Village Governments in becoming more responsive and effective in delivery of services and assisting the rural poor especially women;
- (l) Such other activities as may be necessary in furtherance of aforesaid objectives

Project Scope and Components:

It is envisaged that the project, to be implemented over a period of 5 years, will cover in 1st phase around 88420 target families in 1985 villages in 42 Blocks spread over 7 districts and the project cost is estimated at Rs 241.99 crores .

The Main broad components of the project are:

- ❖ *Social Mobilization, Institutional Building & Capacity Building:*
- ❖ *Financial Inclusion.*
- ❖ *Community Investment Fund*
- ❖ *Skill Development*
- ❖ *Livelihood Intervention.*

Implementation Arrangements

Assam State Rural Livelihood Mission Society(ASRLMS), constituted by State Government, would oversee the implementation of all NRLM related activities in the State. Its Governing Body and the Executive Committee will provide guidance and advice in all aspects of planning and implementation. The Governing Body would be chaired by the Chief Minister with the Principal Secretary, Panchayat & Rural Development as its Member Secretary / Convenor. The Executive Committee would be chaired, by the Chief Secretary with the Principal Secretary, RD as Vice Chairperson and the State Mission Director as convenor.

State Level: At the state level, the **State Mission Management Unit (SMMU)** has been formed and staffed with a team of dedicated development professionals. The project and the SRLM is headed by State Mission Director.

District level: District Mission Management Unit (DMMU) is established in each 7 districts in 1st phase. The District Mission Manager heads the DMMU with primary responsibility of Coordinating with their Blocks for effective implementation and convergence with ongoing programmes in the district.

Block Level: At the Block Level, Block Mission Management Units will be implemented in each of the 42 Blocks in 1st phase. The Block Project Manager heads the BMMU who will work closely with Block/Village level Federations and SHGs.

OBJECTIVES OF AUDIT

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

The objective of the audit of the Project Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether.

- (1)the PFS give a true and fair view of 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
- (3)the procurement procedure prescribed in the Procurement Manual has been followed and
- (4)Expenditure shown in the PFS are eligible for financing under the relevant loan for credit agreement. In addition, where applicable, the auditor will express a professional opinion as to whether the Financial Management Reports submitted by project management may be relied upon to support any applications for withdrawal from the IDA Credit/Loan.

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 (SRLM) and its constituent state, district and block level units.

AUDIT STANDARDS

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

AUDIT SCOPE

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

- All external funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided. Relevant legal agreements.
- Effective project financial management system, including internal controls, were in operation throughout the period under audit examination. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls and any needs for revision level of compliance with established policies, plans and procedures reliability of accounting systems, data and financial reports; methods of remedying weak controls of creating them where there are none; verification of assets and liabilities; and integrity, controls security and effectiveness of the operation of the computerized system; and
- Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided;
- All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via Interim unaudited Financial Reports (IUFRs) where applicable. Clear linkages should exist between the books of accounts and reports presented to the Bank; certification of IUFR and financial report reconciliation.
- The project accounts have been prepared in accordance with the accounting principles defined in the Project Financial Management and give a true and fair view of the financial position of the project at the year end and of resources and expenditures for the year ended on that date; and
- Goods and services financed have been procured in accordance with the procurement procedure prescribed in the Procurement Manual.

PROGRAMME FINANCIAL STATEMENTS

Programme Financial Statements should include:

(A) Receipts & Payments Account, Income & Expenditure Accounts and Balance Sheet.

(B) Reconciliation of Claims to Total Applications of Funds

(C) Other Statements or Schedules which may include:

- A separate list cumulative project expenditures by Project Component/Sub-components;
- A detailed list of assets created or purchased from project funds.

(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 I*.

STATEMENTS OF EXPENDITURES AND FINANCIAL MANAGEMENT REPORTS

In addition to the audit of the PFS (Project financial statement), the auditor is required to audit all Interim Financial Reports (IFRs) 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 expenditure are identified as having been included in withdrawal applications and reimbursement against, these should be separately noted by the auditor.

An audit report on the project financial statements should be prepared in accordance with the Auditing Standards promulgated by the Institute of Chartered Accountants of India. These standards require an audit opinion to be rendered related to the financial statements taken as 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.

(1) the funds were utilized for the purposes for which they were provided

(2) Expenditure shown in the PFS are eligible for financing under the relevant loan or credit agreement and, where applicable.

(3) the IFRs submitted during the period are supported by adequate detailed documentation maintained in the project accounting offices.

A sample audit report wordings are shown in Annexure II

MANAGEMENT LETTER

In addition to the audit report on the project financial statements, the auditor will prepare a management letter containing recommendations for improvements in internal control and other matters coming to the attention of the auditor during the audit examination, possibly including matters such as the following:

- observations on the accounting records, systems, and controls that were examined during the course of the audit.

- deficiencies or weakness in systems and controls, together with specific recommendations for improvement.
- compliance with financial covenants in the following agreements.
- matters that might have a significant impact on the implementation of the project.
- the status of recommendations from previous management letters ,including any issues which remain to be addressed and any key issues which recurred.
- any other matters that the auditor considers pertinent.

A sample covering letter that could be used to transmit a management letter is shown at *Annexure III*

PERIOD, TIMING AND SAMPLE COVERAGE OF STATUTORY AUDIT.

The Statutory audit will be done for financial year 2012-13 The Auditors should prepare their financial proposal figure based on the volume of work stated below:

The audit will be carried out on a yearly basis as given below:

<i>Unit</i>	<i>No. of Units in FY.....</i>
SMMU	1
DMMU
BMMU

It is expected that auditor should verify at least ...% of CIF (community investment fund) advance which are provided to SHG Federations /SHG (Self Help Groups). The basis of sample will be provided by the auditor at the time of planning of audit.

Timing: The auditor would be carried out annually and the report should be provided to the SMMU latest by 30th june each year to facilitate approval and placements before the Executive Committee and submission to the World bank by September 30 each year. The auditor must submit three copies of the audited accounts and audit report to the CEO at State office (SMMU) in time.

Period of Appointment: The auditor will be appointed for a period of one year for the financial year and may be further extended for two more years.

KEY PERSONAL

The list of key personal and whose CVs and experience would be evaluated is as follows:

S.No	Key Professionals	Description of Services to be provided	Experience
1	Partner /Audit Manager	Overall coordination, & planning, team leadership, reporting, liaison with client	Qualified Chartered Accountant with at least 10 years' experience as a partner with expertise in the area of statutory audit planning execution and reporting
2.	Audit Team	Responsibility to lead	Qualified Chartered Accountants with

	Leader	the audit teams in the field, planning and execution of the audits, discussion with heads of offices at Community Level/Block/district/ state units and report writing and finalization	at least 5 years experience in Statutory audit with ability to lead the team & expertise in the area of statutory audit planning, execution and reporting
3.	Team Member	Audit of SMMU and Field level audit of DMMU, BMMU	CA (Inter) with 2 years of experience in Accounting, audit and report writing

The audit firm should provide CVs of key personnel who are expected to be engaged in audit work for evaluation purpose by SRLM

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, copy of MoU between MoRD and the State Financial Management Manual for NRLM, Financial Rules and Procurement Manual and approved State Perspective and Implementation Plan (SPIP) and Annual Plan of SRLM .The project will provide relevant documents, if any, required by the auditor.

Annexure I

Example of a Management Assertion Letter

(Project Letterhead)

(To Auditor) (Date)

This assertion letter is provided in connection with your audit of the financial statements of the _____ project for the year ended _____ we acknowledge our responsibility for the fair presentation of the financial 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 are have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.
- Procurement procedures as prescribed for the project have been followed.
- We have made available to you all books of account and support 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, and the Project Implementation Plan.

(Chief finance officer)

(State Project Director)

Annexure II

MODEL AUDIT REPORT-UNQUALIFIED OPINION

Addressee-

Introductory Paragraph

We have audited the accompanying financial statements of the BRLPS Project [under World Bank Loan No. _____/IDA as on March 31, 20XX [any other additional years necessary] for the year(s) then ended. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope Paragraph

We conducted our audit in accordance with Auditing and Assurance Standards issued by the Institute of Chartered Accountants 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion Paragraph

In our opinion, the financial statements give a true and fair view of the Sources and Application of Funds and financial position of ASRLMS for the year ended March 31 20XX, in accordance with relevant national standards. We are also satisfied that the procurement procedure prescribed in the Procurement Manual under ASRLMS have been followed.

In addition, (a) with respect to IFRs adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) which expenditures are eligible for financing under the Loan/Credit Agreement [1 (c) the IFR submitted and procedure and internal controls involved in their preparation can be relied upon to support the withdrawals.

[Name and Address of Audit Firm]

[date-Completion Date of Audit]

[Auditor's Address]

[date]

Annexure III

Example of a Management Letter

(Audit firm Letterhead)

(Date)

To Project Management

In connection with our audit of the financial statements of the ASRLMS for the year ended_____ we familiarized ourselves with the project documents the internal guidelines and circulars applicable during the period under audit. We also reviewed the business of the Project and evaluated the accounting systems and related internal controls of the Project in order to plan and perform our audit.

This Letter to Project Management includes observations noted during the course of our audit examination in the following areas:

- Matters having a significant impact on the implementation of the Project
- Opportunities for strengthening financial management records, systems and controls, together with recommendations for improvement
- Status of maintenance of Project books and records
- Accuracy of Project financial statements
- Compliance with prescribed procurement procedures
- Status of prior audit recommendations

The matters contained in this Management Letter are intended solely for the information of Project management, for such timely consideration and action as Project management may deem appropriate. They have all been considered by us in formulating the audit opinion expressed on the project financial statements in our audit report dated_____ and they do not alter the opinion expressed in that audit report.

We wish to take this opportunity to thank Project Management for the courtesies and cooperation extended to our auditors.

Yours truly

(Name and Title)

Annexure IV

Suggested Procurement audit check list related to Goods /Works

Once contracts for goods/works have been selected for detailed audit review the following check list/post review list may be followed:

- 1) Date of audit
- 2) Procurement by State/District/any other organization receiving project funds.
- 3) Description of items procured, quantity and estimated value.
- 4) Whether procedure laid down in the Manual was observed while procuring goods and works?
- 5) if not, any other, justification was available ?
- 6) Whether bid was advertise/placed in public domain?
- 7) Whether sufficient time was given to bidders for preparing and submitting the bids?
- 8) Whether the bids were opened at the notified in the presence of bidders?
- 9) Whether the bids were evaluated in terms of the provisions of the bid documents and the evaluation report was available ?
- 10) Whether contract was awarded to the lowest evaluated responsive bidder fulfilling the qualification requirements indicated in the tender document ?
- 11) Whether the contract was awarded within original bid validity period?
- 12) Whether the signed copy of the contract/purchase order was available?
- 13) Whether articles received/work completed in time?
- 14) Whether payment released timely to the supplier/contractor or valid reasons for delay?
- 15) Whether the assets procured are accounted for ?
- 16) Whether any complaint was received regarding the procurement and was addressed?
- 17) Whether procurement related complaint handling mechanism as envisaged in the project implementation plan is available
- 18) Whether any procurement related irregularities reported in the previous audit report have been complied with?
- 19) Whether Performance Security was Sought?

Procurement Audit check list related to Service Contract

Once service contracts have been selected for detailed audit review the following check list may be followed:

- 1)Date of audit
- 2)Procurement by State/District/any other organization receiving projects funds
- 3)Whether the Terms of Reference covering the scope of work, time schedule out put required ,etc were prepared.
- 4)Whether the Expressions of Interest were checked against advertisement and shortlisted of service providers/consultants prepared?
- 5)Whether the Request for Proposals (RFPs) were issued to short listed service providers/consultants ?
- 6)Whether sufficient time was given to service providers/consultants for preparing and submitting the proposals ?
- 7)Whether the proposals were invited in two separate envelopes, one containing technical and another for financial proposals ?
- 8) Whether the evaluation was done in two stages, first the evaluation of technical proposals and then opening of the financial proposals of only technically qualified service providers/consultants and reports are available thereof?
- 9)Whether the contract was awarded within the validity period of the original proposals ?
- 10)Whether the signed copy of the contract was available?
- 11)Whether the services were completed within the prescribed time limit or valid reasons for delayed completion?
- 12)Whether payment was released timely to the service providers/consultants or valid reasons for delay?
- 13)In the case of single source selection, if there was justification for the purpose?
- 14) Whether any complaint was received regarding the procurement and was addressed?
- 15)Whether procurement related complaint handling mechanism as envisaged in the Project Implementation Plan is available
- 16) Whether any procurement related irregularities reported in the previous audit report have been complied with ?

TERMS OF REFERENCE OF INTERNAL AUDIT AT STATE LEVEL FOR ASRLMS FOR INTERNAL AUDITOR**Background**

Government of Assam is implementing a Mission funded by MoRD and World Bank through Assam State Rural Livelihoods Mission Society. ASRLMS is an independent has been set up by Govt of Bihar as part of its strategy to address rural poverty through enhancing the livelihoods of the poor. ASRLMS is an independent and autonomous institution registered under Society Registration Act 1860 in the year 2011. The Society as outlined highlights building of pro-poor local institutions/groups through nurturing institutions/groups of the poor by supporting formation, strengthening and empowering self-managed community organizations and adopting demand responsive and participatory processes. ASRLMS will also facilitate participation of poor and the disadvantaged in forming producer cooperatives and groups around commodities-non farm products and services.

Objectives of the Project

- (a) To create enabling pro poor policy environment;
- (b) To contribute to the lives of the rural poor throughout the state through empowerment and fostering strong self managed grass root institution and support investments by the groups of the poor;
- (c) To bring in convergence among various poverty reduction and empowerment Missions;
- (d) To evolve strategies and approaches for the empowerment of the poor through social mobilization and institution building for community participation;
- (e) To build support and service structures for providing social and technical guidance to the poor in their overall social progress and livelihood development;
- (f) To undertake all relevant activities, including implementation of specific Missions funded by government, bilateral, multi-lateral and other funding agencies for elimination of poverty, and livelihoods development of the poor;
- (g) Establish models for participatory social and economic development of the rural poor in conformity with all these objectives and prove their relevance, sustainability and suitability of replication;
- (h) To strengthen and form producer co-operatives/groups around key commodities, non-farm products and services and expanding poor people's participation in existing commodity co-operatives and producer groups;
- (i) To organize a forum for show casing and supporting various innovations and experimentation with new ideas both for social service delivery and livelihoods promotion;
- (j) To promote Micro Finance Institutions in order to deal with the development of rural poor by way of providing financial assistance and in obtaining commercial funding or by way of refinancing under the guidance of state level society with the overall objective of developing the micro finance sector in the State;
- (k) Support Village Governments in becoming more responsive and effective in delivery of services and assisting the rural poor especially women;
- (l) Such other activities as may be necessary in furtherance of aforesaid objectives

Project Scope & Components

It is envisaged that the project, to be implemented over a period of 5 years, will cover in 1st phase around 88420 target families in 1985 villages in 42 Blocks spread over 7 districts and the project cost is estimated at Rs 241.99 crores .

The Main broad components of the project are:

- ❖ *Social Mobilization, Institutional Building & Capacity Building:*
- ❖ *Financial Inclusion.*
- ❖ *Community Investment Fund*
- ❖ *Skill Development*
- ❖ *Livelihood Intervention.*

Implementation Arrangements

Assam State Rural Livelihood Mission Society(ASRLMS), constituted by State Government, would oversee the implementation of all NRLM related activities in the State. Its Governing Body and the Executive Committee will provide guidance and advice in all aspects of planning and implementation. The Governing Body would be chaired by the Chief Minister with the Principal Secretary, Panchayat & Rural Development as its Member Secretary / Convenor. The Executive Committee would be chaired, by the Chief Secretary with the Principal Secretary, RD as Vice Chairperson and the State Mission Director as convenor.

State Level: At the state level, the **State Mission Management Unit (SMMU)** has been formed and staffed with a team of dedicated development professionals. The project and the SRLM is headed by State Mission Director.

District level: District Mission Management Unit (DMMU) is established in each 7 districts in 1st phase. The District Mission Manager heads the DMMU with primary responsibility of Coordinating with their Blocks for effective implementation and convergence with ongoing programmes in the district.

Block Level: At the Block Level, Block Mission Management Units will be implemented in each of the 42 Blocks in 1st phase. The Block Project Manager heads the BMMU who will work closely with Block/Village level Federations and SHGs.

At the Community level, the Mission will be implemented through:

- (i) Block Level Federations.
- (ii) Village Organizations
- (iii) Self Help Groups.

Objectives of the Audit

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 and procurement arrangements;

(ii) whether the overall financial management and arrangements including the system of internal controls as documented in the Project Financial Management Manual (FMM), Community Operations Manual (COM), the Project Implementation Plan (PIP) are in practice, 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.

In addition, it is expected that internal audit should play a role in assisting management with fraud-related issues, including the prevention, detection and investigation of fraud as part of “bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Coverage and Standards for the Audit:

The audit would cover (number of districts) 7 Districts and 42 Blocks of ASRLMS. The audit would cover the entire Mission covering all implementing units at State level, District level and Block level including Block level federations and village level federations on a sample basis. The audit would also cover all consultancies or other contracts that may be entered into by the implementing agencies. The internal audit should be carried out in accordance with the Auditing & Assurance 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.

Scope

Specific areas of coverage of the audit will include the following:

Project level (SMMU, DMMU and BMMU):

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

- (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;
- (b) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via Interim Financial Reports (IFR). To ascertain that IFR are properly filled up and submitted on time to SMMU by DMMU and to DMMU by BMMU.
- (c) Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided;
- (d) Project assets are adequately safeguarded and used solely for their intended purposes; and
- (e) Risk Assessment report be prepared by the auditor in the first quarterly report
 - (i) Identifying what are the risk in the project.
 - (ii) Assessment of risk (high, medium, low)
 - (iii) Ensure that there is an appropriate response to all risk.
 - (iv) Informing the authority about the risks which are outside acceptable limits, usually those which are to be tolerated or taken for the potential risk.
- f) An assessment of the adequacy of the project financial management systems, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls, and any needs for revision; level of compliance with established policies, plan and procedures; reliability of accounting systems, data and financial reports; methods of remedying weak controls or creating controls in areas where they are lacking; and verification of assets and liabilities.
- g) Efficiency and timeliness of the funds flow mechanism at the DMMUs and BMMUs and to the Community Institutions. The auditors are required to verify and comment upon the flow of fund from SRLM to SHG Federations and SHGs.
- h) Reconciliation between IUFR and reimbursement of fund.
- i) Verification & certification of IUFR submitted by BMMU/DMMU to SMMU and further to the MoRD.

- j) Method of remedying weak controls or creating them where the controls do not exist.
- k) Whether the fund/ tranche released to the Community Institutions are properly approved by the officer in DMMU/BMMU having the necessary authority, and the conditions (triggers/ graduation criteria) for tranche release (as provided in the COM for various funds) have been complied and are in line with the financing agreement, with the World Bank.
- l) Whether the DMMU/BMMU is accounting for the tranche release properly in the subsidiary records and is monitoring the receipt of periodic reports and utilization certificates from the SHGs/ VOs/ BLF & systems to follow up on overdue reports are adequate. Quantify (number and amount) of the funds transferred to the Community Institutions for which the reports and/or UCs are overdue.
- m) Whether the accounts of the project are complied in a timely manner and the expenditures consolidated on a monthly basis at the DMMU level and submitted to SMMU.
- n) An assessment of compliance with provisions of financing agreements, especially those relating to procurement, accounting and financial matters.
- o) Goods, works and services financed have been procured in accordance with the World Bank procurement guidelines, financial & procurement manual of the project and financing agreements;
- p) All necessary supporting documents, records, and accounts of all project activities have been kept in respect of all project activities and that clear synchronizations exists between accounting records, accounts books and the periodic financial reports (internal and external i.e. Interim Financial Reports)
- q) Adequate records are maintained regarding the assets created and assets acquired by the project, including details of cost, identification and location of assets and verification of assets created out of the project and comment on its utilization;
- r) All 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;
- s) The auditor is expected to obtain and satisfactorily document sufficient audit evidence to support audit conclusions.
- t) Inter unit fund transfers and Bank reconciliations have been carried out on a monthly basis.
- u) Internal auditors to summarize key issues and risks from a review of a sample of village audit reports and comment on actions taken by DMMU/BMMU.
- v) The auditor is expected to obtain and satisfactorily document sufficient audit evidence to support audit conclusions.

Community Level:

In case of sample audit of Village institutions (SHG,VO and BLF) specific consideration will be given to the following:

- a) **SHG Level:** whether the SHGs have maintained are maintained the books/records to account for loans received and sanctioned to members, interest workings are correct,

passbooks of members updated and decisions taken by the SHG are appropriately reflected in the minute books.

b) Village Level Organization/ Block Level Federation: check whether

(i) the VLO/BLF has maintained proper books of account, including loan and interest registers as required in the COM; (ii) records relating to appraisal, approval and sanction of MCPs are maintained properly; (iii) check a sample of assets procured at the VO/BLF level including under funds such as Community managed Food Security if any – check whether inventory records are upto date and book balance agrees with physical stock balance.

c) The reports and other documents submitted by the VO/BLF etc to the BMMU that form the basis of providing funds by the Project (e.g aggregated MCP, UC etc) , provide clear linkages with the books/records and reflect the correct position.

d) The transactions are supported with necessary documents/bills/vouchers and are approved by competent authority and forum.

e) Goods, materials and services have been procured in accordance with the COM.

f) Balance in Bank accounts, with third parties and the Project are duly reconciled.

g) Whether Social accountability, transparency/ disclosure and social audit mechanisms, prescribed in the Manual, are being adhered to by the VO/BLF and their exists documentation evidencing compliance.

h)The financial reports and utilization certificate submitted by VO/BLF to BMMU are conforming to Books of Accounts.

i) All the required Books of Accounts as prescribed by Project and necessary supporting documents (Vouchers, Bills, registers, minutes books etc) have been kept in respect of all project transaction and that clear synchronizations exists between accounting records, accounts books and financial reports.

j) Decision taken are supported by adequate recording of decisions in the minutes books of Community institutions.

k) Adequate records (stock/asset register) are maintained to properly reflect the assets of the VO/BLF/SHGs including detail of cost, identification and location of assets and physical verifications of assets.

l)All funds (grants) received from the project have been used in accordance with the conditions of the guidelines.

The audit will be carried out on quarterly basis and the sample coverage will be projected in consultation before RFP is issued-this will be determined by the pace of implementation of project.

Data, services and facilities to be provided by the Client:

a. All the project documents, copy of agreement and relevant papers needed for Audit will be provided by the ASRLMS.

b. 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, copy of MoU between MoRD and the state, State Financial Management Manual for NRLP, Financial Rules and Procurement Manual and approved State Perspective and Implementation Plan (SPIP) and Annual Plan of SRLM. The project will provide relevant documents, if any, required by the auditor.

c. The relevant World Bank policies and guidelines.

d. A one day workshop will be organized by the SRLM for providing information about the NRLP and it should be attended by all the members of audit team.

e. Active support from the officials at SMMU/DMMU/BMMU levels.

Period, Timing and coverage of Internal Audit

The Internal Audit of DMMU & BMMU will be for the period from April 2012 to 31st March 2013 in the financial year 2012-13 and will be carried out on a quarterly basis . The contract may be renewed after accessing the pace of implementation the projects need and performance of the consultant for further two years on same terms.

The selected firm(s) will submit in advance and agree with the DMMU and SMMU a 'schedule of audit'. The auditor should become familiar with the Project, and with the relevant policies and guidelines of the NRLP and the World Bank (including those relating to disbursements, procurement and financial management and reporting).The audit will be carried out on a quarterly basis.

Reporting

Quarterly Reporting & Annual reporting : The Auditors will provide a quarterly report for the units audited (a summary of the key findings, implications and recommendations by each Block – including the SHG Federations & SHGs covered, must be prepared and will be prepared and discussed with the Block Mission Manager to enable the Project Management to take timely action. The report should be discussed and agreed with the auditable units and should be structured in a manner giving the observations, the implications of the observations, the suggested recommendation and the management comments/ agreed actions. The audit observations should be supported by instances and quantified, as far as practicable. Four quarterly audits reports and one annual report will be provided each year.

The audit reports should be submitted within 30 days of the completion of the quarter. The reports will be directed as under –

- The Project Management Letter to the State Mission Director.
- The individual audit reports to each of the auditable unit to the head of the unit. In case of audit report of the SHG Federation, a copy will also be submitted to the concerned BMMU.

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

Format of the Management Letter: The Management Letter will inter alia have the following sections -

- Objectives of the audit;
- Methodology of the audit;
- Status of implementation of the financial management system;
- Status of compliance of previous audit reports, including major audit observations pending compliance;
- Key areas of weaknesses that need improvement; and
- Recommendations for improvements

Procedure of Conducting Audit at DMMU and BMMU.

1. The auditor should give detailed work plan for conducting audit at BMMU and DMMU to SMMU and the concerned Office.
2. The auditor should inform DMMU And BMMU before the start of audit.

3. The auditor should give detailed work plan for conducting the audit.
4. The audit questionnaire and audit work sheet shall be signed by the audit team member and officials of BMMU/DMMU.
5. Feedback as necessary can be given to the management on the outcome of the Audit from time to time. Information about any discrepancies can be shared with the management for rectification/clarification.
6. During the audit, the internal Audit team shall interact with management staff for any clarification.
7. The auditor shall interact with the DMMU/BMMU/SMMU management before furnishing of any report.
8. The auditor should inform SMMU and the concerned office before start of the audit at DMMU/BMMU and furnish the detailed plan of the audit. The plan shall be finalized in consultation with the management at SMMU level.
9. After the teams of auditors complete their respective audit of the DMMU & BMMU, the head office auditor will consolidate the observations.
10. The detail approach and methodology of audit should be provided by the auditor themselves in the Request For Proposal (RFP).

Composition of review committee and review procedure to monitor consultants work

The proposed assignment will be reviewed and monitored by a Review Committee constituted by SRLM. This committee will be constituted to interact with the Auditor, review and monitor the progress of the assignment on a quarterly basis and take further remedial measures on the discrepancies pointed out in internal audit.

KEY PERSONNEL

The list of key personnel and whose CVs and experience would be evaluated is as follows:

SI No	Key Professionals	Description of services to be provided	Experience
1.	Partner/Audit Manager	Overall coordination & planning, team leadership, reporting, liaison with client.	Qualified Chartered Accountant with at least 7 years experience as a partner with expertise in the area of internal audit planning, execution and reporting.
2	Audit Team Leader	Responsible to lead the audit teams in the field, planning and execution of the audits, discussion with Head of offices at BMMU/DMMU and State units and reporting, writing and finalization.	Qualified Chartered Accountant with at least 3 years of experience in internal audit with ability to lead and team and interact with senior level govt officials.
3.	Team Member.	Audit of DMMU & BMMU.	CA (Inter) with experience in Accounting, audit and report writing.

General:**Decision taken in Technical Negotiation**

It was mutually discussed and decided that time lines of the conducting of the audit will be as follows:-

Quarter	Period of Audit	Timeline for DMMU and BMMU auditors	Timeline for SMMU auditors
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Final report of the audit will be submitted as per the timelines indicated above. The written acceptance of the report by the ASRLMS will be considered as submission of the report.

It was intimated to the auditors that before the start of audit, the ASRLMS will issue identity card to every member of the audit team who have been proposed by the auditors in the RFP. Any change in the members due to the unavoidable circumstances will only be done by the Consultants after seeking prior No Objection from the ASRLMS. The changed members should be of similar qualifications, any change in team without no objection from ASRLMS will not be eligible for audit.

Annexure to Main Audit Report**Part A: Serious Observations**

In this part, give details of serious audit observations such as ineligible expenses, major lapses in internal controls, systemic weaknesses, procurement procedures not followed etc.

Part B: Other Observations

Observations that are not serious in nature, but nonetheless require the attention of the Project or the GP should be detailed in this part.

Part C: Executive Summary to the project and Suggestions/Recommendations (based on summary of various SHG Federations)

Provide an Executive Summary of the observations in Part A and B along with suggestions/recommendations. Only those observations that are dealt with in either Part A or Part B should be included in this section. Provide specific recommendations on internal control and systemic weaknesses.

Part D : Matters Requiring Immediate Attention

1. Persisting Irregularities
2. Books of Accounts
3. Internal Controls and Systems
4. Compliance with Financing Agreement, Project agreement, PIP, COM, PAD & FM manual/devolution of power.
5. Procurement Procedures
6. Community Investment Fund
7. Village Organization and SHG
8. Training and exposure visit expenses and its variance - reason thereof (Physical and Financial) from Budget under CID Component
9. Computerized Financial Management System (Tally 9)
10. Advances to Staff and Other and its periodicity
11. Statutory Payments and its deviations
12. Employee benefit entitlement
13. Specific case in observation
14. Assurance of completion of IUFR and timely submission.
15. Tracking of financial Variance - Project component wise.

16. Index of Report
17. Suggestions.

SUGGESTED QUESTIONNAIRE FOR SMMU, DMMU & BMMU

(Please provide brief details of divergence from procedure)

1. Whether the Office has maintained proper records showing full particulars, including quantitative details and location of fixed assets?
2. Whether all Assets including current assets like inventory have been physically verified during the quarter?
3. Whether the loans are being repaid in a timely manner along with the interest thereon?
4. Date up to which the loans register is filled up.
5. Whether the cash book is properly maintained and whether it tallies with computerized system of accounting?
6. Cash balance as on the date of audit.
7. Whether expenditure has been made as per the delegation of power. Details of any divergence should be mentioned.
8. Whether bank book is properly prepared and whether the balance as per the pass book confirms with the balance as per the bank book.
9. Whether proper training programs are being conducted.
10. Whether the training expenditure is as per the Budget and whether the training report is submitted for each residential training or not.
11. Whether the books of accounts are reconciled between DMMU/BMMUs and with the SMMU books. If no, then reason and amount of such difference.
12. Whether the T.A. bills are entered in the T.A. register on time and along with supporting vouchers.
13. Whether CIF disbursed is properly entered in the CIF register, other details like number of groups, amount of CIF, Utilization certificate etc.
14. Whether any advance is given to the staff. If yes, whether it is properly sanctioned and settled within 15 days.
15. Whether proper internal control system is followed.
16. Whether the office is paying TDS and EPF regularly and on time.
17. Whether any fraud on or by any office or person has been noticed or reported during the year. If yes, the nature and amount involved.
18. Whether log book of Generator hiring, Computer hiring and Vehicle hiring has been properly maintained or not.
19. Whether stock register is maintained. If yes, last entry of goods number/voucher page number of stock register and particulars of goods.
20. Whether 100% vouching is done. If yes, total number of voucher, amount, component wise expenditure and budget wise variance.
21. Whether all expenditure is made as per the budget. If not, the amount of variance.
22. Whether inter BMMU and inter district reconciliation is made. If yes, whether there is any difference and reason for such difference.

PREFACE

The Financial Management Manual of Assam State Rural Livelihoods Society is an integral part of the Project Implementation Plan and has been prepared with the objectives of facilitating smooth implementation, providing the fiduciary framework and detailing the overall financial management arrangement, accounting policies and procedures applicable for the Mission. This Manual along with PIP, Community Operation Manual and the Financial and Administrative Rules overall control framework of the Mission.

The manual is a dynamic document and may be amended as and when required and as learning accumulates with in the Mission. This Manual needs to be periodically updated in tune with the change in the implementation of arrangement and suggestions on the Manual are welcome which would be taken care of it in its subsequent editions.

**Smt. Archana Varma, IAS
I/c State Mission Director
National Rural Livelihoods Mission, Assam**